Western Energy Services Corp.

Q1 2020

First Quarter 2020 Management's Discussion and Analysis — Date: May 21, 2020

The following discussion of the financial condition, changes in financial condition and results of operations of Western Energy Services Corp. (the "Company" or "Western") should be read in conjunction with the audited consolidated financial statements and accompanying notes of the Company for the years ended December 31, 2019 and 2018, management's discussion and analysis ("MD&A") for the year ended December 31, 2019, as well as the condensed consolidated financial statements and notes as at and for the three months ended March 31, 2020 and 2019. This MD&A is dated May 21, 2020. All amounts are denominated in Canadian dollars (CDN$) unless otherwise identified.

Financial Highlights	**Three months ended March 31**		
(stated in thousands, except share and per share amounts)	**2020**	**2019**	**Change**
Revenue	51,765	65,775	(21%)
Adjusted EBITDA[1]	8,361	11,248	(26%)
Adjusted EBITDA as a percentage of revenue	16%	17%	(6%)
Cash flow from operating activities	1,539	5,888	(74%)
Additions to property and equipment	575	2,192	(74%)
Net loss	(15,331)	(7,078)	117%
-basic net loss per share	(0.17)	(0.08)	113%
-diluted net loss per share	(0.17)	(0.08)	113%
Weighted average number of shares			
-basic	91,892,784	92,306,835	-
-diluted	91,892,784	92,306,835	-
Outstanding common shares as at period end	90,918,814	92,307,042	(2%)
Operating Highlights[2]			
Contract Drilling			
Canadian Operations			
Average active rig count	14.7	18.7	(21%)
Revenue per Billable Day	22,091	21,484	3%
Revenue per Operating Day	25,050	24,241	3%
Drilling rig utilization - Billable Days	30%	38%	(21%)
Drilling rig utilization - Operating Days	26%	34%	(24%)
CAODC industry average utilization - Operating Days[3]	35%	29%	21%
United States Operations			
Average active rig count	1.8	5.5	(67%)
Revenue per Billable Day (US$)	20,056 [4]	19,976	-
Revenue per Operating Day (US$)	22,945 [4]	23,567	(3%)
Drilling rig utilization - Billable Days	22%	75%	(71%)
Drilling rig utilization - Operating Days	20%	64%	(69%)
Production Services			
Canadian Operations			
Average active rig count	23.6	22.8	4%
Revenue per Service Hour	727	673	8%
Service rig utilization	37%	36%	3%

(1) See "Non-IFRS Measures" on page 15 of this MD&A.

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

(3) Source: The Canadian Association of Oilwell Drilling Contractors ("CAODC") monthly Contractor Summary. The CAODC industry average is based on Operating Days divided by total available drilling days.

(4) Excludes shortfall commitment revenue from take or pay contracts of US$0.2 million for the three months ended March 31, 2020.

Financial Position at (stated in thousands)	March 31, 2020	December 31, 2019	March 31, 2019
Working capital	20,918	7,031	24,213
Property and equipment	496,974	511,052	609,117
Total assets	542,131	550,537	663,117
Long term debt	239,118	228,274	238,590

Overall Performance and Results of Operations

Western is an oilfield service company focused on three core business lines: contract drilling, well servicing and oilfield rental equipment services. Western provides 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 well servicing and oilfield rental equipment services in Canada through its wholly owned subsidiary Western Production Services Corp. ("Western Production Services"). Western Production Services' division, Eagle Well Servicing ("Eagle") provides well servicing operations, while its division, Aero Rental Services ("Aero") provides oilfield rental equipment services. Stoneham's division, Western Oilfield Services, provides well servicing operations in the United States. Financial and operating results for Horizon and Stoneham are included in Western's contract drilling segment, while financial and operating results for Eagle, Aero, and Western Oilfield Services are included in Western's production services segment. Non-International Financial Reporting Standards ("Non-IFRS") measures, such as Adjusted EBITDA, are defined on page 15 of this MD&A. Abbreviations for standard industry terms are included on page 16 of this MD&A.

Western has a drilling rig fleet of 57 rigs specifically suited for drilling complex horizontal wells. Western is currently the fourth largest drilling contractor in Canada, based on the Canadian Association of Oilwell Drilling Contractors ("CAODC") registered rigs[1], with a fleet of 49 rigs operating through Horizon. Of the Canadian fleet, 23 are classified as Cardium class rigs, 19 as Montney class rigs and seven as Duvernay class rigs. As compared to the Cardium class rigs, the Montney class rigs have a larger hookload, while the Duvernay class rigs have the largest hookload allowing the rig to support more drill pipe downhole. Additionally, Western has eight drilling rigs operating through Stoneham in the US, including six Duvernay class rigs. Western is also the fourth largest well servicing company in Canada, based on the CAODC registered rigs[2], with a fleet of 63 rigs operating through Eagle. Additionally, Western Oilfield Services operates three well servicing rigs in the Bakersfield area of California in the US. Western's oilfield rental equipment division, which operates through Aero, provides oilfield rental equipment for hydraulic fracturing services, well completions and production work, coil tubing and drilling services.

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 March 31, 2020 and 2019.

	Three months ended March 31		
	2020	2019	Change
Average crude oil and natural gas prices(1)(2)			
Crude Oil			
West Texas Intermediate (US$/bbl)	46.17	54.87	(16%)
Western Canadian Select (CDN$/bbl)	34.10	59.15	(42%)
Natural Gas			
30 day Spot AECO (CDN$/mcf)	1.98	2.57	(23%)
Average foreign exchange rates(2)			
US dollar to Canadian dollar	1.34	1.33	1%

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

(2) Source: Sproule March 31, 2020 Price Forecast, Historical Prices.

West Texas Intermediate ("WTI") on average declined by 16% for the three months ended March 31, 2020, compared to the same period in the prior year. Similarly, pricing on Western Canadian Select ("WCS") crude oil decreased by 42% in the first quarter of 2020, compared to the same period in the prior year. Crude oil prices in both Canada and the US were impacted by the price war between Saudi Arabia and Russia, coupled with the ongoing COVID-19 pandemic. Crude oil prices continued to decrease subsequent to March 31, 2020, significantly impacting the demand for the Company's

[1] Source: CAODC Contractor Summary as at May 21, 2020.

