



# ANNUAL REPORT



# CORPORATE 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 28 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 three drilling rigs from its base in Williston, North Dakota, servicing the Williston and Powder River Basins. 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 and currently markets a fleet of 45 service rigs making it 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 29, 2026 at 1:30 pm (MDT).

Location: Western Energy Services Corp. - Corporate Office  
1700, 215 - 9th Avenue SW, Calgary, Alberta, T2P 1K3





## 2025 Management's Discussion and Analysis

Date: February 25, 2026

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 as at and for the years ended December 31, 2025 and 2024. This management's discussion and analysis ("MD&A") is dated February 25, 2026. All amounts are denominated in Canadian dollars (CDN\$) unless otherwise identified.

Financial Highlights (stated in thousands, except share and per share amounts)	Three months ended December 31			Year ended December 31			
	2025	2024	Change	2025	2024	Change	2023
Revenue	58,452	59,720	(2%)	217,502	223,078	(2%)	233,451
Adjusted EBITDA <sup>(1)</sup>	15,433	10,316	50%	48,424	42,227	15%	47,739
Adjusted EBITDA as a percentage of revenue <sup>(1)</sup>	26%	17%	53%	22%	19%	16%	20%
Cash flow from operating activities	10,040	14,332	(30%)	40,974	46,798	(12%)	51,353
Additions to property and equipment	5,278	5,844	(10%)	21,676	21,604	-	22,622
Net loss	(21,186)	(1,995)	(962%)	(25,627)	(6,866)	(273%)	(6,885)
-basic and diluted net loss per share	(0.63)	(0.06)	(950%)	(0.76)	(0.20)	(280%)	(0.20)
Weighted average number of shares							
-basic and diluted	33,843,022	33,843,022	-	33,843,022	33,843,018	-	33,841,864
Outstanding common shares as at period end	33,843,022	33,843,022	-	33,843,022	33,843,022	-	33,843,009
<b>Operating Highlights<sup>(2)</sup></b>							
<b>Contract Drilling</b>							
<i>Canadian Operations</i>							
Operating Days	1,177	986	19%	4,276	3,710	15%	3,575
Revenue per Operating Day <sup>(1)</sup>	34,327	35,081	(2%)	32,890	33,092	(1%)	33,328
Drilling rig utilization	38%	32%	19%	34%	30%	13%	29%
CAOEC industry Operating Days <sup>(3)</sup>	14,769	15,696	(6%)	58,513	61,457	(5%)	57,842
<i>United States Operations</i>							
Operating Days	119	197	(40%)	542	743	(27%)	1,072
Revenue per Operating Day (US\$) <sup>(1)</sup>	35,165	32,603	8%	31,999	30,621	5%	30,861
Drilling rig utilization	22%	31%	(29%)	22%	29%	(24%)	38%
<b>Production Services</b>							
Service Hours	10,024	13,750	(27%)	41,970	58,117	(28%)	57,792
Revenue per Service Hour <sup>(1)</sup>	989	1,010	(2%)	1,013	1,020	(1%)	1,027
Service rig utilization	25%	34%	(26%)	26%	35%	(26%)	34%

(1) See "Non-IFRS Measures and Ratios" on page 14 of this MD&A.

(2) See "Defined Terms" on page 16 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, 2025	December 31, 2024	December 31, 2023
Working capital <sup>(1)</sup>	18,145	9,911	20,125
Total assets	378,647	430,981	442,933
Long-term debt - non current portion	80,997	91,657	111,174

(1) See "Defined Terms" on page 16 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, and revenue per Service Hour are defined on page 14 of this MD&A. Other defined terms, abbreviations and definitions for standard industry terms are included on page 16 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

As at December 31, 2025, Western decommissioned six drilling rigs from its fleet in Canada and three from its fleet in the US. Subsequent to December 31, 2025, the six drilling rigs in Canada were deregistered with the Canadian Association of Energy Contractors (“CAOEC”). The Company currently markets a drilling rig fleet of 31 drilling rigs specifically suited for drilling complex horizontal wells across Canada and the US. Following these changes, Western remains the fourth-largest drilling contractor in Canada, based on CAOEC registered drilling rigs.<sup>1</sup>

Western’s marketed contract drilling rig fleet is comprised of the following:

Rig class <sup>(1)</sup>	As at December 31					
	2025			2024		
	Canada	US	Total	Canada	US	Total
Cadium	8	-	8	11	-	11
Montney	17	-	17	18	1	19
Duvernay	3	3	6	5	6	11
<b>Total marketed drilling rigs<sup>(2)</sup></b>	<b>28</b>	<b>3</b>	<b>31</b>	<b>34</b>	<b>7</b>	<b>41</b>

(1) See "Contract Drilling Rig Classifications" on page 16 of this MD&A.

(2) Source: CAOEC Contractor Summary as at February 25, 2026.

#### Production Services

Production services provides well servicing and oilfield equipment rentals in Canada. As of December 31, 2025, Western deregistered 17 well servicing rigs and now has 45 well servicing rigs registered with the CAOEC<sup>2</sup>. Following these changes, Western remains the second-largest well servicing company in Canada based on CAOEC registered well servicing rigs.

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

Mast type	As at December 31	
	2025	2024
Single	17	27
Double	25	27
Slant	3	8
<b>Total marketed well servicing rigs</b>	<b>45</b>	<b>62</b>

<sup>1</sup> Source: CAOEC Drilling Contractor Summary as at February 25, 2026.

<sup>2</sup> Source: CAOEC Well Servicing Fleet List as at February 25, 2026.

## 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, 2025 and 2024, and for the years ended December 31, 2025 and 2024:

	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
<b>Average crude oil and natural gas prices<sup>(1)(2)</sup></b>						
<b>Crude Oil</b>						
West Texas Intermediate (US\$/bbl)	59.14	70.27	(16%)	64.81	75.73	(14%)
Western Canadian Select (CDN\$/bbl)	66.87	81.32	(18%)	75.28	83.90	(10%)
<b>Natural Gas</b>						
30 day Spot AECO (CDN\$/mcf)	2.36	1.54	53%	1.75	1.44	22%
<b>Average foreign exchange rates<sup>(2)</sup></b>						
US dollar to Canadian dollar	1.39	1.40	(1%)	1.40	1.37	2%

(1) See "Abbreviations" on page 16 of this MD&A.

(2) Source: Sproule December 31, 2025, Price Forecast, Historical Prices.

