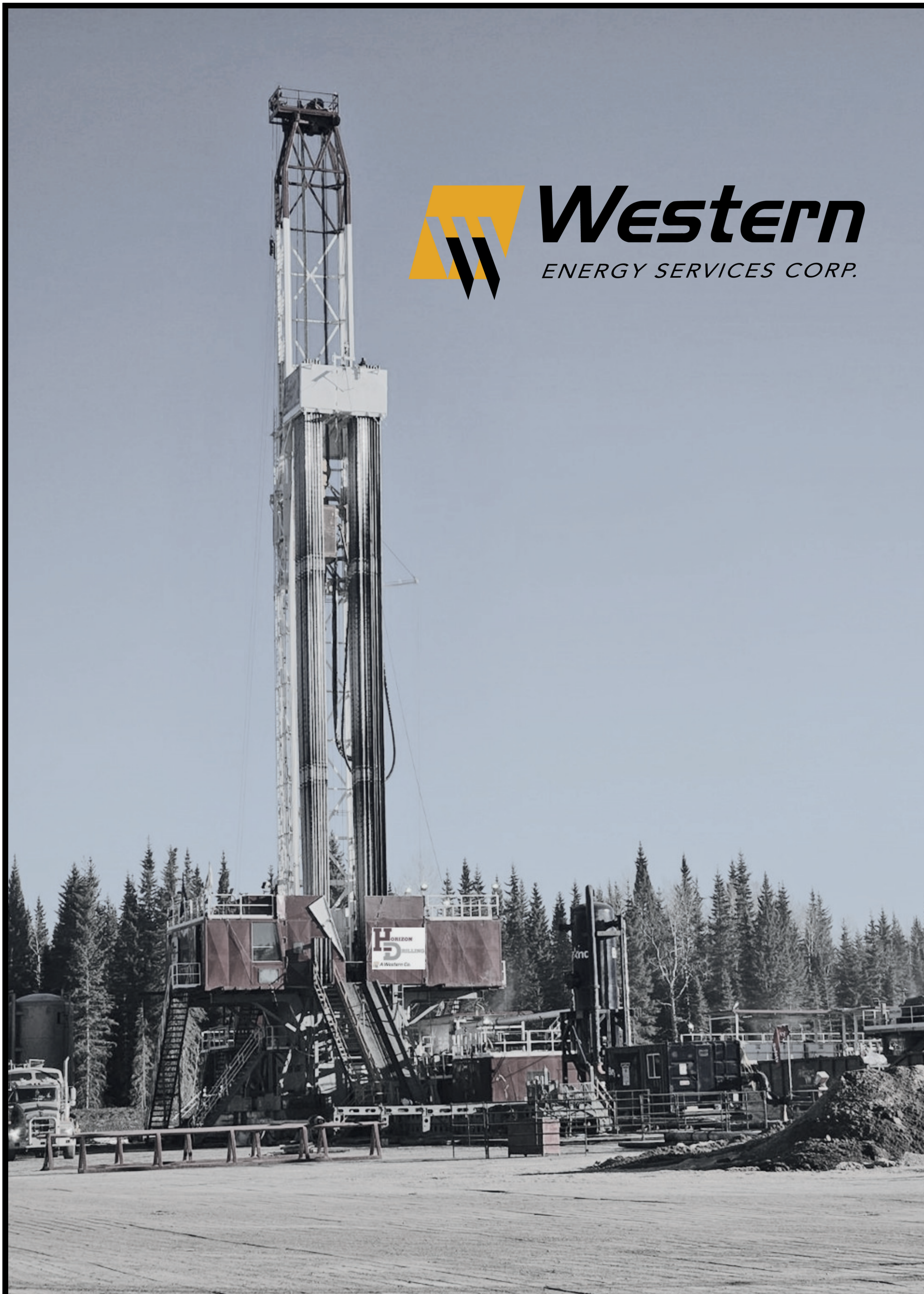

Western

ENERGY SERVICES CORP.

2024 ANNUAL REPORT



COMPANY OVERVIEW

WESTERN ENERGY SERVICES CORP. IS AN ENERGY SERVICE COMPANY FOCUSED ON PROVIDING SUPERIOR SERVICE TO ITS CUSTOMERS, AND SUSTAINABLE GROWTH FOR SHAREHOLDERS

CONTRACT DRILLING

Horizon Drilling is Western's Canadian contract drilling division and currently markets a fleet of 34 drilling rigs, making it the fourth-largest drilling rig contractor in Canada. Horizon's fleet is one of the newest drilling fleets in the Western Canadian Sedimentary Basin, which allows the company to provide customers with reliability, mobility and advanced technical capabilities.

Stoneham Drilling Corporation is Western's ("US") contract drilling division and currently markets a fleet of four drilling rigs from its base in Williston, North Dakota, servicing the Williston and Powder River Basins, and three drilling rigs from its base in Gardendale, Texas, servicing the Permian Basin. Similar in design to many of the Canadian-based rigs, the US fleet is suited for the current US market which predominantly consists of drilling horizontal wells that are deeper and more technically challenging.

PRODUCTION SERVICES

Eagle Well Servicing operates well service rigs in Canada. Western is currently the second-largest well servicing contractor in Canada based on registered rigs. Eagle operates from four bases located in Alberta, Saskatchewan, and Manitoba, allowing Eagle to service wells throughout the Western Canadian Sedimentary Basin. With an industry leading team, Eagle excels when it comes to safe, efficient and functional well servicing.

Aero Rental Services is Western's rental equipment division that operates from facilities in Blackfalds and Grande Prairie, Alberta. Aero supplies crude oil and natural gas exploration and production companies, as well as other energy service companies, with specialized high pressure rental equipment utilized in drilling and completions activities. Aero has followed an organic growth model, allowing it to evolve and adapt its rental equipment mix to the changing needs of its customers.

ANNUAL MEETING

The Annual Meeting of the Shareholders of Western Energy Services Corp. will be held on Wednesday, April 23, 2025 at 1:30 pm (MDT).
Location: Western Energy Services Corp. - Corporate Office 1700, 215 - 9th Avenue SW, Calgary, Alberta, T2P 1K3

Horizon Drilling A Western Co.
Eagle Well Servicing A Western Co.
Stoneham Drilling Corporation A Western Co.
Aero Rental Services A Western Co.

Q4 2024

Western ENERGY SERVICES CORP.

2024 Management's Discussion and Analysis — Date: February 26, 2025

The following discussion of the financial condition, changes in financial condition and results of operations of Western Energy Services Corp. (the "Company" or "Western") should be read in conjunction with the audited consolidated financial statements and accompanying notes of the Company for the years ended December 31, 2024 and 2023. This management's discussion and analysis ("MD&A") is dated February 26, 2025. All amounts are denominated in Canadian dollars (CDN$) unless otherwise identified.

Financial Highlights	**Three months ended December 31**			**Year ended December 31**			
(stated in thousands, except share and per share amounts)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**	**2022**
Revenue	59,720	56,255	6%	223,078	233,451	(4%)	200,344
Adjusted EBITDA[1]	10,316	13,370	(23%)	42,227	47,739	(12%)	39,921
Adjusted EBITDA as a percentage of revenue[1]	17%	24%	(29%)	19%	20%	(5%)	20%
Cash flow from operating activities	14,332	6,268	129%	46,798	51,353	(9%)	28,541
Additions to property and equipment	5,844	3,404	72%	21,604	22,622	(5%)	34,228
Net loss	(1,995)	(2,194)	9%	(6,866)	(6,885)	-	29,320
-basic and diluted net loss per share	(0.06)	(0.06)	-	(0.20)	(0.20)	-	1.24
Weighted average number of shares							
-basic	33,843,022	33,843,009	-	33,843,018	33,841,864	-	23,581,155
-diluted	33,843,022	33,843,009	-	33,843,018	33,841,864	-	23,581,735
Outstanding common shares as at period end	33,843,022	33,843,009	-	33,843,022	33,843,009	-	33,841,318
Operating Highlights[2]							
Contract Drilling							
Canadian Operations							
Operating Days	986	833	18%	3,710	3,575	4%	3,241
Revenue per Operating Day[1]	35,081	35,211	-	33,092	33,328	(1%)	29,698
Drilling rig utilization	32%	27%	19%	30%	29%	3%	24%
CAOEC industry Operating Days[3]	15,696	14,527	8%	61,457	57,842	6%	58,835
United States Operations							
Operating Days	197	229	(14%)	743	1,072	(31%)	976
Revenue per Operating Day (US$)[1]	32,603	26,530	23%	30,621	30,861	(1%)	25,927
Drilling rig utilization	31%	36%	(14%)	29%	38%	(24%)	33%
Production Services							
Service Hours	13,750	15,712	(12%)	58,117	57,792	1%	67,077
Revenue per Service Hour[1]	1,010	1,017	(1%)	1,020	1,027	(1%)	943
Service rig utilization	34%	37%	(8%)	35%	34%	3%	41%

(1) See "Non-IFRS Measures and Ratios" on page 13 of this MD&A.

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

(3) Source: The Canadian Association of Energy Contractors ("CAOEC") monthly Contractor Summary, calculated on a spud to rig release basis.

Financial Position at (stated in thousands)	December 31, 2024	December 31, 2023	December 31, 2022
Working capital(1)	9,911	20,125	21,923
Total assets	430,981	442,933	475,708
Long-term debt - non current portion	96,325	111,174	126,527

(1) See "Non-IFRS Measures and Ratios" on page 13 of this MD&A.

Non-International Financial Reporting Standards ("Non-IFRS") measures and ratios, such as Adjusted EBITDA (as defined in this MD&A), Adjusted EBITDA as a percentage of revenue, revenue per Operating Day, revenue per Service Hour and Working Capital are defined on page 13 of this MD&A. Other defined terms, abbreviations and definitions for standard industry terms are included on page 15 of this MD&A.

Business Overview

Western is an energy services company that provides contract drilling services in Canada and in the United States ("US") and production services in Canada through its various divisions, its subsidiary, and its first nations relationships.

Contract Drilling

Western markets a fleet of 41 drilling rigs specifically suited for drilling complex horizontal wells across Canada and the US. Western is currently the fourth-largest drilling contractor in Canada, based on the Canadian Association of Energy Contractors ("CAOEC") registered drilling rigs.[1]

Western's marketed and owned contract drilling rig fleets are comprised of the following:

	As at December 31					
	2024			2023		
Rig class(1)	Canada	US	Total	Canada	US	Total
Cardium	11	-	11	11	-	11
Montney	18	1	19	18	1	19
Duvernay	5	6	11	5	6	11
Total marketed drilling rigs(2)	**34**	**7**	**41**	**34**	**7**	**41**
Total owned drilling rigs	**48**	**7**	**55**	**48**	**7**	**55**

(1) See "Contract Drilling Rig Classifications" on page 15 of this MD&A.
(2) Source: CAOEC Contractor Summary as at February 26, 2025.

