

**Western Energy Services Corp.**  
**Consolidated Financial Statements**  
*December 31, 2025 and 2024*

### To the Shareholders of Western Energy Services Corp.:

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of Western Energy Services Corp. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where appropriate, reflect management's best estimates and judgments. Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Audit Committee is appointed by the Board of Directors, with all of its members being independent directors. The Audit Committee meets with management, as well as with the external auditors, to satisfy itself that management is properly discharging its financial reporting responsibilities and to review the consolidated financial statements and the auditor's report. The Audit Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for presentation to the shareholders. The external auditors have direct access to the Audit Committee of the Board of Directors.

The consolidated financial statements have been audited independently by Deloitte LLP on behalf of Western Energy Services Corp. in accordance with Canadian generally accepted auditing standards. Their report outlines the nature of their audit and expresses their opinion on the consolidated financial statements.

"Signed"  
**Gavin Lane**  
Chief Executive Officer

"Signed"  
**Orson Ross**  
Chief Financial Officer

February 25, 2026

## Independent Auditor's Report

To the Shareholders and the Board of Directors of  
Western Energy Services Corp.

### Opinion

We have audited the consolidated financial statements of Western Energy Services Corp. (the "Company"), which comprise the consolidated balance sheets as at December 31, 2025 and 2024, and the consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2025. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

**Property and equipment - Impairment - Refer to Notes 3(h), 4(a) and 9 to the financial statements**

*Key Audit Matter description*

The Company reviews property and equipment for indicators of impairment at each reporting date to determine whether there is an indication of impairment. The Company's determination of whether or not an indicator of impairment exists requires management to evaluate factors which could indicate if impairment exists. This includes significant changes in operating results and the manner in which an asset is used, the carrying amount of the net assets of the Company being more than its market capitalization or significant negative industry or economic trends. When an indication exists, the Cash Generating Unit's ("CGUs") carrying amount is assessed for impairment by determining the recoverable amount of the CGU which is the higher of fair value less cost to sell and value in use. The Company assessed internal and external factors and identified an impairment indicator related to the Well Servicing CGU. In determining the recoverable amount the Company used value in use which was derived from a discounted cashflow model. As its recoverable amount exceeded its carrying value no impairment loss was recognized.

While there are several factors required to determine whether or not an indicator of impairment exists, the judgments with the highest degree of subjectivity are the inputs to the Company's market capitalization deficiency assessment (specifically control premium, industry and company specific factors), and the impact of industry activity level expectations on the Company's earnings. While there are several estimates and assumptions to determine the recoverable amount of the Well Servicing CGU, the estimates and assumptions with the highest degree of subjectivity are forecasted revenues and the discount rate. Auditing these judgments required a high degree of subjectivity and auditor judgment and an increased extent of audit effort, including the involvement of fair value specialists.

*How the Key Audit Matter Was Addressed in the Audit*

Our audit procedures related to inputs to the Company's market capitalization deficiency assessment, and impact of industry activity level expectations on the Company's earnings considered in the assessment of indicators of impairment included the following, among others:

- With the involvement of fair value specialists, evaluated the changes in the market capitalization deficiency, including the change in control premium, industry and company specific factors, and its impact on the Company's impairment indicator analysis.
- Evaluated the reasonableness of management's assessment of the impact of industry activity level expectations on the Company's earnings by:
  - Evaluating management's ability to accurately forecast by comparing actual results to previous years' forecasts; and
  - Benchmarking to the industry's general economic environment and the Company's specific economic circumstances.

Our audit procedures related to forecasted revenue and the discount rate used to determine the recoverable amount of the Well Servicing CGU included the following, among others:

- Evaluated the reasonableness of management's forecasted revenue by comparing the forecasts to historical revenue, internal budgets approved by the Board of Directors detailing business strategies and growth plans and to comparable public company information; and
- With involvement of fair value specialists, evaluated the discount rate by testing the source information underlying the determination of the discount rate and developing a range of independent estimates and comparing those to the discount rate selected by management.

## Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ms. Mandeep Singh.

/s/ Deloitte LLP

Chartered Professional Accountants

Calgary, Alberta

February 25, 2026

# Western Energy Services Corp.

Consolidated Balance Sheets  
(thousands of Canadian dollars)

|  | Note | December 31, 2025 | December 31, 2024 |
|--|------|-------------------|-------------------|
| <b>Assets</b>                                |      |                   |                   |
| Current assets                               |      |                   |                   |
| Cash and cash equivalents                    |      | \$ 2,657          | \$ 3,785          |
| Trade and other receivables                  | 6    | 39,701            | 37,558            |
| Other current assets                         | 7    | 2,560             | 3,494             |
| Assets held for sale                         | 8    | 810               | -                 |
|  |      | 45,728            | 44,837            |
| Non current assets                           |      |                   |                   |
| Property and equipment                       | 9    | 332,919           | 386,144           |
|  |      | \$ 378,647        | \$ 430,981        |
| <b>Liabilities</b>                           |      |                   |                   |
| Current liabilities                          |      |                   |                   |
| Trade payables and other current liabilities | 10   | \$ 21,363         | \$ 27,589         |
| Current portion of long term debt            | 11   | 4,524             | 5,864             |
| Current portion of lease obligations         | 12   | 1,696             | 1,473             |
|  |      | 27,583            | 34,926            |
| Non current liabilities                      |      |                   |                   |
| Long term debt                               | 11   | 80,997            | 91,657            |
| Lease obligations                            | 12   | 3,899             | 4,668             |
| Deferred taxes                               | 18   | 720               | 3,880             |
|  |      | 113,199           | 135,131           |
| <b>Shareholders' equity</b>                  |      |                   |                   |
| Share capital                                | 13   | 521,604           | 521,604           |
| Contributed surplus                          |      | 20,337            | 21,178            |
| Retained earnings (deficit)                  |      | (307,828)         | (281,830)         |
| Accumulated other comprehensive income       |      | 29,074            | 32,669            |
| Non controlling interest                     |      | 2,261             | 2,229             |
|  |      | 265,448           | 295,850           |
|  |      | \$ 378,647        | \$ 430,981        |

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

Approved on behalf of the Board of Directors:

“Signed”

Ronald P. Mathison  
Director, Chairman of the Board

“Signed”

John R. Rooney  
Director, Chairman of the Audit Committee

## Western Energy Services Corp.

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

|   | Note | Year ended<br>December 31, 2025 | Year ended<br>December 31, 2024 |
|---|------|---------------------------------|---------------------------------|
| <b>Revenue</b>  |      | \$ 217,502                      | \$ 223,078                      |
| <b>Expenses</b>   |      |                                 |                                 |
| Operating   |      | 152,787                         | 158,630                         |
| Administrative  |      | 16,291                          | 22,221                          |
| Depreciation  | 9    | 41,389                          | 41,043                          |
| Stock based compensation  | 14   | (841)                           | 807                             |
| Finance costs   | 16   | 8,955                           | 10,053                          |
| Other items   | 17   | 2,526                           | (1,094)                         |
| Loss on asset decommissioning   | 9    | 25,121                          | -                               |
| <b>Loss before income taxes</b>   |      | <b>(28,726)</b>                 | <b>(8,582)</b>                  |
| Income tax recovery   | 18   | 3,099                           | 1,716                           |
| <b>Net loss</b>   |      | <b>(25,627)</b>                 | <b>(6,866)</b>                  |
| <b>Other comprehensive loss</b> <sup>(1)</sup>                          |      |                                 |                                 |
| (Loss) gain on translation of foreign operations                        |      | (2,056)                         | 3,975                           |
| Unrealized foreign exchange (loss) gain on net investment in subsidiary |      | (1,539)                         | 2,623                           |
| <b>Comprehensive loss</b>   |      | <b>\$ (29,222)</b>              | <b>\$ (268)</b>                 |
| <b>Net income (loss) attributable to:</b>                               |      |                                 |                                 |
| Shareholders of the Company   |      | \$ (25,998)                     | \$ (7,155)                      |
| Non controlling interest  |      | 371                             | 289                             |
| <b>Comprehensive income (loss) attributable to:</b>                     |      |                                 |                                 |
| Shareholders of the Company   |      | \$ (29,593)                     | \$ (557)                        |
| Non controlling interest  |      | 371                             | 289                             |
| <b>Net loss per share:</b>  |      |                                 |                                 |
| Basic and diluted   |      | \$ (0.76)                       | \$ (0.20)                       |
| <b>Weighted average number of shares:</b>                               |      |                                 |                                 |
| Basic and diluted   | 15   | 33,843,022                      | 33,843,018                      |