- West Texas Intermediate ("WTI") on average decreased by 16% and 14% for the three months and year ended December 31, 2025, respectively, compared to the same periods in the prior year. In 2025, crude oil prices were impacted by market volatility due to tariffs implemented by the US government, counter-tariffs in response by several countries, lower global demand and the continued conflict in the Middle East and Eastern Europe.
- Pricing on Western Canadian Select crude oil declined by 18% and 10% for the three months and year ended December 31, 2025, respectively, compared to the same periods of the prior year.
- Natural gas prices in Canada were higher for the three months ended December 31, 2025, as the 30-day spot AECO price increased by 53% compared to the same period of the prior year, as colder weather led to improved demand for natural gas. Similarly, for the year ended December 31, 2025, the 30-day spot AECO price increased by 22%, compared to the same period in the prior year.
- The US dollar to the Canadian dollar foreign exchange rate for the three months ended December 31, 2025 weakened by 1% compared to the same period in the prior year; however, for the year ended December 31, 2025, the US dollar strengthened by 2% compared to the prior year.
- Lower WTI prices in 2025 contributed to weaker industry drilling activity in the US. As reported by Baker Hughes Company<sup>3</sup>, the number of active drilling rigs in the US decreased by approximately 7% to 546 rigs as at December 31, 2025, as compared to 589 rigs at December 31, 2024, and averaged 562 rigs during the year ended December 31, 2025, compared to 599 rigs in the prior year.
- In Canada there were 157 active rigs in the Western Canadian Sedimentary Basin ("WCSB") at December 31, 2025, compared to 136 active rigs as at December 31, 2024, representing an increase of approximately 15%. The CAOEC<sup>4</sup> reported that for drilling in Canada, the total number of Operating Days in the WCSB for the three months ended December 31, 2025, were 6% lower than the same period in the prior year, whereas the total number of Operating Days in the WCSB for the year ended December 31, 2025, were 5% lower than the same period of the prior year.

## Operational and Financial Highlights

### Three Months Ended December 31, 2025

#### Financial Highlights:

- Fourth quarter revenue of \$58.4 million in 2025 was \$1.3 million (or 2%) lower than the fourth quarter of 2024, due to lower activity in the well servicing segment and in contract drilling in the US.
- Adjusted EBITDA of \$15.4 million in the fourth quarter of 2025 was \$5.1 million (or 50%) higher compared to \$10.3 million in the fourth quarter of 2024, despite fourth quarter revenue decreasing by 2% compared to the same period in the prior year. The Company incurred \$0.4 million of one-time reorganization costs in the fourth quarter of 2025, whereas the fourth quarter of 2024 had one-time reorganization costs of \$2.9 million. After normalizing for the one-

<sup>3</sup> Source: Baker Hughes Company, 2025 Rig Count monthly press releases.

<sup>4</sup> Source: CAOEC, monthly Contractor Summary.

time reorganization costs in both 2025 and 2024, Adjusted EBITDA in the fourth quarter of 2025 would have totalled \$15.8 million, compared to \$13.2 million in the fourth quarter of 2024.

- The Company incurred a net loss of \$21.2 million in the fourth quarter of 2025 (\$0.63 net loss per basic common share) as compared to a net loss of \$2.0 million in the fourth quarter of 2024 (\$0.06 net loss per basic common share) as the loss on asset decommissioning, as described below, and higher other expenses were partially offset by higher Adjusted EBITDA, a higher income tax recovery and lower finance costs.
- Fourth quarter additions to property and equipment of \$5.3 million in 2025 compared to \$5.8 million in the fourth quarter of 2024, consisting of \$3.4 million of expansion capital related to rig upgrades and \$1.9 million of maintenance capital.
- During the fourth quarter of 2025, the Company decommissioned certain underutilized assets within its contract drilling and well servicing rig fleets as part of a strategic optimization of its Canada and US operations. In connection with this decommissioning, the Company recognized a loss on asset decommissioning of \$25.1 million, with \$22.8 million recognized in the contract drilling segment and \$2.3 million recognized in the production services segment.

#### Operational Highlights:

- In Canada, Operating Days of 1,177 in the fourth quarter of 2025 were 191 days (or 19%) higher compared to 986 days in the fourth quarter of 2024. Drilling rig utilization in Canada was 38% in the fourth quarter of 2025, compared to 32% in the same period of the prior year, mainly due to improved customer retention year over year from targeted marketing efforts.
- Revenue per Operating Day in Canada averaged \$34,327 in the fourth quarter of 2025, which was 2% lower than the same period of the prior year.
- In the US, drilling rig utilization averaged 22% in the fourth quarter of 2025, which was lower than the fourth quarter of 2024, due to continued low industry activity in the US as well as a change in focus to North Dakota from Texas earlier in the year.
- Revenue per Operating Day in the US for the fourth quarter of 2025 averaged US\$35,165, an 8% increase compared to US\$32,603 in the same period of the prior year. The improvement in pricing reflects a more favorable rig mix following the Company's strategic decision to focus its US operations more on North Dakota.
- In Canada, service rig utilization was 25% in the fourth quarter of 2025, compared to 34% in the same period of the prior year, as Service Hours decreased by 27% to 10,024 hours from 13,750 hours in the same period of the prior year, mainly due to changes in customer programs.
- Revenue per Service Hour averaged \$989 in the fourth quarter of 2025 and was 2% lower than the fourth quarter of 2024.

#### Year Ended December 31, 2025

#### Financial Highlights:

- Revenue for the year ended December 31, 2025 of \$217.5 million was \$5.6 million (or 2%) lower than the year ended December 31, 2024, as lower production services revenue was offset by higher contract drilling revenue in Canada.
- Despite a decrease in revenue for the year ended December 31, 2025, Adjusted EBITDA of \$48.4 million was \$6.2 million (or 15%) higher compared to \$42.2 million in the same period of 2024, due to cost synergy savings associated with a reorganization of senior management in 2025. Included in Adjusted EBITDA for the year ended December 31, 2025, was \$4.0 million of one-time reorganization costs, compared to \$5.7 million in 2024. After normalizing for one-time reorganization costs in both periods, Adjusted EBITDA for the year ended December 31, 2025 would have totalled \$52.4 million, compared to \$47.9 million in 2024, an increase of \$4.5 million due to higher drilling revenue in Canada and lower administrative expenses, which were offset partially by lower production services activity in Canada and lower drilling activity in the US.
- The Company incurred a net loss of \$25.6 million for the year ended December 31, 2025 (\$0.76 net loss per basic common share) as compared to a net loss of \$6.9 million in the same period of 2024 (\$0.20 net loss per basic common share) as the \$25.1 million loss on asset decommissioning and a \$2.7 million higher loss on the sale of fixed assets, were offset partially by higher Adjusted EBITDA, lower stock based compensation expense, lower finance costs and a higher income tax recovery.
- For the year ended December 31, 2025, additions to property and equipment of \$21.7 million, which were consistent with the prior year, consisted of \$7.5 million of expansion capital related to rig upgrades and \$14.2 million of maintenance capital.

- 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. The Company also made a voluntary principal repayment of \$5.0 million on its Second Lien Facility in the second quarter of 2025.

#### Operational Highlights:

- In Canada, Operating Days of 4,276 for the year ended December 31, 2025, were 566 days (or 15%) higher compared to 3,710 days in the same period of the prior year. Drilling rig utilization in Canada was 34% for the year ended December 31, 2025, compared to 30% in the prior year, mainly due to more upgraded rigs working through spring break up in 2025 than in 2024, as well as improved customer retention year over year due to targeted marketing efforts.
- Revenue per Operating Day in Canada averaged \$32,890 for the year ended December 31, 2025, which was 1% lower than the prior year.
- In the US, drilling rig utilization averaged 22% for the year ended December 31, 2025, which was lower than 29% in the prior year, due to continued low industry activity in the US and a change in focus to North Dakota from Texas.
- Revenue per Operating Day in the US for the year ended December 31, 2025 averaged US\$31,999, a 5% increase compared to US\$30,621 in the prior year, mainly due to changes in rig mix.
- In Canada, service rig utilization was 26% for the year ended December 31, 2025, compared to 35% in the prior year, as Service Hours decreased by 28% to 41,970 hours from 58,117 hours in the same period of the prior year, mainly due to changes in customer programs.
- Revenue per Service Hour averaged \$1,013 for the year ended December 31, 2025, and was 1% lower than the prior year.

