WESTERN ENERGY SERVICES CORP. RELEASES SECOND QUARTER 2022 FINANCIAL AND OPERATING RESULTS

FOR IMMEDIATE RELEASE: July 25, 2022

CALGARY, ALBERTA – Western Energy Services Corp. ("Western" or the "Company") (TSX: WRG) announces the release of its second quarter 2022 financial and operating results. Additional information relating to the Company, including the Company's financial statements and management's discussion and analysis as at June 30, 2022 and for the three and six months ended June 30, 2022 and 2021 will be available on SEDAR at www.sedar.com. Non-International Financial Reporting Standards ("Non-IFRS") measures and ratios, such as Adjusted EBITDA and Adjusted EBITDA as a percentage of revenue, as well as 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.

Second Quarter 2022 Operating Results:

- Second quarter revenue increased by $10.2 million or 50%, to $30.6 million in 2022 as compared to $20.4 million in the second quarter of 2021. Contract drilling revenue totalled $17.2 million in the second quarter of 2022, an increase of $5.3 million or 44%, compared to $11.9 million in the second quarter of 2021. Production services revenue was $13.5 million for the three months ended June 30, 2022, as compared to $8.6 million in the same period of the prior year, an increase of $4.9 million or 57%. In the second quarter of 2022, revenue was positively impacted by improved demand compared to 2021 as described below:
    - In Canada, drilling rig utilization averaged 10% in the second quarter of 2022, compared to 9% in the second quarter of 2021. The increase in activity in the second quarter of 2022 was mainly attributable to the higher commodity prices resulting from the war in Ukraine, the COVID-19 vaccination rollouts and the lifting of government restrictions which re-opened the economy, compared to the second quarter of 2021 when the COVID-19 pandemic reduced demand across the industry. The Canadian Association of Energy Contractors ("CAOEC") industry average utilization of 23%[1] for the second quarter of 2022 represented an increase of 800 basis points ("bps") compared to the CAOEC industry average of 15% in the second quarter of 2021. Western's market share, represented by the Company's Operating Days as a percentage of the CAOEC's total Operating Days in the Western Canadian Sedimentary Basin ("WCSB"), decreased to 3.3% for the second quarter of 2022, as compared to 6.2% in the same period of 2021, as a result of limited capital spent on rig upgrades during the economic downturn and wet weather in the areas the Company operates. Revenue per Operating Day averaged $29,800 in the second quarter of 2022, an increase of 34% compared to the same period of the prior year, mainly due to improved market rates, as well as the 2021 CAOEC wage increase that is passed through to the customer;
    - In the United States ("US"), drilling rig utilization averaged 34% in the second quarter of 2022, compared to 21% in the second quarter of 2021, with Operating Days improving from 151 days in 2021 to 250 days in 2022. Revenue per Operating Day for the second quarter of 2022 averaged US$23,945, a 67% increase compared to US$14,312 in the same period of the prior year, mainly due to improved market conditions and changes in rig mix, as there was more activity with the Company's higher spec rigs which command higher day rates; and
    - In Canada, service rig utilization of 32% in the second quarter of 2022 was higher than 27% in the same period of the prior year, mainly due to improved activity resulting from higher commodity prices. Revenue per Service Hour averaged $943 in the second quarter of 2022 and was 38% higher than the second quarter of 2021, as a result of improved market conditions which led to higher hourly rates, as well as increased labour and fuel charges passed through to the customer. Higher pricing led to production services revenue totaling $13.5 million in the second quarter of 2022, an increase of $4.9 million or 57%, as compared to the same period in the prior year.
- Administrative expenses increased by $1.1 million or 48%, to $3.4 million in the second quarter of 2022, as compared to $2.3 million in the second quarter of 2021, due to reduced COVID-19 government subsidies.
- The Company incurred net income of $35.4 million in the second quarter of 2022 ($0.02 net income per basic common share) as compared to a net loss of $12.9 million in the same period in 2021 ($0.14 net loss per basic common share). The change can mainly be attributed to a $49.4 million gain on debt forgiveness related to the Restructuring Transaction as described below, a $0.7 million decrease in finance costs due to the lower total debt balance, a $0.5 million decrease in depreciation expense due to certain assets being fully depreciated in the period, and a $0.3 million increase in Adjusted EBITDA, offset partially by a $2.4 million increase in income tax expense.
- Second quarter Adjusted EBITDA of $2.5 million in the second quarter of 2022 was $0.3 million, or 14%, higher compared to $2.2 million in the second quarter of 2021. Adjusted EBITDA was higher due to improved activity in Canada and the US, offset partially by $2.6 million lower COVID-19 related government subsidies received in 2022, as well as approximately $1.1 million of one-time startup costs associated with reactivating certain rigs in the Company's rig fleet.