Production Services

Production services provides well servicing and oilfield equipment rentals in Canada. Western operates 62 well servicing rigs and is the second-largest well servicing company in Canada based on CAOEC registered well servicing rigs.[2]

Western's well servicing rig fleet is comprised of the following:

Owned well servicing rigs	As at December 31	
Mast type	2024	2023
Single	27	30
Double	27	27
Slant	8	8
Total owned well servicing rigs	**62**	**65**

[1] Source: CAOEC Drilling Contractor Summary as at February 26, 2025.
[2] Source: CAOEC Well Servicing Fleet List as at February 26, 2025.

Business Environment

Crude oil and natural gas prices impact the cash flow of Western's customers, which in turn impacts the demand for Western's services. The following table summarizes average crude oil and natural gas prices, as well as average foreign exchange rates, for the three months ended December 31, 2024 and 2023, and for the years ended December 31, 2024 and 2023.

	Three months ended December 31			Year ended December 31		
	2024	2023	Change	2024	2023	Change
Average crude oil and natural gas prices(1)(2)						
Crude Oil						
West Texas Intermediate (US$/bbl)	70.27	78.32	(10%)	75.73	77.63	(2%)
Western Canadian Select (CDN$/bbl)	81.32	76.86	6%	83.90	79.53	5%
Natural Gas						
30 day Spot AECO (CDN$/mcf)	1.54	2.39	(36%)	1.44	2.74	(47%)
Average foreign exchange rates(2)						
US dollar to Canadian dollar	1.40	1.36	3%	1.37	1.35	1%

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

(2) Source: Sproule December 31, 2024, Price Forecast, Historical Prices.

- West Texas Intermediate ("WTI") on average decreased by 10% and 2% respectively, for the three months and year ended December 31, 2024 compared to the same periods in the prior year. In the fourth quarter of 2024, crude oil prices were impacted by higher oil production, while the year ended December 31, 2024 was impacted by weaker global demand and ongoing geopolitical conflicts in Eastern Europe and the Middle East.
- Pricing on Western Canadian Select crude oil improved by 6% and 5% respectively, for the three months and year ended December 31, 2024, compared to the same periods of the prior year.
- Natural gas prices in Canada declined in 2024 due to lower demand, as the 30-day spot AECO price decreased by 36% and 47% respectively, for the three months and year ended December 31, 2024, compared to the same periods of the prior year.
- The US dollar to the Canadian dollar foreign exchange rate for the three months and year ended December 31, 2024 strengthened by 3% and 1% respectively, compared to the same periods in the prior year.
- Lower WTI prices in 2024 contributed to weaker industry drilling activity in the US. As reported by Baker Hughes Company[3], the number of active drilling rigs in the US decreased by approximately 5% to 589 rigs as at December 31, 2024 as compared to 622 rigs at December 31, 2023 and averaged 586 rigs during the fourth quarter of 2024, compared to 623 rigs in the fourth quarter of 2023. Similarly, the average number of active drilling rigs in the US decreased by approximately 13% for the year ended December 31, 2024 to average 599 rigs compared to 687 rigs in 2023.
- In Canada there were 136 active rigs in the Western Canadian Sedimentary Basin ("WCSB") at December 31, 2024, compared to 104 active rigs as at December 31, 2023, representing an increase of approximately 31%; however, the CAOEC[4] reported that for drilling in Canada, the total number of Operating Days in the WCSB for the three months ended December 31, 2024, were 8% higher than the same period in the prior year. Similarly, for the year ended December 31, 2024, the total number of Operating Days in the WCSB were 6% higher than the prior year.

Operational and Financial Highlights

Three Months Ended December 31, 2024

Financial Highlights:

- Fourth quarter revenue of $59.7 million in 2024 was $3.4 million (or 6%) higher than the fourth quarter of 2023, as higher contract drilling revenue in Canada was offset partially by lower production services revenue.
- The Company had a net loss of $2.0 million in the fourth quarter of 2024 ($0.06 net loss per basic common share) as compared to a net loss of $2.2 million in the fourth quarter of 2023 ($0.06 net loss per basic common share) as lower Adjusted EBITDA and higher income tax expense were offset by decreases in depreciation expense and finance costs.

[3] Source: Baker Hughes Company, 2024 Rig Count monthly press releases.

[4] Source: CAOEC, monthly Contractor Summary.

- Adjusted EBITDA of $10.3 million in the fourth quarter of 2024 was $3.1 million (or 23%) lower compared to $13.4 million in the fourth quarter of 2023, mainly due to one-time reorganization costs of $2.9 million. After normalizing for the one-time reorganization costs, Adjusted EBITDA in the fourth quarter of 2024 would have totalled $13.2 million, a decrease of $0.2 million due to lower production services activity in Canada, which was partially offset by higher drilling revenue in Canada and higher day rates in the US.
- Fourth quarter additions to property and equipment of $5.8 million in 2024 compared to $3.4 million in the fourth quarter of 2023, consisting of $1.5 million of expansion capital related to rig upgrades and $4.3 million of maintenance capital.

Operational Highlights:

- In Canada, Operating Days of 986 in the fourth quarter of 2024 were 153 days (or 18%) higher compared to 833 days in the fourth quarter of 2023. Drilling rig utilization in Canada was 32% in the fourth quarter of 2024, compared to 27% in the same period of the prior year, mainly due to improved demand for the Company's upgraded rig fleet.
- Revenue per Operating Day in Canada averaged $35,081 in the fourth quarter of 2024, which was consistent with the same period of the prior year.
- In the US, drilling rig utilization averaged 31% in the fourth quarter of 2024, compared to 36% in the fourth quarter of 2023, due to continued low industry activity in the US.
- Revenue per Operating Day in the US for the fourth quarter of 2024 averaged US$32,603, a 23% increase compared to US$26,530 in the same period of the prior year, mainly due to changes in rig mix.
- In Canada, service rig utilization was 34% in the fourth quarter of 2024, compared to 37% in the same period of the prior year, as Service Hours decreased by 12% to 13,750 hours from 15,712 hours in the same period of the prior year, as customers deferred their programs due to low natural gas prices or capital overspend from earlier in 2024.
- Revenue per Service Hour averaged $1,010 in the fourth quarter of 2024 and was 1% lower than the fourth quarter of 2023, due to area-specific rig requirements.
- Subsequent to December 31, 2024, on January 27, 2025, the Company announced that it extended the maturity date of its Second Lien Facility (as defined in this MD&A) from May 18, 2026 to May 18, 2027.

Year Ended December 31, 2024

Financial Highlights:

- Revenue for the year ended December 31, 2024, decreased by $10.4 million (or 4%), to $223.1 million compared to $233.5 million for the year ended December 31, 2023, as revenue was negatively impacted by lower activity in contract drilling in the US due to lower commodity prices in 2024 and lower third-party recoveries in Canada, offset partially by higher Operating Days in contract drilling in Canada.
- The Company had a net loss of $6.9 million for the year ended December 31, 2024 ($0.20 net loss per basic common share), consistent with a net loss of $6.9 million in the prior year ($0.20 net loss per basic common share). Net loss was unchanged year over year as the decreases in stock based compensation expense, finance costs and depreciation expense, were partially offset by a decrease in Adjusted EBITDA.
- Administrative expenses for the year ended December 31, 2024 were $5.9 million higher than 2023, mainly due to higher employee related costs including one-time reorganization costs of $5.7 million incurred in 2024.
- Adjusted EBITDA of $42.2 million for the year ended December 31, 2024 was $5.5 million (or 12%) lower compared to $47.7 million in 2023 and included one-time reorganization costs of $5.7 million. After normalizing for the one-time reorganization costs, Adjusted EBITDA for the year ended December 31, 2024 would have totalled $47.9 million, an increase of $0.2 million from 2023. Adjusted EBITDA in 2024 was comparable to the prior year as higher drilling activity in Canada was partially offset by lower drilling activity in the US.
- Additions to property and equipment of $21.6 million in 2024 compared to $22.6 million in 2023, consisting of $11.5 million of expansion capital related to rig upgrades and $10.1 million of maintenance capital.
- On August 7, 2024, the Company made a voluntary $10.0 million repayment on its Second Lien Facility (as defined in this MD&A) through available cash on hand and a draw on the Company's Credit Facilities (as defined in this MD&A).

Operational Highlights:

- In Canada, Operating Days of 3,710 days for the year ended December 31, 2024 were 135 days (or 4%) higher compared to 3,575 days for the year ended December 31, 2023. Drilling rig utilization in Canada was 30% for the year ended December 31, 2024, compared to 29% in the prior year, due to improved industry activity year over year.

- Revenue per Operating Day in Canada for the year ended December 31, 2024 averaged $33,092, which was 1% lower than the prior year mainly due to lower third-party recoveries in 2024, which were partially offset by higher day rates.
- In the US, drilling rig utilization averaged 29% for the year ended December 31, 2024, compared to 38% in the prior year.
- Revenue per Operating Day in the US for the year ended December 31, 2024, averaged US$30,621, a 1% decrease compared to US$30,861 in the prior year, mainly due to higher day rates which were offset by lower third-party recoveries in 2024 and higher mobilization revenue in 2023.
- In Canada, service rig utilization of 35% for the year ended December 31, 2024 was higher than 34% in the prior year with Service Hours increasing by 1% from 57,792 hours in 2023 to 58,117 hours in 2024.
- Revenue per Service Hour averaged $1,020 for the year ended December 31, 2024 and was 1% lower than the year ended December 31, 2023.

Outlook

In 2024, commodity prices were impacted in the short term by concerns surrounding demand due to continued uncertainty concerning the ongoing conflicts in Eastern Europe and in the Middle East. It is expected that these ongoing conflicts will continue to impact commodity prices in 2025 and events such as these contribute to the volatility of commodity prices. Additionally, the results of the 2024 presidential election in the US and the related changes in government policies, including potential tariffs on Canadian crude oil and natural gas exports to the US, as well as a potential change in Canadian government policies resulting from a federal election in 2025, creates uncertainty for the Canadian energy services industry. The precise duration and extent of the adverse impacts of the current macroeconomic environment and global economic activity on Western’s customers and operations remains uncertain at this time. Additionally, the threatened shutdown and relocation of a portion of the Enbridge Line 5 pipeline and the challenge and notice of civil claim related to the Blueberry River First Nations agreement in British Columbia by the Treaty 8 nations contribute to continued uncertainty regarding takeaway capacity and resource development.

The Trans Mountain pipeline expansion commenced operations as of May 1, 2024 and has brought much needed takeaway capacity to the market. The completed Trans Mountain pipeline project, the Coastal GasLink pipeline project, which has entered commercial in-service and is expected to be online in 2025, and the LNG Canada liquefied natural gas project in British Columbia, now more than 90% complete and expected to be online by mid- 2025, may contribute to increased industry activity. Additionally, some optimism exists from the US tariff threats, as it may help realign the provinces in Canada on the importance of independence from the US, which could result in more energy projects receiving approval in Canada. Controlling fixed costs, maintaining balance sheet strength and flexibility, repaying debt and managing through a volatile market are priorities for the Company, as prices and demand for Western’s services are expected to continue to improve.

Western’s board of directors has approved a capital budget for 2025 of $20 million, comprised of $2 million of expansion capital and $18 million of maintenance capital. The 2025 budget includes approximately $3 million of committed expenditures from 2024 that will carry forward into 2025. Western will continue to manage its costs in a disciplined manner and make required adjustments to its capital program as customer demand changes. Currently, 20 of Western’s drilling rigs and 21 of Western’s well servicing rigs are operating.

