

Western Energy Services Corp.
Condensed Consolidated Financial Statements
March 31, 2025 and 2024
(Unaudited)

Western Energy Services Corp.

Condensed Consolidated Balance Sheets (unaudited)
(thousands of Canadian dollars)

	Note	March 31, 2025	December 31, 2024
Assets			
Current assets			
Cash and cash equivalents		\$ 3,759	\$ 3,785
Trade and other receivables	17	49,999	37,558
Other current assets	5	3,360	3,494
		57,118	44,837
Non current assets			
Property and equipment	6	381,071	386,144
Other non current assets	5	43	-
		\$ 438,232	\$ 430,981
Liabilities			
Current liabilities			
Trade payables and other current liabilities		\$ 27,422	\$ 27,589
Current portion of long term debt	7	1,333	5,864
Current portion of lease obligations	8	1,471	1,473
		30,226	34,926
Non current liabilities			
Long term debt	7	102,193	91,657
Lease obligations	8	4,352	4,668
Deferred taxes		4,321	3,880
		141,092	135,131
Shareholders' equity			
Share capital	9	521,604	521,604
Contributed surplus		20,247	21,178
Retained earnings (deficit)		(279,568)	(281,830)
Accumulated other comprehensive income		32,595	32,669
Non controlling interest		2,262	2,229
		297,140	295,850
		\$ 438,232	\$ 430,981

The accompanying notes are an integral part of these condensed consolidated financial statements.

Western Energy Services Corp.

Condensed Consolidated Statements of Operations and Comprehensive Income (unaudited)
(thousands of Canadian dollars except share and per share amounts)

	Note	Three months ended March 31, 2025	Three months ended March 31, 2024
Revenue		\$ 69,010	\$ 61,982
Expenses			
Operating		49,908	41,964
Administrative		5,026	4,799
Depreciation	6	10,043	10,523
Stock based compensation	10	(931)	437
Finance costs	12	2,353	2,656
Other items	13	(217)	(380)
Income before income taxes		2,828	1,983
Income tax expense	14	(442)	(528)
Net income		2,386	1,455
Other comprehensive income ⁽¹⁾			
(Loss) gain on translation of foreign operations		(45)	1,161
Unrealized foreign exchange (loss) gain on net investment in subsidiary		(29)	731
Comprehensive income		\$ 2,312	\$ 3,347
Net income (loss) attributable to:			
Shareholders of the Company		\$ 2,262	\$ 1,496
Non controlling interest		124	(41)
Comprehensive income (loss) attributable to:			
Shareholders of the Company		\$ 2,188	\$ 3,388
Non controlling interest		124	(41)
Net income per share:			
Basic and diluted		\$ 0.07	\$ 0.04
Weighted average number of shares:			
Basic and diluted	11	33,843,022	33,843,015

(1) Other comprehensive income includes items that may be subsequently reclassified into profit and loss.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Western Energy Services Corp.

Condensed Consolidated Statements of Changes in Shareholders' Equity (unaudited)
(thousands of Canadian dollars)

	Share capital	Contributed surplus ⁽¹⁾	Retained earnings (deficit)	Accumulated other comprehensive income ⁽²⁾	Non controlling interest	Total shareholders' equity
Balance at December 31, 2023	\$ 521,603	\$ 20,371	\$ (274,675)	\$ 26,071	\$ 2,295	\$ 295,665
Stock based compensation	-	437	-	-	-	437
Distributions to non controlling interest	-	-	-	-	(90)	(90)
Comprehensive income (loss)	-	-	1,496	1,892	(41)	3,347
Balance at March 31, 2024	521,603	20,808	(273,179)	27,963	2,164	299,359
Common shares:						
Issued on vesting of restricted share units	1	-	-	-	-	1
Stock based compensation	-	370	-	-	-	370
Distributions to non controlling interest	-	-	-	-	(265)	(265)
Comprehensive income (loss)	-	-	(8,651)	4,706	330	(3,615)
Balance at December 31, 2024	521,604	21,178	(281,830)	32,669	2,229	295,850
Stock based compensation	-	(931)	-	-	-	(931)
Distributions to non controlling interest	-	-	-	-	(91)	(91)
Comprehensive income (loss)	-	-	2,262	(74)	124	2,312
Balance at March 31, 2025	\$ 521,604	\$ 20,247	\$ (279,568)	\$ 32,595	\$ 2,262	\$ 297,140

(1) Contributed surplus relates to stock based compensation described in Note 10.