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

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

## Western Energy Services Corp.

Consolidated Statements of Changes in Shareholders' Equity  
(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                 |
| Common shares:                              |               |                                    |                             |   |                          |                            |
| Issued on vesting of restricted share units | 1             | -                                  | -                           | -   | -                        | 1                          |
| Stock based compensation                    | -             | 807                                | -                           | -   | -                        | 807                        |
| Distributions to non controlling interest   | -             | -                                  | -                           | -   | (355)                    | (355)                      |
| Comprehensive income (loss)                 | -             | -                                  | (7,155)                     | 6,598   | 289                      | (268)                      |
| Balance at December 31, 2024                | 521,604       | 21,178                             | (281,830)                   | 32,669  | 2,229                    | 295,850                    |
| Stock based compensation                    | -             | (841)                              | -                           | -   | -                        | (841)                      |
| Distributions to non controlling interest   | -             | -                                  | -                           | -   | (339)                    | (339)                      |
| Comprehensive income (loss)                 | -             | -                                  | (25,998)                    | (3,595)   | 371                      | (29,222)                   |
| Balance at December 31, 2025                | \$ 521,604    | \$ 20,337                          | \$ (307,828)                | \$ 29,074   | \$ 2,261                 | \$ 265,448                 |

(1) Contributed surplus relates to stock based compensation described in Note 14.

(2) At December 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 consolidated financial statements.

## Western Energy Services Corp.

Consolidated Statements of Cash Flows  
(thousands of Canadian dollars)

|  | Note | Year ended<br>December 31, 2025 | Year ended<br>December 31, 2024 |
|--|------|---------------------------------|---------------------------------|
| <b>Operating activities</b>                        |      |                                 |                                 |
| Net loss   |      | \$ (25,627)                     | \$ (6,866)                      |
| Adjustments for:                                   |      |                                 |                                 |
| Depreciation                                       | 9    | 41,389                          | 41,043                          |
| Loss on asset decommissioning                      | 9    | 25,121                          | -                               |
| Non cash stock based compensation                  | 14   | (841)                           | 807                             |
| Finance costs                                      | 16   | 8,955                           | 10,053                          |
| Income tax recovery                                | 18   | (3,099)                         | (1,716)                         |
| Loss (gain) on sale of assets                      | 17   | 2,174                           | (549)                           |
| Other  | 17   | 390                             | (512)                           |
| Change in non cash working capital                 |      | (7,488)                         | 4,538                           |
| <b>Cash flow from operating activities</b>         |      | <b>40,974</b>                   | <b>46,798</b>                   |
| <b>Investing activities</b>                        |      |                                 |                                 |
| Additions to property and equipment                | 9    | (21,676)                        | (21,604)                        |
| Proceeds on sale of property and equipment         |      | 2,767                           | 1,931                           |
| Repayment of promissory note                       |      | -                               | 209                             |
| Distributions to non controlling interest          |      | (339)                           | (355)                           |
| Change in non cash working capital                 |      | (2)                             | (2,091)                         |
| <b>Cash flow used in investing activities</b>      |      | <b>(19,250)</b>                 | <b>(21,910)</b>                 |
| <b>Financing activities</b>                        |      |                                 |                                 |
| Finance costs paid                                 |      | (8,975)                         | (10,273)                        |
| Principal repayment of second lien facility        | 11   | (6,080)                         | (11,080)                        |
| Principal repayment of lease obligations           | 12   | (1,603)                         | (2,821)                         |
| Repayment of credit facilities                     | 11   | (4,131)                         | (577)                           |
| Principal repayment of HSBC facility               | 11   | (1,250)                         | (1,250)                         |
| Principal repayment of US paycheck protection plan | 11   | (813)                           | (1,032)                         |
| <b>Cash flow used in financing activities</b>      |      | <b>(22,852)</b>                 | <b>(27,033)</b>                 |
| Decrease in cash and cash equivalents              |      | (1,128)                         | (2,145)                         |
| Cash and cash equivalents, beginning of year       |      | 3,785                           | 5,930                           |
| <b>Cash and cash equivalents, end of year</b>      |      | <b>\$ 2,657</b>                 | <b>\$ 3,785</b>                 |

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

# Western Energy Services Corp.

Notes to the consolidated financial statements

(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 consolidated financial statements as at and for the years ended December 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 ("US"). 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:

### (a) Statement of compliance:

These Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS<sup>®</sup>"), Accounting Standards as issued by the International Accounting Standards Board ("IASB").

Preparation of these Financial Statements in accordance with IFRS<sup>®</sup> requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity and areas where assumptions and estimates are significant to these Financial Statements are disclosed in Note 4.

These Financial Statements were approved for issuance by Western's Board of Directors on February 25, 2026.

### (b) Basis of measurement:

The Financial Statements have been prepared using the historical cost basis except as described in the Company's accounting policies in Note 3.

### (c) Functional and presentation currency:

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

## 3. Material accounting policies:

The material accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, unless otherwise indicated.

### (a) Basis of consolidation:

These Financial Statements include the accounts of Western and its wholly owned subsidiary, Stoneham. The financial results of Stoneham are prepared for the same period as Western, using consistent accounting policies. Inter-company balances and transactions, and any income and expenses arising from inter-company transactions, have been eliminated in these Financial Statements.

Subsidiaries are entities over which Western has control. Control exists when Western has the power, directly or indirectly, to direct the relevant activities of an entity to obtain benefit from its activities. The financial results of Western's subsidiaries are included in the Financial Statements from the date that control commenced until the date that control ceases.

A portion of the Company's operations are conducted through arrangements where the Company and a third party each have a 50% interest. Based on the criteria outlined in IFRS 10, Consolidated Financial Statements, the Company determined that, for financial reporting purposes, the Company has control of these arrangements. As a result, the Company fully consolidates the arrangements and has recorded a non-controlling interest in equity and net income (loss).

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

---

### 3. Material accounting policies (continued):

#### (b) Foreign currency transactions and operations:

The Canadian dollar is Western's functional and presentation currency. The Company's subsidiary's functional currency is determined individually and items included in the financial statements of the subsidiary are measured using that functional currency. Transactions in foreign currencies are translated to the respective functional currencies of Western and its subsidiary at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the exchange rate in effect on the balance sheet date with any resulting foreign exchange gain or loss recognized in net income (loss). Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rate in effect on the date of the transaction. Foreign currency gains and losses on transactions are reported on a net basis and recognized in other items within net income (loss).

The Company's foreign operations are conducted through Stoneham, which has a US dollar functional currency. For the purposes of presenting the Financial Statements, the assets and liabilities of this foreign operation are translated to Canadian dollars using exchange rates in effect on the balance sheet date. Income and expenses are translated at the average exchange rate for the period. Exchange differences arising from this translation are recognized in other comprehensive income (loss).

#### (c) Financial instruments:

All financial instruments are measured at fair value upon initial recognition of the transaction. Measurement in subsequent periods is dependent on whether the instrument is classified as "amortized cost", "fair value through profit or loss" or "fair value through other comprehensive income".

The Company derecognizes a financial asset when the contractual right to the cash flows from the asset expires, or it transfers the right to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following financial assets and liabilities recognized at amortized cost:

Cash and cash equivalents are initially recognized at fair value and are subsequently measured at amortized cost with changes therein recognized in net income (loss).

The Company's trade and other receivables are classified under the amortized cost category and are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value, adjusted for any directly attributable transaction costs. Subsequent to initial recognition, trade and other receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Trade payables and other current liabilities, lease obligations, the Second Lien Facility, the HSBC Facility, and Credit Facilities (as defined in these Financial Statements) are classified under the amortized cost category. Financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Financial liabilities, including the Second Lien Facility and the HSBC Facility are subsequently measured at amortized cost using the effective interest method. Transaction costs incurred with respect to the Credit Facilities are deferred and amortized using the straight line method over the term of the facility. The asset is recognized in other assets on the balance sheet while the amortization is included in finance costs within net income (loss). Transaction costs related to undrawn term loans are recognized in deferred charges until the term loan is drawn. Subsequent to drawing on the term loan, transaction costs are netted against the term loan and amortized using the effective interest method.

#### (d) Cash and cash equivalents:

Cash and cash equivalents are comprised of cash balances held at financial institutions.

