WESTERN ENERGY SERVICES CORP. RELEASES FOURTH QUARTER AND YEAR END 2020 FINANCIAL AND OPERATING RESULTS

FOR IMMEDIATE RELEASE: February 25, 2021

CALGARY, ALBERTA – Western Energy Services Corp. ("Western" or the "Company") (TSX: WRG) announces the release of its fourth quarter and year end 2020 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 year ended December 31, 2020 and 2019 will be available on SEDAR at www.sedar.com. Non-International Financial Reporting Standards ("Non-IFRS") measures, such as Adjusted EBITDA, and abbreviations and definitions for standard industry terms are defined later in this press release. All amounts are denominated in Canadian dollars (CDN$) unless otherwise identified.

Fourth Quarter 2020 Operating Results:

- Fourth quarter revenue decreased by $18.1 million (or 40%) to $27.7 million in 2020 as compared to $45.8 million in the fourth quarter of 2019. In the contract drilling segment, revenue totalled $15.3 million in the fourth quarter of 2020, a decrease of $15.6 million (or 51%) as compared to $30.9 million in the fourth quarter of 2019. In the production services segment, revenue totalled $12.5 million for the three months ended December 31, 2020, as compared to $15.0 million in the same period of the prior year, a decrease of $2.5 million (or 16%). 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 15% in the fourth quarter of 2020, compared to a Drilling Rig Utilization average of 21% in the same period of the prior year. The decrease in activity in the fourth quarter of 2020 was mainly attributable to the significant decrease in demand, as a result of the COVID-19 pandemic, which resulted in heightened market uncertainty and customers reducing and cancelling their 2020 drilling programs. The Canadian Association of Oilwell Drilling Contractors ("CAODC") industry average of 16%[1] for the fourth quarter of 2020 represented a decrease of 700 basis points ("bps") compared to the CAODC industry average of 23% in the fourth quarter of 2019, 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 9.0% for the fourth quarter of 2020, as compared to 8.2% in the same period of 2019. Revenue per Billable Day decreased by 13% in the fourth quarter of 2020, as compared to 2019, as current market rates weakened in the period;
  - In the fourth quarter of 2020, Horizon used its modern drilling rig fleet, specialized technology and high torque drill pipe, to successfully drill the deepest lateral well in Saskatchewan's history. As part of multiple geothermal wells drilled by Horizon for a Canadian customer's geothermal power project, Horizon has drilled the first 90 degree horizontal well targeting a geothermal formation, as well as the deepest total vertical depth well in Saskatchewan. These milestones, achieved with Western's industry partners, demonstrates Horizon's oilfield expertise, modern equipment and experienced personnel. This accomplishment highlights the ability to deliver on customer specific requirements in all applications, including new and emerging renewable energy and green initiatives;
  - 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 6%, as two rigs worked in the fourth quarter of 2020, compared to 30% Drilling Rig Utilization in the fourth quarter of 2019, reflecting an 81% decrease in Operating Days. Revenue per Billable Day for the fourth quarter of 2020 decreased by 46% to US$11,829, 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 was 27% in the fourth quarter of 2020 compared to 32% in the same period of the prior year, mainly due to the demand destruction caused by the COVID-19 pandemic. Revenue per Service Hour in the fourth quarter of 2020 was steady, improving by 1% compared to the fourth quarter of 2019. Lower utilization led to well servicing revenue totalling $10.9 million in the fourth quarter of 2020, a decrease of $1.7 million (or 13%), as compared to the same period in the prior year.
- Administrative expenses decreased by $1.6 million (or 38%) to $2.6 million in the fourth quarter of 2020, as compared to $4.2 million in the fourth quarter of 2019, mainly due to lower employee related costs as a result of temporary headcount reductions, 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.

[1] Source: CAODC, monthly Contractor Summary.

