WESTERN ENERGY SERVICES CORP. RELEASES THIRD QUARTER 2012 FINANCIAL RESULTS AND DECLARES QUARTERLY DIVIDEND

FOR IMMEDIATE RELEASE: October 31, 2012

CALGARY, ALBERTA - Western Energy Services Corp. ("Western" or the "Company") (TSX: WRG) is pleased to release its third quarter 2012 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 three and nine months ended September 30, 2012 and 2011 will be available on SEDAR at www.sedar.com. All amounts are denominated in Canadian dollars (CDN$) unless otherwise identified.

Highlights:

- Revenue totalled $69.6 million in the third quarter of 2012, an $11.2 million decrease (or 14%) over the same period in the prior year as a result of lower utilization in Canada. The slowdown in oilfield service activity was aided by wet weather and uncertain economic conditions which resulted in some producers reducing or delaying capital programs. Lower revenue in the contract drilling segment was partially offset by $1.0 million in well servicing revenue;
- Third quarter EBITDA decreased by $6.5 million (or 21%) to $23.9 million in 2012 (34% of revenue) as compared to $30.4 million in 2011 (38% of revenue). Similar to revenue, the decrease in EBITDA is mainly due to lower utilization in the Canadian contract drilling segment;
- Net income decreased by $16.6 million to $8.3 million in the third quarter of 2012 ($0.14 per basic common share) as compared to $24.9 million in the same period in the prior year ($0.43 per basic common share). The decrease is mainly due to the $10.7 million gain on the sale of StimSol Canada Inc. in the third quarter of the prior year. After normalizing for this transaction, net income decreased by $5.9 million. The normalized decrease is mainly due to the $6.5 million decrease in EBITDA and increased finance costs of $1.8 million, as a result of Western's January 2012 senior unsecured notes issuance, offset by lower income taxes of $2.9 million;
- In Canada, during the third quarter, utilization per operating day in the contract drilling segment decreased by 26% as compared to the same period in the prior year. Despite a decrease in activity, the Company's average utilization of 53% in the third quarter was 33% higher than the CAODC industry average of 40%;
- In the United States, utilization per operating day in the contract drilling segment averaged 60% in the third quarter of 2012 as compared to 65% in the same period of the prior year. While operating days in the United States increased by 9% in the quarter, utilization decreased due to an increased rig fleet as Western moved two drilling rigs into the United States in the third quarter of 2011;
- Operating results in Western's well servicing segment improved in the third quarter, with service hours increasing by 113% to 1,799, reflecting a utilization rate of 39%, as compared to the second quarter of 2012 when utilization averaged 22%. Additionally, utilization improved every month during the quarter, with September averaging 48%.

Selected Financial Information

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

Financial Highlights	Three months ended September 30 2012	2011	Change	Nine months ended September 30 2012	2011	Change
Revenue	69,573	80,786	(14%)	225,279	161,219	40%
Gross Margin[1]	29,382	35,005	(16%)	93,703	67,667	38%
Gross Margin as a percentage of revenue	42%	43%	(2%)	42%	42%	0%
EBITDA[1]	23,944	30,392	(21%)	77,550	57,851	34%
EBITDA as a percentage of revenue	34%	38%	(11%)	34%	36%	(6%)
Cash flow from operating activities	9,248	3,391	173%	93,895	34,031	176%
Capital expenditures	30,898	24,927	24%	106,903	54,533	96%
Net income	8,251	24,893	(67%)	32,086	40,432	(21%)
-basic net income per share	0.14	0.43	(67%)	0.55	0.82 [2]	(33%)
-diluted net income per share	0.14	0.41	(66%)	0.53	0.79 [2]	(33%)
Weighted average number of shares						
-basic	58,581,133	58,533,287	0%	58,549,352	49,256,925 [2]	19%
-diluted	60,700,338	60,618,480	0%	60,816,945	51,294,610 [2]	19%
Outstanding common shares as at period end	59,427,143	58,533,287	2%	59,427,143	58,533,287	2%
Dividends declared	4,457	-	100%	4,457	-	100%

(1) See financial measures reconciliations.