#### Outlook

In 2025, commodity prices faced downward pressure due to trade tensions resulting from US tariffs on imports and retaliatory measures from several countries. These actions contributed to a broader global trade conflict, heightening uncertainty in the global economy. Ongoing geopolitical conflict in Eastern Europe, the Middle East and more recently the uncertain economic and political environment in Venezuela, combined with persistently weak global demand for crude oil, further impacts market sentiment. These macroeconomic factors are expected to impact commodity prices into 2026. Additionally, in Canada, changes in government priorities arising from the change in leadership of the federal government that occurred in 2025 may lead to continuing shifts in energy policy, potentially affecting the approval of future energy infrastructure projects. This contributes to additional uncertainty for the Canadian energy services industry. The precise duration and extent of the adverse impacts of the current macroeconomic environment on Western's customers and operations remains uncertain at this time.

Despite these headwinds, recent infrastructure developments present opportunities for the energy services industry. The Trans Mountain pipeline expansion entered service on May 1, 2024, adding critical takeaway capacity. The Coastal GasLink pipeline delivered its first shipment of liquefied natural gas on June 30, 2025, and the LNG Canada project has now commenced operations in British Columbia. Together, these projects are expected to contribute to increased activity across Western Canada's energy sector.

Western is also cautiously optimistic that the current trade environment may encourage provinces to place greater emphasis on domestic energy security, potentially accelerating approvals for future infrastructure projects. The memorandum of understanding signed November 27, 2025 between the Government of Alberta and the Government of Canada to advance national energy infrastructure may further support this renewed focus.

To navigate this complex environment, Western implemented several strategic initiatives in 2025, including a reorganization of senior leadership to enhance operational efficiency and support long-term growth. As part of this process, the decision was made to focus on US operations exclusively in North Dakota and redeploy assets previously operating in Texas. The deregistration of six drilling rigs in Canada with the CAOEC and the three drilling rigs in the US, further supports Western's strategic optimization of its Canadian and US operations by allowing resources to be allocated to its current marketable fleet. The Company remains focused on managing fixed costs, preserving balance sheet strength, deleveraging the business, and maintaining flexibility to respond to market conditions. With these initiatives in place, Western believes it is well-positioned to benefit from improving service demand and pricing momentum. Western's upgraded rig fleet positions the Company to remain competitive in a tightening market. The total rig fleet in the WCSB has decreased from 373 drilling rigs at December 31, 2024 to 347 drilling rigs as of February 25, 2026, representing a decrease of 26 drilling rigs, or 7%, which reduces the supply of drilling rigs for such projects. Currently, 18 of Western's drilling rigs and 14 of Western's well servicing rigs are operating.

Western's board of directors has approved a capital budget for 2026 of \$25 million, comprised of \$7 million of expansion capital and \$18 million of maintenance capital. Western will continue to manage its costs in a disciplined manner and make required adjustments to its capital program as customer demand changes.

In the near term, the primary challenges facing the energy services industry include commodity price volatility, the impact of industry consolidation on Western's exploration and production customers and potential customers, and constrained customer drilling activity, as exploration and production companies continue to prioritize shareholder returns through share repurchases, increased dividends, and debt reduction rather than production growth. Should commodity prices stabilize over a sustained period, and as customers further strengthen their balance sheets, an increase in drilling activity may follow. Over the medium term, Western believes its rig fleet is well positioned to benefit from increased drilling and production activity associated with the completion of the LNG Canada project and the Trans Mountain pipeline expansion. In addition, increased focus on domestic energy security and economic independence may support further development activity across the sector.

## Review of Results for the Three Months and Year Ended December 31, 2025 – Segmented Information

### Contract Drilling

Financial Highlights (stated in thousands)	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
Revenue	46,227	43,606	6%	164,854	153,983	7%
Expenses						
Operating	30,229	30,826	(2%)	115,299	111,796	3%
Administrative	1,903	1,914	(1%)	7,536	8,447	(11%)
Adjusted EBITDA <sup>(1)</sup>	14,095	10,866	30%	42,019	33,740	25%
Adjusted EBITDA as a percentage of revenue <sup>(1)</sup>	30%	25%	20%	25%	22%	14%

### Operating Highlights<sup>(2)</sup>

#### Canadian Operations

Operating Days	1,177	986	19%	4,276	3,710	15%
Revenue per Operating Day <sup>(1)</sup>	34,327	35,081	(2%)	32,890	33,092	(1%)
Drilling rig utilization	38%	32%	19%	34%	30%	13%
CAOEC industry Operating Days <sup>(3)</sup>	14,769	15,696	(6%)	58,513	61,457	(5%)

#### United States Operations

Operating Days	119	197	(40%)	542	743	(27%)
Revenue per Operating Day (US\$) <sup>(1)</sup>	35,165	32,603	8%	31,999	30,621	5%
Drilling rig utilization	22%	31%	(29%)	22%	29%	(24%)

(1) See "Non-IFRS Measures and Ratios" on page 14 of this MD&A.

(2) See "Defined Terms" on page 16 of this MD&A.

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

- For the fourth quarter of 2025, contract drilling revenue totalled \$46.2 million, a \$2.6 million (or 6%) increase as compared to the same period in the prior year due to higher operating days in Canada, which were offset partially by fewer operating days in the US. For the year ended December 31, 2025, contract drilling revenue totalled \$164.9 million, a \$10.9 million (or 7%) increase as compared to the prior year. The change for year ended December 31, 2025 was due to more upgraded rigs working in Canada through spring break up, coupled with improved marketing efforts, partially offset by lower activity in the US. See "Canadian Operations" and "United States Operations" below.
- Administrative expenses for the three months ended December 31, 2025 totalled \$1.9 million, which was consistent with the same period of the prior year. For the year ended December 31, 2025, administrative expenses totalled \$7.5 million and were \$0.9 million (or 11%) lower than the prior year due to lower employee related costs.
- Contract drilling Adjusted EBITDA of \$14.1 million in the fourth quarter of 2025 was \$3.2 million (or 30%) higher than \$10.9 million in the fourth quarter of 2024, mainly due to operational efficiencies from the reorganization of senior leadership and higher 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, 2025, contract drilling Adjusted EBITDA of \$42.0 million was \$8.3 million (or 25%) higher than the prior year due to higher contract drilling activity in Canada which was offset partially by lower activity in the US. Adjusted EBITDA for the year ended December 31, 2025 included \$2.1 million of one-time reorganization costs. Normalizing for these one-time reorganization costs, contract drilling Adjusted EBITDA would have totalled \$44.1 million for the year ended December 31, 2025, a 31% increase compared to the prior year.
- During the third quarter of 2025, the Company disposed of a drilling rig from its US operations for a loss of \$3.3 million.
- During the fourth quarter of 2025, the Company decommissioned certain underutilized assets within its contract drilling rig fleet as part of a strategic optimization of its Canada and US operations, resulting in a loss on asset decommissioning of \$22.8 million.

