



WESTERN ENERGY SERVICES CORP. RELEASES THIRD QUARTER 2020 FINANCIAL AND OPERATING RESULTS

FOR IMMEDIATE RELEASE: October 26, 2020

CALGARY, ALBERTA – Western Energy Services Corp. (“Western” or the “Company”) (TSX: WRG) announces the release of its third quarter 2020 financial and operating results. Additional information relating to the Company, including the Company’s financial statements and management’s discussion and analysis as at and for the three and nine months ended September 30, 2020 and 2019 will be available on SEDAR at www.sedar.com. Non-International Financial Reporting Standards (“Non-IFRS”) measures, such as Adjusted EBITDA, and abbreviations and definitions for standard industry terms are included later in this press release. All amounts are denominated in Canadian dollars (CDN\$) unless otherwise identified.

Third Quarter 2020 Operating Results:

- Third quarter revenue decreased by \$33.7 million (or 71%) to \$13.4 million in 2020 as compared to \$47.1 million in the third quarter of 2019. In the contract drilling segment, revenue totalled \$5.4 million in the third quarter of 2020, a decrease of \$27.4 million (or 83%) as compared to \$32.8 million in the third quarter of 2019. In the production services segment, revenue totalled \$8.1 million for the three months ended September 30, 2020, as compared to \$14.3 million for the three months ended September 30, 2019, a decrease of \$6.2 million (or 43%). The ongoing COVID-19 pandemic significantly impacted revenue in the contract drilling and production services segments as described below:
 - The COVID-19 pandemic had a significant impact on customer demand and drilling rig utilization – Operating Days (“Drilling Rig Utilization”) in Canada averaged 5% in the third quarter of 2020, compared to a Drilling Rig Utilization average of 22% in the same period of the prior year. The decrease in activity in the third quarter of 2020 was mainly attributable to the significant decrease in demand, as a result of the COVID-19 pandemic, which resulted in heightened market uncertainty and customers reducing and cancelling their 2020 drilling programs. The Canadian Association of Oilwell Drilling Contractors (“CAODC”) industry average of 9%¹ for the third quarter of 2020 represented a decrease of 1,400 basis points (“bps”) compared to the CAODC industry average of 23% in the third quarter of 2019, mainly due to lower demand as a result of the COVID-19 pandemic. Western’s market share, represented by the Company’s Operating Days as a percentage of the CAODC’s total Operating Days in the Western Canadian Sedimentary Basin (“WCSB”), decreased to 5.3% for the third quarter of 2020, as compared to 8.8% in the same period of 2019. Revenue per Billable Day decreased by 2% in the third quarter of 2020, as compared to 2019, due to changes in the average rig mix;
 - In the United States (“US”), the demand destruction as a result of the COVID-19 pandemic had a significant impact on Drilling Rig Utilization which totalled 1%, as one rig worked part of the third quarter of 2020, compared to 50% Drilling Rig Utilization in the third quarter of 2019, reflecting a 98% decrease in Operating Days. Revenue per Billable Day for the third quarter of 2020 decreased by 42% to US\$11,179, as compared to the same period of the prior year, as current market rates weakened in the period; and
 - In Canada, service rig utilization was 19% in the third quarter of 2020 compared to 33% in the same period of the prior year, mainly due to the demand destruction caused by the COVID-19 pandemic. Revenue per Service Hour in the third quarter of 2020 improved by 4%, as compared to the third quarter of 2019. Lower utilization led to well servicing revenue totalling \$7.2 million in the third quarter of 2020, a decrease of \$4.9 million (or 40%), as compared to the same period in the prior year.
- Administrative expenses decreased by \$1.9 million (or 49%) to \$2.0 million in the third quarter of 2020, as compared to \$3.9 million in the third quarter of 2019, mainly due to lower employee related costs as a result of temporary headcount reductions, as well as the Canada Emergency Wage Subsidy (“CEWS”) from the Government of Canada in the third quarter of 2020 due to the COVID-19 pandemic.
- The Company incurred a net loss of \$10.5 million in the third quarter of 2020 (\$0.12 per basic common share) as compared to a net loss of \$11.6 million in the same period in 2019 (\$0.13 per basic common share). The change can mainly be attributed to a \$3.7 million decrease in depreciation expense due to certain assets being fully depreciated in the period, as well as the impact of asset impairments in previous quarters, a \$0.2 million decrease in finance costs, a \$0.1 million decrease in income tax recovery and a \$0.1 million change in other items mainly related to foreign exchange gains, offset partially by a \$2.7 million decrease in Adjusted EBITDA.
- Third quarter Adjusted EBITDA decreased by \$2.7 million (or 54%) to \$2.3 million in 2020 as compared to \$5.0 million in the third quarter of 2020. 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 and well servicing activity in Canada, offset partially by the CEWS of \$2.9 million and temporary headcount reductions.
- Third quarter 2020 additions to property and equipment of \$0.2 million relates to maintenance capital. In total, additions to property and equipment in the third quarter of 2020 decreased by \$0.9 million (or 87%) from the \$1.1 million incurred in the third quarter of 2019.