(2) Prior year amounts adjusted to reflect the 20:1 share consolidation completed on June 22, 2011.

Financial Position at (stated in thousands)	Sept 30, 2012	Sept 30, 2011	Change	Dec 31, 2011	Change
Working capital	62,753	36,363	73%	39,874	57%
Property and equipment	558,248	448,203	25%	473,930	18%
Total assets	727,113	584,823	24%	619,645	17%
Long term debt	176,739	108,057	64%	108,039	64%

	Three months ended Sept 30			Nine months ended Sept 30		
Operating Highlights	2012	2011	Change	2012	2011	Change
Contract Drilling						
Canadian Operations:						
Contract drilling rig fleet:						
-Average	42	39	8%	41	30	37%
-End of period	43	37	16%	43	37	16%
Drilling revenue per operating day (CDN$)	28,952	28,016	3%	32,327	28,215	15%
Drilling rig operating days(1)	2,055	2,567	(20%)	5,928	5,368	10%
Drilling rig utilization per revenue day(2)	58%	79%	(27%)	59%	72%	(18%)
Drilling rig utilization rate per operating day(1)	53%	72%	(26%)	53%	66%	(20%)
CAODC industry average utilization rate(1)	40%	57%	(30%)	42%	50%	(16%)
United States Operations:						
Contract drilling rig fleet:						
-Average	5	4 (3)	25%	5	4 (3)	25%
-End of period	5	5	0%	5	5	0%
Drilling revenue per operating day (US$)	33,009	35,801	(8%)	33,405	36,145	(8%)
Drilling rig operating days(1)	275	252	9%	952	274	247%
Drilling rig utilization per revenue day(2)	73%	88% (3)	(17%)	87%	85% (3)	2%
Drilling rig utilization per operating day(1)	60%	65% (3)	(8%)	69%	61% (3)	13%
Well Servicing						
Well servicing rig fleet:						
-Average	5	-	100%	4	-	100%
-End of period	5	-	100%	5	-	100%
Revenue per service hour (CDN$)	582	-	100%	581	-	100%
Total service hours	1,799	-	100%	3,072	-	100%
Service rig utilization rate(4)	39%	-	100%	31%	-	100%

(1) Drilling rig utilization rate per operating day and drilling rig operating days are calculated on a spud to rig release basis.

(2) Drilling rig utilization rate per revenue day is calculated based on operating and move days.

(3) Calculated from the date of acquisition of the United States operations (June 10, 2011).

(4) Service rig utilization rate calculated based on full utilization being 10 hour days, 365 days per year.

Outlook

Western currently has a drilling rig fleet of 48 rigs, with an additional 3 telescopic ELR double drilling rigs under construction. Western is the sixth largest drilling contractor in Canada with a fleet of 43 rigs. Currently, Western has five drilling rigs deployed in the United States. Additionally, as at the end of October, Western has six well servicing rigs operating in the Lloydminster area, with an additional four under construction.

Western's drilling rig fleet is specifically suited for the current market which is focused on drilling wells of increased complexity. In total, approximately 96% of Western's fleet are ELR rigs with depth ratings greater than 3,000 meters and all of Western's rigs are capable of drilling resource base horizontal wells. Approximately one third of Western's fleet is currently under long term take-or-pay contracts with an average remaining contract life of approximately 14 months, which provide a base level of revenue. These contracts typically generate 250 operating days per year in Canada, as the annual spring breakup restricts activity during the second quarter, while in the United States these contracts typically range from 330 to 365 revenue generating days per year.