As at December 31, 2024, Western had $4.4 million drawn on its Credit Facilities and $4.7 million outstanding on its committed term non-revolving facility (the “HSBC Facility”), which matures on December 31, 2026. As at December 31, 2024, Western had $88.3 million outstanding on its second lien secured term loan with Alberta Investment Management Corporation (the “Second Lien Facility”), which matures on May 18, 2027 after the extension announced on January 27, 2025. Western will continue to focus its efforts on deleveraging the business going forward.

Energy service activity in Canada will be affected by volatile commodity prices, the continued development of resource plays in Alberta and northeast British Columbia, ongoing pipeline completions that will increase takeaway capacity, environmental regulations, and the level of investment in Canada. With Western’s upgraded drilling rigs, the Company is well positioned to be the contractor of choice to supply drilling rigs in a tightening market. Western is also active with four fit for purpose drilling rigs in the Clearwater formation in northern Alberta. In the short term, the largest challenges facing the energy service industry are volatile commodity prices and the restrained growth in customer drilling activity due to their continuing preference to return cash to shareholders through share buybacks, increased dividends and repayment of debt, rather than grow production. If commodity prices stabilize for an extended period, then as customers strengthen their balance sheets by reducing debt levels, we expect that drilling activity will increase. In the medium term, Western’s rig fleet is well positioned to benefit from the increased drilling and production services activity expected to be generated by the LNG Canada liquefied natural gas project and the Trans Mountain pipeline completion, as well as renewed interest in national self-determination. The total rig fleet in the WCSB has decreased from 387 drilling rigs at December 31, 2023 to 373 drilling rigs as of February

26, 2025, representing a decrease of 14 drilling rigs, or 4%, which reduces the supply of drilling rigs for such projects. It remains Western's view that its upgraded drilling rigs and modern well servicing rigs, reputation for quality and capacity of the Company's rig fleet, and disciplined cash management provides Western with a competitive advantage.

Review of Results for the Three Months and Year Ended December 31, 2024 – Segmented Information

Contract Drilling

Financial Highlights	**Three months ended December 31**			**Year ended December 31**		
(stated in thousands)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
Revenue	43,606	37,688	16%	153,983	164,628	(6%)
Expenses						
Operating	30,826	26,462	16%	111,796	122,993	(9%)
Administrative	1,914	1,974	(3%)	8,447	7,720	9%
Adjusted EBITDA(1)	10,866	9,252	17%	33,740	33,915	(1%)
Adjusted EBITDA as a percentage of revenue(1)	25%	25%	-	22%	21%	5%
Operating Highlights(2)						
Canadian Operations						
Operating Days	986	833	18%	3,710	3,575	4%
Revenue per Operating Day(1)	35,081	35,211	-	33,092	33,328	(1%)
Drilling rig utilization	32%	27%	19%	30%	29%	3%
CAOEC industry Operating Days(3)	15,696	14,527	8%	61,457	57,842	6%
United States Operations						
Operating Days	197	229	(14%)	743	1,072	(31%)
Revenue per Operating Day (US$)(1)	32,603	26,530	23%	30,621	30,861	(1%)
Drilling rig utilization	31%	36%	(14%)	29%	38%	(24%)

(1) See "Non-IFRS Measures and Ratios" on page 13 of this MD&A.

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

(3) Source: The CAOEC monthly Contractor Summary, calculated on a spud to rig release basis.

- For the fourth quarter of 2024, contract drilling revenue totalled $43.6 million, a $5.9 million, or 16%, increase as compared to the same period in the prior year due to improved industry activity in Canada, partially offset by lower activity in the US. For the year ended December 31, 2024, contract drilling revenue totalled $154.0 million, a $10.6 million, or 6%, decrease compared to the prior year as lower US activity throughout 2024 was only partially offset by higher activity in Canada. See "*Canadian Operations*" and "*United States Operations*" below.
- Administrative expenses for the fourth quarter of 2024 totalled $1.9 million and were $0.1 million (or 3%) lower than the same period in the prior year. For the year ended December 31, 2024, administrative expenses totalled $8.4 million and were $0.7 million, or 9%, higher than the same period of the prior year mainly due to one-time reorganization costs incurred of $0.5 million.
- Contract drilling Adjusted EBITDA of $10.9 million in the fourth quarter of 2024 was $1.6 million, or 17%, higher than $9.3 million in the fourth quarter of 2023, mainly due to higher contract drilling activity in Canada, which was offset partially by lower activity in the US and changes in rig mix in both the US and Canada. For the year ended December 31, 2024, contract drilling Adjusted EBITDA of $33.7 million was $0.2 million, or 1%, lower than $33.9 million in the prior year, mainly due to lower US activity and one-time reorganization costs in Canada of $0.5 million, which were offset partially by higher activity in Canada.

Canadian Operations

- Operating Days for the fourth quarter of 2024 of 986 days were 18% higher than 833 days in the same period of the prior year, compared to an 8% increase in CAOEC industry Operating Days, resulting in drilling rig utilization in Canada of 32% in 2024, compared to 27% in 2023. The increase in Operating Days for the fourth quarter of 2024 was mainly attributed to improved demand for the Company's drilling rig fleet.
- Operating Days of 3,710 for the year ended December 31, 2024 were 4% higher than 3,575 days for the year ended December 31, 2023, compared to a 6% increase in CAOEC industry Operating Days, resulting in drilling rig utilization in Canada of 30% in 2024, compared to 29% in 2023.

- For the three months ended December 31, 2024, revenue per Operating Day averaged $35,081 compared to $35,211 in the same period of the prior year. For the year ended December 31, 2024, revenue per Operating Day averaged $33,092, and was 1% lower than the same period of the prior year due to lower third-party recoveries.

United States Operations

- For the three months ended December 31, 2024, Operating Days in the US decreased by 14% to 197 days compared to 229 days in the same period of the prior year, which resulted in drilling rig utilization of 31% in the fourth quarter of 2024, compared to 36% in the fourth quarter of 2023. Average active industry rigs of 586[5] in the fourth quarter of 2024 were 6% lower compared to the fourth quarter of 2023 due to low natural gas prices.
- For the year ended December 31, 2024, Operating Days in the US decreased by 31% to 743 days, compared to 1,072 days in the prior year, which resulted in drilling rig utilization of 29% in 2024, compared to 38% utilization in 2023. Average active industry rigs of 599[5] for the year ended December 31, 2024, were 13% lower compared to the year ended December 31, 2023, as low natural gas prices continued to negatively impact industry activity.
- For the three months December 31, 2024, revenue per Operating Day increased by 23% averaging US$32,603 compared to US$26,530 due to changes in rig mix. For the year ended December 31, 2024, revenue per Operating Day decreased by 1% averaging US$30,621 compared to US$30,861 in 2023 mainly due to lower third-party recoveries in 2024 and higher mobilization revenue in 2023.

Production Services

Financial Highlights	Three months ended December 31			Year ended December 31		
(stated in thousands)	2024	2023	Change	2024	2023	Change
Revenue	16,241	18,641	(13%)	69,487	69,205	-
Expenses						
Operating	11,808	12,645	(7%)	47,226	46,851	1%
Administrative	1,400	1,043	34%	5,234	4,598	14%
Adjusted EBITDA(1)	3,033	4,953	(39%)	17,027	17,756	(4%)
Adjusted EBITDA as a percentage of revenue(1)	19%	27%	(30%)	25%	26%	(4%)
Operating Highlights(2)						
Service Hours	13,750	15,712	(12%)	58,117	57,792	1%
Revenue per Service Hour(1)	1,010	1,017	(1%)	1,020	1,027	(1%)
Service rig utilization	34%	37%	(8%)	35%	34%	3%

(1) See "Non-IFRS Measures and Ratios" on page 13 of this MD&A.

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

- For the quarter ended December 31, 2024, production services revenue decreased by $2.4 million, or 13%, to $16.2 million, compared to the same period of the prior year due to lower industry activity resulting from customers delaying or deferring their programs due to low commodity prices and their capital budgets being spent earlier in the year. For the year ended December 31, 2024, production services revenue increased by $0.3 million, compared to the prior year. The increase in production services revenue for the year ended December 31, 2024, compared to the prior year, can be attributed to higher activity in the second quarter of 2024, offset by lower activity in the third and fourth quarters of 2024.
- For the three months ended December 31, 2024, Service Hours of 13,750 (34% utilization) were 12% lower than the same period of the prior year of 15,712 (37% utilization) due to customers deferring their programs due to low commodity prices.
- For the year ended December 31, 2024, Service Hours of 58,117 (35% utilization) were 1% higher than the prior year of 57,792 (34% utilization) as the second quarter of 2024 had higher industry activity due in part to favorable weather, which was offset by lower industry activity in the second half of the year.
- For the three months and year ended December 31, 2024, revenue per Service Hour averaged $1,010 and $1,020 respectively and were 1% lower than the same periods of 2023, due to area-specific rig requirements.

[5] Source: Baker Hughes Company, North America Quarterly Rig Count.

- For the three months ended December 31, 2024, administrative expenses were $0.4 million (or 34%) higher than the same period of the prior year. For the year ended December 31, 2024, administrative expenses were $0.6 million (or 14%) higher than the prior year. The increase for both the three months and year ended December 31, 2024 was mainly due to higher professional fees and higher employee-related costs.
- Adjusted EBITDA decreased for the three months ended December 31, 2024, by $2.0 million, or 39%, to $3.0 million, compared to $5.0 million in the same period of the prior year mainly due to lower industry activity as customers deferred their programs due to low commodity prices and higher repairs and maintenance costs. Adjusted EBITDA decreased for the year ended December 31, 2024 by $0.8 million, or 4%, to $17.0 million, compared to $17.8 million for the year ended December 31, 2023, as higher activity in the first and second quarters of 2024 were offset by lower activity in the second half of 2024.

Corporate

	Three months ended December 31			Year ended December 31		
(stated in thousands)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
Expenses						
Administrative	3,583	835	329%	8,540	3,932	117%

- For the three months ended December 31, 2024, corporate administrative expenses totalled $3.6 million and were $2.8 million higher than the same period of the prior year due to $2.9 million of one-time reorganization costs incurred.
- For the year ended December 31, 2024, corporate administrative expenses totalled $8.5 million and were $4.6 million higher than the prior year mainly due to $5.1 million of one-time reorganization costs incurred in 2024.

