

**Western Energy Services Corp.**  
**Condensed Consolidated Financial Statements**  
*June 30, 2025 and 2024*  
*(Unaudited)*

## Western Energy Services Corp.

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

	Note	June 30, 2025	December 31, 2024
<b>Assets</b>			
Current assets			
Cash and cash equivalents		\$ 5,227	\$ 3,785
Trade and other receivables	17	28,212	37,558
Other current assets	5	2,390	3,494
		35,829	44,837
Non current assets			
Property and equipment	6	371,922	386,144
Other non current assets	5	40	-
		\$ 407,791	\$ 430,981
<b>Liabilities</b>			
Current liabilities			
Trade payables and other current liabilities		\$ 20,584	\$ 27,589
Current portion of long term debt	7	1,034	5,864
Current portion of lease obligations	8	1,574	1,473
		23,192	34,926
Non current liabilities			
Long term debt	7	89,057	91,657
Lease obligations	8	3,971	4,668
Deferred taxes		3,242	3,880
		119,462	135,131
<b>Shareholders' equity</b>			
Share capital	9	521,604	521,604
Contributed surplus		20,009	21,178
Retained earnings (deficit)		(284,192)	(281,830)
Accumulated other comprehensive income		28,607	32,669
Non controlling interest		2,301	2,229
		288,329	295,850
		\$ 407,791	\$ 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 Loss (unaudited)  
(thousands of Canadian dollars except share and per share amounts)

		Three months ended June 30		Six months ended June 30	
	Note	2025	2024	2025	2024
<b>Revenue</b>		\$ 40,005	\$ 43,033	\$ 109,015	\$ 105,015
<b>Expenses</b>					
Operating		30,481	31,742	80,389	73,706
Administrative		3,671	6,032	8,697	10,831
Depreciation	6	10,348	10,075	20,391	20,598
Stock based compensation	10	(238)	(161)	(1,169)	276
Finance costs	12	2,286	2,494	4,639	5,150
Other items	13	(950)	(392)	(1,167)	(772)
<b>Loss before income taxes</b>		(5,593)	(6,757)	(2,765)	(4,774)
Income tax recovery	14	1,008	1,621	566	1,093
<b>Net loss</b>		(4,585)	(5,136)	(2,199)	(3,681)
<b>Other comprehensive loss <sup>(1)</sup></b>					
(Loss) gain on translation of foreign operations		(2,335)	483	(2,380)	1,644
Unrealized foreign exchange (loss) gain on net investment in subsidiary		(1,653)	309	(1,682)	1,040
<b>Comprehensive loss</b>		\$ (8,573)	\$ (4,344)	\$ (6,261)	\$ (997)
<b>Net income (loss) attributable to:</b>					
Shareholders of the Company		\$ (4,624)	\$ (5,247)	\$ (2,362)	\$ (3,751)
Non controlling interest		39	111	163	70
<b>Comprehensive income (loss) attributable to:</b>					
Shareholders of the Company		\$ (8,612)	\$ (4,455)	\$ (6,424)	\$ (1,067)
Non controlling interest		39	111	163	70
<b>Net loss per share:</b>					
Basic and diluted		\$ (0.14)	\$ (0.15)	\$ (0.06)	\$ (0.11)
<b>Weighted average number of shares:</b>					
Basic and diluted	11	33,843,022	33,843,015	33,843,022	33,843,015

(1) Other comprehensive loss 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 <sup>(1)</sup>	Retained earnings (deficit)	Accumulated other comprehensive income <sup>(2)</sup>	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	-	276	-	-	-	276
Distributions to non controlling interest	-	-	-	-	(90)	(90)
Comprehensive income (loss)	-	-	(3,751)	2,684	70	(997)
Balance at June 30, 2024	521,603	20,647	(278,426)	28,755	2,275	294,854
Common shares:						
Issued on vesting of restricted share units	1	-	-	-	-	1
Stock based compensation	-	531	-	-	-	531
Distributions to non controlling interest	-	-	-	-	(265)	(265)
Comprehensive income (loss)	-	-	(3,404)	3,914	219	729
Balance at December 31, 2024	521,604	21,178	(281,830)	32,669	2,229	295,850
Stock based compensation	-	(1,169)	-	-	-	(1,169)
Distributions to non controlling interest	-	-	-	-	(91)	(91)
Comprehensive income (loss)	-	-	(2,362)	(4,062)	163	(6,261)
Balance at June 30, 2025	\$ 521,604	\$ 20,009	\$ (284,192)	\$ 28,607	\$ 2,301	\$ 288,329