#### *Canadian Operations*

- Operating Days for the fourth quarter of 2025 of 1,177 days were 19% higher than 986 days in the same period of the prior year, compared to a 6% decrease in CAOEC industry Operating Days, resulting in drilling rig utilization in Canada of 38% in 2025, compared to 32% in 2024. The increase in Operating Days for the fourth quarter of 2025 was mainly attributed to the Company's continued marketing efforts.
- Operating days for the year ended December 31, 2025 of 4,276 days were 15% higher than 3,710 days in the prior year, compared to a 5% decrease in CAOEC industry Operating Days, resulting in drilling rig utilization in Canada of 34% in 2025, compared to 30% in 2024. The increase in Operating Days for the year ended December 31, 2025 was mainly due to improved customer retention year over year from marketing efforts, as well as the Company's upgraded rigs working more through spring break up compared to 2024.
- For the three months and year ended December 31, 2025, revenue per Operating Day averaged \$34,327 and \$32,890 respectively, compared to \$35,081 and \$33,092 in the same periods of the prior year due to changes in rig mix.

#### *United States Operations*

- For the three months ended December 31, 2025, Operating Days in the US decreased by 40% to 119 days compared to 197 days in the same period of the prior year, which resulted in drilling rig utilization of 22% in the fourth quarter of 2025, which was lower than the fourth quarter of 2024 of 31%, as the Company focused its US operations exclusively in North Dakota and redeployed assets previously operating in Texas. Average active industry rigs of 548<sup>5</sup> in the fourth quarter of 2025 were 6% lower compared to the fourth quarter of 2024 due to low natural gas prices.
- For the year ended December 31, 2025, Operating Days in the US decreased by 27% to 542 days compared to 743 days in the prior year, which resulted in drilling rig utilization of 22% in 2025, which was lower than 29% in 2024. Average industry rigs of 562<sup>5</sup> for the year ended December 31, 2025 were 6% lower, compared to the prior year.
- For the three months ended December 31, 2025, revenue per Operating Day increased by 8% averaging US\$35,165 compared to US\$32,603. Similarly, for the year ended December 31, 2025, revenue per Operating Day increased by 5% averaging US\$31,999 compared to US\$30,621. The changes for both periods were due to changes in rig mix as the Company shifted its focus to North Dakota from Texas.

<sup>5</sup> Source: Baker Hughes Company, North America Quarterly Rig Count.

## Production Services

Financial Highlights (stated in thousands)	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
Revenue	12,226	16,241	(25%)	52,848	69,487	(24%)
Expenses						
Operating	8,490	11,808	(28%)	37,688	47,226	(20%)
Administrative	1,355	1,400	(3%)	5,325	5,234	2%
Adjusted EBITDA <sup>(1)</sup>	2,381	3,033	(21%)	9,835	17,027	(42%)
Adjusted EBITDA as a percentage of revenue <sup>(1)</sup>	19%	19%	-	19%	25%	(24%)
<b>Operating Highlights<sup>(2)</sup></b>						
Service Hours	10,024	13,750	(27%)	41,970	58,117	(28%)
Revenue per Service Hour <sup>(1)</sup>	989	1,010	(2%)	1,013	1,020	(1%)
Service rig utilization	25%	34%	(26%)	26%	35%	(26%)

(1) See "Non-IFRS Measures and Ratios" on page 14 of this MD&A.

(2) See "Defined Terms" on page 16 of this MD&A.

- For the quarter ended December 31, 2025, production services revenue decreased by \$4.0 million (or 25%) to \$12.2 million, compared to the same period of the prior year. Similarly, for the year ended December 31, 2025, production services revenue decreased by \$16.7 million (or 24%) to \$52.8 million, compared to the prior year. For both the three months and year ended December 31, 2025, the decrease was due to fewer Service Hours resulting from changes in customer programs.
- For the three months ended December 31, 2025, Service Hours of 10,024 (25% utilization) were 27% lower than the same period of the prior year of 13,750 (34% utilization). For the year ended December 31, 2025, Service Hours of 41,970 (26% utilization) were 28% lower than the prior year of 58,117 (35% utilization). The decrease in Service Hours for both the three months and year ended December 31, 2025 was due to changes in customer programs.
- For the three months ended December 31, 2025, revenue per Service Hour averaged \$989 and was 2% lower than the same period of 2024, due to area-specific rig requirements. For the year ended December 31, 2025, revenue per Service Hour averaged \$1,013 and was 1% lower than the prior year.
- For the three months ended December 31, 2025, administrative expenses of \$1.4 million were 3% lower than the same period of the prior year. For year ended December 31, 2025, administrative expenses were \$0.1 million (or 2%) higher than the year ended December 31, 2024, due to one-time reorganization costs of \$0.7 million incurred, which were partially offset by lower employee related expenses.
- Adjusted EBITDA decreased for the three months ended December 31, 2025, by \$0.6 million (or 21%) to \$2.4 million, compared to \$3.0 million in the same period of the prior year mainly due to customer program changes resulting from low commodity prices. For the year ended December 31, 2025, Adjusted EBITDA decreased by \$7.2 million (or 42%) to \$9.8 million, compared to \$17.0 million in the prior year, mainly due to customer program changes and one-time reorganization costs of \$0.7 million.
- During the fourth quarter of 2025, the Company decommissioned certain underutilized assets within its well servicing rig fleet as part of a strategic optimization of its Canada operations, resulting in a loss on asset decommissioning of \$2.3 million.

## Corporate

(stated in thousands)	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
Expenses						
Administrative	1,043	3,583	(71%)	3,430	8,540	(60%)

- For the three months ended December 31, 2025, corporate administrative expenses totalled \$1.0 million and were \$2.6 million (or 71%) lower than the same period of the prior year. The fourth quarter of 2025 included \$0.4 million of one-

time reorganization costs, whereas \$2.9 million of one-time reorganization costs were incurred in the fourth quarter of 2024.

- For the year ended December 31, 2025, corporate administrative expenses totalled \$3.4 million and were \$5.1 million (or 60%) lower than the prior year due to lower employee related costs and \$5.1 million of one-time reorganization costs in 2024, which were offset partially by \$1.1 million of one-time reorganization costs incurred in 2025.

### Consolidated Other Expenses

(stated in thousands)	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
Depreciation	10,474	10,378	1%	41,389	41,043	1%
Stock based compensation	90	374	(76%)	(841)	807	(204%)
Finance costs	2,154	2,427	(11%)	8,955	10,053	(11%)
Other items	643	(638)	(201%)	2,526	(1,094)	(331%)
Income tax recovery	(1,863)	(230)	710%	(3,099)	(1,716)	81%
Loss on asset decommissioning	25,121	-	100%	25,121	-	100%