Consolidated Other Expenses

	Three months ended December 31			Year ended December 31		
(stated in thousands)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
Depreciation	10,378	11,333	(8%)	41,043	42,164	(3%)
Stock based compensation	374	549	(32%)	807	2,761	(71%)
Finance costs	2,427	2,687	(10%)	10,053	11,397	(12%)
Other items	(638)	1,447	(144%)	(1,094)	(315)	247%
Income tax recovery	(230)	(452)	(49%)	(1,716)	(1,383)	24%

- Depreciation expense for the three months and year ended December 31, 2024 totalled $10.4 million and $41.0 million respectively, compared to $11.3 million and $42.2 million respectively, in the same periods of the prior year. The decrease for both periods compared to the same periods in the prior year is due to assets being fully depreciated.
- Finance costs in the fourth quarter of 2024 of $2.4 million were $0.3 million lower than the same period of the prior year, mainly due to lower total debt levels resulting from Western's debt repayments made in 2023 and 2024 and represented an effective interest rate of 8.6% and was consistent with the same period of the prior year. For the year ended December 31, 2024, finance costs of $10.1 million were $1.3 million lower than the same period of the prior year, mainly due to lower total debt levels and represented an effective interest rate of 8.6%, which was the same as 2023.
- For both the three months and year ended December 31, 2024, other items relate to foreign exchange gains and losses and the sale of assets. Included in the year ended December 31, 2024 is the sale of two well servicing rig carriers for total proceeds of US$0.9 million with a gain recognized on the sale of fixed assets for $0.2 million.
- For the fourth quarter of 2024, the consolidated income tax recovery totalled $0.2 million, compared to a recovery of $0.5 million in the same period of the prior year. For the year ended December 31, 2024, the consolidated income tax recovery totalled $1.7 million, representing an effective tax rate of 20.0%, as compared to an effective tax rate of 16.7% in the same period of the prior year. The Company had no cash taxes payable for the three months and year ended December 31, 2024.

Liquidity and Capital Resources

The Company's liquidity requirements in the short and long term can be sourced in several ways including: available cash balances, funds from operations, borrowing against the Credit Facilities, new debt instruments, equity issuances and proceeds from the sale of assets. As at December 31, 2024, Western had working capital of $9.9 million compared to working capital of $20.1 million as at December 31, 2023.

During the year ended December 31, 2024, Western had the following changes to its cash balances, which resulted in a $2.1 million decrease in cash and cash equivalents in the year:

Cash and cash equivalents (stated in thousands)	
Opening balance, at December 31, 2023	5,930
Add:	
Adjusted EBITDA[1]	42,227
Change in non cash working capital	2,447
Proceeds on sale of property and equipment	1,931
Deduct:	
Additions to property and equipment	(21,604)
Principal repayment of Second Lien debt	(11,080)
Finance costs paid	(10,273)
Principal repayment of lease obligations	(2,821)
Principal repayment of HSBC Facility	(1,250)
Principal repayment of US paycheck protection plan	(1,032)
Repayment of Credit Facilities	(577)
Other items	(113)
Ending balance, at December 31, 2024	**3,785**

(1) See "Non-IFRS Measures and Ratios" on page 13 of this MD&A.

On January 27, 2025, the Company extended the maturity date of its Second Lien Facility from May 18, 2026 to May 18, 2027. As part of this extension, the maturity date of the Company's Credit Facilities (as defined in this MD&A) is automatically extended from November 18, 2025 to the earlier of (i) six months prior to the maturity date of the amended Second Lien Facility of November 18, 2026 or (ii) March 22, 2027. The total commitments under the Second Lien Facility and Credit Facilities remain unchanged and there were no changes to the Company's financial covenants, which are described in this MD&A. As at December 31, 2024, $4.4 million was drawn on the Company's $45.0 million Credit Facilities and $4.7 million was drawn on the HSBC Facility. Cash flow from operations and available Credit Facilities are expected to be sufficient to cover Western's financial obligations, including working capital requirements and 2025 budgeted capital expenditures.

Amounts borrowed under the Credit Facilities bear interest at the bank's Canadian prime rate or daily compounded Canadian overnight repo rate average ("CORRA"), as applicable, for borrowings in Canadian dollars, plus in each case an applicable margin depending on the ratio of Consolidated Debt to Consolidated EBITDA as defined by the Credit Facilities agreement. Consolidated EBITDA, as defined by the Credit Facilities agreement, differs from Adjusted EBITDA as defined under Non-IFRS Measures and Ratios on page 13 of this MD&A, by including certain items such as realized foreign exchange gains or losses and cash payments made on leases capitalized under IFRS 16 Leases. Copies of Western's Credit Facilities are available under the Company's SEDAR+ profile at www.sedarplus.ca.

The Credit Facilities are secured by the assets of Western and its subsidiary Stoneham Drilling Corporation. A summary of the Company's financial covenants at December 31, 2024 is as follows:

December 31, 2024	**Covenants[1]**
Maximum Consolidated Senior Debt to Consolidated EBITDA Ratio	3.0:1.0 or less
Maximum Consolidated Debt to Consolidated Capitalization Ratio	0.5:1.0 or less
Minimum Debt Service Coverage Ratio	1.15:1.0 or greater

(1) See covenant definitions in Note 10 of the December 31, 2024 consolidated financial statements.

At December 31, 2024, Western was in compliance with all covenants related to its Credit Facilities.

Summary of Quarterly Results

In addition to other market factors, Western's quarterly results are markedly affected by weather patterns throughout its operating areas. Historically, the first quarter of the calendar year is very active, followed by a much slower second quarter due to what is known in the Canadian oilfield service industry as "spring breakup" when, due to the spring thaw, provincial and county road bans restrict movement of heavy equipment. As a result of this, the variation of Western's results quarter over quarter, particularly between the first and second quarters, can be significant independent of other demand factors.

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

Three months ended (stated in thousands, except per share amounts)	Dec 31, 2024	Sep 30, 2024	June 30, 2024	Mar 31, 2024	Dec 31, 2023	Sep 30, 2023	June 30, 2023	Mar 31, 2023
Revenue	59,720	58,343	43,033	61,982	56,255	55,003	42,954	79,239
Adjusted EBITDA(1)	10,316	11,433	5,259	15,219	13,370	11,033	4,140	19,196
Cash flow from operating activities	14,332	5,404	19,260	7,802	6,268	13,267	25,373	6,445
Net income (loss)	(1,995)	(1,190)	(5,136)	1,455	(2,194)	(1,267)	(7,845)	4,421
per share - basic and diluted	(0.06)	(0.04)	(0.15)	0.04	(0.06)	(0.04)	(0.23)	0.13
Total assets	430,981	429,623	433,354	441,781	442,933	453,980	456,746	483,532
Long-term debt - non current portion	96,325	102,999	106,912	111,109	111,174	114,107	118,109	129,853

(1) See "Non-IFRS Measures and Ratios" on page 13 of this MD&A.

Revenue and Adjusted EBITDA were impacted by commodity prices and market uncertainty throughout the last eight quarters. In 2023, a significant decrease in commodity prices, the fear of a North American recession, concerns surrounding demand for crude oil due to weak global economic data, as well as the ongoing conflicts in Eastern Europe and in the Middle East impacted the energy services industry. In 2024, volatile commodity prices persisted, with low commodity prices in the first and third quarters, particularly natural gas prices, which resulted in instability with customer programs and lower industry activity.

Commitments

In the normal course of business, the Company incurs commitments related to its contractual obligations. The expected maturities of the Company's contractual obligations as at December 31, 2024 are as follows:

(stated in thousands)	2025	2026	2027	2028	2029	Thereafter	Total
Trade payables and other current liabilities (1)	23,707	-	-	-	-	-	23,707
Operating commitments (2)	5,565	769	769	769	769	372	9,013
Second Lien Facility principal (3)	1,080	1,080	86,101	-	-	-	88,261
Second Lien Facility interest	7,577	7,399	6,430	-	-	-	21,406
HSBC Facility principal	-	4,688	-	-	-	-	4,688
HSBC Facility interest	286	199	-	-	-	-	485
Lease obligations (4)	2,022	1,841	1,386	1,167	679	450	7,545
Revolving Facility (3)	-	3,000	-	-	-	-	3,000
Operating Facility (3)	-	1,423	-	-	-	-	1,423
PPP Loan	836	-	-	-	-	-	836
Total	**41,073**	**20,399**	**94,686**	**1,936**	**1,448**	**822**	**160,364**

(1) Trade payables and other current liabilities exclude interest accrued as at December 31, 2024 on the Second Lien Facility and the 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) Subsequent to December 31, 2024, on January 27, 2025, the Company extended the maturity of its Second Lien Facility to May 18, 2027, with an automatic one year extension to its Credit Facilities.

(4) 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 principal and interest:

The Company pays principal quarterly and interest semi-annually on January 1 and July 1. As noted previously in this MD&A, the Company's Second Lien Facility matures on May 18, 2027, following the extension signed on January 27, 2025.

HSBC Facility principal and interest:

The Company pays interest monthly on the HSBC Facility, 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.

Credit Facilities:

The Company's Credit Facilities mature on the earlier of (i) six months prior to the maturity date of the Second Lien Facility, which is currently November 18, 2026 after the change to the maturity date noted previously, or (ii) March 22, 2027 if the Second Lien Facility is extended.

PPP loan:

The Company has a US Paycheck Protection Program ("PPP") loan obtained as part of the COVID-19 relief efforts in the US. The promissory loan has an interest rate of 1% per annum, will be repaid in equal monthly payments over the term of the loan and matures on August 7, 2025.

Western expects to source funds required for the above commitments from cash flow from operations.

Outstanding Share Data

	February 26, 2025	December 31, 2024	December 31, 2023
Common shares outstanding	33,843,022	33,843,022	33,843,009
Stock options outstanding	2,021,506	2,666,189	3,052,700
Restricted share units outstanding - equity settled	-	-	13

Off Balance Sheet Arrangements

As at December 31, 2024, Western had no off balance sheet arrangements in place.

Financial Risk Management

Interest 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 or CORRA 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, 2024 (December 31, 2023: $0.1 million). Other long-term debt, such as the Second Lien Facility, PPP loan and the Company's lease obligations, have fixed interest rates; however, they are subject to interest rate fluctuations relating to refinancing.

Inflation Risk

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

Foreign Exchange Risk

The Company is exposed to foreign currency fluctuations in relation to its US dollar capital expenditures and operations. At December 31, 2024, 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, 2024, 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 less than $0.1 million and $0.6 million, respectively (December 31, 2023: 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 three months and year ended December 31, 2024, the volatility in global demand for crude oil related to the conflicts in Eastern Europe and the Middle East, have had an impact on commodity prices which have 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 creditworthiness of new customers before credit terms are offered.

Additionally, the Company continually evaluates individual customer trade receivables for collectability considering payment history and aging of the trade receivables.

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

The Company reviews its historical credit losses as part of its impairment assessment. The Company has had low historical impairment losses on its trade receivables, due in part to its credit management processes. As such, the Company assesses impairment losses on an individual customer account basis, rather than recognizing an impairment loss on all outstanding trade and other receivables. Subsequent to December 31, 2024, the Company has collected approximately 65% of its trade and other receivables that were outstanding at December 31, 2024.

Liquidity Risk

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

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

The Interim Chief Executive Officer ("CEO") and, Interim Chief Financial Officer ("CFO") of Western are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") for the Company.

DC&P is designed to provide reasonable assurance that material information relating to the Company is made known to the CEO and CFO by others, particularly in the period in which the annual filings are being prepared, and that information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized and reported within the time periods specified in securities legislation, and includes controls and procedures designed to ensure that such information is accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

In accordance with the requirements of National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings", an evaluation of the effectiveness of DC&P and ICFR was carried out under the supervision of the CEO and CFO at December 31, 2024. This evaluation was based on the framework established in the Internal Control – Integrated Framework (2013) issued in May 2013 by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the CEO and CFO have concluded that the Company's ICFR are effective, and its DC&P are designed and operating effectively.