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

### 3. Material accounting policies (continued):

#### (e) Assets held for sale

Non-current assets are classified as held for sale when a sale is considered to be highly probable in accordance with IFRS 5, Non-current Assets Held for Sale. This occurs at the point in time when management has committed to a plan to sell the asset, there is an active program to locate a buyer, the non-current asset is actively marketed for a sale at a price that is reasonable in relation to its current fair value, and the sale is expected to be completed within one year from the date of classification. Upon classifying an asset as held for sale, the asset is recorded at the lower of its carrying amount and fair value less costs to sell, and any losses are recognized in net income (loss). Gains related to the expected sale of these assets are not recognized until the transaction closes. Assets held for sale are not depreciated.

If an asset classified as held for sale no longer meets the criteria required, the asset is reclassified back to property and equipment. The value of the asset is then adjusted to the lower of the carrying amount prior to its reclassification, adjusted for depreciation that would have occurred, or its recoverable amount.

#### (f) Property and equipment:

Property and equipment is measured at cost less accumulated depreciation and accumulated impairment. Cost includes expenditures that are directly attributable to the acquisition of the asset and bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of self-constructed assets includes the cost of materials and direct labor as well as any other costs directly attributable to bringing the assets to a working condition for their intended use.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are included in the cost of those assets, until such time as the assets are substantially available for their intended use. All other borrowing costs are recognized in net income (loss) in the period incurred.

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. Costs associated with certifications and overhauls of drilling and well servicing rigs are capitalized and depreciated over the anticipated period between certifications, while the carrying amount of a replaced part, previous certification or overhaul is derecognized and recorded as a loss in net income (loss) as incurred. The costs of day-to-day servicing of property and equipment (i.e. repairs and maintenance) are recognized in net income (loss) as incurred.

Property and equipment is depreciated on a straight-line basis. A summary of the expected life and residual values for the Company's property and equipment as at December 31, 2025 and 2024 is as follows:

|   | Expected Life  | Residual values |
|---|----------------|-----------------|
| Buildings                                       | 25 years       | -               |
| Drilling rigs and related equipment:            |                |                 |
| Drilling rigs                                   | 8 to 25 years  | 10%             |
| Drill pipe                                      | 5 to 8 years   | -               |
| Recertifications                                | 3 to 5 years   | -               |
| Well servicing rigs and related equipment       | 12 to 25 years | 10%             |
| Ancillary drilling and well servicing equipment | 5 to 15 years  | -               |
| Rental equipment                                | 1 to 30 years  | -               |
| Shop and office equipment                       | 1 to 10 years  | -               |
| Vehicles  | 3 years        | 20%             |

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

---

### 3. Material accounting policies (continued):

Depreciation is calculated based on the cost of the asset, less its estimated residual value. Depreciation is recognized in net income (loss) on a straight line basis over the estimated useful lives of each class of asset. Leased assets are depreciated over the shorter of the lease term and their estimated useful lives unless it is reasonably certain that the Company will obtain ownership at the end of the lease term, in which case, the estimated useful life of the asset is used. Land is not depreciated. Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted if appropriate.

An item of property and equipment is derecognized when it is either disposed of or it is determined that no further economic benefit is expected from the item's future use or disposal and as such is decommissioned. Losses realized on decommissioned assets are recognized in net income (loss) upon derecognition. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal, less associated costs of disposal, with the carrying amount of property and equipment, and are recognized in other items within net income (loss).

(g) Inventory:

Inventory is primarily comprised of operating spare parts and is measured at the lower of cost and net realizable value. Inventory is charged to operating expenses as items are consumed using the weighted average cost method.

(h) Impairment:

(i) Financial assets:

Financial assets are assessed at each reporting date to determine whether there is evidence that they are impaired. A financial asset is impaired if evidence indicates a loss event has occurred after the initial recognition of the asset, and the loss event had a negative effect on the estimated future cash flows of the asset that can be estimated reliably.

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is an indication of impairment. If an indication exists, then the asset's carrying amount is assessed for impairment.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). An impairment is recognized in net income (loss) if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing fair value less costs to sell, the Company must estimate the price that would be received to sell the asset or CGU less any incremental costs directly attributable to the disposal. In assessing value in use, the estimated cash flows are discounted to their present value using an appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairments recognized in prior periods are assessed at each reporting date for indications that the impairment has decreased or no longer exists. An impairment is reversed if there has been a change in the estimates used to determine the recoverable amount and the decrease in impairment can be objectively related to an event occurring after the impairment was recognized. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment had been recognized. Such reversal is recognized in net income (loss).

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

---

### 3. Material accounting policies (continued):

(i) Employee benefits:

(i) Short-term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Stock based compensation awards:

Stock based compensation expense relates to stock options as well as cash and equity settled restricted share units ("RSUs"). The grant date fair values of stock option and equity settled RSUs granted are recognized as an expense, with a corresponding increase in contributed surplus in equity, over the vesting period.

The amount recognized as an expense is based on the estimate of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. Upon exercise of stock options, the consideration paid by the holder is included in share capital and the related contributed surplus associated with the stock options exercised is reclassified into share capital. Upon vesting of equity settled RSUs, the related contributed surplus associated with the RSU is reclassified into share capital.

(j) Revenue:

A portion of the Company's revenue is generated from contracts with its customers. Long term contracts, as well as short term contracts, are common in the contract drilling segment, whereas the Company's production services segment typically does not have long term contracts. In the production services segment, master service agreements may be signed with Western's customers, however there typically is no commitment for a specific term or number of service rig hours. Long term contracts are those contracts with an initial term greater than one year. Segmented disclosures are included in Note 5, disaggregating revenue by geographic area and by operating segment.

Similar to revenue on short term or spot market contracts, the Company satisfies its performance obligations related to its long term contracts as the Company provides its services on a per billable day or hourly basis. As days are worked on the customer's contract, the Company satisfies its performance obligation to the customer and recognizes revenue. The Company uses the practical expedient under IFRS 15, Revenue from Contracts with Customers, paragraph B16, as the Company invoices its customers on a per day or per hour basis that directly corresponds with the value received by the customer. Revenue is therefore recognized on a per day or per hour basis, for both drilling and rig mobilization days. Should the customer terminate a long term drilling contract early, the Company may be entitled to shortfall commitment revenue on the contract. The Company recognizes shortfall commitment revenue when payment from the customer is certain. At the inception of a contract, an estimate for shortfall commitment revenue is not recognized, as the Company expects the customer to use its services for the full term of the contract. As a result, determining when to recognize shortfall commitment revenue requires judgment to ensure that revenue is recognized when the performance obligation has been satisfied and collectability assured.

(k) Lease assets and obligations:

Lease assets:

The Company has lease agreements for items including office space, vehicles, shops and office equipment which qualify as leased assets under IFRS 16, Leases.

At the inception of an arrangement, the Company determines whether such an arrangement is or contains a lease under IFRS 16. An agreement which results in the Company having the right to control the use of an asset over a period of time with set payments is considered a lease. Lease assets, or right of use assets, are capitalized at the date the lease commences and are comprised of the initial lease liability, less any lease incentives received. Depreciation is calculated based on the initial cost of the asset and recognized in net income (loss) on a straight-line basis over the estimated useful life of the lease. The lease assets are included in property and equipment on the consolidated balance sheets and segregated in Note 9.

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

---

### 3. Material accounting policies (continued):

Lease obligations:

IFRS 16 requires the Company to make judgments that affect the valuation of lease obligations and the corresponding lease assets, including whether a contract falls within the scope of IFRS 16, the term of the lease, and determining the interest rate used for discounting future cash flows. The lease obligations, and the corresponding lease assets, at inception of the agreement are measured at the present value of the fixed lease payments, discounted using the Company's incremental borrowing rate at the inception of the agreement. The Company's lease obligations are included in Note 12.

Finance costs are allocated to each period during the lease term using the effective interest rate method. Lease modifications, where the scope increases in exchange for additional corresponding consideration, are accounted for as a separate lease. For a lease modification that is not a separate lease or where the increase in consideration is not correlated with a change in the scope of the lease, at the effective date of the lease modification, the Company will remeasure the lease liability using the Company's incremental borrowing rate, with a corresponding adjustment to the right of use asset. The lease term includes the non-cancellable period of the lease agreement and periods covered by any option to renew, where it is reasonably certain that the option will be exercised.

(l) Finance income and finance costs:

Finance income comprises interest income on cash and cash equivalent balances. Interest income is recognized as it accrues in net income (loss).

