WESTERN ENERGY SERVICES CORP. RELEASES FIRST QUARTER 2016 FINANCIAL AND OPERATING RESULTS AND AMENDS CREDIT FACILITY

FOR IMMEDIATE RELEASE: April 28, 2016

CALGARY, ALBERTA – Western Energy Services Corp. ("Western" or the "Company") (TSX: WRG) announces the release of its first quarter 2016 financial and operating results, as well as a revised credit facility with an amended covenant package which aligns with the Company's needs in a cost effective manner. Additional information relating to the Company, including the Company's financial statements and management's discussion and analysis as at and for the three months ended March 31, 2016 and 2015 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.

First Quarter 2016 Operating Results:

- First quarter Operating Revenue decreased by $68.8 million (or 68%) to $32.2 million in 2016 as compared to $101.0 million in 2015. In the contract drilling segment, Operating Revenue decreased by $53.3 million (or 70%) to $22.3 million in the first quarter of 2016 as compared to $75.6 million in the first quarter of 2015; while in the production services segment, Operating Revenue decreased by $15.7 million (or 61%) to $9.9 million as compared to $25.6 million in the first quarter of 2015. Operating Revenue was impacted by decreased commodity prices, such as West Texas Intermediate ("WTI") crude oil, which dropped to its lowest level in over a decade in the first quarter of 2016, resulting in a dramatic decrease in customer spending in the period. The lower utilization and pricing in both the contract drilling and production services segments is described below:
  - Drilling rig utilization – Operating Days in Canada decreased to 18% in the first quarter of 2016 as compared to 49% in the first quarter of 2015, reflecting a 63% decrease. Utilization for Western's Cardium class rigs was most impacted in the period, averaging 13%, as these rigs typically operate in highly competitive conventional resource plays, whereas utilization for Western's Montney and Duvernay class rigs were impacted to a lesser extent, averaging 22% and 26% respectively, in the first quarter of 2016. First quarter 2016 drilling rig utilization – Operating Days of 18% represented a discount of 200 basis points ("bps") to the Canadian Association of Oilwell Drilling Contractors ("CAODC") industry average, as compared to the 1,400 bps premium to the industry average realized in the first quarter of 2015. The CAODC industry average utilization of 20% for the three months ended March 31, 2016 was the lowest first quarter industry utilization on record. The change in the Company's utilization relative to the 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 2016. 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 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 in the first quarter of 2016 resulted in downward pricing pressure on all drilling rig classes, which reduced Operating Revenue per Revenue Day in the contract drilling segment in Canada by 25%, as compared to the first quarter of 2015;
  - In the United States, drilling rig utilization – Operating Days decreased to 17% in the first quarter of 2016, as compared to 48% in the same period of the prior year, while Operating Revenue per Revenue Day in the United States decreased by 9% in the first quarter of 2016 due to the decreased commodity price environment; and
  - Well servicing utilization decreased to 17% in the first quarter of 2016 as compared to 42% in the same period of the prior year. Reduced activity, coupled with a 14% decrease in well servicing hourly rates, due to pricing pressure in all areas, resulted in a $13.5 million (or 64%) decrease in well servicing Operating Revenue in the period.
- First quarter Adjusted EBITDA totaled $3.4 million in 2016, a $37.2 million (or 92%) decrease, as compared to $40.6 million in the first quarter of 2015. The year over year decrease in Adjusted EBITDA is due to lower utilization and pricing in both the contract drilling and production services segments, offset by cost reduction measures including an approximate one third reduction to salaried headcount, wage reductions to all employees and other cost control measures.
- Administrative expenses, excluding depreciation and stock based compensation, in the first quarter of 2016 decreased by $1.8 million (or 25%) to $5.5 million as compared to $7.3 million in the first quarter of 2015. The decrease in administrative expenses is due to a reduced employee headcount, a 10% rollback to all employee wages and directors' fees implemented in the first quarter of 2016, coupled with additional cost control measures.

- Net income decreased by $21.6 million to a loss of $6.3 million in the first quarter of 2016 (a loss of $0.09 per basic common share) as compared to net income of $15.3 million in the same period in 2015 ($0.20 per basic common share). The decrease in net income in 2016 can be attributed to the following:
    - A $37.2 million decrease in Adjusted EBITDA due to lower utilization and pricing in both the contract drilling and production services segments; and
    - A $0.7 million increase in finance costs, due to lower capitalized interest;

  Offsetting the above mentioned items are the following:
    - A decrease in depreciation expense of $6.1 million due to lower activity levels;
    - A $1.5 million increase in other items, mainly relating to foreign exchange gains; and
    - An $8.9 million decrease in income tax expense due to lower taxable income.
- First quarter 2016 capital expenditures of $0.9 million included $0.4 million of expansion capital and $0.5 million of maintenance capital. In total, capital spending in the first quarter of 2016 decreased by 95% from the $17.9 million incurred in the first quarter of 2015. The majority of first quarter 2016 capital expenditures relate to the production services segment, which incurred $0.6 million in capital. These expenditures mainly relate to the purchase of additional oilfield rental equipment. Additionally, $0.3 million was incurred in the contract drilling segment relating to maintenance capital.

