

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

Western Energy Services Corp.

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

	Note	September 30, 2025	December 31, 2024
Assets			
Current assets			
Cash and cash equivalents		\$ 3,457	\$ 3,785
Trade and other receivables	17	35,707	37,558
Other current assets	5	1,721	3,494
		40,885	44,837
Non current assets			
Property and equipment	6	365,048	386,144
Other non current assets	5	16	-
		\$ 405,949	\$ 430,981
Liabilities			
Current liabilities			
Trade payables and other current liabilities		\$ 18,850	\$ 27,589
Current portion of long term debt	7	791	5,864
Current portion of lease obligations	8	1,826	1,473
		21,467	34,926
Non current liabilities			
Long term debt	7	90,445	91,657
Lease obligations	8	3,760	4,668
Deferred taxes		2,583	3,880
		118,255	135,131
Shareholders' equity			
Share capital	9	521,604	521,604
Contributed surplus		20,247	21,178
Retained earnings (deficit)		(286,544)	(281,830)
Accumulated other comprehensive income		30,088	32,669
Non controlling interest		2,299	2,229
		287,694	295,850
		\$ 405,949	\$ 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 Sept 30		Nine months ended Sept 30	
	Note	2025	2024	2025	2024
Revenue		\$ 50,035	\$ 58,343	\$ 159,050	\$ 163,358
Expenses					
Operating		33,680	42,417	114,069	116,123
Administrative		3,293	4,493	11,990	15,324
Depreciation	6	10,524	10,067	30,915	30,665
Stock based compensation	10	238	157	(931)	433
Finance costs	12	2,162	2,476	6,801	7,626
Other items	13	3,050	316	1,883	(456)
Loss before income taxes		(2,912)	(1,583)	(5,677)	(6,357)
Income tax recovery	14	670	393	1,236	1,486
Net loss		(2,242)	(1,190)	(4,441)	(4,871)
Other comprehensive loss ⁽¹⁾					
Gain (loss) on translation of foreign operations		854	(625)	(1,526)	1,019
Unrealized foreign exchange gain (loss) on net investment in subsidiary		627	(424)	(1,055)	616
Comprehensive loss		\$ (761)	\$ (2,239)	\$ (7,022)	\$ (3,236)
Net income (loss) attributable to:					
Shareholders of the Company		\$ (2,352)	\$ (1,261)	\$ (4,714)	\$ (5,012)
Non controlling interest		110	71	273	141
Comprehensive income (loss) attributable to:					
Shareholders of the Company		\$ (871)	\$ (2,310)	\$ (7,295)	\$ (3,377)
Non controlling interest		110	71	273	141
Net loss per share:					
Basic and diluted		\$ (0.07)	\$ (0.04)	\$ (0.13)	\$ (0.14)
Weighted average number of shares:					
Basic and diluted	11	33,843,022	33,843,022	33,843,022	33,843,017

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

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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
Common shares:						
Issued on vesting of restricted share units	1	(1)	-	-	-	-
Stock based compensation	-	433	-	-	-	433
Distributions to non controlling interest	-	-	-	-	(213)	(213)
Comprehensive income (loss)	-	-	(5,012)	1,635	141	(3,236)
Balance at September 30, 2024	521,604	20,803	(279,687)	27,706	2,223	292,649
Common shares:						
Issued on vesting of restricted share units	-	1	-	-	-	1
Stock based compensation	-	374	-	-	-	374
Distributions to non controlling interest	-	-	-	-	(142)	(142)
Comprehensive income (loss)	-	-	(2,143)	4,963	148	2,968
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	-	-	-	-	(203)	(203)
Comprehensive income (loss)	-	-	(4,714)	(2,581)	273	(7,022)
Balance at September 30, 2025	\$ 521,604	\$ 20,247	\$ (286,544)	\$ 30,088	\$ 2,299	\$ 287,694

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

(2) At September 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)