Finance costs comprise interest expense on borrowings and costs associated with securing debt instruments. Borrowing costs that are not directly attributable to the acquisition or construction of a qualifying asset are recognized in net income (loss) when incurred.

(m) Income tax:

Income tax expense is comprised of current and deferred income taxes. Income tax is recognized in net income (loss) and other comprehensive income (loss) except to the extent that it relates to items recognized in equity on the consolidated balance sheets.

Current income tax is calculated using tax rates which are enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. It establishes provisions on the basis of amounts expected to be paid to taxation authorities.

Deferred income taxes are recognized, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the respective entity's financial statements.

Deferred income taxes are determined using tax rates which are enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized to the extent it is probable that taxable profits will be available against which the deductible balances can be utilized. All deferred tax assets are analyzed at each reporting period and reduced to the extent that it is no longer probable that the asset will be recovered.

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

---

### 3. Material accounting policies (continued):

(n) Earnings per share:

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the Company's net income (loss) by the weighted average number of common shares outstanding during the reporting period. Diluted EPS is determined by adjusting the Company's net income and the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares, which comprise equity settled RSUs and in-the-money stock options. Diluted EPS is calculated using the treasury stock method where the deemed proceeds from the exercise of stock options and the associated unrecognized stock based compensation expense are considered to be used to reacquire common shares at the average common share price for the reporting period.

The average market value of Western's common shares for purposes of calculating the dilutive effect of stock options is based on quoted market prices for the period during which the options were outstanding in the reporting period.

(o) Operating segment reporting:

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other operating segments. All operating segments' results are reviewed regularly by the Company's executive officers to make decisions about resources to be allocated to the operating segment and assess its performance.

Operating segment results that are reported to executive officers include items directly attributable to an operating segment as well as those that can be allocated on a reasonable basis. The Company's operating segments are defined in Note 5.

(p) New interpretations and amendments not yet adopted:

A number of interpretations and amendments are not yet effective for the year ended December 31, 2025, and have not been applied in preparing these Financial Statements. The following new interpretations and amendments have been issued, but are not yet effective.

IFRS 9, Financial Instruments, and IFRS 7, Financial Instruments: Disclosures were amended by the IASB in May 2024 to address the classification and measurement of financial instruments, with an emphasis to clarify the date of recognition and derecognition of financial asset and liabilities, effective January 1, 2026, with early adoption permitted. This amendment will not have a material impact on the consolidated financial statements.

IFRS 10 – Consolidated Financial Statements was amended to clarify the definition of a loss of control if a parent loses control of a subsidiary. The Company does not expect the change to have a material impact on its financial statements.

IFRS 18 – Presentation and Disclosure in the Financial Statements, was issued to replace IAS 1, Presentation of Financial Statements. IFRS 18 introduces defined categories and subtotals in the statement of income or loss, disclosures of management performance metrics, and requirements to standardize the aggregation of information in the financial statements. IFRS 18 is effective for periods that begin on or after January 1, 2027. The Company is currently reviewing the impact this new standard will have on its financial statements.

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

---

### 4. Critical accounting estimates:

The preparation of the Financial Statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies (described in Note 3) and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

A number of the Company's accounting policies and disclosures require key assumptions concerning the future and other estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities or disclosures within the next fiscal year. Where applicable, further information about the assumptions made is disclosed in the notes specific to that asset or liability. The critical accounting estimates and judgments set out below have been applied consistently to all periods presented in these Financial Statements.

#### (a) Impairment:

An evaluation of whether or not an asset is impaired involves consideration of whether indicators of impairment exist. Factors which could indicate impairment exists include: significant underperformance of an asset relative to historical or projected operating results, significant changes in the manner in which an asset is used or in the Company's overall business strategy, the carrying amount of the net assets of the entity being more than its market capitalization or significant negative industry or economic trends. In some cases, these events are clear. However, in many cases, a clearly identifiable event indicating possible impairment does not occur. Instead, a series of individually insignificant events occur over a period of time leading to an indication that an asset may be impaired. Events can occur in these situations that may not be known until a date subsequent to their occurrence. Management continually monitors the Company's operating segments, the financial and commodity markets, and the business environment, and makes judgments and assessments about conditions and events in order to conclude whether there are indications of impairment.

When there is an indicator of impairment, the recoverable amount of the asset is estimated to determine the amount of impairment, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The determination of CGUs is based on management judgment.

The recoverable amount for property and equipment is the higher of fair value less costs to sell and value in use. In assessing fair value less costs to sell, the Company must estimate the price that would be received to sell the asset or CGU less any incremental costs directly attributable to the disposal. In assessing value in use, the estimated cash flows are discounted to their present value using an appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Arriving at the estimated future cash flows involves significant judgments, estimates and assumptions, including those associated with the future cash flows of the CGU, determination of the CGU and discount rates.

If indicators conclude that the asset is no longer impaired or that its impairment has decreased, the Company will reverse impairments on assets only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Impairment losses on goodwill are not reversed. Similar to determining if an impairment exists, judgment is required in assessing if a reversal of an impairment is required.

#### (b) Property and equipment:

Property and equipment is depreciated over the estimated useful life of the asset to the asset's estimated residual value as determined by management. All estimates of useful lives and residual values are set out in Note 3 (f). Assessing the reasonableness of the estimated useful life, residual value and the appropriate depreciation methodology requires judgment and is based on management's experience and knowledge of the industry. Additionally, when determining whether to decommission an asset, future utilization and economic conditions are considered based on management's judgement, experience and knowledge of the industry.

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

### 4. Critical accounting estimates (continued):

#### (c) Income taxes:

Preparation of the Financial Statements involves determining an estimate of, or provision for, income taxes in each of the jurisdictions in which the Company operates. The process also involves making an estimate of taxes currently payable and taxes expected to be payable or recoverable in future periods, referred to as deferred taxes. Deferred taxes result from the effects of temporary differences due to items that are treated differently for tax and accounting purposes. The tax effects of these differences are reflected in the consolidated balance sheets as deferred tax assets and liabilities.

An assessment must also be made to determine the likelihood that the Company's future taxable income will be sufficient to permit the recovery of deferred income tax assets. To the extent that such recovery is not probable, recognized deferred tax assets must be reduced. Judgment is required in determining the provision for income taxes and recognition of deferred tax assets and liabilities. Management must also exercise judgment in its assessment of continually changing tax interpretations, regulations and legislation, to ensure deferred tax assets and liabilities are complete and fairly presented. The effects of differing assessments and applications could be material.

### 5. 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 include 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 years ended December 31, 2025 and 2024:

| Year ended December 31, 2025  | Contract<br>Drilling | Production<br>Services | Corporate   | Inter-segment<br>Elimination | Total       |
|-------------------------------|----------------------|------------------------|-------------|------------------------------|-------------|
| Revenue                       | \$ 164,854           | \$ 52,848              | \$ -        | \$ (200)                     | \$ 217,502  |
| Expenses                      |                      |                        |             |                              |             |
| Operating                     | (115,299)            | (37,688)               | -           | 200                          | (152,787)   |
| Administrative                | (7,536)              | (5,325)                | (3,430)     | -                            | (16,291)    |
| Depreciation                  | (32,354)             | (7,650)                | (1,385)     | -                            | (41,389)    |
| Operating earnings (loss)     | 9,665                | 2,185                  | (4,815)     | -                            | 7,035       |
| Add (deduct)                  |                      |                        |             |                              |             |
| Stock based compensation      | 74                   | 141                    | 626         | -                            | 841         |
| Finance costs                 | -                    | -                      | (8,955)     | -                            | (8,955)     |
| Loss on asset decommissioning | (22,817)             | (2,304)                | -           | -                            | (25,121)    |
| Other items                   | (2,629)              | (158)                  | 261         | -                            | (2,526)     |
| Loss before income taxes      | \$ (15,707)          | \$ (136)               | \$ (12,883) | \$ -                         | \$ (28,726) |

