WESTERN ENERGY SERVICES CORP. RELEASES THIRD QUARTER 2022 FINANCIAL AND OPERATING RESULTS

FOR IMMEDIATE RELEASE: October 25, 2022

CALGARY, ALBERTA – Western Energy Services Corp. ("Western" or the "Company") (TSX: WRG) announces the release of its third quarter 2022 financial and operating results. Additional information relating to the Company, including the Company's financial statements and management's discussion and analysis as at September 30, 2022 and for the three and nine months ended September 30, 2022 and 2021 will be available on SEDAR at www.sedar.com. Non-International Financial Reporting Standards ("Non-IFRS") measures and ratios, such as Adjusted EBITDA and Adjusted EBITDA as a percentage of revenue, as well as 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.

Third Quarter 2022 Operating Results:

- Third quarter revenue increased by $25.5 million or 77%, to $58.5 million in 2022 as compared to $33.0 million in the third quarter of 2021. Contract drilling revenue totalled $38.1 million in the third quarter of 2022, an increase of $18.6 million or 96%, compared to $19.5 million in the third quarter of 2021. Production services revenue was $20.4 million for the three months ended September 30, 2022, an increase of $6.7 million or 50%, as compared to $13.7 million in the same period of the prior year. In the third quarter of 2022, revenue was positively impacted by improved demand compared to the third quarter of 2021 as described below:
    - In Canada, drilling rig utilization averaged 27% in the third quarter of 2022, compared to 18% in the third quarter of 2021. The increase in activity in the third quarter of 2022 was mainly attributable to the higher commodity prices resulting from the war in Ukraine and the lifting of government restrictions globally which re-opened the economy, compared to the third quarter of 2021 when the COVID-19 pandemic reduced demand across the industry. The Canadian Association of Energy Contractors ("CAOEC") industry average utilization of 40%[1] for the third quarter of 2022 represented an increase of 1,300 basis points ("bps") compared to the CAOEC industry average of 27% in the third quarter of 2021. Revenue per Operating Day averaged $29,283 in the third quarter of 2022, an increase of 39% compared to the same period of the prior year, mainly due to improved industry demand, upgrades made to the rigs, and inflationary pressures on operating costs, including higher CAOEC industry wages and fuel charges that are passed through to the customer;
    - In the United States ("US"), drilling rig utilization averaged 45% in the third quarter of 2022, compared to 13% in the third quarter of 2021, with Operating Days improving from 98 days in 2021 to 333 days in 2022. Revenue per Operating Day for the third quarter of 2022 averaged US$26,372, a 51% increase compared to US$17,419 in the same period of the prior year, mainly due to improved market conditions and changes in rig mix, as there was more activity with the Company's higher spec rigs which command higher day rates; and
    - In Canada, service rig utilization of 45% in the third quarter of 2022 was higher than 41% in the same period of the prior year, mainly due to improved activity and an increase in production work resulting from higher commodity prices. Revenue per Service Hour averaged $975 in the third quarter of 2022 and was 34% higher than the third quarter of 2021, as a result of improved market conditions which led to higher hourly rates, due to inflationary pressures on operating costs, including higher CAOEC industry wages and fuel charges that are passed through to the customer. Higher pricing led to production services revenue totaling $20.4 million in the third quarter of 2022, an increase of $6.7 million or 50%, as compared to the same period in the prior year.
- Administrative expenses increased by $0.6 million or 15%, to $3.3 million in the third quarter of 2022, as compared to $2.7 million in the third quarter of 2021, due to reduced COVID-19 government subsidies received by the Company.
- The Company generated net income of $0.8 million in the third quarter of 2022 ($0.02 net income per basic common share) as compared to a net loss of $10.4 million in the same period in 2021 ($13.65 net loss per basic common share). Net income of $0.8 million in the third quarter of 2022 represented the first time since the first quarter of 2015, excluding the second quarter of 2022 which had net income due to a gain on debt forgiveness, where the Company was able to generate positive net income, as a result of improved commodity prices and demand. The change can mainly be attributed to a $9.8 million increase in Adjusted EBITDA, a $3.0 million decrease in finance costs due to the lower total debt balance, a $0.8 million decrease in depreciation expense due to certain assets being fully depreciated in the period, offset partially by a $1.4 million increase in income tax expense and a $0.8 million increase in stock based compensation expense.
- Adjusted EBITDA of $14.8 million in the third quarter of 2022 was $9.8 million, or 195%, higher compared to $5.0 million in the third quarter of 2021. Adjusted EBITDA was higher due to improved activity in Canada in all divisions and in the US, offset partially by $2.0 million lower COVID-19 related government subsidies received in 2022.

