WESTERN ENERGY SERVICES CORP. RELEASES FOURTH QUARTER AND YEAR END 2022 FINANCIAL AND OPERATING RESULTS

FOR IMMEDIATE RELEASE: February 28, 2023

CALGARY, ALBERTA – Western Energy Services Corp. ("Western" or the "Company") (TSX: WRG) announces the release of its fourth quarter and year end 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 and for the year ended December 31, 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 other supplemental financial measures, 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.

Fourth Quarter 2022 Operating Results:

- Fourth quarter revenue increased by $19.4 million or 47%, to $60.8 million in 2022 as compared to $41.4 million in the fourth quarter of 2021. Contract drilling revenue totalled $43.2 million in the fourth quarter of 2022, an increase of $18.1 million or 72%, compared to $25.1 million in the fourth quarter of 2021. Production services revenue was $17.8 million for the three months ended December 31, 2022, an increase of $1.4 million or 8%, as compared to $16.4 million in the same period of the prior year. In the fourth quarter of 2022, revenue was positively impacted by improved pricing compared to the fourth quarter of 2021 as described below:
  - In Canada, Operating Days of 928 days in the fourth quarter of 2022 were down 12 (or 1%) compared to 940 days in the fourth quarter of 2021, resulting in drilling rig utilization of 28% in the fourth quarter of 2022 compared to 21% in the same period of the prior year. In 2022, the Company deregistered 13 drilling rigs, all of which can be reactivated at a later date, which increased the drilling rig utilization percentage. The Canadian Association of Energy Contractors ("CAOEC") industry average utilization of 40%[1] for the fourth quarter of 2022 represented an increase of 1,000 basis points ("bps") compared to the CAOEC industry average utilization of 30% in the fourth quarter of 2021. Revenue per Operating Day averaged $33,923 in the fourth quarter of 2022, an increase of 41% compared to the same period of the prior year, mainly due to improved pricing, rig upgrades, and inflationary pressures on operating costs, including higher CAOEC industry wages and fuel charges that are passed through to the customer;
  - In the United States, drilling rig utilization averaged 40% in the fourth quarter of 2022, compared to 14% in the fourth quarter of 2021, with Operating Days improving from 100 days in the fourth quarter of 2021 to 293 days in the same period of 2022. Average active industry rigs of 760 in the fourth quarter of 2022 were 36% higher compared to the fourth quarter of 2021. Revenue per Operating Day for the fourth quarter of 2022 averaged US$29,439, a 47% increase compared to US$20,092 in the same period of the prior year, mainly due to improved pricing 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 38% in the fourth quarter of 2022 was lower than 46% in the same period of the prior year, mainly due to very cold weather in December 2022, which caused some customers to defer their capital programs into 2023. Revenue per Service Hour averaged $991 in the fourth quarter of 2022 and was 27% higher than the fourth quarter of 2021, due to improved pricing and inflationary pressures on operating costs, including higher CAOEC industry wages and fuel charges that are passed through to the customer.
- Administrative expenses increased by $1.3 million or 52%, to $3.8 million in the fourth quarter of 2022, as compared to $2.5 million in the fourth quarter of 2021, due to higher employee related costs along with inflationary cost increases associated with improved industry activity.
- The Company generated a net loss of $3.1 million in the fourth quarter of 2022 ($0.09 net loss per basic common share) as compared to a net loss of $6.0 million in the same period in 2021 ($0.90 net loss per basic common share). The change can mainly be attributed to a $3.2 million increase in Adjusted EBITDA, a $1.7 million decrease in finance costs due to the lower total debt balance, offset partially a $0.9 million increase in income tax expense, a $0.8 million increase in stock based compensation expense, a $0.2 million increase in the loss on asset disposals and a $0.2 million increase in depreciation expense due to property and equipment additions.
- Adjusted EBITDA of $12.2 million in the fourth quarter of 2022 was $3.2 million, or 36%, higher compared to $9.0 million in the fourth quarter of 2021. Adjusted EBITDA was higher due to improved activity in the US and higher pricing in Canada and in the US, and $1.0 million related to the receipt of the Employee Retention Credit in the US ("ERC") which was offset by one-time costs of $1.6 million related to reactivating certain drilling rigs.

