WESTERN ENERGY SERVICES CORP. RELEASES FOURTH QUARTER AND YEAR END 2015 FINANCIAL AND OPERATING RESULTS AND SUSPENDS QUARTERLY DIVIDEND

FOR IMMEDIATE RELEASE: February 25, 2016

CALGARY, ALBERTA – Western Energy Services Corp. ("Western" or the "Company") (TSX: WRG) announces the release of its fourth quarter and year end 2015 financial and operating results and the suspension of its quarterly dividend. Additional information relating to the Company, including the Company's financial statements and management's discussion and analysis as at and for years ended December 31, 2015 and 2014 will be available on SEDAR at www.sedar.com. Non-International Financial Reporting Standards ("Non-IFRS") measures and abbreviations for standard industry terms are included in this press release. All amounts are denominated in Canadian dollars (CDN$) unless otherwise identified.

Fourth Quarter 2015 Operating Results:

- Fourth quarter Operating Revenue decreased by $88.8 million (or 69%) to $40.4 million in 2015 as compared to $129.2 million in 2014. In the contract drilling segment, Operating Revenue decreased by $67.9 million (or 72%) to $27.0 million in the fourth quarter of 2015 as compared to $94.9 million in the fourth quarter of 2014; while in the production services segment, Operating Revenue decreased by $20.9 million (or 61%) to $13.5 million as compared to $34.4 million in the fourth quarter of 2014. The decrease in Operating Revenue is due to lower utilization and pricing in both the contract drilling and production services segments as described below:
  - Drilling rig utilization – Operating Days in Canada decreased to 20% in the fourth quarter of 2015 as compared to 59% in the fourth quarter of 2014, reflecting a 65% decrease in Operating Days. The Cardium class rigs were impacted the most by the decreased drilling activity and increased competition in the industry resulting in a 77% decrease in Operating Days; whereas Operating Days for the Montney and Duvernay class rigs were also impacted but to a lesser extent decreasing by 62% and 38% respectively, in the fourth quarter of 2015. Fourth quarter 2015 drilling rig utilization – Operating Days of 20% was consistent with the CAODC industry average during the quarter, as compared to the 1,400 basis points ("bps") premium to the industry average realized in the fourth quarter of 2014. The change relative to the Canadian Association of Oilwell Drilling Contractors ("CAODC") industry average is partially due to a number of Western's customers, who typically have substantial drilling programs, significantly cutting their capital spending in 2015. Additionally, changes in the industry rig mix, as competitors continue to decommission older and shallower rigs in the Western Canadian Sedimentary Basin ("WCSB"), and add predominantly higher specification rigs that directly compete with Western's drilling rig fleet, impacts Western's relative utilization as compared to the CAODC industry average;
  - Additionally, lower activity and increased competition resulted in downward pricing pressure, which reduced Operating Revenue per Revenue Day in the contract drilling segment in Canada by approximately 19%. Pricing pressure was generally more significant for the Cardium class rigs and less so for the Montney and Duvernay class rigs;
  - In the United States, drilling rig utilization – Operating Days decreased to 18% in the fourth quarter of 2015, as compared to 85% in the same period of the prior year, due to reduced activity resulting from the decreased commodity price environment. However, in the United States, Operating Revenue per Revenue Day increased by approximately 11% in the fourth quarter of 2015, as one of Western's upgraded rigs worked throughout the quarter on a long term contract; and
  - Well servicing utilization decreased to 25% in the fourth quarter of 2015 as compared to 58% in the same period of the prior year. Reduced activity, coupled with a 16% decrease in well servicing hourly rates, due to pricing pressure in all areas, resulted in a $18.0 million (or 63%) decrease in well servicing Operating Revenue in the period.
- Fourth quarter Adjusted EBITDA totalled $7.6 million in 2015, a $42.8 million (or 85%) decrease, as compared to $50.4 million in the fourth quarter of 2014. Included in Adjusted EBITDA is approximately $1.5 million in one-time items, including severance and uncollectible accounts receivable. Normalizing for these items, Adjusted EBITDA would have been $9.1 million in the fourth quarter. The year over year decrease in Adjusted EBITDA is due to lower utilization and pricing in both the contract drilling and production services segments.
- Administrative expenses, excluding depreciation and stock based compensation, in the fourth quarter of 2015 decreased by $1.6 million (or 22%) to $5.8 million as compared to $7.4 million in the fourth quarter of 2014. The decrease in administrative expenses is due to lower employee related costs and cost control measures implemented throughout 2015.
- While the Company continues to actively market all of its drilling rigs, during the fourth quarter of 2015, the Company evaluated its property and equipment and decommissioned $26.6 million of largely Cardium class spare equipment that is no longer in use in the contract drilling segment.
- As a result of the declining commodity price environment and reduced 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, 2015. Based on the results of these tests, it was determined that property and equipment in the Company's contract drilling and well servicing CGUs were impaired by $19.0 million and $22.9 million respectively.