Western's 2012 capital budget is expected to total approximately $155 million, which includes approximately $95 million in expansion capital and $60 million in maintenance capital. Western anticipates approximately $10 million of the 2012 capital budget will carry forward into 2013. Expansion capital in the contract drilling segment aggregates to approximately $80 million and mainly relates to Western's drilling rig build program which includes the construction of 8 telescopic ELR double drilling rigs in 2012, 5 of which have already been commissioned. Of the remaining three drilling rigs currently under construction, one is expected to be completed in both the fourth quarter of 2012 and the first quarter of

2013. The final rig under construction will be the Company's first ELR pad double drilling rig and is expected to be commissioned in the third quarter of 2013 under a long term contract with an existing customer. Expansion capital in the well servicing segment relates to the construction of five new internally guyed single service rigs, one of which has already been commissioned in the fourth quarter. The remaining four well servicing rigs are anticipated to be completed in the fourth quarter of 2012 and early in the first quarter of 2013.

Maintenance capital in 2012 is higher than management's expectation of sustaining maintenance capital as it includes various onetime items relating to previous acquisitions and rotational equipment required to maximize operating days. Included in maintenance capital are various items such as critical spares, drill pipe, replacement parts and infrastructure upgrades.

In 2012, the price for natural gas has remained soft, with the AECO 30-day spot rate on average decreasing by approximately 42%. While the year over year average WTI crude oil price has remained relatively constant, increased pricing differentials in Canada have resulted in a 7% year over year decrease in the average Edmonton Par price. The lower commodity price environment for crude oil and natural gas, coupled with the uncertain economic environment, due in part to the European debt crisis, is expected to result in lower drilling activity in the fourth quarter of 2012 as compared to the same period of the prior year. As such, the Company expects lower utilization in 2012 as compared to the prior year, when industry utilization reached a five-year high. The decrease in industry activity is expected to result in only modest pricing pressure on day rates on the deeper rigs in the industry's fleet. Notwithstanding the softening commodity price environment, Western continues to believe that additional rig build opportunities in both the contract drilling and well servicing segments will be available. Currently, the largest challenges facing the drilling industry are reduced producer spending, pricing differentials on Canadian crude oil, low natural gas prices, a strengthening Canadian dollar and the challenge to attract and retain skilled labour. The Company believes Western's modern drilling rig fleet, which has an average life of less than six years, and corporate culture will provide a distinct advantage in retaining and attracting qualified individuals. Western is of the view, that its modern ELR rig fleet, strong customer base and solid reputation will provide a competitive advantage which will enable the Company to maintain its growth strategy and higher than industry utilization through a period of lower commodity prices and drilling activity.

Quarterly Dividend

On October 31, 2012, Western's Board of Directors declared a quarterly dividend of $0.075 per share, which will be paid on January 11, 2013, to shareholders of record at the close of business on December 31, 2012. The dividends are eligible dividends for Canadian income tax purposes. We believe that this sustainable dividend policy balances rewarding our shareholders with a significant dividend payment and the ability to continue to execute our aggressive growth plans.

Financial Measures Reconciliations

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 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.

Gross Margin

Management believes that in addition to net income, Gross Margin is a useful supplemental measure as it provides an indication of the results generated by Western's principal operating activities prior to considering administrative expenses, depreciation and amortization, how those activities are financed, the impact of foreign exchange, how the results are taxed, how funds are invested, and how non-cash items and one-time gains and losses affect results.

EBITDA

Management believes that in addition to net income, earnings from continuing operations before interest and finance costs, taxes, depreciation and amortization, other non-cash items and one-time gains and losses ("EBITDA") as derived from information reported in the condensed consolidated statements of operations and comprehensive income is a useful supplemental measure as it provides an indication of the results generated by the Company's principal operating segments similar to Gross Margin but also factors in the cash administrative expenses incurred in the period.

Operating Earnings

Management believes that in addition to net income, Operating Earnings is a useful supplemental measure as it provides an indication of the results generated by the Company's principal operating segments similar to EBITDA but also factors in the depreciation expense charged in the period.