[1] Source: CAOEC, monthly Contractor Summary.

- Fourth quarter additions to property and equipment of $7.7 million in 2022 compared to $2.1 million in the fourth quarter of 2021, consisting of $6.0 million of expansion capital and $1.7 million of maintenance capital, as the Company continued its rig upgrade program initiated in 2022.

2022 Operating Results:

- Revenue for the year ended December 31, 2022 increased by $68.6 million or 52%, to $200.3 million as compared to $131.7 million for the year ended December 31, 2021. In the contract drilling segment, revenue totalled $129.5 million for the year ended December 31, 2022, an increase of $52.7 million or 69%, compared to $76.8 million in the same period in 2021. In the production services segment, revenue totalled $71.3 million for the year ended December 31, 2022, as compared to $55.5 million in the same period of the prior year, an increase of $15.8 million or 28%. Revenue was positively impacted by improved pricing in 2022, compared to 2021 as described below:
    - In Canada, there were 3,241 Operating Days for the year ended December 31, 2022, compared to 3,124 Operating Days for the year ended December 31, 2021, resulting in drilling rig utilization of 24% in 2022, compared to 18% in 2021. In 2022, the Company deregistered 13 drilling rigs, all of which can be reactivated at a later date, which increased the drilling rig utilization percentage. The CAOEC industry average utilization of 35%[2] for the year ended December 31, 2022 represented an increase of 1,000 bps compared to the CAOEC industry average of 25% for the year ended December 31, 2021. Revenue per Operating Day averaged $29,698 for the year ended December 31, 2022, an increase of 35% compared to the prior year, mainly due to improved pricing, rig upgrades, and inflationary pressures on operating costs, including higher CAOEC industry wages and fuel charges that are passed through to the customer;
    - In the United States, drilling rig utilization averaged 33% for the year ended December 31, 2022, compared to 13% in the prior year, with Operating Days improving from 387 days in 2021 to 976 days in 2022. Average active industry drilling rigs of 723 in 2022 were 56% higher compared to 2021. Revenue per Operating Day for the year ended December 31, 2022 averaged US$25,927, a 56% increase compared to US$16,615 for the year ended December 31, 2021. The increases in pricing and activity were 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 41% for the year ended December 31, 2022 was consistent with the prior year, as overall activity improved, but was constrained by field crew shortages across the industry and very cold weather in the first and fourth quarters of 2022. Revenue per Service Hour averaged $943 for the year ended December 31, 2022 and was 28% higher than the prior year, as a result of improved market conditions which led to higher hourly rates, due to inflationary pressures on operating costs, including higher CAOEC industry wages and fuel charges that are passed through to the customer. Higher pricing led to production services revenue totaling $71.3 million for the year ended December 31, 2022, an increase of $15.8 million or 28%, as compared to the prior year.
- Administrative expenses increased by $3.2 million or 30%, to $13.9 million for the year ended December 31, 2022, as compared to $10.7 million in the prior year, 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.
- Net income of $29.3 million for the year ended December 31, 2022 ($1.24 net income per basic common share) compared to a net loss of $35.8 million in the prior year ($5.36 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 below, a $16.9 million increase in Adjusted EBITDA, a $5.3 million decrease in finance costs, and a $1.9 million decrease in depreciation expense due to certain assets being fully depreciated in the period, offset partially by a $6.3 million increase in income tax expense.
- Adjusted EBITDA of $39.9 million for the year ended December 31, 2022 was $16.9 million, or 73%, higher compared to $23.0 million in the prior year. Adjusted EBITDA was higher due to improved activity in the US and higher pricing in Canada and the US, offset partially by $6.9 million lower receipts related to COVID-19 related government subsidies, as both the Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy programs ended in 2021, and $2.0 million in one-time startup costs associated with reactivating certain rigs in the Company's US rig fleet.
- Year to date 2022 additions to property and equipment of $34.2 million compared to $6.9 million in the same period of 2021, consisting of $28.1 million of expansion capital and $6.1 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, 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 16,407,229 (1,968,867,475 pre-consolidation) common shares in the capital of the Company at a price of $1.92 per share for aggregate gross proceeds of approximately $31.5 million.

