WESTERN ENERGY SERVICES CORP. RELEASES FIRST QUARTER 2021 FINANCIAL AND OPERATING RESULTS

FOR IMMEDIATE RELEASE: April 26, 2021

CALGARY, ALBERTA – Western Energy Services Corp. ("Western" or the "Company") (TSX: WRG) announces the release of its first quarter 2021 financial and operating results. Additional information relating to the Company, including the Company's financial statements and management's discussion and analysis ("MD&A") as at and for the three months ended March 31, 2021 and 2020 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 defined later in this press release. All amounts are denominated in Canadian dollars (CDN$) unless otherwise identified.

First Quarter 2021 Operating Results:

- First quarter revenue decreased by $14.8 million (or 29%) to $37.0 million in 2021 as compared to $51.8 million in the first quarter of 2020. In the contract drilling segment, revenue totalled $20.3 million in the first quarter of 2021, a decrease of $13.9 million (or 41%) as compared to $34.2 million in the first quarter of 2020. In the production services segment, revenue totalled $16.9 million for the three months ended March 31, 2021, as compared to $17.7 million in the same period of the prior year, a decrease of $0.8 million (or 5%). 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 22% in the first quarter of 2021, compared to a Drilling Rig Utilization average of 27% in the same period of the prior year. The decrease in activity in the first quarter of 2021 was mainly attributable to the decrease in demand, as a result of the COVID-19 pandemic, which resulted in heightened market uncertainty and customers reducing their 2021 drilling programs. The Canadian Association of Oilwell Drilling Contractors ("CAODC") industry average of 27%[1] for the first quarter of 2021 represented a decrease of 800 basis points ("bps") compared to the CAODC industry average of 35% in the first quarter of 2020, mainly due to lower demand as a result of the COVID-19 pandemic. However, 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"), improved to 8.2% for the first quarter of 2021, as compared to 7.2% in the same period of 2020. Revenue per Billable Day decreased by 16% in the first quarter of 2021, as compared to the same period of the prior year, as current market rates weakened in the period;
  - 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 5%, as one rig worked in the first quarter of 2021, compared to 20% Drilling Rig Utilization in the first quarter of 2020, reflecting a 75% decrease in Operating Days. Revenue per Billable Day for the first quarter of 2021 decreased by 39% to US$12,142, as compared to the same period of the prior year, as current spot market rates weakened in the period; and
  - In Canada, service rig utilization of 37% in the first quarter of 2021 was consistent with the same period of the prior year. Lower production and completion activity was offset by increased abandonment work as a result of government incentives. Revenue per Service Hour of $727 in the first quarter of 2021 was also consistent with the first quarter of 2020. Lower utilization led to well servicing revenue totalling $15.0 million in the first quarter of 2021, a decrease of $0.6 million (or 4%), as compared to the same period in the prior year.
- Administrative expenses decreased by $0.6 million (or 17%) to $3.2 million in the first quarter of 2021, as compared to $3.8 million in the first quarter of 2020, mainly due to lower employee related costs as a result of headcount reductions in 2020, a focus on cost management, as well as the Canada Emergency Wage Subsidy ("CEWS") from the Government of Canada due to the COVID-19 pandemic.
- The Company incurred a net loss of $6.4 million in the first quarter of 2021 ($0.07 per basic common share) as compared to a net loss of $15.3 million in the same period in 2020 ($0.17 per basic common share). The change can mainly be attributed to the 2020 impairment of $11.5 million and a $2.1 million decrease in depreciation expense due to certain assets being fully depreciated in the period, as well as the impact to depreciation of asset impairments in previous quarters, offset partially by a $3.1 million decrease in income tax recovery and the $1.5 million decrease in Adjusted EBITDA.
- First quarter Adjusted EBITDA in 2021 was lower than the same period of the prior year and totalled $6.9 million, compared to $8.4 million in the first quarter of 2020. Adjusted EBITDA was lower due to reduced contract drilling activity in Canada and the United States, which was offset partially by improved well servicing and oilfield rental equipment margins in Canada, the CEWS of $3.2 million and headcount reductions in 2020.