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

### 5. Operating segments (continued):

| Year ended December 31, 2024             | Contract Drilling | Production Services | Corporate          | Inter-segment Elimination | Total             |
|--|-------------------|---------------------|--------------------|---------------------------|-------------------|
| Revenue                                  | \$ 153,983        | \$ 69,487           | \$ -               | \$ (392)                  | \$ 223,078        |
| Expenses                                 |                   |                     |                    |                           |                   |
| Operating                                | (111,796)         | (47,226)            | -                  | 392                       | (158,630)         |
| Administrative                           | (8,447)           | (5,234)             | (8,540)            | -                         | (22,221)          |
| Depreciation                             | (31,200)          | (8,284)             | (1,559)            | -                         | (41,043)          |
| Operating earnings (loss)                | 2,540             | 8,743               | (10,099)           | -                         | 1,184             |
| Add (deduct)                             |                   |                     |                    |                           |                   |
| Stock based compensation                 | (39)              | (146)               | (622)              | -                         | (807)             |
| Finance costs                            | -                 | -                   | (10,053)           | -                         | (10,053)          |
| Other items                              | -                 | -                   | 1,094              | -                         | 1,094             |
| <b>Income (loss) before income taxes</b> | <b>\$ 2,501</b>   | <b>\$ 8,597</b>     | <b>\$ (19,680)</b> | <b>\$ -</b>               | <b>\$ (8,582)</b> |

Total assets and liabilities by operating segment are as follows:

| As at December 31, 2025 | Contract Drilling | Production Services | Corporate | Total      |
|-------------------------|-------------------|---------------------|-----------|------------|
| Total assets            | \$ 312,481        | \$ 61,740           | \$ 4,426  | \$ 378,647 |
| Total liabilities       | 46,748            | 24,173              | 42,278    | 113,199    |

| 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 - Year ended December 31, 2025 | \$ 18,970         | \$ 2,424            | \$ 282    | \$ 21,676 |
| Additions to property and equipment - Year ended December 31, 2024 | 19,226            | 2,352               | 26        | 21,604    |

Segmented information by geographic area is as follows:

| As at December 31, 2025 | Canada     | United States | Total      |
|-------------------------|------------|---------------|------------|
| Property and equipment  | \$ 278,847 | \$ 54,072     | \$ 332,919 |
| Total assets            | 318,818    | 59,829        | 378,647    |

| 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 - Year ended December 31, 2025 | \$ 193,215 | \$ 24,287     | \$ 217,502 |
| Revenue - Year ended December 31, 2024 | 191,881    | 31,197        | 223,078    |

Revenue from long term contracts:

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

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

### 6. Trade and other receivables:

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

|                                 | December 31, 2025 | December 31, 2024 |
|---------------------------------|-------------------|-------------------|
| Trade receivables               | \$ 36,483         | \$ 30,473         |
| Accrued trade receivables       | 4,517             | 8,392             |
| Other receivables               | 541               | 678               |
| Allowance for doubtful accounts | (1,840)           | (1,985)           |
| <b>Total</b>                    | <b>\$ 39,701</b>  | <b>\$ 37,558</b>  |

The Company's exposure to credit risk related to trade and other receivables is disclosed in Note 20.

### 7. Other assets:

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

|                           | December 31, 2025 | December 31, 2024 |
|---------------------------|-------------------|-------------------|
| Current                   |                   |                   |
| Prepaid expenses          | \$ 2,129          | \$ 2,762          |
| Inventory                 | 64                | 262               |
| Deposits                  | 279               | 346               |
| Deferred charges          | 88                | 124               |
| <b>Total other assets</b> | <b>\$ 2,560</b>   | <b>\$ 3,494</b>   |

### 8. Assets held for sale:

The following table summarizes the Company's assets held for sale:

|                                   | December 31, 2025 | December 31, 2024 |
|-----------------------------------|-------------------|-------------------|
| Current                           |                   |                   |
| Building and land                 | \$ 810            | \$ -              |
| <b>Total assets held for sale</b> | <b>\$ 810</b>     | <b>\$ -</b>       |

During the fourth quarter of 2025, the Company listed for sale a field support building in Canada. As at December 31, 2025, the Company had accepted an offer of \$3.2 million before closing costs from a third-party purchaser and has received the first deposit required under the purchase and sale agreement. The Company expects the sale to close in March 2026, once conditions under the purchase and sale agreement have been fulfilled.

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

### 9. 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, 2023        | \$ 5,089 | \$ 4,457  | \$ 844,274                  | \$ 201,335                    | \$ 12,663                 | \$ 13,733            | \$ 1,081,551 |
| Additions                           | -        | 684       | 21,842                      | 2,273                         | 170                       | -                    | 24,969       |
| Lease additions                     | -        | -         | -                           | -                             | -                         | 4,570                | 4,570        |
| Disposals                           | -        | -         | (17,343)                    | (7,304)                       | (5)                       | (1,328)              | (25,980)     |
| Foreign exchange adjustment         | -        | -         | 16,506                      | -                             | 54                        | 67                   | 16,627       |
| 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 | -        | 352       | 18,587                      | 2,355                         | 382                       | -                    | 21,676       |
| Lease additions                     | -        | -         | -                           | -                             | -                         | 1,057                | 1,057        |
| Disposals                           | (115)    | (145)     | (25,173)                    | (2,850)                       | (5)                       | (1,052)              | (29,340)     |
| Transfer to assets held for sale    | (374)    | (1,550)   | -                           | -                             | -                         | -                    | (1,924)      |
| Foreign exchange adjustment         | -        | -         | (9,668)                     | -                             | (32)                      | (38)                 | (9,738)      |
| Balance at December 31, 2025        | \$ 4,600 | \$ 3,798  | \$ 849,025                  | \$ 195,809                    | \$ 13,227                 | \$ 17,009            | \$ 1,083,468 |
| <b>Accumulated depreciation:</b>    |          |           |                             |                               |                           |                      |              |
| Balance at December 31, 2023        | \$ -     | \$ 3,238  | \$ 528,060                  | \$ 136,953                    | \$ 11,882                 | \$ 9,253             | \$ 689,386   |
| Depreciation                        | -        | 141       | 30,538                      | 7,593                         | 898                       | 1,873                | 41,043       |
| Disposals                           | -        | -         | (17,240)                    | (6,055)                       | (4)                       | (1,299)              | (24,598)     |
| Foreign exchange adjustment         | -        | -         | 9,677                       | -                             | 49                        | 36                   | 9,762        |
| Balance at December 31, 2024        | \$ -     | \$ 3,379  | \$ 551,035                  | \$ 138,491                    | \$ 12,825                 | \$ 9,863             | \$ 715,593   |
| Depreciation                        | -        | 159       | 31,745                      | 6,829                         | 481                       | 2,175                | 41,389       |
| Loss on asset decommissioning       | -        | -         | 22,817                      | 2,304                         | -                         | -                    | 25,121       |
| Disposals                           | -        | (75)      | (20,887)                    | (2,615)                       | (5)                       | (817)                | (24,399)     |
| Transfer to assets held for sale    | -        | (1,114)   | -                           | -                             | -                         | -                    | (1,114)      |
| Foreign exchange adjustment         | -        | -         | (5,942)                     | -                             | (74)                      | (25)                 | (6,041)      |
| Balance at December 31, 2025        | \$ -     | \$ 2,349  | \$ 578,768                  | \$ 145,009                    | \$ 13,227                 | \$ 11,196            | \$ 750,549   |
| <b>Carrying amounts:</b>            |          |           |                             |                               |                           |                      |              |
| At December 31, 2024                | \$ 5,089 | \$ 1,762  | \$ 314,244                  | \$ 57,813                     | \$ 57                     | \$ 7,179             | \$ 386,144   |
| At December 31, 2025                | \$ 4,600 | \$ 1,449  | \$ 270,257                  | \$ 50,800                     | \$ -                      | \$ 5,813             | \$ 332,919   |

#### Assets under construction:

Included in contract drilling and production services equipment additions at December 31, 2025 are assets under construction of \$14.4 million (December 31, 2024: \$9.8 million). Assets under construction are not depreciated until they are put into use by the Company.

#### Asset decommissioning charge:

During the fourth quarter of 2025, the Company decommissioned certain underutilized assets within its contract drilling and well servicing rig fleets as part of a strategic optimization of its Canada and US operations. In connection with this decommissioning, the Company recognized a loss on asset decommissioning of \$25.1 million, with \$22.8 million recognized in contract drilling and \$2.3 million recognized in production services.

#### Impairment:

As at December 31, 2025, the Company reviewed for indicators of impairment. An impairment indicator was identified related to the well servicing CGU where the economic performance of the CGU had declined year over year, resulting from low utilization of its well servicing rig fleet. As such, the Company performed an impairment analysis on this CGU. The Company did not identify any indicators of impairment related to the contract drilling or oilfield rental CGUs.

