WESTERN ENERGY SERVICES CORP. RELEASES FOURTH QUARTER AND YEAR END 2021 FINANCIAL AND OPERATING RESULTS

FOR IMMEDIATE RELEASE: March 24, 2022

CALGARY, ALBERTA – Western Energy Services Corp. ("Western" or the "Company") (TSX: WRG) announces the release of its fourth quarter and year end 2021 financial and operating results. Additional information relating to the Company, including the Company's financial statements and management's discussion and analysis ("MD&A") as at and for the year ended December 31, 2021 and 2020 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.

Fourth Quarter 2021 Operating Results:

- Fourth quarter revenue increased by $13.7 million or 49%, to $41.4 million in 2021 as compared to $27.7 million in the fourth quarter of 2020. In the contract drilling segment, revenue totalled $25.1 million in the fourth quarter of 2021, an increase of $9.8 million or 64%, compared to $15.3 million in the fourth quarter of 2020. In the production services segment, revenue totalled $16.4 million for the three months ended December 31, 2021, as compared to $12.5 million in the same period of the prior year, an increase of $3.9 million or 31%. While the ongoing COVID-19 pandemic continued to impact the contract drilling and production services segments in the fourth quarter of 2021, demand improved compared to 2020 as described below:
  - Drilling rig utilization in Canada averaged 21% in the fourth quarter of 2021, compared to 15% in the fourth quarter of 2020. The increase in activity in the fourth quarter of 2021 was mainly attributable to the improved demand resulting from the ongoing COVID-19 vaccination rollouts and the lifting of government restrictions which re-opened the economy, compared to the fourth quarter of 2020 when the COVID-19 pandemic impacted demand across the industry. The Canadian Association of Energy Contractors ("CAOEC") industry average utilization of 30%[1] for the fourth quarter of 2021 represented an increase of 1,400 basis points ("bps") compared to the CAOEC industry average of 16% in the fourth quarter of 2020. Western's market share, represented by the Company's Operating Days as a percentage of the CAOEC's total Operating Days in the Western Canadian Sedimentary Basin ("WCSB"), decreased to 7.1% for the fourth quarter of 2021, as compared to 9.0% in the same period of 2020, as a result of limited capital spent on rig upgrades during the economic downturn. Revenue per Operating Day averaged $24,014 in the fourth quarter of 2021, an increase of 15% compared to the same period of the prior year, mainly due to improved market rates, as well as the CAOEC wage increase in 2021;
  - In the United States ("US"), drilling rig utilization averaged 14% in the fourth quarter of 2021, compared to 6% in the fourth quarter of 2020, with Operating Days improving from 43 days in 2020 to 100 days in 2021. Revenue per Operating Day for the fourth quarter of 2021 was US$20,092, a 23% increase compared to US$16,273 in the same period of the prior year, mainly due to changes in average active rig mix and improved market conditions; and
  - In Canada, service rig utilization of 33% in the fourth quarter of 2021 was higher than 27% in the same period of the prior year, mainly due to improved market activity, as well as funding programs such as the Alberta Government's site rehabilitation program increasing demand for the Company's services. However, service rig utilization in the fourth quarter of 2021 was negatively impacted by field crew shortages across the industry. Revenue per Service Hour averaged $780 in the fourth quarter of 2021 and was 14% higher than the fourth quarter of 2020, as a result of improved market conditions, as well as increased labour and fuel charges being passed through to the customer. Higher utilization led to production services revenue totaling $16.4 million in the fourth quarter of 2021, an increase of $3.9 million or 31%, as compared to the same period in the prior year.
- Administrative expenses decreased by $0.1 million or 2%, to $2.5 million in the fourth quarter of 2021, as compared to $2.6 million in the fourth quarter of 2020, mainly due to lower employee related costs, which was partially offset by reduced receipts related to the Canada Emergency Wage Subsidy ("CEWS") from the Government of Canada as the program ended October 2021.
- The Company incurred a net loss of $6.0 million in the fourth quarter of 2021 ($0.07 per basic common share) as compared to a net loss of $7.4 million in the same period in 2020 ($0.08 per basic common share). The change can mainly be attributed to a $1.8 million decrease in income tax recovery, a $1.0 million decrease in other items which mainly consisted of the sale of assets and a $0.3 million increase in finance costs, offset partially by a $3.4 million increase in Adjusted EBITDA, and a $1.0 million decrease in depreciation expense due to certain assets being fully depreciated in the period.