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

(2) At June 30, 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)

		Three months ended June 30		Six months ended June 30	
	Note	2025	2024	2025	2024
<b>Operating activities</b>					
Net loss		\$ (4,585)	\$ (5,136)	\$ (2,199)	\$ (3,681)
Adjustments for:					
Depreciation	6	10,348	10,075	20,391	20,598
Non cash stock based compensation	10	(238)	(161)	(1,169)	276
Finance costs	12	2,286	2,494	4,639	5,150
Income tax recovery	14	(1,008)	(1,621)	(566)	(1,093)
Other		(980)	(434)	(1,071)	(796)
Change in non cash working capital		13,981	14,043	2,457	6,608
Cash flow from operating activities		19,804	19,260	22,482	27,062
<b>Investing activities</b>					
Additions to property and equipment	6	(5,954)	(5,635)	(10,933)	(7,537)
Proceeds on sale of property and equipment		2,145	340	2,412	1,520
Repayment of promissory note		-	57	-	113
Distributions to non controlling interest		-	-	(91)	(90)
Change in non cash working capital		(216)	3,486	698	1,867
Cash flow used in investing activities		(4,025)	(1,752)	(7,914)	(4,127)
<b>Financing activities</b>					
Finance costs paid		(408)	(285)	(4,720)	(5,407)
Principal repayment of second lien facility	7	(5,270)	(270)	(5,540)	(540)
Principal repayment of lease obligations	8	(418)	(659)	(853)	(1,278)
Repayment of credit facilities	7	(7,625)	(3,594)	(822)	(5,000)
Principal repayment of HSBC facility	7	(312)	(312)	(625)	(625)
Principal repayment of US paycheck protection plan	7	(278)	(272)	(566)	(480)
Cash flow used in financing activities		(14,311)	(5,392)	(13,126)	(13,330)
Increase in cash and cash equivalents		1,468	12,116	1,442	9,605
Cash and cash equivalents, beginning of period		3,759	3,419	3,785	5,930
Cash and cash equivalents, end of period		\$ 5,227	\$ 15,535	\$ 5,227	\$ 15,535

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)

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## 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 ("TSX") under the symbol "WRG". These condensed consolidated financial statements as at June 30, 2025 and for the three and six months ended June 30, 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](http://www.sedarplus.ca).

These Financial Statements were approved for issuance by Western's Board of Directors on July 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 and six months ended June 30, 2025 and 2024:

	Contract	Production	Inter-segment		
	Drilling	Services	Corporate	Elimination	Total
Three months ended June 30, 2025					
Revenue	\$ 29,935	\$ 10,152	\$ -	\$ (82)	\$ 40,005
Expenses					
Operating	(22,440)	(8,123)	-	82	(30,481)
Administrative	(2,006)	(1,203)	(462)	-	(3,671)
Depreciation	(8,129)	(1,908)	(311)	-	(10,348)
Operating loss	(2,640)	(1,082)	(773)	-	(4,495)
Add (deduct)					
Stock based compensation	32	318	(112)	-	238
Finance costs	-	-	(2,286)	-	(2,286)
Other items	-	-	950	-	950
Loss before income taxes	\$ (2,608)	\$ (764)	\$ (2,221)	\$ -	\$ (5,593)
Three months ended June 30, 2024					
Revenue	\$ 27,149	\$ 15,986	\$ -	\$ (102)	\$ 43,033
Expenses					
Operating	(21,280)	(10,564)	-	102	(31,742)
Administrative	(1,940)	(1,257)	(2,835)	-	(6,032)
Depreciation	(7,605)	(2,125)	(345)	-	(10,075)
Operating earnings (loss)	(3,676)	2,040	(3,180)	-	(4,816)
Add (deduct)					
Stock based compensation	35	(35)	161	-	161
Finance costs	-	-	(2,494)	-	(2,494)
Other items	-	-	392	-	392
Income (loss) before income taxes	\$ (3,641)	\$ 2,005	\$ (5,121)	\$ -	\$ (6,757)