[1] Source: CAOEC, monthly Contractor Summary.

- Third quarter additions to property and equipment of $8.5 million in 2022 compared to $1.3 million added in the third quarter of 2021, consisting of $7.1 million of expansion capital and $1.4 million of maintenance capital, as the Company initiated its rig upgrade program in 2022.
- On August 2, 2022, Western completed a share consolidation of the Company's issued and outstanding common shares (the "Consolidation") at a ratio of one post-consolidation common share for every 120 pre-consolidation common shares. The Consolidation reduced the number of issued and outstanding common shares of the Company from 4,060,663,214 common shares to 33,838,886 common shares, and proportionate adjustments were made to the Company's outstanding restricted share units and options.

Year to Date 2022 Operating Results:

- Revenue for the nine months ended September 30, 2022 increased by $49.3 million or 55%, to $139.6 million as compared to $90.3 million for the nine months ended September 30, 2021. In the contract drilling segment, revenue totalled $86.3 million for the nine months ended September 30, 2022, an increase of $34.6 million or 67%, compared to $51.7 million in the same period in 2021. In the production services segment, revenue totalled $53.5 million for the nine months ended September 30, 2022, as compared to $39.1 million in the same period of the prior year, an increase of $14.4 million or 37%. Revenue was positively impacted by improved demand and pricing in 2022, compared to 2021 as described below:
    - In Canada, drilling rig utilization averaged 23% for the nine months ended September 30, 2022, compared to 16% for the nine months ended September 30, 2021. The increase in activity in 2022 was mainly attributable to the higher commodity prices resulting from the war in Ukraine, the COVID-19 vaccination rollouts and the resulting lifting of government restrictions which re-opened the economy, compared to 2021 when the COVID-19 pandemic reduced demand across the industry. The CAOEC industry average utilization of 34%[2] for the nine months ended September 30, 2022 represented an increase of 1,100 bps compared to the CAOEC industry average of 23% for the nine months ended September 30, 2021. Revenue per Operating Day averaged $28,002 for the nine months ended September 30, 2022, an increase of 33% compared to the same period of the prior year, mainly due to improved industry demand, upgrades made to the rigs, and inflationary pressures on operating costs, including higher CAOEC industry wages and fuel charges that are passed through to the customer;
    - In the United States, drilling rig utilization averaged 31% for the nine months ended September 30, 2022, compared to 13% in the same period of 2021, with Operating Days improving from 287 days in 2021 to 683 days in 2022. Revenue per Operating Day for the nine months ended September 30, 2022 averaged US$24,421, a 59% increase compared to US$15,404 for the nine months ended September 30, 2021, mainly due to improved market conditions and changes in rig mix, as there was more activity with the Company's higher spec rigs which command higher day rates; and
    - In Canada, service rig utilization of 42% for the nine months ended September 30, 2022 was higher than 39% for the nine months ended September 30, 2021, as overall activity improved, but was constrained by field crew shortages across the industry and very cold weather in the first quarter of 2022. Revenue per Service Hour averaged $928 for the nine months ended September 30, 2022 and was 29% higher than the same period of 2021, as a result of improved market conditions which led to higher hourly rates, due to inflationary pressures on operating costs, including higher CAOEC industry wages and fuel charges that are passed through to the customer. Higher pricing led to production services revenue totaling $53.5 million for the nine months ended September 30, 2022, an increase of $14.4 million or 37%, as compared to the same period in the prior year.
- Administrative expenses increased by $1.9 million or 25%, to $10.1 million for the nine months ended September 30, 2022, as compared to $8.2 million in the same period of 2021, due to lower receipts related to government subsidy programs, as both the Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy programs ended in 2021 and were replaced with smaller government subsidy programs.
- Net income of $32.4 million for the nine months ended September 30, 2022 ($1.89 net income per basic common share) compared to a net loss of $29.8 million in the same period in 2021 ($39.17 net loss per basic common share). The change can mainly be attributed to a $49.4 million gain on debt forgiveness related to the Restructuring Transaction described below, a $13.6 million increase in Adjusted EBITDA, a $3.5 million decrease in finance costs, and a $2.1 million decrease in depreciation expense due to certain assets being fully depreciated in the period, offset partially by a $5.4 million increase in income tax expense.
- Adjusted EBITDA of $27.7 million for the nine months ended September 30, 2022 was $13.6 million, or 96%, higher compared to $14.1 million in the same period of 2021. Adjusted EBITDA was higher due to improved activity and pricing in Canada and the US, offset partially by $8.3 million lower COVID-19 related government subsidies received and $0.8 million in one-time startup costs associated with reactivating certain rigs in the Company's US rig fleet.
- Year to date 2022 additions to property and equipment of $26.5 million compared to $4.8 million added in the same period of 2021, consisting of $22.1 million of expansion capital and $4.4 million of maintenance capital, as the Company initiated its rig upgrade program in 2022.