(2) At March 31, 2025, the accumulated other comprehensive income balance consists of the translation of foreign operations and unrealized foreign exchange on the net investment in subsidiary.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Western Energy Services Corp.

Condensed Consolidated Statements of Cash Flows (unaudited)
(thousands of Canadian dollars)

	Note	Three months ended March 31, 2025	Three months ended March 31, 2024
Operating activities			
Net income		\$ 2,386	\$ 1,455
Adjustments for:			
Depreciation	6	10,043	10,523
Non cash stock based compensation	10	(931)	437
Finance costs	12	2,353	2,656
Income tax expense	14	442	528
Other		(91)	(362)
Change in non cash working capital		(11,524)	(7,435)
Cash flow from operating activities		2,678	7,802
Investing activities			
Additions to property and equipment	6	(4,979)	(1,902)
Proceeds on sale of property and equipment		267	1,180
Repayment of promissory note		-	56
Distributions to non controlling interest		(91)	(90)
Change in non cash working capital		914	(1,619)
Cash flow used in investing activities		(3,889)	(2,375)
Financing activities			
Finance costs paid		(4,312)	(5,122)
Principal repayment of second lien facility	7	(270)	(270)
Principal repayment of lease obligations	8	(435)	(619)
Draw on (repayment of) credit facilities	7	6,803	(1,406)
Principal repayment of HSBC facility	7	(313)	(313)
Principal repayment of US paycheck protection plan	7	(288)	(208)
Cash flow from (used in) financing activities		1,185	(7,938)
Decrease in cash and cash equivalents		(26)	(2,511)
Cash and cash equivalents, beginning of period		3,785	5,930
Cash and cash equivalents, end of period		\$ 3,759	\$ 3,419

The accompanying notes are an integral part of these condensed consolidated financial statements.

Western Energy Services Corp.

Notes to the condensed consolidated financial statements (unaudited)

(tabular amounts are in thousands of Canadian dollars, except common share and per common share amounts)

1. Reporting entity:

Western Energy Services Corp. ("Western") is a company domiciled in Canada. The address of the head office is 1700, 215 - 9th Avenue SW, Calgary, Alberta. Western is a publicly traded company listed on the Toronto Stock Exchange under the symbol "WRG". These condensed consolidated financial statements as at March 31, 2025 and for the three months ended March 31, 2025 and 2024 (the "Financial Statements") are comprised of Western, its divisions and its wholly owned subsidiary (together referred to as the "Company"). The Company is an energy service company providing contract drilling services through its division, Horizon Drilling ("Horizon") in Canada, and its wholly owned subsidiary, Stoneham Drilling Corporation ("Stoneham") in the United States. Western provides production services in Canada through its division Eagle Well Servicing ("Eagle") which provides well servicing and its division Aero Rental Services ("Aero") which provides rental equipment services. Financial and operating results for Horizon and Stoneham are included in the contract drilling segment, while financial and operating results for Eagle and Aero are included in the production services segment.

2. Basis of preparation and material accounting policies:

Statement of compliance:

These Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS®") and in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the years ended December 31, 2024 and 2023. These Financial Statements have been prepared using accounting policies and estimates which are consistent with Note 3 and 4 of the consolidated financial statements as at and for the years ended December 31, 2024 and 2023 as filed on SEDAR+ at www.sedarplus.ca.

These Financial Statements were approved for issuance by Western's Board of Directors on April 22, 2025.

Functional and presentation currency:

These Financial Statements are presented in Canadian dollars, which is Western's functional currency.

Critical accounting estimates and recent developments:

The preparation of these Financial Statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The current economic environment and volatility of global demand for commodities results in uncertainty for the Company, as well as estimates and assumptions used by management to prepare these 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, 2024.

3. Seasonality:

The Company's operations are often weather dependent, which has a seasonal effect. During the first quarter, the working conditions in the field are conducive to oilfield activities including frozen conditions allowing crude oil and natural gas exploration and production companies to move heavy equipment to otherwise inaccessible areas and the resulting demand for services, such as those provided by the Company, is typically high. The second quarter is normally a slower period in Canada, as the spring thaw and wet conditions create weight restrictions on roads, reducing the mobility of heavy equipment, which slows activity levels in the industry. The third and fourth quarters are usually representative of average activity levels. Therefore, interim periods may not be representative of the results expected for the full year of operation due to seasonality.