[1] Source: CAOEC, monthly Contractor Summary.

- Fourth quarter Adjusted EBITDA of $9.0 million in 2021 was 60% higher compared to $5.6 million in the fourth quarter of 2020. Adjusted EBITDA was higher due to improved activity in Canada and the US, offset partially by a decrease of $3.5 million in CEWS received, compared to the same period in 2020.
- Fourth quarter 2021 additions to property and equipment of $2.1 million compared to $1.8 million incurred in the fourth quarter of 2020 and consist of $0.1 million of expansion capital and $2.0 million of maintenance capital.
- As previously announced on December 30, 2021, the Company deferred the interest payment on its second lien secured term loan facility (the "Second Lien Facility") originally due on January 4, 2022 until February 28, 2022 which was further deferred to March 21, 2022 and then paid "in kind" by being added to the outstanding principal amount.
- On March 22, 2022, Western announced that it had entered into agreements to restructure a portion of its outstanding debt and raise new capital (the "Restructuring Transaction"). Pursuant to the Restructuring Transaction, Western entered into a debt restructuring agreement (the "Debt Restructuring Agreement") with Alberta Investment Management Corporation ("AIMCo"), the lender under its second lien secured term loan (the "Second Lien Facility"). Under the Debt Restructuring Agreement, subject to the completion of the other components of the Restructuring Transaction and the satisfaction of certain other conditions, the Company will convert $100.0 million of the principal amount outstanding under the Second Lien Facility into common shares at a conversion price of $0.05 per share, subject to reduction in the event the offering price in the Rights Offering (defined below) is less than $0.016 per share (the "Debt Exchange"). On completion of the Debt Exchange, the Second Lien Facility will be amended to, among other things, extend its maturity date from January 31, 2023 to the fourth anniversary of the closing date of the Debt Exchange.
  - As a condition to the completion of the Debt Exchange, the Company will conduct a rights offering of common shares to all of its shareholders to raise proceeds of $31.5 million (the "Rights Offering"). The subscription price for each right will be $0.016 per share or a lower amount determined based on the market price of the common shares at the commencement of the Rights Offering. G2S2 Capital Inc. ("G2S2"), G2S2's subsidiary Armco Alberta Inc. ("Armco"), Ronald P. Mathison and Matco Investments Ltd. ("Matco"), currently the Company's largest shareholders, have entered into a standby purchase agreement with the Company wherein they have agreed to exercise in full their basic subscription privilege in the Rights Offering and, in the case of each of Armco and Matco, subscribe for any shares not subscribed for by other shareholders under the Rights Offering. The proceeds of the Rights Offering will be applied to reduce the principal amount outstanding under the Second Lien Facility by $10.0 million, with the remaining $21.5 million being applied to repay the current draw on the Company's senior secured credit facilities, fund maintenance and growth capital for the Company and for general corporate purposes.

    It is also a condition to completion of the Debt Exchange that the Company and AIMCo enter into a registration rights agreement pursuant to which AIMCo will be granted the right to cause the Company to file a prospectus to facilitate the sale of its common shares in a public offering, or to allow it to participate in a public offering of common shares by the Company, in each case subject to certain customary restrictions and limitations. The Registration Rights Agreement will terminate when AIMCo and its permitted transferees beneficially own, in the aggregate, less than 10% of the then outstanding common shares and further that the Company, AIMCo, G2S2, Armco, Matco and Mr. Mathison will enter into an investor rights agreement pursuant to which AIMCo will be granted the right to appoint two nominees for election as directors of the Company for so long as AIMCo's shareholding percentage of the Company's common shares is 30% or greater.