[2] Source: CAOEC, monthly Contractor Summary.

- On May 18, 2022, Western completed a recapitalization and debt restructuring transaction to restructure a portion of its outstanding debt and raise new capital (the "Restructuring Transaction").
    - As part of the Restructuring Transaction, on May 18, 2022, Western completed a rights offering to holders of its common shares on April 19, 2022 to subscribe for additional common shares (the "Rights Offering"), resulting in the issuance of an aggregate of 16,407,229 (1,968,867,475 pre-consolidation) common shares in the capital of the Company at a price of $1.92 per share for aggregate gross proceeds of approximately $31.5 million. As the Rights Offering was fully subscribed, Western did not utilize a standby commitment whereby G2S2 Capital Inc. ("G2S2"), Armco Alberta Inc. ("Armco") and MATCO Investments Ltd. ("Matco"), each a significant shareholder of the Company, agreed to acquire any common shares not subscribed for under the Rights Offering.
    - $100.0 million of the principal amount owing to Alberta Investment Management Corporation ("AIMCo"), the lender under Western's second lien term loan facility (the "Second Lien Facility"), was converted into 16,666,667 (2,000,000,000 pre-consolidation) common shares at a conversion price of $6.00 per common share (the "Debt Exchange"), resulting in AIMCo holding approximately 49.7% of the common shares following closing of the Restructuring Transaction. In addition, $10.0 million of the proceeds from the Rights Offering was paid by Western to AIMCo to further reduce the principal amount outstanding under the Second Lien Facility, with the remaining $21.5 million of the proceeds, net of expenses of the Restructuring Transaction, used to upgrade the Company's rig fleet.
    - Concurrent with the Debt Exchange and the repayment of $10.0 million of the principal amount of the Second Lien Facility, the Second Lien Facility was amended to provide for an extension of the maturity of the remaining principal amount of the Second Lien Facility from January 31, 2023 to May 18, 2026; and an increase in the interest rate from 7.25% to 8.5%.
    - In addition, as part of the Restructuring Transaction, the senior secured credit facilities (the "Credit Facilities") of the Company were amended as of May 18, 2022, including amendments to (a) extend the maturity of the Credit Facilities from July 1, 2022 to May 18, 2025, (b) reduce the amount available under the Credit Facilities from $60.0 million to $45.0 million, and (c) revise certain financial covenants.