Western Energy Services Corp.

Notes to the condensed consolidated financial statements (unaudited)

(tabular amounts are in thousands of Canadian dollars, except common share and per common share amounts)

4. Operating segments:

The Company provides energy services primarily to oil and natural gas exploration companies through its contract drilling and production services segments in both Canada and the United States. Contract drilling includes drilling rigs along with related ancillary equipment. Production services includes well servicing rigs and related equipment, as well as rental equipment.

The Company's executive officers review internal management reports for these operating segments on at least a monthly basis.

Information regarding the results of the operating segments is included below. Performance is measured based on operating earnings (loss), as included in internal management reports. Operating earnings (loss) is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain operating segments relative to other entities that operate within these industries. Operating earnings (loss) is calculated as revenue less operating expenses, administrative expenses, and depreciation.

The following is a summary of the Company's results by operating segment for the three months ended March 31, 2025 and 2024:

Three months ended March 31, 2025	Contract Drilling	Production Services	Corporate	Inter-segment Elimination	Total
Revenue	\$ 50,852	\$ 18,264	\$ -	\$ (106)	\$ 69,010
Operating earnings (loss)	4,024	1,990	(1,981)	-	4,033
Finance costs	-	-	2,353	-	2,353
Depreciation	7,610	1,975	458	-	10,043
Additions to property and equipment	4,207	517	255	-	4,979

Three months ended March 31, 2024	Contract Drilling	Production Services	Corporate	Inter-segment Elimination	Total
Revenue	\$ 39,638	\$ 22,447	\$ -	\$ (103)	\$ 61,982
Operating earnings (loss)	2,121	4,249	(1,674)	-	4,696
Finance costs	-	-	2,656	-	2,656
Depreciation	7,937	2,145	441	-	10,523
Additions to property and equipment	1,491	411	-	-	1,902

Total assets and liabilities by operating segment are as follows:

As at March 31, 2025	Contract Drilling	Production Services	Corporate	Total
Total assets	\$ 361,441	\$ 71,306	\$ 5,485	\$ 438,232
Total liabilities	53,847	26,888	60,357	141,092

As at December 31, 2024	Contract Drilling	Production Services	Corporate	Total
Total assets	\$ 353,250	\$ 71,201	\$ 6,530	\$ 430,981
Total liabilities	49,087	26,109	59,935	135,131

Western Energy Services Corp.

Notes to the condensed consolidated financial statements (unaudited)

(tabular amounts are in thousands of Canadian dollars, except common share and per common share amounts)

4. Operating segments (continued):

A reconciliation of operating earnings (loss) to income (loss) before income taxes by operating segment is as follows:

Three months ended March 31, 2025	Contract Drilling	Production Services	Corporate	Total
Operating earnings (loss)	\$ 4,024	\$ 1,990	\$ (1,981)	\$ 4,033
Add (deduct):				
Stock based compensation	89	(4)	846	931
Finance costs	-	-	(2,353)	(2,353)
Other items	-	-	217	217
Income (loss) before income taxes	\$ 4,113	\$ 1,986	\$ (3,271)	\$ 2,828

Three months ended March 31, 2024	Contract Drilling	Production Services	Corporate	Total
Operating earnings (loss)	\$ 2,121	\$ 4,249	\$ (1,674)	\$ 4,696
Add (deduct):				
Stock based compensation	3	(33)	(407)	(437)
Finance costs	-	-	(2,656)	(2,656)
Other items	-	-	380	380
Income (loss) before income taxes	\$ 2,124	\$ 4,216	\$ (4,357)	\$ 1,983

Segmented information by geographic area is as follows:

As at March 31, 2025	Canada	United States	Total
Property and equipment	\$ 300,652	\$ 80,419	\$ 381,071
Total assets	349,092	89,140	438,232

As at December 31, 2024	Canada	United States	Total
Property and equipment	\$ 303,959	\$ 82,185	\$ 386,144
Total assets	338,622	92,359	430,981

	Canada	United States	Total
Revenue - Three months ended March 31, 2025	\$ 62,319	\$ 6,691	\$ 69,010
Revenue - Three months ended March 31, 2024	54,948	7,034	61,982

Revenue from long term contracts:

For the three months ended March 31, 2025, and 2024, the Company had no revenue from long term contracts in the contract drilling or production services segments.

