


First Quarter 2022 Management's Discussion and Analysis
Date: May 5, 2022

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, 2021 and 2020, management's discussion and analysis ("MD&A") for the year ended December 31, 2021, as well as the condensed consolidated financial statements and notes as at March 31, 2022 and for the three months ended March 31, 2022 and 2021. This MD&A is dated May 5, 2022. All amounts are denominated in Canadian dollars (CDN\$) unless otherwise identified.

Financial Highlights (stated in thousands, except share and per share amounts)	Three months ended March 31		
	2022	2021	Change
Revenue	50,475	36,969	37%
Adjusted EBITDA ⁽¹⁾	10,391	6,891	51%
Adjusted EBITDA as a percentage of revenue	21%	19%	11%
Cash flow from operating activities	6,461	1,509	328%
Additions to property and equipment	4,094	873	369%
Net loss	(3,834)	(6,454)	(41%)
-basic and diluted net loss per share	(0.04)	(0.07)	(43%)
Weighted average number of shares			
-basic and diluted	91,736,391	91,184,713	1%
Outstanding common shares as at period end	91,788,008	91,200,072	1%
Operating Highlights⁽²⁾			
Contract Drilling			
<i>Canadian Operations</i>			
Average active rig count	12.0	10.6	13%
End of period rig count	37 ⁽⁴⁾	49	(24%)
Operating Days	1,081	953	13%
Revenue per Operating Day	26,390	20,561	28%
Drilling rig utilization	32%	22%	45%
CAOEC industry average utilization - Operating Days ⁽³⁾	39%	27%	44%
<i>United States Operations</i>			
Average active rig count	1.1	0.4	175%
End of period rig count	8	8	-
Operating Days	100	38	163%
Revenue per Operating Day (US\$)	19,134	14,574	31%
Drilling rig utilization	14%	5%	180%
Production Services			
<i>Canadian Operations</i>			
Average active rig count	31.0	31.8	(3%)
End of period rig count	63	63	-
Service Hours	20,173	20,702	(3%)
Revenue per Service Hour	876	727	20%
Service rig utilization	49%	51%	(4%)

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

(4) During the first quarter of 2022, 12 drilling rigs were deregistered with the CAOEC.

Financial Position at (stated in thousands)	March 31, 2022	December 31, 2021	December 31, 2020
Working capital	10,287 ⁽¹⁾	2,224	15,997
Total assets	457,226	456,003	495,625
Long term debt	233,321 ⁽²⁾	226,884	237,633

(1) Working capital, as presented above, excludes the portion of the Second Lien Facility that would otherwise be considered long term if not for the January 31, 2023 maturity date and the expected closing of the debt restructuring transaction in the second quarter of 2022.

(2) As at March 31, 2022, in the condensed consolidated financial statements the Second Lien Facility is classified as a current liability and not long term debt due to its maturity of January 31, 2023. Long term debt stated above is before such classification for better comparability to December 31, 2021.

Non-International Financial Reporting Standards (“Non-IFRS”) measures and ratios, such as Adjusted EBITDA and Adjusted EBITDA as a percentage of revenue, are defined on page 15 of this MD&A. Abbreviations for standard industry terms are included on page 16 of this MD&A.

Business Overview

Western is an energy services company that provides contract drilling services and production services in Canada and the United States (“US”) through its various divisions, subsidiaries, and first nations joint venture.

Contract Drilling

Western operates a fleet of 45 drilling rigs specifically suited for drilling complex horizontal wells across Canada and the US. Western is currently the fourth largest drilling contractor in Canada, based on the Canadian Association of Energy Contractors (“CAOEC”) registered drilling rigs¹. In the first quarter of 2022, Western deregistered 12 drilling rigs with the CAOEC, all of which can be reactivated at a later date.

Production Services

Production Services provides well servicing and oilfield equipment rentals in Canada. Western operates 63 well servicing rigs and is the third largest well servicing company in Canada based on CAOEC registered well servicing rigs². During the fourth quarter of 2021, the Company sold three well servicing rigs that operated in the United States.

Western’s contract drilling and well servicing rig fleets comprise the following:

Three months ended March 31												
Drilling rigs										Well servicing rigs		
Rig class ⁽¹⁾	2022			2021			2022			2021		
	Canada	US	Total	Canada	US	Total	Mast type	Total	Total			
Cardium	11	2	13	23	2	25	Single	30	33			
Montney	19	-	19	19	-	19	Double	25	25			
Duvernay	7	6	13	7	6	13	Slant	8	8			
Total	37	8	45	49	8	57		63	66			

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

¹ Source: CAOEC Contractor Summary as at May 5, 2022.

² Source: CAOEC Fleet List as at May 5, 2022.

Business Environment

Crude oil and natural gas prices impact the cash flow of Western's customers, which in turn impacts the demand for Western's services. The following table summarizes average crude oil and natural gas prices, as well as average foreign exchange rates, for the three months ended March 31, 2022 and 2021.

	Three months ended March 31		
	2022	2021	Change
Average crude oil and natural gas prices⁽¹⁾⁽²⁾			
Crude Oil			
West Texas Intermediate (US\$/bbl)	94.29	57.84	63%
Western Canadian Select (CDN\$/bbl)	101.03	57.43	76%
Natural Gas			
30 day Spot AECO (CDN\$/mcf)	4.94	3.24	52%
Average foreign exchange rates⁽²⁾			
US dollar to Canadian dollar	1.27	1.27	-

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

(2) Source: Sproule March 31, 2022 Price Forecast, Historical Prices.