  Details on the Restructuring Transaction are contained in Western's short form prospectus dated April 11, 2022 and related documents filed under Western's SEDAR profile on www.sedar.com.

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

  Using 2018 as its base year, Western completed four annual organizational GHG inventories, which account for direct operating emissions (Scope 1), indirect emissions from purchased electricity (Scope 2) and indirect emissions not counted in the previous scopes (Scope 3) to be Climate Smart certified through to 2021. As contract drilling is part of its core business, Western believes that annual meters drilled is a key operating metric and as an intensity metric, tonnes of CO_2 per meter drilled (tCO_2/m) can be used to measure the Company's environmental value. Through the certification process, Western identified a 30% reduction in CO_2 intensity per meter drilled in 2021 compared to 2018 base year, due to regularly increasing operational productivity and the commitment to retrofitting alternative fuel technology on our rigs. The Company's 44% increase in meters drilled per day since 2018, fuel efficient rig design, and the continuous adoption of dual fuel technology are tangible ways that Western continues to help its customers meet their Scope 1 reduction targets. The Company remains committed to advancing its environmental, social, and governance reporting and providing solutions that are impactful to our stakeholders and the environment.

Selected Financial Information

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

Financial Highlights	**Three months ended September 30**			**Nine months ended September 30**		
	2022	**2021**	**Change**	**2022**	**2021**	**Change**
Revenue	58,483	32,960	77%	139,552	90,315	55%
Adjusted EBITDA[1]	14,799	5,009	195%	27,688	14,097	96%
Adjusted EBITDA as a percentage of revenue[1]	25%	15%	67%	20%	16%	25%
Cash flow from (used in) operating activities	6,854	(2,524)	(372%)	22,039	8,395	163%
Additions to property and equipment	8,470	1,331	536%	26,520	4,759	457%
Net income (loss)	818	(10,397)	(108%)	32,415	(29,791)	(209%)
– basic and diluted net income (loss) per share[2]	0.02	(13.65)	(100%)	1.89	(39.17)	(105%)
Weighted average number of shares[2]						
– basic	33,839,658	761,664	4,343%	17,120,283	760,520	2,151%
– diluted	33,839,658	761,664	4,343%	17,120,936	760,520	2,151%
Outstanding common shares as at period end	33,841,318	764,002	4,329%	33,841,318	764,002	4,329%

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

(2) On August 2, 2022, the Company's issued and outstanding common shares were consolidated at a ratio of one post consolidation common share for every 120 pre-consolidation common shares. The comparative 2021 balances have been restated to reflect the 120:1 consolidation ratio.

Operating Highlights[3]	**Three months ended September 30**			**Nine months ended September 30**		
	2022	**2021**	**Change**	**2022**	**2021**	**Change**
Contract Drilling						
Canadian Operations:						
Contract drilling rig fleet:						
– Average active rig count	9.9	9.0	10%	8.5	8.0	6%
– End of period	37[5]	49	(24%)	37[5]	49	(24%)
Operating Days	909	824	10%	2,312	2,185	6%
Revenue per Operating Day	29,283	20,999	39%	28,002	21,035	33%
Drilling rig utilization	27%	18%	50%	23%	16%	44%
CAOEC industry average utilization – Operating Days[4]	40%	27%	48%	34%	23%	48%
United States Operations:						
Contract drilling rig fleet:						
– Average active rig count	3.6	1.1	227%	2.5	1.1	127%
– End of period	8	8	-	8	8	-
Operating Days	333	98	240%	683	287	138%
Revenue per Operating Day (US$)	26,372	17,419	51%	24,421	15,404	59%
Drilling rig utilization	45%	13%	246%	31%	13%	138%
Production Services						
Well servicing rig fleet:						
– Average active rig count	28.4	25.6	11%	26.4	24.7	7%
– End of period	63	63	-	63	63	-
Service Hours	18,492	16,685	11%	51,635	48,277	7%
Revenue per Service Hour	975	727	34%	928	717	29%
Service rig utilization	45%	41%	10%	42%	39%	8%

(3) See “Defined Terms” included in this press release.