¹ Source: CAODC, monthly Contractor Summary.

- On August 7, 2020, the Company entered into a US\$1.75 million promissory loan through the US paycheck protection program (“PPP”). The promissory loan has an interest rate of 1% per annum and matures on July 23, 2025. A portion of the PPP loan may be forgiven subject to certain conditions, if the proceeds are used for US payroll and other specific operating costs prior to January 1, 2021, as outlined by US Treasury guidelines. Management estimates that a portion of the promissory note will be forgiven if all conditions are met.
- Subsequent to September 30, 2020, on October 17, 2020 the Company’s 7,099,547 outstanding warrants expired unexercised.

Year to Date 2020 Operating Results:

- Revenue for the nine months ended September 30, 2020 decreased by \$74.6 million to \$76.0 million (or 50%) in 2020 as compared to \$150.6 million in the nine months ended September 30, 2019. In the contract drilling segment, revenue totalled \$46.7 million for the nine months ended September 30, 2020, a decrease of \$63.2 million (or 57%) as compared to \$109.9 million in the same period of 2019 and included US\$5.0 million of shortfall commitment revenue. In the production services segment, revenue totalled \$29.5 million for the nine months ended September 30, 2020, as compared to \$40.9 million for the nine months ended September 30, 2019, a decrease of \$11.4 million (or 28%). While contract drilling day rates were steady in the United States and Canada, activity was lower in all divisions, which impacted revenue as described below:
 - Drilling Rig Utilization in Canada for the nine months ended September 30, 2020 decreased to 10% compared to an average of 23% for the nine months ended September 30, 2019. 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 COVID-19 pandemic, which resulted in heightened market uncertainty and customers reducing and cancelling their 2020 drilling programs. Drilling Rig Utilization of 10% in 2020 represented a discount of 600 bps to the CAODC industry average of 16%², a decrease as compared to Drilling Rig Utilization of 23% in 2019, which was 100 bps higher than the industry average. The decrease in the Company’s utilization as compared to the industry average in 2020 was due to the COVID-19 pandemic decreasing demand 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 6.3% in the nine months ended September 30, 2020, as compared to 9.1% in the same period of 2019;
 - In the United States, three of the Company’s eight drilling rigs worked during 2020, one of which operated on a term contract. Drilling Rig Utilization decreased to 7% in 2020, compared to 53% in 2019, reflecting an 86% decrease in Operating Days. Revenue per Billable Day for the nine months ended September 30, 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 AC 1500 HP 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. Additionally, US\$5.0 million of shortfall commitment revenue was recognized in the nine months ended September 30, 2020, compared to US\$1.3 million in the same period of 2019; and
 - In Canada, service rig utilization was 22% for the nine months ended September 30, 2020 compared to 30% in the same period of the prior year. The decrease is due to continued market uncertainty including historic low commodity prices and demand destruction due to the COVID-19 pandemic in 2020. Revenue per Service Hour improved during the nine months ended September 30, 2020 by 6%, as compared to the same period in the prior year, due to changes in customer mix. Lower utilization, offset partially by higher pricing, led to well servicing revenue in the period decreasing by \$7.5 million (or 22%) to \$26.1 million, as compared to \$33.6 million in the same period in the prior year.
- Administrative expenses decreased by \$4.6 million (or 37%) to \$7.9 million for the nine month period ended September 30, 2020, as compared to \$12.5 million in the same period of the prior year, mainly due to lower employee related costs as a result of temporary headcount reductions, as well as the CEWS from the Government of Canada.
- As a result of continued market uncertainty, 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 the test, 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 in the first quarter of 2020. There was no impairment recognized in the Company’s well servicing CGU in the first quarter of 2020. There was no impairment recognized during the second or third quarters of 2020.
- The Company incurred a net loss of \$33.9 million for the nine months ended September 30, 2020 (\$0.37 per basic common share) as compared to a net loss of \$28.8 million in the same period in 2019 (\$0.31 per basic common share). The change can mainly be attributed to the \$11.5 million impairment loss, a \$4.0 million decrease in Adjusted EBITDA, and a \$3.2 million decrease in income tax recovery, offset partially by a \$11.4 million decrease in depreciation expense due to certain assets being fully depreciated in the period as well as the impact of asset impairments in previous quarters, a \$1.6 million change in other items mainly due to foreign exchange gains, and a \$0.5 million decrease in finance costs.

