



WESTERN ENERGY SERVICES CORP. ANNOUNCES CLOSING OF RIGHTS OFFERING AND DEBT RESTRUCTURING TRANSACTION

Resulting in reduced debt, extension of maturity of credit facilities and new capital

FOR IMMEDIATE RELEASE: May 18, 2022

CALGARY, ALBERTA - Western Energy Services Corp. (the "**Company**" or "**Western**") (TSX: WRG) is pleased to announce the successful completion of its previously announced recapitalization and debt restructuring transaction (the "**Restructuring Transaction**"). Closing of the Restructuring Transaction occurred one day after the initially expected date due to steps required to satisfy all the conditions to closing of the transaction.

The Restructuring Transaction included the offering of rights (the "**Rights**") to all eligible Western shareholders to purchase additional common shares of the Company (the "**Common Shares**") which expired at 5:00 p.m. (Toronto time) on May 13, 2022 (the "**Rights Offering**"). The Rights Offering was oversubscribed through the exercise of the additional subscription privileges, with shareholders subscribing for Rights to purchase an aggregate of approximately \$48.7 million of Common Shares, which was approximately \$17.2 million more than the maximum subscription amount of approximately \$31.5 million available under the Rights Offering, at the subscription price of \$0.016 per Common Share. The additional \$17.2 million will be returned to shareholders who subscribed under the additional subscription privilege but were subject to a *pro rata* allotment as described below.

At the completion of the Rights Offering and pursuant to the exercise of Rights, the Company issued an aggregate of 1,968,867,475 Common Shares, representing the full allotment available to holders of Common Shares at the record date of April 19, 2022. Each Right entitled the holder thereof to acquire an additional 21.4488803374 Common Shares, with no fractional Common Shares issued. Common Shares acquired pursuant to the exercise of Rights were issued at a price of \$0.016 per Common Share for aggregate gross proceeds of approximately \$31,500,000. 1,640,255,444 Common Shares were issued under the basic subscription privilege and 328,612,031 Common Shares were issued under the additional subscription privilege. As a result of the oversubscription, Common Shares subscribed for pursuant to the additional subscription privilege were subject to a *pro rata* allotment in accordance with the terms of the Rights Offering, as set forth in the Company's final short form prospectus dated April 11, 2022 filed with securities regulatory authorities in all of the provinces of Canada. As the Rights Offering was fully subscribed, Western did not utilize the previously announced standby commitment whereby G2S2 Capital Inc. ("**G2S2**"), Armco Alberta Inc. ("**Armco**") and MATCO Investments Ltd. ("**Matco**") agreed to acquire any Common Shares not subscribed for under the Rights Offering.

The Company, its Chief Executive Officer and its Chief Financial Officer did not proceed with the previously disclosed proposed loan from the Company to fund a portion of the subscription price for Common Shares acquired by such officers in the Rights Offering. The Chief Executive Officer and Chief Financial Officer exercised rights in the Rights Offering and used personal sources of funds other than the proposed loan from the Company.

As part of the Restructuring Transaction, \$100 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 2 billion Common Shares at a conversion price of \$0.05 per Common Share (the "**Debt Exchange**"), resulting in AIMCo holding approximately 49.7% of the Common Shares. In addition, \$10 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, to be used primarily for upgrades to the rig fleet, as well as for general corporate purposes.

Concurrent with the Debt Exchange and the repayment of \$10 million of the principal amount of the Second Lien Facility from the proceeds of the Rights Offering, 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, the previously announced amendments to the Company's senior secured credit facilities (the "**Senior Facilities**") took effect on May 18, 2022. The amendments to the Senior Facilities include: (a) an extension of the maturity of the Senior Facilities from July 1, 2022 to May 18, 2025, (b) a reduction in the amount available under the Senior Facilities from \$60 million to \$45 million, and (c) revisions to certain financial covenants.

Concurrent with closing of the Debt Restructuring, the Company, AIMCo, G2S2, Armco, Matco and Ronald P. Mathison entered into an investor rights agreement pursuant to which AIMCo was granted the right to nominate two directors for election to Western's board for so long as AIMCo's shareholding percentage of the Company is 30% or greater. As a result, Western's directors approved the appointment of two nominees designated by AIMCo to the board of directors of the Company. AIMCo's nominees, Trent Boehm and Colleen Cebuliak, will join the board of directors of the Company effective May 24, 2022. The Company and AIMCo also entered into a registration rights agreement pursuant to which AIMCo was 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.

Given the very large number of Common Shares issued pursuant to the Restructuring Transaction, the Company anticipates that it will seek approval at its next annual general meeting, for a consolidation of its Common Shares. Whether the Company proceeds with a consolidation, and the proposed consolidation ratio (or range of ratios) to be put forward for approval, will be determined in advance of the annual general meeting.

Copies of the amended Second Lien Facility, the amendment to the Senior Facilities, the Investor Rights Agreement and the Registration Rights Agreement will be filed under the Company's profile on SEDAR at www.sedar.com.

The Company registered the offer and sale of the Common Shares issuable on exercise of the Rights on a Form F-7 registration statement (File No. 333-264003) under the U.S. Securities Act of 1933, as amended, a copy of which can be found at www.sec.gov and may also be obtained by contacting Computershare Investor Services Inc. at 1-800-564-6253 or by email at corporateactions@computershare.com.

This news release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of securities of the Company in any province, state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of any such province, state or jurisdiction.

About Western

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

Forward-Looking Statements and Information

This press release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "will", "outlook" and similar expressions are intended to identify forward-looking information or statements. More particularly and without limitation, this press release contains forward-looking statements and information regarding the intended use of proceeds of the Rights Offering; the likelihood of a future share consolidation; and the composition of the Company's board of directors following completion of the Restructuring Transaction.

These forward-looking statements and information are based on certain key expectations and assumptions made by Western in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate in the circumstances. Although Western believes that the expectations and assumptions on which such forward-looking statements and information are based 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; risks relating to the Company's need for significant additional future capital and the Company's ability to raise additional funding; risks associated with the potential further deterioration of industry conditions that could negatively affect Western's performance and financial condition; and Western's inability to meet its obligations under its credit facilities such that further financing is not available.

Readers are cautioned that the foregoing list of risks and uncertainties is not exhaustive. Additional information on these and other risk factors that could affect Western's operations or financial results are included in Western's annual information form and may be accessed through the SEDAR website (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 or 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.