## 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):

Six months ended June 30, 2025	Contract Drilling	Production Services	Corporate	Inter-segment Elimination	Total
Revenue	\$ 80,787	\$ 28,416	\$ -	\$ (188)	\$ 109,015
Expenses					
Operating	(59,642)	(20,935)	-	188	(80,389)
Administrative	(4,022)	(2,690)	(1,985)	-	(8,697)
Depreciation	(15,739)	(3,883)	(769)	-	(20,391)
Operating earnings (loss)	1,384	908	(2,754)	-	(462)
Add (deduct)					
Stock based compensation	121	314	734	-	1,169
Finance costs	-	-	(4,639)	-	(4,639)
Other items	-	-	1,167	-	1,167
Income (loss) before income taxes	\$ 1,505	\$ 1,222	\$ (5,492)	\$ -	\$ (2,765)

Six months ended June 30, 2024	Contract Drilling	Production Services	Corporate	Inter-segment Elimination	Total
Revenue	\$ 66,787	\$ 38,433	\$ -	\$ (205)	\$ 105,015
Expenses					
Operating	(48,601)	(25,310)	-	205	(73,706)
Administrative	(4,199)	(2,564)	(4,068)	-	(10,831)
Depreciation	(15,542)	(4,270)	(786)	-	(20,598)
Operating earnings (loss)	(1,555)	6,289	(4,854)	-	(120)
Add (deduct)					
Stock based compensation	38	(68)	(246)	-	(276)
Finance costs	-	-	(5,150)	-	(5,150)
Other items	-	-	772	-	772
Income (loss) before income taxes	\$ (1,517)	\$ 6,221	\$ (9,478)	\$ -	\$ (4,774)

Total assets and liabilities by operating segment are as follows:

As at June 30, 2025	Contract Drilling	Production Services	Corporate	Total
Total assets	\$ 335,980	\$ 66,175	\$ 5,636	\$ 407,791
Total liabilities	47,522	24,675	47,265	119,462

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

Additions to property and equipment by operating segment are as follows:

	Contract Drilling	Production Services	Corporate	Total
Additions to property and equipment - three months ended June 30, 2025	\$ 5,663	\$ 291	\$ -	\$ 5,954
Additions to property and equipment - three months ended June 30, 2024	5,007	614	14	5,635
Additions to property and equipment - six months ended June 30, 2025	9,870	808	255	10,933
Additions to property and equipment - six months ended June 30, 2024	6,498	1,025	14	7,537



## 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):

Segmented information by geographic area is as follows:

As at June 30, 2025	Canada	United States	Total
Property and equipment	\$ 297,416	\$ 74,506	\$ 371,922
Total assets	326,636	81,155	407,791
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 June 30, 2025	\$ 35,047	\$ 4,958	\$ 40,005
Revenue - Three months ended June 30, 2024	36,733	6,300	43,033
Revenue - Six months ended June 30, 2025	97,366	11,649	109,015
Revenue - Six months ended June 30, 2024	91,681	13,334	105,015

Revenue from long term contracts:

For both the three and six months ended June 30, 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 June 30, 2025 and December 31, 2024 are as follows:

	June 30, 2025	December 31, 2024
Current:		
Prepaid expenses	\$ 1,921	\$ 2,762
Inventory	102	262
Deposits	271	346
Deferred charges	96	124
Total current portion of other assets	2,390	3,494
Non current:		
Deferred charges	40	-
Total non current portion of other assets	40	-
Total other assets	\$ 2,430	\$ 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
<b>Cost:</b>							
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	-	315	9,555	805	258	-	10,933
Lease additions	-	-	-	-	-	257	257
Disposals	-	-	(7,333)	(227)	-	(870)	(8,430)
Foreign exchange adjustment	-	-	(10,621)	-	(35)	(39)	(10,695)
Balance at June 30, 2025	\$ 5,089	\$ 5,456	\$ 856,880	\$ 196,882	\$ 13,105	\$ 16,390	\$ 1,093,802
<b>Accumulated depreciation:</b>							
Balance at December 31, 2024	\$ -	\$ 3,379	\$ 551,035	\$ 138,491	\$ 12,825	\$ 9,863	\$ 715,593
Depreciation	-	80	15,429	3,465	324	1,093	20,391
Disposals	-	-	(6,800)	(224)	-	(539)	(7,563)
Foreign exchange adjustment	-	-	(6,471)	-	(44)	(26)	(6,541)
Balance at June 30, 2025	\$ -	\$ 3,459	\$ 553,193	\$ 141,732	\$ 13,105	\$ 10,391	\$ 721,880
<b>Carrying amounts:</b>							
At December 31, 2024	\$ 5,089	\$ 1,762	\$ 314,244	\$ 57,813	\$ 57	\$ 7,179	\$ 386,144
At June 30, 2025	\$ 5,089	\$ 1,997	\$ 303,687	\$ 55,150	\$ -	\$ 5,999	\$ 371,922