² Source: CAODC, monthly Contractor Summary.

- Adjusted EBITDA for the nine months ended September 30, 2020 decreased by \$4.0 million (or 21%) to \$14.7 million as compared to \$18.7 million in the same period of the prior year. The year over year change in Adjusted EBITDA is due to lower contract drilling activity in Canada and the United States, and lower well servicing and oilfield rental equipment activity in Canada, offset partially by US\$5.0 million of shortfall commitment revenue, lower administrative expenses and the CEWS of \$4.5 million.
- Year to date additions to property and equipment in 2020 of \$1.0 million included \$0.2 million related to expansion capital and \$0.8 million of maintenance capital. In total, additions to property and equipment for the nine months ended September 30, 2020 decreased by \$4.0 million (or 80%) from the \$5.0 million incurred in 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, for the nine months ended September 30, 2020, 1,584,000 common shares for a total cost of \$0.5 million have been repurchased. Effective May 21, 2020, Western suspended further purchases under its share repurchase program. Western may recommence purchases under its program or otherwise modify its share purchase plans in the future at any time without prior notice.

Selected Financial Information

(stated in thousands, except share and per share amounts)

Financial Highlights	Three months ended September 30			Nine months ended September 30		
	2020	2019	Change	2020	2019	Change
Revenue	13,438	47,067	(71%)	76,005	150,570	(50%)
Adjusted EBITDA ⁽¹⁾	2,270	4,968	(54%)	14,668	18,654	(21%)
Adjusted EBITDA as a percentage of revenue	17%	11%	55%	19%	12%	58%
Cash flow from operating activities	(1,560)	(592)	164%	25,712	22,797	13%
Additions to property and equipment	150	1,143	(87%)	983	5,026	(80%)
Net loss	(10,486)	(11,575)	(9%)	(33,858)	(28,781)	18%
– basic net loss per share	(0.12)	(0.13)	(8%)	(0.37)	(0.31)	19%
– diluted net loss per share	(0.12)	(0.13)	(8%)	(0.37)	(0.31)	19%
Weighted average number of shares						
– basic	91,040,679	92,402,039	(1%)	91,283,205	92,338,987	(1%)
– diluted	91,040,679	92,402,039	(1%)	91,283,205	92,338,987	(1%)
Outstanding common shares as at period end	91,165,112	92,501,314	(1%)	91,165,112	92,501,314	(1%)

(1) See "Non-IFRS measures" included in this press release.