The Company's management, including the CEO and CFO, does not expect that the Company's DC&P and ICFR will prevent or detect all misstatements or instances of fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues, misstatements or instances of fraud, if any, within the Company have been detected.

There have been no changes to the Company's ICFR that occurred during the most recent interim period that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Critical Accounting Estimates and Recent Developments

The accounting policies used in preparing the Company's financial statements are described in Note 3 of the Company's consolidated financial statements as at December 31, 2024 and for the years ended December 31, 2024 and 2023. There were no new accounting standards or amendments to existing standards adopted for the year ended December 31, 2024, that are expected to have a material impact on the Company's financial statements.

This MD&A of the Company's financial condition and results of operations is based on the consolidated financial statements as at and for the year ended December 31, 2024, which were prepared in accordance with IFRS. Conformity with IFRS requires management to make judgments, estimates and assumptions that are based on the facts, circumstances, and estimates at the date of the consolidated financial statements and affect the application of certain accounting policies and the reported amount of assets, liabilities, income and expenses.

The current economic environment and volatility in global demand for commodities results in uncertainty for the Company, which management took into consideration when applying judgments to estimates and assumptions in the condensed consolidated financial statements. A full list of critical accounting estimates is included in the Company's audited consolidated financial statements for the year ended December 31, 2024. Actual results may differ from the estimates used in preparing the consolidated financial statements.

Business Risks

Management has identified the primary risk factors that could potentially have a material impact on the financial results and operations of Western. Western's primary risk factors are included in the Company's annual information form ("AIF") for the year ended December 31, 2024 which is available under the Company's SEDAR+ profile at www.sedarplus.ca. Copies of the AIF may also be obtained on request without charge from Western by emailing ir@wesc.ca or through Western's website at www.wesc.ca.

Non-IFRS Measures and Ratios

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

Adjusted EBITDA and Adjusted EBITDA as a Percentage of Revenue

Adjusted earnings before interest and finance costs, taxes, depreciation and amortization, other non-cash items and one-time gains and losses ("Adjusted EBITDA") is a useful Non-IFRS financial measure as it is used by management and other stakeholders, including current and potential investors, to analyze the Company's principal business activities, prior to consideration of how Western's activities are financed and the impact of foreign exchange, income taxes and depreciation. Adjusted EBITDA provides an indication of the results generated by the Company's principal operating segments, which assists management in monitoring current and forecasting future operations, as certain non-core items such as interest and finance costs, taxes, depreciation and amortization, and other non-cash items and one-time gains and losses are removed. The closest IFRS measure would be net income for consolidated results and on a segmented basis, income before income taxes, as the Company manages its income tax position on a legal entity basis, which can differ from its operating segments.

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

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

	Three months ended December 31		Year ended December 31	
(stated in thousands)	**2024**	**2023**	**2024**	**2023**
Net loss	**(1,995)**	**(2,194)**	**(6,866)**	**(6,885)**
Income tax recovery	(230)	(452)	(1,716)	(1,383)
Loss before income taxes	**(2,225)**	**(2,646)**	**(8,582)**	**(8,268)**
Add (deduct):				
Depreciation	10,378	11,333	41,043	42,164
Stock based compensation	374	549	807	2,761
Finance costs	2,427	2,687	10,053	11,397
Other items	(638)	1,447	(1,094)	(315)
Adjusted EBITDA	**10,316**	**13,370**	**42,227**	**47,739**

The following table reconciles Adjusted EBITDA, defined previously, to operating earnings (loss) as disclosed in the consolidated financial statements for the three months and year ended December 31, 2024 and 2023:

	Three months ended December 31, 2024			
(stated in thousands)	**Contract Drilling**	**Production Services**	**Corporate**	**Total**
Adjusted EBITDA	10,866	3,033	(3,583)	10,316
Depreciation	(7,989)	(1,981)	(408)	(10,378)
Operating earnings (loss)	**2,877**	**1,052**	**(3,991)**	**(62)**

	Three months ended December 31, 2023			
(stated in thousands)	**Contract Drilling**	**Production Services**	**Corporate**	**Total**
Adjusted EBITDA	9,252	4,953	(835)	13,370
Depreciation	(8,621)	(2,233)	(479)	(11,333)
Operating earnings (loss)	**631**	**2,720**	**(1,314)**	**2,037**

	Year ended December 31, 2024			
(stated in thousands)	**Contract Drilling**	**Production Services**	**Corporate**	**Total**
Adjusted EBITDA	33,740	17,027	(8,540)	42,227
Depreciation	(31,200)	(8,284)	(1,559)	(41,043)
Operating earnings (loss)	**2,540**	**8,743**	**(10,099)**	**1,184**

	Year ended December 31, 2023			
(stated in thousands)	**Contract Drilling**	**Production Services**	**Corporate**	**Total**
Adjusted EBITDA	33,915	17,756	(3,932)	47,739
Depreciation	(31,393)	(8,941)	(1,830)	(42,164)
Operating earnings (loss)	**2,522**	**8,815**	**(5,762)**	**5,575**

Revenue per Operating Day

This Non-IFRS measure is calculated as drilling revenue for both Canada and the US respectively, divided by Operating Days in Canada and the US respectively. This calculation represents the average day rate by country, charged to Western's customers.

Revenue per Service Hour

This Non-IFRS measure is calculated as well servicing revenue divided by Service Hours. This calculation represents the average hourly rate charged to Western's customers.

Working Capital

This Non-IFRS measure is calculated as current assets less current liabilities as disclosed in the Company's consolidated financial statements.

Defined Terms

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

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

Service Hours: Defined as well servicing hours completed.

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

Contract Drilling Rig Classifications

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

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

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

Abbreviations

- Barrel ("bbl");
- Canadian Association of Energy Contractors ("CAOEC");
- DecaNewton ("daN");
- International Financial Reporting Standards ("IFRS");
- Pounds ("lbs");
- Thousand cubic feet ("mcf");
- Western Canadian Sedimentary Basin ("WCSB"); and
- West Texas Intermediate ("WTI").

Forward-Looking Statements and Information

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

In particular, forward-looking information in this MD&A includes, but is not limited to, statements relating to: the business of Western; industry, market and economic conditions and any anticipated effects on Western and its customers; commodity pricing; the future demand for the Company's services and equipment; the effect of inflation and commodity prices on energy service activity; expectations with respect to customer spending; the impact of Western's upgraded drilling rigs; the potential continued impact of the current conflicts in Eastern Europe and the Middle East on crude oil prices; the Company's capital budget for 2025, including the allocation of such budget; Western's plans for managing its capital program; the energy service industry and global economic activity; the potential shutdown and relocation of the Enbridge Line 5 pipeline; expectations of increased industry activity with respect to the Trans Mountain pipeline project, the Coastal GasLink pipeline project and the

LNG Canada facility; the expectation that the Coastal GasLink pipeline project will be online in 2025; the impact of the recent challenge and notice of civil claim related to the Blueberry River First Nations decision by the Treaty 8 nations; potential changes in government policies, including potential tariffs on Canadian crude oi and natural gas exports to the US and the impacts thereof, resulting from the 2024 presidential election in the US; potential changes in Canadian government policies resulting from a federal election in 2025; challenges facing the energy service industry; expectations regarding future drilling and well servicing activity; the Company's focus on debt reduction; the Company's ability to source its short and long term liquidity requirements; the Company's liquidity needs including the ability of current capital resources to cover Western's financial obligations; expectations with respect to capital expenditures; the methods by which the Company manages liquidity risk; the use, availability and sufficiency of the Company's Credit Facilities; the Company's ability to maintain certain covenants under its Credit Facilities; the repayment of the Company's debt, including the source of funds required to repay such debt; maturities of the Company's contractual obligations with third parties; the impact of changes in interest rates and foreign exchange rates; estimates with respect to foreign exchange rates; factors affecting companies with credit risk; the expectation of continued investment in the Canadian crude oil and natural gas industry; the development of Alberta and British Columbia resource plays; expectations relating to the increase in takeaway capacity resulting from ongoing pipeline completions; expectations relating to activity levels for oilfield services; expectations with respect to increased drilling activity; the Company's ability to maintain a competitive advantage, including the factors and practices anticipated to produce and sustain such advantage; and forward-looking information contained under the headings "*Disclosure Controls and Procedures and Internal Controls Over Financial Reporting*", "*Business Risks*", "*Financial Risk Management"* and "*Critical Accounting Estimates and Recent Developments*".

The material assumptions that could cause results or events to differ from current expectations reflected in the forward-looking information in this MD&A include, but are not limited to: demand levels and pricing for oilfield services; demand for crude oil and natural gas and the price and volatility of crude oil and natural gas; pressures on commodity pricing; the impact of inflation; the continued business relationships between the Company and its significant customers; crude oil transport, pipeline and LNG export facility approval and development; that all required regulatory and environmental approvals can be obtained on the necessary terms and in a timely manner, as required by the Company; liquidity and the Company's ability to finance its operations; the effectiveness of the Company's cost structure and capital budget; the effects of seasonal and weather conditions on operations and facilities; the competitive environment to which the various business segments are, or may be, exposed in all aspects of their business and the Company's competitive position therein; the ability of the Company's various business segments to access equipment (including spare parts and new technologies); global economic conditions and the accuracy of the Company's market outlook expectations for 2025 and in the future; the impact, direct and indirect, of epidemics, pandemics, other public health crisis and geopolitical events, including the conflicts in Eastern Europe and the Middle East and the results of the 2024 presidential election in the US, on Western's business, customers, business partners, employees, supply chain, other stakeholders and the overall economy; changes in laws, regulations, or policies, including as a result of a Canadian federal election in 2025; currency exchange fluctuations; the ability of the Company to attract and retain skilled labour and qualified management; the ability to retain and attract significant customers; the ability to maintain a satisfactory safety record; that any required commercial agreements can be reached; that there are no unforeseen events preventing the performance of contracts and general business, economic and market conditions.

Although Western believes that the expectations and assumptions on which such forward-looking information is based on are reasonable, undue reliance should not be placed on the forward-looking information as Western cannot give any assurance that such will prove to be correct. By its nature, forward-looking information is subject to inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, volatility in market prices for crude oil and natural gas and the effect of this volatility on the demand for oilfield services generally; reduced exploration and development activities by customers and the effect of such reduced activities on Western's services and products; political, industry, market, economic, and environmental conditions in Canada, the US, and globally; supply and demand for oilfield services relating to contract drilling, well servicing and oilfield rental equipment services; the proximity, capacity and accessibility of crude oil and natural gas pipelines and processing facilities; liabilities and risks inherent in oil and natural gas operations, including environmental liabilities and risks; changes to laws, regulations and policies; the ongoing geopolitical events in Eastern Europe and the Middle East and the duration and impact thereof; fluctuations in foreign exchange, inflation or interest rates; failure of counterparties to perform or comply with their obligations under contracts; regional competition and the increase in new or upgraded rigs; the Company's ability to attract and retain skilled labour; Western's ability to obtain debt or equity financing and to fund capital operating and other expenditures and obligations; the potential need to issue additional debt or equity and the potential resulting dilution of shareholders; uncertainties in weather and temperature affecting the duration of the service periods and the activities that can be completed; the Company's ability to comply with the covenants under the Credit Facilities, HSBC Facility and the Second Lien Facility and the restrictions on its operations and activities if it is not compliant with such covenants; Western's ability to protect itself from "cyber-attacks" which could compromise its information systems and critical infrastructure; disruptions to global supply chains; and other general industry, economic, market and business conditions. Readers are cautioned that the foregoing list of risks, uncertainties and assumptions are not exhaustive. Additional information on these and other risk factors that could affect Western's operations and financial results are discussed under the headings "*Business Risks*" herein and "*Risk Factors*" in Western's AIF for the year ended December 31, 2024, which is available under the Company's SEDAR+ profile at www.sedarplus.ca.