- The Company incurred a net loss of $7.4 million in the fourth quarter of 2020 ($0.08 per basic common share) as compared to a net loss of $52.2 million in the same period in 2019 ($0.56 per basic common share). The change can mainly be attributed to the 2019 impairment of $54.0 million, a $3.5 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 and a $0.3 million decrease in finance costs, offset partially by a $13.0 million decrease in income tax recovery.
- Fourth quarter Adjusted EBITDA in 2020 was consistent with the same period of the prior year and totalled $5.6 million. Adjusted EBITDA was unchanged as lower contract drilling activity in Canada and the United States, and lower oilfield rental equipment and well servicing activity in Canada, was offset by the CEWS of $3.6 million and temporary headcount reductions.
- Fourth quarter 2020 additions to property and equipment of $1.8 million includes $0.3 million of expansion capital and $1.5 million of maintenance capital. In total, additions to property and equipment in the fourth quarter of 2020 decreased by $1.1 million (or 39%) from the $2.9 million incurred in the fourth quarter of 2019.
- As a result of continued market uncertainty, low commodity prices, unprecedented demand destruction due to the COVID-19 pandemic and the related outlook for current and future oilfield services activity and pricing, the Company completed an impairment test for each of its cash generating units ("CGU") as at December 31, 2020. Based on the results of the test, it was determined there was no impairment to property and equipment in the Company's contract drilling, well servicing or oilfield rental equipment CGUs.
- On December 31, 2020, the Company announced an extension of the maturity of Western's syndicated revolving first lien credit facility (the "Revolving Facility") and its committed operating facility (the "Operating Facility" and together the "Credit Facilities") from December 17, 2021 to July 1, 2022. The total commitments under the Revolving and Operating Facilities are unchanged totaling $50.0 million and $10.0 million, respectively. Western and its lenders have agreed to make some other changes to the Credit Facilities, including adjustments to its financial covenants as described on page 14 of the Company's December 31, 2020 annual MD&A under "Liquidity and Capital Resources". In conjunction with the amended Credit Facility, Western has entered into an agreement with HSBC Bank Canada ("HSBC") for a $12.5 million six-year committed term non-revolving facility with the participation of BDC (the "HSBC Facility") under BDC's Business Credit Availability Program ("BCAP"). The BCAP program was implemented to help small and medium sized companies, directly impacted by the COVID-19 pandemic with additional liquidity to cover operating costs. The HSBC Facility bears interest at a floating rate and matures on December 31, 2026. The HSBC Facility was fully funded on December 31, 2020. Western used a portion of the proceeds to fund its January 2021 interest and principal payments under its second lien secured term loan with Alberta Investment Management Corporation ("AIMCo") and the remaining funds will be used for future interest and principal payments to AIMCo.

2020 Operating Results:

- Revenue in 2020 decreased by $92.7 million to $103.7 million (or 47%) compared to $196.4 million in 2019. In the contract drilling segment, revenue totalled $62.0 million in 2020, a decrease of $78.8 million (or 56%) as compared to $140.8 million in 2019 and included US$5.0 million of shortfall commitment revenue. In the production services segment, revenue totalled $42.1 million in 2020, as compared to $55.9 million in 2019, a decrease of $13.8 million (or 25%). While contract drilling day rates were steady in Canada, activity was lower in all divisions and contract drilling day rates decreased in the US, which impacted revenue as described below:
    - Drilling Rig Utilization in Canada for the year ended December 31, 2020 decreased to 12% compared to an average of 22% for the prior year. The decrease in activity in 2020 was mainly attributable to the significant decrease in crude oil prices in the latter part of the first quarter, as a result of the COVID-19 pandemic, which resulted in heightened market uncertainty and customers reducing and cancelling their 2020 drilling programs. Drilling Rig Utilization of 12% in 2020 represented a discount of 400 bps to the CAODC industry average of 16%[2], a decrease as compared to Drilling Rig Utilization of 22% in 2019, which was consistent with the industry average. The decrease in the Company's utilization as compared to the industry average in 2020 was due to the COVID-19 pandemic decreasing demand. Western's market share, represented by the Company's Operating Days as a percentage of the CAODC's total Operating Days in the WCSB, decreased to 7.0% for the year ended December 31, 2020, as compared to 8.9% in 2019;
    - In the United States, three of the Company's eight drilling rigs worked during 2020, one of which operated on a term contract. Drilling Rig Utilization decreased to 7% in 2020, compared to 47% in 2019, reflecting an 85% decrease in Operating Days. Revenue per Billable Day for the year ended December 31, 2020 was 12% lower than the same period of the prior year, mainly due to changes in the average rig mix as the higher day rates on the Company's high specification AC 1500 HP class rigs in the Williston Basin in North Dakota were offset by the rigs working in the Permian Basin in Texas, which worked at lower average day rates, while operating at a significantly lower cost. Additionally, US$5.0 million of shortfall commitment revenue was recognized in 2020, compared to US$1.3 million in 2019; and
    - In Canada, service rig utilization was 23% for the year ended December 31, 2020 compared to 30% in the prior year. The decrease is due to continued market uncertainty including historic low commodity prices and demand destruction due to the COVID-19 pandemic in 2020. Revenue per Service Hour improved in 2020 by 5%, as compared to the prior year, due to

[2] Source: CAODC, monthly Contractor Summary.

changes in customer mix. Lower utilization, offset partially by higher pricing, led to well servicing revenue in the period decreasing by $9.2 million (or 20%) to $37.0 million, as compared to $46.2 million in the prior year.