[1] Source: CAOEC, monthly Contractor Summary.

- Second quarter additions to property and equipment of $14.0 million in 2022 compared to $2.6 million incurred in the second quarter of 2021 and consisted of $12.4 million of expansion capital and $1.6 million of maintenance capital, as the Company initiated its rig upgrade program in 2022.
- On May 18, 2022, Western completed a recapitalization and debt restructuring transaction to restructure a portion of its outstanding debt and raise new capital (the "Restructuring Transaction").
  - As part of the Restructuring Transaction, on May 18, 2022, Western completed a rights offering to holders of its common shares on April 19, 2022 to subscribe for additional common shares (the "Rights Offering"), resulting in the issuance of an aggregate of 1,968,867,475 common shares in the capital of the Company at a price of $0.016 per share for aggregate gross proceeds of approximately $31.5 million. As the Rights Offering was fully subscribed, Western did not utilize a standby commitment whereby G2S2 Capital Inc. ("G2S2"), Armco Alberta Inc. ("Armco") and MATCO Investments Ltd. ("Matco"), each a significant shareholder of the Company, agreed to acquire any common shares not subscribed for under the Rights Offering.
  - $100.0 million of the principal amount owing to Alberta Investment Management Corporation ("AIMCo"), the lender under Western's second lien term loan facility (the "Second Lien Facility"), was converted into 2 billion common shares at a conversion price of $0.05 per common share (the "Debt Exchange"), resulting in AIMCo holding approximately 49.7% of the common shares following closing of the Restructuring Transaction. In addition, $10.0 million of the proceeds from the Rights Offering was paid by Western to AIMCo to further reduce the principal amount outstanding under the Second Lien Facility, with the remaining $21.5 million of the proceeds, net of expenses of the Restructuring Transaction, being used primarily for upgrades to the Company's rig fleet, as well as for general corporate purposes.
  - Concurrent with the Debt Exchange and the repayment of $10.0 million of the principal amount of the Second Lien Facility, the Second Lien Facility was amended to provide for an extension of the maturity of the remaining principal amount of the Second Lien Facility from January 31, 2023 to May 18, 2026; and an increase in the interest rate from 7.25% to 8.5%.
  - In addition, as part of the Restructuring Transaction, the senior secured credit facilities (the "Credit Facilities") of the Company were amended with effect as of May 18, 2022, including amendments to (a) extend the maturity of the Credit Facilities from July 1, 2022 to May 18, 2025, (b) reduce the amount available under the Credit Facilities from $60.0 million to $45.0 million, and (c) revise certain financial covenants.
- Concurrent with closing of the Restructuring Transaction, the Company, AIMCo, G2S2, Armco, Matco and Ronald P. Mathison entered into an investor rights agreement pursuant to which AIMCo was granted the right to nominate two directors for election to Western's board for so long as AIMCo's shareholding percentage of the Company is 30% or greater. As a result, Western's directors approved the appointment of two nominees designated by AIMCo to the board of directors of the Company. AIMCo's nominees, Trent Boehm and Colleen Cebuliak, joined the board of directors of the Company effective May 24, 2022. The Company and AIMCo also entered into a registration rights agreement pursuant to which AIMCo was granted the right to cause the Company to file a prospectus to facilitate the sale of its common shares in a public offering, or to allow it to participate in a public offering of common shares by the Company, in each case subject to certain customary restrictions and limitations.