Credit Facility and Covenant Amendments

On April 27, 2016, the Company amended the covenants and elected to reduce its syndicated revolving credit facility (the “Revolving Facility”) from $175.0 million to $40.0 million and has reduced its previously uncommitted operating demand revolving loan of $20.0 million to a committed operating line (the “Operating Facility”) totaling $10.0 million. Western’s decision to reduce its Revolving Facility and Operating Facility (the “Credit Facilities”) is estimated to save the Company $1.5 million in standby fees annually. The interest coverage ratio, which previously required EBITDA to exceed interest expense by 2.0x or more, has been permanently removed and the senior debt to EBITDA ratio has been increased. The revised facility now includes a borrowing base calculation, based on the value of Western’s accounts receivable and property and equipment, and a current ratio covenant of 1.15x. The Revolving Facility includes an accordion feature, whereby an incremental $60.0 million of borrowing would become available, subject to approval of the lenders. The Company believes the amended Credit Facilities provide the financial flexibility to effectively manage through the current slowdown in oilfield service activity.

Selected Financial Information

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

Financial Highlights	Three months ended March 31 2016	2015	Change
Revenue	33,937	105,850	(68%)
Operating Revenue[1]	32,200	100,958	(68%)
Gross Margin[1]	8,867	47,891	(81%)
Gross Margin as a percentage of Operating Revenue	28%	47%	(40%)
Adjusted EBITDA[1]	3,364	40,637	(92%)
Adjusted EBITDA as a percentage of Operating Revenue	10%	40%	(75%)
Cash flow from operating activities	8,604	39,337	(78%)
Capital expenditures	921	17,863	(95%)
Net income (loss)	(6,319)	15,294	(141%)
-basic net income (loss) per share	(0.09)	0.20	(145%)
-diluted net income (loss) per share	(0.09)	0.20	(145%)
Weighted average number of shares			
-basic	74,646,292	74,686,828	(1%)
-diluted	74,646,292	74,702,482	(1%)
Outstanding common shares as at period end	73,646,292	74,578,128	(1%)
Dividends declared	-	5,593	(100%)

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

Operating Highlights	Three months ended March 31 2016	2015	Change
Contract Drilling			
Canadian Operations:			
Contract drilling rig fleet:			
-Average	52	49	6%
-End of period	52	49	6%
Operating Revenue per Revenue Day[1]	19,437	25,947	(25%)
Operating Revenue per Operating Day[1]	21,970	28,707	(23%)
Operating Days[1]	861	2,154	(60%)
Drilling rig utilization - Revenue Days[1]	21%	54%	(62%)
Drilling rig utilization - Operating Days[1]	18%	49%	(63%)
CAODC industry average utilization[1][2]	20%	35%	(43%)
United States Operations:			
Contract drilling rig fleet:			
-Average	5	5	-
-End of period	5	5	-
Operating Revenue per Revenue Day (US$)[1]	27,097	29,645[3]	(9%)
Operating Revenue per Operating Day (US$)[1]	31,504	33,738[3]	(7%)
Operating Days[1]	78	214	(64%)
Drilling rig utilization - Revenue Days[1]	20%	54%	(63%)
Drilling rig utilization - Operating Days[1]	17%	48%	(64%)
Production Services			
Well servicing rig fleet:			
-Average	66	65	2%
-End of period	66	65	2%
Service Rig Operating Revenue per Service Hour[1]	740	858	(14%)
Service Hours	10,386	24,712	(58%)
Service rig utilization[1]	17%	42%	(59%)

(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$3.8 million for the three months ended March 31, 2015.

Financial Position at (stated in thousands)	Mar 31, 2016	Mar 31, 2015	Change	Dec 31, 2015	Change
Working capital	68,145	92,300	(26%)	70,679	(4%)
Property and equipment	759,205	841,576	(10%)	773,647	(2%)
Total assets	842,492	1,049,145	(20%)	876,608	(4%)
Long term debt	264,118	264,207	-	264,155	-

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 continued decline in crude oil and natural gas prices throughout 2015 and into the first quarter of 2016, when prices were at their lowest levels in over a decade. The following table summarizes the average oil and natural gas prices, as well as the average foreign exchange rates for the three months ended March 31, 2016 and 2015.