    In connection with the Restructuring Transaction, Western has entered into a commitment letter with two of the lenders under its senior secured credit agreement to make certain amendments to its senior secured credit facilities. Upon completion of the Restructuring Transaction, the principal amount of the Second Lien Facility is expected to be approximately $108.5 million and AIMCo is expected to hold approximately 49.7% of the outstanding common shares.

    Completion of the Restructuring Transaction is subject to various conditions, including completion of definitive amendments to the Second Lien Facility agreement and the senior secured credit facility substantially on the terms specified in the Debt Restructuring Agreement, approval of the Restructuring Transaction by the Toronto Stock Exchange and completion of the Rights Offering. Details of the Restructuring Transaction and proposed amendments to Western's senior credit facilities are contained in the press release filed under Western's SEDAR profile on www.sedar.com.

2021 Operating Results:

- Revenue for the year ended December 31, 2021, increased by $28.0 million or 27%, to $131.7 million as compared to $103.7 million for the year ended December 31, 2020. Contract drilling revenue totalled $76.8 million in 2021, an increase of $14.8 million or 24%, as compared to $62.0 million in 2020. Production services revenue totalled $55.5 million for the year ended December 31, 2021, as compared to $42.1 million in the same period of the prior year, an increase of $13.4 million or 32%. While the ongoing COVID-19 pandemic continues to have an impact on revenue in the contract drilling and production services segments, demand began to recover in 2021 as described below:
  - Drilling rig utilization in Canada averaged 18% for the year ended December 31, 2021, compared to 12% for the year ended December 31, 2020, a 600 bps increase. The increase in activity in 2021 was mainly attributable to the improved demand resulting from the ongoing COVID-19 vaccination rollouts and the lifting of government restrictions which re-opened the economy, compared to 2020 when the COVID-19 pandemic significantly impacted demand across the industry. The CAOEC

industry average of 25%[2] for the year ended December 31, 2021, represented an increase of 900 bps compared to the CAOEC industry average of 16% for the prior year. Western's market share, represented by the Company's Operating Days as a percentage of the CAOEC's total Operating Days in the WCSB, was 7.1% for the year ended December 31, 2021, which was consistent with 7.0% in the prior year due to changes in average customer mix. Revenue per Operating Day decreased by 6% for the year ended December 31, 2021, as compared to the prior year, as current market rates weakened in the first part of 2021 but showed improvement in the fourth quarter of 2021;

  - In the United States, drilling rig utilization averaged 13% in 2021, compared to 7% in the prior year, reflecting a 93% increase in Operating Days. Revenue per Operating Day for the year ended December 31, 2021, decreased by 26% to average US$16,615, as compared to US$22,594 in the prior year, due to changes in average active rig mix as there were no Operating Days worked on long term contracts in 2021 compared to 2020 when one rig was under contract; and
  - In Canada, service rig utilization of 29% for the year ended December 31, 2021 was higher than the prior year due to improved industry demand as a result of improved commodity prices, however was impacted by field crew shortages in the last half of 2021. Service Hours improved year over year, and 2021 had a higher proportion of abandonment work than 2020, due to previously announced government incentives. Revenue per Service Hour averaged $735 for the year ended December 31, 2021 and was 6% higher than the same period of 2020. Improved utilization led to production services revenue totaling $55.5 million for the year ended December 31, 2021, an increase of $13.4 million or 32%, as compared to the prior year.
- Administrative expenses increased by $0.2 million or 2%, to $10.7 million for the year ended December 31, 2021, as compared to $10.5 million in the prior year, mainly due to a decrease in the CEWS received related to administrative expenses in 2021, as a result of the CEWS program ending in October 2021 and the CEWS rates decreasing as the program ended.
- The Company incurred a net loss of $35.8 million for the year ended December 31, 2021 ($0.39 per basic common share) as compared to a net loss of $41.3 million in the prior year ($0.45 per basic common share). The change is mainly attributable to an asset impairment of $11.5 million in 2020, a $6.3 million decrease in depreciation expense in 2021 due to certain assets being fully depreciated in the period, and a $2.7 million increase in Adjusted EBITDA, which were offset partially by an $11.1 million decrease in income tax recovery, a $2.4 million decrease in other items and a $1.7 million increase in finance costs.
- Adjusted EBITDA for the year ended December 31, 2021 was $2.7 million higher than the prior year and totalled $23.0 million, compared to $20.3 million in 2020. Adjusted EBITDA in 2021 was higher due to improved activity in both Canada and the US and an increase in the CEWS of $0.4 million due to 2021 including 11 months of CEWS compared to only 8 months in 2020, which was partially offset by US$5.0 million of shortfall commitment revenue received in 2020 with none in 2021.
- Year to date additions to property and equipment in 2021 of $6.9 million compared to $2.8 million incurred in the same period of 2020, consisting of $1.1 million of expansion capital and $5.8 million of maintenance capital.