As at June 30, 2025, the Company reviewed for indicators of impairment and determined no such indicators existed.

### 7. Long term debt:

This note provides information about the contractual terms of the Company's long term debt instruments.

	June 30, 2025	December 31, 2024
<b>Current:</b>		
Second Lien Facility	\$ 1,080	\$ 1,080
Revolving Facility	-	3,000
Operating Facility	-	1,423
PPP Loan	245	836
Less: unamortized issue costs	(291)	(475)
Total current portion of long term debt	1,034	5,864
<b>Non current:</b>		
Second Lien Facility	81,641	87,181
HSBC Facility	4,063	4,688
Operating Facility	3,601	-
Less: unamortized issue costs	(248)	(212)
Total non current portion of long term debt	89,057	91,657
Total long term debt	\$ 90,091	\$ 97,521

### Credit Facilities:

As at June 30, 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.

## Western Energy Services Corp.

Notes to the condensed consolidated financial statements (unaudited)

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### 7. Long term debt (continued):

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 June 30, 2025, the Company's Credit Facilities are subject to the following financial covenants:

	Covenant	June 30, 2025
Maximum Consolidated Senior Debt to Consolidated EBITDA Ratio <sup>(1)(2)</sup>	3.0:1.0 or less	0.0:1.0
Maximum Consolidated Debt to Consolidated Capitalization Ratio <sup>(3)(4)</sup>	0.5:1.0 or less	0.2:1.0
Minimum Debt Service Coverage Ratio <sup>(5)</sup>	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 June 30, 2025, the Company had \$3.6 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 June 30, 2025, the Company was in compliance with all covenants related to its Credit Facilities.

#### Second Lien Facility:

At June 30, 2025, the Company had \$82.7 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 June 30, 2025, the Company had \$4.1 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 June 30, 2025, the Company had US\$0.2 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		257
Finance costs		249
Lease payments		(1,102)
Balance at June 30, 2025		5,545
Less: current portion of lease obligations		(1,574)
Balance at June 30, 2025 - non current portion	\$	3,971

Lease obligations include leases capitalized under IFRS 16, Leases. During both the three and six months ended June 30, 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 June 30, 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	(1,285,992)	4.50
Expired	(131,054)	4.98
Balance at June 30, 2025	1,249,143	\$ 4.08

For the three and six months ended June 30, 2025 and 2024 no stock options were cancelled and no stock options were granted.

As at June 30, 2025, Western had 616,801 (December 31, 2024: 995,001) vested and exercisable stock options outstanding at a weighted average exercise price equal to \$4.86 (December 31, 2024: \$4.99) per stock option.

The stock based compensation (recovery) expense recognized in the condensed consolidated statements of operations and comprehensive loss is comprised of the following:

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Stock options	\$ (238)	\$ (161)	\$ (1,169)	\$ 276
Total stock based compensation (recovery) expense	\$ (238)	\$ (161)	\$ (1,169)	\$ 276

## 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 June 30		Six months ended June 30	
	2025	2024	2025	2024
Issued common shares, beginning of period	33,843,022	33,843,015	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	33,843,022	33,843,015

For the three and six months ended June 30, 2025, 1,249,143 stock options (three and six months ended June 30, 2024, 2,506,597 stock options) and nil equity settled RSUs (three and six months ended June 30, 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 loss are comprised of the following:

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Interest expense on long term debt	\$ 2,199	\$ 2,402	\$ 4,471	\$ 4,926
Amortization of debt financing fees	24	33	40	54
Accretion expense on Second Lien Facility	64	110	127	220
Accretion expense on HSBC Facility	10	13	21	27
Interest income	(11)	(64)	(20)	(77)
Total finance costs	\$ 2,286	\$ 2,494	\$ 4,639	\$ 5,150

The Company had an effective interest rate on its borrowings of 8.7% and 8.5% for the three and six months ended June 30, 2025 respectively (three and six months ended June 30, 2024: 8.6% and 8.7% respectively).