The forward-looking statements and information contained in this MD&A are made as of the date hereof and Western does not undertake any obligation to update publicly or revise any forward-looking statements and information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. Any forward-looking statements contained herein are expressly qualified by this cautionary statement.

Additional data

Additional information relating to Western, including the Company's AIF, is available under the Company's profile on SEDAR+ at www.sedarplus.ca.

Western Energy Services Corp.

Consolidated Financial Statements

December 31, 2024 and 2023

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
Interim Chief Executive Officer

"Signed"
Chantel Calancia
Interim Chief Financial Officer

February 26, 2025

Deloitte LLP
700, 850 2nd Street SW
Calgary AB T2P 0R8

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Independent Auditor's Report

To the Shareholders 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, 2024 and 2023, 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, 2024 and 2023, 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, 2024. 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 8 to the financial statements

Key Audit Matter Description

The Company's determination of whether or not an indicator of impairment or impairment reversal exists in its cash generating units (CGUs) requires management to make significant judgments, estimates, and assumptions in evaluating factors which could indicate if impairment or impairment reversal exist. This includes significant changes of operating results and the manner in which an asset is used, the carrying amount of the net assets of the entity being more than its market capitalization or significant negative industry or economic trends. There were no indicators of impairment or impairment reversal for any of the CGUs at December 31, 2024.

While there are several factors required to determine whether or not an indicator of impairment or impairment reversal 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. Auditing these factors required a high degree of subjectivity which resulted in 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 or impairment reversal included the following, among others:

- With the assistance 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 or impairment reversal 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 year forecasts.
    - Benchmarking to the industry's general economic environment and the Company's specific economic circumstances.

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 Mr. David Langlois.

Deloitte LLP

Chartered Professional Accountants
Calgary, Alberta
February 26, 2025

Western Energy Services Corp.

Consolidated Balance Sheets
(thousands of Canadian dollars)

	Note	December 31, 2024	December 31, 2023
Assets			
Current assets			
Cash and cash equivalents		$ 3,785	$ 5,930
Trade and other receivables	6	37,558	37,638
Other current assets	7	3,494	7,166
		44,837	50,734
Non current assets			
Property and equipment	8	386,144	392,165
Other non current assets	7	-	34
		$ 430,981	$ 442,933
Liabilities			
Current liabilities			
Trade payables and other current liabilities	9	$ 27,589	$ 26,562
Current portion of long term debt	10	7,337	4,047
		34,926	30,609
Non current liabilities			
Long term debt	10	96,325	111,174
Deferred taxes	16	3,880	5,485
		135,131	147,268
Shareholders' equity			
Share capital	11	521,604	521,603
Contributed surplus		21,178	20,371
Retained earnings (deficit)		(281,830)	(274,675)
Accumulated other comprehensive income		32,669	26,071
Non controlling interest		2,229	2,295
		295,850	295,665
		$ 430,981	$ 442,933

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 December 31, 2024		Year ended December 31, 2023
Revenue		$	223,078	$	233,451
Expenses					
Operating			158,630		169,462
Administrative			22,221		16,250
Depreciation	8		41,043		42,164
Stock based compensation	12		807		2,761
Finance costs	14		10,053		11,397
Other items	15		(1,094)		(315)
Loss before income taxes			(8,582)		(8,268)
Income tax recovery	16		1,716		1,383
Net loss			(6,866)		(6,885)
Other comprehensive loss [1]					
Gain (loss) on translation of foreign operations			3,975		(1,151)
Unrealized foreign exchange gain (loss) on net investment in subsidiary			2,623		(1,623)
Comprehensive loss		$	(268)	$	(9,659)
Net income (loss) attributable to:					
Shareholders of the Company		$	(7,155)	$	(7,207)
Non controlling interest			289		322
Comprehensive income (loss) attributable to:					
Shareholders of the Company		$	(557)	$	(9,981)
Non controlling interest			289		322
Net loss per share:					
Basic and diluted		$	(0.20)	$	(0.20)
Weighted average number of shares:					
Basic and diluted	13		33,843,018		33,841,864

(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 [1]	Retained earnings (deficit)	Accumulated other comprehensive income [2]	Non controlling interest	Total shareholders' equity
Balance at December 31, 2022	$ 521,549	$ 17,664	$ (267,468)	$ 28,845	$ 1,940	$ 302,530
Common shares:						
Issued on vesting of restricted share units	54	(54)	-	-	-	-
Stock based compensation	-	2,761	-	-	-	2,761
Contributions from non controlling interest	-	-	-	-	33	33
Comprehensive income (loss)	-	-	(7,207)	(2,774)	322	(9,659)
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

(1) Contributed surplus relates to stock based compensation described in Note 12.

(2) At December 31, 2024, 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 December 31, 2024	Year ended December 31, 2023
Operating activities			
Net loss		$ (6,866)	$ (6,885)
Adjustments for:			
Depreciation	8	41,043	42,164
Non cash stock based compensation	12	807	2,761
Finance costs	14	10,053	11,397
Income tax recovery	16	(1,716)	(1,383)
Other		(1,061)	882
Change in non cash working capital		4,538	2,417
Cash flow from operating activities		46,798	51,353
Investing activities			
Additions to property and equipment	8	(21,604)	(22,622)
Proceeds on sale of property and equipment		1,931	1,368
Repayment of promissory note	7	209	225
(Distributions to) contributions from non controlling interest		(355)	33
Change in non cash working capital		(2,091)	(4,457)
Cash flow used in investing activities		(21,910)	(25,453)
Financing activities			
Finance costs paid		(10,273)	(10,796)
Principal repayment of second lien facility	10	(11,080)	(8,080)
Principal repayment of lease obligations	10	(2,821)	(2,659)
Repayment of credit facilities	10	(577)	(2,000)
Principal repayment of HSBC facility	10	(1,250)	(5,313)
Principal repayment of US paycheck protection plan	10	(1,032)	-
Cash flow used in financing activities		(27,033)	(28,848)
Decrease in cash and cash equivalents		(2,145)	(2,948)
Cash and cash equivalents, beginning of year		5,930	8,878
Cash and cash equivalents, end of year		$ 3,785	$ 5,930

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

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, 2024 and 2023 (the "Financial Statements") are comprised of Western, its divisions and its wholly owned subsidiary (together referred to as the "Company"). The Company is an energy service company providing contract drilling services through its division, Horizon Drilling ("Horizon") in Canada, and its wholly owned subsidiary, Stoneham Drilling Corporation ("Stoneham") in the United States. Western provides production services in Canada through its division Eagle Well Servicing ("Eagle") which provides well servicing and its division Aero Rental Services ("Aero") which provides rental equipment services. Financial and operating results for Horizon and Stoneham are included in the contract drilling segment, while financial and operating results for Eagle and Aero are included in the production services segment.

2. Basis of preparation:

(a) Statement of compliance:

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

Preparation of these Financial Statements in accordance with IFRS 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 26, 2025.

(b) Basis of measurement:

The consolidated 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).

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) Business combinations:
The Company uses the acquisition method to account for business combinations. The Company measures goodwill as the fair value of the consideration transferred, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a gain on acquisition is recognized immediately in net income (loss).

Goodwill is allocated as of the date of the business combination to the Company's operating segments that are expected to benefit from the business combination and represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, which can be no higher than the operating segment level. Goodwill is not amortized and is tested for impairment annually. Additionally, goodwill is reviewed at each reporting date to determine if events or changes in circumstances indicate that the asset might be impaired, in which case an impairment test is performed. Goodwill is measured at cost less accumulated impairment losses.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred and recognized in other items within net income (loss).

(d) 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).

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

3. Material accounting policies (continued):

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.

(e) Cash and cash equivalents:
Cash and cash equivalents are comprised of cash balances held at financial institutions.

(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 labour 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, 2024 and 2023 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%

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).

(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.

3. Material accounting policies (continued):

(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 reclassed 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 8.

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.

3. Material accounting policies (continued):

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.

(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.

3. Material accounting policies (continued):

(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, 2024, and have not been applied in preparing these Financial Statements. The following new interpretations and amendments have been issued, but are not yet effective.

IAS 21 – The Effects of Changes in Foreign Exchange Rates, is amended to clarify when a currency meets the criteria of being exchangeable into another currency. The amendment defines exchangeable currency and provides guidance on how to estimate the spot exchange rate when a currency is not exchangeable. The Company does not expect these changes to have a material impact on its financial statements.

IFRS 7 – Financial Instruments: Disclosures and IFRS 9, Financial Instruments, were amended to update certain classification and measurement requirements, as well as the related disclosure requirements. The amendments clarify the derecognition dates of certain financial assets and liabilities, and the requirements related to settling financial liabilities made by electronic payments. The Company does not expect these changes 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.

IFRS S1 and S2 – Sustainability-related Financial Information and Climate-related Disclosures were released by the International Sustainability Standards Board ("ISSB") in 2023. IFRS S1 requires companies to disclose information about all sustainability-related risks and opportunities that could affect its cash flows, access to financing or to the cost of capital in the short, medium, and long-term. IFRS S2 requires a company to disclose information about its climate-related risks and opportunities including physical risks, transitional risks, such as regulatory changes, and climate related opportunities, such as new technology. These disclosure requirements are intended to give users of the financial statements additional information on the sustainability-related environment in which the company operates. These standards are under review by the Canadian Securities Administrators ("CSA") who are consulting with industry to determine the effective date of adoption and what modifications may be necessary prior to implementation. The Canadian Sustainability Standards Board ("CSSB") has been established to review the ISSB standards for their applicability in Canada. As of the date of these Financial Statements, the Company is awaiting further guidance from the CSA and CSSB and will continue to assess the potential impact of these two new disclosure requirements.

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.

(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 includes well servicing rigs and related equipment, as well as rental equipment.