- Depreciation expense for the three months ended December 31, 2025, totalled \$10.5 million compared to \$10.4 million in the same period of the prior year. Depreciation expense for the year ended December 31, 2025, totalled \$41.4 million compared to \$41.0 million in the prior year.
- Stock based compensation for the three months ended December 31, 2025, totalled an expense of \$0.1 million, which was \$0.3 million lower than the same period of the prior year. For the year ended December 31, 2025, stock based compensation totalled a recovery of \$0.8 million, compared to an expense of \$0.8 million in the prior year, due to forfeiture recoveries related to one-time reorganization changes of senior management in the period.
- Finance costs in the fourth quarter of 2025 of \$2.2 million were \$0.2 million lower than the same period of the prior year and represented an effective interest rate of 8.7%, compared to 8.6% in the fourth quarter of 2024. Similarly, finance costs for the year ended December 31, 2025 of \$9.0 million were \$1.1 million lower than the prior year and represented an effective interest rate of 8.6% which was consistent with 2024. The decrease for both the three months and year ended December 31, 2025 was mainly due to lower total debt levels resulting from Western's debt repayments made in 2024 and 2025.
- For the three months and year ended December 31, 2025, other items relate to foreign exchange gains and losses and the sale of assets. In the third quarter of 2025, the Company disposed of a drilling rig from its US operations for a loss of \$3.3 million.
- For the fourth quarter of 2025, the consolidated income tax recovery totalled \$1.9 million, compared to a recovery of \$0.2 million in the same period of the prior year, representing an effective tax rate of 8%. For the year ended December 31, 2025, the consolidated income tax recovery totalled \$3.1 million and represented an effective tax rate of 10.8%, compared to 20.0% in 2024. The change in the effective tax rate for both the three months and year ended December 31, 2025 is due to an unrecognized deferred tax asset of \$3.7 million. The Company had no cash taxes payable for the three months or year ended December 31, 2025.
- During the fourth quarter of 2025, the Company decommissioned certain underutilized assets within its contract drilling and well servicing rig fleets as part of a strategic optimization of its Canada and US operations. In connection with this decommissioning, the Company recognized a loss on asset decommissioning of \$25.1 million, with \$22.8 million recognized in the contract drilling segment and \$2.3 million recognized in the production services segment.

### Liquidity and Capital Resources

The Company's liquidity requirements in the short and long term can be sourced in several ways including: available cash and cash equivalents, cash flow from operating activities, borrowing against the Credit Facilities (as defined in this MD&A), new debt instruments, equity issuances and proceeds from the sale of assets. As at December 31, 2025, Western had working capital of \$21.6 million compared to working capital of \$9.9 million as at December 31, 2024.

During the year ended December 31, 2025, Western had the following changes to its cash balances in the year which resulted in a \$1.1 million decrease in cash and cash equivalents in the year:

<b>Cash and cash equivalents (stated in thousands)</b>	
Opening balance, at December 31, 2024	3,785
Add:	
Adjusted EBITDA <sup>(1)</sup>	48,424
Proceeds on sale of property and equipment	2,767
Deduct:	
Additions to property and equipment	(21,676)
Finance costs paid	(8,975)
Change in non cash working capital	(7,490)
Principal repayment of Second Lien debt	(6,080)
Repayment of Credit Facilities	(4,131)
Principal repayment of lease obligations	(1,603)
Principal repayment of HSBC Facility	(1,250)
Principal repayment of US paycheck protection plan	(813)
Distributions to non controlling interest	(339)
Other items	38
<b>Ending balance, at December 31, 2025</b>	<b>2,657</b>

(1) See "Non-IFRS Measures and Ratios" on page 14 of this MD&A.

As at December 31, 2025, Western had a total of \$0.3 million drawn on its \$35.0 million syndicated revolving credit facility (the "Revolving Facility") and its \$10.0 million committed operating facility (the "Operating Facility" and together the "Credit Facilities") and \$3.4 million outstanding on its committed term non-revolving facility (the "HSBC Facility"), which matures on December 31, 2026. As at December 31, 2025, Western had \$82.2 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. During the second quarter of 2025, the Company made a voluntary prepayment of \$5.0 million on its Second Lien Facility. On August 7, 2025, the Company's US paycheck protection plan loan ("PPP Loan") matured and the Company made its final principal payment on the loan and there was no balance outstanding on the PPP loan at December 31, 2025.

As part of the Second Lien Facility extension, the maturity date of the Company's Credit Facilities was 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. Cash flow from operating activities and available Credit Facilities are expected to be sufficient to cover Western's financial obligations, including working capital requirements and 2026 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 included in 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](http://www.sedarplus.ca).

The Credit Facilities are secured by the assets of Western and its subsidiary Stoneham Drilling Corporation ("Stoneham"). A summary of the Company's financial covenants as of December 31, 2025 is as follows:

<b>December 31, 2025</b>	<b>Covenants<sup>(1)</sup></b>	<b>December 31, 2025</b>
Maximum Consolidated Senior Debt to Consolidated EBITDA Ratio	3.0:1.0 or less	0.0:1.0
Maximum Consolidated Debt to Consolidated Capitalization Ratio	0.5:1.0 or less	0.2:1.0
Minimum Debt Service Coverage Ratio	1.15:1.0 or greater	Not applicable <sup>(2)</sup>

(1) See covenant definitions in Note 11 of the December 31, 2025 consolidated financial statements.

(2) The Debt Service Coverage Ratio is only applicable if the Company has more than \$25.0 million drawn on its Credit Facilities, or if the net book value of property and equipment is less than \$250.0 million. As at December 31, 2025, the Company had \$0.3 million drawn on its Credit Facilities and the net book value of its property and equipment was greater than \$250.0 million, therefore the covenant was not applicable.

At December 31, 2025, 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 break up" 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, 2025	Sep 30, 2025	Jun 30, 2025	Mar 31, 2025	Dec 31, 2024	Sep 30, 2024	Jun 30, 2024	Mar 31, 2024
Revenue	58,452	50,035	40,005	69,010	59,720	58,343	43,033	61,982
Adjusted EBITDA <sup>(1)</sup>	15,433	13,062	5,853	14,076	10,316	11,433	5,259	15,219
Cash flow from operating activities	10,040	8,452	19,804	2,678	14,332	5,404	19,260	7,802
Net income (loss)	(21,186)	(2,242)	(4,585)	2,386	(1,995)	(1,190)	(5,136)	1,455
per share - basic and diluted	(0.63)	(0.07)	(0.14)	0.07	(0.06)	(0.04)	(0.15)	0.04
Total assets	378,647	405,949	407,791	438,232	430,981	429,623	433,354	441,781
Long-term debt - non current portion	80,997	90,445	89,057	102,193	91,657	102,999	106,912	111,109

(1) See "Non-IFRS Measures and Ratios" on page 14 of this MD&A.

Revenue and Adjusted EBITDA were impacted by commodity prices and market uncertainty throughout the last eight quarters, as the ongoing conflicts in Eastern Europe and in the Middle East have contributed to volatile commodity prices. In 2024, low commodity prices in the first and third quarters, particularly natural gas prices, resulted in instability with customer programs and lower industry activity. In addition to the ongoing conflicts in Eastern Europe and the Middle East, commodity prices in 2025 were also impacted by import tariffs announced by the US government, resulting in market volatility. The Company is cautiously optimistic that due to the recent sentiment in Canada towards expanding to other markets, and reducing the Canadian dependency on US markets, Canadian energy will play an important role in the future of Canada's economy.

### 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, 2025 are as follows:

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

(1) Trade payables and other current liabilities exclude interest accrued as at December 31, 2025 on the Second Lien Facility and 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) 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. The Company's Second Lien Facility matures on May 18, 2027.

*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.

*Operating Facility:*

The Company's Operating Facility matures on the earlier of (i) six months prior to the maturity date of the Second Lien Facility, which is 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.