West Texas Intermediate ("WTI") on average improved by 63% for the three months ended March 31, 2022, compared to the same period in the prior year. Similarly, pricing on Western Canadian Select ("WCS") crude oil increased by 76% for the three months ended March 31, 2022, compared to the same period in the prior year. In the three months ended March 31, 2022, pricing increased due to the war in Ukraine which caused significant price volatility, as well as improved demand for crude oil as vaccine rollouts continued worldwide. Natural gas prices in Canada also strengthened in the first quarter of 2022 due to the same factors causing lower supplies and increased demand, as the 30-day spot AECO price improved by 52% for the three months ended March 31, 2022, compared to the same period of the prior year. While commodity prices improved, the US dollar to the Canadian dollar foreign exchange rate in the first quarter of 2022 was consistent with the same period of the prior year.

In the United States, industry activity improved in the first quarter of 2022. As reported by Baker Hughes Company³, the number of active drilling rigs in the United States increased by approximately 57% to 673 rigs as at March 31, 2022, as compared to 430 rigs at March 31, 2021. There were 130 active rigs in the Western Canadian Sedimentary Basin ("WCSB") at March 31, 2022, compared to 79 active rigs as at March 31, 2021. The CAOEC⁴ reported that for drilling in Canada, the total number of Operating Days in the WCSB increased by approximately 38% for the three months ended March 31, 2022, compared to the same period in the prior year. Despite improved commodity prices, there remains continued industry concerns over the prevailing customer preference to return cash to shareholders, or pay down debt, rather than grow production through the drill bit.

Overall Performance and Results of Operations

Operational results for the three months ended March 31, 2022, include:

- First quarter revenue increased by \$13.5 million or 37%, to \$50.5 million in 2022 as compared to \$37.0 million in the first quarter of 2021. In the contract drilling segment, revenue totalled \$31.0 million in the first quarter of 2022, an increase of \$10.7 million or 53%, compared to \$20.3 million in the first quarter of 2021. In the production services segment, revenue was \$19.6 million for the three months ended March 31, 2022, as compared to \$16.9 million in the same period of the prior year, an increase of \$2.7 million or 16%. While the ongoing COVID-19 pandemic continued to impact the contract drilling and production services segments in the first quarter of 2022, revenue was positively impacted by improved demand compared to 2021 as described below:
 - In Canada, drilling rig utilization averaged 32% in the first quarter of 2022, compared to 22% in the first quarter of 2021. The increase in activity in the first quarter of 2022 was mainly attributable to the higher commodity prices resulting from the war in Ukraine, the ongoing COVID-19 vaccination rollouts and the lifting of government restrictions which re-opened the economy, compared to the first quarter of 2021 when the COVID-19 pandemic reduced demand across the industry. The CAOEC industry average utilization of 39%⁵ for the first quarter of 2022

³ Source: Baker Hughes Company, 2022 Rig Count monthly press releases.

⁴ Source: CAOEC, monthly Contractor Summary.

⁵ Source: CAOEC, monthly Contractor Summary.

represented an increase of 1,200 basis points (“bps”) compared to the CAOEC industry average of 27% in the first quarter of 2021. Western’s market share, represented by the Company’s Operating Days as a percentage of the CAOEC’s total Operating Days in the WCSB, decreased to 6.7% for the first quarter of 2022, as compared to 8.2% in the same period of 2021, as a result of limited capital spent on rig upgrades during the economic downturn. Revenue per Operating Day averaged \$26,390 in the first quarter of 2022, an increase of 28% compared to the same period of the prior year, mainly due to improved market rates, as well as the 2021 CAOEC wage increase that is passed through to the customer;