[2] Source: CAOEC, monthly Contractor Summary.

Selected Financial Information

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

Financial Highlights	**Three months ended December 31**			**Year ended December 31**		
	2021	**2020**	**Change**	**2021**	**2020**	**Change**
Revenue	41,363	27,679	49%	131,678	103,684	27%
Adjusted EBITDA[1]	8,950	5,610	60%	23,047	20,278	14%
Adjusted EBITDA as a percentage of revenue[1]	22%	20%	10%	18%	20%	(10%)
Cash flow from operating activities	8,236	2,011	310%	16,631	27,723	(40%)
Additions to property and equipment	2,107	1,805	17%	6,866	2,788	146%
Net loss	(6,021)	(7,443)	(19%)	(35,812)	(41,301)	(13%)
– basic and diluted net loss per share	(0.07)	(0.08)	(13%)	(0.39)	(0.45)	(13%)
Weighted average number of shares						
– basic and diluted	91,699,989	91,165,112	1%	91,372,740	91,253,521	-
Outstanding common shares as at period end	91,706,457	91,165,112	1%	91,706,457	91,165,112	1%

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

Operating Highlights[2]	**Three months ended December 31**			**Year ended December 31**		
	2021	**2020**	**Change**	**2021**	**2020**	**Change**
Contract Drilling						
Canadian Operations:						
Contract drilling rig fleet:						
– Average active rig count	10.2	7.3	40%	8.6	5.6	54%
– End of period	49	49	-	49	49	-
Operating Days	940	675	39%	3,124	2,064	51%
Revenue per Operating Day	24,014	20,883	15%	21,931	23,417	(6%)
Drilling rig utilization	21%	15%	40%	18%	12%	50%
CAOEC industry average utilization – Operating Days[3]	30%	16%	88%	25%	16%	56%
United States Operations:						
Contract drilling rig fleet:						
– Average active rig count	1.1	0.5	120%	1.1	0.6	83%
– End of period	8	8	-	8	8	-
Operating Days	100	43	133%	387	201	93%
Revenue per Operating Day (US$)	20,092	16,273	23%	16,615	22,594[4]	(26%)
Drilling rig utilization	14%	6%	133%	13%	7%	86%
Production Services						
Canadian Operations:						
Well servicing rig fleet:						
– Average active rig count	20.7	17.3	20%	18.4	14.6	26%
– End of period	63	63	-	63	63	-
Service Hours	19,046	15,924	20%	67,323	53,351	26%
Revenue per Service Hour	780	685	14%	735	693	6%
Service rig utilization	33%	27%	22%	29%	23%	26%

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

(3) Source: The Canadian Association of Energy Contractors (“CAOEC”) monthly Contractor Summary. The CAOEC industry average is based on Operating Days divided by total available drilling days.

(4) Excludes shortfall commitment revenue from take or pay contracts of US$5.0 million for the year ended December 31, 2020.

Financial Position at (stated in thousands)	**December 31, 2021**	**December 31, 2020**	**December 31, 2019**
Working capital	2,224[5]	15,997	7,031
Total assets	456,003	495,625	550,537
Long term debt	226,884	237,633	228,274

(5) As at December 31, 2021, working capital of $2.2 million includes the classification of the Company’s $8.0 million draw on its credit facility as a current liability, as described on page 12 of the Company’s Management Discussion and Analysis for the year ended December 31, 2021, under Liquidity and Capital Resources.