[2] Source: CAOEC, monthly Contractor Summary.

- $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 16,666,667 (2,000,000,000 pre-consolidation) common shares at a conversion price of $6.00 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, used to upgrade the Company's drilling rig fleet.
- 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, the senior secured credit facilities (the "Credit Facilities") of the Company were amended, 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.

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.

- On June 13, 2022, Western was the first drilling and well servicing contractor to become Climate Smart certified by the emissions reduction evaluation firm Radicle Group Inc. ("Radicle") a BMO Financial Group company. As part of Western's journey through Radicle's intensive Climate Smart greenhouse gas ("GHG") inventory training and certification process, the Company has taken on the challenge of documenting, reporting, and creating an action plan to reduce its climate footprint.

  Using 2018 as its base year, Western completed four annual organizational GHG inventories, which account for direct operating emissions (Scope 1), indirect emissions from purchased electricity (Scope 2) and indirect emissions not counted in the previous scopes (Scope 3) to be Climate Smart certified through to 2021. As contract drilling is part of its core business, Western believes that annual meters drilled is a key operating metric and as an intensity metric, tonnes of CO_2 per meter drilled (tCO_2/m) can be used to measure the Company's environmental value. Through the certification process, Western identified a 30% reduction in CO_2 intensity per meter drilled in 2021 compared to 2018 base year, due to regularly increasing operational productivity and the commitment to retrofitting alternative fuel technology on our rigs. The Company's 44% increase in meters drilled per day since 2018, fuel efficient rig design, and the continuous adoption of dual fuel technology are tangible ways that Western continues to help its customers meet their Scope 1 reduction targets. The Company remains committed to advancing its environmental, social, and governance reporting and providing solutions that are impactful to our stakeholders and the environment.
- On August 2, 2022, Western completed a share consolidation of the Company's issued and outstanding common shares (the "Consolidation") at a ratio of one post-consolidation common share for every 120 pre-consolidation common shares. The Consolidation reduced the number of issued and outstanding common shares of the Company from 4,060,663,214 common shares to 33,838,886 common shares, and proportionate adjustments were made to the Company's outstanding restricted share units, options and the weighted average number of shares.

Selected Financial Information

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

Financial Highlights	Three months ended December 31 2022	2021	Change	Year ended December 31 2022	2021	Change
Revenue	60,792	41,363	47%	200,344	131,678	52%
Adjusted EBITDA(1)	12,233	8,950	37%	39,921	23,047	73%
Adjusted EBITDA as a percentage of revenue(1)	20%	22%	(9%)	20%	18%	11%
Cash flow from operating activities	6,502	8,236	(21%)	28,541	16,631	72%
Additions to property and equipment	7,708	2,107	266%	34,228	6,866	399%
Net income (loss)	(3,095)	(6,021)	(49%)	29,320	(35,812)	(182%)
– basic and diluted net income (loss) per share(2)	(0.09)	(0.90)	(90%)	1.24	(5.36)	(123%)
Weighted average number of shares(2)						
– basic	33,841,318	6,701,745	405%	23,581,155	6,677,829	253%
– diluted	33,841,318	6,701,745	405%	23,581,735	6,677,829	253%
Outstanding common shares as at period end	33,841,318	764,220	4,328%	33,841,318	764,220	4,328%

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

(2) On August 2, 2022, the Company's issued and outstanding common shares were consolidated at a ratio of one post consolidation common share for every 120 pre-consolidation common shares. The comparative 2021 balances have been restated to reflect the Consolidation. The weighted average number of shares have also been restated to reflect the Consolidation and Rights Offering completed.