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

### 9. Property and equipment (continued):

The recoverable amounts of the well servicing CGU was determined based on a value-in-use calculation which used cash flow projections based on historical results and incorporated and Company's most recent approved 2026 budget. Cash flow projections for 2027 to 2030 assumed a gradual increase in activity, however remained below historical levels. Cash flow projections thereafter were calculated using a 2% inflationary growth rate. The key assumptions for the purposes of completing the impairment analysis on the well servicing CGU were related to average rig utilization, which ranged from approximately 29% to 40%. The forecasted cash flows are based on management's best estimates of future pricing, asset utilization and a pre-tax discount rate of 15.1%.

The Company's impairment analysis at December 31, 2025, indicated that the recoverable amount of the well servicing CGU exceeded its carry value, and therefore no impairment was recorded.

### 10. Trade payables and other current liabilities:

Trade payables and current liabilities as at December 31, 2025 and 2024 are as follows:

|                                     | December 31, 2025 |               | December 31, 2024 |               |
|-------------------------------------|-------------------|---------------|-------------------|---------------|
| Trade payables                      | \$                | 10,418        | \$                | 10,648        |
| Accrued trade payables and expenses |                   | 10,945        |                   | 16,941        |
| <b>Total</b>                        | <b>\$</b>         | <b>21,363</b> | <b>\$</b>         | <b>27,589</b> |

The Company's exposure to foreign exchange and liquidity risk related to trade payables and other current liabilities is disclosed in Note 20.

### 11. Long term debt:

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

|  | December 31, 2025 |               | December 31, 2024 |               |
|--|-------------------|---------------|-------------------|---------------|
| Current:   |                   |               |                   |               |
| Second Lien Facility                               | \$                | 1,080         | \$                | 1,080         |
| HSBC Facility                                      |                   | 3,438         |                   | -             |
| Revolving Facility                                 |                   | -             |                   | 3,000         |
| Operating Facility                                 |                   | 293           |                   | 1,423         |
| PPP Loan   |                   | -             |                   | 836           |
| Less: unamortized issue costs                      |                   | (287)         |                   | (475)         |
| <b>Total current portion of long term debt</b>     |                   | <b>4,524</b>  |                   | <b>5,864</b>  |
| Non current:                                       |                   |               |                   |               |
| Second Lien Facility                               |                   | 81,102        |                   | 87,181        |
| HSBC Facility                                      |                   | -             |                   | 4,688         |
| Less: unamortized issue costs                      |                   | (105)         |                   | (212)         |
| <b>Total non current portion of long term debt</b> |                   | <b>80,997</b> |                   | <b>91,657</b> |
| <b>Total long term debt</b>                        | <b>\$</b>         | <b>85,521</b> | <b>\$</b>         | <b>97,521</b> |

#### Credit Facilities:

As at December 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 announced that its lender, Alberta Investment Management Corporation ("AIMCo") had approved an extension of the maturity date of its second lien term loan facility (the "Second Lien Facility") to May 18, 2027. In conjunction with the Second Lien Facility extension, the maturity date of the Company's Credit Facilities were extended by a year automatically by their terms, 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. The total commitments under the Company's Credit Facilities were unchanged and there were no changes to the Company's financial covenants.

Amounts borrowed under the Credit Facilities bear interest at the bank's Canadian prime rate, or the banker's acceptance rate plus an applicable margin depending, in each case, on the ratio of Consolidated Debt to Consolidated EBITDA as defined by the Credit Facilities agreement. The Credit Facilities are secured by the assets of the Company.

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

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

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

|  | Covenant            | December 31, 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 (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 December 31, 2025, the Company had \$0.3 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 December 31, 2025, the Company was in compliance with all covenants related to its Credit Facilities.

#### Second Lien Facility:

At December 31, 2025, the Company had \$82.2 million outstanding on the Second Lien Facility. 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, with the balance due on May 18, 2027.

#### HSBC Facility:

At December 31, 2025, the Company had \$3.4 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 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 December 31, 2025 related to the PPP loan.

### 12. Lease obligations:

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

|  | Amount   |
|--|----------|
| Balance at December 31, 2024                       | \$ 6,141 |
| Additions  | 1,057    |
| Finance costs                                      | 486      |
| Lease payments                                     | (2,089)  |
| Balance at December 31, 2025                       | 5,595    |
| Less: current portion of lease obligations         | (1,696)  |
| Balance at December 31, 2025 - non current portion | \$ 3,899 |

Lease obligations include leases capitalized under IFRS 16, Leases. During both years ended December 31, 2025 and 2024, the Company expensed \$0.3 million, related to leases of low value assets or leases with a term of less than one year.

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

### 13. Share capital:

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

|   | Issued and<br>outstanding shares | Amount            |
|---|----------------------------------|-------------------|
| Balance at December 31, 2023                | 33,843,009                       | \$ 521,603        |
| Issued on vesting of restricted share units | 13                               | 1                 |
| <b>Balance at December 31, 2024</b>         | <b>33,843,022</b>                | <b>\$ 521,604</b> |
| <b>Balance at December 31, 2025</b>         | <b>33,843,022</b>                | <b>\$ 521,604</b> |

### 14. 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<br>outstanding | Weighted average<br>exercise price |
|-------------------------------------|------------------------------|------------------------------------|
| Balance at December 31, 2023        | 3,052,700                    | \$ 4.95                            |
| Granted                             | 700,480                      | 2.83                               |
| Forfeited                           | (1,079,324)                  | 4.93                               |
| Expired                             | (7,667)                      | 28.91                              |
| <b>Balance at December 31, 2024</b> | <b>2,666,189</b>             | <b>\$ 4.33</b>                     |
| Forfeited                           | (1,421,451)                  | 4.47                               |
| Expired                             | (135,817)                    | 5.92                               |
| <b>Balance at December 31, 2025</b> | <b>1,108,921</b>             | <b>\$ 3.95</b>                     |

For the years ended December 31, 2025 and 2024 no stock options were cancelled. The Company did not grant any stock options during the year ended December 31, 2025. The average fair value of stock options granted in 2024 was \$1.47 per stock option.

The following table summarizes the details of the Company's outstanding stock options:

| As at December 31, 2025<br>Exercise Price<br>(\$/share) | Number of<br>options<br>outstanding | Weighted average<br>contractual life<br>remaining (years) | Number of options<br>exercisable |
|---|-------------------------------------|---|----------------------------------|
| 2.74-2.95   | 477,933                             | 2.96  | 200,697                          |
| 2.96-4.80   | 630,988                             | 1.40  | 473,245                          |
|   | <b>1,108,921</b>                    | <b>2.07</b>   | <b>673,942</b>                   |

As at December 31, 2025, Western had 673,942 (December 31, 2024: 995,001) vested and exercisable stock options outstanding at a weighted average exercise price equal to \$4.21 (December 31, 2024: \$4.99) per stock option.

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

### 14. Stock based compensation (continued):

The accounting fair value of the Company's stock options as at the date of grant is calculated in accordance with a Black Scholes option pricing model using the following average inputs:

|                                 | Year ended<br>December 31, 2025 | Year ended<br>December 31, 2024 |
|---------------------------------|---------------------------------|---------------------------------|
| Risk-free interest rate         | -                               | 3.6%                            |
| Average forfeiture rate         | -                               | 7.2%                            |
| Average expected life           | -                               | 2.0 years                       |
| Maximum life                    | -                               | 5.0 years                       |
| Average vesting period          | -                               | 2.0 years                       |
| Expected dividend               | -                               | -                               |
| Expected share price volatility | -                               | 98.6%                           |

(1) No stock options were granted during the year ended December 31, 2025.

### Restricted share unit plan:

The Company's Restricted Share Unit ("RSU") plan provides RSUs 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 RSU plan, eligibility, vesting period, terms of the RSUs and the number of RSUs granted are to be determined by the Board of Directors at the time of the grant. The RSU plan allows the Board of Directors to issue up to 5% of the Company's outstanding common shares as equity settled RSUs, 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 RSUs:

|   | Equity settled |
|---|----------------|
| Balance at December 31, 2023                | 13             |
| Issued on vesting of restricted share units | (13)           |
| Forfeited                                   | -              |
| Balance at December 31, 2024                | -              |
| Issued on vesting of restricted share units | -              |
| Balance at December 31, 2025                | -              |

The Company did not grant any equity settled RSUs during the years ended December 31, 2025 or 2024.

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

|   | Year ended<br>December 31, 2025 | Year ended<br>December 31, 2024 |
|---|---------------------------------|---------------------------------|
| Stock options                                     | \$ (841)                        | \$ 807                          |
| Total stock based compensation (recovery) expense | \$ (841)                        | \$ 807                          |

The stock based compensation recovery for the year ended December 31, 2025, related to stock options forfeited during the year.