- In the United States, drilling rig utilization averaged 14% in the first quarter of 2022, compared to 5% in the first quarter of 2021, with Operating Days improving from 38 days in 2021 to 100 days in 2022. Revenue per Operating Day for the first quarter of 2022 averaged US\$19,134, a 31% increase compared to US\$14,574 in the same period of the prior year, mainly due to improved market conditions; and
- In Canada, service rig utilization of 49% in the first quarter of 2022 was lower than 51% in the same period of the prior year, mainly due to field crew shortages across the industry and very cold weather to start the quarter. Revenue per Service Hour averaged \$876 in the first quarter of 2022 and was 20% higher than the first quarter of 2021, as a result of improved market conditions which led to higher hourly rates, as well as increased labour and fuel charges passed through to the customer. Higher pricing led to production services revenue totaling \$19.6 million in the first quarter of 2022, an increase of \$2.7 million or 16%, as compared to the same period in the prior year.
- Administrative expenses increased by \$0.2 million or 6%, to \$3.4 million in the first quarter of 2022, as compared to \$3.2 million in the first quarter of 2021, due to reduced receipts related to the Canada Emergency Wage Subsidy (“CEWS”) from the Government of Canada as the program ended October 2021.
- The Company incurred a net loss of \$3.8 million in the first quarter of 2022 (\$0.04 per basic common share) as compared to a net loss of \$6.4 million in the same period in 2021 (\$0.07 per basic common share). The change can mainly be attributed to a \$1.6 million decrease in income tax recovery, offset partially by a \$3.5 million increase in Adjusted EBITDA, and a \$0.9 million decrease in depreciation expense due to certain assets being fully depreciated in the period.
- First quarter Adjusted EBITDA of \$10.4 million in 2022 was \$3.5 million, or 51%, higher compared to \$6.9 million in the first quarter of 2021. Adjusted EBITDA was higher due to improved activity in Canada and the US, offset partially by a decrease of \$3.3 million as no CEWS was received since the program ended, compared to the same period in 2021.
- First quarter additions to property and equipment of \$4.1 million in 2022 compared to \$0.9 million incurred in the first quarter of 2021 and consisted of \$2.5 million of expansion capital and \$1.6 million of maintenance capital.
- As previously announced on December 30, 2021, the Company deferred the interest payment on its second lien secured term loan facility (the “Second Lien Facility”) originally due on January 4, 2022 until February 28, 2022 which was further deferred to March 21, 2022 and then paid “in kind” (“PIK”) and added to the outstanding principal loan amount.
- On March 22, 2022, Western announced that it had entered into agreements to restructure a portion of its outstanding debt and raise new capital (the “Restructuring Transaction”). Pursuant to the Restructuring Transaction, Western entered into a debt restructuring agreement (the “Debt Restructuring Agreement”) with Alberta Investment Management Corporation (“AIMCo”), the lender under its Second Lien Facility. Under the Debt Restructuring Agreement, subject to the completion of the other components of the Restructuring Transaction and the satisfaction of certain other conditions, the Company will convert \$100.0 million of the principal amount outstanding under the Second Lien Facility into common shares at a conversion price of \$0.05 per share (the “Debt Exchange”). On completion of the Debt Exchange, the Second Lien Facility will be amended to, among other things, extend its maturity date from January 31, 2023 to the fourth anniversary of the closing date of the Debt Exchange.
 - As a condition to the completion of the Debt Exchange, the Company is conducting a rights offering of common shares to all of its shareholders to raise proceeds of \$31.5 million (the “Rights Offering”). Under the Rights Offering, shareholders of record as of April 19, 2022, have the right to acquire for each common share held on the record date, 21.4488803374 additional common shares at a subscription price of \$0.016 per share. G2S2 Capital Inc. (“G2S2”), G2S2’s subsidiary Armco Alberta Inc. (“Armco”), Ronald P. Mathison and Matco Investments Ltd. (“Matco”), currently the Company’s largest shareholders, have entered into a standby purchase agreement with the Company wherein they have agreed to exercise in full their basic subscription privilege in the Rights Offering and, in the case of each of Armco and Matco, acquire any shares not subscribed for by other shareholders under the Rights Offering. The proceeds of the Rights Offering will be applied to reduce the principal amount outstanding

under the Second Lien Facility by \$10.0 million, with the remaining net proceeds to be used for upgrades to the Company's rig fleet. The Rights Offering is expected to be completed on or around May 17, 2022.

It is also a condition for completion of the Debt Exchange that the Company and AIMCo enter into a registration rights agreement (the "Registration Rights Agreement") and further that the Company, AIMCo, G2S2, Armco, Matco and Mr. Mathison enter into an investor rights agreement (the "Investor Rights Agreement"). Pursuant to the Registration Rights Agreement, AIMCo will be granted the right to cause the Company to file a prospectus to facilitate the sale of its common shares in a public offering, or to allow it to participate in a public offering of common shares by the Company, in each case subject to certain customary restrictions and limitations. The Registration Rights Agreement will terminate when AIMCo and its affiliates or other permitted transferees beneficially own, in the aggregate, less than 10% of the then outstanding common shares. Pursuant to the Investor Rights Agreement, AIMCo will be granted the right to appoint two nominees for election as directors of the Company for so long as the shareholding percentage of AIMCo and its affiliates of the Company's common shares is 30% or greater.

In connection with the Restructuring Transaction, Western has entered into a commitment letter with two of the lenders under its senior secured credit agreement to make certain amendments to its senior secured credit facilities.

Upon completion of the Restructuring Transaction, the principal amount of the Second Lien Facility is expected to be approximately \$108.5 million and AIMCo is expected to hold approximately 49.7% of the outstanding common shares in the capital of the Company.

Completion of the Restructuring Transaction is subject to various conditions, including completion of definitive amendments to the Second Lien Facility agreement and the senior secured credit facility substantially on the terms specified in the Debt Restructuring Agreement, approval of the Restructuring Transaction by the Toronto Stock Exchange and completion of the Rights Offering. Details of the Restructuring Transaction and proposed amendments to Western's senior credit facilities are contained in the prospectus filed under Western's SEDAR profile on www.sedar.com.

Outlook

In the first quarter of 2022, crude oil prices reached their highest levels since 2014, due to recovering demand as governments eased COVID-19 restrictions, the Russian invasion of Ukraine and supply constraints. Heightened uncertainty persists concerning the impact of global COVID-19 variants on possible future government restrictions, which are expected to have an impact on demand in the near term. Additionally, the ongoing war in Ukraine has caused further volatility in crude oil prices and resulting supply. 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 delayed timing of completion of construction on the Trans Mountain pipeline expansion and the threatened shutdown of Enbridge Line 5, have contributed to continued uncertainty regarding takeaway capacity. However, activity levels in 2022 are expected to be higher than 2021 levels as a result of increased capital spending by Western's customers. Controlling fixed costs, maintaining balance sheet strength and flexibility and managing through a post-pandemic market are priorities for the Company, as prices and demand for Western's services continue to improve.