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

**Outstanding Share Data**

	<b>February 25, 2026</b>	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Common shares outstanding	33,843,022	33,843,022	33,843,022
Stock options outstanding	1,066,405	1,108,921	2,666,189

**Off Balance Sheet Arrangements**

As at December 31, 2025, 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, 2025 (December 31, 2024: \$0.1 million). Other long-term debt, such as the Second Lien Facility and the Company's lease obligations, have fixed interest rates; however, they are subject to interest rate fluctuations relating to refinancing.

*Inflation Risk*

The general rate of inflation impacts the economies and business environments in which Western operates. Increased inflation and any economic conditions resulting from governmental attempts to reduce inflation, such as the imposition of 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, 2025, portions of the Company's cash balances, trade and other receivables, trade payables and other current liabilities were denominated in US dollars and subject to foreign exchange fluctuations which are recorded within net income (loss). In addition, Stoneham, Western's US subsidiary, is subject to foreign currency translation adjustments upon consolidation, which is recorded separately within other comprehensive income (loss).

For the year ended December 31, 2025, the increase or decrease in net income (loss) and other comprehensive income (loss) for each one percent change in foreign exchange rates between the Canada and US dollar is estimated to be \$0.1 million and \$0.6 million, respectively (December 31, 2024: less than \$0.1 million and \$0.6 million respectively).

*Credit Risk*

Credit risk arises from cash and cash equivalents held with banks and financial institutions, as well as credit exposure to customers in the form of outstanding trade and other receivables. The maximum exposure to credit risk is equal to the carrying amount of the financial assets which reflects management's assessment of the credit risk. The Company's trade receivables are with customers in the energy industry and are subject to industry credit risk. For the three months and year ended December 31, 2025, the volatility in global demand for crude oil related to the conflicts in Eastern Europe and the Middle East, along with US import tariffs, 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 by reviewing their financial position before credit terms are offered. In some cases, the Company may request prepayment before services are provided to help minimize credit risk. Additionally, the Company continually evaluates individual customer trade receivables for collectability considering payment history and aging of the trade receivables.

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

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

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

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

Subsequent to December 31, 2025, the Company has collected approximately 70% of its trade and other receivables that were outstanding at December 31, 2025.

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

#### *Liquidity Risk*

Liquidity risk is the exposure of the Company to the risk of not being able to meet its financial obligations as they become due. The Company manages liquidity risk through management of its capital structure, monitoring and reviewing actual and forecasted cash flows and the effect on bank covenants and maintaining unused credit facilities where possible, to ensure there are available cash resources to meet the Company's liquidity needs. The Company's cash and cash equivalents, cash flow from operating activities, the Credit Facilities, the HSBC Facility, and the Second Lien Facility are expected to be greater than anticipated capital expenditures and the contractual maturities of the Company's financial liabilities. 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 Chief Executive Officer ("CEO") and 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, 2025. 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 three months and year ended December 31, 2025 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, 2025 and for the years ended December 31, 2025 and 2024. There were no new accounting standards or amendments to existing standards adopted for the year ended December 31, 2025, 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, 2025, 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 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, 2025. 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, 2025 which is available under the Company's SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca). Copies of the AIF may also be obtained on request without charge from Western by emailing [ir@wesc.ca](mailto:ir@wesc.ca) or through Western's website at [www.wesc.ca](http://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. 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 (loss) 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:

(stated in thousands)	Three months ended December 31		Year ended December 31	
	2025	2024	2025	2024
<b>Net loss</b>	<b>(21,186)</b>	<b>(1,995)</b>	<b>(25,627)</b>	<b>(6,866)</b>
Income tax recovery	(1,863)	(230)	(3,099)	(1,716)
<b>Loss before income taxes</b>	<b>(23,049)</b>	<b>(2,225)</b>	<b>(28,726)</b>	<b>(8,582)</b>
Add (deduct):				
Depreciation	10,474	10,378	41,389	41,043
Stock based compensation	90	374	(841)	807
Finance costs	2,154	2,427	8,955	10,053
Other items	643	(638)	2,526	(1,094)
Loss on asset decommissioning	25,121	-	25,121	-
<b>Adjusted EBITDA</b>	<b>15,433</b>	<b>10,316</b>	<b>48,424</b>	<b>42,227</b>

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, 2025 and 2024:

(stated in thousands)	Three months ended December 31, 2025			
	Contract Drilling	Production Services	Corporate	Total
Adjusted EBITDA	14,095	2,381	(1,043)	15,433
Depreciation	(8,310)	(1,861)	(303)	(10,474)
<b>Operating earnings (loss)</b>	<b>5,785</b>	<b>520</b>	<b>(1,346)</b>	<b>4,959</b>

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

(stated in thousands)	Year ended December 31, 2025			
	Contract Drilling	Production Services	Corporate	Total
Adjusted EBITDA	42,019	9,835	(3,430)	48,424
Depreciation	(32,354)	(7,650)	(1,385)	(41,389)
<b>Operating earnings (loss)</b>	<b>9,665</b>	<b>2,185</b>	<b>(4,815)</b>	<b>7,035</b>

(stated in thousands)	Year ended December 31, 2024			
	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)
<b>Operating earnings (loss)</b>	<b>2,540</b>	<b>8,743</b>	<b>(10,099)</b>	<b>1,184</b>

#### 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.

## 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.

*Working capital:* Calculated as current assets less current liabilities as disclosed in the Company's consolidated financial statements.

## 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 and other macroeconomic factors on commodity prices; the Company's capital budget for 2026, including the allocation of such budget; Western's plans for managing its capital program; the energy service industry and global economic activity; the expected impact of industry consolidation on Western's customers and potential customers; expectations of increased industry activity with respect to the Trans Mountain pipeline project, the Coastal GasLink pipeline project and the LNG Canada project; the impact of the US tariffs on the approach of Canadian governments towards approval of Canadian energy projects and a focus on domestic energy independence; the effect of continued changes in Canadian government policies arising from recent changes in government leadership; the Company's ability to benefit from improving service demand and pricing momentum; the Company's ability to continue to focus on deleveraging the business; the Company's ability to adjust its capital program and

manage costs; challenges facing the energy service industry; expectations regarding future drilling and well servicing activity; expectations surrounding the level of investment in Canada and its impact on the Company; 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; expectations relating to activity levels for oilfield services; 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 Company's 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 business segments to access equipment; global economic conditions and the accuracy of the Company's market outlook expectations for 2026 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, the uncertain economic and political environment in Venezuela, and the import tariffs implemented by the US administration, on Western's business, customers, business partners, employees, supply chain, other stakeholders and the overall economy; changes in laws, regulations, or policies; 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, the Middle East and Venezuela 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, 2025, which is available under the Company's SEDAR+ profile at [www.sedarplus.ca](http://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](http://www.sedarplus.ca).