Operating Highlights(3)	Three months ended December 31 2022	2021	Change	Year ended December 31 2022	2021	Change
Contract Drilling						
Canadian Operations:						
Contract drilling rig fleet:						
– Average active rig count	10.1	10.2	(1%)	8.9	8.6	3%
– End of period	36	49	(27%)	36	49	(27%)
Operating Days	928	940	(1%)	3,241	3,124	4%
Revenue per Operating Day	33,923	24,014	41%	29,698	21,931	35%
Drilling rig utilization	28%	21%	33%	24%	18%	33%
CAOEC industry average utilization(4)	40%	30%	33%	35%	25%	40%
Average meters drilled per well	7,412	5,986	24%	6,406	5,592	15%
Average Operating Days per well	14.8	11.6	28%	12.8	11.8	8%
United States Operations:						
Contract drilling rig fleet:						
– Average active rig count	3.2	1.1	191%	2.7	1.1	145%
– End of period	8	8	-	8	8	-
Operating Days	293	100	193%	976	387	152%
Revenue per Operating Day (US$)	29,439	20,092	47%	25,927	16,615	56%
Drilling rig utilization	40%	14%	186%	33%	13%	154%
Average meters drilled per well	3,001	3,807	(21%)	3,450	3,305	4%
Average Operating Days per well	13.7	14.8	(7%)	11.7	14.8	(21%)
Production Services						
Well servicing rig fleet:						
– Average active rig count	23.7	29.3	(19%)	25.8	25.9	-
– End of period	65	63	3%	65	63	3%
Service Hours	15,443	19,046	(19%)	67,077	67,323	-
Revenue per Service Hour	991	780	27%	943	735	28%
Service rig utilization	38%	46%	(17%)	41%	41%	-

(3) See "Other Supplemental Financial Measures" and "Defined Terms" included in this press release.

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

Financial Position at (stated in thousands)	December 31, 2022	December 31, 2021	December 31, 2020
Working capital(5)	21,923	2,224	15,997
Total assets	475,708	456,003	495,625
Long term debt	126,527	226,884	237,633

(5) See "Other Supplemental Financial Measures" included in this press release.

Business Overview

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

Contract Drilling

Western markets a fleet of 44 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 2022, Western deregistered 13 drilling rigs with the CAOEC, all of which can be reactivated at a later date.

Western's marketed and owned contract drilling rig fleets are comprised of the following:

	Year ended December 31					
	2022			2021		
Rig class(1)	**Canada**	**US**	**Total**	**Canada**	**US**	**Total**
Cardium	11	1	12	23	2	25
Montney	18	1	19	19	-	19
Duvernay	7	6	13	7	6	13
Total marketed drilling rigs(2)	**36**	**8**	**44**	**49**	**8**	**57**
Drilling rigs deregistered in the period(3)	13	-	13	-	-	-
Drilling rigs decommissioned in the period(4)	-	(1)	(1)	-	-	-
Drilling rig transfers	(1)	1	-	-	-	-
Total owned drilling rigs	**48**	**8**	**56**	**49**	**8**	**57**
Cardium	23	1	24	23	2	25
Montney	18	1	19	19	-	19
Duvernay	7	6	13	7	6	13
Total owned drilling rigs	**48**	**8**	**56**	**49**	**8**	**57**

(1) See "Defined Terms" included in this press release.
(2) Source: CAOEC Contractor Summary as at February 28, 2023
(3) Drilling rigs are registered with the CAOEC. A drilling rig can be deregistered if it is not actively being marketed, however these rigs can be reactivated at any time.
(4) A decommissioned drilling rig cannot be reactivated into the Company's fleet as it has been disposed of through an asset sale or write-off.

Production Services

Production services provides well servicing and oilfield equipment rentals in Canada. Western operates 65 well servicing rigs and is the third largest well servicing company in Canada based on CAOEC registered well servicing rigs[4].

Western's well servicing rig fleet is comprised of the following:

Owned well servicing rigs	**Year ended December 31**	
Mast type	**2022**	**2021**
Single	30	29
Double	27	26
Slant	8	8
Total owned well servicing rigs	**65**	**63**

[3] Source: CAOEC Contractor Summary as at February 28, 2023.

[4] Source: CAOEC Fleet List as at February 28, 2023.

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 months ended December 31, 2022 and 2021 and for the years ended December 31, 2022 and 2021.