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

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

The following is a summary of the Company's results by operating segment for the years ended December 31, 2024 and 2023:

Year ended December 31, 2024	Contract Drilling	Production Services	Corporate	Inter-segment Elimination	Total
Revenue	$ 153,983	$ 69,487	$ -	$ (392)	$ 223,078
Operating earnings (loss)	2,540	8,743	(10,099)	-	1,184
Finance costs	-	-	10,053	-	10,053
Depreciation	31,200	8,284	1,559	-	41,043
Additions to property and equipment	19,226	2,352	26	-	21,604

Year ended December 31, 2023	Contract Drilling	Production Services	Corporate	Inter-segment Elimination	Total
Revenue	$ 164,628	$ 69,205	$ -	$ (382)	$ 233,451
Operating earnings (loss)	2,522	8,815	(5,762)	-	5,575
Finance costs	-	-	11,397	-	11,397
Depreciation	31,393	8,941	1,830	-	42,164
Additions to property and equipment	19,699	2,412	511	-	22,622

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

5. Operating segments (continued):

Total assets and liabilities by operating segment are as follows:

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

As at December 31, 2023	Contract Drilling	Production Services	Corporate	Total
Total assets	$ 356,606	$ 80,229	$ 6,098	$ 442,933
Total liabilities	48,419	26,240	72,609	147,268

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

Year ended December 31, 2024	Contract Drilling	Production Services	Corporate	Total
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
Income (loss) before income taxes	$ 2,501	$ 8,597	$ (19,680)	$ (8,582)

Year ended December 31, 2023	Contract Drilling	Production Services	Corporate	Total
Operating earnings (loss)	$ 2,522	$ 8,815	$ (5,762)	$ 5,575
Add (deduct):				
Stock based compensation	(721)	(183)	(1,857)	(2,761)
Finance costs	-	-	(11,397)	(11,397)
Other items	-	-	315	315
Income (loss) before income taxes	$ 1,801	$ 8,632	$ (18,701)	$ (8,268)

Segmented information by geographic area is as follows:

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

As at December 31, 2023	Canada	United States	Total
Property and equipment	$ 310,360	$ 81,805	$ 392,165
Total assets	354,641	88,292	442,933

	Canada	United States	Total
Revenue - Year ended December 31, 2024	$ 191,881	$ 31,197	$ 223,078
Revenue - Year ended December 31, 2023	187,970	45,481	233,451

Revenue from long term contracts:
For the years ended December 31, 2024, and 2023, the Company had no revenue from long term contracts in the contract drilling or production services segments.

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

5. Operating segments (continued):

Significant customers:

For the years ended December 31, 2024, and 2023, the Company had no customers comprising 10% or more of the Company's total revenue.

6. Trade and other receivables:

The Company's trade and other receivables as at December 31, 2024 and 2023 are as follows:

	December 31, 2024	December 31, 2023
Trade receivables	$ 30,473	$ 33,073
Accrued trade receivables	8,392	5,562
Other receivables	678	779
Allowance for doubtful accounts	(1,985)	(1,776)
Total	$ 37,558	$ 37,638

The Company's exposure to credit risk related to trade and other receivables is disclosed in Note 18.

7. Other assets:

The Company's other assets as at December 31, 2024 and 2023 are as follows:

	December 31, 2024	December 31, 2023
Current:		
Prepaid expenses	$ 2,762	$ 2,981
Inventory	262	3,579
Deposits	346	321
Promissory note	-	203
Deferred charges	124	82
Total current portion of other assets	3,494	7,166
Non current:		
Deferred charges	-	34
Total non current portion of other assets	-	34
Total other assets	$ 3,494	$ 7,200

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

8. Property and equipment:

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

	Land	Buildings	Contract drilling equipment	Production services equipment	Office and shop equipment	Finance lease assets	Total
Cost:							
Balance at December 31, 2022	$ 5,089	$ 4,396	$ 839,508	$ 200,907	$ 11,868	$ 13,187	$ 1,074,955
Additions	-	61	19,434	2,288	839	-	22,622
Lease additions	-	-	-	-	-	1,692	1,692
Disposals	-	-	(10,151)	(1,860)	(30)	(1,127)	(13,168)
Foreign exchange adjustment	-	-	(4,517)	-	(14)	(19)	(4,550)
Balance at December 31, 2023	$ 5,089	$ 4,457	$ 844,274	$ 201,335	$ 12,663	$ 13,733	$ 1,081,551
Additions to property and equipment(1)	-	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
Accumulated depreciation:							
Balance at December 31, 2022	$ -	$ 3,104	$ 508,216	$ 130,292	$ 11,196	$ 8,307	$ 661,115
Depreciation	-	134	30,973	8,375	729	1,953	42,164
Disposals	-	-	(8,594)	(1,714)	(30)	(997)	(11,335)
Foreign exchange adjustment	-	-	(2,535)	-	(13)	(10)	(2,558)
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
Carrying amounts:							
At December 31, 2023	$ 5,089	$ 1,219	$ 316,214	$ 64,382	$ 781	$ 4,480	$ 392,165
At December 31, 2024	$ 5,089	$ 1,762	$ 314,244	$ 57,813	$ 57	$ 7,179	$ 386,144

(1) Included in additions for the year ended December 31, 2024, is $3.4 million of critical spare parts previously included in inventory that were deployed to the Company's drilling rigs in 2024.

Assets under construction:

Included in property and equipment at December 31, 2024 are assets under construction of $9.8 million (December 31, 2023: $3.3 million) which includes ancillary drilling and well servicing equipment.

As at December 31, 2024, the Company reviewed for indicators of impairment and determined no such indicators existed.

9. Trade payables and other current liabilities:

Trade payables and current liabilities as at December 31, 2024 and 2023 are as follows:

	December 31, 2024	December 31, 2023
Trade payables	$ 10,648	$ 11,469
Accrued trade payables and expenses	16,941	15,093
Total	$ 27,589	$ 26,562

The Company's exposure to foreign exchange and liquidity risk related to trade payables and other current liabilities is disclosed in Note 18.

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

10. Long term debt:

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

	December 31, 2024	December 31, 2023
Current:		
Second Lien Facility	$ 1,080	$ 1,080
Lease obligations (1)	1,473	2,465
Revolving Facility	3,000	-
Operating Facility	1,423	-
PPP Loan	836	995
Less: unamortized issue costs	(475)	(493)
Total current portion of long term debt	7,337	4,047
Non current:		
Second Lien Facility	87,181	98,261
HSBC Facility	4,688	5,938
Lease obligations (1)	4,668	1,898
Revolving Facility	-	5,000
PPP Loan	-	768
Less: unamortized issue costs	(212)	(691)
Total non current portion of long term debt	96,325	111,174
Total long term debt	$ 103,662	$ 115,221

(1) Lease obligations include leases capitalized under IFRS 16. During the years ended December 31, 2024 and 2023, the Company expensed $0.3 million related to leases of low value assets or leases with a term of less than one year.

Credit Facilities:

As at December 31, 2024, 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").

Subsequent to December 31, 2024, 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 are 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 are unchanged and there were no changes to the Company's financial covenants (Note 22).

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.

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

10. Long term debt (continued):

As at December 31, 2024, the Company's Credit Facilities are subject to the following financial covenants:

	Covenant	December 31, 2024
Maximum Consolidated Senior Debt to Consolidated EBITDA Ratio (1)(2)	3.0:1.0 or less	0.0:1.0
Maximum Consolidated Debt to Consolidated Capitalization Ratio (3)(4)	0.5:1.0 or less	0.2:1.0
Minimum Debt Service Coverage Ratio(5)	1.15:1.0 or greater	Not applicable

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

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

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

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

(5) The Debt Service Coverage Ratio is defined as the ratio of Consolidated EBITDA to the total of all regularly scheduled debt payments, including interest, paid on a trailing twelve month basis. It is only applicable if the Company has more than $25.0 million drawn on its Credit Facilities, or if the net book value of property and equipment is less than $250.0 million. As at December 31, 2024, the Company had $4.4 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, 2024, the Company was in compliance with all covenants related to its Credit Facilities.

Second Lien Facility:

At December 31, 2024, the Company had $88.3 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. Subsequent to December 31, 2024, on January 27, 2025, the Company extended the maturity date of the Second Lien Facility from May 18, 2026 to May 18, 2027 (Note 22).

HSBC Facility:

At December 31, 2024, the Company had $4.7 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. On September 29, 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"):

At December 31, 2024, the Company had US$0.6 million outstanding related to the PPP Loan. Interest and principal amounts are payable over the term of the loan, at a rate of 1% per annum, with the balance due upon maturity on August 7, 2025.

11. Share capital:

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

	Issued and outstanding shares		Amount
Balance at December 31, 2022	33,841,318	$	521,549
Issued on vesting of restricted share units	1,691		54
Balance at December 31, 2023	33,843,009	$	521,603
Issued on vesting of restricted share units	13		1
Balance at December 31, 2024	33,843,022	$	521,604

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

12. Stock based compensation:

Stock options:

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

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

	Stock options outstanding	Weighted average exercise price
Balance at December 31, 2022	3,109,490	$ 5.33
Granted	20,000	2.95
Forfeited	(64,720)	4.55
Expired	(12,070)	103.71
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
Balance at December 31, 2024	2,666,189	$ 4.33

For the years ended December 31, 2024, and 2023 no stock options were cancelled. The average fair value of the stock options granted in 2024 was $1.47 per stock option (2023: $1.58 per stock option).

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

As at December 31, 2024 Exercise Price ($/share)	Number of options outstanding	Weighted average contractual life remaining (years)	Number of options exercisable
2.69-2.95	783,373	4.22	48,334
2.96-4.80	1,872,318	2.25	936,169
4.81-31.80	10,498	0.61	10,498
	2,666,189	2.82	995,001

As at December 31, 2024, Western had 995,001 (December 31, 2023: 783,213) vested and exercisable stock options outstanding at a weighted average exercise price equal to $4.99 (December 31, 2023: $5.58) per stock option.

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 December 31, 2024	Year ended December 31, 2023
Risk-free interest rate	3.6%	4.6%
Average forfeiture rate	7.2%	5.1%
Average expected life	2.0 years	2.0 years
Maximum life	5.0 years	5.0 years
Average vesting period	2.0 years	2.0 years
Expected share price volatility	98.6%	102.0%

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

12. Stock based compensation (continued):

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, 2022	1,731
Vested	(1,691)
Forfeited	(27)
Balance at December 31, 2023	13
Vested	(13)
Balance at December 31, 2024	-

The Company did not grant any equity settled RSUs during the years ended December 31, 2024 or 2023.

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

	Year ended December 31, 2024	Year ended December 31, 2023
Stock options	$ 807	$ 2,748
Restricted share units – equity settled expense	-	13
Total stock based compensation expense	$ 807	$ 2,761

13. Earnings per share:

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

	Year ended December 31, 2024	Year ended December 31, 2023
Issued common shares, beginning of period	33,843,009	33,841,318
Weighted average number of common shares issued	9	546
Weighted average number of common shares (basic and diluted)	33,843,018	33,841,864

For the year ended December 31, 2024, 2,666,189 stock options (December 31, 2023, 3,052,700 stock options) and nil equity settled RSUs (December 31, 2023, 13 equity settled RSUs), were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

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

14. Finance costs:

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

	Year ended December 31, 2024	Year ended December 31, 2023
Interest expense on long term debt	$ 9,566	$ 10,943
Amortization of debt financing fees	122	82
Accretion expense on Second Lien Facility	445	446
Accretion expense on HSBC Facility	52	56
Interest income	(132)	(130)
Total finance costs	$ 10,053	$ 11,397

The Company had an effective interest rate on its borrowings of 8.6% for the year ended December 31, 2024 (December 31, 2023: 8.6%).

