Western Energy Services Corp.

Condensed Consolidated Financial Statements

September 30, 2024 and 2023

(Unaudited)

Western Energy Services Corp.

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

	Note	September 30, 2024	December 31, 2023
Assets			
Current assets			
Cash and cash equivalents		$ 3,932	$ 5,930
Trade and other receivables		38,247	37,638
Other current assets	5	5,480	7,166
		47,659	50,734
Non current assets			
Property and equipment	6	381,941	392,165
Other non current assets	5	23	34
		$ 429,623	$ 442,933
Liabilities			
Current liabilities			
Trade payables and other current liabilities		$ 26,585	$ 26,562
Current portion of long term debt	7	3,377	4,047
		29,962	30,609
Non current liabilities			
Long term debt	7	102,999	111,174
Deferred taxes		4,013	5,485
		136,974	147,268
Shareholders' equity			
Share capital	8	521,604	521,603
Contributed surplus		20,803	20,371
Retained earnings (deficit)		(279,687)	(274,675)
Accumulated other comprehensive income		27,706	26,071
Non controlling interest		2,223	2,295
		292,649	295,665
		$ 429,623	$ 442,933

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

Western Energy Services Corp.

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

		Three months ended Sept 30		Nine months ended Sept 30	
	Note	2024	2023	2024	2023
Revenue		$ 58,343	$ 55,003	$ 163,358	$ 177,196
Expenses					
Operating		42,417	39,929	116,123	130,429
Administrative		4,493	4,041	15,324	12,398
Depreciation	6	10,067	10,283	30,665	30,831
Stock based compensation	9	157	574	433	2,212
Finance costs	11	2,476	2,789	7,626	8,710
Other items	12	316	(1,078)	(456)	(1,762)
Loss before income taxes		(1,583)	(1,535)	(6,357)	(5,622)
Income tax recovery	13	393	268	1,486	931
Net loss		(1,190)	(1,267)	(4,871)	(4,691)
Other comprehensive loss [(1)]					
Gain (loss) on translation of foreign operations		(625)	1,081	1,019	(94)
Unrealized foreign exchange gain (loss) on net investment in subsidiary		(424)	(274)	616	(960)
Comprehensive loss		$ (2,239)	$ (460)	$ (3,236)	$ (5,745)
Net income (loss) attributable to:					
Shareholders of the Company		$ (1,261)	$ (1,356)	$ (5,012)	$ (4,847)
Non controlling interest		71	89	141	156
Comprehensive income (loss) attributable to:					
Shareholders of the Company		$ (2,310)	$ (549)	$ (3,377)	$ (5,901)
Non controlling interest		71	89	141	156
Net loss per share:					
Basic and diluted		$ (0.04)	$ (0.04)	$ (0.14)	$ (0.14)
Weighted average number of shares:					
Basic and diluted	10	33,843,022	33,841,781	33,843,017	33,841,478

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

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

Western Energy Services Corp.

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

	Share capital	Contributed surplus (1)	Retained earnings (deficit)	Accumulated other comprehensive income (2)	Non controlling interest	Total shareholders' equity
Balance at December 31, 2022	$ 521,549	$ 17,664	$ (267,468)	$ 28,845	$ 1,940	$ 302,530
Common shares:						
Issued on vesting of restricted share units	54	(54)	-	-	-	-
Stock based compensation	-	2,212	-	-	-	2,212
Contributions from non controlling interest	-	-	-	-	220	220
Comprehensive income (loss)	-	-	(4,847)	(1,054)	156	(5,745)
Balance at September 30, 2023	521,603	19,822	(272,315)	27,791	2,316	299,217
Stock based compensation	-	549	-	-	-	549
Distributions to non controlling interest	-	-	-	-	(187)	(187)
Comprehensive income (loss)	-	-	(2,360)	(1,720)	166	(3,914)
Balance at December 31, 2023	521,603	20,371	(274,675)	26,071	2,295	295,665
Common shares:						
Issued on vesting of restricted share units	1	(1)	-	-	-	-
Stock based compensation	-	433	-	-	-	433
Distributions to non controlling interest	-	-	-	-	(213)	(213)
Comprehensive income (loss)	-	-	(5,012)	1,635	141	(3,236)
Balance at September 30, 2024	$ 521,604	$ 20,803	$ (279,687)	$ 27,706	$ 2,223	$ 292,649

(1) Contributed surplus relates to stock based compensation described in Note 9.