- Net income decreased by $46.8 million to a loss of $55.0 million in the fourth quarter of 2015 (a loss of $0.75 per basic common share) as compared to a loss of $8.2 million in the same period in 2014 (a loss of $0.11 per basic common share). The decrease in net income in 2015 can be attributed to the following:
    - A $42.8 million decrease in Adjusted EBITDA due to lower utilization and pricing in both the contract drilling and production services segments;
    - Losses on asset decommissioning of $26.6 million mainly in the contract drilling segment, coupled with impairment losses on property and equipment of $19.0 million and $22.9 million recorded in the contract drilling and well servicing segments respectively;
    - A $0.7 million increase in finance costs and other items;

  Offsetting the above mentioned items are the following:
    - A decrease in depreciation expense of $8.1 million due to lower activity levels;
    - A $27.1 million decrease in income tax expense due to lower taxable income; and
    - Prior year loss on asset decommissioning of property and equipment and goodwill impairment losses recorded in the fourth quarter of 2014 totalling $7.2 million and $22.7 million respectively.

  Normalizing for the one-time items, including after tax property and equipment impairments and decommissioning losses, severance and uncollectible accounts receivable, net income would have totalled a loss of $4.6 million.
- Fourth quarter 2015 capital expenditures of $3.3 million included $1.8 million of expansion capital and $1.5 million of maintenance capital. In total, capital spending in the fourth quarter of 2015 decreased by 89% from the $31.1 million incurred in the fourth quarter of 2014. The majority of fourth quarter 2015 capital expenditures relate to the contract drilling segment, which incurred $2.0 million in capital. These expenditures mainly relate to maintenance capital incurred in the period. Additionally, $1.2 million was incurred in the production services segment mainly relating to maintenance capital and the purchase of additional oilfield rental equipment.
- For the three months ended December 31, 2015, 39,100 common shares for a total cost of $0.2 million were repurchased, cancelled and charged to share capital under the Company's normal course issuer bid (the "NCIB"). On December 18, 2015, Western renewed its NCIB, which has been filed with and accepted by the Toronto Stock Exchange. Pursuant to the renewed NCIB, Western may purchase up to 4,550,000 common shares of the Company before the renewed NCIB expires on December 17, 2016.

Year to Date Operating Results:

- Operating Revenue for 2015 decreased by $257.6 million (or 54%) to $216.5 million as compared to $474.1 million in the prior year. Operating Revenue in the contract drilling segment decreased by $199.9 million (or 57%) to $150.2 million as compared to $350.1 million in the prior year; while in the production services segment, Operating Revenue decreased by $58.8 million (or 47%) to $66.6 million in 2015 as compared to $125.4 million in the prior year. The decrease in Operating Revenue is due to the lower utilization and pricing in both the contract drilling and production services segments as described below:
    - Drilling rig utilization – Operating Days in Canada decreased to 26% for the year ended December 31, 2015 as compared to 58% in the prior year, reflecting 55% fewer Operating Days as the decreased commodity price environment resulted in significant reductions in the capital spending programs of Western's customers. In 2015, Operating Days for Western's Cardium class rigs decreased by 68% as compared to 2014 and were impacted to a greater extent by the competitive environment; whereas Operating Days for Western's Montney class rigs decreased by 52% while the Duvernay class rigs increased marginally by 1% as compared to the prior year. Drilling rig utilization – Operating Days of 26% for the year ended December 31, 2015 reflects an approximate 300 bps premium to the CAODC industry average of 23%, as compared to the 1,400 bps premium realized in 2014. The premium decrease relative to the CAODC industry average is due to a number of Western's customers, who typically have substantial drilling programs, significantly cutting their capital spending in 2015. Additionally, changes in the industry rig mix, as competitors continue to decommission older and shallower rigs in the WCSB, while the majority of new additions are higher specification rigs that directly compete with Western's drilling rig fleet, impacts Western's relative utilization as compared to the CAODC industry average;
    - Additionally, lower activity and increased competition led to downward pricing pressure on day rates and resulted in Operating Revenue per Revenue Day in the contract drilling segment in Canada decreasing by 10% in 2015. Pricing pressure was generally more significant for the Cardium class rigs and less so for the Montney and Duvernay class rigs;
    - In the United States in 2015, drilling rig utilization – Operating Days decreased to 29% as compared to 83% in the prior year. However, Operating Revenue per Revenue Day in the United States increased by approximately 13% for the year ended December 31, 2015 as one of Western's upgraded rigs worked throughout the year on a long term contract. Included in Operating Revenue in the contract drilling segment for the year ended December 31, 2015 is US$4.5 million in shortfall commitment and standby revenue on idle but contracted rigs in the United States; and
    - Well servicing utilization decreased by 2,400 bps to 30% in 2015, as compared to 54% in the prior year. The decrease in utilization coupled with a 5% decrease in well servicing hourly rates, due to pricing pressure in all areas, resulted in a $49.0 million (or 47%) year over year decrease in well servicing Operating Revenue in 2015.

