



## **WESTERN ENERGY SERVICES CORP. HIGHLIGHTS KEY ELEMENTS OF ITS AGREEMENT WITH SAVANNA ENERGY SERVICES CORP.**

**FOR IMMEDIATE RELEASE: March 13, 2017**

**CALGARY, ALBERTA** - Western Energy Services Corp. ("Western") (TSX: WRG), wishes to summarize six matters relevant to its recently announced Arrangement with Savanna Energy Services Corp. ("Savanna") (TSX: SVY). These comments also address certain subjects that have either been reported in the media or have been otherwise publicly discussed by a competing hostile bidder.

Savanna's shareholders currently have two competing business combination proposals to consider, one being the Arrangement negotiated co-operatively between Western and Savanna; and the other being an increasingly acrimonious hostile bid by Total Energy Services Inc. ("Total"). The consideration in both cases consists predominantly of common shares of what would become a combined company, in each case.

The calculated market value of the consideration proposed, after share price fluctuations for all three companies, slightly favors the Western-Savanna Arrangement at this date, but the calculated values of the two alternatives are quite close together.

Given these circumstances, the following are matters that will likely be highly relevant to the Savanna shareholders in choosing between the two alternatives.

### **1. Experience Counts and Strategy Matters**

Western is a substantial and widely-respected company, that is highly-focused on the businesses of contract drilling and well servicing for the oil and gas industry; the same is true for Savanna. The competing bidder, Total, derived a meager 6% of its corporate revenue in 2016 from contract drilling service and none from well servicing.

It should be important to consider which prospective partner will be better for Savanna's strategy and business, including the achievement of operating and cost synergies and overall competitive position. Western is a prospective partner with deep experience and a business culture that lives and breathes contract drilling and well servicing. Total is a company which has to date only dabbled in Savanna's main lines of business.

### **2. "You Attract More Flies with Honey Than You Do With Vinegar"**

The business approach to the two proposals could hardly contrast more strongly. Western has engaged with Savanna by entering through the front door and by providing Savanna (and the Alberta Investment Management Corporation ("AIMCo")) access to an extensive data room and a full suite of information. Negotiations have been at arm's-length and businesslike; agreements have been reached on a co-operative basis; and a jointly-approved press release announced the proposed Arrangement between the two companies and the consent of AIMCo.

Total's offer arrived as an unsolicited hostile bid to Savanna. Total has publicly stated that it will "vigorously investigate all actions taken by Savanna's directors and senior executives". Total has also threatened litigation; alleged a (non-existent) conflict of interest; and publicly lectured AIMCo, with whom it has not negotiated, on what it believes AIMCo should agree to do, if Total becomes the successful bidder.

Which of the two approaches (friendly vs. hostile) is likely to be more effective in advancing a business that is highly reliant on attracting and retaining excellent people to serve its many high-quality clients?

### **3. Creating Canada's Second-Largest Drilling and Well Servicing Company**

Each of Western and Savanna is a very substantial competitor in the businesses of contract drilling services and well servicing for the oil and gas industry. Combined, they would have extensive operations in Canada and the United States and a very competitive operation in Australia. The combined entity would become the second-largest drilling and well servicing company in Canada, with considerable scale and ability to serve a broad range of clients.

The small size of Total's existing drilling and non-existent well servicing operations would not result in an entity of nearly the same breadth and scale as is achievable through the Arrangement between Western and Savanna.

### **4. "Break Fees" are Absolutely Normal in Business Combinations**

In mergers, acquisitions and other types of business combinations, any offeror, other than a hostile one, is almost always granted the opportunity to receive a "break fee" in certain specified circumstances. Generally, after a new, acceptable offer is brought forward, if that negotiated transaction is not able to be later consummated because an even higher offer is made, then the friendly offeror receives a negotiated "break fee" for its time, effort and expense. Such "break fee" also recognizes the improvement in consideration that the target company's shareholders ultimately realize when there is more than simply one hostile bidder.

The events which might trigger the "break fee" in this case are completely customary ones and the amount involved is definitely consistent with precedents.

Indignation over what has become an "industry standard" process is unwarranted and represents a needless distraction from the key issues of strategy, experience and fit.