  Details on the Restructuring Transaction are contained in Western's short form prospectus dated April 11, 2022 and related documents filed under Western's SEDAR profile on www.sedar.com.
- At the Company's annual and special meeting on June 29, 2022, Western's shareholders approved the consolidation of the Company's issued and outstanding common shares (the "Consolidation") at a ratio, to be determined by Western's directors, between 75 and 120 pre-consolidation common shares to one post-consolidation common share. On July 25, 2022, Western's board of directors resolved to proceed with the Consolidation of the Company's common shares at a ratio of one post-consolidation common share for every 120 pre-consolidation common shares. The Consolidation is expected to be effective as of August 1, 2022. Subject to the receipt of all required and final approvals, the Company's common shares are expected to begin trading on the TSX, on a consolidated basis, within two to three trading days following the receipt by the TSX of all required documents upon completion of the Consolidation. The Company will provide further information regarding the share consolidation, including with respect to the process for exchanging share certificates for post-consolidation share certificates, in a separate news release closer to the effective date. The Consolidation will reduce the number of issued and outstanding common shares of the Company from 4,060,663,214 common shares to approximately 33,838,860 common shares, and proportionate adjustments will be made to the Company's outstanding restricted share units and options. The common shares will continue to trade on the TSX under the trading symbol "WRG" following the Consolidation.

Year to Date 2022 Operating Results:

- Revenue for the six months ended June 30, 2022 increased by $23.7 million or 41%, to $81.1 million as compared to $57.4 million for the six months ended June 30, 2021. In the contract drilling segment, revenue totalled $48.2 million for the six months ended June 30, 2022, an increase of $16.0 million or 50%, compared to $32.2 million in the same period in 2021. In the production services segment, revenue totalled $33.1 million for the six months ended June 30, 2022, as compared to $25.4 million in the same period of the prior year, an increase of $7.7 million or 30%. While the ongoing COVID-19 pandemic continued to impact the contract drilling and production services segments in 2022, revenue was positively impacted by improved demand and pricing compared to 2021 as described below:
  - In Canada, drilling rig utilization averaged 21% for the six months ended June 30, 2022, compared to 15% for the six months ended June 30, 2021. The increase in activity in 2022 was mainly attributable to the higher commodity prices resulting from the war in Ukraine, the COVID-19 vaccination rollouts and the lifting of government restrictions which re-opened the economy, compared to the first half of 2021 when the COVID-19 pandemic reduced demand across the industry. The CAOEC industry average utilization of 31%[2] for the six months ended June 30, 2022 represented an increase of 1,000 bps compared to the CAOEC industry average of 21% for the six months ended June 30, 2021. Western's market share, represented by the Company's Operating Days as a percentage of the CAOEC's total Operating Days in the WCSB, decreased to 5.4% for the first half of 2022, as compared to 7.5% in first half of 2021, as a result of limited capital spent on rig upgrades during the economic downturn and wet weather in the second quarter of 2022. Revenue per Operating Day averaged $27,172 for the six months ended June 30, 2022, an increase of 29% compared to the same period of the prior year, mainly due to improved market rates, as well as the 2021 CAOEC wage increase that is passed through to the customer;
  - In the US, drilling rig utilization averaged 24% for the six months ended June 30, 2022, compared to 13% in the same period of 2021, with Operating Days improving from 189 days in 2021 to 350 days in 2022. Revenue per Operating Day for the six months ended June 30, 2022 averaged US$22,565, a 57% increase compared to US$14,366 for the six months ended June 30, 2021, mainly due to improved market conditions; and
  - In Canada, service rig utilization of 40% for the six months ended June 30, 2022 was comparable to 39% for the six months ended June 30, 2021, mainly due to field crew shortages across the industry and very cold weather in the first quarter of 2022. Revenue per Service Hour averaged $902 for the six months ended June 30, 2022 and was 27% higher than the same period of 2021, as a result of improved market conditions which led to higher hourly rates, as well as increased labour and fuel charges passed through to the customer. Higher pricing led to production services revenue totalling $33.1 million for the six months ended June 30, 2022, an increase of $7.7 million or 30%, as compared to the same period in the prior year.
- Administrative expenses increased by $1.4 million or 26%, to $6.8 million for the six months ended June 30, 2022, as compared to $5.4 million in the same period of 2021, due to lower receipts related to government subsidy programs, as both the Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy programs ended in 2021 and were replaced with smaller government subsidy programs.
- The Company incurred net income of $31.6 million for the six months ended June 30, 2022 ($0.03 net income per basic common share) as compared to a net loss of $19.4 million in the same period in 2021 ($0.21 net loss per basic common share). The change can mainly be attributed to a $49.4 million gain on debt forgiveness related to the Restructuring Transaction described previously, a $3.8 million increase in Adjusted EBITDA, a $1.4 million decrease in depreciation expense due to certain assets being fully depreciated in the period, and a $0.6 million decrease in finance costs, offset partially by a $4.1 million increase in income tax expense.
- Adjusted EBITDA of $12.9 million for the six months ended June 30, 2022 was $3.8 million, or 42%, higher compared to $9.1 million in the same period of 2021. Adjusted EBITDA was higher due to improved activity and pricing in Canada and the US, offset partially by $5.9 million lower COVID-19 related government subsidies and $1.5 million in one-time startup costs associated with reactivating certain rigs in the Company's rig fleet.
- Year to date 2022 additions to property and equipment of $18.1 million compared to $3.4 million incurred in the same period of 2021 and consisted of $14.9 million of expansion capital and $3.2 million of maintenance capital, as the Company initiated its rig upgrade program in 2022.