Due to improved activity in the first quarter of 2022, as a result of the successful COVID-19 vaccine rollout, the lifting of government restrictions, and the expected closing of the Restructuring Transaction, Western's Board of Directors has approved a capital budget dependent upon the completion of the Restructuring Transaction for 2022. Total budgeted capital for 2022 is expected to total approximately \$34 million and is expected to be comprised of \$23 million of expansion capital and \$11 million of maintenance capital, with \$29 million allocated to the contract drilling segment and \$5 million allocated to the production services segment. Subsequent to the closing of the Rights Offering, substantially all of the proceeds will be used to upgrade the Company's drilling rig fleet which will drive further improvements in both utilization and pricing through all industry cycles. Western will continue to manage its costs in a disciplined manner and make required adjustments to its capital program as customer demand changes. Currently, 5 of Western's drilling rigs and 14 of Western's well servicing rigs are operating.

As at March 31, 2022, Western had \$7.0 million drawn on its \$60.0 million revolving and operating credit facilities (the "Credit Facilities"). As described previously, subsequent to December 31, 2021, the Company agreed to amend the terms of its Credit Facilities, including extending the maturity date and amending its financial covenants. Western had drawn \$12.5 million on its HSBC Bank Canada six-year committed term non-revolving facility with the participation of Business Development Canada (the "HSBC Facility"), which matures on December 31, 2026. Western currently has \$218.0 million outstanding on its Second Lien Facility. As previously announced on March 22, 2022 and described above, the Company has

entered into a Debt Restructuring Agreement with AIMCo, pursuant to which the maturity date of the Second Lien Facility will be extended upon completion of the Debt Restructuring Transaction. The Debt Restructuring Transaction will result in the repayment of \$100.0 million of Second Lien Facility principal which will reduce the Company's finance costs on a go forward basis. Additionally, the \$31.5 million proceeds from the Rights Offering will be used to repay \$10.0 million of principal on the Second Lien Facility and invest the remainder in capital upgrades on its drilling rig fleet.

Oilfield service activity in Canada will be affected by the continued development of resource plays in Alberta and northeast British Columbia which will be impacted by continued pipeline construction, environmental regulations, and the level of investment in Canada. In the short term, the largest challenges facing the oilfield service industry are a lack of qualified field personnel and the restrained growth in customer drilling activity due to the continuing preference to return cash to shareholders through share buybacks, increased dividends and repayment of debt, rather than grow production. If commodity prices remain high for an extended period and as customers strengthen their balance sheets and satisfy shareholders, we expect that drilling activity will continue to increase. In the medium term, Western's rig fleet is well positioned to benefit from the LNG Canada liquefied natural gas project now under construction in British Columbia. It remains Western's view that its upgraded drilling rigs and modern well servicing rigs, reputation for quality, and disciplined cash management provides Western with a competitive advantage.

Review of Results from the First Quarter 2022

Segmented Information

Contract Drilling

Financial Highlights (stated in thousands)	Three months ended March 31		
	2022	2021	Change
Revenue	30,975	20,296	53%
Expenses			
Operating	23,206	15,225	52%
Administrative	1,519	1,222	24%
Adjusted EBITDA ⁽¹⁾	6,250	3,849	62%
Adjusted EBITDA as a percentage of revenue	20%	19%	5%
Depreciation	7,201	7,808	(8%)
Operating loss	(951)	(3,959)	(76%)
Stock based compensation	-	21	(100%)
Loss before income taxes	(951)	(3,980)	(76%)

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

For the first quarter of 2022, contract drilling revenue totalled \$31.0 million, a \$10.7 million, or 53%, increase as compared to same period in the prior year. Revenue for the three months ended March 31, 2022, was higher due to higher utilization and higher day rates as a result of improved demand and an improved spot market.

Administrative expenses for the first quarter of 2022 totalled \$1.5 million and were \$0.3 million, or 24%, higher than the same period of the prior year due to reduced receipts related to the CEWS as the program ended in October 2021.

Contract drilling incurred a loss before income taxes of \$1.0 million in the first quarter of 2022, compared to a loss before income taxes of \$4.0 million in same period of the prior year. The change for 2022 can be attributed to a \$2.5 million increase in Adjusted EBITDA and a \$0.6 million decrease in depreciation expense.

Contract drilling Adjusted EBITDA of \$6.3 million in the first quarter of 2022 was \$2.5 million, or 62%, higher than \$3.8 million in the same period of the prior year, mainly due to improved activity and pricing in 2022.

Depreciation expense in the first quarter of 2022 totalled \$7.2 million and reflects a decrease of \$0.6 million, or 8%, over the same period of the prior year, mainly due to assets being fully depreciated in the year.

Canadian Operations

The price for Canadian crude oil increased during the first quarter of 2022 which has improved demand for the Company's drilling rigs. Operating Days of 1,081 in the first quarter of 2022 were 13% higher than 953 Operating Days in the first quarter of 2021, resulting in drilling rig utilization in Canada of 32% compared to 22% in the same period of the prior year. In the first quarter of 2022, the Company deregistered 12 drilling rigs, all of which can be reactivated at a later date. Higher utilization in the first quarter of 2022 was due to higher commodity prices resulting from the lifting of government restrictions which assisted with the economic recovery, as well as the ongoing war in Ukraine. Western's market share of

6.7% in the first quarter of 2022, represented by the Company's Operating Days as a percentage of the CAOEC's total Operating Days in the WCSB was lower than the Company's market share of 8.2% in the same period of 2021, mainly due to limited capital spent on rig upgrades during the economic downturn.