[2] Source: CAODC Fleet List as at May 21, 2020.

services. Natural gas prices in Canada decreased for the three months ended March 31, 2020, as the 30 day spot AECO price decreased by 23%, over the same period of the prior year. The US dollar to the Canadian dollar foreign exchange rate strengthened quarter over quarter, which had a slightly positive effect on the cash flows of Western's Canadian customers, when selling US dollar denominated commodities.

In the United States, industry activity has decreased in the first quarter of 2020. As reported by Baker Hughes Company[3], the number of active drilling rigs in the United States decreased by approximately 28% in the first quarter of 2020, as compared to the same period in the prior year. The crude oil price war between Saudi Arabia and Russia, coupled with low demand as a result of the COVID-19 pandemic have had significant impacts on industry activity in both the US and in Canada. Prior to the COVID-19 pandemic, there were also continued industry concerns over market access, increased regulation, and the prevailing customer preference to return cash to shareholders, or pay down debt, rather than grow production in Canada and the US. The CAODC[4] reported that for drilling in Canada, the total number of Operating Days in the Western Canadian Sedimentary Basin ("WCSB") increased by approximately 8% for the three months ended March 31, 2020 as compared to the same period in the prior year, despite total industry rig count decreasing by 6% year over year.

Operational results for the three months ended March 31, 2020 include:

- First quarter revenue decreased by $14.0 million to $51.8 million in 2020 as compared to $65.8 million in the first quarter of 2019. In the contract drilling segment, revenue totalled $34.2 million in the first quarter of 2020, a decrease of $15.2 million (or 31%) as compared to $49.4 million in the first quarter of 2019. In the production services segment, revenue totalled $17.7 million for the three months ended March 31, 2020, as compared to $16.4 million for the three months ended March 31, 2019, an increase of $1.3 million (or 8%). While contract drilling day rates were higher in the United States and Canada, and activity and hourly rates were higher for well servicing in Canada, lower contract drilling and oilfield rental equipment activity impacted revenue as described below:
    - Drilling rig utilization – Operating Days ("Drilling Rig Utilization") in Canada decreased to 26% in the first quarter of 2020 compared to an average of 34% in the same period of the prior year, reflecting an 800 basis points ("bps") reduction. The decrease in activity in 2020 was mainly attributable to the significant decrease in crude oil prices in the latter part of the first quarter, as a result of the international price war and the COVID-19 pandemic, which resulted in heightened market uncertainty and customers reducing and cancelling their 2020 drilling programs. First quarter 2020 Drilling Rig Utilization of 26% represented a discount of 900 bps to the CAODC industry average of 35%[5], a decrease as compared to the first quarter of 2019 when Drilling Rig Utilization of 34% was 500 bps higher than the industry average. The decrease in the Company's utilization as compared to the industry average in 2020 was due to Western's decision to hold day rates steady and customers cancelling their drilling programs. Western's market share, represented by the Company's Operating Days as a percentage of the CAODC's total Operating Days in the WCSB, decreased to 7.2% in the first quarter of 2020, as compared to 9.8% in the first quarter of 2019. Revenue per Billable Day improved by 3% in the first quarter of 2020, as compared to the same period in the prior year, due to changes in the average rig mix and higher third party revenue as more fuel was purchased on behalf of the Company's customers;
    - In the United States, two of the Company's eight drilling rigs worked during the quarter, one of which operated on a term contract. Drilling Rig Utilization was 20% in the first quarter of 2020, compared to 64% in the first quarter of 2019, reflecting a 66% decrease in Operating Days. Revenue per Billable Day for the first quarter of 2020 was consistent with the same period of the prior year, mainly due to changes in the average rig mix as the higher day rates on the Company's high specification Duvernay class rigs in the Williston Basin in North Dakota, were offset by the rigs working in the Permian Basin in Texas, which worked at lower average day rates, while operating at a significantly lower cost; and
    - In Canada, service rig utilization was 37% in the first quarter of 2020 compared to 36% in the same period of the prior year. The increase is due to continued efforts by management to improve activity with existing customers and broaden the Company's customer base, despite continued market uncertainty including historic low commodity prices in the latter half of the first quarter. Revenue per Service Hour increased during the first quarter of 2020 by 8%, as compared to the same period in the prior year, due to changes in the average rig mix. Higher utilization and pricing, led to well servicing revenue in the period increasing to $15.6 million, an improvement of $1.8 million (or 13%), as compared to the same period in the prior year.

[3] Source: Baker Hughes Company, 2020 Rig Count monthly press releases.

[4] Source: CAODC, monthly Contractor Summary.

[5] Source: CAODC, monthly Contractor Summary.

- Administrative expenses decreased by $0.5 million (or 5%) to $3.8 million in the first quarter of 2020, as compared to $4.3 million in the first quarter of 2019, mainly due to lower employee related costs.
- As a result of continued market uncertainty, ultra-low commodity prices, unprecedented demand destruction due to the COVID-19 pandemic and the related outlook for current and future oilfield services activity and pricing, the Company completed an impairment test for each of its cash generating units ("CGU") as at March 31, 2020. Based on the results of these tests, it was determined that property and equipment in the Company's contract drilling and oilfield rentals CGUs was impaired by $9.5 million and $2.0 million respectively. There was no impairment recognized in the Company's well servicing CGU.
- The Company incurred a net loss of $15.3 million in the first quarter of 2020 ($0.17 per basic common share) as compared to a net loss of $7.1 million in the same period in 2019 ($0.08 per basic common share). The change can mainly be attributed to a $2.8 million decrease in Adjusted EBITDA and the $11.5 million impairment loss, offset partially by a $3.5 million decrease in depreciation expense due to certain assets being fully depreciated in the period and by a $2.6 million increase in income tax recovery.
- First quarter Adjusted EBITDA decreased by $2.8 million (or 25%) to $8.4 million in 2020 as compared to $11.2 million in the first quarter of 2019. The year over year change in Adjusted EBITDA is due to lower contract drilling activity in Canada and the United States, and lower oilfield rental equipment activity in Canada, offset partially by higher well servicing activity and hourly rates in Canada.
- First quarter 2020 additions to property and equipment of $0.6 million included $0.1 million related to expansion capital and $0.5 million of maintenance capital. In total, additions to property and equipment in the first quarter of 2020 decreased by $1.6 million (or 74%) from the $2.2 million incurred in the first quarter of 2019.
- On January 6, 2020, the Company announced a normal course issuer bid (the "Bid"), which was filed with and accepted by the Toronto Stock Exchange. Pursuant to the Bid, Western may purchase for cancellation up to 5,200,000 common shares of the Company. The Bid commenced on January 14, 2020 and will terminate the earlier of: (i) January 13, 2021; and (ii) the date on which the maximum number of common shares are purchased pursuant to the Bid. Since the commencement of the Bid, in the first quarter of 2020, 1,584,000 common shares for a total cost of approximately $0.5 million have been repurchased. Effective May 21, 2020, Western determined to suspend further purchases under its share repurchase program. Western may determine to recommence purchases under its program or otherwise modify its share purchase plans in the future at any time without prior notice.