5. Other assets:

The Company's other assets as at March 31, 2025 and December 31, 2024 are as follows:

	March 31, 2025	December 31, 2024
Current:		
Prepaid expenses	\$ 2,505	\$ 2,762
Inventory	517	262
Deposits	273	346
Deferred charges	65	124
Total current portion of other assets	3,360	3,494
Non current:		
Deferred charges	43	-
Total non current portion of other assets	43	-
Total other assets	\$ 3,403	\$ 3,494

Western Energy Services Corp.

Notes to the condensed consolidated financial statements (unaudited)

(tabular amounts are in thousands of Canadian dollars, except common share and per common share amounts)

6. Property and equipment:

The following table summarizes the Company's property and equipment:

		Land	Buildings	Contract drilling equipment	Production services equipment	Office and shop equipment	Finance lease assets	Total
Cost:								
Balance at December 31, 2024	\$	5,089	\$ 5,141	\$ 865,279	\$ 196,304	\$ 12,882	\$ 17,042	\$ 1,101,737
Additions to property and equipment		-	386	3,809	513	271	-	4,979
Lease additions		-	-	-	-	-	105	105
Disposals		-	-	-	(195)	-	(370)	(565)
Foreign exchange adjustment		-	-	(185)	-	(1)	(1)	(187)
Balance at March 31, 2025	\$	5,089	\$ 5,527	\$ 868,903	\$ 196,622	\$ 13,152	\$ 16,776	\$ 1,106,069
Accumulated depreciation:								
Balance at December 31, 2024	\$	-	\$ 3,379	\$ 551,035	\$ 138,491	\$ 12,825	\$ 9,863	\$ 715,593
Depreciation		-	36	7,422	1,758	243	584	10,043
Disposals		-	-	-	(193)	-	(336)	(529)
Foreign exchange adjustment		-	-	(107)	-	(1)	(1)	(109)
Balance at March 31, 2025	\$	-	\$ 3,415	\$ 558,350	\$ 140,056	\$ 13,067	\$ 10,110	\$ 724,998
Carrying amounts:								
At December 31, 2024	\$	5,089	\$ 1,762	\$ 314,244	\$ 57,813	\$ 57	\$ 7,179	\$ 386,144
At March 31, 2025	\$	5,089	\$ 2,112	\$ 310,553	\$ 56,566	\$ 85	\$ 6,666	\$ 381,071

As at March 31, 2025, the Company reviewed for indicators of impairment and determined no such indicators existed.

7. Long term debt:

The following table provides information about the contractual terms of the Company's long term debt instruments:

	March 31, 2025	December 31, 2024
Current:		
Second Lien Facility	\$ 1,080	\$ 1,080
Revolving Facility	-	3,000
Operating Facility	-	1,423
PPP Loan	547	836
Less: unamortized issue costs	(294)	(475)
Total current portion of long term debt	1,333	5,864
Non current:		
Second Lien Facility	86,911	87,181
HSBC Facility	4,375	4,688
Revolving Facility	6,000	-
Operating Facility	5,226	-
Less: unamortized issue costs	(319)	(212)
Total non current portion of long term debt	102,193	91,657
Total long term debt	\$ 103,526	\$ 97,521

Western Energy Services Corp.

Notes to the condensed consolidated financial statements (unaudited)

(tabular amounts are in thousands of Canadian dollars, except common share and per common share amounts)

7. Long term debt (continued):

Credit Facilities:

As at March 31, 2025, the Company's credit facilities consisted of a \$35.0 million syndicated revolving credit facility (the "Revolving Facility") and a \$10.0 million committed operating facility (the "Operating Facility" and together the "Credit Facilities"). On January 27, 2025, the Company extended the maturity date of its second lien term loan facility (the "Second Lien Facility") with Alberta Investment Management Corporation ("AIMCo") to May 18, 2027, which resulted in an automatic one year extension of the Credit Facilities maturity date from November 18, 2025, to the earlier of (i) six months prior to the maturity date of the Second Lien Facility, which is now November 18, 2026 or (ii) March 22, 2027.

