Western Energy Services Corp.

Condensed Consolidated Financial Statements

June 30, 2026 and 2025

(Unaudited)

Western Energy Services Corp.

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

	Note	June 30, 2026	December 31, 2025
Assets			
Current assets			
Cash and cash equivalents		$ 10,889	$ 2,657
Trade and other receivables	18	25,160	39,701
Other current assets	5	1,840	2,560
Assets held for sale	6	-	810
		37,889	45,728
Non current assets			
Property and equipment	7	323,415	332,919
Other non current assets	5	846	-
		$ 362,150	$ 378,647
Liabilities			
Current liabilities			
Trade payables and other current liabilities		$ 17,886	$ 21,363
Current portion of long term debt	8	3,729	4,524
Current portion of lease obligations	9	1,656	1,696
		23,271	27,583
Non current liabilities			
Long term debt	8	70,459	80,997
Lease obligations	9	3,096	3,899
Deferred taxes		173	720
		96,999	113,199
Shareholders' equity			
Share capital	10	521,644	521,604
Contributed surplus		20,346	20,337
Retained earnings (deficit)		(310,091)	(307,828)
Accumulated other comprehensive income		31,145	29,074
Non controlling interest		2,107	2,261
		265,151	265,448
		$ 362,150	$ 378,647

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 June 30		Six months ended June 30	
	Note	2026	2025	2026	2025
Revenue		38,575	40,005	93,831	109,015
Expenses					
Operating		28,530	30,481	67,325	80,389
Administrative		4,227	3,671	8,329	8,697
Depreciation	7	9,249	10,348	18,585	20,391
Stock based compensation	11	206	(238)	505	(1,169)
Finance costs	13	1,893	2,286	3,906	4,639
Other items	14	(618)	(950)	(2,118)	(1,167)
Loss before income taxes		(4,912)	(5,593)	(2,701)	(2,765)
Income tax recovery	15	912	1,008	531	566
Net Loss		(4,000)	(4,585)	(2,170)	(2,199)
Other comprehensive income (loss)(1)					
Gain(Loss) on translation of foreign operations		507	(2,335)	934	(2,380)
Unrealized foreign exchange gain (loss) on net investment in subsidiary		611	(1,653)	1,137	(1,682)
Comprehensive Loss		$ (2,882)	$ (8,573)	$ (99)	$ (6,261)
Net income (loss) attributable to:					
Shareholders of the Company		$ (4,026)	$ (4,624)	$ (2,263)	$ (2,362)
Non controlling interest		26	39	93	163
Comprehensive income (loss) attributable to:					
Shareholders of the Company		$ (2,908)	$ (8,612)	$ (192)	$ (6,424)
Non controlling interest		$ 26	$ 39	$ 93	$ 163
Net loss per share:					
Basic and diluted		$ (0.12)	$ (0.14)	$ (0.06)	$ (0.06)
Weighted average number of shares:					
Basic	12	$ 33,850,753	$ 33,843,022	$ 33,847,099	$ 33,843,022
Diluted	12	$ 33,871,200	$ 33,843,022	$ 33,848,766	$ 33,843,022

(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, 2024	$ 521,604	$ 21,178	$ (281,830)	$ 32,669	$ 2,229	$ 295,850
Stock based compensation	-	(1,169)	-	-	-	(1,169)
Distributions to non controlling interest	-	-	-	-	(91)	(91)
Comprehensive income (loss)	-	-	(2,362)	(4,062)	163	(6,261)
Balance at June 30, 2025	521,604	20,009	(284,192)	28,607	2,301	288,329
Stock based compensation	-	328	-	-	-	328
Distributions to non controlling interest	-	-	-	-	(248)	(248)
Comprehensive income (loss)	-	-	(23,636)	467	208	(22,961)
Balance at December 31, 2025	521,604	20,337	(307,828)	29,074	2,261	265,448
Issued for cash on exercise of stock options	28	-	-	-	-	28
Fair value of exercised options	12	(12)	-	-	-	-
Stock based compensation	-	21	-	-	-	21
Distributions to non controlling interest	-	-	-	-	(247)	(247)
Comprehensive income (loss)	-	-	(2,263)	2,071	93	(99)
Balance at June 30, 2026	$ 521,644	$ 20,346	$ (310,091)	$ 31,145	$ 2,107	$ 265,151

(1) Contributed surplus relates to stock based compensation described in Note 11.