### 13. Other items:

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

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Gain on sale of fixed assets	\$ (1,314)	\$ (343)	\$ (1,545)	\$ (608)
Realized foreign exchange loss (gain)	17	(11)	(108)	(29)
Unrealized foreign exchange loss (gain)	347	(38)	486	(135)
Total other items	\$ (950)	\$ (392)	\$ (1,167)	\$ (772)

### 14. Income taxes:

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

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Current tax expense	\$ (15)	\$ (54)	\$ (14)	\$ (54)
Deferred tax recovery	1,023	1,675	580	1,147
Total income tax recovery	\$ 1,008	\$ 1,621	\$ 566	\$ 1,093

As at June 30, 2025, the Company has loss carry forwards in Canada equal to approximately \$201.3 million, which will expire between 2036 and 2043. In the United States, the Company has approximately US\$50.7 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 loss by function. The following table presents significant expenses by nature:

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Employee salaries and benefits	\$ 21,243	\$ 23,950	\$ 54,542	\$ 53,457
Repairs and maintenance	3,862	4,434	9,698	9,106
Third party charges	1,114	1,085	3,741	2,904

Employee salaries and benefits for the three and six months ended June 30, 2025 in the above table includes \$1.0 million and \$3.2 million respectively, related to one-time reorganization costs (three and six months ended June 30, 2024: \$1.8 million).

### 16. Capital management:

The overall capitalization of the Company at June 30, 2025 and December 31, 2024 is as follows:

	Note	June 30, 2025	December 31, 2024
Second Lien Facility	7	\$ 82,721	\$ 88,261
HSBC Facility	7	4,063	4,688
Revolving Facility	7	-	3,000
Operating Facility	7	3,601	1,423
PPP Loan	7	245	836
Lease obligations	8	5,545	6,141
Total debt		96,175	104,349
Shareholders' equity		288,329	295,850
Less: cash and cash equivalents		(5,227)	(3,785)
Total capitalization		\$ 379,277	\$ 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 June 30, 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):

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 June 30, 2025 and December 31, 2024:

	June 30, 2025	December 31, 2024
Trade receivables	\$ 24,505	\$ 30,473
Accrued trade receivables	5,082	8,392
Other receivables	474	678
Allowance for doubtful accounts	(1,849)	(1,985)
Total	\$ 28,212	\$ 37,558

For the three months ended June 30, 2025, the Company had three customers comprising 17.0%, 12.0%, and 11.0% respectively, of the Company's total revenue. The trade receivable balance outstanding related to the significant customers for 2025 were 10.0%, 10.9%, and 11.8% respectively, of the Company's total trade and other receivables as at June 30, 2025. One of the significant customers from the second quarter of 2025 was also a significant customer for the six months June 30, 2025, comprising 13.7% of the Company's total revenue. For the three and six months ended June 30, 2024, the Company had no customers comprising 10.0% or more of the Company's total revenue. 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 June 30, 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 <sup>(1)</sup>	\$ 16,889	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,889
Operating commitments <sup>(2)</sup>	9,159	780	772	770	769	372	12,622
Second Lien Facility principal	540	1,080	81,101	-	-	-	82,721
Second Lien Facility interest	3,690	6,974	6,057	-	-	-	16,721
HSBC Facility principal	-	4,063	-	-	-	-	4,063
HSBC Facility interest	138	206	-	-	-	-	344
Lease obligations <sup>(3)</sup>	1,002	1,987	1,523	1,212	700	450	6,874
Operating Facility	-	3,601	-	-	-	-	3,601
PPP Loan	245	-	-	-	-	-	245
<b>Total</b>	<b>\$ 31,663</b>	<b>\$ 18,691</b>	<b>\$ 89,453</b>	<b>\$ 1,982</b>	<b>\$ 1,469</b>	<b>\$ 822</b>	<b>\$ 144,080</b>

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