Business Overview

Western is an energy services company that provides contract drilling services and production services in Canada and the United States through its various divisions, subsidiaries, and first nations joint venture.

Contract Drilling Services

Western operates a fleet of 57 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]. Subsequent to December 31, 2021, 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 primarily 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:

Drilling rigs	December 31						Well servicing rigs		
	2021			2020				2021	2020
Rig class(1)	Canada	US	Total	Canada	US	Total	Mast type	Total	Total
Cardium	23	2	25	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	49	8	57	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 months ended December 31, 2021 and 2020 and for the years ended December 31, 2021 and 2020.

	Three months ended December 31			Year ended December 31		
	2021	2020	Change	2021	2020	Change
Average crude oil and natural gas prices(1)(2)						
Crude Oil						
West Texas Intermediate (US$/bbl)	77.19	42.66	81%	67.91	39.40	72%
Western Canadian Select (CDN$/bbl)	78.71	43.42	81%	68.73	35.59	93%
Natural Gas						
30 day Spot AECO (CDN$/mcf)	4.92	2.74	80%	3.77	2.18	63%
Average foreign exchange rates(2)						
US dollar to Canadian dollar	1.26	1.30	(3%)	1.25	1.34	(7%)

(1) See "Abbreviations" included in this press release.
(2) Source: Sproule December 31, 2021 Price Forecast, Historical Prices.

West Texas Intermediate ("WTI") on average improved by 81% and 72% for the three months and year ended December 31, 2021 respectively, compared to the same periods in the prior year. Similarly, pricing on Western Canadian Select ("WCS") crude oil increased by 81% and 93% respectively, for the three months and year ended December 31, 2021, compared to the same periods in the prior year. Crude oil prices in 2020 for both Canada and the US were significantly impacted by the COVID-19 pandemic. However, in 2021 pricing improved as demand for crude oil recovered and vaccine rollouts continued worldwide. Natural gas prices in Canada also strengthened in 2021, as the 30-day spot AECO price improved by 80% and 63% respectively, for the three months and year ended December 31, 2021, compared to the same periods of the prior year. Offsetting this increase in pricing, the US dollar to the Canadian dollar foreign exchange rate weakened in the three months and year ended December 31, 2021, compared to the same periods of the prior year, which impacted the cash flows of Western's Canadian customers, when selling US dollar denominated commodities.

[3] Source: CAOEC Contractor Summary as at March 24, 2022.

[4] Source: CAOEC Fleet List as at March 24, 2022.

In the United States, industry activity improved in the fourth quarter of 2021. As reported by Baker Hughes Company[5], the number of active drilling rigs in the United States increased by approximately 67% to 586 rigs at December 31, 2021, as compared to 351 rigs at December 31, 2020. The number of active rigs in the WCSB totalled 73 active rigs at December 31, 2021, compared to 67 active rigs at December 31, 2020. The CAOEC[6] reported that for drilling in Canada, the total number of Operating Days in the WCSB increased by approximately 76% for the three months ended December 31, 2021, compared to the same period in the prior year. Similarly, for the year ended December 31, 2021, the total number of Operating Days in the WCSB increased by approximately 48%, compared to the prior year. There remains continued industry concerns over the prevailing customer preference to return cash to shareholders, or pay down debt, rather than grow production through the drill bit in Canada and the US.