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

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

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

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

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

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

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

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

February 25, 2026

## Independent Auditor's Report

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

### Opinion

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

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

### Basis for Opinion

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

### Key Audit Matter

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

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

### *Key Audit Matter description*

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

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

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

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

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

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

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

## Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

/s/ Deloitte LLP

Chartered Professional Accountants

Calgary, Alberta

February 25, 2026

## Western Energy Services Corp.

Consolidated Balance Sheets  
(thousands of Canadian dollars)

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

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

Approved on behalf of the Board of Directors:

“Signed”

Ronald P. Mathison  
Director, Chairman of the Board

“Signed”

John R. Rooney  
Director, Chairman of the Audit Committee

## Western Energy Services Corp.

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

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

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

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

## Western Energy Services Corp.

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

	Share capital	Contributed surplus <sup>(1)</sup>	Retained earnings (deficit)	Accumulated other comprehensive income <sup>(2)</sup>	Non controlling interest	Total shareholders' equity
Balance at December 31, 2023	\$ 521,603	\$ 20,371	\$ (274,675)	\$ 26,071	\$ 2,295	\$ 295,665
Common shares:						
Issued on vesting of restricted share units	1	-	-	-	-	1
Stock based compensation	-	807	-	-	-	807
Distributions to non controlling interest	-	-	-	-	(355)	(355)
Comprehensive income (loss)	-	-	(7,155)	6,598	289	(268)
Balance at December 31, 2024	521,604	21,178	(281,830)	32,669	2,229	295,850
Stock based compensation	-	(841)	-	-	-	(841)
Distributions to non controlling interest	-	-	-	-	(339)	(339)
Comprehensive income (loss)	-	-	(25,998)	(3,595)	371	(29,222)
Balance at December 31, 2025	\$ 521,604	\$ 20,337	\$ (307,828)	\$ 29,074	\$ 2,261	\$ 265,448

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

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

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

## Western Energy Services Corp.

Consolidated Statements of Cash Flows  
(thousands of Canadian dollars)

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

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

# Western Energy Services Corp.

Notes to the consolidated financial statements

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

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## 1. Reporting entity:

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

## 2. Basis of preparation:

### (a) Statement of compliance:

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

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

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

### (b) Basis of measurement:

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

### (c) Functional and presentation currency:

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

## 3. Material accounting policies:

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

### (a) Basis of consolidation:

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

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

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

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

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

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

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

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

#### (c) Financial instruments:

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

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

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

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

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

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

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

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

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

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

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

#### (e) Assets held for sale

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

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

#### (f) Property and equipment:

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

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

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

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

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

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

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

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

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

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

(g) Inventory:

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

(h) Impairment:

(i) Financial assets:

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

(ii) Non-financial assets:

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

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

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

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

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

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

(i) Employee benefits:

(i) Short-term employee benefits:

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

(ii) Stock based compensation awards:

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

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

(j) Revenue:

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

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

(k) Lease assets and obligations:

Lease assets:

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

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

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

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

Lease obligations:

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

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

(l) Finance income and finance costs:

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

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

(m) Income tax:

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

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

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

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

Deferred tax liabilities are recognized for all taxable temporary differences.

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

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

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

(n) Earnings per share:

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

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

(o) Operating segment reporting:

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

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

(p) New interpretations and amendments not yet adopted:

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

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

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

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

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

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### 4. Critical accounting estimates:

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

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

#### (a) Impairment:

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

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

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

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

#### (b) Property and equipment:

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

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

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

#### (c) Income taxes:

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

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

### 5. Operating segments:

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

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

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

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

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

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

### 5. Operating segments (continued):

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

Total assets and liabilities by operating segment are as follows:

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

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

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

	Contract Drilling	Production Services	Corporate	Total
Additions to property and equipment - Year ended December 31, 2025	\$ 18,970	\$ 2,424	\$ 282	\$ 21,676
Additions to property and equipment - Year ended December 31, 2024	19,226	2,352	26	21,604

Segmented information by geographic area is as follows:

As at December 31, 2025	Canada	United States	Total
Property and equipment	\$ 278,847	\$ 54,072	\$ 332,919
Total assets	318,818	59,829	378,647
As at December 31, 2024	Canada	United States	Total
Property and equipment	\$ 303,959	\$ 82,185	\$ 386,144
Total assets	338,622	92,359	430,981

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

Revenue from long term contracts:

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

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

### 6. Trade and other receivables:

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

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

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

### 7. Other assets:

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

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

### 8. Assets held for sale:

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

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

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

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

### 9. Property and equipment:

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

	Land	Buildings	Contract drilling equipment	Production services equipment	Office and shop equipment	Finance lease assets	Total
<b>Cost:</b>							
Balance at December 31, 2023	\$ 5,089	\$ 4,457	\$ 844,274	\$ 201,335	\$ 12,663	\$ 13,733	\$ 1,081,551
Additions	-	684	21,842	2,273	170	-	24,969
Lease additions	-	-	-	-	-	4,570	4,570
Disposals	-	-	(17,343)	(7,304)	(5)	(1,328)	(25,980)
Foreign exchange adjustment	-	-	16,506	-	54	67	16,627
Balance at December 31, 2024	\$ 5,089	\$ 5,141	\$ 865,279	\$ 196,304	\$ 12,882	\$ 17,042	\$ 1,101,737
Additions to property and equipment	-	352	18,587	2,355	382	-	21,676
Lease additions	-	-	-	-	-	1,057	1,057
Disposals	(115)	(145)	(25,173)	(2,850)	(5)	(1,052)	(29,340)
Transfer to assets held for sale	(374)	(1,550)	-	-	-	-	(1,924)
Foreign exchange adjustment	-	-	(9,668)	-	(32)	(38)	(9,738)
Balance at December 31, 2025	\$ 4,600	\$ 3,798	\$ 849,025	\$ 195,809	\$ 13,227	\$ 17,009	\$ 1,083,468
<b>Accumulated depreciation:</b>							
Balance at December 31, 2023	\$ -	\$ 3,238	\$ 528,060	\$ 136,953	\$ 11,882	\$ 9,253	\$ 689,386
Depreciation	-	141	30,538	7,593	898	1,873	41,043
Disposals	-	-	(17,240)	(6,055)	(4)	(1,299)	(24,598)
Foreign exchange adjustment	-	-	9,677	-	49	36	9,762
Balance at December 31, 2024	\$ -	\$ 3,379	\$ 551,035	\$ 138,491	\$ 12,825	\$ 9,863	\$ 715,593
Depreciation	-	159	31,745	6,829	481	2,175	41,389
Loss on asset decommissioning	-	-	22,817	2,304	-	-	25,121
Disposals	-	(75)	(20,887)	(2,615)	(5)	(817)	(24,399)
Transfer to assets held for sale	-	(1,114)	-	-	-	-	(1,114)
Foreign exchange adjustment	-	-	(5,942)	-	(74)	(25)	(6,041)
Balance at December 31, 2025	\$ -	\$ 2,349	\$ 578,768	\$ 145,009	\$ 13,227	\$ 11,196	\$ 750,549
<b>Carrying amounts:</b>							
At December 31, 2024	\$ 5,089	\$ 1,762	\$ 314,244	\$ 57,813	\$ 57	\$ 7,179	\$ 386,144
At December 31, 2025	\$ 4,600	\$ 1,449	\$ 270,257	\$ 50,800	\$ -	\$ 5,813	\$ 332,919

#### Assets under construction:

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

#### Asset decommissioning charge:

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

#### Impairment:

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

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

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

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

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

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

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

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

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

### 11. Long term debt:

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

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

#### Credit Facilities:

As at December 31, 2025, the Company's credit facilities consisted of a \$35.0 million syndicated revolving credit facility (the "Revolving Facility") and a \$10.0 million committed operating facility (the "Operating Facility" and together the "Credit Facilities"). On January 27, 2025, the Company announced that its lender, Alberta Investment Management Corporation ("AIMCo") had approved an extension of the maturity date of its second lien term loan facility (the "Second Lien Facility") to May 18, 2027. In conjunction with the Second Lien Facility extension, the maturity date of the Company's Credit Facilities were extended by a year automatically by their terms, to the earlier of (i) six months prior to the maturity date of the Second Lien Facility, which is now November 18, 2026 or (ii) March 22, 2027. The total commitments under the Company's Credit Facilities were unchanged and there were no changes to the Company's financial covenants.