Operating Highlights ⁽²⁾	Three months ended September 30			Nine months ended September 30		
	2020	2019	Change	2020	2019	Change
Contract Drilling						
<i>Canadian Operations:</i>						
Contract drilling rig fleet:						
– Average active rig count	2.6	12.1	(79%)	5.8	12.6	(54%)
– End of period	49	49	-	49	49	-
Revenue per Billable Day	19,196	19,547	(2%)	21,727	21,188	3%
Revenue per Operating Day	21,723	21,571	1%	24,648	23,590	4%
Operating Days	208	1,005	(79%)	1,389	3,080	(55%)
Drilling rig utilization – Billable Days	5%	25%	(80%)	12%	26%	(54%)
Drilling rig utilization – Operating Days	5%	22%	(77%)	10%	23%	(57%)
CAODC industry average utilization – Operating Days ⁽³⁾	9%	23%	(61%)	16%	22%	(27%)
<i>United States Operations:</i>						
Contract drilling rig fleet:						
– Average active rig count	0.2	4.7	(96%)	0.7	4.9	(86%)
– End of period	8	8	-	8	8	-
Revenue per Billable Day (US\$)	11,179 ⁽⁴⁾	19,436	(42%)	19,864 ⁽⁴⁾	20,151 ⁽⁵⁾	(1%)
Revenue per Operating Day (US\$)	20,224 ⁽⁴⁾	22,926	(12%)	24,312 ⁽⁴⁾	23,666 ⁽⁵⁾	3%
Operating Days	9	368	(98%)	158	1,129	(86%)
Drilling rig utilization – Billable Days	2%	59%	(97%)	9%	62%	(85%)
Drilling rig utilization – Operating Days	1%	50%	(98%)	7%	53%	(87%)
Production Services						
<i>Canadian Operations:</i>						
Well servicing rig fleet:						
– Average active rig count	11.8	20.9	(44%)	13.7	18.8	(27%)
– End of period	63	63	-	63	63	-
Revenue per Service Hour	656	631	4%	696	654	6%
Service Hours	10,893	19,244	(43%)	37,427	51,388	(27%)
Service rig utilization	19%	33%	(42%)	22%	30%	(27%)

(2) See "Defined Terms" included in this press release.

(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\$0.3 million and US\$5.0 million respectively, for the three and nine months ended September 30, 2020.

(5) Excludes shortfall commitment revenue from take of pay contracts of US\$1.3 million for the nine months ended September 30, 2019.

Financial Position at (stated in thousands)	September 30, 2020	December 31, 2019	September 30, 2019
Working capital	5,603	7,031	13,762
Property and equipment	466,370	511,052	578,834
Total assets	488,470	550,537	617,943
Long term debt	226,719	228,274	232,722

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 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.

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 CAODC registered rigs³, 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 rigs⁴, 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 and nine months ended September 30, 2020 and 2019.

	Three months ended September 30			Nine months ended September 30		
	2020	2019	Change	2020	2019	Change
Average crude oil and natural gas prices⁽¹⁾⁽²⁾						
Crude Oil						
West Texas Intermediate (US\$/bbl)	40.93	56.47	(28%)	38.31	57.04	(33%)
Western Canadian Select (CDN\$/bbl)	42.41	58.38	(27%)	32.98	60.26	(45%)
Natural Gas						
30 day Spot AECO (CDN\$/mcf)	2.21	0.98	126%	2.05	1.53	34%
Average foreign exchange rates⁽²⁾						
US dollar to Canadian dollar	1.33	1.32	1%	1.35	1.33	2%

(1) See "Abbreviations" included in this press release.

(2) Source: Sproule September 30, 2020 Price Forecast, Historical Prices.

West Texas Intermediate ("WTI") on average declined by 28% and 33% for the three and nine months ended September 30, 2020 respectively, compared to the same periods in the prior year. Similarly, pricing on Western Canadian Select ("WCS") crude oil decreased by 27% and 45% for the three and nine months ended September 30, 2020 respectively, compared to the same periods in the prior year. Crude oil prices in 2020 for both Canada and the US were impacted by the ongoing COVID-19 pandemic. Crude oil prices reached historical lows during the nine months ended September 30, 2020, which significantly impacted the demand for the Company's services. Natural gas prices in Canada strengthened in 2020, as the 30 day spot AECO price improved by 126% and 34% respectively, for the three and nine months ended September 30, 2020, compared to the same periods of the prior year. The US dollar to the Canadian dollar foreign exchange rate strengthened in both the three and nine months ended September 30, 2020, compared to the same periods of the prior year, which had a slightly positive effect on the cash flows of Western's Canadian customers, when selling US dollar denominated commodities.