(2) At September 30, 2024, the accumulated other comprehensive income balance consists of the translation of foreign operations and unrealized foreign exchange on the net investment in subsidiary.

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

Western Energy Services Corp.

Condensed Consolidated Statements of Cash Flows (unaudited)
(thousands of Canadian dollars)

	Note	Three months ended Sept 30 2024	Three months ended Sept 30 2023	Nine months ended Sept 30 2024	Nine months ended Sept 30 2023
Operating activities					
Net loss		$ (1,190)	$ (1,267)	$ (4,871)	$ (4,691)
Adjustments for:					
Depreciation	6	10,067	10,283	30,665	30,831
Non cash stock based compensation	9	157	574	433	2,212
Finance costs	11	2,476	2,789	7,626	8,710
Income tax recovery	13	(393)	(268)	(1,486)	(931)
Other		313	(161)	(483)	(606)
Change in non cash working capital		(6,026)	1,317	582	9,560
Cash flow from operating activities		5,404	13,267	32,466	45,085
Investing activities					
Additions to property and equipment	6	(8,223)	(7,348)	(15,760)	(19,218)
Proceeds on sale of property and equipment		154	84	1,674	1,223
Repayment of promissory note	5	38	56	151	168
Contributions from (distributions to) non controlling interest		(123)	(269)	(213)	220
Change in non cash working capital		1,250	2,802	3,117	(133)
Cash flow used in investing activities		(6,904)	(4,675)	(11,031)	(17,740)
Financing activities					
Finance costs paid		(4,477)	(4,859)	(9,884)	(10,560)
Principal repayment of second lien facility	7	(10,270)	(270)	(10,810)	(810)
Principal repayment of lease obligations	7	(771)	(722)	(2,049)	(1,899)
Draw on (repayment of) credit facilities	7	6,000	-	1,000	(7,000)
Principal repayment of HSBC facility	7	(313)	(4,375)	(938)	(5,000)
Principal repayment of US paycheck protection plan	7	(272)	-	(752)	-
Cash flow used in financing activities		(10,103)	(10,226)	(23,433)	(25,269)
(Decrease) increase in cash and cash equivalents		(11,603)	(1,634)	(1,998)	2,076
Cash and cash equivalents, beginning of period		15,535	12,588	5,930	8,878
Cash and cash equivalents, end of period		$ 3,932	$ 10,954	$ 3,932	$ 10,954

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

1. **Reporting entity:**
Western Energy Services Corp. ("Western") is a company domiciled in Canada. The address of the head office is 1700, 215 - 9th Avenue SW, Calgary, Alberta. Western is a publicly traded company listed on the Toronto Stock Exchange ("TSX") under the symbol "WRG". These condensed consolidated financial statements as at September 30, 2024 and for the three and nine months ended September 30, 2024 and 2023 (the "Financial Statements") are comprised of Western, its divisions and its wholly owned subsidiary (together referred to as the "Company"). The Company is an energy service company providing contract drilling services through its division, Horizon Drilling ("Horizon") in Canada, and its wholly owned subsidiary, Stoneham Drilling Corporation ("Stoneham") in the United States. Western provides production services in Canada through its division Eagle Well Servicing ("Eagle") which provides well servicing and its division Aero Rental Services ("Aero") which provides rental equipment services. Financial and operating results for Horizon and Stoneham are included in the contract drilling segment, while financial and operating results for Eagle and Aero are included in the production services segment.