Outlook

Two of Western's 57 drilling rigs are under term take or pay contracts, with one expected to expire in 2020 and the other in 2021. These contracts each typically generate between 250 and 350 Billable Days per year.

Due to decreased activity levels as a result of the unprecedented demand destruction and ultra-low commodity price environment associated with the international price war, coupled with the COVID-19 pandemic, Western's revised capital budget for 2020 is expected to total approximately $2 million, mainly related to maintenance capital. Western believes the revised 2020 capital budget provides a prudent use of cash resources to manage its balance sheet. Western will continue to manage its operations in a disciplined manner and make required adjustments to its capital program as customer demand changes.

The significant decrease in crude oil prices in the first quarter of 2020 resulting from the international price war has caused increased uncertainty in global markets. Low crude oil demand associated with the COVID-19 pandemic is having a significant impact on Western's customers. The precise duration and extent of the adverse impacts of the current macroeconomic environment and the COVID-19 pandemic on Western's customers, operations, business and global economic activity remains highly uncertain at this time. Additionally, continued uncertainty surrounding takeaway capacity related to the timing of completion of the construction on the Trans Mountain pipeline expansion and the Keystone XL pipeline, as well as the in service date of the Enbridge Line 3 pipeline replacement, have resulted in 2020 capital budgets for Western's Canadian customers decreasing considerably year over year. As such, year over year activity levels in Canada and the United States are expected to be significantly lower than 2019 levels. Controlling fixed costs, maintaining balance sheet flexibility and managing through the unprecedented market downturn are priorities for the Company, as prices and demand for Western's services remain below historical levels. Since the beginning of the year, Western temporarily reduced its salaried workforce by 52%, reduced cash compensation for the remaining employees, reduced planned capital expenditures, and continues to identify opportunities to further streamline its support structure. Going forward, Western's variable cost structure, and a prudent capital budget, will aid in preserving balance sheet strength.

As at March 31, 2020, Western had $24.0 million drawn on its $60.0 million credit facilities, consisting of its $50.0 million syndicated first lien credit facility (the "Revolving Facility") and its $10.0 million committed operating facility (the "Operating Facility" and together the "Credit Facilities"), which mature on December 17, 2021. Western currently has $210.7 million outstanding on its Second Lien Facility, which matures on January 31, 2023.

Oilfield service activity in Canada will be affected by the development of resource plays in Alberta and northeast British Columbia which will be impacted by pipeline construction, environmental regulations, and the level of investment in Canada. In the short term, the largest challenges facing the oilfield service industry are ongoing liquidity concerns as a result of the reduced customer spending caused by the demand destruction from the COVID-19 pandemic and international price war, ultra-low crude oil pricing, and limited take away capacity. However, Western views the Government of Canada's decision to contribute $1.7 billion towards the clean-up of abandoned and orphaned wells favorably and agrees this will assist with improving industry activity for well servicing activities in the short term. In the medium term, Western's rig fleet is well positioned to benefit from the recently approved liquefied natural gas project in British Columbia. It remains Western's view that its modern drilling and well servicing rig fleets, reputation, and disciplined cash management provide a competitive advantage which will enable the Company to manage through the current challenging oilfield service environment.

Review of First Quarter 2020 Results

Segmented Information

Western operates in the contract drilling segment as well as in the production services segment in both Canada and the United States. Contract drilling includes drilling rigs along with related equipment. Production services includes well servicing rigs and related equipment as well as oilfield rental equipment.

Contract Drilling

Financial Highlights	Three months ended March 31		
(stated in thousands)	**2020**	**2019**	**Change**
Revenue	34,216	49,442	(31%)
Expenses			
Operating	26,099	36,958	(29%)
Administrative	1,775	2,041	(13%)
Adjusted EBITDA(1)	6,342	10,443	(39%)
Adjusted EBITDA as a percentage of revenue	19%	21%	(10%)
Depreciation	9,395	12,598	(25%)
Operating Loss	(3,053)	(2,155)	42%
Stock based compensation	31	45	(31%)
Loss before income taxes and impairment	(3,084)	(2,200)	40%
Additions to property and equipment	378	1,880	(80%)

Operating Highlights			
Canadian Operations			
Contract drilling rig fleet:			
Average active rig count(2)	14.7	18.7	(21%)
End of period	49	49	-
Revenue per Billable Day(2)	22,091	21,484	3%
Revenue per Operating Day(2)	25,050	24,241	3%
Operating Days(2)	1,179	1,493	(21%)
Number of meters drilled	399,150	492,809	(19%)
Number of wells drilled	94	128	(26%)
Average Operating Days per well	12.5	11.7	7%
Drilling rig utilization - Billable Days(2)	30%	38%	(21%)
Drilling rig utilization - Operating Days(2)	26%	34%	(24%)
CAODC industry average utilization - Operating Days(2)(3)	35%	29%	21%
United States Operations			
Contract drilling rig fleet:			
Average active rig count(2)	1.8	5.5	(67%)
End of period	8	8	-
Revenue per Billable Day (US$)(2)	20,056 (4)	19,976	-
Revenue per Operating Day (US$)(2)	22,945 (4)	23,567	(3%)
Operating Days(2)	142	423	(66%)
Number of meters drilled	51,364	119,947	(57%)
Number of wells drilled	11	26	(58%)
Average Operating Days per well	12.9	16.3	(21%)
Drilling rig utilization - Billable Days(2)	22%	75%	(71%)
Drilling rig utilization - Operating Days(2)	20%	64%	(69%)

(1) See "Non-IFRS Measures" on page 15 of this MD&A.

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

(3) Source: CAODC monthly Contractor Summary. The CAODC industry average is based on Operating Days divided by total available drilling days.

(4) Excludes shortfall commitment revenue from take or pay contracts of US$0.2 million for the three months ended March 31, 2020.