³ Source: CAODC Contractor Summary as at October 26, 2020.

⁴ Source: CAODC Fleet List as at October 26, 2020.

In the United States, industry activity decreased in 2020. As reported by Baker Hughes Company⁵, the number of active drilling rigs in the United States decreased by approximately 69% to 266 rigs at September 30, 2020, as compared to the same period in the prior year. The unprecedented low demand as a result of the COVID-19 pandemic has had a significant impact 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 number of active rigs in the WCSB decreased to historical lows in the second quarter of 2020 with only 16 active rigs in mid-June and improved to only 71 active rigs at September 30, 2020, compared to 147 active rigs at September 30, 2019. The CAODC⁶ reported that for drilling in Canada, the total number of Operating Days in the WCSB decreased by approximately 34% and 65% respectively, for the three and nine months ended September 30, 2020 as compared to the same periods in the prior year.

Outlook

Currently, 11 of Western's drilling rigs and 21 of Western's well servicing rigs are operating. With the ten drilling rigs currently working in Canada, Western's Canadian market share has improved to approximately 12% of total drilling rigs working. One of Western's 57 drilling rigs is under a term take or pay contract, which is expected to expire 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 low commodity price environment associated with the COVID-19 pandemic, Western's capital budget for 2020 remains unchanged and is expected to total approximately \$2 million, mainly related to maintenance capital. Western believes the 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 2020 resulting from the COVID-19 pandemic and international price war has caused increased uncertainty in global markets. Low crude oil demand associated with the COVID-19 pandemic continues to have 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 delays associated with the Keystone XL pipeline, as well as the in service date of the Enbridge Line 3 pipeline replacement, has resulted in 2020 capital budgets for Western's Canadian customers decreasing considerably year over year. As such, activity levels in Canada and the United States are expected to be significantly lower for the remainder of 2020, compared to 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, 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 prudent capital budget, will aid in preserving its balance sheet.

As at September 30, 2020, Western had \$11.0 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 \$209.6 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 limited take away capacity. In the medium term, Western's rig fleet is well positioned to benefit from the LNG Canada liquefied natural gas project now under construction 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.

Non-IFRS Measures

Western uses certain measures in this press release which do not have any standardized meaning as prescribed by International Financial Reporting Standards ("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 press release in order to provide shareholders and potential investors with additional information regarding the Company. The Non-IFRS measure used in this press release is identified and defined as follows:

⁵ Source: Baker Hughes Company, 2020 Rig Count monthly press releases.

⁶ Source: CAODC, monthly Contractor Summary.

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.

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

(stated in thousands)	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Net loss	(10,486)	(11,575)	(33,858)	(28,781)
Income tax recovery	(3,547)	(3,657)	(11,781)	(14,986)
Loss before income taxes	(14,033)	(15,232)	(45,639)	(43,767)
Add (deduct):				
Depreciation	11,811	15,471	36,954	48,319
Stock based compensation	84	145	319	459
Finance costs	4,430	4,676	13,582	14,052
Other items	(22)	(92)	(2,048)	(409)
Impairment of property and equipment	-	-	11,500	-
Adjusted EBITDA	2,270	4,968	14,668	18,654

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:

- Alternating current ("AC");
- 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");
- Horsepower ("HP");
- 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 press release 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”, “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 press release includes, but is not limited to, statements relating to commodity pricing; the future demand for the Company’s services and equipment, in particular, in light of the low commodity price environment associated with the international price war and 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 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 2020 capital budget; the potential forgiveness of a portion of the Company’s PPP loan; expectations as to the increase in crude oil transportation capacity through pipeline development; expectations as to the benefits of the LNG Canada natural gas project 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; 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; and the possibility of the Company recommencing purchases of common shares under the Bid.

The material assumptions in making the forward-looking statements in this press release include, but are not limited to: demand levels and pricing for oilfield services; demand for crude oil and natural gas and the price and volatility of crude oil and natural gas; pressures on commodity pricing; the 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 the Company’s market outlook expectations for 2020 and in the future; the Company’s 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 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 “Risk Factors” in Western’s annual information form 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 press release 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.

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