(2) At June 30, 2026, 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)

		Three months ended June		Six months ended June 30	
	Note	2026	2025	2026	2025
Operating activities					
Net loss		$ (4,000)	$ (4,585)	$ (2,170)	$ (2,199)
Adjustments for:					
Depreciation	7	$ 9,249	10,348	18,585	20,391
Non cash stock based compensation	11	$ 68	(238)	21	(1,169)
Finance costs	13	$ 1,893	2,286	3,906	4,639
Income tax recovery	15	$ (912)	(1,008)	(531)	(566)
Gain on sale of assets	14	$ (588)	(1,314)	(2,066)	(1,545)
Other	14	$ -	334	(64)	474
Change in non cash working capital		$ 17,777	13,981	13,097	2,457
Cash flow from operating activities		23,487	19,804	30,778	22,482
Investing activities					
Additions to property and equipment	7	(5,013)	(5,954)	(9,144)	(10,933)
Proceeds on sale of property and equipment		858	2,145	4,371	2,412
Distributions to non controlling interest		(82)	-	(247)	(91)
Change in non cash working capital		22	(216)	(676)	698
Cash flow used in investing activities		(4,215)	(4,025)	(5,696)	(7,914)
Financing activities					
Proceeds from exercise of options	10	9	-	28	-
Finance costs paid		(584)	(408)	(4,340)	(4,720)
Principal repayment of second lien facility	8	(5,270)	(5,270)	(10,540)	(5,540)
Principal repayment of lease obligations	9	(616)	(418)	(1,080)	(853)
Repayment of credit facilities	8	(4,918)	(7,625)	(293)	(822)
Principal repayment of HSBC facility	8	(312)	(312)	(625)	(625)
Principal repayment of US paycheck protection plan	8	-	(278)	-	(566)
Cash flow used in financing activities		(11,691)	(14,311)	(16,850)	(13,126)
Increase in cash and cash equivalents		7,581	1,468	8,232	1,442
Cash and cash equivalents, beginning of period		3,308	3,759	2,657	3,785
Cash and cash equivalents, end of period		$ 10,889	$ 5,227	$ 10,889	$ 5,227

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 June 30, 2026 and for the three and six months ended June 30, 2026 and 2025 (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, 2025 and 2024. These Financial Statements have been prepared using accounting policies and estimates which are consistent with Note 3 and 4 of the consolidated financial statements as at and for the years ended December 31, 2025 and 2024 as filed on SEDAR+ at www.sedarplus.ca.

These Financial Statements were approved for issuance by Western's Board of Directors on July 28, 2026.

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, 2025.

Stock based compensation awards:

In the six months ended June 30, 2026, Western's Board of Directors approved the Share Unit Incentive Plan and Deferred Share Unit Incentive Plan effective on February 25, 2026.

Share unit incentive plan ("Share Unit"):

The Company's Share Unit Incentive ("Share Unit") plan provides Share Units to be issued to directors, officers, and employees of the Company to reward them for their contributions to the business and align with the long-term performance of Western. Subject to the specific provisions of the Share Unit plan, eligibility, vesting period, terms of the Share Units and the number of Share Units granted are to be determined by the Board of Directors at the time of the grant. Stock based compensation expense and a corresponding liability for share units is recorded based on the estimated fair value of the units outstanding at the end of each quarter, calculated using a 10 day volume weighted average trading price and recognized over the vesting period. Upon maturity, the cash settlement paid reduces the liability. The liability relating to Share Units is included in trade payables and other current liabilities in the condensed consolidated balance sheet. The expense is included in stock based compensation in the condensed consolidated statement of operations and comprehensive income.