Amounts borrowed under the Credit Facilities bear interest at the bank's Canadian prime rate, or the Canadian overnight repo rate average 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. The Credit Facilities are secured by the assets of the Company.

As at March 31, 2025, the Company's Credit Facilities are subject to the following financial covenants:

	Covenant	March 31, 2025
Maximum Consolidated Senior Debt to Consolidated EBITDA Ratio ⁽¹⁾⁽²⁾	3.0:1.0 or less	0.2:1.0
Maximum Consolidated Debt to Consolidated Capitalization Ratio ⁽³⁾⁽⁴⁾	0.5:1.0 or less	0.3:1.0
Minimum Debt Service Coverage Ratio ⁽⁵⁾	1.15:1.0 or greater	Not applicable

(1) Consolidated Senior Debt in the Credit Facilities is defined as indebtedness under the Credit Facilities and vehicle lease obligations, reduced by unrestricted cash.

(2) Consolidated EBITDA in the Credit Facilities is defined on a trailing twelve month basis as consolidated net income (loss), plus interest, income taxes, depreciation and amortization and any other non-cash items or extraordinary or non-recurring losses, less gains on sale of property and equipment and any other non-cash items or extraordinary or non-recurring gains that are included in the calculation of consolidated net income.

(3) Consolidated Debt in the Credit Facilities is defined as Consolidated Senior Debt plus the HSBC Facility, Second Lien Facility, and PPP loan less unrestricted cash.

(4) Consolidated Capitalization in the Credit Facilities is defined as the aggregate of Consolidated Debt and total shareholders' equity as reported on the consolidated balance sheet.

(5) The Debt Service Coverage Ratio is defined as the ratio of Consolidated EBITDA to the total of all regularly scheduled debt payments, including interest, paid on a trailing twelve month basis. It is only applicable if the Company has more than \$25.0 million drawn on its Credit Facilities, or if the net book value of property and equipment is less than \$250.0 million. As at March 31, 2025, the Company had \$11.2 million drawn on its Credit Facilities and the net book value of its property and equipment was greater than \$250.0 million, therefore the covenant was not applicable.

As at March 31, 2025, the Company was in compliance with all covenants related to its Credit Facilities.

Second Lien Facility:

At March 31, 2025, the Company had \$88.0 million outstanding on the Second Lien Facility with AIMCo. Interest is payable semi-annually, at a rate of 8.5% per annum, on January 1 and July 1 each year or the next applicable business day. Amortization payments equal to 1.0% of the initial principal amount of \$108.0 million are payable annually, in quarterly installments. On January 27, 2025, the Company extended the maturity date of the Second Lien Facility from May 18, 2026 to May 18, 2027.

HSBC Facility:

At March 31, 2025, the Company had \$4.4 million outstanding related to its committed term non-revolving facility (the "HSBC Facility"). The HSBC Facility bears interest at a floating rate that is payable monthly. In 2023, the Company prepaid all monthly principal amounts for the remaining term of the loan, with the remaining outstanding balance due upon maturity on December 31, 2026.

US Paycheck Protection Program ("PPP Loan"):

At March 31, 2025, the Company had US\$0.4 million outstanding related to the PPP Loan. Interest and principal amounts are payable over the term of the loan, at a rate of 1% per annum, with the balance due upon maturity on August 7, 2025.

Western Energy Services Corp.

Notes to the condensed consolidated financial statements (unaudited)

(tabular amounts are in thousands of Canadian dollars, except common share and per common share amounts)

8. Lease obligations:

The following table provides information about the Company's lease obligations:

		Amount
Balance at December 31, 2024	\$	6,141
Additions		117
Finance costs		130
Lease payments		(565)
Balance at March 31, 2025		5,823
Less: current portion of lease obligations		(1,471)
Balance at March 31, 2025 - non current portion	\$	4,352

Lease obligations include leases capitalized under IFRS 16, Leases. During the three months ended March 31, 2025 and 2024, the Company expensed \$0.1 million related to leases of low value assets or leases with a term of less than one year.