2. **Basis of preparation and material accounting policies:**
Statement of compliance:
These Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the years ended December 31, 2023 and 2022. These Financial Statements have been prepared using accounting policies and estimates which are consistent with Note 3 and 4 of the audited annual consolidated financial statements as at December 31, 2023 and for the years ended December 31, 2023 and 2022 as filed on SEDAR+ at www.sedarplus.ca.

These Financial Statements were approved for issuance by Western's Board of Directors on October 29, 2024.

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

Critical accounting estimates and recent developments:
The preparation of these Financial Statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The current economic environment and volatility of global demand for commodities results in uncertainty for the Company, as well as estimates and assumptions used by management to prepare these Financial Statements. Estimates and judgments made by management are subject to a higher degree of volatility in this uncertain time. A full list of critical accounting estimates is included in the Company's annual consolidated Financial Statements for the year ended December 31, 2023.

3. **Seasonality:**
The Company's operations are often weather dependent, which has a seasonal effect. During the first quarter, the working conditions in the field are conducive to oilfield activities including frozen conditions allowing crude oil and natural gas exploration and production companies to move heavy equipment to otherwise inaccessible areas and the resulting demand for services, such as those provided by the Company, is typically high. The second quarter is normally a slower period in Canada, as the spring thaw and wet conditions create weight restrictions on roads, reducing the mobility of heavy equipment, which slows activity levels in the industry. The third and fourth quarters are usually representative of average activity levels. Therefore, interim periods may not be representative of the results expected for the full year of operation due to seasonality.

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

4. Operating segments:

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

The Company's President & Chief Executive Officer and Chief Financial Officer ("Executive Management") review internal management reports for these operating segments on at least a monthly basis.

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

The following is a summary of the Company's results by operating segment for the three and nine months ended September 30, 2024 and 2023:

Three months ended September 30, 2024	Contract Drilling	Production Services	Corporate	Inter-segment Elimination	Total
Revenue	$ 43,590	$ 14,813	$ -	$ (60)	$ 58,343
Operating earnings (loss)	1,218	1,402	(1,254)	-	1,366
Finance costs	-	-	2,476	-	2,476
Depreciation	7,669	2,033	365	-	10,067
Additions to property and equipment	7,652	560	11	-	8,223

Three months ended September 30, 2023	Contract Drilling	Production Services	Corporate	Inter-segment Elimination	Total
Revenue	$ 38,259	$ 16,812	$ -	$ (68)	$ 55,003
Operating earnings (loss)	(212)	2,311	(1,349)	-	750
Finance costs	-	-	2,789	-	2,789
Depreciation	7,631	2,178	474	-	10,283
Additions to property and equipment	6,896	340	112	-	7,348

Nine months ended September 30, 2024	Contract Drilling	Production Services	Corporate	Inter-segment Elimination	Total
Revenue	$ 110,377	$ 53,246	$ -	$ (265)	$ 163,358
Operating earnings (loss)	(337)	7,691	(6,108)	-	1,246
Finance costs	-	-	7,626	-	7,626
Depreciation	23,211	6,303	1,151	-	30,665
Additions to property and equipment	14,150	1,585	25	-	15,760

Nine months ended September 30, 2023	Contract Drilling	Production Services	Corporate	Inter-segment Elimination	Total
Revenue	$ 126,940	$ 50,564	$ -	$ (308)	$ 177,196
Operating earnings (loss)	1,891	6,095	(4,448)	-	3,538
Finance costs	-	-	8,710	-	8,710
Depreciation	22,772	6,708	1,351	-	30,831
Additions to property and equipment	16,924	1,801	493	-	19,218

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

4. Operating segments (continued):

Total assets and liabilities by operating segment are as follows:

As at September 30, 2024	Contract Drilling	Production Services	Corporate	Total
Total assets	$ 351,237	$ 71,648	$ 6,738	$ 429,623
Total liabilities	54,065	25,507	57,402	136,974