For the three months ended March 31, 2022, Revenue per Operating Day improved by 28% and averaged \$26,390 compared to \$20,561 in the same period of the prior year, mainly due to improved market conditions in the first quarter of 2022 as well as crew compensation increases that were passed through to the customer.

United States Operations

WTI prices improved from an average of US\$57.84/bbl in the first quarter of 2021 to US\$94.29/bbl in the first quarter of 2022, resulting in improved activity in the United States. This resulted in Western's 2022 Operating Days in the United States increasing by 163% to 100 days compared to 38 days in the same period of the prior year, which resulted in drilling rig utilization of 14% in the first quarter of 2022 compared to 5% in the same period for 2021.

For the three months ended March 31, 2022, Revenue per Operating Day increased by 31% as compared to the same period of the prior year, from US\$14,574 in 2021 to US\$19,134 in 2022, due to improved spot market rates.

Production Services

Financial Highlights (stated in thousands)	Three months ended March 31		
	2022	2021	Change
Revenue	19,586	16,878	16%
Expenses			
Operating	13,561	11,905	14%
Administrative	962	714	35%
Adjusted EBITDA ⁽¹⁾	5,063	4,259	19%
Adjusted EBITDA as a percentage of revenue	26%	25%	4%
Depreciation	2,297	2,560	(10%)
Operating earnings (loss)	2,766	1,699	(63%)
Stock based compensation	13	18	(28%)
Income (loss) before income taxes	2,753	1,681	(64%)

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

For the quarter ended March 31, 2022, production services revenue increased by \$2.7 million or 16%, to \$19.6 million, compared to \$16.9 million in the same period of 2021. The increase in production services revenue is due to higher commodity prices which resulted in improved demand and drove higher hourly rates in the first quarter of 2022.

Service Hours decreased marginally by 3% to 20,173 hours (49% utilization) in the first quarter of 2022, compared to 20,702 hours (51% utilization) in the first quarter of 2021. The decrease in Service Hours is due to the shortage of qualified field personnel and very cold weather to start the first quarter of 2022, despite improved market conditions. Revenue per Service Hour of \$876 for the quarter ended March 31, 2022, was 20% higher than the same period of the prior year due improved market conditions, as well as higher fuel and wage costs passed through to the customer.

For the three months ended March 31, 2022, administrative expenses totalled \$1.0 million and were 35% higher than the prior year of \$0.7 million due to higher employee related costs resulting from lower CEWS amounts received, as the government program ended in October 2021.

For the first quarter of 2022, production services earned income before income taxes of \$2.8 million, compared to income before income taxes of \$1.7 million in the same period of the prior year, mainly due to a \$0.8 million increase in Adjusted EBITDA in 2022, and a \$0.3 million decrease in depreciation expense.

Adjusted EBITDA increased for the three months ended March 31, 2022 by \$0.8 million, or 19%, to \$5.1 million, compared to \$4.3 million in the same period of the prior year. The higher Adjusted EBITDA for 2022 was due to improved market conditions that resulted in higher hourly rates, as well as a continued focus on cost management.

Depreciation expense for the first quarter of 2022 was lower by 10% than the same period of the prior year mainly due to assets that were fully depreciated in the year.

Corporate

(stated in thousands)	Three months ended March 31		
	2022	2021	Change
Expenses			
Administrative	922	1,217	(24%)
Depreciation	421	438	(4%)
Operating loss	(1,343)	(1,655)	(19%)
Stock based compensation	19	29	(34%)
Finance costs	4,627	4,568	1%
Other items	66	(35)	(289%)
Income tax recovery	(419)	(2,062)	(80%)

Corporate administrative expenses for the quarter ended March 31, 2022 totalled \$0.9 million and were \$0.3 million, or 24%, lower than the same period in the prior year mainly due to lower professional fees.

Finance costs in the first quarter of 2022 of \$4.6 million were consistent with the same period for 2021 and represented an effective interest rate of 7.4% which was consistent with the same period of the prior year.

Other items, which relate to foreign exchange gains and losses and the sale of assets, totalled \$0.1 million for the three months ended March 31, 2022, compared to a negligible amount in the same period of 2021.

For the first quarter of 2022, the consolidated income tax recovery totalled \$0.4 million, representing an effective tax rate of 9.9%, as compared to an effective tax rate of 24.2% in the same period of 2021. The change in the effective tax rate for the quarter ended March 31, 2022, is due to unrecognized deferred tax assets of \$1.3 million.

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, 2022, Western had working capital of \$10.3 million compared to working capital of \$2.2 million from December 31, 2021. Western's total debt at March 31, 2022 increased by \$5.3 million to \$246.9 million, compared to \$241.6 million at December 31, 2021, mainly due to the \$7.8 million payment in kind which was partially offset by payments made on long term debt.

During the quarter ended March 31, 2022, Western had the following changes to its cash balances, which resulted in a \$0.4 million increase in cash and cash equivalents in the period:

Cash and cash equivalents (stated in thousands)	
Opening balance, at December 31, 2021	7,478
Add:	
Adjusted EBITDA ⁽¹⁾	10,391
Deduct:	
Additions to property and equipment	(4,094)
Change in non cash working capital	(2,994)
Repayment of Credit Facilities	(1,000)
Finance costs paid	(511)
Repayment of Second Lien debt	(538)
Repayment of other long term debt	(551)
Repayment of the HSBC Facility	(313)
Other items	58
Ending balance, at March 31, 2022	7,926

(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, 2022, \$7.0 million was drawn on the Credit Facilities and \$12.2 million was drawn on the HSBC Facility. As described previously, subsequent to December 31, 2021, the Company agreed to amend the terms to its Credit Facilities, which included extending the maturity date and amending certain financial covenants. Cash flow from operations, available Credit Facilities and the Rights Offering are expected to be sufficient to cover Western's financial obligations, including working capital requirements and the 2022 capital budget.