[2] Source: CAOEC, monthly Contractor Summary.

Selected Financial Information

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

	Three months ended June 30			Six months ended June 30		
Financial Highlights	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Revenue	30,594	20,386	50%	81,069	57,355	41%
Adjusted EBITDA(1)	2,498	2,197	14%	12,889	9,088	42%
Adjusted EBITDA as a percentage of revenue(1)	8%	11%	(27%)	16%	16%	-
Cash flow from operating activities	8,726	9,410	(7%)	15,185	10,919	39%
Additions to property and equipment	13,956	2,555	446%	18,050	3,428	427%
Net income (loss)	35,431	(12,940)	(374%)	31,597	(19,394)	(263%)
– basic and diluted net income (loss) per share	0.02	(0.14)	(114%)	0.03	(0.21)	(114%)
Weighted average number of shares						
– basic	1,967,191,380	91,200,629	2,057%	1,034,644,702	91,192,715	1,035%
– diluted	1,967,364,527	91,200,629	2,057%	1,035,003,665	91,192,715	1,035%
Outstanding common shares as at period end	4,060,662,344	91,201,609	4,352%	4,060,662,344	91,201,609	4,352%

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

	Three months ended June 30			Six months ended June 30		
Operating Highlights(2)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Contract Drilling						
Canadian Operations:						
Contract drilling rig fleet:						
– Average active rig count	3.5	4.5	(22%)	7.8	7.5	4%
– End of period	37(4)	49	(24%)	37(4)	49	(24%)
Operating Days	322	407	(21%)	1,403	1,360	3%
Revenue per Operating Day	29,800	22,218	34%	27,172	21,057	29%
Drilling rig utilization	10%	9%	11%	21%	15%	40%
CAOEC industry average utilization – Operating Days(3)	23%	15%	53%	31%	21%	48%
United States Operations:						
Contract drilling rig fleet:						
– Average active rig count	2.7	1.7	59%	1.9	1.0	90%
– End of period	8	8	-	8	8	-
Operating Days	250	151	66%	350	189	85%
Revenue per Operating Day (US$)	23,945	14,312	67%	22,565	14,366	57%
Drilling rig utilization	34%	21%	62%	24%	13%	85%
Production Services						
Well servicing rig fleet:						
– Average active rig count	19.9	16.7	19%	25.5	24.3	5%
– End of period	63	63	-	63	63	-
Service Hours	12,970	10,891	19%	33,143	31,593	5%
Revenue per Service Hour	943	683	38%	902	712	27%
Service rig utilization	32%	27%	19%	40%	39%	3%

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

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

(4) During the first quarter of 2022, 12 drilling rigs were deregistered with the CAOEC.

Financial Position at (stated in thousands)	June 30, 2022	December 31, 2021	June 30, 2021
Working capital	11,763	2,224	(504)
Total assets	458,196	456,003	460,443
Long term debt	121,776	226,884	225,590

Business Overview

Western is an energy services company that provides contract drilling services in Canada and in the US and production services in Canada through its various divisions, subsidiaries, and first nations joint venture.