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

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

Three months ended September 30, 2024	Contract Drilling	Production Services	Corporate	Total
Operating earnings (loss)	$ 1,218	$ 1,402	$ (1,254)	$ 1,366
Add (deduct):				
Stock based compensation	3	(36)	(124)	(157)
Finance costs	-	-	(2,476)	(2,476)
Other items	-	-	(316)	(316)
Income (loss) before income taxes	$ 1,221	$ 1,366	$ (4,170)	$ (1,583)

Three months ended September 30, 2023	Contract Drilling	Production Services	Corporate	Total
Operating earnings (loss)	$ (212)	$ 2,311	$ (1,349)	$ 750
Add (deduct):				
Stock based compensation	(146)	(43)	(385)	(574)
Finance costs	-	-	(2,789)	(2,789)
Other items	-	-	1,078	1,078
Income (loss) before income taxes	$ (358)	$ 2,268	$ (3,445)	$ (1,535)

Nine months ended September 30, 2024	Contract Drilling	Production Services	Corporate	Total
Operating earnings (loss)	$ (337)	$ 7,691	$ (6,108)	$ 1,246
Add (deduct):				
Stock based compensation	41	(104)	(370)	(433)
Finance costs	-	-	(7,626)	(7,626)
Other items	-	-	456	456
Income (loss) before income taxes	$ (296)	$ 7,587	$ (13,648)	$ (6,357)

Nine months ended September 30, 2023	Contract Drilling	Production Services	Corporate	Total
Operating earnings (loss)	$ 1,891	$ 6,095	$ (4,448)	$ 3,538
Add (deduct):				
Stock based compensation	(569)	(178)	(1,465)	(2,212)
Finance costs	-	-	(8,710)	(8,710)
Other items	-	-	1,762	1,762
Income (loss) before income taxes	$ 1,322	$ 5,917	$ (12,861)	$ (5,622)

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

4. Operating segments (continued):

Segmented information by geographic area is as follows:

As at September 30, 2024	Canada	United States	Total
Property and equipment	$ 303,284	$ 78,657	$ 381,941
Total assets	342,437	87,186	429,623

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

	Canada	United States	Total
Revenue - Three months ended September 30, 2024	$ 49,484	$ 8,859	$ 58,343
Revenue - Three months ended September 30, 2023	44,725	10,278	55,003
Revenue - Nine months ended September 30, 2024	141,165	22,193	163,358
Revenue - Nine months ended September 30, 2023	140,063	37,133	177,196

Revenue from long term contracts:

For both the three and nine months ended September 30, 2024 and 2023, the Company had no revenue from long term contracts in the contract drilling or production services segments.

Significant customers:

For the three and nine months ended September 30, 2024 and 2023, the Company had no customers comprising 10.0% or more of the Company's total revenue.

5. Other assets:

The Company's other assets as at September 30, 2024 and December 31, 2023 are as follows:

	September 30, 2024	December 31, 2023
Current:		
Prepaid expenses	$ 1,310	$ 2,981
Inventory	3,635	3,579
Deposits	344	321
Promissory note	56	203
Deferred charges	135	82
Total current portion of other assets	5,480	7,166
Non current:		
Deferred charges	23	34
Total non current portion of other assets	23	34
Total other assets	$ 5,503	$ 7,200