During the first quarter of 2020, revenue in the contract drilling segment totalled $34.2 million, a $15.2 million decrease (or 31%), as compared to the same period of the prior year. Revenue for the three months ended March 31, 2020 was impacted by lower industry activity in Canada as customers reduced their drilling programs due to the low commodity prices in the first half of the quarter, followed by the demand destruction from the COVID-19 pandemic and international price war. Additionally, activity in the United States continued to slow in the first quarter of 2020 as customers provided returns to shareholders through dividends and share buybacks, versus growth. Pricing in Canada improved by 3% in the first quarter of 2020, compared to the same period of the prior year, whereas pricing in the United States was consistent with the first quarter of 2019, mainly due to changes in the average rig mix.

For the three months ended March 31, 2020, operating expenses per Billable Day, which include third party charges, increased by 4%, as compared to the same period in the prior year. The increase is mainly attributed to fixed costs being allocated over fewer Billable Days in 2020.

For the three months ended March 31, 2020, administrative expenses totalled $1.8 million and were 13% lower than the same period of the prior year, mainly due to lower employee related costs.

Contract drilling incurred a loss before income taxes and impairment of $3.1 million in the first quarter of 2020, compared to a loss before income taxes of $2.2 million in the same period of the prior year. The change can be attributed to a $4.1 million decrease in Adjusted EBITDA, which was partially offset by a $3.2 million decrease in depreciation expense.

Adjusted EBITDA in the contract drilling segment for the three months ended March 31, 2020 decreased by $4.1 million to $6.3 million, as compared to $10.4 million for the same period in the prior year. The decrease for the first quarter of 2020 is mainly due to lower activity in Canada and the United States as a result of the demand destruction and ultra-low crude oil prices.

Depreciation expense for the quarter ended March 31, 2020 totalled $9.4 million and reflects a decrease of $3.2 million over the same period of the prior year, mainly due to certain assets being fully depreciated in the period.

Additions to property and equipment of $0.4 million in the first quarter of 2020 in the contract drilling segment were significantly lower year over year as a result of reduced activity and consisted mostly of maintenance capital.

As a result of continued market uncertainty, ultra-low commodity prices, unprecedented demand destruction due to the COVID-19 pandemic and the related outlook for current and future oilfield services activity and pricing, the Company recorded a $9.5 million impairment loss in the contract drilling segment in the first quarter of 2020.

Canadian Operations

The price for Canadian crude oil and natural gas declined significantly during the latter part of the first quarter of 2020, which resulted in activity in the WCSB decreasing as most customers reduced their drilling programs, largely due to economic factors such as the international price war, coupled with extremely low demand from the COVID-19 pandemic. As a result, during the three months ended March 31, 2020, Operating Days decreased by 21% and Drilling Rig Utilization in Canada declined to 26% as compared to 34% in the same period of the prior year.

Drilling Rig Utilization in Canada of 26% in the first quarter of 2020 reflects a 900 bps discount to the CAODC average of 35%, as compared to a 500 bps premium to the CAODC average of 29% in the first quarter of 2019. The decrease in the Company's premium to the CAODC average for the three months ended March 31, 2020 was due to Western's decision to hold day rates steady and customers cancelling their drilling programs. Western's market share, represented by the Company's Operating Days as a percentage of the CAODC's total Operating Days in the WCSB, decreased to 7.2% for the three months ended March 31, 2020, as compared to 9.8%, in the same period of the prior year.

For the first quarter of 2020, revenue per Billable Day in Canada increased by 3% and totalled $22,091, compared to $21,484 in the same period of the prior year, due to rates on all rig classes remaining relatively constant, coupled with changes in the average rig mix and higher third party revenue as more fuel was purchased on behalf of the Company's customers.

United States Operations

WTI prices in the first quarter of 2020 were significantly lower than 2019 and corresponded to lower industry activity in the United States. This resulted in Western's Operating Days in the United States decreasing for the three months ended March 31, 2020 by 281 days (or 66%), which resulted in Drilling Rig Utilization of 20%, compared to 64% in the same period of the prior year.

While activity was lower in the first quarter of 2020, revenue per Billable Day was constant in the three months ended March 31, 2020 and totaled US$20,056, as compared to US$19,976 in the same period of the prior year. Revenue per Billable Day for the first quarter of 2020 did not change significantly mainly due to changes in the average rig mix as the higher day rates on the Company's high specification Duvernay class rigs in the Williston Basin in North Dakota, were offset by the rigs working in the Permian Basin in Texas, which worked at lower average day rates, while operating at a significantly lower cost.

Production Services

Financial Highlights	**Three months ended March 31**		
(stated in thousands)	**2020**	**2019**	**Change**
Revenue	17,682	16,430	8%
Expenses			
Operating	13,624	13,382	2%
Administrative	1,107	1,235	(10%)
Adjusted EBITDA[(1)]	2,951	1,813	63%
Adjusted EBITDA as a percentage of revenue	17%	11%	55%
Depreciation	3,005	3,329	(10%)
Operating Loss	(54)	(1,516)	(96%)
Stock based compensation	16	21	(24%)
Loss before income taxes and impairment	(70)	(1,537)	(95%)
Additions to property and equipment	169	307	(45%)

Operating Highlights			
Canadian well servicing rig fleet:			
Average active rig count[(2)]	23.6	22.8	4%
End of period	63	63	-
Revenue per Service Hour[(2)]	727	673	8%
Service Hours[(2)]	21,491	20,498	5%
Service rig utilization [(2)]	37%	36%	3%

(1) See "Non-IFRS Measures" on page 15 of this MD&A.

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

The Company's production services segment includes Eagle's well servicing fleet and Aero's oilfield rental equipment in Canada, as well as Western Oilfield Services' well servicing fleet in the United States. Revenue in the production services segment for the quarter ended March 31, 2020 increased by $1.3 million (or 8%) to $17.7 million, compared to $16.4 million in the same period of the prior year. In the first quarter of 2020, Eagle's contribution to revenue in the production services segment increased to $15.6 million compared to $13.8 million in the prior year, whereas Aero's contribution to revenue in the production services segment decreased to $1.7 million compared to $2.6 million in the same period of the prior year. The increase in revenue for Eagle for the three months ended March 31, 2020, as compared to the same period in the prior year, is due to higher activity and reflects an increased market share due to continued efforts by management to improve activity with existing customers and broaden the Company's customer base, despite continued market uncertainty from demand destruction and the global price war resulting in ultra-low crude oil prices, as well as continued mandated production curtailments in Alberta. The decrease in Aero's revenue for the three months ended March 31, 2020, as compared to the same period in the prior year, is mainly due to lower industry activity.