Included in the Share Unit plan are Restricted Share Units ("RSUs") and Performance Share Units ("PSUs"). PSUs are subject to the Company's performance metrics assessed by management with a three-year performance period. PSUs vest over a three-year period on the anniversary date of the grant. Each PSU granted permits the holder to receive a cash payment equal to the fair market value of a common share as of the maturity date, adjusted for a performance multiplier. The RSUs vest

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

2. Basis of preparation and material accounting policies (continued):

from one year, and up to three years on the anniversary date of the grant. Each RSU granted permits the holder to receive a cash payment equal to the fair market value of a common share as of the maturity date.

Deferred share unit plan ("DSU"):
The Company's DSU plan provides DSUs to members of the Board of Directors. DSUs represent cash settled rights to common shares, equal to the fair market value of a common share at the maturity date. DSUs vest and are paid upon the retirement of the Director. Stock based compensation expense and a corresponding liability for DSUs is based on the estimated fair value of the units outstanding at the end of each quarter, calculated using a 10 day volume weighted average trading price. Upon maturity, the cash settlement paid reduces the liability. The liability relating to DSUs is included in trade payables and other current liabilities in the condensed consolidated balance sheet. The expense is included in stock based compensation in the condensed consolidated statement of operations and comprehensive income.

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.

4. Operating segments:

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

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

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

The following is a summary of the Company's results by operating segment for the three and six months ended June 30, 2026 and 2025:

Three months ended June 30, 2026	Contract Drilling	Production Services	Corporate	Inter-segment Elimination	Total
Revenue	$ 30,338	$ 8,274	$ -	$ (37)	$ 38,575
Expenses					
Operating	(21,531)	(7,036)	-	37	(28,530)
Administrative	(2,071)	(1,250)	(906)	-	(4,227)
Depreciation	(7,146)	(1,779)	(324)	-	(9,249)
Operating earnings (loss)	(410)	(1,791)	(1,230)	-	(3,431)
Add (deduct)					
Stock based compensation	(14)	(6)	(186)	-	(206)
Finance costs	-	-	(1,893)	-	(1,893)
Other items	417	90	111	-	618
Loss before income taxes	$ (7)	$ (1,707)	$ (3,198)	$ -	$ (4,912)

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

4. Operating segments (continued):

Three months ended June 30, 2025	Contract Drilling	Production Services	Corporate	Inter-segment Elimination	Total
Revenue	$ 29,935	$ 10,152	$ -	$ (82)	$ 40,005
Expenses					
Operating	(22,440)	(8,123)	-	82	(30,481)
Administrative	(2,006)	(1,203)	(462)	-	(3,671)
Depreciation	(8,129)	(1,908)	(311)	-	(10,348)
Operating earnings (loss)	(2,640)	(1,082)	(773)	-	(4,495)
Add (deduct)					
Stock based compensation	32	318	(112)	-	238
Finance costs	-	-	(2,286)	-	(2,286)
Other items	877	299	(226)	-	950
Loss before income taxes	$ (1,731)	$ (465)	$ (3,397)	$ -	$ (5,593)

Six months ended June 30, 2026	Contract Drilling	Production Services	Corporate	Inter-segment Elimination	Total
Revenue	73,604	20,279	-	(52)	$ 93,831
Expenses					
Operating	(51,233)	(16,144)	-	52	(67,325)
Administrative	(4,334)	(2,456)	(1,539)	-	(8,329)
Depreciation	(14,423)	(3,521)	(641)	-	(18,585)
Operating earnings (loss)	3,614	(1,842)	(2,180)	-	(408)
Add (deduct)					
Stock based compensation	3	(14)	(494)	-	(505)
Finance costs	-	-	(3,906)	-	(3,906)
Other items	1,740	25	353	-	2,118
Income (loss) before income taxes	$ 5,357	$ (1,831)	$ (6,227)	$ -	$ (2,701)