Amounts borrowed under the Credit Facilities bear interest at the bank's Canadian prime rate or the banker's acceptance rate plus an applicable margin depending, in each case, on the ratio of Consolidated Debt to Consolidated EBITDA as defined by the Credit Facilities agreement. Consolidated EBITDA, as defined by the Credit Facilities agreement, differs from Adjusted EBITDA as defined under Non-IFRS Measures on page 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.

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, 2022 is as follows:

March 31, 2022	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, 2022 condensed consolidated financial statements.

At March 31, 2022, Western was in compliance with all covenants related to its Credit Facilities.

On March 22, 2022, the Company made its semi-annual interest payment on the Second Lien Facility for the period by way of a PIK of \$7.8 million. The PIK was added to the principal amount of the Company's Second Lien Facility.

For the three months ended March 31, 2022, the Company had one customer comprising 10.1% of the Company's total revenue. The trade receivable balance outstanding related to this customer was 8.8% of the Company's total trade and other receivables as at March 31, 2022. For the three months ended March 31, 2021, the Company had one customer comprising 13.0% 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, Western's quarterly results are markedly affected by weather patterns throughout its operating areas. Historically, the first quarter of the calendar year is very active, followed by a much slower second quarter due to what is known in the Canadian oilfield service industry as "spring breakup", where due to the spring thaw, provincial and county road bans restrict movement of heavy equipment. As a result of this, the variation of Western's results quarter over quarter, particularly between the first and second quarters, can be significant independent of other demand factors.

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

Three months ended (stated in thousands, except per share amounts)	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020
Revenue	50,475	41,363	32,960	20,386	36,969	27,679	13,438	10,802
Adjusted EBITDA ⁽¹⁾	10,391	8,950	5,009	2,197	6,891	5,610	2,270	4,036
Cash flow from (used in) operating activities	6,461	8,236	(2,524)	9,410	1,509	2,011	(1,560)	25,732
Net loss	(3,834)	(6,021)	(10,397)	(12,940)	(6,454)	(7,443)	(10,486)	(8,042)
per share - basic and diluted	(0.04)	(0.07)	(0.11)	(0.14)	(0.07)	(0.08)	(0.12)	(0.09)
Total assets	457,226	456,003	460,872	460,443	478,527	495,625	488,470	494,493
Long term debt	233,321	226,884	228,263	225,590	233,418	237,633	226,719	214,255

(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. The unprecedented decrease in the price of crude oil in 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 2021 and continued to increase in 2022, resulting in some improvements in activity throughout the industry.

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.

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, 2022 are as follows:

(stated in thousands)	2022	2023	2024	2025	2026	Thereafter	Total
Second Lien Facility	1,613	216,884	-	-	-	-	218,497
Second Lien Facility interest	7,768	7,893	-	-	-	-	15,661
Trade payables and other current liabilities ⁽¹⁾	22,011	-	-	-	-	-	22,011
HSBC Facility	938	1,250	1,250	1,250	7,500	-	12,188
HSBC Facility interest	769	688	610	527	447	-	3,041
Lease obligations ⁽²⁾	2,266	2,723	2,257	637	357	-	8,240
Revolving Facility	7,000	-	-	-	-	-	7,000
Operating commitments ⁽³⁾	7,915	745	744	60	-	-	9,464
PPP Loan	506	674	674	408	-	-	2,262
Total	50,786	230,857	5,535	2,882	8,304	-	298,364

(1) Trade payables and other current liabilities exclude interest accrued as at March 31, 2022 on the Second Lien Facility and the HSBC Facility which is stated separately.

(2) Lease obligations represent the gross lease commitments to be paid over the term of the Company's outstanding long term leases.

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

Second Lien Facility and interest:

The Company pays interest on the Second Lien Facility semi-annually on January 1 and July 1. The Second Lien Facility is due January 31, 2023 and subsequent to March 31, 2022, the terms of the Second Lien Facility are to be amended as described previously.

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.

HSBC Facility and interest:

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

Lease obligations:

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

Credit Facilities:

The Company's Credit Facilities mature on July 1, 2022. The Company agreed to amend the Credit Facilities subsequent to March 31, 2022 as described previously.

Operating commitments:

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

PPP loan:

The Company has a US\$1.8 million US Paycheck Protection Program ("PPP") loan obtained as part of the COVID-19 relief efforts in the US. The promissory loan has an interest rate of 1% per annum, will be repaid in equal monthly payments over its five year term and matures on July 23, 2025.

As described previously, on March 21, 2022, the Company entered into a Debt Restructuring Agreement which pursuant to which the principal amount owing on the Second Lien Facility will be reduced upon completion of the Debt Restructuring Transaction and various terms of the Second Lien Facility will be amended, including the extension of the maturity date. Additionally, the maturity date of the Credit Facilities will be extended to three years following the closing date of the Debt Exchange.