	Note	Three months ended Sept 30		Nine months ended Sept 30	
		2025	2024	2025	2024
Operating activities					
Net loss		\$ (2,242)	\$ (1,190)	\$ (4,441)	\$ (4,871)
Adjustments for:					
Depreciation	6	10,524	10,067	30,915	30,665
Non cash stock based compensation	10	238	157	(931)	433
Finance costs	12	2,162	2,476	6,801	7,626
Income tax recovery	14	(670)	(393)	(1,236)	(1,486)
Other		3,089	313	2,018	(483)
Change in non cash working capital		(4,649)	(6,026)	(2,192)	582
Cash flow from operating activities		8,452	5,404	30,934	32,466
Investing activities					
Additions to property and equipment	6	(5,465)	(8,223)	(16,398)	(15,760)
Proceeds on sale of property and equipment		403	154	2,815	1,674
Repayment of promissory note		-	38	-	151
Distributions to non controlling interest		(112)	(123)	(203)	(213)
Change in non cash working capital		(1,943)	1,250	(1,245)	3,117
Cash flow used in investing activities		(7,117)	(6,904)	(15,031)	(11,031)
Financing activities					
Finance costs paid		(3,943)	(4,477)	(8,663)	(9,884)
Principal repayment of second lien facility	7	(270)	(10,270)	(5,810)	(10,810)
Principal repayment of lease obligations	8	(233)	(771)	(1,086)	(2,049)
Draw on credit facilities	7	1,898	6,000	1,076	1,000
Principal repayment of HSBC facility	7	(313)	(313)	(938)	(938)
Principal repayment of US paycheck protection plan	7	(244)	(272)	(810)	(752)
Cash flow used in financing activities		(3,105)	(10,103)	(16,231)	(23,433)
Decrease in cash and cash equivalents		(1,770)	(11,603)	(328)	(1,998)
Cash and cash equivalents, beginning of period		5,227	15,535	3,785	5,930
Cash and cash equivalents, end of period		\$ 3,457	\$ 3,932	\$ 3,457	\$ 3,932

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 ("TSX") under the symbol "WRG". These condensed consolidated financial statements as at September 30, 2025 and for the three and nine months ended September 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.

These Financial Statements were approved for issuance by Western's Board of Directors on October 21, 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 nine months ended September 30, 2025 and 2024:

Three months ended September 30, 2025	Contract Drilling	Production Services	Corporate	Inter-segment Elimination	Total
Revenue	\$ 37,840	\$ 12,206	\$ -	\$ (11)	\$ 50,035
Expenses					
Operating	(25,428)	(8,263)	-	11	(33,680)
Administrative	(1,611)	(1,280)	(402)	-	(3,293)
Depreciation	(8,305)	(1,906)	(313)	-	(10,524)
Operating earnings (loss)	2,496	757	(715)	-	2,538
Add (deduct)					
Stock based compensation	(24)	(165)	(49)	-	(238)
Finance costs	-	-	(2,162)	-	(2,162)
Other items	(3,198)	17	131	-	(3,050)
Income (loss) before income taxes	\$ (726)	\$ 609	\$ (2,795)	\$ -	\$ (2,912)

Three months ended September 30, 2024	Contract Drilling	Production Services	Corporate	Inter-segment Elimination	Total
Revenue	\$ 43,590	\$ 14,813	\$ -	\$ (60)	\$ 58,343
Expenses					
Operating	(32,369)	(10,108)	-	60	(42,417)
Administrative	(2,334)	(1,270)	(889)	-	(4,493)
Depreciation	(7,669)	(2,033)	(365)	-	(10,067)
Operating earnings (loss)	1,218	1,402	(1,254)	-	1,366
Add (deduct)					
Stock based compensation	3	(36)	(124)	-	(157)
Finance costs	-	-	(2,476)	-	(2,476)
Other items	-	-	(316)	-	(316)
Income (loss) before income taxes	\$ 1,221	\$ 1,366	\$ (4,170)	\$ -	\$ (1,583)

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):