15. Other items:

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

	Year ended December 31, 2024	Year ended December 31, 2023
(Gain) loss on sale of fixed assets	$ (549)	$ 465
Realized foreign exchange gain	(86)	(1,207)
Unrealized foreign exchange (gain) loss	(459)	427
Total other items	$ (1,094)	$ (315)

16. Income taxes:

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

	Year ended December 31, 2024	Year ended December 31, 2023
Current tax expense	$ (54)	$ (97)
Deferred tax recovery	1,770	1,480
Total income tax recovery	$ 1,716	$ 1,383

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

16. Income taxes (continued):

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

		Year ended December 31, 2024		Year ended December 31, 2023
Loss before income taxes		$ (8,582)		$ (8,268)
Federal and provincial statutory rates	23.6%	(2,025)	23.9%	(1,976)
Loss taxed at higher rates		(104)		(94)
Stock based compensation		191		660
Non controlling interest		(84)		(254)
Non-deductible expenses		150		193
Change in effective tax rate on temporary differences		(43)		(239)
Return to provision adjustment		(42)		131
Other		241		196
Total income tax recovery		$ (1,716)		$ (1,383)

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

	December 31, 2024	December 31, 2023
Property and equipment	$ (74,750)	$ (76,648)
Deferred charges and accruals	29	72
Long term debt	1,463	1,038
Share issue costs	216	328
Other tax pools	1,445	1,278
Tax loss carry forwards	67,717	68,447
Net deferred tax liabilities	$ (3,880)	$ (5,485)

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

	Balance Dec 31, 2023	Recognized in net income (loss)	Impact of foreign exchange	Balance 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)

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

16. Income taxes (continued):

Movements of the Company's temporary differences for the year ended December 31, 2023 are as follows:

	Balance Dec 31, 2022	Recognized in net income (loss)	Impact of foreign exchange	Balance Dec 31, 2023
Property and equipment	$ (79,446)	$ 2,304	$ 494	$ (76,648)
Deferred charges and accruals	70	3	(1)	72
Long term debt	1,234	(194)	(2)	1,038
Share issue costs	431	(103)	-	328
Other tax pools	1,621	(335)	(8)	1,278
Tax loss carry forwards	69,060	(195)	(418)	68,447
Net deferred tax liabilities	$ (7,030)	$ 1,480	$ 65	$ (5,485)

As at December 31, 2024, the Company has loss carry forwards in Canada equal to approximately $207.2 million, which will expire between 2036 and 2043. In the United States, the Company has approximately US$49.6 million loss carry forwards, some of which expire between 2028 and 2038, and others that have an indefinite expiry.

17. 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 December 31, 2024	Year ended December 31, 2023
Employee salaries and benefits	$ 110,939	$ 106,330
Repairs and maintenance	21,042	26,019
Third party charges	7,148	11,013

18. 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, 2024 (December 31, 2023: $0.1 million). Other long term debt, such as the Second Lien Facility, PPP loan and the Company's lease obligations, have fixed interest rates, however they are subject to interest rate fluctuations relating to refinancing.

Inflation risk:

The general rate of inflation impacts the economies and business environments in which Western operates. Increased inflation and any economic conditions resulting from governmental attempts to reduce inflation, such as the imposition of 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.

Foreign exchange risk:

The Company is exposed to foreign currency fluctuations in relation to its US dollar capital expenditures and operations. At December 31, 2024, 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, 2024, 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 less than $0.1 million and $0.6 million, respectively (December 31, 2023: less than $0.1 million and $0.6 million, respectively).

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

18. Financial risk management (continued):

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, 2024, the volatility in global demand for crude oil as a result of conflicts in Eastern Europe and the Middle East had an impact on commodity prices which have 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.

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, 2024, the Company has collected 65% of its trade and other receivables that were outstanding at December 31, 2024.

At December 31, 2024, approximately 10% (3% 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, 2024 and 2023:

	December 31, 2024	December 31, 2023
Trade receivables:		
Current	$ 17,114	$ 16,120
Outstanding for 31 to 60 days	9,645	12,332
Outstanding for 61 to 90 days	798	1,316
Outstanding for over 90 days	2,916	3,305
Accrued trade receivables	8,392	5,562
Other receivables	678	779
Allowance for doubtful accounts	(1,985)	(1,776)
Total	$ 37,558	$ 37,638

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

18. Financial risk management (continued):

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, 2024, liquidity was sufficient as Western had $3.8 million in cash and access to the undrawn balance on its Credit Facilities of $40.6 million. All of the Company's long term debt instruments mature in 2026 and 2027 (Note 10). 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, 2024:

	2025	2026	2027	2028	2029	Thereafter	Total
Financial liabilities:							
Trade payables and other current liabilities	$ 23,736	$ -	$ -	$ -	$ -	$ -	$ 23,736
Second Lien Facility principal[1]	1,080	1,080	86,101	-	-	-	88,261
Second Lien Facility interest	3,853	-	-	-	-	-	3,853
HSBC Facility	-	4,688	-	-	-	-	4,688
Lease obligations	1,473	1,473	1,155	1,027	577	436	6,141
Revolving Facility[2]	-	3,000	-	-	-	-	3,000
Operating Facility[2]	-	1,423	-	-	-	-	1,423
PPP Loan	836	-	-	-	-	-	836
Total	$ 30,978	$ 11,664	$ 87,256	$ 1,027	$ 577	$ 436	$ 131,938

(1) Subsequent to December 31, 2024, the maturity date of the Company's Second Lien Facility was extended to May 18, 2027 (Note 22).

(2) Subsequent to December 31, 2024, the maturity date of the Company's Credit Facilities was extended to the earlier of November 18, 2026, being six months prior to the maturity date of the Second Lien Facility, or March 22, 2027 (Note 22).

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).

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

18. Financial risk management (continued):

Capital management:

The overall capitalization of the Company at December 31, 2024 and December 31, 2023 is as follows:

	Note	December 31, 2024	December 31, 2023
Second Lien Facility	10	$ 88,261	$ 99,341
HSBC Facility	10	4,688	5,938
Revolving Facility	10	3,000	5,000
Operating Facility	10	1,423	-
PPP Loan	10	836	1,763
Lease obligations	10	6,141	4,363
Total debt		104,349	116,405
Shareholders' equity		295,850	295,665
Less: cash and cash equivalents		(3,785)	(5,930)
Total capitalization		$ 396,414	$ 406,140

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, 2024, the Company had $40.6 million in undrawn credit under its Credit Facilities and was in compliance with all debt covenants (see Note 10).

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

19. Commitments:

As at December 31, 2024, the Company has commitments which require payments based on the maturity terms as follows:

	2025	2026	2027	2028	2029	Thereafter	Total
Trade payables and other current liabilities[1]	$ 23,707	$ -	$ -	$ -	$ -	$ -	$ 23,707
Operating commitments[2]	5,565	769	769	769	769	372	9,013
Second Lien Facility principal[3]	1,080	1,080	86,101	-	-	-	88,261
Second Lien Facility interest	7,577	7,399	6,430	-	-	-	21,406
HSBC Facility principal	-	4,688	-	-	-	-	4,688
HSBC Facility interest	286	199	-	-	-	-	485
Lease obligations[4]	2,022	1,841	1,386	1,167	679	450	7,545
Revolving Facility[3]	-	3,000	-	-	-	-	3,000
Operating Facility[3]	-	1,423	-	-	-	-	1,423
PPP Loan	836	-	-	-	-	-	836
Total	$ 41,073	$ 20,399	$ 94,686	$ 1,936	$ 1,448	$ 822	$ 160,364

(1) Trade payables and other current liabilities exclude interest accrued as at December 31, 2024 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) Subsequent to December 31, 2024, the maturity date of the Company's Second Lien Facility was extended to May 18, 2027 and the maturity date of the Company's Credit Facilities to the earlier of November 18, 2026 or March 22, 2027 (Note 22).

(4) 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 (Note 22). On August 7, 2024, the Company made a lump sum repayment of $10.0 million, thereby reducing the total due on maturity.

HSBC Facility and interest:
The Company pays interest and principal on the HSBC Facility monthly, which matures on December 31, 2026. On September 29, 2023, the Company made a lump sum repayment of $4.1 million of all committed monthly principal amounts owing on its HSBC Facility to its maturity on December 31, 2026.

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

Credit Facilities:
The Company's Credit Facilities mature on 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. Refer to Note 22 for additional details on the extension.

PPP Loan:
The Company has a US Paycheck Protection Program ("PPP") loan obtained as part of the COVID-19 relief efforts in the US. The promissory loan has an interest rate of 1% per annum, will be repaid in equal monthly payments over the term of the loan and matures on August 7, 2025.

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

20. 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, 2024	Year ended December 31, 2023
Short-term employee benefits	$ 3,881	$ 2,258
Stock based compensation (1)	533	1,387
	$ 4,414	$ 3,645

(1) The total fair value of stock options granted to key management personnel for the year ended December 31, 2024 was $0.5 million (December 31, 2023: nil), which is being recognized in net income (loss) over the stock option's vesting period.

21. Subsidiaries:

Details of the Company's material wholly owned subsidiary as at December 31, 2024 and 2023 is as follows:

		Ownership interest (%)	
	Country of incorporation	December 31, 2024	December 31, 2023
Stoneham Drilling Corporation	USA	100	100

22. Subsequent event:

Extension of Second Lien Facility:

Subsequent to December 31, 2024 on January 27, 2025, the Company announced that AIMCo had approved an extension of the maturity date of Western's Second Lien Facility from May 18, 2026 to May 18, 2027. Additionally, under the amended Second Lien Facility agreement, the Company is allowed to make voluntary prepayments without having to pay any make-whole amounts or other premiums. The Company is however, no longer able to satisfy its interest payments by capitalizing or deferring such amounts. There are no changes to the quarterly principal payments, the semi-annual interest payments or the interest rate required under the amended agreement.

In conjunction with the Second Lien Facility extension, the maturity date of the Company's Credit Facilities are 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 are unchanged and there were no changes to the Company's financial covenants.

  

CORPORATE INFORMATION

DIRECTORS

Trent Boehm[2]
Calgary, Alberta

Colleen Cebuliak[1][3]
Edmonton, Alberta

Tomer Cohen[3]
Halifax, Nova Scotia

Lorne A. Gartner[1][2][3]
Calgary, Alberta

Ronald P. Mathison
Calgary, Alberta

John R. Rooney[1][2][3]
Calgary, Alberta

OFFICERS

Ronald P. Mathison
Chairman of the Board

Gavin Lane
Interim, Chief Executive Officer and Corporate Secretary

Chantel Calancia
Interim, Chief Financial Officer

April Williams
Vice President, Human Resources

AUDITOR
Deloitte LLP
Calgary, Alberta

LEAD BANK
Royal Bank of Canada

STOCK EXCHANGE LISTING
Toronto Stock Exchange Symbol: WRG

TRANSFER AGENT
Computershare
Calgary, Alberta

1 Member of the Audit Committee
2 Member of the Corporate Governance and Compensation Committee
3 Member of the Health, Safety and Environment Committee

HORIZON DRILLING A Western Co. EAGLE WELL SERVICING A Western Co. STONEHAM DRILLING CORPORATION A Western Co. AERO RENTAL SERVICES A Western Co.

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