	Three months ended December 31			Year ended December 31		
	2022	**2021**	**Change**	**2022**	**2021**	**Change**
Average crude oil and natural gas prices(1)(2)						
Crude Oil						
West Texas Intermediate (US$/bbl)	82.64	77.19	7%	94.23	67.91	39%
Western Canadian Select (CDN$/bbl)	77.39	78.71	(2%)	98.51	68.73	43%
Natural Gas						
30 day Spot AECO (CDN$/mcf)	5.43	4.92	10%	5.63	3.77	49%
Average foreign exchange rates(2)						
US dollar to Canadian dollar	1.36	1.26	8%	1.30	1.25	4%

(1) See "Abbreviations" included in this press release.
(2) Source: Sproule December 31, 2022 Price Forecast, Historical Prices.

West Texas Intermediate on average improved by 7% and 39% for the three months and year ended December 31, 2022, respectively, compared to the same periods in the prior year. Pricing on Western Canadian Select crude oil decreased by 2% for the three months ended December 31, 2022 and increased by 43% for the year ended December 31, 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 for transportation fuels 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 10% and 49% for the three months and year ended December 31, 2022, respectively, compared to the same periods of the prior year. Additionally, the US dollar to the Canadian dollar foreign exchange rate for the three months and year ended December 31, 2022 strengthened by 8% and 4%, respectively, compared to the same periods of the prior year.

In the United States, industry activity improved in the fourth quarter of 2022. As reported by Baker Hughes Company[5], the number of active drilling rigs in the United States increased by approximately 33% to 779 rigs as at December 31, 2022, as compared to 586 rigs at December 31, 2021. There were 121 active rigs in the Western Canadian Sedimentary Basin ("WCSB") at December 31, 2022, compared to 73 active rigs as at December 31, 2021. The CAOEC[6] reported that for drilling in Canada, the total number of Operating Days in the WCSB increased by approximately 21% for the three months ended December 31, 2022, compared to the same period in the prior year. For the year ended December 31, 2022, the total number of Operating Days in the WCSB was 34% 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 through share buyback programs and dividends, or pay down debt, rather than grow production through the drill bit thereby limiting industry drilling activity.

Outlook

In 2022, crude oil prices reached their highest levels since 2014, due to recovering demand as governments eased COVID-19 restrictions, the initiation of the Russian invasion of Ukraine and ongoing 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 war in Ukraine and potential COVID-19 variants on Western's customers, operations, business and global economic activity, remains uncertain at this time. Additionally, the delayed timing of completion of construction on the Trans Mountain pipeline expansion, now expected to start filling with oil in late 2023 with full operation expected in 2024, and the threatened shutdown of Enbridge Line 5, have contributed to continued uncertainty regarding takeaway capacity. 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 anticipated improved activity in 2023, as previously announced, Western's board of directors has approved a capital budget for 2023 of $30 million, comprised of $9 million of expansion capital and $21 million of maintenance capital. The 2023 capital budget includes approximately $7 million of committed expenditures from 2022 that will carry forward into 2023. 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, 24 of Western's drilling rigs and 21 of Western's well servicing rigs are operating.

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

As at December 31, 2022, Western had $7.0 million drawn on its $45.0 million Credit Facilities. As described previously, the Company amended the terms of its Credit Facilities in 2022, including extending the maturity date and amending its financial covenants. Western currently has $11.0 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 $107.1 million outstanding on its Second Lien Facility. As previously announced on May 18, 2022, the Company closed its Rights Offering and the 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 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 is expected to 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.

Energy 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. However, the January 2023 announcement that the government of British Columbia and the Blueberry River First Nations reached an agreement (the "Blueberry Agreement") which provides a framework for how resource development may continue within the Blueberry River First Nations claim area, including the restoration and future development of land, water and natural resources, is expected to have a positive impact on the energy industry. Given the recent developments with the Blueberry Agreement in northeastern British Columbia, there is an increased demand for Montney and Duvernay class rigs and with Western's recent drilling rig upgrade program almost complete, the Company is well positioned to be the contractor to supply drilling rigs in a tightening market. Western is also active with three fit for purpose drilling rigs in the Clearwater formation in northern Alberta. In the short term, the largest challenges facing the energy 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. Western is an experienced deep and long driller in Canada, with an average well length of 6,406 meters drilled per well and an average of 12.8 operating days to drill per well in 2022. It remains Western's view that its upgraded drilling rigs and modern well servicing rigs, reputation for quality and capacity of the Company's rig fleet, and disciplined cash management provides Western with a competitive advantage.