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

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

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

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

	Covenant	December 31, 2025
Maximum Consolidated Senior Debt to Consolidated EBITDA Ratio <sup>(1)(2)</sup>	3.0:1.0 or less	0.0:1.0
Maximum Consolidated Debt to Consolidated Capitalization Ratio <sup>(3)(4)</sup>	0.5:1.0 or less	0.2:1.0
Minimum Debt Service Coverage Ratio <sup>(5)</sup>	1.15:1.0 or greater	Not applicable

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

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

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

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

(5) The Debt Service Coverage Ratio is defined as the ratio of Consolidated EBITDA to the total of all regularly scheduled debt payments, including interest, paid on a trailing twelve month basis. It is only applicable if the Company has more than \$25.0 million drawn on its Credit Facilities, or if the net book value of property and equipment is less than \$250.0 million. As at December 31, 2025, the Company had \$0.3 million drawn on its Credit Facilities and the net book value of its property and equipment was greater than \$250.0 million, therefore the covenant was not applicable.

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

#### Second Lien Facility:

At December 31, 2025, the Company had \$82.2 million outstanding on the Second Lien Facility. Interest is payable semi-annually, at a rate of 8.5% per annum, on January 1 and July 1 each year or the next applicable business day. Amortization payments equal to 1.0% of the initial principal amount of \$108.0 million are payable annually, in quarterly installments, with the balance due on May 18, 2027.

#### HSBC Facility:

At December 31, 2025, the Company had \$3.4 million outstanding related to its committed term non-revolving facility (the "HSBC Facility"). The HSBC Facility bears interest at a floating rate that is payable monthly. In 2023, the Company prepaid all monthly principal amounts for the remaining term of the loan, with the remaining balance due upon maturity on December 31, 2026.

#### US Paycheck Protection Program ("PPP Loan"):

On August 7, 2025, the Company's PPP Loan matured and the Company made its final principal payment on the loan. As such, there is no balance outstanding at December 31, 2025 related to the PPP loan.

### 12. Lease obligations:

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

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

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

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

### 13. Share capital:

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

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

### 14. Stock based compensation:

#### Stock options:

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

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

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

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

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

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

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

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

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

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

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

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

### Restricted share unit plan:

The Company's Restricted Share Unit ("RSU") plan provides RSUs to be issued to directors, officers, employees and consultants of the Company so that they may participate in the growth and development of Western. Subject to the specific provisions of the RSU plan, eligibility, vesting period, terms of the RSUs and the number of RSUs granted are to be determined by the Board of Directors at the time of the grant. The RSU plan allows the Board of Directors to issue up to 5% of the Company's outstanding common shares as equity settled RSUs, provided that, when combined, the maximum number of common shares reserved for issuance under all stock based compensation arrangements of the Company does not exceed 10% of the Company's outstanding common shares.

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

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

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

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

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

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

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

### 15. Earnings per share:

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

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

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

### 16. Finance costs:

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

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

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

### 17. Other items:

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

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

### 18. Income taxes:

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

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

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

### 18. Income taxes (continued):

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

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

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

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

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

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

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

### 18. Income taxes (continued):

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

	Balance 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)

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

### 19. Costs by nature:

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

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

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

### 20. Financial risk management:

Interest rate risk:

The Company is exposed to interest rate risk on certain debt instruments, such as the Credit Facilities and the HSBC Facility, to the extent the prime interest rate changes and/or the Company's interest rate margin changes. For the Credit Facilities and the HSBC Facility, a one percent change in interest rates would have had a \$0.1 million impact on interest expense for the year ended December 31, 2025 (December 31, 2024: \$0.1 million). Other long term debt, such as the Second Lien Facility and the Company's lease obligations, have fixed interest rates, however they are subject to interest rate fluctuations relating to refinancing.

Inflation risk:

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

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

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

#### Foreign exchange risk:

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

#### Credit risk:

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

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

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

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

The Company reviews its historical credit losses as part of its impairment assessment. The Company has had low historical impairment losses on its trade receivables, due in part to its credit management processes. As such, the Company assesses impairment losses on an individual customer account basis, rather than recognize an impairment loss allowance on all outstanding trade and other receivables. Subsequent to December 31, 2025, the Company has collected approximately 70% of its trade and other receivables that were outstanding at December 31, 2025.

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

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

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

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

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

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

#### Liquidity risk:

Liquidity risk is the exposure of the Company to the risk of not being able to meet its financial obligations as they become due. The Company manages liquidity risk through management of its capital structure, monitoring and reviewing actual and forecasted cash flows and the effect on bank covenants and maintaining unused credit facilities where possible to ensure there are available cash resources to meet the Company's liquidity needs. The Company's cash and cash equivalents, cash flow from operating activities, the Credit Facilities, the HSBC Facility, and the Second Lien Facility are expected to be greater than anticipated capital expenditures and the contractual maturities of the Company's financial liabilities.

As at December 31, 2025, liquidity was sufficient as Western had \$2.7 million in cash and access to the undrawn balance on its Credit Facilities of \$44.7 million. All of the Company's long term debt instruments mature in 2026 and 2027 (Note 11). This expectation could be adversely affected by a material negative change in the energy service industry, which in turn could lead to covenant breaches on the Company's Credit Facilities, which if not amended or waived, could limit, in part, or in whole, the Company's access to the Credit Facilities and the Second Lien Facility.

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

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

#### Market risk:

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

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

#### Capital management:

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

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

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

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

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

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

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

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

### 21. Commitments:

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

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

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

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

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

Trade payables and other current liabilities:

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

Operating commitments:

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

Second Lien Facility and interest:

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

HSBC Facility and interest:

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

Lease obligations:

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

Operating Facility:

The Company's Operating Facility matures on the earlier of (i) six months prior to the maturity date of the Second Lien Facility, which is now November 18, 2026 or (ii) March 22, 2027.

## Western Energy Services Corp.

Notes to the consolidated financial statements

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

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### 22. Key management personnel:

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

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

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

# CORPORATE INFORMATION



## DIRECTORS

Trent Boehm  
Calgary, Alberta

Colleen Cebuliak  
Edmonton, Alberta

Tomer Cohen  
Halifax, Nova Scotia

Lorne A. Gartner  
Calgary, Alberta

Ronald P. Mathison  
Calgary, Alberta

John R. Rooney  
Calgary, Alberta

## OFFICERS

Ronald P. Mathison  
Chairman of the Board

Gavin Lane  
President and Chief Executive  
Officer

Orson Ross  
Chief Financial Officer and  
Corporate Secretary

April Williams  
Vice President, Corporate Services

## AUDITOR

Deloitte LLP  
Calgary, Alberta

## LEAD BANK

Royal Bank of Canada

## STOCK EXCHANGE LISTING

Toronto Stock Exchange  
Symbol: WRG

## TRANSFER AGENT

Odyssey Trust Company  
Calgary, Alberta



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