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

(5) During the first quarter of 2022, 12 drilling rigs were deregistered with the CAOEC.

Financial Position at (stated in thousands)	**September 30, 2022**	**December 31, 2021**	**September 30, 2021**
Working capital	21,439	2,224	607
Total assets	475,651	456,003	460,872
Long term debt	127,639	226,884	228,263

Business Overview

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

Contract Drilling Services

Western operates a fleet of 45 drilling rigs specifically suited for drilling complex horizontal wells across Canada and the US. Western is currently the fourth largest drilling contractor in Canada, based on the CAOEC registered drilling rigs[3]. In the first quarter of 2022, Western deregistered 12 drilling rigs with the CAOEC, all of which can be reactivated at a later date.

Production Services

Production Services provides well servicing and oilfield equipment rentals in Canada. Western operates 63 well servicing rigs and is the third largest well servicing company in Canada based on CAOEC registered well servicing rigs[4]. During the fourth quarter of 2021, the Company sold three well servicing rigs that operated in the United States.

Western's contract drilling and well servicing rig fleets comprise the following:

Nine months ended September 30									
Drilling rigs							**Well servicing rigs**		
	2022			**2021**				**2022**	**2021**
Rig class(1)	**Canada**	**US**	**Total**	**Canada**	**US**	**Total**	**Mast type**	**Total**	**Total**
Cardium	11	2	13	23	2	25	Single	30	33
Montney	19	-	19	19	-	19	Double	25	25
Duvernay	7	6	13	7	6	13	Slant	8	8
Total	37	8	45	49	8	57		63	66

(1) See "Defined Terms" included in this press release.

Business Environment

Crude oil and natural gas prices impact the cash flow of Western's customers, which in turn impacts the demand for Western's services. The following table summarizes average crude oil and natural gas prices, as well as average foreign exchange rates, for the three and nine months ended September 30, 2022 and 2021.

	Three months ended September 30			**Nine months ended September 30**		
	2022	**2021**	**Change**	**2022**	**2021**	**Change**
Average crude oil and natural gas prices(1)(2)						
Crude Oil						
West Texas Intermediate (US$/bbl)	91.56	70.56	30%	98.09	64.82	51%
Western Canadian Select (CDN$/bbl)	93.53	71.77	30%	105.55	65.40	61%
Natural Gas						
30 day Spot AECO (CDN$/mcf)	4.62	3.72	24%	5.70	3.39	68%
Average foreign exchange rates(2)						
US dollar to Canadian dollar	1.31	1.26	4%	1.28	1.25	2%

(1) See "Abbreviations" included in this press release.
(2) Source: Sproule September 30, 2022 Price Forecast, Historical Prices.

West Texas Intermediate on average improved by 30% and 51% for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year. Similarly, pricing on Western Canadian Select crude oil increased by 30% and 61%, respectively, for the three and nine months ended September 30, 2022, compared to the same periods in the prior year. In 2022, pricing increased due to the war in Ukraine which caused significant price volatility, as well as improved demand for transportation fuels combined with tight supplies of crude oil. Natural gas prices in Canada also strengthened in 2022 due to the same factors, as the 30-day spot AECO price improved by 24% and 68% for the three and nine months ended September 30, 2022, compared to the same periods of the prior year. Additionally, the US dollar to the Canadian dollar foreign exchange rate for the three and nine months ended September 30, 2022 strengthened by 4% and 2%, respectively, compared to the same periods of the prior year.

[3] Source: CAOEC Contractor Summary as at October 25, 2022.

[4] Source: CAOEC Fleet List as at October 25, 2022.