- Administrative expenses in 2020 decreased by $6.2 million (or 37%) to $10.5 million, as compared to $16.7 million in 2019, mainly due to lower employee related costs as a result of temporary headcount reductions, the CEWS from the Government of Canada and overall cost control measures implemented by management.
- As a result of continued market uncertainty, low commodity prices, unprecedented demand destruction due to the COVID-19 pandemic and the related outlook for current and future oilfield services activity and pricing, the Company recognized impairments of $9.5 million and $2.0 million respectively, in the Company's contract drilling and oilfield equipment rentals CGUs in the first quarter of 2020. As described previously, no impairment was recognized during the second, third or fourth quarters of 2020.
- The Company incurred a net loss of $41.3 million in 2020 ($0.45 per basic common share) as compared to a net loss of $81.0 million in 2019 ($0.88 per basic common share). The change can mainly be attributed to the prior year impairment loss of $54.0 million, the current year impairment loss of $11.5 million, a $3.9 million decrease in Adjusted EBITDA, and a $16.2 million decrease in income tax recovery, offset partially by a $14.9 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, a $1.6 million change in other items mainly due to foreign exchange gains, and a $0.7 million decrease in finance costs.
- Adjusted EBITDA for the year ended December 31, 2020, decreased by $3.9 million (or 16%) to $20.3 million as compared to $24.2 million for the year ended December 31, 2019. The year over year change in Adjusted EBITDA is due to lower contract drilling activity in Canada and the United States, and lower well servicing and oilfield rental equipment activity in Canada, offset partially by US$5.0 million of shortfall commitment revenue, lower administrative expenses and the CEWS of $8.2 million.
- Year to date additions to property and equipment in 2020 of $2.8 million included $0.5 million related to expansion capital and $2.3 million of maintenance capital. In total, additions to property and equipment for the year ended December 31, 2020 decreased by $5.2 million (or 65%) from the $8.0 million incurred in 2019.
- On January 6, 2020, the Company announced a normal course issuer bid (the "Bid"), which was filed with and accepted by the Toronto Stock Exchange. Pursuant to the Bid, Western could purchase for cancellation up to 5,200,000 common shares of the Company. The Bid commenced on January 14, 2020 and terminated on January 13, 2021. For the year ended December 31, 2020, 1,584,000 common shares for a total cost of $0.5 million were repurchased under the Bid.
- On August 7, 2020, the Company entered into a US$1.8 million promissory loan through the US paycheck protection program ("PPP"). The promissory loan has an interest rate of 1% per annum and matures on July 23, 2025. A portion of the PPP loan may be forgiven subject to certain conditions, if the proceeds are used for US payroll and other specific operating costs prior to January 1, 2021, as outlined by US Treasury guidelines. Management estimates that a portion of the promissory loan will be forgiven if all conditions are met and has recognized US$0.2 million as at December 31, 2020 in operating expenses related to loan forgiveness.
- On October 17, 2020, the Company's 7,099,547 outstanding warrants expired unexercised.

Selected Financial Information

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

	Three months ended December 31			Year ended December 31		
Financial Highlights	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Revenue	27,679	45,838	(40%)	103,684	196,408	(47%)
Adjusted EBITDA(1)	5,610	5,584	-	20,278	24,238	(16%)
Adjusted EBITDA as a percentage of revenue	20%	12%	67%	20%	12%	67%
Cash flow from operating activities	2,011	8,921	(77%)	27,723	31,718	(13%)
Additions to property and equipment	1,805	2,942	(39%)	2,788	7,968	(65%)
Net loss	(7,443)	(52,249)	(86%)	(41,301)	(81,030)	(49%)
– basic net loss per share	(0.08)	(0.56)	(86%)	(0.45)	(0.88)	(49%)
– diluted net loss per share	(0.08)	(0.56)	(86%)	(0.45)	(0.88)	(49%)
Weighted average number of shares						
– basic	91,165,112	92,501,314	(1%)	91,253,521	92,379,902	(1%)
– diluted	91,165,112	92,501,314	(1%)	91,253,521	92,379,902	(1%)
Outstanding common shares as at period end	91,165,112	92,501,314	(1%)	91,165,112	92,501,314	(1%)