Six months ended June 30, 2025	Contract Drilling	Production Services	Corporate	Inter-segment Elimination	Total
Revenue	$ 80,787	$ 28,416	$ -	$ (188)	$ 109,015
Expenses					
Operating	(59,642)	(20,935)	-	188	(80,389)
Administrative	(4,022)	(2,690)	(1,985)	-	(8,697)
Depreciation	(15,739)	(3,883)	(769)	-	(20,391)
Operating earnings (loss)	1,384	908	(2,754)	-	(462)
Add (deduct)					
Stock based compensation	121	314	734	-	1,169
Finance costs	-	-	(4,639)	-	(4,639)
Other items	939	264	(36)	-	1,167
Income (loss) before income taxes	$ 2,444	$ 1,486	$ (6,695)	$ -	$ (2,765)

(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 June 30, 2026	Contract Drilling	Production Services	Corporate		Total
Total assets	292,914	60,838	8,398	$	362,150
Total liabilities	45,108	23,017	28,874		96,999

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

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

	Contract Drilling	Production Services	Corporate		Total
Additions to property and equipment - Three months ended June 30, 2026	4,406	578	29	$	5,013
Additions to property and equipment - Three months ended June 30, 2025	5,663	291	-		5,954
Additions to property and equipment - Six months ended June 30, 2026	8,113	952	79	$	9,144
Additions to property and equipment - Six months ended June 30, 2025	9,870	808	255		10,933

Segmented information by geographic area is as follows:

As at June 30, 2026	Canada	United States		Total
Property and equipment	268,431	54,984	$	323,415
Total assets	301,060	61,090		362,150

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

	Canada	United States		Total
Revenue - Three months ended June 30, 2026	32,661	5,914	$	38,575
Revenue - Three months ended June 30, 2025	35,047	4,958		40,005
Revenue - Six months ended June 30, 2026	84,059	9,772	$	93,831
Revenue - Six months ended June 30, 2025	97,366	11,649		109,015

Revenue from long term contracts:
For both the three and six months ended June 30, 2026, and 2025, the Company had no revenue from long term contracts in the contract drilling or production services segments.

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

5. Other assets:

The Company's other assets as at June 30, 2026 and December 31, 2025 are as follows:

	June 30, 2026	December 31, 2025
Current		
Prepaid expenses	$ 1,203	$ 2,129
Inventory	64	64
Deposits	282	279
Finance lease receivable	185	-
Deferred charges	106	88
Total current portion of other assets	1,840	2,560
Non current		
Finance lease receivable	567	-
Deferred charges	279	-
Total non current portion of other assets	846	-
Total other assets	$ 2,686	$ 2,560

In the six months ended June 30, 2026, Western entered into an agreement to sub-lease office space with a commencement date of June 1, 2026.

6. Assets held for sale:

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

	June 30, 2026	December 31, 2025
Current		
Building and land	$ -	$ 810
Total assets held for sale	$ -	$ 810

In March 2026, the Company completed the sale of a field support building located in Canada for proceeds of $3.1 million. Included in other items in the condensed consolidated statement of operations and comprehensive loss is a gain of $2.3 million related to this sale.

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

7. 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, 2025	$ 4,600	$ 3,798	$ 849,025	$ 195,809	$ 13,227	$ 17,009	$ 1,083,468
Additions to property and equipment	-	-	8,075	930	139	-	9,144
Lease additions	-	-	-	-	-	238	238
Disposals	-	-	(32,408)	(2,041)	(3,151)	(5,072)	(42,672)
Foreign exchange adjustment	-	-	6,419	-	22	13	6,454
Balance at June 30, 2026	$ 4,600	$ 3,798	$ 831,111	$ 194,698	$ 10,237	$ 12,188	$ 1,056,632
Accumulated depreciation:							
Balance at December 31, 2025	$ -	$ 2,349	$ 578,768	$ 145,009	$ 13,227	$ 11,196	$ 750,549
Depreciation	-	51	14,184	3,116	139	1,095	18,585
Disposals	-	-	(31,030)	(1,995)	(3,151)	(4,247)	(40,423)
Foreign exchange adjustment	-	-	4,521	-	22	(37)	4,506
Balance at June 30, 2026	$ -	$ 2,400	$ 566,443	$ 146,130	$ 10,237	$ 8,007	$ 733,217
Carrying amounts:							
At December 31, 2025	$ 4,600	$ 1,449	$ 270,257	$ 50,800	$ -	$ 5,813	$ 332,919
At June 30, 2026	$ 4,600	$ 1,398	$ 264,668	$ 48,568	$ -	$ 4,181	$ 323,415

As at June 30, 2026, the Company reviewed for indicators of impairment and determined no such indicators existed.