- Adjusted EBITDA decreased by $116.3 million (or 66%) to $60.5 million in 2015, as compared to $176.8 million in 2014. The decrease in Adjusted EBITDA is due to lower activity and pricing across all of Western's divisions, partially offset by Western's cost structure, with approximately 80% of costs being variable, and effective reductions of fixed overhead costs. Normalizing for the US$4.5 million in shortfall commitment and standby revenue, one-time costs of $3.1 million, including severance and uncollectible accounts receivable, Adjusted EBITDA would have totalled $58.1 million in 2015.
- Administrative expenses in 2015, excluding depreciation and stock based compensation, decreased by $5.0 million (or 16%) to $25.4 million, as compared to $30.4 million in 2014. The decrease in administrative expenses is due to lower employee related costs and cost control measures.
- While the Company continues to actively market all of its drilling rigs, during the fourth quarter of 2015, the Company evaluated its property and equipment and decommissioned $26.6 million of largely Cardium class spare equipment that is no longer in use in the contract drilling segment.
- As a result of the declining commodity price environment and reduced outlook for current and future oilfield services activity and pricing, the Company completed an impairment test for each of its CGUs as at December 31, 2015. Based on the results of these tests, it was determined that property and equipment in the Company's contract drilling and well servicing CGUs were impaired by $19.0 million and $22.9 million respectively.
- As a result of the declining commodity price environment and reduced outlook for oilfield services activity and pricing, the Company recorded a $71.3 million goodwill impairment loss in the third quarter of 2015. $59.1 million of the goodwill impairment loss was recorded in the contract drilling segment, representing the full amount of goodwill allocated to the segment. Additionally, $12.2 million of the goodwill impairment loss was recorded in the production services segment, representing the full amount of goodwill allocated to the oilfield rental division.
- Net income decreased by $165.5 million to a loss of $129.1 million for the year ended December 31, 2015 (a loss of $1.74 per basic common share) as compared to net income of $36.4 million ($0.49 per basic common share) for the same period in 2014. The decrease in net income is mainly attributed to the following:
    - A $116.3 million decrease in Adjusted EBITDA due to lower activity and pricing across all of Western's divisions;
    - Losses on goodwill impairment of $59.1 million and $12.2 million in the contract drilling and production services segments respectively; and
    - Losses on asset decommissioning of $26.6 million mainly in the contract drilling segment, coupled with impairment losses on property and equipment of $19.0 million and $22.9 million recorded in the contract drilling and well servicing segments respectively.

  Offsetting the above mentioned items are the following factors increasing 2015 net income:
    - A decrease in depreciation expense of $24.3 million due to lower activity levels;
    - A decrease in income tax expense of $34.8 million due to lower taxable income;
    - The prior year loss on asset decommissioning and goodwill impairment losses recorded in the fourth quarter of 2014 totalling $7.2 million and $22.7 million respectively; and
    - A decrease of $1.4 million in finance costs and other items such as gains and losses on foreign exchange, asset sales and derivatives.