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

	Three months ended December 31			Year ended December 31		
Operating Highlights(2)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Contract Drilling						
Canadian Operations:						
Contract drilling rig fleet:						
– Average active rig count	8.0	11.4	(30%)	6.3	12.3	(49%)
– End of period	49	49	-	49	49	-
Revenue per Billable Day	19,130	22,023	(13%)	20,900	21,383	(2%)
Revenue per Operating Day	20,883	24,725	(16%)	23,417	23,854	(2%)
Operating Days	675	932	(28%)	2,064	4,012	(49%)
Drilling rig utilization – Billable Days	16%	23%	(30%)	13%	25%	(48%)
Drilling rig utilization – Operating Days	15%	21%	(29%)	12%	22%	(45%)
CAODC industry average utilization – Operating Days(3)	16%	23%	(30%)	16%	22%	(27%)
United States Operations:						
Contract drilling rig fleet:						
– Average active rig count	0.6	2.9	(79%)	0.7	4.4	(84%)
– End of period	8	8	-	8	8	-
Revenue per Billable Day (US$)	11,829	21,979	(46%)	17,983(4)	20,460(5)	(12%)
Revenue per Operating Day (US$)	16,273	26,596	(39%)	22,594(4)	24,150(5)	(6%)
Operating Days	43	224	(81%)	201	1,352	(85%)
Drilling rig utilization – Billable Days	8%	37%	(78%)	9%	56%	(84%)
Drilling rig utilization – Operating Days	6%	30%	(80%)	7%	47%	(85%)
Production Services						
Canadian Operations:						
Well servicing rig fleet:						
– Average active rig count	17.3	20.1	(14%)	14.6	19.1	(24%)
– End of period	63	63	-	63	63	-
Revenue per Service Hour	685	680	1%	693	661	5%
Service Hours	15,924	18,494	(14%)	53,351	69,882	(24%)
Service rig utilization	27%	32%	(16%)	23%	30%	(23%)

(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$5.0 million for the year ended December 31, 2020.

(5) Excludes shortfall commitment revenue from take of pay contracts of US$1.3 million for the year ended December 31, 2019.

Financial Position at (stated in thousands)	December 31, 2020	December 31, 2019	December 31, 2018
Working capital	15,997	7,031	15,739
Property and equipment	452,040	511,052	615,395
Total assets	495,625	550,537	667,295
Long term debt	237,633	228,274	222,258

Western is an oilfield service company focused on three core business lines: contract drilling, well servicing and oilfield rental equipment services. Western provides contract drilling services through its division, Horizon Drilling ("Horizon") in Canada, and its wholly owned subsidiary, Stoneham Drilling Corporation ("Stoneham") in the US. Western provides well servicing and oilfield rental equipment services in Canada through its wholly owned subsidiary Western Production Services Corp. ("Western Production Services"). Western Production Services' division, Eagle Well Servicing ("Eagle") provides well servicing operations, while its division, Aero Rental Services ("Aero") provides oilfield rental equipment services. Stoneham's division, Western Oilfield Services, provides well servicing operations in the United States. Financial and operating results for Horizon and Stoneham are included in Western's contract drilling segment, while financial and operating results for Eagle, Aero, and Western Oilfield Services are included in Western's production services segment.

Western has a drilling rig fleet of 57 rigs specifically suited for drilling complex horizontal wells. Western is currently the fourth largest drilling contractor in Canada, based on the CAODC registered rigs[3], 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[4], 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 December 31, 2020 and 2019 and for the years ended December 31, 2020 and 2019.

	Three months ended December 31			Year ended December 31		
	2020	2019	Change	2020	2019	Change
Average crude oil and natural gas prices[(1)(]						
Crude Oil						
West Texas Intermediate (US$/bbl)	42.66	56.96	(25%)	39.40	57.02	(31%)
Western Canadian Select (CDN$/bbl)	43.42	54.29	(20%)	35.59	58.77	(39%)
Natural Gas						
30 day Spot AECO (CDN$/mcf)	2.58	2.42	7%	2.18	1.76	24%
Average foreign exchange rates[(2)]						
US dollar to Canadian dollar	1.30	1.32	(2%)	1.34	1.33	1%

(1) See "Abbreviations" included in this press release.
(2) Source: Sproule December 31, 2020 Price Forecast, Historical Prices.