	Three months ended March 31		
	2016	2015	Change
Average oil and natural gas prices(1)			
Oil			
West Texas Intermediate (US$/bbl)	33.45	48.63	(31%)
Western Canadian Select (CDN$/bbl)	26.29	42.13	(38%)
Natural Gas			
30 day Spot AECO (CDN$/mcf)	1.83	2.75	(34%)
Average foreign exchange rates			
US dollar to Canadian dollar	1.37	1.24	10%

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

The significant reduction in commodity prices led to a corresponding decrease in the demand for oilfield services in both Canada and the United States. As a result, first quarter drilling rig counts in both Canada and the United States were at or near 30 year lows in 2016. The CAODC reported that for drilling in Canada, the total number of Operating Days in the WCSB decreased approximately 44% for the three months ended March 31, 2016, as compared to the same period in 2015. Similarly, as reported by Baker Hughes Incorporated, the number of active drilling rigs in the United States decreased approximately 60% for the three months ended March 31, 2016, as compared to the same period in the prior year. Well servicing hours were also impacted by the decline in demand, as the CAODC reported that Service Hours in the WCSB decreased approximately 34% in the first quarter of 2016, as compared to the first quarter of 2015.

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 3 of these contracts expected to expire in each of 2016 and 2017, and 1 expected to expire in 2018. These contracts each typically generate between 250 and 350 Revenue Days per year.

Western's revised capital budget for 2016 of $7 million remains unchanged, and is comprised of $2 million of expansion capital and $5 million of maintenance capital. Western believes the revised 2016 capital budget provides a prudent use of cash resources and will allow it to maintain its premier drilling and well servicing rig fleets, while remaining responsive to customer requirements. Western will continue to manage its operations in a disciplined manner and make any required adjustments to its capital program as customer demand changes.

The continued pressure on commodity prices in 2016 has resulted in significant year-over-year reductions to the capital spending plans for the majority of Western's customers. As a result, active drilling rig counts in both Canada and the United States are expected to be at or near 30 year lows for the remainder of 2016. Activity levels throughout the oilfield service industry in the second quarter of 2016 are expected to be extremely low. Lower activity and pricing pressure will continue to impact Western's Adjusted EBITDA and cash flow from operating activities. 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 directors' fees, as well as reducing various other office related costs. In addition, Western's variable cost structure, under which approximately 80% of operating and administrative costs are variable, the previously announced suspension of the Company's quarterly dividend and a prudent capital budget will aid in preserving balance sheet strength. In addition to $50 million in cash and cash equivalents at March 31, 2016, Western has $50 million undrawn on the Company's Credit Facilities, which do not mature until December 17, 2018 and no principal repayments due on the $265 million Senior Notes until they mature on January 30, 2019.

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, reputation, and disciplined cash management provide a competitive advantage which will enable the Company to manage through the current slowdown in oilfield services activity.

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 condensed 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 condensed consolidated statements of operations and comprehensive income, to Operating Revenue and Gross Margin:

	Three months ended March 31	
(stated in thousands)	2016	2015
Operating Revenue		
Drilling	22,324	75,607
Production Services	9,886	25,573
Less: inter-company eliminations	(10)	(222)
	32,200	100,958
Third party charges	1,737	4,892
Revenue	33,937	105,850
Less: operating expenses	(32,489)	(71,475)
Add:		
Depreciation – operating	7,311	13,365
Stock based compensation – operating	108	151
Gross Margin	8,867	47,891

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 condensed 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 (Loss):

	Three months ended March 31	
(stated in thousands)	2016	2015
Net income (loss)	(6,319)	15,294
Add:		
Finance costs	5,538	4,758
Income taxes	(2,495)	6,422
Depreciation – operating	7,311	13,365
Depreciation – administrative	420	429
EBITDA	4,455	40,268
Add:		
Stock based compensation – operating	108	151
Stock based compensation – administrative	931	812
Other items	(2,130)	(594)
Adjusted EBITDA	3,364	40,637
Subtract:		
Depreciation – operating	(7,311)	(13,365)
Depreciation – administrative	(420)	(429)
Operating Earnings (Loss)	(4,367)	26,843

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)	March 31, 2016	December 31, 2015
Long term debt	264,118	264,155
Current portion of long term debt	709	761
Less cash and cash equivalents	(49,852)	(58,445)
Net Debt	214,975	206,471

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”).

2016 First Quarter Results Conference Call and Webcast

Western has scheduled a conference call and webcast to begin at 10:00 a.m. MDT (12:00 p.m. EDT) on Friday, April 29, 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 May 13, 2016 by dialing 1-800-408-3053 or 905-694-9451, passcode 1621805.

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; commodity pricing; the future demand for and utilization of 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, including customer demand, continue to change; the expected benefits from cost control measures; 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.

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