8. Long term debt:

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

	June 30, 2026	December 31, 2025
Current:		
Second Lien Facility	1,080	$ 1,080
HSBC Facility	2,813	3,438
Operating Facility	-	293
Less: unamortized issue costs	(164)	(287)
Total current portion of long term debt	3,729	4,524
Non current:		
Second Lien Facility	70,562	81,102
Less: unamortized issue costs	(103)	(105)
Total non current portion of long term debt	70,459	80,997
Total long term debt	$ 74,188	$ 85,521

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

8. Long term debt (continued):

Credit Facilities:

As at June 30, 2026, 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 June 25, 2026, the Company reached an agreement to extend the maturity date of its Credit Facilities to the earlier of (i) six months prior to the maturity date of its Second Lien Facility (January 18, 2028), or (ii) June 25, 2029 if the Second Lien Facility is extended.

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

As at June 30, 2026, the Company's Credit Facilities are subject to the following financial covenants:

	Covenant	June 30, 2026
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 (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 June 30, 2026, the Company has nil 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 June 30, 2026, the Company was in compliance with all covenants related to its Credit Facilities.

Second Lien Facility:

At June 30, 2026, the Company had $71.6 million outstanding on the Second Lien Facility with AIMCo. Interest is payable semi-annually, at a rate of 8.5% per annum, on January 1 and July 1 each year or the next applicable business day. Amortization payments equal to 1.0% of the initial principal amount of $108.0 million are payable annually, in quarterly installments. On April 28, 2026, the Company announced the extension of the maturity date of the Second Lien Facility from May 18, 2027 to July 18, 2028.

HSBC Facility:

At June 30, 2026, the Company had $2.8 million outstanding related to its committed term non-revolving facility (the "HSBC Facility"). The HSBC Facility bears interest at a floating rate that is payable monthly. In 2023, the Company prepaid all monthly principal amounts for the remaining term of the loan, with the remaining outstanding balance due upon maturity on December 31, 2026. The Company continues to make voluntary monthly payments on the HSBC Facility.

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

9. Lease obligations:

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

	Amount
Balance at December 31, 2025	5,595
Additions	238
Finance costs	192
Lease payments	(1,273)
Balance at June 30, 2026	4,752
Less: current portion of lease obligations	(1,656)
Balance at June 30, 2026 - non current portion	3,096

Lease obligations include leases capitalized under IFRS 16, Leases. During both the three and six months ended June 30, 2026 and 2025, the Company expensed $0.1 million and $0.1 million respectively, related to leases of low value assets or leases with a term of less than one year.

10. 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, 2025	33,843,022	$	521,604
Issued for cash on exercise of stock options	10,156		28
Fair value of exercised stock options	-		12
Balance at June 30, 2026	33,853,178	$	521,644

11. 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, 2025	1,108,921	$	3.95
Exercised	(10,156)		2.86
Forfeited	(168,054)		4.41
Balance at June 30, 2026	930,711	$	3.87

For the three months ended June 30, 2026 and 2025 no stock options were cancelled. The Company did not grant any stock options during the six months ended June 30, 2026. As at June 30, 2026, Western had 680,729 (December 31, 2025: 673,942) vested and exercisable stock options outstanding at a weighted average exercise price equal to $4.26 (December 31, 2025: $4.21) per stock option.

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

11. Stock based compensation (continued):

Share unit incentive plan ("Share Unit"):

The Company's Share Unit Incentive ("Share Unit") plan provides cash-settled Share Units to be issued to directors, officers, and employees of the Company to reward them for their contributions to the business and align with the long-term performance of Western. Subject to the specific provisions of the Share Unit plan, eligibility, vesting period, terms of the Share Units and the number of Share Units granted are to be determined by the Board of Directors at the time of the grant. Included in the Share Unit plan are Restricted Share Units ("RSUs") and Performance Share Units ("PSUs"). The RSUs vest from one year, and up to three years on the anniversary date of the grant. PSUs are subject to the Company's performance metrics assessed by management with a three year performance period. PSUs vest over a three year period on the anniversary date of the grant.