9. Share capital:

The Company is authorized to issue an unlimited number of common shares. The following table summarizes Western's common shares:

	Issued and outstanding shares	Amount
Balance at March 31, 2025 and December 31, 2024	33,843,022	\$ 521,604

10. Stock based compensation:

Stock options:

The Company's stock option plan provides for stock options to be issued to directors, officers, employees and consultants of the Company so that they may participate in the growth and development of Western. Subject to the specific provisions of the stock option plan, eligibility, vesting period, terms of the options and the number of options granted are to be determined by the Board of Directors at the time of grant. The stock option plan allows the Board of Directors to issue up to 10% of the Company's outstanding common shares as stock options, provided that, when combined, the maximum number of common shares reserved for issuance under all stock based compensation arrangements of the Company does not exceed 10% of the Company's outstanding common shares.

The following table summarizes the movements in the Company's outstanding stock options:

	Stock options outstanding	Weighted average exercise price
Balance at December 31, 2024	2,666,189	\$ 4.33
Forfeited	(1,101,663)	4.54
Expired	(65,959)	5.16
Balance at March 31, 2025	1,498,567	\$ 4.13

For the three months ended March 31, 2025 and 2024, no stock options were cancelled and no stock options were granted.

As at March 31, 2025, Western had 520,233 (December 31, 2024: 995,001) vested and exercisable stock options outstanding at a weighted average exercise price equal to \$4.94 (December 31, 2024: \$4.99) per stock option.

Stock based compensation (recovery) expense recognized in the condensed consolidated statements of operations and comprehensive income is as follows:

	Three months ended March 31, 2025	Three months ended March 31, 2024
Stock options	\$ (931)	\$ 437
Total stock based compensation (recovery) expense	\$ (931)	\$ 437

Western Energy Services Corp.

Notes to the condensed consolidated financial statements (unaudited)

(tabular amounts are in thousands of Canadian dollars, except common share and per common share amounts)

11. Earnings per share:

The weighted average number of common shares is calculated as follows:

	Three months ended March 31, 2025	Three months ended March 31, 2024
Issued common shares, beginning of period	33,843,022	33,843,009
Weighted average number of common shares issued	-	6
Weighted average number of common shares (basic and diluted)	33,843,022	33,843,015

For the three months ended March 31, 2025, 1,498,567 stock options (three months ended March 31, 2024, 2,916,097 stock options) and nil equity settled restricted share units "RSUs" (three months ended March 31, 2024, 7 equity settled RSUs), were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

12. Finance costs:

Finance costs recognized in the condensed consolidated statements of operations and comprehensive income are comprised of the following:

	Three months ended March 31, 2025	Three months ended March 31, 2024
Interest expense on long term debt	\$ 2,272	\$ 2,524
Amortization of debt financing fees	16	21
Accretion expense on Second Lien Facility	63	110
Accretion expense on HSBC Facility	11	14
Interest income	(9)	(13)
Total finance costs	\$ 2,353	\$ 2,656

The Company had an effective interest rate on its borrowings of 8.4% for the three months ended March 31, 2025 (three months ended March 31, 2024: 8.8%).

13. Other items:

Other items recognized in the condensed consolidated statements of operations and comprehensive income are comprised of the following:

	Three months ended March 31, 2025	Three months ended March 31, 2024
Gain on sale of fixed assets	\$ (231)	\$ (265)
Realized foreign exchange gain	(125)	(18)
Unrealized foreign exchange loss (gain)	139	(97)
Total other items	\$ (217)	\$ (380)

14. Income taxes:

Income taxes recognized in the condensed consolidated statements of operations and comprehensive income are comprised of the following:

	Three months ended March 31, 2025	Three months ended March 31, 2024
Current tax recovery	\$ 1	\$ -
Deferred tax expense	(443)	(528)
Total income tax expense	\$ (442)	\$ (528)

As at March 31, 2025, the Company has loss carry forwards in Canada equal to approximately \$199.2 million, which will expire between 2036 and 2043. In the United States, the Company has approximately US\$50.1 million loss carry forwards, some of which expire between 2028 and 2038, and others that have an indefinite expiry.

Western Energy Services Corp.

Notes to the condensed consolidated financial statements (unaudited)

(tabular amounts are in thousands of Canadian dollars, except common share and per common share amounts)

15. Costs by nature:

The Company presents certain expenses in the condensed consolidated statements of operations and comprehensive income by function. The following table presents significant expenses by nature:

	Three months ended March 31, 2025	Three months ended March 31, 2024
Employee salaries and benefits	\$ 33,299	\$ 29,507
Repairs and maintenance	5,836	4,672
Third party charges	2,627	1,819

Employee salaries and related benefits for the three months ended March 31, 2025 in the above table includes \$2.2 million related to one-time reorganization costs (three months ended March 31, 2024: \$0.3 million).