In the United States, industry activity improved in the third quarter of 2022. As reported by Baker Hughes Company[5], the number of active drilling rigs in the United States increased by approximately 45% to 765 rigs as at September 30, 2022, as compared to 528 rigs at September 30, 2021. There were 215 active rigs in the Western Canadian Sedimentary Basin ("WCSB") at September 30, 2022, compared to 164 active rigs as at September 30, 2021. The CAOEC[6] reported that for drilling in Canada, the total number of Operating Days in the WCSB increased by approximately 37% for the three months ended September 30, 2022, compared to the same period in the prior year. For the nine months ended September 30, 2022, the total number of Operating Days in the WCSB were 40% higher than the same period of the prior year. Despite improved commodity prices, there remains continued service industry concerns over the prevailing customer preference to return cash to shareholders, or pay down debt, rather than grow production through the drill bit thereby limiting industry drilling activity.

Outlook

In 2022, crude oil prices reached their highest levels since 2014, due to recovering demand as governments eased COVID-19 restrictions, the initiation of the Russian invasion of Ukraine and ongoing supply constraints. Uncertainty still persists concerning the ongoing war in Ukraine causing further volatility in crude oil prices and tight supply. The precise duration and extent of the adverse impacts of the current macroeconomic environment, including the war in Ukraine and potential COVID-19 variants on Western's customers, operations, business and global economic activity, remains uncertain at this time. Additionally, the delayed timing of completion of construction on the Trans Mountain pipeline expansion and the threatened shutdown of Enbridge Line 5, have contributed to continued uncertainty regarding takeaway capacity. However, activity levels for the remainder of 2022 are expected to be higher than 2021 levels as a result of increased capital spending by Western's customers. Controlling fixed costs, maintaining balance sheet strength and flexibility and managing through a post-pandemic market are priorities for the Company, as prices and demand for Western's services continue to improve.

Due to improved activity in 2022 and the closing of the Restructuring Transaction, Western's board of directors has approved an updated capital budget for 2022 of $37 million, comprised of $25 million of expansion capital and $12 million of maintenance capital, with $32 million allocated to the contract drilling segment and $5 million allocated to the production services segment. Substantially all of the net proceeds from the Rights Offering are being used to upgrade the Company's drilling rig fleet which will drive further improvements in both utilization and pricing through all industry cycles. Western will continue to manage its costs in a disciplined manner and make required adjustments to its capital program as customer demand changes. Currently, 17 of Western's drilling rigs and 25 of Western's well servicing rigs are operating.

As at September 30, 2022, Western had $7.0 million drawn on its $45.0 million Credit Facilities. As described previously, subsequent to December 31, 2021, the Company amended the terms of its Credit Facilities, including extending the maturity date and amending its financial covenants. Western currently has $11.6 million outstanding on its HSBC Bank Canada six-year committed term non-revolving facility with the participation of Business Development Canada (the "HSBC Facility"), which matures on December 31, 2026. Western currently has $107.4 million outstanding on its Second Lien Facility. As previously announced on May 18, 2022, the Company closed its Rights Offering and Debt Restructuring Transaction, resulting in reduced debt levels, as well as the extension of the maturity date of the Second Lien Facility and the Credit Facilities. The Debt Restructuring Transaction resulted in a $100.0 million decrease in the principal amount owing under the Second Lien Facility, resulting from the Debt Exchange and the repayment of $10.0 million of the principal amount of the Second Lien Facility using proceeds from the Rights Offering, which will reduce the Company's finance costs on a go forward basis. The remaining net proceeds from the Rights Offering are being invested in capital upgrades on its drilling rig fleet.

Oilfield service activity in Canada will be affected by the continued development of resource plays in Alberta and northeast British Columbia which will be impacted by continued pipeline construction, environmental regulations, and the level of investment in Canada. In the short term, the largest challenges facing the oilfield service industry are a lack of qualified field personnel and the restrained growth in customer drilling activity due to the continuing preference to return cash to shareholders through share buybacks, increased dividends and repayment of debt, rather than grow production. If commodity prices remain high for an extended period and as customers strengthen their balance sheets and satisfy shareholders, we expect that drilling activity will continue to increase. In the medium term, Western's rig fleet is well positioned to benefit from the LNG Canada liquefied natural gas project now under construction in British Columbia. It remains Western's view that its upgraded drilling rigs and modern well servicing rigs, reputation for quality, and disciplined cash management provides Western with a competitive advantage.