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

6. Property and equipment:

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

	Land	Buildings	Contract drilling equipment	Production services equipment	Office and shop equipment	Finance lease assets	Total
Cost:							
Balance at December 31, 2023	$ 5,089	$ 4,457	$ 844,274	$ 201,335	$ 12,663	$ 13,733	$ 1,081,551
Additions to property and equipment	-	460	13,682	1,507	111	-	15,760
Lease additions	-	-	-	-	-	4,275	4,275
Disposals	-	-	(9,974)	(7,137)	(5)	(1,328)	(18,444)
Foreign exchange adjustment	-	-	3,838	-	13	13	3,864
Balance at September 30, 2024	$ 5,089	$ 4,917	$ 851,820	$ 195,705	$ 12,782	$ 16,693	$ 1,087,006
Accumulated depreciation:							
Balance at December 31, 2023	$ -	$ 3,238	$ 528,060	$ 136,953	$ 11,882	$ 9,253	$ 689,386
Depreciation	-	104	22,772	5,782	675	1,332	30,665
Disposals	-	-	(9,930)	(5,897)	(4)	(1,299)	(17,130)
Foreign exchange adjustment	-	-	2,128	-	11	5	2,144
Balance at September 30, 2024	$ -	$ 3,342	$ 543,030	$ 136,838	$ 12,564	$ 9,291	$ 705,065
Carrying amounts:							
At December 31, 2023	$ 5,089	$ 1,219	$ 316,214	$ 64,382	$ 781	$ 4,480	$ 392,165
At September 30, 2024	$ 5,089	$ 1,575	$ 308,790	$ 58,867	$ 218	$ 7,402	$ 381,941

As at September 30, 2024, the Company reviewed for indicators of impairment and determined no such indicators existed.

7. Long term debt:

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

	September 30, 2024	December 31, 2023
Current:		
Second Lien Facility	$ 1,080	$ 1,080
Lease obligations (1)	1,722	2,465
PPP Loan	1,054	995
Less: unamortized issue costs	(479)	(493)
Total current portion of long term debt	3,377	4,047
Non current:		
Second Lien Facility	87,451	98,261
HSBC Facility	5,000	5,938
Lease obligations (1)	4,878	1,898
Revolving Facility	6,000	5,000
PPP Loan	-	768
Less: unamortized issue costs	(330)	(691)
Total non current portion of long term debt	102,999	111,174
Total long term debt	$ 106,376	$ 115,221

(1) Lease obligations include leases capitalized under IFRS 16. During the three and nine months ended September 30, 2024, the Company expensed $0.1 million and $0.2 million respectively (for both the three and nine months ended September 30, 2023: $0.1 million), related to leases of low value assets or leases with a term of less than one year.

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

7. Long term debt (continued):

Credit Facilities:

As at September 30, 2024, the Company's credit facilities consisted of a $35.0 million syndicated revolving credit facility (the "Revolving Facility") and a $10.0 million committed operating facility (the "Operating Facility" and together the "Credit Facilities"). On March 22, 2024, the Company extended the maturity of the Credit Facilities from May 18, 2025 to the earlier of (i) six months prior to the maturity date of the Second Lien Facility which is currently November 18, 2025, or (ii) March 21, 2027 if the Second Lien Facility is extended. The commitments and financial covenants under the Credit Facilities extension are unchanged.

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

As at September 30, 2024, the Company's Credit Facilities are subject to the following financial covenants:

	Covenant	September 30, 2024
Maximum Consolidated Senior Debt to Consolidated EBITDA Ratio (1)(2)	3.0:1.0 or less	0.0:1.0
Maximum Consolidated Debt to Consolidated Capitalization Ratio (3)(4)	0.5:1.0 or less	0.2:1.0
Minimum Debt Service Coverage Ratio(5)	1.15:1.0 or greater	Not applicable

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

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

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

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

(5) The Debt Service Coverage Ratio is defined as the ratio of Consolidated EBITDA to the total of all regularly scheduled debt payments, including interest, paid on a trailing twelve month basis. It is only applicable if the Company has more than $25.0 million drawn on its Credit Facilities, or if the net book value of property and equipment is less than $250.0 million. As at September 30, 2024, the Company had $6.0 million drawn on its Credit Facilities and the net book value of its property and equipment was greater than $250.0 million, therefore the covenant was not applicable.

As at September 30, 2024, the Company was in compliance with all covenants related to its Credit Facilities.