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

Outstanding Share Data

	May 5, 2022	March 31, 2022	December 31, 2021
Common shares outstanding	91,793,485	91,788,008	91,706,457
Stock options outstanding	5,489,733	5,586,020	5,924,431
Restricted share units outstanding - equity settled	571,509	584,852	608,534

Off Balance Sheet Arrangements

As at March 31, 2022, Western had no off balance sheet arrangements in place.

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 2022, the ongoing COVID-19 pandemic, government restrictions, the continuing COVID-19 vaccine rollout and related volatility in global demand for crude oil related to the war in Ukraine, have had an impact on commodity prices which have an effect on the Company's customers. These factors are expected to continue 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 continually evaluates individual customer trade receivables for collectability taking into consideration payment history and aging of the trade receivables.

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

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

Liquidity Risk

Liquidity risk is the exposure of the Company to the risk of not being able to meet its financial obligations as they become due. The Company manages liquidity risk through management of its capital structure, monitoring and reviewing actual and forecasted cash flows and the effect on bank covenants and maintaining unused credit facilities where possible to ensure there are available cash resources to meet the Company's liquidity needs. The Company's cash and cash equivalents, cash flow from operating activities, the Rights Offering, the Credit Facilities, the HSBC Facility, and the Second Lien Facility are expected to be greater than anticipated capital expenditures and the contractual maturities of the Company's financial liabilities. This expectation could be adversely affected by a material negative change in the oilfield service industry, which in turn could lead to covenant breaches on the Company's Credit Facilities, which is not amended or waived, could limit, in part, or in whole, the Company's access to the Credit Facilities and Second Lien Facility.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

As Western's common shares trade on the Toronto Stock Exchange, pursuant to National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, the President and Chief Executive Officer ("CEO") and Senior Vice President, Finance, Chief Financial Officer and Corporate Secretary ("CFO") of the Company have certified as at March 31, 2022 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, 2022, 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, 2022, which were prepared in accordance with IFRS. Conformity with IFRS requires management to make judgments, estimates and assumptions that are based on the facts, circumstances and estimates at the date of the condensed consolidated financial statements and affect the application of certain accounting policies and the reported amount of assets, liabilities, income and expenses.

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 resulted in historical lows and increased volatility in crude oil prices. The current economic environment in 2022 has improved and while the ongoing pandemic continues to add market uncertainty, the economy has improved following the lifting of government restrictions in 2021 and the rollout of COVID-19 vaccines around the globe with their resulting impact on the economy and international markets. The pandemic and volatility in global demand results in uncertainty for the Company, which management took into consideration when applying judgments to estimates and assumptions in the condensed consolidated financial statements. A full list of critical accounting estimates is included in the Company's annual consolidated financial statements for the year ended December 31, 2021. 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 cash generating units in its impairment assessment, as well as increased risk of non-payment of trade receivables is what management considers material. 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 established various programs to assist companies through this period of uncertainty. Management determined that the Company qualified for certain programs and recognizes such government grants when there is reasonable assurance the grant will be received. 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.

The CEWS program ended in October 2021. The following table summarizes the total CEWS included in operating and administrative expenses:

	Three months ended March 31		
	2022	2021	Change
Operating	-	2,956	(100%)
Administrative	-	314	(100%)
Total CEWS	-	3,270	(100%)

Additionally, management determined that the Company qualified 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. The CERS program ended in October 2021. The following table summarizes the total CERS included in operating and depreciation:

	Three months ended March 31		
	2022	2021	Change
Operating	-	102	(100%)
Depreciation	-	106	(100%)
Total CERS	-	208	(100%)

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, 2021, as filed under the Company's SEDAR profile at www.sedar.com.

Certain of the Company's primary business risks as at March 31, 2022 are as follows:

- The Company's business, financial condition and results of operations have been and may continue to be materially and adversely affected by the outbreak of epidemics, pandemics and other public health crises in geographic areas in which the Company has operations, customers or employees, including the ongoing COVID-19 pandemic and continued uncertainty with respect to the extent and duration of the pandemic. The ongoing pandemic may continue to impact the Company's operations and the full extent of the impact is currently unknown, as it will depend on future developments, which are highly uncertain and cannot be predicted with any degree of certainty.
- 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, 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 there is a return to a low commodity price environment due to factors outside the Company's control, including a resurgence in the COVID-19 pandemic or the reinstatement of government restrictions, 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, repay indebtedness at maturity and incur additional debt in the future.
- 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. Dilution to shareholders may occur in the event the Company issues equity for cash proceeds, settles any of its indebtedness for equity consideration or enters into a merger or acquisition that provides the Company's equity as consideration. The issuance of a substantial amount of equity may adversely affect prevailing market prices for the Company's common shares.
- 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.
- Liquidity risk is the risk that the Company will not be able to meet its financial and other obligations as they become due or can only do so at an excessive cost. The Company believes it can finance any future operations through one of or a combination of internally generated cash flows, borrowing under existing credit facilities, the issuance of debt or the issuance of equity, according to its capital management objectives and can manage its debt obligations under the proposed Debt Restructuring Transaction. However, there is no guarantee that Western will be able to achieve any of the foregoing if depressed industry market or economic conditions continue or worsen. To the extent external sources of capital become unavailable or available on onerous terms or otherwise limited, Western's assets, liabilities, business, financial condition, and results of operations may be materially and adversely affected as a result.
- 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.