  Normalizing for the one-time items, including after tax impairments and decommissioning losses, shortfall commitment and standby revenue, severance and uncollectible accounts receivable, net income for 2015 would have totalled a loss of $5.8 million.
- 2015 capital expenditures of $33.6 million include $23.0 million of expansion capital and $10.6 million of maintenance capital, representing a 69% decrease from the $108.6 million incurred in 2014. The majority of the capital expenditures in 2015 relate to the contract drilling segment, which incurred $26.3 million in capital. These expenditures mainly relate to the completion of Western's 2014 drilling rig build program, which totaled $20.1 million in the period relating to the construction of three Duvernay class drilling rigs. The remaining capital spending in the contract drilling segment relates to maintenance capital. Additionally, capital expenditures totalled $7.1 million in the production services segment and related to the construction of one slant well servicing rig which was part of Western's 2014 rig build program, the purchase of additional oilfield rental equipment, and maintenance capital of $4.0 million.
- For the year ended December 31, 2015, 1,297,300 common shares for a total cost of $6.7 million were repurchased, cancelled and charged to share capital, or contributed surplus as applicable, under the Company's NCIB.

Dividend Suspension

Given the current commodity price environment and limited visibility for oilfield service activity, the Board of Directors has suspended the Company's quarterly dividend until further notice. This reduction will allow Western to preserve its liquidity while providing the Company with the financial flexibility to pursue further growth opportunities.

Selected Financial Information

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

Financial Highlights	**Three months ended December 31 2015**	**2014**	**Change**	**Year ended December 31 2015**	**2014**	**Change**
Revenue	42,678	139,210	(69%)	227,524	507,832	(55%)
Operating Revenue[1]	40,458	129,181	(69%)	216,485	474,120	(54%)
Gross Margin[1]	13,372	57,826	(77%)	85,951	207,231	(59%)
Gross Margin as a percentage of Operating Revenue	33%	45%	(27%)	40%	44%	(9%)
Adjusted EBITDA[1]	7,573	50,419	(85%)	60,545	176,777	(66%)
Adjusted EBITDA as a percentage of Operating Revenue	19%	39%	(51%)	28%	37%	(24%)
Cash flow from operating activities	11,139	47,830	(77%)	90,955	181,351	(50%)
Capital expenditures	3,259	31,071	(90%)	33,562	108,604	(69%)
Net income (loss)	(55,010)	(8,164)	574%	(129,139)	36,450	(454%)
-basic net income (loss) per share	(0.75)	(0.11)	582%	(1.74)	0.49	(455%)
-diluted net income (loss) per share	(0.75)	(0.11)	582%	(1.74)	0.48	(463%)
Weighted average number of shares						
-basic	73,655,198	74,882,690	(2%)	74,238,320	74,396,701	-
-diluted	73,655,198	74,927,714	(2%)	74,238,320	75,427,149	(2%)
Outstanding common shares as at period end	73,646,292	74,866,028	(2%)	73,646,292	74,886,028	(2%)
Dividends declared	3,682	5,614	(34%)	20,392	22,376	(9%)

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

Operating Highlights	**Three months ended December 31 2015**	**2014**	**Change**	**Year ended December 31 2015**	**2014**	**Change**
Contract Drilling						
Canadian Operations:						
Contract drilling rig fleet:						
-Average	52	50	4%	50	49	2%
-End of period	52	49	6%	52	49	6%
Operating Revenue per Revenue Day[1]	22,038	27,104	(19%)	23,458	26,178	(10%)
Operating Revenue per Operating Day[1]	24,228	29,710	(18%)	25,821	28,699	(10%)
Operating Days[1]	955	2,724	(65%)	4,748	10,478	(55%)
Drilling rig utilization - Revenue Days[1]	22%	65%	(66%)	29%	64%	(55%)
Drilling rig utilization - Operating Days[1]	20%	59%	(66%)	26%	58%	(55%)
CAODC industry average utilization[1][2]	20%	45%	(56%)	23%	44%	(48%)
United States Operations:						
Contract drilling rig fleet:						
-Average	5	5	-	5	5	-
-End of period	5	5	-	5	5	-
Operating Revenue per Revenue Day (US$)[1]	31,350	28,309	11%	29,483[3]	26,124	13%
Operating Revenue per Operating Day (US$)[1]	34,217	31,876	7%	33,166[3]	29,680	12%
Operating Days[1]	84	385	(78%)	526	1,506	(65%)
Drilling rig utilization - Revenue Days[1]	20%	95%	(79%)	32%	94%	(66%)
Drilling rig utilization - Operating Days[1]	18%	85%	(79%)	29%	83%	(65%)
Production Services						
Well servicing rig fleet:						
-Average	66	65	2%	66	65	2%
-End of period	66	65	2%	66	65	2%
Service Rig Operating Revenue per Service Hour[1]	703	837	(16%)	779	817	(5%)
Service Hours	15,352	34,456	(55%)	71,225	127,768	(44%)
Service rig utilization[1]	25%	58%	(57%)	30%	54%	(44%)