Nine months ended September 30, 2025	Contract Drilling	Production Services	Corporate	Inter-segment Elimination	Total
Revenue	\$ 118,627	\$ 40,622	\$ -	\$ (199)	\$ 159,050
Expenses					
Operating	(85,070)	(29,198)	-	199	(114,069)
Administrative	(5,633)	(3,970)	(2,387)	-	(11,990)
Depreciation	(24,044)	(5,789)	(1,082)	-	(30,915)
Operating earnings (loss)	3,880	1,665	(3,469)	-	2,076
Add (deduct)					
Stock based compensation	97	149	685	-	931
Finance costs	-	-	(6,801)	-	(6,801)
Other items	(2,259)	281	95	-	(1,883)
Income (loss) before income taxes	\$ 1,718	\$ 2,095	\$ (9,490)	\$ -	\$ (5,677)

Nine months ended September 30, 2024	Contract Drilling	Production Services	Corporate	Inter-segment Elimination	Total
Revenue	\$ 110,377	\$ 53,246	\$ -	\$ (265)	\$ 163,358
Expenses					
Operating	(80,970)	(35,418)	-	265	(116,123)
Administrative	(6,533)	(3,834)	(4,957)	-	(15,324)
Depreciation	(23,211)	(6,303)	(1,151)	-	(30,665)
Operating earnings (loss)	(337)	7,691	(6,108)	-	1,246
Add (deduct)					
Stock based compensation	41	(104)	(370)	-	(433)
Finance costs	-	-	(7,626)	-	(7,626)
Other items	-	-	456	-	456
Income (loss) before income taxes	\$ (296)	\$ 7,587	\$ (13,648)	\$ -	\$ (6,357)

Total assets and liabilities by operating segment are as follows:

As at September 30, 2025	Contract Drilling	Production Services	Corporate	Total
Total assets	\$ 335,271	\$ 65,881	\$ 4,797	\$ 405,949
Total liabilities	47,393	25,279	45,583	118,255

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 September 30, 2025	\$ 4,788	\$ 677	\$ -	\$ 5,465
Additions to property and equipment - Three months ended September 30, 2024	7,652	560	11	8,223
Additions to property and equipment - Nine months ended September 30, 2025	14,658	1,485	255	16,398
Additions to property and equipment - Nine months ended September 30, 2024	14,150	1,585	25	15,760

Western Energy Services Corp.

Notes to the condensed consolidated financial statements (unaudited)

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4. Operating segments (continued):

Segmented information by geographic area is as follows:

As at September 30, 2025	Canada	United States	Total
Property and equipment	\$ 293,181	\$ 71,867	\$ 365,048
Total assets	327,082	78,867	405,949
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 September 30, 2025	\$ 43,275	\$ 6,760	\$ 50,035
Revenue - Three months ended September 30, 2024	49,484	8,859	58,343
Revenue - Nine months ended September 30, 2025	140,641	18,409	159,050
Revenue - Nine months ended September 30, 2024	141,165	22,193	163,358

Revenue from long term contracts:

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

	September 30, 2025	December 31, 2024
Current		
Prepaid expenses	\$ 1,258	\$ 2,762
Inventory	95	262
Deposits	272	346
Deferred charges	96	124
Total current portion of other assets	1,721	3,494
Non current		
Deferred charges	16	-
Total non current portion of other assets	16	-
Total other assets	\$ 1,737	\$ 3,494

Western Energy Services Corp.

Notes to the condensed consolidated financial statements (unaudited)

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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	-	347	14,312	1,481	258	-	16,398
Lease additions	-	-	-	-	-	531	531
Disposals	-	-	(19,551)	(989)	-	(1,288)	(21,828)
Foreign exchange adjustment	-	-	(6,769)	-	11	(25)	(6,783)
Balance at September 30, 2025	\$ 5,089	\$ 5,488	\$ 853,271	\$ 196,796	\$ 13,151	\$ 16,260	\$ 1,090,055
Accumulated depreciation:							
Balance at December 31, 2024	\$ -	\$ 3,379	\$ 551,035	\$ 138,491	\$ 12,825	\$ 9,863	\$ 715,593
Depreciation	-	119	23,604	5,186	390	1,616	30,915
Disposals	-	-	(15,557)	(960)	-	(872)	(17,389)
Foreign exchange adjustment	-	-	(4,032)	-	(64)	(16)	(4,112)
Balance at September 30, 2025	\$ -	\$ 3,498	\$ 555,050	\$ 142,717	\$ 13,151	\$ 10,591	\$ 725,007
Carrying amounts:							
At December 31, 2024	\$ 5,089	\$ 1,762	\$ 314,244	\$ 57,813	\$ 57	\$ 7,179	\$ 386,144
At September 30, 2025	\$ 5,089	\$ 1,990	\$ 298,221	\$ 54,079	\$ -	\$ 5,669	\$ 365,048