Eagle's Service Hours improved by 5% to 21,491 hours (37% utilization) in the first quarter of 2020, as compared to 20,498 hours (36% utilization) in the same period of the prior year. The improvement in Eagle's Service Hours is mainly due to the continued efforts by management to increase market share. Revenue per Service Hour improved by 8% to $727 for the first quarter of 2020, as compared to the same period in the prior year, due to changes in the average rig mix.

During the three months ended March 31, 2020, administrative expenses totalled $1.1 million and were 10% lower than the same period in the prior year, mainly due to lower employee related expenses.

Production services incurred a loss before income taxes and impairment of $0.1 million in the first quarter of 2020, compared to a loss before income taxes of $1.5 million in the same period of 2019. The change can be attributed to a $1.1 million increase in Adjusted EBITDA, offset by a $0.3 million increase in depreciation expense.

Adjusted EBITDA increased in the first quarter of 2020 by $1.1 million to $2.9 million, compared to $1.8 million in the first quarter of 2019. The higher Adjusted EBITDA for the three months ended March 31, 2020 was due to improved margins in Eagle and lower administrative expenses.

Depreciation expense for the first quarter of 2020 was 10% lower than the same period of the prior year, mainly due to certain assets being fully depreciated in the period.

Additions to property and equipment in the production services segment totalled $0.2 million in the first quarter of 2020, as compared to $0.3 million in the same period of the prior year, and included $0.1 million of expansion capital and $0.1 million of maintenance capital.

As a result of continued market uncertainty, ultra-low commodity prices, unprecedented demand destruction due to the COVID-19 pandemic and the related outlook for current and future oilfield services activity and pricing, the Company recorded a $2.0 million impairment loss in the production services segment in the first quarter of 2020.

Corporate

	Three months ended March 31		
(stated in thousands)	**2020**	**2019**	**Change**
Expenses			
Administrative	931	1,008	(8%)
Depreciation	499	449	11%
Operating Loss	(1,430)	(1,457)	(2%)
Stock based compensation	54	108	(50%)
Finance costs	4,678	4,676	-
Other items	(345)	(378)	(9%)
Income tax recovery	(5,139)	(2,522)	104%
Additions to property and equipment	28	5	460%

Corporate administrative expenses for the quarter ended March 31, 2020 totaled $0.9 million and were 8% lower than $1.0 million in the prior year mainly due to lower employee related expenses.

Finance costs in the first quarter of 2020 of $4.7 million were consistent with the same period in the prior year and represented an effective interest rate of 7.8%, as compared to 8.0% in 2019.

Other items, which relate to gains and losses on the sale of assets and foreign exchange, total a gain of $0.3 million for the first quarter of 2020, which was consistent with the same period of the prior year.

For the first quarter of 2020, income taxes on a consolidated basis totalled a recovery of $5.1 million, representing an effective tax rate of 25.1%, as compared to an effective tax rate of 26.3% in the first quarter of 2019.

Liquidity and Capital Resources

The Company's liquidity needs in the short and long term can be sourced in several ways including: available cash balances, funds from operations, borrowing against the Credit Facilities, new debt instruments, equity issuances and proceeds from the sale of assets. As at March 31, 2020, Western had working capital of $20.9 million, an increase of $13.9 million from December 31, 2019. Western's consolidated debt balance at March 31, 2020 increased by $10.5 million (or 4%) to $246.3 million, as compared to $235.8 million at December 31, 2019, mainly due to the working capital draw on the Company's Credit Facilities during the first quarter of 2020, which typically has higher activity due to the seasonal nature of oilfield service activity.

During the quarter ended March 31, 2020, Western had the following changes to its cash balances, which resulted in a $1.1 million increase in cash and cash equivalents for the year:

Cash and cash equivalents (stated in thousands)	
Opening balance, at December 31, 2019	4,015
Add:	
Adjusted EBITDA(1)	8,361
Net draw on Credit Facilities	11,703
Proceeds on sale of property and equipment	2
Deduct:	
Finance costs paid	(8,303)
Change in non cash working capital	(8,525)
Additions to property and equipment	(575)
Repayment of Second Lien debt	(537)
Repayment of other long term debt	(808)
Shares repurchased under normal course issuer bid	(478)
Other items	293
Ending balance, at March 31, 2020	**5,148**

(1) See "Non-IFRS Measures" on page 15 of this MD&A.

Western's Credit Facilities, which have a limit of $60.0 million, mature on December 17, 2021. Western's cash from operations and available Credit Facilities are expected to be sufficient to cover Western's financial obligations, including working capital requirements and the 2020 capital budget. Advances under the Credit Facilities are limited by the Company's borrowing base. The borrowing base is applicable when either (i) more than $40.0 million is drawn on the Credit Facilities or (ii) the net book value of Western's property and equipment is less than $300.0 million.

The borrowing base is determined as follows:

- 85% of eligible investment grade accounts receivable; plus
- 75% of eligible non-investment grade accounts receivable; plus
- 25% of the net book value of property and equipment to a maximum of $40.0 million.

As at March 31, 2020, the borrowing base calculation was not applicable as less than $40.0 million was drawn on the Company's Credit Facilities and the net book value of Western's property and equipment was greater than $300.0 million.

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. Consolidated EBITDA, as defined by the Credit Facilities agreement, differs from Adjusted EBITDA as defined under Non-IFRS Measures on page 15 of this MD&A, by including certain items such as realized foreign exchange gains or losses and cash payments made on leases capitalized under IFRS 16.

The Credit Facilities are secured by the assets of Western and its subsidiaries. A summary of the Company's financial covenants as at March 31, 2020 is as follows:

March 31, 2020	**Covenants [1]**
Maximum Consolidated Senior Debt to Consolidated EBITDA Ratio	3.0:1.0 or less
Maximum Consolidated Debt to Consolidated Capitalization Ratio	0.6:1.0 or less
Minimum Current Ratio	1.15:1.0 or more

(1) See covenant definitions in Note 7 of the March 31, 2020 condensed consolidated financial statements.

At March 31, 2020, Western is in compliance with all covenants related to its Credit Facilities. The adoption of IFRS 16 in 2019 did not have an impact on the Company's Credit Facility covenants.

For the three months ended March 31, 2020 and 2019, the Company had no customers comprising 10.0% or more of the Company's total revenue. The Company's significant customers may change from period to period.

