



## **Western Energy Services Corp. Announces Credit Facility Extension, Closing of a \$12.5 Million 6 Year HSBC Committed Term Facility and its 2021 Capital Budget**

**FOR IMMEDIATE RELEASE: December 31, 2020**

**CALGARY, ALBERTA** – Western Energy Services Corp. (“**Western**” or the “**Company**”) (TSX: WRG) is pleased to announce amendments to its senior syndicated credit facilities and a new credit facility with HSBC Bank Canada (“**HSBC**”) offered with the participation of the Business Development Bank of Canada (“**BDC**”), as well as its capital expenditure budget for 2021.

### **Extension and Amendments to Senior Credit Facilities**

Western's senior lenders have approved an extension of the maturity of Western's syndicated revolving first lien credit facility (the “**Revolving Facility**”) and its committed operating facility (the “**Operating Facility**” and together the “**Credit Facilities**”) from December 17, 2021 to July 1, 2022. The total commitments under the Revolving and Operating Facilities are unchanged totalling \$50 million and \$10 million, respectively.

Western and its lenders have agreed to make some other changes to the Credit Facilities, including the following adjustments to its financial covenants:

- The Company has obtained covenant relief for the third and fourth quarters of 2021 whereby:
  - the consolidated senior debt to consolidated EBITDA covenant is waived;
  - a minimum liquidity of \$5 million is required;
  - the maximum consolidated debt to consolidated capitalization covenant has been increased to 0.65x from 0.60x; and
  - a maximum consolidated senior debt to consolidated capitalization ratio of 0.10x has been added.
- Annual capital expenditures for 2021 cannot exceed \$10 million.

Western was in compliance with all of its covenants under the Credit Facilities prior to these amendments and is in compliance with all covenants under the Credit Facilities as amended.

### **6 Year HSBC Committed Term Non-Revolving Facility**

In conjunction with the amended Credit Facility, Western has entered into an agreement with HSBC for a \$12.5 million six-year committed term non-revolving facility with the participation of BDC (the “**HSBC Facility**”) under BDC's Business Credit Availability Program (“**BCAP**”). The BCAP program was implemented to help small and medium sized companies, directly impacted by the COVID-19 pandemic with additional liquidity to cover operating costs. The HSBC Facility bears interest at a floating rate and matures on December 31, 2026. The HSBC Facility was fully funded on December 31, 2020. Western plans to use the proceeds to fund its January 2021 interest and principal payments under its second lien secured term loan with Alberta Investment Management Corporation (“**AIMCo**”) and the remaining funds will be used for future interest and principal payments to AIMCo.

Western expects that the amendments to the Credit Facilities, combined with the new HSBC Facility and prudent cost management throughout 2020 and into 2021, will allow the Company to increase its liquidity through the current challenging environment arising from the COVID-19 pandemic, and position the Company to capitalize on improved industry conditions as they arise.

## **2021 Capital Budget**

Western also announces its preliminary 2021 capital expenditure budget of approximately \$6 million, which is expected to be comprised of maintenance capital, of which \$4 million is budgeted for the contract drilling segment and \$2 million is budgeted for the production services segment.

Western's capital expenditure budget is underpinned by an expectation of a similar level of activity in 2021 as compared to 2020. Given a number of challenging macro factors impacting the oil and gas industry in Western Canada, including the ongoing reduction in global oil demand arising from the COVID-19 pandemic and restrictions on access to international oil markets arising from delays to pipeline expansions for Canadian oil production, the outlook for 2021 remains uncertain. Western will continuously monitor the utilization of its fleet and will adjust the 2021 capital expenditures accordingly.

## **About Western**

Western is an oilfield service company which provides contract drilling services in Canada through its Horizon Drilling division and in the United States through its wholly-owned subsidiary Stoneham Drilling Corporation. In Canada, Western also provides well servicing through its Eagle Well Servicing division, and in the United States through Western Oilfield Services, a division of Stoneham Drilling Corporation. Additionally, Western provides oilfield rental services through its Aero Rental Services division.

## **Forward-Looking Statements and Information**

This press release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "will", "outlook" and similar expressions is intended to identify forward-looking statements or information. More particularly and without limitation, this press release contains forward-looking statements and information relating to the Western's expectations regarding the impact of amendments to its Credit Facilities and the HSBC Facility on its financial flexibility and ability to fund and grow its business; the ability of Western to meet its debt covenants; Western's planned capital expenditures for 2021, including expected composition thereof; Western's capital allocation and budget strategy; anticipated activity levels in 2021; and information regarding the anticipated economic conditions in the Western Canadian oil and gas industry. These forward-looking statements and information are based on certain key expectations and assumptions made by Western, including that Western's level of activity in 2021 will be similar to 2020.

Although Western believes that the expectations and assumptions on which such forward-looking statements and information are based 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 impact of challenging economic conditions, including those arising from the reduction in oil demand from the effects of the COVID-19 pandemic and ongoing restrictions on access to oil markets outside western Canada, risks associated with general economic conditions, the demand for Western's services, volatility in market prices for oil and natural gas and the effect of this volatility on the demand for oilfield services generally, currency exchange rate risk, potential changes in cost structures in Western's industry, compliance with covenants (both new and existing) and/or repayment obligations under Western's Credit Facilities and the HSBC Facility, changes in legislation, dependence on, and concentration of, major customers, the creditworthiness of and performance by Western's counterparties and customers.

Readers are cautioned that the foregoing list of risks and uncertainties is not exhaustive. Additional information on these and other risk factors that could affect Western's operations or financial results are included under the heading "Business Risks" in the Company's management's discussion and analysis for the period ended

September 30, 2020 and under the heading "Risk Factors" in Western's annual information form for the year ended December 31, 2019, both of which may be accessed through the SEDAR website at [www.sedar.com](http://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 or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

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