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

(2) Source: The Canadian Association of Oilwell Drilling Contractors ("CAODC"). The CAODC industry average is based on Operating Days divided by total available days.

(3) Excludes shortfall commitment and standby revenue from take or pay contracts of US$4.5 million for the year ended December 31, 2015.

Financial Position at (stated in thousands)	December 31, 2015	December 31, 2014	Change
Working capital	70,679	78,336	(10%)
Property and equipment	773,647	827,306	(6%)
Total assets	876,608	1,057,118	(17%)
Long term debt	264,155	264,165	-

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 United States ("US"). On December 28, 2015, Western wound up its partnership, Western Energy Services Partnership (the "Partnership") and rolled all of the Partnership's assets into IROC Drilling and Production Services Corp., which then changed its name to Western Production Services Corp. ("Western Production Services"). As a result, Western now provides well servicing operations in Canada through Western Production Services' division, Eagle Well Servicing ("Eagle") and oilfield rental equipment services in Canada through Western Production Services' division, Aero Rental Services ("Aero"). Financial and operating results for Horizon and Stoneham are included in Western's contract drilling segment, while Eagle and Aero's financial and operating results are included in Western's production services segment.

Western currently has a drilling rig fleet of 57 rigs specifically suited for drilling horizontal wells of increased complexity. Western is the sixth largest drilling contractor in Canada with a fleet of 52 rigs operating through Horizon. Of the Canadian fleet, 25 are classified as Cardium rigs, 19 as Montney rigs and eight as Duvernay rigs. As compared to the Cardium classified rigs, the Montney class rigs have a larger hookload, while the Duvernay class rigs have the largest hookload. Additionally, Western has five Duvernay class triple drilling rigs deployed in the United States operating through Stoneham. Western is also the fourth largest well servicing company in Canada with a fleet of 66 rigs operating through Eagle. Western's oilfield rental equipment division, which operates through Aero, provides oilfield rental equipment for frac services, well completions and production 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. Overall performance of the Company was affected by the decline in crude oil and natural gas prices throughout 2015. While crude oil prices were strong in the first six months of 2014, they weakened significantly in the last half of 2014 and continued to weaken in 2015. Partially offsetting the decline in crude oil and natural gas prices for Western's Canadian customers was the strengthening of the US dollar in comparison to the Canadian dollar. The following table summarizes the average oil and natural gas prices, as well as the average foreign exchange rates for the three months ended December 31, 2015 and 2014 and for the years ended December 31, 2015 and 2014.

	Three months ended December 31			Year ended December 31		
	2015	2014	Change	2015	2014	Change
Average oil and natural gas prices(1)						
Oil						
West Texas Intermediate (US$/bbl)	42.18	73.15	(42%)	48.80	93.00	(48%)
Western Canadian Select (CDN$/bbl)	36.86	65.30	(44%)	44.83	82.04	(45%)
Natural Gas						
30 day Spot AECO (CDN$/mcf)	2.48	3.62	(32%)	2.71	4.50	(40%)
Average foreign exchange rates						
US dollar to Canadian dollar	1.34	1.14	18%	1.28	1.10	16%

(1) See "Abbreviations" included in this press release.

The significant reduction in commodity prices has resulted in a corresponding decrease in the demand for oilfield services in both Canada and the United States. The CAODC reported that for drilling in Canada, the total number of Operating Days in the WCSB decreased approximately 50% for the year ended December 31, 2015, as compared to 2014. Similarly, as reported by Baker Hughes Incorporated, the number of active drilling rigs in the United States decreased approximately 47% in 2015 as compared to 2014. Well servicing hours were also impacted by the decline in demand, as the CAODC reported that Service Hours in the WCSB decreased approximately 40% in 2015, as compared to the prior year.