[1] Source: CAODC, monthly Contractor Summary.

- First quarter 2021 additions to property and equipment of $0.9 million compared to $0.6 million incurred in the first quarter of 2020 and consist of maintenance capital.

Selected Financial Information

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

	Three months ended March 31		
Financial Highlights	**2021**	**2020**	**Change**
Revenue	36,969	51,765	(29%)
Adjusted EBITDA[1]	6,891	8,361	(18%)
Adjusted EBITDA as a percentage of revenue	19%	16%	19%
Cash flow from operating activities	1,521	1,539	(1%)
Additions to property and equipment	873	575	52%
Net loss	(6,454)	(15,331)	(58%)
– basic net loss per share	(0.07)	(0.17)	(59%)
– diluted net loss per share	(0.07)	(0.17)	(59%)
Weighted average number of shares			
– basic	91,184,713	91,892,784	(1%)
– diluted	91,184,713	91,892,784	(1%)
Outstanding common shares as at period end	91,200,072	90,918,814	-

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

	Three months ended March 31		
Operating Highlights[2]	**2021**	**2020**	**Change**
Contract Drilling			
Canadian Operations:			
Contract drilling rig fleet:			
– Average active rig count	11.7	14.7	(20%)
– End of period	49	49	-
Revenue per Billable Day	18,553	22,091	(16%)
Revenue per Operating Day	20,561	25,050	(18%)
Operating Days	953	1,179	(19%)
Drilling rig utilization – Billable Days	24%	30%	(20%)
Drilling rig utilization – Operating Days	22%	27%	(19%)
CAODC industry average utilization – Operating Days[3]	27%	35%	(23%)
United States Operations:			
Contract drilling rig fleet:			
– Average active rig count	0.5	1.8	(72%)
– End of period	8	8	-
Revenue per Billable Day (US$)	12,142	20,056[4]	(39%)
Revenue per Operating Day (US$)	14,574	22,945[4]	(36%)
Operating Days	38	142	(73%)
Drilling rig utilization – Billable Days	6%	22%	(73%)
Drilling rig utilization – Operating Days	5%	20%	(75%)
Production Services			
Canadian Operations:			
Well servicing rig fleet:			
– Average active rig count	23.0	23.6	(3%)
– End of period	63	63	-
Revenue per Service Hour	727	727	-
Service Hours	20,702	21,491	(4%)
Service rig utilization	37%	38%	(3%)

(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$0.2 million for the three months ended March 31, 2020.

Financial Position at (stated in thousands)	March 31, 2021	December 31, 2020	March 31, 2020
Working capital	13,427	15,997	20,918
Property and equipment	440,836	452,040	496,974
Total assets	478,527	495,625	542,131
Long term debt	233,418	237,633	239,118

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, while its division, Aero Rental Services ("Aero") provides oilfield rental equipment services. Stoneham's division, Western Oilfield Services, provides well servicing operations in the US. 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 rigs[2], 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 third largest well servicing company in Canada, based on the CAODC registered rigs[3], 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, abandonment 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, 2021 and 2020.

	Three months ended March 31		
	2021	2020	Change
Average crude oil and natural gas prices(1)(2)			
Crude Oil			
West Texas Intermediate (US$/bbl)	57.84	46.17	25%
Western Canadian Select (CDN$/bbl)	57.43	34.10	68%
Natural Gas			
30 day Spot AECO (CDN$/mcf)	3.05	1.98	54%
Average foreign exchange rates(2)			
US dollar to Canadian dollar	1.27	1.34	(5%)

(1) See "Abbreviations" included in this press release.
(2) Source: Sproule March 31, 2021 Price Forecast, Historical Prices.

West Texas Intermediate ("WTI") on average improved by 25% for the three months ended March 31, 2021 compared to the same period in the prior year. Similarly, pricing on Western Canadian Select ("WCS") crude oil increased by 68% for the three months ended March 31, 2021, compared to the same period in the prior year. While crude oil prices in 2021 for both Canada and the US continued to be impacted by the ongoing COVID-19 pandemic, pricing has improved as demand for crude oil begins to recover as vaccine rollouts continue worldwide and OPEC continued to maintain production cuts. Natural gas prices in Canada also strengthened in 2021, as the 30 day spot AECO price improved by 54% for the three months ended March 31, 2021 compared to the same period of the prior year. Offsetting this increase in pricing, the US dollar to the Canadian dollar foreign exchange rate weakened in the first quarter of 2021 compared to the same period of the prior year, which impacted the cash flows of Western's Canadian customers, when selling US dollar denominated commodities.