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

[6] Source: CAOEC, monthly Contractor Summary.

Non-IFRS Measures and Ratios

Western uses certain financial measures in this press release which do not have any standardized meaning as prescribed by International Financial Reporting Standards ("IFRS"). These measures and ratios, which are derived from information reported in the condensed consolidated financial statements, may not be comparable to similar measures presented by other reporting issuers. These measures and ratios have been described and presented in this press release in order to provide shareholders and potential investors with additional information regarding the Company. The non-IFRS measure and ratio used in this press release is identified and defined as follows:

Adjusted EBITDA

Earnings before interest and finance costs, taxes, depreciation and amortization, other non-cash items and one-time gains and losses ("Adjusted EBITDA") is a useful 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 income (loss) for consolidated results.

Adjusted EBITDA as a percentage of revenue is a non-IFRS financial ratio which is calculated by dividing Adjusted EBITDA by revenue for the relevant period. Adjusted EBITDA as a percentage of revenue is a useful supplemental measure as it is used by management and other stakeholders, including current and potential investors, to analyze the profitability of the Company's principal operating segments.

The following table provides a reconciliation of net income (loss), as disclosed in the condensed consolidated statements of operations and comprehensive income, to Adjusted EBITDA:

	Three months ended September 30		**Nine months ended September 30**	
(stated in thousands)	**2022**	**2021**	**2022**	**2021**
Net income (loss)	**818**	**(10,397)**	**32,415**	**(29,791)**
Income tax expense (recovery)	1,013	(357)	3,035	(2,419)
Income (loss) before income taxes	**1,831**	**(10,754)**	**35,450**	**(32,210)**
Add (deduct):				
Gain on debt forgiveness	-	-	(49,357)	-
Depreciation	9,744	10,475	29,652	31,761
Stock based compensation	795	39	1,135	219
Finance costs	2,946	5,851	11,428	14,944
Other items	(517)	(602)	(620)	(617)
Adjusted EBITDA	**14,799**	**5,009**	**27,688**	**14,097**

Defined Terms:

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

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

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

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

Service Hours: Defined as well servicing hours completed.

Service rig utilization: Calculated as total Service Hours divided by 217 hours per month per rig multiplied by the average rig count for the period as defined by the CAOEC industry standard.

Contract Drilling Rig Classifications:

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

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

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

Abbreviations:

- Barrel ("bbl");
- Basis point ("bps"): A 1% change equals 100 basis points and a 0.01% change is equal to one basis point;
- Canadian Association of Energy Contractors ("CAOEC");
- DecaNewton ("daN");
- International Financial Reporting Standards ("IFRS");
- Pounds ("lbs");
- Thousand cubic feet ("mcf"); and
- Western Canadian Sedimentary Basin ("WCSB").

Forward-Looking Statements and Information

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

In particular, forward-looking information in this press release includes, but is not limited to, statements relating to: commodity pricing; the future demand for the Company's services and equipment, in particular, the expectation of improved activity levels in 2022 as a result of increased capital spending by Western's customers; the potential continued impact of the COVID-19 pandemic on Western's customers, operations, business and global economic activity; the potential impact of the current conflict in Ukraine on commodity prices and the demand for Western's services; the pricing for the Company's services and equipment; the Company's expected total capital budget for 2022, including the allocation of such budget; the Company's liquidity needs including the ability of current capital resources to cover Western's financial obligations; the use, availability and sufficiency of the Company's Credit Facilities; the Company's ability to maintain certain covenants under its Credit Facilities; the repayment of the Company's debt; maturities of the Company's contractual obligations with third parties; the use of proceeds from the Rights Offering; expectations as to the benefits of the LNG Canada natural gas project in British Columbia on the Company and its rig fleet; the expectation of continued investment in the Canadian crude oil and natural gas industry; the development of Alberta and British Columbia resource plays; expectations relating to producer spending and activity levels for oilfield services; the Company's ability to maintain a competitive advantage, including the factors and practices anticipated to produce and sustain such advantage; and the Company's ability to find and maintain enough field crew members.