7. Long term debt:

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

	September 30, 2025	December 31, 2024
Current:		
Second Lien Facility	\$ 1,080	\$ 1,080
Revolving Facility	-	3,000
Operating Facility	-	1,423
PPP Loan	-	836
Less: unamortized issue costs	(289)	(475)
Total current portion of long term debt	791	5,864
Non current:		
Second Lien Facility	81,372	87,181
HSBC Facility	3,750	4,688
Operating Facility	5,499	-
Less: unamortized issue costs	(176)	(212)
Total non current portion of long term debt	90,445	91,657
Total long term debt	\$ 91,236	\$ 97,521

Credit Facilities:

As at September 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.

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

	Covenant	September 30, 2025
Maximum Consolidated Senior Debt to Consolidated EBITDA Ratio ⁽¹⁾⁽²⁾	3.0:1.0 or less	0.1:1.0
Maximum Consolidated Debt to Consolidated Capitalization Ratio ⁽³⁾⁽⁴⁾	0.5:1.0 or less	0.2:1.0
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 (loss).

(3) Consolidated Debt in the Credit Facilities is defined as Consolidated Senior Debt plus the HSBC Facility, and Second Lien Facility 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 September 30, 2025, the Company had \$5.5 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 September 30, 2025, the Company was in compliance with all covenants related to its Credit Facilities.

Second Lien Facility:

At September 30, 2025, the Company had \$82.4 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 September 30, 2025, the Company had \$3.8 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"):

On August 7, 2025, the Company's PPP Loan matured and the Company made its final principal payment on the loan. As such, there is no balance outstanding at September 30, 2025 related to the PPP loan.

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		531
Finance costs		366
Lease payments		(1,452)
Balance at September 30, 2025		5,586
Less: current portion of lease obligations		(1,826)
Balance at September 30, 2025 - non current portion	\$	3,760

Lease obligations include leases capitalized under IFRS 16, Leases. During the three and nine months ended September 30, 2025 and 2024, the Company expensed \$0.1 million and \$0.2 million respectively, 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 September 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	(1,421,451)	4.47
Expired	(135,817)	5.92
Balance at September 30, 2025	1,108,921	\$ 3.95

For the three and nine months ended September 30, 2025 and 2024 no stock options were cancelled. For the three and nine months ended September 30, 2025 no stock options were granted (three and nine months ended September 30, 2024: 655,480 options granted).

As at September 30, 2025, Western had 653,109 (December 31, 2024: 995,001) vested and exercisable stock options outstanding at a weighted average exercise price equal to \$4.25 (December 31, 2024: \$4.99) per stock option.

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

	Three months ended Sept 30		Nine months ended Sept 30	
	2025	2024	2025	2024
Stock options	\$ 238	\$ 157	\$ (931)	\$ 433
Total stock based compensation expense (recovery)	\$ 238	\$ 157	\$ (931)	\$ 433

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 Sept 30		Nine months ended Sept 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	-	7	-	8
Weighted average number of common shares (basic and diluted)	33,843,022	33,843,022	33,843,022	33,843,017

For the three and nine months ended September 30, 2025, 1,108,921 stock options (three and nine months ended September 30, 2024, 2,731,741 stock options) 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 Sept 30		Nine months ended Sept 30	
	2025	2024	2025	2024
Interest expense on long term debt	\$ 2,075	\$ 2,351	\$ 6,546	\$ 7,277
Amortization of debt financing fees	24	34	64	88
Accretion expense on Second Lien Facility	65	114	192	334
Accretion expense on HSBC Facility	10	13	31	40
Interest income	(12)	(36)	(32)	(113)
Total finance costs	\$ 2,162	\$ 2,476	\$ 6,801	\$ 7,626