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

	Oustanding
Balance at December 31, 2025	-
Granted	357,684
Balance at June 30, 2026	357,684

Included in stock based compensation expense for the three and six months ended June 30, 2026 is an expense of $0.1 million (three and six months ended June 30, 2025: $nil) relating to the Company's Share Unit plan. The stock based compensation costs for RSUs and PSUs granted are based on the 10 day volume weighted average trading price and recognized over the vesting period applied by the number of units, with the PSUs adjusted for a performance multiplier.

Deferred share unit plan ("DSU"):

The Company's DSU plan provides DSUs to members of the Board of Directors. DSUs represent cash settled rights to common shares. The DSUs vest upon grant and are paid upon the retirement of the Director.

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

	Oustanding
Balance at December 31, 2025	-
Granted	106,796
Balance at June 30, 2026	106,796

Included in stock based compensation expense for the three months and six months ended June 30, 2026 is an expense of $nil and $0.4 million respectively (three and six months ended June 30, 2025: $nil) relating to the Company's DSU plan. The stock based compensation costs for DSUs granted are based on the 10 day volume weighted average trading price and recognized over the vesting period applied by the number of units.

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

	Three months ended June 30		Six months ended June 30	
	2026	2025	2026	2025
Total equity settled stock based compensation recovery	68	(238)	21	(1,169)
Share units – cash settled expense	123	-	130	-
Deferred share units – cash settled expense	15	-	354	-
Total stock based compensation expense (recovery)	$ 206	$ (238)	$ 505	$ (1,169)

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

12. Earnings per share:

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

	Three months ended June		Six months ended June 30	
	2026	2025	2026	2025
Issued common shares, beginning of period	33,849,835	33,843,022	33,843,022	33,843,022
Weighted average number of common shares issued	918	-	4,077	-
Weighted average number of common shares (basic)	33,850,753	33,843,022	33,847,099	33,843,022
Dilutive effect of equity securities	20,447	-	1,667	-
Weighted average number of common shares (diluted)	33,871,200	33,843,022	33,848,766	33,843,022

For the three and six months ended June 30, 2026, 910,264 and 929,044 stock options respectively (three and six months ended June 30, 2025, 1,249,143 stock options) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

13. Finance costs:

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

	Three months ended June 30		Six months ended June 30	
	2026	2025	2026	2025
Interest expense on long term debt	$ 1,828	$ 2,199	$ 3,752	$ 4,471
Amortization of debt financing fees	24	24	48	40
Accretion expense on Second Lien Facility	44	64	108	127
Accretion expense on HSBC Facility	8	10	17	21
Interest income	(11)	(11)	(19)	(20)
Total finance costs	$ 1,893	$ 2,286	$ 3,906	$ 4,639

The Company had an effective interest rate on its borrowings of 8.9% and 8.8% for the three and six months ended June 30, 2026 respectively (three and six months ended June 30, 2025: 8.7% and 8.5% respectively).

14. Other items:

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

	Three months ended June 30		Six months ended June 30	
	2026	2025	2026	2025
Gain on sale of fixed assets	$ (588)	$ (1,314)	$ (2,066)	$ (1,545)
Realized foreign exchange (gain) loss	(30)	17	(2)	(108)
Unrealized foreign exchange (gain) loss	-	347	(50)	486
Total other items	$ (618)	$ (950)	$ (2,118)	$ (1,167)

15. Income taxes:

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

	Three months ended June 30		Six months ended June 30	
	2026	2025	2026	2025
Current tax expense	$ -	$ (15)	$ (14)	$ (14)
Deferred tax recovery	912	1,023	545	580
Total income tax recovery	$ 912	$ 1,008	$ 531	$ 566

As at June 30, 2026, the Company did not recognize a deferred tax asset of $4.0 million (December 31, 2025: $3.7 million), 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.