Contract Drilling Services

Western operates a fleet of 45 drilling rigs specifically suited for drilling complex horizontal wells across Canada and the US. Western is currently the fourth largest drilling contractor in Canada, based on the CAOEC registered drilling rigs[3]. In the first quarter of 2022, Western deregistered 12 drilling rigs with the CAOEC, all of which can be reactivated at a later date.

Production Services

Production Services provides well servicing and oilfield equipment rentals in Canada. Western operates 63 well servicing rigs and is the third largest well servicing company in Canada based on CAOEC registered well servicing rigs[4]. During the fourth quarter of 2021, the Company sold three well servicing rigs that operated in the United States.

Western's contract drilling and well servicing rig fleets comprise the following:

Drilling rigs	Six months ended June 30						Well servicing rigs		
	2022			2021				2022	2021
Rig class(1)	Canada	US	Total	Canada	US	Total	Mast type	Total	Total
Cardium	11	2	13	23	2	25	Single	30	33
Montney	19	-	19	19	-	19	Double	25	25
Duvernay	7	6	13	7	6	13	Slant	8	8
Total	37	8	45	49	8	57		63	66

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

Business Environment

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 six months ended June 30, 2022 and 2021.

	Three months ended June 30			Six months ended June 30		
	2022	2021	Change	2022	2021	Change
Average crude oil and natural gas prices(1)(2)						
Crude Oil						
West Texas Intermediate (US$/bbl)	108.41	66.03	64%	101.35	61.94	64%
Western Canadian Select (CDN$/bbl)	122.08	66.98	82%	111.56	62.20	79%
Natural Gas						
30 day Spot AECO (CDN$/mcf)	7.53	3.18	137%	6.24	3.21	94%
Average foreign exchange rates(2)						
US dollar to Canadian dollar	1.28	1.23	4%	1.27	1.25	2%

(1) See "Abbreviations" included in this press release.
(2) Source: Sproule June 30, 2022 Price Forecast, Historical Prices.

West Texas Intermediate on average improved by 64% for both the three and six months ended June 30, 2022 respectively, compared to the same periods in the prior year. Similarly, pricing on Western Canadian Select crude oil increased by 82% and 79% respectively, for the three and six months ended June 30, 2022, compared to the same periods in the prior year. In 2022, pricing increased due to the war in Ukraine which caused significant price volatility, as well as improved demand combined with tight supplies of crude oil. Natural gas prices in Canada also strengthened in 2022 due to the same factors, as the 30-day spot AECO price improved by 137% and 94% for the three and six months ended June 30, 2022, compared to the same periods of the prior year. While commodity prices improved, the US dollar to the Canadian dollar foreign exchange rate for the three and six months ended June 30, 2022 strengthened by 4% and 2% respectively, compared to the same periods of the prior year.

[3] Source: CAOEC Contractor Summary as at July 25, 2022.

[4] Source: CAOEC Fleet List as at July 25, 2022.

In the United States, industry activity improved in the second quarter of 2022. As reported by Baker Hughes Company[5], the number of active drilling rigs in the United States increased by approximately 58% to 750 rigs as at June 30, 2022, as compared to 475 rigs at June 30, 2021. There were 177 active rigs in the WCSB at June 30, 2022, compared to 139 active rigs as at June 30, 2021. The CAOEC[6] reported that for drilling in Canada, the total number of Operating Days in the WCSB increased by approximately 50% for the three months ended June 30, 2022, compared to the same period in the prior year. For the six months ended June 30, 2022, the total number of Operating Days in the WCSB were 42% higher than the same period of the prior year. Despite improved commodity prices, there remains continued service industry concerns over the prevailing customer preference to return cash to shareholders, or pay down debt, rather than grow production through the drill bit.

Outlook

In the first half of 2022, crude oil prices reached their highest levels since 2014, due to recovering demand as governments eased COVID-19 restrictions, the Russian invasion of Ukraine and supply constraints. Uncertainty still persists concerning the ongoing war in Ukraine causing further volatility in crude oil prices and tight supply. The precise duration and extent of the adverse impacts of the current macroeconomic environment, including the ongoing COVID-19 pandemic on Western's customers, operations, business and global economic activity remains highly uncertain at this time. Additionally, the delayed timing of completion of construction on the Trans Mountain pipeline expansion and the threatened shutdown of Enbridge Line 5, have contributed to continued uncertainty regarding takeaway capacity. However, activity levels in 2022 are expected to be higher than 2021 levels as a result of increased capital spending by Western's customers. Controlling fixed costs, maintaining balance sheet strength and flexibility and managing through a post-pandemic market are priorities for the Company, as prices and demand for Western's services continue to improve.