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

### 15. Earnings per share:

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

|  | Year ended<br>December 31, 2025 | Year ended<br>December 31, 2024 |
|--|---------------------------------|---------------------------------|
| Issued common shares, beginning of period                    | 33,843,022                      | 33,843,009                      |
| Weighted average number of common shares issued              | -                               | 9                               |
| Weighted average number of common shares (basic and diluted) | 33,843,022                      | 33,843,018                      |

For the year ended December 31, 2025, 1,108,921 stock options (December 31, 2024, 2,666,189 stock options) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

### 16. Finance costs:

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

|   | Year ended<br>December 31, 2025 | Year ended<br>December 31, 2024 |
|---|---------------------------------|---------------------------------|
| Interest expense on long term debt        | \$ 8,613                        | \$ 9,566                        |
| Amortization of debt financing fees       | 88                              | 122                             |
| Accretion expense on Second Lien Facility | 256                             | 445                             |
| Accretion expense on HSBC Facility        | 40                              | 52                              |
| Interest income                           | (42)                            | (132)                           |
| Total finance costs                       | \$ 8,955                        | \$ 10,053                       |

The Company had an effective interest rate on its borrowings of 8.6% for the year ended December 31, 2025 (December 31, 2024: 8.6%).

### 17. Other items:

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

|   | Year ended<br>December 31, 2025 | Year ended<br>December 31, 2024 |
|---|---------------------------------|---------------------------------|
| Loss (gain) on sale of fixed assets     | \$ 2,174                        | \$ (549)                        |
| Realized foreign exchange gain          | (50)                            | (86)                            |
| Unrealized foreign exchange loss (gain) | 402                             | (459)                           |
| Total other items                       | \$ 2,526                        | \$ (1,094)                      |

### 18. Income taxes:

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

|                           | Year ended<br>December 31, 2025 | Year ended<br>December 31, 2024 |
|---------------------------|---------------------------------|---------------------------------|
| Current tax expense       | (13)                            | (54)                            |
| Deferred tax recovery     | 3,112                           | 1,770                           |
| Total income tax recovery | \$ 3,099                        | \$ 1,716                        |

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

### 18. Income taxes (continued):

The following provides a reconciliation of income (loss) before income taxes to total income taxes recognized in the consolidated statements of operations and comprehensive income (loss):

|   | Year ended<br>December 31, 2025 |                | Year ended<br>December 31, 2024 |                |
|---|---------------------------------|----------------|---------------------------------|----------------|
| Income (loss) before income taxes                     | \$                              | (28,726)       | \$                              | (8,582)        |
| Federal and provincial statutory rates                | 23.7%                           | (6,808)        | 23.6%                           | (2,025)        |
| Loss taxed at higher rates                            |                                 | (438)          |                                 | (104)          |
| Stock based compensation                              |                                 | (199)          |                                 | 191            |
| Non controlling interest                              |                                 | (102)          |                                 | (84)           |
| Non-deductible expenses                               |                                 | 177            |                                 | 150            |
| Change in effective tax rate on temporary differences |                                 | 14             |                                 | (43)           |
| Return to provision adjustment                        |                                 | 311            |                                 | (42)           |
| Unrecognized tax asset                                |                                 | 3,735          |                                 | -              |
| Other   |                                 | 211            |                                 | 241            |
| <b>Total income tax expense (recovery)</b>            | <b>\$</b>                       | <b>(3,099)</b> | <b>\$</b>                       | <b>(1,716)</b> |

The following table details the nature of the Company's temporary differences:

|                                     | December 31, 2025 |              | December 31, 2024 |                |
|-------------------------------------|-------------------|--------------|-------------------|----------------|
| Property and equipment              | \$                | (61,677)     | \$                | (74,750)       |
| Deferred charges and accruals       |                   | 26           |                   | 29             |
| Long term debt                      |                   | 1,319        |                   | 1,463          |
| Share issue costs                   |                   | 108          |                   | 216            |
| Other tax pools                     |                   | 1,417        |                   | 1,445          |
| Tax loss carry forwards             |                   | 61,822       |                   | 67,717         |
| Unrecognized tax asset              |                   | (3,735)      |                   | -              |
| <b>Net deferred tax liabilities</b> | <b>\$</b>         | <b>(720)</b> | <b>\$</b>         | <b>(3,880)</b> |

Movements of the Company's temporary differences for the year ended December 31, 2025 are as follows:

|                                     | Balance<br>Dec 31, 2024 | Recognized in<br>net income<br>(loss) | Impact of<br>foreign<br>exchange | Balance<br>Dec 31, 2025 |
|-------------------------------------|-------------------------|---------------------------------------|----------------------------------|-------------------------|
| Property and equipment              | \$ (74,750)             | \$ 12,201                             | \$ 872                           | \$ (61,677)             |
| Deferred charges and accruals       | 29                      | (3)                                   | -                                | 26                      |
| Long term debt                      | 1,463                   | (142)                                 | (2)                              | 1,319                   |
| Share issue costs                   | 216                     | (108)                                 | -                                | 108                     |
| Other tax pools                     | 1,445                   | (79)                                  | 51                               | 1,417                   |
| Tax loss carry forwards             | 67,717                  | (5,035)                               | (860)                            | 61,822                  |
| Unrecognized tax asset              | -                       | (3,735)                               | -                                | (3,735)                 |
| <b>Net deferred tax liabilities</b> | <b>\$ (3,880)</b>       | <b>\$ 3,099</b>                       | <b>\$ 61</b>                     | <b>\$ (720)</b>         |

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

### 18. Income taxes (continued):

Movements of the Company's temporary differences for the year ended December 31, 2024 are as follows:

|                               | Balance<br>Dec 31, 2023 | Recognized in<br>net income<br>(loss) | Impact of<br>foreign<br>exchange | Balance<br>Dec 31, 2024 |
|-------------------------------|-------------------------|---------------------------------------|----------------------------------|-------------------------|
| Property and equipment        | \$ (76,648)             | \$ 3,637                              | \$ (1,739)                       | \$ (74,750)             |
| Deferred charges and accruals | 72                      | (45)                                  | 2                                | 29                      |
| Long term debt                | 1,038                   | 418                                   | 7                                | 1,463                   |
| Share issue costs             | 328                     | (112)                                 | -                                | 216                     |
| Other tax pools               | 1,278                   | 107                                   | 60                               | 1,445                   |
| Tax loss carry forwards       | 68,447                  | (2,235)                               | 1,505                            | 67,717                  |
| Net deferred tax liabilities  | \$ (5,485)              | \$ 1,770                              | \$ (165)                         | \$ (3,880)              |

During the year ended December 31, 2025, the Company did not recognize a deferred tax asset of \$3.7 million (December 31, 2024: nil), related to unrecognizable loss carry forwards. Loss carry forwards are only recognized as deferred tax assets when it is probable that taxable profits will be available against which the deductible balance can be utilized. As at December 31, 2025, the Company had loss carryforwards in Canada equal to approximately \$182.2 million, which will expire between 2036 and 2043. In the United States, the Company has approximately \$48.2 million, of which \$10.6 million is unrecognized, which will expire between 2028 and 2038, and others that have an indefinite expiry.

### 19. Costs by nature:

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

|                                | Year ended<br>December 31, 2025 | Year ended<br>December 31, 2024 |
|--------------------------------|---------------------------------|---------------------------------|
| Employee salaries and benefits | \$ 102,422                      | \$ 110,939                      |
| Repairs and maintenance        | 18,186                          | 21,042                          |
| Third party charges            | 7,719                           | 7,148                           |

Employee salaries and benefits for the year ended December 31, 2025 in the above table includes \$3.6 million related to one-time reorganization costs (December 31, 2024: \$5.7 million).

### 20. 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. For the Credit Facilities and the HSBC Facility, a one percent change in interest rates would have had a \$0.1 million impact on interest expense for the year ended December 31, 2025 (December 31, 2024: \$0.1 million). 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 high 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.

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

### 20. Financial risk management (continued):

#### Foreign exchange risk:

The Company is exposed to foreign currency fluctuations in relation to its US dollar capital expenditures and operations. At December 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 (loss). In addition, Stoneham, Western's US subsidiary, is subject to foreign currency translation adjustments upon consolidation, which is recorded separately within other comprehensive income (loss). For the year ended December 31, 2025, the increase or decrease in net income (loss) and other comprehensive income (loss) for each one percent change in foreign exchange rates between the Canada and US dollar is estimated to be \$0.1 million and \$0.6 million, respectively (December 31, 2024: less than \$0.1 million and \$0.6 million, respectively).