Outlook

Currently, 7 of Western's 57 drilling rigs (or 12%) are operating under long term take-or-pay contracts providing a base level of future revenue, with 4 of these contracts expected to expire in 2016 and 3 expected to expire in 2017. These contracts each typically generate between 250 and 350 Revenue Days per year.

Western's revised capital budget for 2016 is expected to total $7 million and is comprised of $2 million of expansion capital and $5 million of maintenance capital. The following table summarizes the capital spending incurred in 2015 and the revised 2016 capital budget:

Capital Expenditures (stated in millions)	Revised 2015 Budget Announced October 29, 2015	Capital Expenditures Year Ended December 31, 2015	Cancellations 2015	Carry Forward Capital Spending 2016	2016 Budget Announced December 16, 2015	Cancellations 2016	Revised 2016 Budget Announced February 25, 2016
Expansion	23	(23)	-	-	6	(4)	2
Maintenance	15	(11)	(4)	-	12	(7)	5
Total Capital Expenditures	**38**	**(34)**	**(4)**	**-**	**18**	**(11)**	**7**

Capital spending in 2015 totalled $34 million, a decrease from the previously announced revised 2015 capital budget of $38 million as an additional $4 million in maintenance capital expenditures were cancelled in the fourth quarter of 2015, due to the decrease in oilfield service activity. No capital from the revised 2015 budget was carried forward into 2016. The initial 2016 capital budget of $18 million announced in the fourth quarter of 2015 has been reduced by $11 million and now totals $7 million, comprised of $2 million of expansion capital and $5 million of maintenance capital. Expansion capital in the revised 2016 budget relates to additional oilfield rental equipment. Maintenance capital includes $3 million in the contract drilling segment and $2 million in the production services segment.

Western believes the revised 2016 capital budget provides a prudent use of cash resources and will allow it to maintain its balance sheet strength in the current market conditions. This budget also demonstrates the Company's commitment to maintaining Western's premier drilling and well servicing rig fleets, while remaining responsive to customer requirements, and expanding Western's strategic presence in the oilfield rental equipment market. Western will continue to manage its operations in a disciplined manner and make any required adjustments to its capital program as customer demand changes.

Subsequent to December 31, 2015, crude oil and natural gas prices have continued to deteriorate to levels not seen in over a decade. This continued pressure on commodity prices has resulted in continued year-over-year reductions to the capital spending plans for the majority of Western's customers. In many cases, the capital spending reductions have been significant. As a result, active drilling rig counts in both Canada and the United States are expected to be at or near 30 year lows in 2016. Activity levels throughout the oilfield service industry in the first quarter of 2016 are expected to be significantly lower as compared to the same period in the prior year, when the effect of the lower commodity price environment had not fully impacted Western's activity levels and pricing. Lower activity and pricing pressure will continue to impact Western's Adjusted EBITDA and cash flow from operating activities. Western's variable cost structure, under which approximately 80% of operating and administrative costs are variable, the suspension of the Company's quarterly dividend and a prudent capital budget will aid in preserving balance sheet strength. Within the current market, the Company's objective is to manage expenses within cash flow from operating activities. At December 31, 2015, Western's Net Debt to trailing 12 month Adjusted EBITDA ratio was 3.4. In addition to $58.4 million in cash and cash equivalents at December 31, 2015, Western has $175 million undrawn on the Company's revolving credit facility (the "Revolving Facility"), which does not mature until December 17, 2018, $20 million available on the Company's operating demand revolving loan (the "Operating Facility"), and no principal repayments due on the $265 million Senior Notes until they mature on January 30, 2019.