Due to improved activity in the first half of 2022, as a result of the successful COVID-19 vaccine rollout, the lifting of government restrictions, and the closing of the Restructuring Transaction, Western's Board of Directors approved a capital budget for 2022 of $34 million and is comprised of $23 million of expansion capital and $11 million of maintenance capital, with $29 million allocated to the contract drilling segment and $5 million allocated to the production services segment. Substantially all of the net proceeds from the Rights Offering are being used to upgrade the Company's drilling rig fleet which will drive further improvements in both utilization and pricing through all industry cycles. Western will continue to manage its costs in a disciplined manner and make required adjustments to its capital program as customer demand changes. Currently, 17 of Western's drilling rigs and 20 of Western's well servicing rigs are operating.

As at June 30, 2022, Western had no amounts drawn on its $45.0 million Credit Facilities. As described previously, subsequent to December 31, 2021, the Company amended the terms of its Credit Facilities, including extending the maturity date and amending its financial covenants. Western currently has $11.9 million outstanding on its HSBC Bank Canada six-year committed term non-revolving facility with the participation of Business Development Canada (the "HSBC Facility"), which matures on December 31, 2026. Western currently has $107.7 million outstanding on its Second Lien Facility. As previously announced on May 18, 2022, the Company closed its Rights Offering and Debt Restructuring Transaction, resulting in reduced debt levels, as well as the extension of the maturity date of the Second Lien Facility and the Credit Facilities. The Debt Restructuring Transaction resulted in a $100.0 million decrease in the principal amount owing under the Second Lien Facility, resulting from the Debt Exchange and the repayment of $10.0 million of the principal amount of the Second Lien Facility using proceeds from the Rights Offering, which will reduce the Company's finance costs on a go forward basis. The remaining net proceeds from the Rights Offering are being invested in capital upgrades on its drilling rig fleet.

Oilfield service activity in Canada will be affected by the continued development of resource plays in Alberta and northeast British Columbia which will be impacted by continued pipeline construction, environmental regulations, and the level of investment in Canada. In the short term, the largest challenges facing the oilfield service industry are a lack of qualified field personnel and the restrained growth in customer drilling activity due to the continuing preference to return cash to shareholders through share buybacks, increased dividends and repayment of debt, rather than grow production. If commodity prices remain high for an extended period and as customers strengthen their balance sheets and satisfy shareholders, we expect that drilling activity will continue to increase. 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 upgraded drilling rigs and modern well servicing rigs, reputation for quality, and disciplined cash management provides Western with a competitive advantage.

[5] Source: Baker Hughes Company, 2022 Rig Count monthly press releases.

[6] Source: CAOEC, monthly Contractor Summary.

Non-IFRS Measures and Ratios

Western uses certain financial measures in this press release which do not have any standardized meaning as prescribed by International Financial Reporting Standards (“IFRS”). These measures and ratios, 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 and ratios 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 and ratio 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 income (loss) for consolidated results.

Adjusted EBITDA as a percentage of revenue is a non-IFRS financial ratio which is calculated by dividing Adjusted EBITDA by revenue for the relevant period. Adjusted EBITDA as a percentage of revenue is a useful supplemental measure as it is used by management and other stakeholders, including current and potential investors, to analyze the profitability of the Company’s principal operating segments.

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

	Three months ended June 30		**Six months ended June 30**	
(stated in thousands)	**2022**	**2021**	**2022**	**2021**
Net income (loss)	**35,431**	**(12,940)**	**31,597**	**(19,394)**
Income tax expense (recovery)	2,441	-	2,022	(2,062)
Income (loss) before income taxes	**37,872**	**(12,940)**	**33,619**	**(21,456)**
Add (deduct):				
Gain on debt forgiveness	(49,357)	-	(49,357)	-
Depreciation	9,989	10,480	19,908	21,286
Stock based compensation	308	112	340	180
Finance costs	3,855	4,525	8,482	9,093
Other items	(169)	20	(103)	(15)
Adjusted EBITDA	**2,498**	**2,197**	**12,889**	**9,088**

Defined Terms:

Average active rig count (contract drilling): Calculated as drilling rig utilization 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.