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

15. Income taxes (continued):

As at June 30, 2026, the Company has loss carry forwards in Canada equal to approximately $185.2 million, which will expire between 2036 and 2043. In the United States, the Company has approximately US$47.9 million loss carry forwards, of which US$10.9 million is unrecognized, which will expire between 2028 and 2038, and others that have an indefinite expiry.

16. 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 June 30		Six months ended June 30	
	2026	2025	2026	2025
Employee salaries and benefits	$ 21,921	$ 21,243	$ 46,575	$ 54,542
Repairs and maintenance	3,926	3,862	7,778	9,698
Third party charges	760	1,114	2,624	3,741

Employee salaries and benefits for the three and six months ended June 30, 2026 in the above table includes $nil related to one-time reorganization costs (three and six months ended June 30, 2025: $1.0 million and $3.2 million respectively).

17. Capital management:

The overall capitalization of the Company at June 30, 2026 and December 31, 2025 is as follows:

	Note	June 30, 2026	December 31, 2025
Second Lien Facility	8	71,642	$ 82,182
HSBC Facility	8	2,813	3,438
Operating Facility	8	-	293
Lease obligations	9	4,752	5,595
Total debt		79,207	91,508
Shareholders' equity		265,151	265,448
Less: cash and cash equivalents		(10,889)	(2,657)
Total capitalization		$ 333,469	$ 354,299

18. Financial risk management:

Interest rate risk:

The Company is exposed to interest rate risk on certain debt instruments, such as the Credit Facilities and the HSBC Facility, to the extent the prime interest rate changes and/or the Company's interest rate margin changes. 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 June 30, 2026, portions of the Company's cash balances, trade and other receivables, trade payables and other current liabilities were denominated in US dollars and subject to foreign exchange fluctuations which are recorded within net income. In addition, Stoneham, Western's US subsidiary, is subject to foreign currency translation adjustments upon consolidation, which is recorded separately within other comprehensive income.

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

18. Financial risk management (continued):

Credit risk:

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

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 June 30, 2026 and December 31, 2025:

	June 30, 2026	December 31, 2025
Trade receivables	$ 21,432	$ 36,483
Accrued trade receivables	5,274	4,517
Other receivables	362	541
Allowance for doubtful accounts	(1,908)	(1,840)
Total	$ 25,160	$ 39,701

For the three months ended June 30, 2026, the Company had two customers comprising 14.2% and 10.0%, respectively, of the Company's total revenue. The trade receivable balance outstanding related to the significant customers for 2026 were 9.5% and 6.8% respectively, of the Company's total trade and other receivables as at June 30, 2026. One significant customer from the second quarter of 2026 was also a significant customer for the six months ended June 30, 2026, comprising 11.8% of the Company's total revenue. For the three months ended June 30, 2025, the Company had three customers comprising 17.0%, 12.0%, and 11.0% respectively, of the Company's total revenue. The trade receivable balance outstanding related to the significant customers for 2025 were 10.0%, 10.9%, and 11.8% respectively, of the Company's total trade and other receivables as at June 30, 2025. One of the significant customers from the second quarter of 2025 was also a significant customer for the six months ended June 30, 2025, comprising 13.7% of the Company's total revenue. There was one significant customer for the year ended December 31, 2025 comprising 10.6% of total revenue and 6.2% of the Company's total trade and other receivables as at December 31, 2025.

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.

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

19. Commitments:

As at June 30, 2026, 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(1)	$ 14,619	$ -	$ -	$ -	$ -	$ -	$ 14,619
Operating commitments(2)	6,190	789	787	786	380	-	8,932
Second Lien Facility principal	540	1,080	70,022	-	-	-	71,642
Second Lien Facility interest	3,270	6,032	6,263	-	-	-	15,565
HSBC Facility principal	2,813	-	-	-	-	-	2,813
HSBC Facility interest	86	-	-	-	-	-	86
Lease obligations(3)	1,038	2,327	2,019	1,519	1,096	461	8,460
Total	$ 28,556	$ 10,228	$ 79,091	$ 2,305	$ 1,476	$ 461	$ 122,117

(1) Trade payables and other current liabilities exclude interest accrued as at June 30, 2026 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.