Summary of Quarterly Results

In addition to other market factors, quarterly results of Western are markedly affected by weather patterns throughout its operating areas. Historically, the first quarter of the calendar year is very active, followed by a much slower second quarter due to what is known in the Canadian oilfield service industry as "spring breakup", where 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 on a quarterly basis, particularly between the first and second quarters, can be significant quarter over quarter 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)	**Mar 31, 2020**	**Dec 31, 2019**	**Sep 30, 2019**	**Jun 30, 2019**	**Mar 31, 2019**	**Dec 31, 2018**	**Sep 30, 2018**	**Jun 30, 2018**
Revenue	51,765	45,838	47,067	37,728	65,775	63,133	58,879	33,141
Adjusted EBITDA[1]	8,361	5,584	4,968	2,438	11,248	7,916	7,691	897
Cash flow from operating activities	1,539	8,921	(592)	17,501	5,888	5,022	(1,968)	26,313
Net loss	(15,331)	(52,249)	(11,575)	(10,128)	(7,078)	(9,530)	(10,108)	(15,475)
per share - basic	(0.17)	(0.56)	(0.13)	(0.11)	(0.08)	(0.10)	(0.11)	(0.17)
per share - diluted	(0.17)	(0.56)	(0.13)	(0.11)	(0.08)	(0.10)	(0.11)	(0.17)
Total assets	542,131	550,537	617,943	626,890	663,117	667,295	669,079	670,584
Long term debt	239,118	228,274	232,722	223,363	238,590	222,258	222,564	210,944

(1) See "Non-IFRS Measures" on page 15 of this MD&A.

Revenue and Adjusted EBITDA were impacted by low commodity prices and market uncertainty throughout the last eight quarters. Market uncertainty continued throughout 2018 and the fourth quarter of 2018 was impacted by record high differentials on Canadian crude oil. Mandated crude oil production cuts in Alberta in 2019 and uncertainty surrounding takeaway capacity throughout 2019 reduced overall activity in the industry. The unprecedented decrease in the price of crude oil in the first quarter of 2020, as well as the demand destruction from the COVID-19 pandemic had a significant impact on industry activity and resulted in customers reducing or cancelling their drilling programs, which had a negative impact on Western's Revenue and Adjusted EBITDA.

Net loss is impacted by the seasonal nature of the oilfield service industry in Canada. A net loss has been incurred throughout the last eight quarters due to the prolonged decline in crude oil and natural gas prices, resulting in reduced demand. The Company recognized an impairment loss on property and equipment of $54.0 million in the fourth quarter of 2019 and $11.5 million in the first quarter of 2020.

With the exception of the fourth quarter of 2019 and the first quarter of 2020, which included impairment losses on property and equipment, total assets over the last eight quarters have been impacted by depreciation expense exceeding additions to property and equipment as capital spending has been reduced during the downturn in crude oil and natural gas prices.

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 March 31, 2020 are as follows:

(stated in thousands)	2020	2021	2022	2023	2024	Thereafter	Total
Second Lien Facility	1,613	2,150	2,150	205,325	-	-	211,238
Second Lien Facility interest	7,627	15,179	15,105	7,473	-	-	45,384
Trade payables and other current liabilities (1)	15,630	-	-	-	-	-	15,630
Operating commitments (2)	1,176	920	713	688	688	58	4,243
Revolving Facility	-	24,000	-	-	-	-	24,000
Lease obligations (3)	3,348	3,072	2,317	1,842	1,743	145	12,467
Total	29,394	45,321	20,285	215,328	2,431	203	312,962

(1) Trade payables and other current liabilities exclude the Company's interest accrued as at March 31, 2020 on the Second Lien Facility.

(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 and include those leases capitalized under IFRS 16.

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 is due January 31, 2023.

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.

Lease obligations:

The Company has other long term debt relating to leased vehicles, as well as office and equipment leases, classified as lease obligations under IFRS 16, which was adopted January 1, 2019. These leases run for terms greater than one year.

There have been no material changes in the contractual obligations, other than in the normal course of business, subsequent to March 31, 2020.

Outstanding Share Data

	May 21, 2020	March 31, 2020	December 31, 2019
Common shares outstanding	90,918,814	90,918,814	92,501,314
Warrants	7,099,546	7,099,546	7,099,546
Stock options outstanding	7,241,874	7,306,784	7,326,530
Restricted share units outstanding - equity settled	640,566	644,747	646,247

Off Balance Sheet Arrangements

As at March 31, 2020, Western had no off balance sheet arrangements in place.

Transactions with Related Parties

During the three months ended March 31, 2020 and 2019, the Company had no transactions with related parties.

Financial Risk Management

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 value of the financial assets which reflects management's assessment of the credit risk.

The Company's trade receivables are with customers in the crude oil and natural gas industry and are subject to industry credit risk. For the three months ended March 31, 2020, the COVID-19 pandemic and related decrease in global demand for crude oil, coupled with the international price war have had a significant impact on commodity prices. These factors are expected to have an impact on companies and their related credit risk. The Company's practice is to manage credit risk by performing a thorough analysis of the credit worthiness of new customers before credit terms are offered.

Additionally, the Company continuously reviews individual customer trade receivables taking into considering payment history and aging of the trade receivables to monitor collectability.

In accordance with IFRS 9, Financial Instruments, the Company reviews impairment of its trade and other receivables at each reporting period and its allowance for expected future credit losses. The Company records an allowance for doubtful accounts if an account is determined to be uncollectible. Provisions recorded by the Company are reviewed regularly to determine if any balances should be written off. The allowance for doubtful accounts could materially change as a result of fluctuations in the financial position of the Company's customers.

The Company completes a detailed review of its historical credit losses as part of its impairment assessment. The Company has had minimal historical impairment losses on its trade and other 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 a loss allowance on all outstanding trade and other receivables. Subsequent to March 31, 2020, the Company has collected approximately 83% of its 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 flow from operating activities, existing Credit Facilities, 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 the significant decrease in global demand of crude oil as a result of the COVID-19 pandemic, as well as the international price war.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

As Western's common shares trade on the Toronto Stock Exchange, pursuant to National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, the President and Chief Executive Officer ("CEO") and Senior Vice President, Finance, Chief Financial Officer and Corporate Secretary ("CFO") of the Company have certified as at March 31, 2020 that they have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") to provide reasonable assurance that: (i) material information relating to the Company, including its consolidated subsidiaries, is made known to the CEO and the CFO by others within those entities, particularly during the periods in which the interim filings of the Company are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

The CEO and CFO do not expect that the DC&P will prevent or detect all errors, misstatements and fraud but are designed to provide reasonable assurance of achieving their objectives. A control system, no matter how well designed or operated, can only provide reasonable, but not absolute, assurance that the objectives of the control system are met. In addition to DC&P, the CEO and CFO have designed internal controls over financial reporting, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

During the three months ended March 31, 2020, there were no changes in internal control over financial reporting that materially affected, or are reasonably likely to materially affect, Western's internal control over financial reporting.