Drilling rig utilization: Calculated based on Operating 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 as total Service Hours divided by 217 hours per month per rig multiplied by the average rig count for the period as defined by the CAOEC industry standard.

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 Energy Contractors ("CAOEC");
- DecaNewton ("daN");
- International Financial Reporting Standards ("IFRS");
- Pounds ("lbs");
- Thousand cubic feet ("mcf"); and
- Western Canadian Sedimentary Basin ("WCSB").

Forward-Looking Statements and Information

This press release contains certain forward-looking statements and forward-looking information (collectively, "forward-looking information") within the meaning of applicable Canadian securities laws, as well as other information based on Western's current expectations, estimates, projections and assumptions based on information available as of the date hereof. 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", 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 forward-looking 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, the expectation of improved activity levels in 2022 as a result of increased capital spending by Western's customers; the potential impact of the ongoing COVID-19 pandemic on Western's customers, operations, business and global economic activity; the potential impact of the current conflict in Ukraine on commodity prices and the demand for Western's services; the pricing for the Company's services and equipment; the Company's expected total capital budget for 2022, including the allocation of such budget; the Company's liquidity needs including the ability of current capital resources to cover Western's financial obligations; the use, availability and sufficiency of the Company's Credit Facilities; the Company's ability to maintain certain covenants under its Credit Facilities; the repayment of the Company's debt; maturities of the Company's contractual obligations with third parties; the Consolidation, including the expected timing of completion, the consolidation ratio, the timing of the common shares trading on the TSX on a consolidated basis, and the anticipated benefits to the Company; the use of proceeds from the Rights Offering; expectations as to the benefits of the LNG Canada natural gas project in British Columbia on the Company and its rig fleet; 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 ability to maintain a competitive advantage; and the Company's ability to find and maintain enough field crew members.

The material assumptions that could cause results or events to differ from current expectations reflected in the forward-looking information 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; crude oil transport, pipeline and LNG export facility approval and development; liquidity and 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); global economic conditions and the accuracy of the Company's market outlook expectations for 2022 and in the future; the impact, direct and indirect, of the COVID-19 pandemic and geo-political events, including the war in Ukraine on Western's 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; the conditional approval by the TSX of matters relating to the Consolidation; that there are no unforeseen events preventing the performance of contracts and general business, economic and market conditions.

Although Western believes that the expectations and assumptions on which such forward-looking information is based on are reasonable, undue reliance should not be placed on the forward-looking information as Western cannot give any assurance that such will prove to be correct. By its nature, forward-looking information is subject to 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 ongoing impact of the COVID-19 pandemic and geo-political events, including the war in Ukraine on global demand and prices for oil and gas, including the impact on demand for Western's services; volatility in market prices for crude oil and natural gas and the effect of this volatility on the demand for oilfield services generally; reduced exploration and development activities by customers and the effect of such reduced activities on Western’s services and products; political, economic, and environmental conditions in Canada, the United States, Ukraine and globally; supply and demand for oilfield services relating to contract drilling, well servicing and oilfield rental equipment services; changes to laws, regulations and policies; failure of counterparties to perform or comply with their obligations under contracts; regional competition and the increase in new or upgraded rigs; the Company's ability to attract and retain skilled labour; Western's ability to obtain debt or equity financing and to fund capital operating and other expenditures and obligations; the potential need to issue additional debt or equity and the potential resulting dilution of shareholders; the Company's ability to comply with the covenants under the Credit Facilities, HSBC Facility and the Second Lien Facility and the restrictions on its operations and activities if it is not compliant with such covenants; Western's ability to protect itself from “cyber-attacks” which could compromise its information systems and critical infrastructure; 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 headings “Risk Factors” in Western’s annual information form for the year ended December 31, 2021, which may be accessed through the SEDAR website at www.sedar.com. The forward-looking statements and information contained in this news 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.

For more information, please contact: Alex R.N. MacAusland, President and CEO, or Jeffrey K. Bowers, Senior VP Finance and CFO at 403.984.5916