The material assumptions that could cause results or events to differ from current expectations reflected in the forward-looking information in this press release include, but are not limited to: demand levels and pricing for oilfield services; demand for crude oil and natural gas and the price and volatility of crude oil and natural gas; pressures on commodity pricing; the continued business relationships between the Company and its significant customers; crude oil transport, pipeline and LNG export facility approval and development; that all required regulatory and environmental approvals can be obtained on the necessary terms and in a timely manner, as required by the Company; liquidity and the Company's ability to finance its operations; the effectiveness of the Company's cost structure and capital budget; the effects of seasonal and weather conditions on operations and facilities; the competitive environment to which the various business segments are, or may be, exposed in all aspects of their business and the Company's competitive position therein; the ability of the Company's various business segments to access equipment (including spare parts and new technologies); global economic conditions and the accuracy of the Company's market outlook expectations for 2022 and in the future; the impact, direct and indirect, of the COVID-19 pandemic and geo-political events, including the war in Ukraine on Western's business, customers, business partners, employees, supply chain, other stakeholders and the overall economy; changes in laws or regulations; currency exchange fluctuations; the ability of the Company to attract and retain skilled labour and qualified management; the ability to retain and attract significant customers; the ability to maintain a satisfactory safety record; that any required commercial agreements can be reached; that there are no unforeseen events preventing the performance of contracts and general business, economic and market conditions.

Although Western believes that the expectations and assumptions on which such forward-looking information is based on are reasonable, undue reliance should not be placed on the forward-looking information as Western cannot give any assurance that such will prove to be correct. By its nature, forward-looking information is subject to inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the ongoing impact of the COVID-19 pandemic and geo-political events, including the war in Ukraine on global demand and prices for oil and gas, including the impact on demand for Western's services; volatility in market prices for crude oil and natural gas and the effect of this volatility on the demand for oilfield services generally; reduced exploration and development activities by customers and the effect of such reduced activities on Western’s services and products; political, economic, and environmental conditions in Canada, the United States, Ukraine and globally; supply and demand for oilfield services relating to contract drilling, well servicing and oilfield rental equipment services; changes to laws, regulations and policies; failure of counterparties to perform or comply with their obligations under contracts; regional competition and the increase in new or upgraded rigs; the Company's ability to attract and retain skilled labour; Western's ability to obtain debt or equity financing and to fund capital operating and other expenditures and obligations; the potential need to issue additional debt or equity and the potential resulting dilution of shareholders; the Company's ability to comply with the covenants under the Credit Facilities, HSBC Facility and the Second Lien Facility and the restrictions on its operations and activities if it is not compliant with such covenants; Western's ability to protect itself from “cyber-attacks” which could compromise its information systems and critical infrastructure; disruptions to global supply chains; and other general industry, economic, market and business conditions. Readers are cautioned that the foregoing list of risks, uncertainties and assumptions are not exhaustive. Additional information on these and other risk factors that could affect Western’s operations and financial results are discussed under the headings “*Risk Factors*” in Western’s annual information form for the year ended December 31, 2021, which may be accessed through the SEDAR website at www.sedar.com.

The forward-looking statements and information contained in this news release are made as of the date hereof and Western does not undertake any obligation to update publicly or revise any forward-looking statements and information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. Any forward-looking statements contained herein are expressly qualified by this cautionary statement.

For more information, please contact: Alex R.N. MacAusland, President and CEO, or Jeffrey K. Bowers, Senior VP Finance and CFO at 403.984.5916