Critical Accounting Estimates and Recent Developments

This MD&A of the Company's financial condition and results of operations is based on the condensed consolidated financial statements for the three months ended March 31, 2020, which were prepared in accordance with IFRS. In March 2020, the World Health Organization declared a global pandemic as a result of the COVID-19 outbreak, which led to demand destruction worldwide as countries implemented emergency measures such as lockdowns, to prevent the spread of the COVID-19 virus. The significant decrease in global demand for crude oil, coupled with an international price war, resulted in historical lows and increased volatility in crude oil prices.

The current economic environment and the ongoing pandemic will continue to impact the Company and the full extent of the impact is currently unknown, as it will depend on the duration of the COVID-19 pandemic and its resulting impact on international markets. The pandemic and reduction in global demand results in uncertainty for the Company, as well as estimates and assumptions used by management to prepare the condensed consolidated 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, 2019. However, the current market conditions have increased the uncertainty specifically relating to, but not limited to, assumptions used in calculating the recoverable amounts of the Company's CGUs in its impairment assessment, as well as increased risk of non-payment of accounts receivable. Actual results may differ from the estimates used in preparing the condensed consolidated financial statements. As a result of the demand destruction and volatility in crude oil prices, the Company recognized an impairment of $9.5 million in its contract drilling CGU and $2.0 million in its oilfield rental equipment CGU as further detailed in Note 6 of the condensed consolidated financial statements for the three months ended March 31, 2020.

Business Risks

For a comprehensive listing of the Company's business risks please see the most recent annual information form ("AIF") for the year ended December 31, 2019 as filed under the Company's SEDAR profile at www.sedar.com. Certain of the Company's primary business risks as at March 31, 2020 are as follows:

- The significant decrease in crude oil prices in the first quarter of 2020 resulting from the international price war has caused increased uncertainty in global markets. In addition, low crude oil demand associated with the COVID-19 pandemic is having a significant impact on Western's customers. The precise duration and extent of the adverse impacts of the current macroeconomic environment and the COVID-19 pandemic on Western's customers, operations, business and global economic activity remains highly uncertain at this time.
- The Company's business relies on the crude oil and natural gas exploration and production industry which is subject to a number of risks including general economic conditions, fluctuations in demand and supply of crude oil and natural gas production as a result of the COVID-19 pandemic, fluctuations in commodity prices, competition and increases in operating costs. In addition, changes may occur in government regulations, including regulations relating to foreign acquisitions, prices, taxes, royalties, land tenure, allowable production, importing and exporting of crude oil and natural gas and environmental protection for the crude oil and natural gas industry as a whole. Risks impacting the crude oil and natural gas exploration and production industry, including the ability of crude oil and natural gas companies to accumulate capital or variations in their exploration and development budgets, may also affect the Company's business. The impact of these risks cannot be accurately predicted.
- If a low commodity price environment persists due to the international price war and the COVID-19 pandemic, the demand for the Company's equipment and services will remain lower than normal and the Company's utilization rates and revenue will be adversely affected during such time. In addition, lower utilization and revenue could result in the Company not being in compliance with certain covenants in its Credit Facilities, which in turn could restrict the Company's ability to access its Credit Facilities, pay distributions and incur additional debt in the future.
- Competition among oilfield service companies offering related services is significant. Some competitors are larger and have greater revenue than the Company and overall greater financial resources. The Company's ability to generate revenue depends on its ability to attract and win contracts and to perform services.
- The ability of the Company to make payments, dividends or enter into certain transactions will be subject to the applicable laws and contractual restrictions in the instruments governing its indebtedness, including the Credit Facilities and the Second Lien Facility. Given the current macroeconomic environment due to the international price war and the COVID-19 pandemic, there is no assurance that Western will be able to refinance any or all of its Credit Facilities and Second Lien Facility at their maturity dates on acceptable terms.

- In addition to global economic events and uncertainty, the capacity within North America to ship commodities to market introduces uncertainties in levels of activity and pricing for crude oil and natural gas production.
- The Company's business is subject to credit risk primarily from credit exposure to customers, with a concentration of credit risk with customers in the crude oil and natural gas industry.
- The Company's operations are subject to many hazards inherent in the oilfield service industry, such as blowouts, explosions, damaged or lost drilling, well servicing and oilfield rental equipment or damage or loss from inclement weather, which could result in business interruption, casualty losses, damage or destruction of equipment, suspension of operations, environmental damage or damage to property. This could have a material adverse effect on the Company's business and financial results.
- The Company's exploration and production customers' facilities and other operations emit greenhouse gases which requires them to comply with legislation in those provinces and states where they operate. Over the past few years, both Federal and Provincial governments have implemented carbon levies on greenhouse gas emissions. The direct or indirect costs of these new greenhouse gas emission reduction regulations, as well as regulations which may be adopted in these or other jurisdictions in the future, may have a material adverse effect on the Company's business, financial condition and results of operations and cash flows, as well as impacting the Company's customers' operations.
- Safety is a key factor customers consider when selecting an oilfield service company. A decline in the Company's safety performance could result in reduced demand for the Company's services which could have a material adverse effect on the Company's business and financial results.
- Currently, the Company is focused on providing services in the WCSB as well as certain limited geographic areas in the United States, which may expose the Company to more extreme market fluctuations relating to factors such as weather and general economic conditions which may be more extreme than the broader industry conditions.
- A portion of the operations of the Company are in the United States which subject the Company to currency fluctuations and different tax and regulatory laws.
- The Company may find it necessary in the future to obtain additional debt or equity to support ongoing operations, to refinance debt, to undertake additions to property and equipment or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available when needed or on terms acceptable to the Company.
- The Company is vulnerable to market prices. Fixed costs, including costs associated with operations, interest, leases, and labour costs account for a significant portion of the Company's expenses. As a result, reduced productivity resulting from reduced demand, equipment failure, or other factors could significantly affect its financial results.
- The oilfield service industry has experienced a high degree of invention and innovation. It is possible that new technology will be developed which will compete with the Company's products and services.
- The Company's business is subject to the operating risks inherent to the oilfield service industry. On occasion, substantial liabilities to third parties may be incurred. The Company will have the benefit of insurance maintained by it and industry standard contracts, however, it may become liable for damages against which it cannot adequately insure or against which it may elect not to insure because of high costs or other reasons.
- The success of the Company is dependent upon the efforts and abilities of its management team. The loss of any member of the management team could have a material adverse effect upon the business and prospects of the Company.
- During the prolonged downturn many oilfield service workers left the industry and, therefore, as activity has increased it has been difficult for the Company to attract and retain field crews. This could have a material adverse effect on the Company's business and financial results.
- The loss of a significant customer or customers, or any decrease in services provided or prices charged to a significant customer or customers could have a material adverse effect on the Company's business and financial results.
- The Company relies on various information systems to manage its business. If these systems were compromised as a result of a successful cyber-attack, this could have a material adverse effect on the Company business and financial results.