Second Lien Facility:

At September 30, 2024, the Company had $88.5 million outstanding on the second lien secured term loan facility with Alberta Investment Management Corporation (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, 2026.

HSBC Facility:

At September 30, 2024, the Company had $5.0 million outstanding related to its committed term non-revolving facility (the "HSBC Facility"). The HSBC Facility bears interest at a floating rate that is payable monthly. In 2023, the Company prepaid all monthly principal amounts for the remaining term of the loan, with the remaining outstanding balance due upon maturity on December 31, 2026.

US Paycheck Protection Program ("PPP Loan"):

At September 30, 2024, the Company had US$0.8 million outstanding related to the PPP Loan. Interest and principal amounts are payable over the term of the loan, at a rate of 1% per annum, with the balance due upon maturity on August 7, 2025.

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

8. 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
Balance at September 30, 2024	33,843,022	$	521,604

9. 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	655,480		2.84
Forfeited	(968,772)		4.90
Expired	(7,667)		28.91
Balance at September 30, 2024	2,731,741	$	4.39

For the three and nine months ended September 30, 2024 and 2023 no stock options were cancelled. The average fair value of the stock options granted for both the three and nine months ended September 30, 2024 was $1.49 per stock option (for the three and nine months ended September 30, 2023: $1.58 per stock option).

As at September 30, 2024, Western had 1,081,731 (December 31, 2023: 783,213) vested and exercisable stock options outstanding at a weighted average exercise price equal to $5.05 (December 31, 2023: $5.58) per stock option.

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)
Balance at September 30, 2024	-

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

9. Stock based compensation (continued):

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

	Three months ended Sept 30		Nine months ended Sept 30	
	2024	2023	2024	2023
Stock options	$ 157	$ 571	$ 433	$ 2,199
Restricted share units – equity settled expense	-	3	-	13
Total stock based compensation expense	$ 157	$ 574	$ 433	$ 2,212

10. Earnings per share:

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

	Three months ended Sept 30		Nine months ended Sept 30	
	2024	2023	2024	2023
Issued common shares, beginning of period	33,843,015	33,841,324	33,843,009	33,841,318
Weighted average number of common shares issued	7	457	8	160
Weighted average number of common shares (basic)	33,843,022	33,841,781	33,843,017	33,841,478
Dilutive effect of equity securities	-	-	-	-
Weighted average number of common shares (diluted)	33,843,022	33,841,781	33,843,017	33,841,478

For the three and nine months ended September 30, 2024, 2,731,741 stock options (three and nine months ended September 30, 2023, 3,085,167 stock options) and nil equity settled RSUs (three and nine months ended September 30, 2023, 13 equity settled RSUs), were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

11. Finance costs:

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

	Three months ended Sept 30		Nine months ended Sept 30	
	2024	2023	2024	2023
Interest expense on long term debt	$ 2,351	$ 2,683	$ 7,277	$ 8,376
Amortization of debt financing fees	34	21	88	62
Accretion expense on Second Lien Facility	114	112	334	332
Accretion expense on HSBC Facility	13	14	40	41
Interest income	(36)	(41)	(113)	(101)
Total finance costs	$ 2,476	$ 2,789	$ 7,626	$ 8,710

The Company had an effective interest rate on its borrowings of 8.6% and 8.7% for the three and nine months ended September 30, 2024 respectively (three and nine months ended September 30, 2023: 8.7%, and 8.6% respectively).

12. Other items:

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

	Three months ended Sept 30		Nine months ended Sept 30	
	2024	2023	2024	2023
Loss (gain) on sale of fixed assets	$ 248	$ (46)	$ (360)	$ (901)
Realized foreign exchange loss (gain)	2	(917)	(27)	(1,164)
Unrealized foreign exchange loss (gain)	66	(115)	(69)	303
Total other items	$ 316	$ (1,078)	$ (456)	$ (1,762)

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

13. Income taxes:

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

	Three months ended Sept 30		Nine months ended Sept 30	
	2024	2023	2024	2023
Current tax expense	$ -	$ -	$ (54)	$ (8)
Deferred tax recovery	393	268	1,540	939
Total income tax recovery	$ 393	$ 268	$ 1,486	$ 931

As at September 30, 2024, the Company has loss carry forwards in Canada equal to approximately $208.9 million, which will expire between 2036 and 2043. In the United States, the Company has approximately US$50.9 million loss carry forwards, some of which expire between 2028 and 2038, and others that have an indefinite expiry.