West Texas Intermediate ("WTI") on average declined by 25% and 31% for the three months and year ended December 31, 2020 respectively, compared to the same periods in the prior year. Similarly, pricing on Western Canadian Select ("WCS") crude oil decreased by 20% and 39% for the three months and year ended December 31, 2020 respectively, compared to the same periods in the prior year. Crude oil prices in 2020 for both Canada and the US were impacted by the ongoing COVID-19 pandemic. Crude oil prices reached historical lows during 2020 which negatively impacted the demand for the Company's services. However, natural gas prices in Canada strengthened in 2020, as the 30 day spot AECO price improved by 7% and 24% respectively, for the three months and year ended December 31, 2020, compared to the same periods of the prior year. Additionally, the US dollar to the Canadian dollar foreign exchange rate weakened in the fourth quarter of 2020, but for the full year was stronger year over year, compared to the same periods of the prior year, which impacted the cash flows of Western's Canadian customers, when selling US dollar denominated commodities.

[3] Source: CAODC Contractor Summary as at February 25, 2021.
[4] Source: CAODC Fleet List as at February 25, 2021.

In the United States, industry activity decreased in 2020. As reported by Baker Hughes Company[5], the number of active drilling rigs in the United States decreased by approximately 56% to 351 rigs at December 31, 2020, as compared to the same period in the prior year. The unprecedented low demand as a result of the COVID-19 pandemic has had a significant impact on industry activity in both the US and in Canada in 2020. Prior to the COVID-19 pandemic, there were also continued industry concerns over market access, increased regulation, and the prevailing customer preference to return cash to shareholders, or pay down debt, rather than grow production in Canada and the US. The number of active rigs in the WCSB decreased to historical lows in the second quarter of 2020 with only 16 active rigs in mid-June and improved to only 67 active rigs at December 31, 2020, compared to 81 active rigs at December 31, 2019. The CAODC[6] reported that for drilling in Canada, the total number of Operating Days in the WCSB decreased by approximately 34% in 2020 as compared to 2019.

Outlook

Currently, 16 of Western's drilling rigs and 37 of Western's well servicing rigs are operating. With the 15 drilling rigs currently working in Canada, Western's Canadian market share has improved to approximately 9.4% of total drilling rigs working. One of Western's 57 drilling rigs is under a term take or pay contract, which is expected to expire in 2021. These contracts each typically generate between 250 and 350 Billable Days per year.

Due to decreased activity levels as a result of the unprecedented demand destruction and low commodity price environment associated with the COVID-19 pandemic, Western's capital budget for 2021 is expected to total approximately $6 million, which is expected to be comprised of maintenance capital, of which $4 million is budgeted for the contract drilling segment and $2 million is budgeted for the production services segment. Western 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.

The significant decrease in crude oil prices in 2020 resulting from the COVID-19 pandemic and international price war has caused increased uncertainty in global markets. Low crude oil demand associated with the COVID-19 pandemic continues to have a significant impact on Western's customers. Additionally, uncertainty surrounding the timing of COVID-19 vaccine distribution impacts 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 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 December 31, 2020, Western had $11.0 million drawn on its $60.0 million Credit Facilities which mature on July 1, 2022 and $12.5 million drawn on its HSBC Facility which matures December 31, 2026. Western currently has $209.1 million outstanding on its Second Lien Facility, which matures on January 31, 2023.

Oilfield service activity in Canada will be affected by the development of resource plays in Alberta and northeast British Columbia which will be impacted by pipeline construction, environmental regulations, and the level of investment in Canada. In the short term, the largest challenges facing the oilfield service industry are ongoing liquidity concerns as a result of the reduced customer spending caused by the demand destruction from the COVID-19 pandemic and limited take away capacity. In the medium term, Western's rig fleet is well positioned to benefit from the LNG Canada liquefied natural gas project now under construction in British Columbia. It remains Western's view that its modern drilling and well servicing rig fleets, reputation, and disciplined cash management provide a competitive advantage which will enable the Company to manage through the current challenging oilfield service environment.