The Company had an effective interest rate on its borrowings of 8.7% and 8.6% for the three and nine months ended September 30, 2025 respectively (three and nine months ended September 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 Sept 30		Nine months ended Sept 30	
	2025	2024	2025	2024
Loss (gain) on sale of fixed assets	\$ 3,169	\$ 248	\$ 1,624	\$ (360)
Realized foreign exchange (gain) loss	(40)	2	(148)	(27)
Unrealized foreign exchange (gain) loss	(79)	66	407	(69)
Total other items	\$ 3,050	\$ 316	\$ 1,883	\$ (456)

14. Income taxes:

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

	Three months ended Sept 30		Nine months ended Sept 30	
	2025	2024	2025	2024
Current tax expense	\$ -	\$ -	\$ (14)	\$ (54)
Deferred tax recovery	670	393	1,250	1,540
Total income tax recovery	\$ 670	\$ 393	\$ 1,236	\$ 1,486

As at September 30, 2025, the Company has loss carry forwards in Canada equal to approximately \$192.5 million, which will expire between 2036 and 2043. In the United States, the Company has approximately US\$50.0 million loss carry forwards, some of which expire between 2028 and 2038, and others that have an indefinite expiry.

Western Energy Services Corp.

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(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 Sept 30		Nine months ended Sept 30	
	2025	2024	2025	2024
Employee salaries and benefits	\$ 22,755	\$ 28,186	\$ 77,297	\$ 81,643
Repairs and maintenance	3,832	5,922	13,530	15,028
Third party charges	1,392	1,467	5,133	4,371

Employee salaries and benefits for the nine months ended September 30, 2025 in the above table includes \$3.2 million related to one-time reorganization costs (three and nine months ended September 30, 2024: \$0.6 million and \$2.8 million respectively). There were no one-time reorganization costs in the three months ended September 30, 2025.

16. Capital management:

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

	Note	September 30, 2025	December 31, 2024
Second Lien Facility	7	\$ 82,452	\$ 88,261
HSBC Facility	7	3,750	4,688
Revolving Facility	7	-	3,000
Operating Facility	7	5,499	1,423
PPP Loan	7	-	836
Lease obligations	8	5,586	6,141
Total debt		97,287	104,349
Shareholders' equity		287,694	295,850
Less: cash and cash equivalents		(3,457)	(3,785)
Total capitalization		\$ 381,524	\$ 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 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 September 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 September 30, 2025 and December 31, 2024:

	September 30, 2025	December 31, 2024
Trade receivables	\$ 29,741	\$ 30,473
Accrued trade receivables	7,688	8,392
Other receivables	165	678
Allowance for doubtful accounts	(1,887)	(1,985)
Total	\$ 35,707	\$ 37,558

For the three months ended September 30, 2025, the Company had one customer comprising 11.5% of the Company's total revenue. This customer was also a significant customer for the nine months ended September 30, 2025, comprising 10.1% of the Company's total revenue. There was a second significant customer for the nine months ended September 30, 2025 comprising 12.1% of the Company's total revenue. The total trade receivable balance outstanding related to the two significant customers for 2025 represented 10.0% and 5.4% respectively, of the Company's total trade and other receivables as at September 30, 2025. For the three and nine months ended September 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 ending 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.

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

18. Commitments:

As at September 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 ⁽¹⁾	\$ 17,082	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,082
Operating commitments ⁽²⁾	2,202	852	772	770	769	372	5,737
Second Lien Facility principal	270	1,080	81,102	-	-	-	82,452
Second Lien Facility interest	-	6,974	6,057	-	-	-	13,031
HSBC Facility principal	-	3,750	-	-	-	-	3,750
HSBC Facility interest	64	199	-	-	-	-	263
Lease obligations ⁽³⁾	639	2,012	1,547	1,235	720	450	6,603
Operating Facility	-	5,499	-	-	-	-	5,499
Total	\$ 20,257	\$ 20,366	\$ 89,478	\$ 2,005	\$ 1,489	\$ 822	\$ 134,417

(1) Trade payables and other current liabilities exclude interest accrued as at September 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.