### **5. There is the Potential to Unlock "Locked-Up" Shareholders**

Western acknowledges that certain Savanna shareholders have entered into conditional "soft-lock", Lock-Up Agreements with Total, for their own business reasons. If such Lock-Up Agreements had been unconditional, it is doubtful that Western would have entered into the Arrangement with Savanna.

However, the Lock-Up Agreements, by their terms, allow these shareholders to accept a superior offer that is on the table. This is normal, as many such investors act as fiduciaries for others, and wish to obtain the best available price for their Savanna common shares.

### **6. Board Representation of Savanna Shareholders is Also Normal**

Reflecting the friendly and highly attractive deal that has been struck between Western and Savanna, and the very substantial equity interest that present Savanna shareholders will have in the combined company, it is expected that Chris Strong, the current President and Chief Executive Officer of Savanna, and another mutually acceptable nominee will join the board of the combined company. Again, this is entirely normal practice in this type of proposed business combination and any suggestion that this represents a conflict of interest is also unwarranted and a distraction.

Western looks forward to continuing to communicate the considerable merits of the Arrangement that has been agreed upon.

### **About Western Energy Services Corp.**

Western is an oilfield service company which provides contract drilling services in Canada through its division Horizon Drilling and in the United States through its wholly owned subsidiary Stoneham Drilling Corporation. In Canada, Western also provides well servicing through its division Eagle Well Servicing and provides oilfield rental services through its division Aero Rental Services.

This news release shall not constitute an offer to sell or the solicitation of an offer to buy the shares in any jurisdiction. The shares offered will not be and have not been registered under the United States Securities Act of 1933 and may not be offered or sold in the United States or to a United States person, absent registration, or an applicable exemption therefrom.

### **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 such statements and disclosures, other than those of historical fact, which address activities, events, outcomes, results or developments that Western anticipates or expects may, or will occur in the future (in whole or part) should be considered forward-looking information. In some cases forward-looking information can be identified by terms such as “forecast”, “future”, “may”, “will”, “expect”, “anticipate”, “believe”, “potential”, “enable”, “plan”, “continue”, “contemplate”, “pro forma”, “prospective” or other comparable terminology.

In particular, forward-looking information in this press release includes, but is not limited to, information about the potential arrangement between Western and Savanna pursuant to the arrangement agreement (the “Arrangement Agreement”) between Western and Savanna announced March 9, 2017 (the “Transaction”), including without limitation: (a) the anticipated closing of the Transaction, including the appointment of nominees to Western's board of directors; and (b) the anticipated impact of the Transaction on Western, and the anticipated operational and strategic benefits of the Transaction, including in particular, the achievement of operating synergies and cost savings, any improvement of competitive position, the attraction and retention of personnel, and the pro forma size of Western and size and scope of its operations.

The forward-looking information provided in this press release is based upon a number of material factors and assumptions including without limitation: (a) that the Transaction will be completed in the timelines and on the terms currently anticipated; (b) that all necessary Toronto Stock Exchange (“TSX”), Court and regulatory approvals will be obtained on the timelines and in the manner currently anticipated; (c) that all necessary Western and Savanna shareholder approvals will be obtained; and (d) general assumptions respecting the business and operations of both Western and Savanna, including that each business will continue to operate in a manner consistent with past practice and pursuant to certain industry and market conditions.

Forward-looking information is subject to a number of risks and other factors that could cause actual results and events to vary materially from that anticipated by such forward-looking information. In particular, the completion of the Transaction is subject to a number of risks including, without limitation: (a) TSX, Court and regulatory approvals may not be obtained in the timelines or on the terms currently anticipated or at all; (b) Western and/or Savanna shareholder approval may not be obtained; (c) the Transaction is subject to a number of closing conditions and no assurance can be given that all such conditions will be met or will be met in the timelines required by the Arrangement Agreement; and (d) the business, operational and/or financial performance or achievements of Western or Savanna may be materially different from that currently anticipated. In particular, the synergies and benefits anticipated in respect of the Transaction are based on the current business, operational and financial position of each of Western and Savanna, which are subject to a number of risks and uncertainties. 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 included in Western's annual information form which may be accessed through the SEDAR website at [www.sedar.com](http://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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