The Company's credit facilities contain certain financial covenants including an interest coverage ratio of 2.0 to 1.0 or greater. At December 31, 2015, the Company's interest coverage ratio was 2.8 to 1.0. The continued deterioration of the commodity price environment subsequent to year end and the corresponding impact on the demand for oilfield services activity has caused a number of oilfield service companies to seek covenant relief from their lenders. Western's interest coverage ratio is sensitive to the prolonged decline in oilfield services activity and failing to comply with this covenant could lead to restrictions on the Company's ability to access its credit facility in the future. At December 31, 2015, Western is in compliance with all debt covenants; however, due to estimates that oilfield services activity will remain low throughout 2016, Western is in discussions with its banking syndicate for relief to the existing banking covenants. Currently, there is no risk of a cross default with the Company's Senior Notes as the credit facility remains undrawn. In addition to suspending the Company's quarterly dividend and reducing capital spending to preserve balance sheet strength, the Company has taken a proactive approach to reducing administrative and fixed overhead costs including reducing fixed headcount since the beginning of 2015 by a third and implementing a 10% company-wide wage rollback to salaried employees and director's fees, as well as reducing various other office related costs. Oilfield service activity in Canada will be impacted by the development of resource plays in Alberta and northeast British Columbia including those related to liquefied natural gas projects, increased crude oil transportation capacity through rail and pipeline development and foreign investment into Canada. Currently, the largest challenge facing the oilfield service industry is customer spending constraints as a result of lower commodity prices. Western's view is that its modern drilling and well servicing rig fleets, strong customer base, reputation, and disciplined cash management provide a competitive advantage which will enable the Company to manage through the current slowdown in oilfield services activity.

Advance Notice Requirement For Nominating Directors

Western's board of directors approved the adoption of amended & restated by-laws of the Company (the "A&R By-laws") which, among other things, increase the quorum requirement for shareholder meetings to 25% of the outstanding shares from 5%, generally modernize the by-laws and include an advance notice requirement (the "Advance Notice Requirement") for shareholders who want to nominate a person or persons for election as a director of the Company other than the management director nominees, and other than pursuant to a requisition of a meeting or a shareholder proposal made pursuant to the provisions of the Business Corporations Act (Alberta). The purpose of the Advance Notice Requirement is to, among other things, set a deadline of 30 days by which shareholders must notify the Company in writing of an intention to nominate directors prior to any meeting of shareholders at which directors are to be elected, and prescribe the information regarding their nominees that must be included in the notice for it to be valid. The Advance Notice Requirement is similar to that adopted by many other TSX-listed issuers in the last few years and is in accordance with the guidelines prescribed by Institutional Shareholder Services or ISS. The A&R By-laws are effective immediately and will be subject to shareholder confirmation at the annual meeting of shareholders to be held on May 9, 2016. A copy of the A&R By-laws has been filed and is available under the Company's profile at www.sedar.com.

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. These Non-IFRS measures are identified and defined as follows:

Operating Revenue

Management believes that in addition to revenue, Operating Revenue is a useful supplemental measure as it provides an indication of the revenue generated by Western's principal operating activities, excluding flow through third party charges such as rig fuel, which at the customer's request may be paid for initially by Western, then recharged in its entirety to Western's customers.

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.

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

	Three months ended December 31		**Year ended December 31**	
(stated in thousands)	**2015**	**2014**	**2015**	**2014**
Operating Revenue				
Drilling	26,978	94,877	150,252	350,105
Production Services	13,525	34,447	66,550	125,404
Less: inter-company eliminations	(45)	(143)	(317)	(1,389)
	40,458	**129,181**	**216,485**	**474,120**
Third party charges	2,220	10,029	11,039	33,712
Revenue	**42,678**	**139,210**	**227,524**	**507,832**
Less: operating expenses	(37,974)	(98,524)	(179,843)	(363,603)
Add:				
Depreciation – operating	8,433	16,740	37,473	61,991
Stock based compensation – operating	235	400	797	1,011
Gross Margin	**13,372**	**57,826**	**85,951**	**207,231**

Adjusted EBITDA

Management believes that in addition to net income, 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 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 Adjusted EBITDA but also factors in the depreciation expense incurred in the period.