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 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 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 non-GAAP financial measure as it is used by management and other stakeholders, including current and potential investors, to analyze the Company's principal business activities prior to consideration of how Western's activities are financed and the impact of foreign exchange, income taxes and depreciation. 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 financial 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 consolidated statements of operations and comprehensive income, to Adjusted EBITDA:

(stated in thousands)	Three months ended December 31 2022	Three months ended December 31 2021	Year ended December 31 2022	Year ended December 31 2021
Net income (loss)	**(3,095)**	**(6,021)**	**29,320**	**(35,812)**
Income tax expense (recovery)	(177)	(1,038)	2,858	(3,457)
Income (loss) before income taxes	**(3,272)**	**(7,059)**	**32,178**	**(39,269)**
Add (deduct):				
Gain on debt forgiveness	-	-	(49,357)	-
Depreciation	10,444	10,263	40,096	42,024
Stock based compensation	850	34	1,985	253
Finance costs	2,988	4,720	14,416	19,664
Other items	1,223	992	603	375
Adjusted EBITDA	**12,233**	**8,950**	**39,921**	**23,047**

Other Supplemental Financial Measures

In addition to the above non-IFRS measures, Western uses certain other supplemental financial measures in this press release, as described below:

Revenue per Operating Day: Calculated as total drilling revenue for both Canada and the US respectively, divided by Operating Days in Canada and the US respectively. This calculation represents the average day rate by country charged to Western's customers.

Revenue per Service Hour: Calculated as total well servicing revenue divided by total Service Hours. This calculation represents the average hourly rate charged to Western's customers.

Working capital: Calculated as current assets less current liabilities as disclosed in the Company's annual consolidated financial statements.

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.

Average meters drilled per well: Defined as total meters drilled divided by the number of wells completed in the period.

Average Operating Days per well: Defined as total Operating Days divided by the number of wells completed in 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: the business of Western; industry, market and economic conditions and any anticipated effects on Western; commodity pricing; the future demand for the Company's services and equipment, in particular, the Company's expectations regarding improved activity in 2023; Western's expectations regarding prevailing customer preferences; the potential impact of the current conflict in Ukraine on commodity prices, the demand for Western's services and the anticipated effect on the energy service industry generally; the pricing for the Company's services and equipment; the Company's expected total capital budget for 2023, including the allocation of such budget and expectations with respect to the committed expenditures being carried forward; the anticipated reduction of the Company's finance costs on a go forward basis as a result of the Restructuring Transaction; beliefs regarding appropriate measures of the Company's environmental value; the ability of the Company to help its customers reach their Scope 1 reduction targets; the implications of the COVID-19 pandemic on Western, the energy service industry and global economic activity; expectations with respect to the Trans Mountain pipeline expansion; the positive impact of the Blueberry River First Nations decision on the energy industry; 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, including the source of funds required to repay such debt; maturities of the Company's contractual obligations with third parties; the Company's use of proceeds from the Rights Offering; factors affecting companies with credit risk; expectations as to the benefits of the LNG Canada natural gas project in British Columbia on the Company and its rig fleet; 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, including the factors and practices anticipated to produce and sustain such 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 impact of inflation; the continued business relationships between the Company and its significant customers; crude oil transport, pipeline and LNG export facility approval and development; that all required regulatory and environmental approvals can be obtained on the necessary terms and in a timely manner, as required by the Company; 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 2023 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; that any required commercial agreements can be reached; 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, 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, industry, market, 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; the proximity, capacity and accessibility of crude oil and natural gas pipelines and processing facilities; liabilities and risks inherent in oil and natural gas operations, including environmental liabilities and risks; changes to laws, regulations and policies; the ongoing geopolitical events in Eastern Europe and the duration and impact thereof; global health crises, such as pandemics and epidemics, including the COVID-19 pandemic and the unexpected impacts related thereto; fluctuations in foreign exchange or interest rates; 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; uncertainties in weather and temperature affecting the duration of the service periods and the activities that can be completed; 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, 2022, 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. Any forward-looking statements contained herein are expressly qualified by this cautionary statement.

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