Non-IFRS Measures

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

Adjusted EBITDA

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 supplemental measure as it is used by management and other stakeholders, including current and potential investors, to analyze the Company's principal business activities. 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 loss for consolidated results and on a segmented basis, loss before income taxes, as the Company manages its income tax position on a legal entity basis, which can differ from its operating segments.

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

	Three months ended March 31	
(stated in thousands)	**2020**	**2019**
Net loss	**(15,331)**	**(7,078)**
Income tax recovery	(5,139)	(2,522)
Loss before income taxes	**(20,470)**	**(9,600)**
Add (deduct):		
Depreciation	12,898	16,376
Stock based compensation	100	174
Finance costs	4,678	4,676
Other items	(345)	(378)
Impairment of property and equipment	11,500	-
Adjusted EBITDA	**8,361**	**11,248**

Defined Terms:

Average active rig count (contract drilling): Calculated as drilling rig utilization – Billable Days multiplied by the average number of drilling rigs in the Company's fleet for the period.

Average active rig count (production services): Calculated as service rig utilization multiplied by the average number of service rigs in the Company's fleet for the period.

Billable Days: Defined as Operating Days plus rig mobilization days.

Drilling rig utilization – Operating Days (or "Drilling Rig Utilization"): Calculated based on Operating Days divided by total available days.

Drilling rig utilization – Billable Days: Calculated based on Billable 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 based on Service Hours divided by available hours, being 10 hours per day, per well servicing rig, 365 days per year.

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");
- Basis point ("bps"): A 1% change equals 100 basis points and a 0.01% change is equal to one basis point;
- Canadian Association of Oilwell Drilling Contractors ("CAODC");
- DecaNewton ("daN");
- International Financial Reporting Standards ("IFRS");
- Pounds ("lbs");
- Thousand cubic feet ("mcf");
- Western Canadian Sedimentary Basin ("WCSB");
- Western Canadian Select ("WCS"); and
- West Texas Intermediate ("WTI").

Forward-Looking Statements and Information

This MD&A contains certain statements or disclosures relating to Western that are based on the expectations of Western as well as assumptions made by and information currently available to Western which may constitute forward-looking information under applicable securities laws. 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", "looking to", 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 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 commodity pricing; the future demand for and utilization of the Company's services and equipment, in particular, in light of the ultra-low commodity price environment associated with the international price war, coupled with the COVID-19 pandemic; the pricing for the Company's services and equipment; the terms of existing and future drilling contracts in Canada and the US and the revenue resulting therefrom (including the number of Billable Days typically generated from such contracts and expected expiration dates of such contracts); the Company's revised expansion and maintenance capital plans for 2020 and its ability to make changes thereto in response to customer demands; the Company's liquidity needs including the ability of current capital resources to cover Western's financial obligations, working capital requirements and the revised 2020 capital budget; the use, availability and sufficiency of the Company's Credit Facilities; pricing for Western's services and impact on Adjusted EBITDA; the Company's ability to maintain certain covenants under its Credit Facilities; the future declaration of dividends; expectations as to the increase in crude oil transportation capacity through pipeline development; expectations as to the benefits of the liquefied natural gas expansion in British Columbia on the Company and its rig fleet; the future deployment or retirement of rigs and other existing assets; the potential impact of changes to laws, governmental and environmental regulations, and the price on carbon emissions; the expectation of continued investment in the Canadian crude oil and natural gas industry; the development of Alberta and British Columbia resource plays; expectations relating to producer spending and activity levels for oilfield services; the Company's approach to management of its budget and operations; the Company's ability to maintain a competitive advantage to enable it to manage the current oilfield service environment; the Company's ability to find and maintain enough field crew members; the amount and timing of purchases of common shares under the Bid; and forward-looking statements under the headings "Disclosure Controls and Procedures and Internal Controls Over Financial Reporting", "Business Risks" and "Critical Accounting Estimates".

The material assumptions in making the forward-looking statements in this MD&A include, but are not limited to, assumptions relating 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 continued business relationships between the Company and its significant customers; the Company's competitive advantage; crude oil transport and pipeline approval and development; the Company's ability to finance its operations; the effectiveness of the Company's cost structure and capital budget; the effects of seasonal and weather conditions on operations and facilities; the competitive environment to which the various business segments are, or may be, exposed in all aspects of their business and the Company's competitive position therein; the ability of the Company's various business segments to access equipment (including spare parts and new technologies); assumptions with respect to global economic conditions and the accuracy of our market outlook expectations for 2020 and in the future; our expectations regarding the impacts, direct and indirect, of the COVID-19 pandemic on our business, customers, business partners, employees, supply chain, other stakeholders and the overall economy; changes in laws or regulations; 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; and general business, economic and market conditions.

Although Western believes that the expectations and assumptions on which such forward-looking statements and information are based on are reasonable, undue reliance should not be placed on the forward-looking statements and information as Western cannot give any assurance that they will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve 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, the risk that the ultra-low commodity price environment will be sustained for an indefinite period, the impact of the COVID-19 pandemic and the resulting effects on economic conditions, restrictions imposed by public health authorities or governments, fiscal and monetary responses by governments and financial institutions and 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 heading "Business Risks" herein and "Risk Factors" in Western's AIF for the year ended December 31, 2019 which may be accessed through the SEDAR website at www.sedar.com. 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.

Additional data

The AIF containing additional information relating to the Company is filed under the Company's SEDAR profile at www.sedar.com.