- 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.
- 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. In particular, Western may be exposed to credit-related losses in the event counterparties to contracts become insolvent, are subject to creditor protection laws or otherwise fulfill their present or future financial obligations to Western.
- 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 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 depends on its suppliers to deliver equipment in a timely and efficient manner and the failure of the Company's suppliers to do so, could be detrimental to the Company's ability to keep customers and to grow.
- 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.
- 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 and Ratios

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

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

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

(stated in thousands)	Three months ended March 31	
	2022	2021
Net loss	(3,834)	(6,454)
Income tax recovery	(419)	(2,062)
Loss before income taxes	(4,253)	(8,516)
Add (deduct):		
Depreciation	9,919	10,806
Stock based compensation	32	68
Finance costs	4,627	4,568
Other items	66	(35)
Adjusted EBITDA	10,391	6,891

Defined Terms:

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

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

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

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

Service Hours: Defined as well servicing hours completed.

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

Contract Drilling Rig Classifications:

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

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

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

Abbreviations:

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

Forward-Looking Statements and Information

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

In particular, forward-looking information in this MD&A includes, but is not limited to, statements relating to: commodity pricing; the future demand for the Company's services and equipment, in particular, the expectation of improved activity levels in 2022 as a result of increased capital spending by Western's customers; the potential impact of the ongoing COVID-19 pandemic on Western's customers, operations, business and global economic activity; the potential impact of the current conflict in Ukraine on commodity prices and the demand for Western's services; the pricing for the Company's services and equipment; the Company's expected total capital budget for 2022, including the allocation of such budget; the Company's liquidity needs including the ability of current capital resources to cover Western's financial obligations; the use, availability and sufficiency of the Company's Credit Facilities; the Company's ability to maintain certain covenants under its Credit Facilities; the repayment of the Company's debt; maturities of the Company's contractual obligations with third parties; the Restructuring Transaction, including the expected timing of completion and the anticipated benefits to the Company; the anticipated proceeds of the Rights Offering; the belief that all closing conditions of the Restructuring Transaction and the other transactions contemplated thereby, including the Rights Offering, will be satisfied or obtained in a timely manner; expectations as to the principal amount of the Second Lien Facility after giving effect to the Restructuring Transaction; the anticipated ownership of AIMCo in the Company upon completion of the Restructuring Transaction; expectations as to the benefits of the LNG Canada natural gas project in British Columbia on the Company and its rig fleet; 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; expectations relating to producer spending and activity levels for oilfield services; the Company's ability to maintain a competitive advantage; the Company's ability to find and maintain enough field crew members; and forward-looking information contained under the headings “Disclosure Controls and Procedures and Internal Controls Over Financial Reporting”, “Business Risks” and “Critical Accounting Estimates and Recent Developments”.

The material assumptions that could cause results or events to differ from current expectations reflected in the forward-looking information in this MD&A include, but are not limited to: demand levels and pricing for oilfield services; demand for crude oil and natural gas and the price and volatility of crude oil and natural gas; pressures on commodity pricing; the continued business relationships between the Company and its significant customers; crude oil transport, pipeline and LNG export facility approval and development; liquidity and the Company's ability to finance its operations; the effectiveness of the Company's cost structure and capital budget; the effects of seasonal and weather conditions on operations and facilities; the competitive environment to which the various business segments are, or may be, exposed in all aspects of their business

and the Company's competitive position therein; the ability of the Company's various business segments to access equipment (including spare parts and new technologies); global economic conditions and the accuracy of the Company's market outlook expectations for 2022 and in the future; the impact, direct and indirect, of the COVID-19 pandemic on Western's business, customers, business partners, employees, supply chain, other stakeholders and the overall economy; changes in laws or regulations; currency exchange fluctuations; the ability of the Company to attract and retain skilled labour and qualified management; the ability to retain and attract significant customers; the ability to maintain a satisfactory safety record; the ability of the Company to satisfy the closing conditions of the Restructuring Transaction in a timely manner and substantially on the terms described therein; that there are no unforeseen events preventing the performance of contracts and general business, economic and market conditions.

Although Western believes that the expectations and assumptions on which such forward-looking information is based on are reasonable, undue reliance should not be placed on the forward-looking information as Western cannot give any assurance that such will prove to be correct. By its nature, forward-looking information is subject to inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the ongoing impact of the COVID-19 pandemic on global demand and prices for oil and gas, including the impact on demand for Western's services; volatility in market prices for crude oil and natural gas and the effect of this volatility on the demand for oilfield services generally; reduced exploration and development activities by customers and the effect of such reduced activities on Western's services and products; political, economic, and environmental conditions in Canada, the United States, Ukraine and globally; supply and demand for oilfield services relating to contract drilling, well servicing and oilfield rental equipment services; changes to laws, regulations and policies; failure of counterparties to perform or comply with their obligations under contracts; regional competition and the increase in new or upgraded rigs; the Company's ability to attract and retain skilled labour; Western's ability to obtain debt or equity financing and to fund capital operating and other expenditures and obligations; the potential need to issue additional debt or equity and the potential resulting dilution of shareholders; the Company's ability to comply with the covenants under the Credit Facilities, HSBC Facility and the Second Lien Facility and the restrictions on its operations and activities if it is not compliant with such covenants; Western's ability to protect itself from "cyber-attacks" which could compromise its information systems and critical infrastructure; disruptions to global supply chains; the ability of the Company to satisfy, in a timely manner, the conditions to closing of the Restructuring Transaction 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, 2021, 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.