Outlook

In 2021, crude oil prices recovered after reaching historical lows in 2020 due to the demand destruction caused by the COVID-19 pandemic. However, heightened uncertainty persists concerning the impact of global COVID-19 variants on possible future government restrictions, which have an impact on demand in the near term. The precise duration and extent of the adverse impacts of the current macroeconomic environment and the COVID-19 pandemic on Western's customers, operations, business and global economic activity remains highly uncertain at this time. Additionally, the January 2021 executive order by the President of the United States cancelling the permit that had allowed construction of the Keystone XL pipeline, the uncertain timing of completion of construction on the Trans Mountain pipeline expansion and the threatened shutdown of Enbridge Line 5, have all resulted in continued uncertainty regarding takeaway capacity. However, activity levels in 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 increased activity levels in 2021 as a result of the successful COVID-19 vaccine rollout, lifting of government restrictions, and limited maintenance capital spending on the rig fleet in prior years, Western's capital budget for the first quarter of 2022 is expected to total approximately $8.1 million. The budgeted capital is expected to be comprised of $3.5 million of maintenance capital and $4.6 million of expansion capital, with $6.5 million allocated to the contract drilling segment and $1.6 million allocated to the production services segment. The Company's Board of Directors plans to review and evaluate the Company's 2022 capital budget for the remainder of the year and revise as necessary depending on market conditions. Western will continue to manage its costs in a disciplined manner and make required adjustments to its capital program as customer demand changes. Currently, 10 of Western's drilling rigs and 26 of Western's well servicing rigs are operating.

As at December 31, 2021, Western had $8.0 million drawn on its $60.0 million Credit Facilities. As described previously, subsequent to December 31, 2021, the Company agreed to amend the terms of its Credit Facilities, including extending the maturity date and amending its financial covenants. Western had drawn $12.5 million 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 $218.5 million outstanding on its Second Lien Facility. As previously announced on March 22, 2022, the Company has entered into a Debt Restructuring Agreement with AIMCo, pursuant to which the maturity date of the Second Lien Facility will be extended upon completion of the Debt Restructuring Transaction. The Debt Restructuring Transaction will result in the repayment of $100.0 million of Second Lien Facility principal which will reduce the Company's finance costs on a go forward basis. Additionally, the $31.5 million proceeds from the Rights Offering will be used to repay $10.0 million of principal on the Second Lien Facility, the current draw on the Company's Credit Facilities and invest the remainder 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 ongoing liquidity concerns, due to the prevailing customer preference to return cash to shareholders through share buybacks, increased dividends or repayment of debt, rather than grow production. 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 modern drilling and well servicing rig fleets, reputation, and disciplined cash management provides Western with a competitive advantage.

[5] Source: Baker Hughes Company, 2021 Rig Count monthly press releases.

[6] Source: CAOEC, monthly Contractor Summary.

Non-IFRS Measures and Ratios

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. The Non-IFRS measure 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 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 loss, as disclosed in the consolidated statements of operations and comprehensive income, to Adjusted EBITDA:

	Three months ended December 31		**Year ended December 31**	
(stated in thousands)	**2021**	**2020**	**2021**	**2020**
Net loss	**(6,021)**	**(7,443)**	**(35,812)**	**(41,301)**
Income tax recovery	(1,038)	(2,828)	(3,457)	(14,609)
Loss before income taxes	**(7,059)**	**(10,271)**	**(39,269)**	**(55,910)**
Add (deduct):				
Depreciation	10,263	11,314	42,024	48,268
Stock based compensation	34	130	253	449
Finance costs	4,720	4,381	19,664	17,963
Other items	992	56	375	(1,992)
Impairment of property and equipment	-	-	-	11,500
Adjusted EBITDA	**8,950**	**5,610**	**23,047**	**20,278**

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 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 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");
- Western Canadian Sedimentary Basin ("WCSB");
- Western Canadian Select ("WCS"); and
- West Texas Intermediate ("WTI").

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 impact of the ongoing COVID-19 pandemic on Western's customers, operations, business and global economic activity; the pricing for the Company's services and equipment; Western's maintenance and expansion capital plans for 2022, including with respect to the Company's capital budget of approximately $8.1 million for the first quarter of 2022, and its ability to make changes thereto in response to customer demands; 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; opportunities relating to Debt Restructuring Transaction; expectations as to the changes in crude oil transportation capacity through pipeline developments and uncertainties related thereto; expectations as to the benefits of the LNG Canada natural gas project in British Columbia on the Company and its rig fleet; the potential impact of changes to laws, governmental and environmental regulations, and the price on carbon emissions; 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; 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; 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 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; 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 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 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 AIF 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.

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