The following table provides a reconciliation of net income under IFRS, as disclosed in the consolidated statements of operations and comprehensive income, to earnings before interest and finance costs, taxes and depreciation and amortization ("EBITDA"), Adjusted EBITDA and Operating Earnings:

	Three months ended December 31		Year ended December 31	
(stated in thousands)	**2015**	**2014**	**2015**	**2014**
Net income (loss)	**(55,010)**	**(8,164)**	**(129,139)**	**36,450**
Add:				
Finance costs	5,412	4,897	20,441	20,782
Income taxes	(21,273)	5,784	(12,548)	22,311
Depreciation – operating	8,433	16,740	37,473	61,991
Depreciation – administrative	616	444	1,994	1,776
EBITDA	**(61,822)**	**19,701**	**(81,779)**	**143,310**
Add:				
Stock based compensation – operating	235	400	797	1,011
Stock based compensation – administrative	921	1,073	3,520	2,827
Loss on asset decommissioning	26,598	7,247	26,598	7,247
Impairment loss on property and equipment	41,862	-	41,862	-
Impairment loss on goodwill	-	22,668	71,256	22,668
Other items	(221)	(670)	(1,709)	(286)
Adjusted EBITDA	**7,573**	**50,419**	**60,545**	**176,777**
Subtract:				
Depreciation – operating	(8,433)	(16,740)	(37,473)	(61,991)
Depreciation – administrative	(616)	(444)	(1,994)	(1,776)
Operating Earnings (loss)	**(1,476)**	**33,235**	**21,078**	**113,010**

Net Debt

The following table provides a reconciliation of long term debt under IFRS, as disclosed in the condensed consolidated balance sheets to Net Debt:

(stated in thousands)	**December 31, 2015**	**December 31, 2014**
Long term debt	264,155	264,165
Current portion of long term debt	761	1,062
Less cash and cash equivalents	(59,445)	(62,662)
Net Debt	**206,471**	**202,565**

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

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

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

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

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 of 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 Oilwell Drilling Contractors (“CAODC”);
- DecaNewton (“daN”);
- International Financial Reporting Standards (“IFRS”);
- Thousand cubic feet (“mcf”);
- West Texas Intermediate (“WTI”);
- Western Canadian Sedimentary Basin (“WCSB”); and
- Western Canadian Select (“WCS”).

2015 Fourth Quarter Results Conference Call and Webcast

Western has scheduled a conference call and webcast to begin at 10:00 a.m. MST (12:00 p.m. EST) on Friday, February 26, 2016.

The conference call dial-in number is 1-866-223-7781.

A live webcast of the conference call will be accessible on Western’s website at www.wesc.ca by selecting “*Investors*”, 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 March 11, 2016 by dialing 1-800-408-3053 or 905-694-9451, passcode 5548245.

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”, or other comparable terminology.

In particular, forward-looking information in this press release includes, but is not limited to, statements relating to the declaration of dividends; the future demand for the Company’s services and equipment; the terms of existing and future drilling contracts in Canada and the US and the revenues resulting therefrom (including the number of Operating Days typically generated from the Company's contracts); the Company’s expansion and maintenance capital plans for 2016, including the ability of current capital resources to cover Western’s financial obligations and the 2016 capital budget; the Company’s expected sources of funding to support such capital plans and the Company's ability to adjust capital spending for the remainder of 2016 if market conditions continue to change; the use and availability of the Company’s credit facilities; expectations as to the increase in crude oil transportation capacity through rail and pipeline development; expectations as to the necessary approvals for liquefied natural gas projects being obtained; the expectation of continued foreign investment into the Canadian oilfield industry; and the expectation that producer spending constraints will continue to be a large challenge facing the Company in 2016.

The material assumptions in making the forward-looking statements in this press release include, but are not limited to, assumptions relating to, demand levels and pricing for oilfield services; fluctuations in the price and demand for oil and natural gas; the continued low levels of and pressures on commodity pricing; the continued business relationship between the Company and its significant customers; general economic and financial market conditions; the development of liquefied natural gas projects, crude oil transport and pipeline approval and development; the Company’s ability to finance its operations; 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; the ability of the Company’s various business segments to access equipment (including spare parts and new technologies); changes in laws or regulations; currency exchange fluctuation; the ability of the Company to attract and retain skilled labour and qualified management; the ability to retain and attract significant customers; and other unforeseen conditions which could impact the use of services supplied by Western including Western’s ability to respond to such 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 demand for oilfield services will not improve for the remainder of 2016 and that commodity price levels will remain low, 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 included in Western's annual information form 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.

For more information, please contact:

Alex R.N. MacAusland	**Jeffrey K. Bowers**
President and CEO	Senior VP Finance and CFO

Western Energy Services Corp.
1700, 215 – 9th Avenue SW
Calgary, AB T2P 1K3
Phone: 403.984.5916 Fax: 403.984.5917
www.wesc.ca