[2] Source: CAODC Contractor Summary as at April 26, 2021.
[3] Source: CAODC Fleet List as at April 26, 2021.

In the United States, industry activity continued to be low in 2021. As reported by Baker Hughes Company[4], the number of active drilling rigs in the United States decreased by approximately 35% to 430 rigs at March 31, 2021, as compared to the same period in the prior year. Low demand as a result of the ongoing COVID-19 pandemic continues to have an impact on industry activity in both the US and in Canada in 2021. 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 through the drill bit in Canada and the US. The number of active rigs in the WCSB improved to 79 active rigs at March 31, 2021, compared to 49 active rigs at March 31, 2020. The CAODC[5] reported that for drilling in Canada, the total number of Operating Days in the WCSB decreased by approximately 29% in the first quarter of 2021 as compared to the first quarter of 2020.

Outlook

Currently, 5 of Western's drilling rigs and 13 of Western's well servicing rigs are operating. 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 demand destruction in 2020 which continued into 2021 associated with the COVID-19 pandemic, Western's capital budget for 2021 is approximately $6 million, which is expected to be comprised of maintenance capital, of which $4 million is for the contract drilling segment and $2 million is for the production services segment. Western believes the 2021 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.

While crude oil prices reached historical lows in 2020 due to the demand destruction caused by the COVID-19 pandemic, in the first quarter of 2021, crude oil prices began to recover. However, uncertainty now exists concerning the timing of COVID-19 vaccine distribution and the potential impact of COVID-19 variants on possible future government restrictions, both of which have an impact on demand in the near term. 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, the January 2021 executive order by the President of the United States cancelling the permit that had allowed construction of the Keystone XL pipeline, the uncertain timing of completion of construction on the Trans Mountain pipeline expansion, as well as uncertainty regarding the in service date of the Enbridge Line 3 pipeline replacement and the threatened shutdown of Enbridge Line 5 in May 2021, have all resulted in continued uncertainty regarding takeaway capacity. However, activity levels in Canada and the United States in 2021 are expected to be marginally higher than 2020 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. Western continues to identify further opportunities to streamline its support structure and implement additional cost control measures. Going forward, Western expects that its variable cost structure, and prudent capital budget, will aid in preserving its balance sheet.

As at March 31, 2021, Western had $8.0 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 July 1, 2022 and $12.5 million drawn on its HSBC Bank Canada ("HSBC") six-year committed term non-revolving facility with the participation of Business Development Canada ("BDC" and together the "HSBC Facility"), which matures December 31, 2026. Western currently has $208.6 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 due to 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.

[4] Source: Baker Hughes Company, 2021 Rig Count monthly press releases.

[5] Source: CAODC, monthly Contractor Summary.

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:

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:

	Three months ended March 31	
(stated in thousands)	**2021**	**2020**
Net loss	**(6,454)**	**(15,331)**
Income tax recovery	(2,062)	(5,139)
Loss before income taxes	**(8,516)**	**(20,470)**
Add (deduct):		
Depreciation	10,806	12,898
Stock based compensation	68	100
Finance costs	4,568	4,678
Other items	(35)	(345)
Impairment of property and equipment	-	11,500
Adjusted EBITDA	**6,891**	**8,361**

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 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 COVID-19 pandemic and the related economic environment; the potential impact of the ongoing COVID-19 pandemic on the oil and gas industry in Canada and the United States; 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 maintenance capital plans for 2021 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 2021 capital budget; expectations as to the changes in crude oil transportation capacity through pipeline developments and uncertainties relating thereto; 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; and the Company's ability to find and maintain enough field crew members.

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, pipeline and LNG export facility 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 2021 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, 2020 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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