14. Costs by nature:

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

	Three months ended Sept 30		Nine months ended Sept 30	
	2024	2023	2024	2023
Employee salaries and benefits	$ 28,186	$ 24,896	$ 81,643	$ 81,184
Repairs and maintenance	5,922	5,945	15,028	20,326
Third party charges	1,467	3,361	4,371	9,633

15. Capital management:

The overall capitalization of the Company at September 30, 2024 and December 31, 2023 is as follows:

	Note	September 30, 2024	December 31, 2023
Second Lien Facility	7	$ 88,531	$ 99,341
HSBC Facility	7	5,000	5,938
Revolving Facility	7	6,000	5,000
PPP Loan	7	1,054	1,763
Lease obligations	7	6,600	4,363
Total debt		107,185	116,405
Shareholders' equity		292,649	295,665
Less: cash and cash equivalents		(3,932)	(5,930)
Total capitalization		$ 395,902	$ 406,140

16. Financial risk management:

Interest rate risk:

The Company is exposed to interest rate risk on certain debt instruments, such as the Credit Facilities and the HSBC Facility, to the extent the prime interest rate changes and/or the Company's interest rate margin changes. Other long term debt, such as the Second Lien Facility, PPP loan and the Company's lease obligations, have fixed interest rates, however they are subject to interest rate fluctuations relating to refinancing.

Inflation risk:

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

Foreign exchange risk:

The Company is exposed to foreign currency fluctuations in relation to its US dollar capital expenditures and operations. At September 30, 2024, portions of the Company's cash balances, trade and other receivables, trade payables and other current liabilities were denominated in US dollars and subject to foreign exchange fluctuations which are recorded within net income.

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

16. Financial risk management (continued):

In addition, Stoneham, Western's US subsidiary, is subject to foreign currency translation adjustments upon consolidation, which is recorded separately within other comprehensive loss.

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 and nine months ended September 30, 2024, the volatility in global demand for crude oil related to the conflicts in Ukraine and the Middle East, have had an impact on commodity prices which have an effect on the Company's customers. These factors are expected to have an impact on companies and their related credit risk. The Company's practice is to manage credit risk by performing a thorough analysis of the creditworthiness of new customers before credit terms are offered.

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

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

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

Liquidity risk:

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

17. Commitments:

As at September 30, 2024, the Company has commitments which require payments based on the maturity terms as follows:

	2024	2025	2026	2027	2028	Thereafter	Total
Trade payables and other current liabilities[1]	$ 24,588	$ -	$ -	$ -	$ -	$ -	$ 24,588
Operating commitments[2]	6,214	549	787	787	787	1,168	10,292
Second Lien Facility principal	270	1,080	87,181	-	-	-	88,531
Second Lien Facility interest	-	7,577	6,148	-	-	-	13,725
HSBC Facility principal	-	-	5,000	-	-	-	5,000
HSBC Facility interest	98	327	228	-	-	-	653
Lease obligations[3]	920	1,926	1,754	1,302	1,085	1,115	8,102
Revolving Facility	-	6,000	-	-	-	-	6,000
PPP Loan	272	787	-	-	-	-	1,059
Total	$ 32,362	$ 18,246	$ 101,098	$ 2,089	$ 1,872	$ 2,283	$ 157,950

(1) Trade payables and other current liabilities exclude interest accrued as at September 30, 2024 on the Second Lien Facility and HSBC Facility which are stated separately.

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

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