16. Capital management:

The overall capitalization of the Company at March 31, 2025 and December 31, 2024 is as follows:

	Note	March 31, 2025	December 31, 2024
Second Lien Facility	7	\$ 87,991	\$ 88,261
HSBC Facility	7	4,375	4,688
Revolving Facility	7	6,000	3,000
Operating Facility	7	5,226	1,423
PPP Loan	7	547	836
Lease obligations	8	5,823	6,141
Total debt		109,962	104,349
Shareholders' equity		297,140	295,850
Less: cash and cash equivalents		(3,759)	(3,785)
Total capitalization		\$ 403,343	\$ 396,414

17. Financial risk management:

Interest rate risk:

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

Inflation risk:

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

Foreign exchange risk:

The Company is exposed to foreign currency fluctuations in relation to its US dollar capital expenditures and operations. At March 31, 2025, portions of the Company's cash balances, trade and other receivables, trade payables and other current liabilities were denominated in US dollars and subject to foreign exchange fluctuations which are recorded within net income. In addition, Stoneham, Western's US subsidiary, is subject to foreign currency translation adjustments upon consolidation, which is recorded separately within other comprehensive income.

Credit risk:

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

Western Energy Services Corp.

Notes to the condensed consolidated financial statements (unaudited)

(tabular amounts are in thousands of Canadian dollars, except common share and per common share amounts)

17. Financial risk management (continued):

The Company's practice is to manage credit risk by performing a thorough analysis of the creditworthiness of new customers by reviewing their financial position before credit terms are offered. In some cases, the Company may request prepayment before services are provided to help minimize credit risk. Additionally, the Company continually evaluates individual customer trade receivables for collectability considering payment history and aging of the trade receivables.

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

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

The following table provides an analysis of the Company's trade and other receivables as at March 31, 2025 and December 31, 2024:

	March 31, 2025	December 31, 2024
Trade receivables	\$ 43,783	\$ 30,473
Accrued trade receivables	7,569	8,392
Other receivables	683	678
Allowance for doubtful accounts	(2,036)	(1,985)
Total	\$ 49,999	\$ 37,558

For the three months ended March 31, 2025, the Company had one customer comprising 11.7% of the Company's total revenue. For the three months ended March 31, 2024, the Company had no customers comprising 10.0% or more of the Company's total revenue. The total trade receivable balance outstanding related to the significant customer for 2025 was 7.8% of the Company's total trade and other receivables as at March 31, 2025. There were no significant customers for the year ended December 31, 2024.

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 a material negative change in the energy service industry, which in turn could lead to covenant breaches on the Company's Credit Facilities, which if not amended or waived, could limit, in part, or in whole, the Company's access to the Credit Facilities and Second Lien Facility.

Western Energy Services Corp.

Notes to the condensed consolidated financial statements (unaudited)

(tabular amounts are in thousands of Canadian dollars, except common share and per common share amounts)

18. Commitments:

As at March 31, 2025, the Company has commitments which require payments based on the maturity terms as follows:

	2025	2026	2027	2028	2029	Thereafter	Total
Trade payables and other current liabilities ⁽¹⁾	\$ 25,575	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,575
Operating commitments ⁽²⁾	4,524	780	772	770	769	372	7,987
Second Lien Facility principal	810	1,080	86,101	-	-	-	87,991
Second Lien Facility interest	3,703	7,399	6,430	-	-	-	17,532
HSBC Facility principal	-	4,375	-	-	-	-	4,375
HSBC Facility interest	192	185	-	-	-	-	377
Lease obligations ⁽³⁾	1,479	1,872	1,428	1,170	679	450	7,078
Revolving Facility	-	6,000	-	-	-	-	6,000
Operating Facility	-	5,226	-	-	-	-	5,226
PPP Loan	548	-	-	-	-	-	548
Total	\$ 36,831	\$ 26,917	\$ 94,731	\$ 1,940	\$ 1,448	\$ 822	\$ 162,689

(1) Trade payables and other current liabilities exclude interest accrued as at March 31, 2025 on the Second Lien Facility and HSBC Facility which are stated separately.

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

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