The following table provides a reconciliation of net income under IFRS as disclosed in the condensed consolidated statements of operations and comprehensive income to Gross Margin, EBITDA and Operating Earnings:

	Three months ended Sept 30		Nine months ended Sept 30	
(stated in thousands)	2012	2011	2012	2011
Gross Margin	29,382	35,005	93,703	67,667
Add (subtract):				
Administrative expenses	(5,965)	(5,093)	(17,837)	(10,727)
Depreciation – administrative	234	144	606	281
Stock based compensation – administrative	293	336	1,078	630
EBITDA	23,944	30,392	77,550	57,851
Depreciation – operating	(8,218)	(7,792)	(22,823)	(15,529)
Depreciation – administrative	(234)	(144)	(606)	(281)
Operating Earnings	15,492	22,456	54,121	42,041
Stock based compensation – operating	(126)	(66)	(384)	(182)
Stock based compensation – administrative	(293)	(336)	(1,078)	(630)
Finance costs	(3,169)	(1,333)	(9,200)	(2,404)
Other items	(477)	(799)	(173)	(2,149)
Income taxes	(3,176)	(6,053)	(11,200)	(7,717)
Income from discontinued operations	-	11,004	-	11,473
Net income	8,251	24,893	32,086	40,432

2012 Third Quarter Results Conference Call and Webcast

Western has scheduled a conference call and webcast to begin promptly at 12:00 p.m. MST (2:00 p.m. EST) on November 1, 2012.

The conference call dial-in number is 1-888-231-8191.

A live webcast of the conference call will be accessible on Western's website at www.wesc.ca by selecting "*Investor Relations*", then "*Webcasts*". Shortly after the live webcast, an archived version will be available for approximately 14 days.

An archived recording of the conference call will also be available approximately one hour after the completion of the call until November 15, 2012 by dialing 1-855-859-2056 or 1-416-849-0833, passcode 43103249.

Forward-Looking Statements and Information

This News Release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. All statements other than statements of historical fact contained in this News Release may be forward-looking statements and forward-looking information. In particular, forward-looking information in this News Release include, but are not limited to under the heading "Outlook" the statements "Western's 2012 capital budget is expected to total approximately $155 million, which includes approximately $95 million in expansion capital and $60 million in maintenance capital. Western anticipates approximately $10 million of the 2012 capital budget will carry forward into 2013. Expansion capital in the contract drilling segment aggregates to approximately $80 million and mainly relates to Western's drilling rig build program which includes the construction of eight telescopic ELR double drilling rigs in 2012, five of which have already been commissioned. Of the remaining three drilling rigs currently under construction, one is expected to be completed in both the fourth quarter of 2012 and the first quarter of 2013. The final rig under construction will be the Company's first pad rig and is expected to be commissioned in the third quarter of 2013 under a long term contract with an existing customer. Expansion capital in the well servicing segment relates to the construction of five new internally guyed single service rigs, one of which has already been commissioned in the fourth quarter of 2012. The remaining four well servicing rigs are anticipated to be completed in the fourth quarter of 2012 and early in the first quarter of 2013." and the statements "The lower commodity price environment for crude oil and natural gas, coupled with the uncertain economic environment, due in part to the European debt crisis, is expected to result in lower drilling activity in the fourth quarter of 2012 as compared to the same period of the prior year. As such, the Company expects lower utilization in 2012 as compared to the prior year, when industry utilization reached a five-year high. The decrease in industry activity is expected to result in only modest pricing pressure on day rates on the deeper rigs in the industry's fleet. Notwithstanding the softening commodity price environment, Western continues to believe that additional rig build opportunities in both the contract drilling and well servicing segments will be available.", and "Western is of the view, that its modern ELR rig fleet, strong customer base and solid reputation will provide a competitive advantage which will enable the Company to maintain its growth strategy and higher than industry utilization through a period of lower commodity prices and drilling activity." These forward-looking statements and information are based on certain key expectations and assumptions made by Western, including the assumption that notwithstanding an expectation of lower utilization for its services such lowered expectations will not be severe enough to affect Western's ability to complete its currently planned expansion capital program nor will it change Western's ongoing growth strategy. Although Western believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information as Western cannot give any assurance that they will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, general economic, market and business conditions. Readers are cautioned that the foregoing list of risks and uncertainties is not exhaustive. Additional information on these and other risk factors that could affect Western's operations and financial results are included in Western's annual information form and the other disclosure documents filed by Western with securities regulatory authorities 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 and 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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