#### 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. For the year ended December 31, 2025, the volatility in global demand for crude oil as a result of conflicts in Eastern Europe and the Middle East, along with US import tariffs, have had an impact on commodity prices, which has an effect on the Company's customers. These factors are expected to have an impact on companies and their related credit risk.

The Company's practice is to manage credit risk by performing a thorough analysis of the credit worthiness of new customers before credit terms are offered. 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 as a result of 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 recognize an impairment loss allowance on all outstanding trade and other receivables. Subsequent to December 31, 2025, the Company has collected approximately 70% of its trade and other receivables that were outstanding at December 31, 2025.

At December 31, 2025, approximately 10% (5% net of allowance for doubtful accounts) of the Company's trade receivables were more than 90 days old. The Company believes the unimpaired amounts greater than 90 days old are still collectable based on historic payment behavior and an analysis of the underlying customer's ability to pay.

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

|                                 | December 31, 2025 | December 31, 2024 |
|---------------------------------|-------------------|-------------------|
| Trade receivables:              |                   |                   |
| Current                         | \$ 17,987         | \$ 17,114         |
| Outstanding for 31 to 60 days   | 12,010            | 9,645             |
| Outstanding for 61 to 90 days   | 2,658             | 798               |
| Outstanding for over 90 days    | 3,828             | 2,916             |
| Accrued trade receivables       | 4,517             | 8,392             |
| Other receivables               | 541               | 678               |
| Allowance for doubtful accounts | (1,840)           | (1,985)           |
| <b>Total</b>                    | <b>\$ 39,701</b>  | <b>\$ 37,558</b>  |

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

### 20. Financial risk management (continued):

For the year ended December 31, 2025, the Company had one customer comprising 10.6% of the Company's total revenue. The total trade receivable balance outstanding related to the significant customer for 2025 represented 6.2% of the Company's total trade and other receivables as at December 31, 2025. For the year ended December 31, 2024, the Company had no customers comprising 10.0% or more of the Company's total revenue.

#### 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.

As at December 31, 2025, liquidity was sufficient as Western had \$2.7 million in cash and access to the undrawn balance on its Credit Facilities of \$44.7 million. All of the Company's long term debt instruments mature in 2026 and 2027 (Note 11). 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 the Second Lien Facility.

The table below provides an analysis of the expected maturities of the Company's outstanding obligations at December 31, 2025:

|  | Total             | 2026             | 2027             | 2028            | 2029          | 2030          | Thereafter  |
|--|-------------------|------------------|------------------|-----------------|---------------|---------------|-------------|
| Financial liabilities:                       |                   |                  |                  |                 |               |               |             |
| Trade payables and other current liabilities | \$ 17,855         | \$ 17,855        | \$ -             | \$ -            | \$ -          | \$ -          | \$ -        |
| Second Lien Facility                         | 82,182            | 1,080            | 81,102           | -               | -             | -             | -           |
| Second Lien Facility interest                | 3,508             | 3,508            | -                | -               | -             | -             | -           |
| HSBC Facility                                | 3,438             | 3,438            | -                | -               | -             | -             | -           |
| Lease obligations                            | 5,595             | 1,696            | 1,431            | 1,232           | 797           | 439           | -           |
| Operating Facility                           | 293               | 293              | -                | -               | -             | -             | -           |
| <b>Total</b>                                 | <b>\$ 112,871</b> | <b>\$ 27,870</b> | <b>\$ 82,533</b> | <b>\$ 1,232</b> | <b>\$ 797</b> | <b>\$ 439</b> | <b>\$ -</b> |

#### Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns.

The Company may use derivatives and also incur financial liabilities in order to manage market risks. All such transactions are carried out within the guidelines set by the Board of Directors. The Company does not apply hedge accounting in order to manage volatility within the statements of operations and comprehensive income (loss).

#### Capital management:

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

|                                 | Note | December 31, 2025 | December 31, 2024 |
|---------------------------------|------|-------------------|-------------------|
| Second Lien Facility            | 11   | \$ 82,182         | \$ 88,261         |
| HSBC Facility                   | 11   | 3,438             | 4,688             |
| Revolving Facility              | 11   | -                 | 3,000             |
| Operating Facility              | 11   | 293               | 1,423             |
| PPP Loan                        | 11   | -                 | 836               |
| Lease obligations               | 12   | 5,595             | 6,141             |
| <b>Total debt</b>               |      | <b>91,508</b>     | <b>104,349</b>    |
| Shareholders' equity            |      | 265,448           | 295,850           |
| Less: cash and cash equivalents |      | (2,657)           | (3,785)           |
| <b>Total capitalization</b>     |      | <b>\$ 354,299</b> | <b>\$ 396,414</b> |

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

### 20. Financial risk management (continued):

Management is focused on several objectives while managing the capital structure of the Company, specifically:

- Safeguarding the entity's ability to continue as a going concern, such that it continues to provide returns for shareholders and benefits for other stakeholders;
- Ensuring that investor, creditor and market confidence are secured;
- Maintaining balance sheet strength, ensuring the Company's strategic objectives are met, while retaining an appropriate amount of leverage; and
- Ensuring the Company has the financing capacity to continue to execute on opportunities to increase overall market share through strategic acquisitions or organic growth that add value for the Company's shareholders.

The Company manages its capital structure based on current economic conditions, the risk characteristics of the underlying assets, and planned capital requirements within guidelines approved by its Board of Directors. Total capitalization is maintained or adjusted by drawing on existing debt facilities, issuing new debt or equity securities when opportunities are identified and through the disposition of underperforming assets to reduce debt when required.

As at December 31, 2025, the Company had \$44.7 million in undrawn credit under its Credit Facilities and was in compliance with all debt covenants (see Note 11).

### 21. Commitments:

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

|   | 2026             | 2027             | 2028            | 2029            | 2030          | Thereafter  | Total             |
|---|------------------|------------------|-----------------|-----------------|---------------|-------------|-------------------|
| Trade payables and other current liabilities <sup>(1)</sup> | \$ 17,837        | \$ -             | \$ -            | \$ -            | \$ -          | \$ -        | \$ 17,837         |
| Operating commitments <sup>(2)</sup>                        | 3,331            | 789              | 787             | 786             | 380           | -           | 6,073             |
| Second Lien Facility principal                              | 1,080            | 81,102           | -               | -               | -             | -           | 82,182            |
| Second Lien Facility interest                               | 6,974            | 6,057            | -               | -               | -             | -           | 13,031            |
| HSBC Facility principal                                     | 3,438            | -                | -               | -               | -             | -           | 3,438             |
| HSBC Facility interest                                      | 192              | -                | -               | -               | -             | -           | 192               |
| Lease obligations <sup>(3)</sup>                            | 2,159            | 1,699            | 1,383           | 865             | 465           | -           | 6,571             |
| Operating Facility  | 293              | -                | -               | -               | -             | -           | 293               |
| <b>Total</b>  | <b>\$ 35,304</b> | <b>\$ 89,647</b> | <b>\$ 2,170</b> | <b>\$ 1,651</b> | <b>\$ 845</b> | <b>\$ -</b> | <b>\$ 129,617</b> |

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

Trade payables and other current liabilities:

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

Operating commitments:

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

Second Lien Facility and interest:

The Company pays interest on the Second Lien Facility semi-annually on January 1 and July 1. The Second Lien Facility matures on May 18, 2027.

HSBC Facility and interest:

The Company pays interest and principal on the HSBC Facility monthly, which matures on December 31, 2026.

Lease obligations:

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

Operating Facility:

The Company's Operating Facility matures on 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 consolidated financial statements

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

---

### 22. Key management personnel:

Key management personnel are comprised of the Company's Board of Directors and executive officers. The following table summarizes expenses related to key management personnel:

|   | Year ended        |                   |
|---|-------------------|-------------------|
|   | December 31, 2025 | December 31, 2024 |
| Short-term employee benefits            | \$ 4,446          | \$ 3,881          |
| Stock based compensation <sup>(1)</sup> | (144)             | 533               |
|   | <u>\$ 4,302</u>   | <u>\$ 4,414</u>   |

(1) The total fair value of stock options granted to key management personnel for the year ended December 31, 2025 was nil (December 31, 2024: \$0.5 million). The fair value of options granted is recognized in net income (loss) over the stock option's vesting period.