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

[6] 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 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 consolidated statements of operations and comprehensive income, to Adjusted EBITDA:

	Three months ended December 31		**Year ended December 31**	
(stated in thousands)	**2020**	**2019**	**2020**	**2019**
Net loss	**(7,443)**	**(52,249)**	**(41,301)**	**(81,030)**
Income tax recovery	(2,828)	(15,786)	(14,609)	(30,772)
Loss before income taxes	**(10,271)**	**(68,035)**	**(55,910)**	**(111,802)**
Add (deduct):				
Depreciation	11,314	14,848	48,268	63,167
Stock based compensation	130	127	449	586
Finance costs	4,381	4,645	17,963	18,697
Other items	56	(1)	(1,992)	(410)
Impairment of property and equipment	-	54,000	11,500	54,000
Adjusted EBITDA	**5,610**	**5,584**	**20,278**	**24,238**

Defined Terms:

Average active rig count (contract drilling): Calculated as drilling rig utilization – Billable Days multiplied by the average number of drilling rigs in the Company's fleet for the period.

Average active rig count (production services): Calculated as service rig utilization multiplied by the average number of service rigs in the Company's fleet for the period.

Billable Days: Defined as Operating Days plus rig mobilization days.

Drilling rig utilization – Operating Days (or "Drilling Rig Utilization"): Calculated based on Operating Days divided by total available days.

Drilling rig utilization – Billable Days: Calculated based on Billable Days divided by total available days.

Operating Days: Defined as contract drilling days, calculated on a spud to rig release basis.

Service Hours: Defined as well servicing hours completed.

Service rig utilization: Calculated based on Service Hours divided by available hours, being 10 hours per day, per well servicing rig, 365 days per year.

Contract Drilling Rig Classifications:

Cardium class rig: Defined as any contract drilling rig which has a total hookload less than or equal to 399,999 lbs (or 177,999 daN).

Montney class rig: Defined as any contract drilling rig which has a total hookload between 400,000 lbs (or 178,000 daN) and 499,999 lbs (or 221,999 daN).

Duvernay class rig: Defined as any contract drilling rig which has a total hookload equal to or greater than 500,000 lbs (or 222,000 daN).

Abbreviations:

- Alternating current ("AC");
- Barrel ("bbl");
- Basis point ("bps"): A 1% change equals 100 basis points and a 0.01% change is equal to one basis point;
- Canadian Association of Oilwell Drilling Contractors ("CAODC");
- DecaNewton ("daN");
- Horsepower ("HP");
- International Financial Reporting Standards ("IFRS");
- Pounds ("lbs");
- Thousand cubic feet ("mcf");
- Western Canadian Sedimentary Basin ("WCSB");
- Western Canadian Select ("WCS"); and
- West Texas Intermediate ("WTI").

Forward-Looking Statements and Information

This press release contains certain statements or disclosures relating to Western that are based on the expectations of Western as well as assumptions made by and information currently available to Western which may constitute forward-looking information under applicable securities laws. All information and statements contained herein that are not clearly historical in nature constitute forward-looking information, and words and phrases such as "may", "will", "should", "could", "expect", "intend", "anticipate", "believe", "estimate", "plan", "potential", "continue", "looking to", or the negative of these terms or other comparable terminology are generally intended to identify forward-looking information. Such information represents the Company's internal projections, estimates or beliefs concerning, among other things, an outlook on the estimated amounts and timing of additions to property and equipment, anticipated future debt levels and revenues or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. This information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information.

In particular, forward-looking information in this press release includes, but is not limited to, statements relating to commodity pricing; the future demand for the Company's services and equipment, in particular, in light of the low commodity price environment associated with the international price war and the COVID-19 pandemic; the 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; the potential forgiveness of a portion of the Company's PPP loan; expectations as to the increase in crude oil transportation capacity through pipeline development; expectations as to the benefits of the LNG Canada natural gas project in British Columbia on the Company and its rig fleet; the future deployment or retirement of rigs and other existing assets; the potential impact of changes to laws, governmental and environmental regulations; the expectation of continued investment in the Canadian crude oil and natural gas industry; the development of Alberta and British Columbia resource plays; expectations relating to producer spending and activity levels for oilfield services; the Company's approach to management of its budget and operations; the Company's ability to maintain a competitive advantage to enable it to manage the current oilfield service environment; 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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