



WESTERN ENERGY SERVICES CORP. RELEASES FOURTH QUARTER AND YEAR END 2017 FINANCIAL AND OPERATING RESULTS

FOR IMMEDIATE RELEASE: February 21, 2018

CALGARY, ALBERTA – Western Energy Services Corp. ("Western" or the "Company") (TSX: WRG) announces the release of its fourth quarter and year end 2017 financial and operating results. Additional information relating to the Company, including the Company's financial statements and management's discussion and analysis as at and for the years ended December 31, 2017 and 2016 will be available on SEDAR at www.sedar.com. Non-International Financial Reporting Standards ("Non-IFRS") measures and abbreviations for standard industry terms are included in this press release. All amounts are denominated in Canadian dollars (CDN\$) unless otherwise identified.

Fourth Quarter 2017 Operating Results:

- Operating Revenue in the fourth quarter of 2017 benefited from the improved economic conditions and resulted in higher customer spending and a corresponding increase in demand for Western's services. Fourth quarter Operating Revenue increased by \$17.7 million (or 42%) to \$59.3 million in 2017 as compared to \$41.6 million in the same period of the prior year. In the contract drilling segment, Operating Revenue totalled \$45.9 million in the fourth quarter of 2017 as compared to \$29.0 million in the fourth quarter of 2016, an increase of \$16.9 million (or 58%); while in the production services segment, Operating Revenue totalled \$13.4 million for the three months ended December 31, 2017 as compared to \$12.7 million in the same period of the prior year, an increase of \$0.7 million (or 5%). Higher utilization in the contract drilling segment in the fourth quarter of 2017, and improved pricing in Canada, positively impacted Operating Revenue in the contract drilling and production services segments as described below:

- o Drilling rig utilization – Operating Days ("Drilling Rig Utilization") in Canada averaged 38% in the fourth quarter of 2017 compared to an average of 28% in the fourth quarter of 2016, reflecting a 1,000 basis points ("bps") increase. Fourth quarter 2017 Drilling Rig Utilization represented a premium of 1,000 bps to the Canadian Association of Oilwell Drilling Contractors ("CAODC") industry average of 28%, whereas in the fourth quarter of 2016, Drilling Rig Utilization of 28% represented a 300 bps premium to the industry average. The increase in the Company's utilization premium to the industry average in the fourth quarter of 2017 is attributable to:
 - the quality of Western's drilling rig fleet, which meets current customer demands;
 - the ability of the Company's rig crews;
 - the efforts by the Company's marketing group to reposition rigs for existing and new customers; and
 - a number of Western's customers increasing their capital budgets in 2017, as compared to 2016 when customer spending was limited.

These factors, combined with improved market conditions, resulted in higher demand for the Company's drilling rigs and a 13% improvement in Operating Revenue per Billable Day in the fourth quarter of 2017, as compared to the same period in the prior year;

- o In the United States, five of the Company's six drilling rigs operated during the quarter, two of which were working on long term contracts, resulting in Drilling Rig Utilization of 63% in the fourth quarter of 2017, as compared to 29% in the same period of the prior year. In the fourth quarter of 2017, Operating Revenue per Billable Day in the United States decreased by 11% as compared to the fourth quarter of 2016 mainly due to changes in the mix of rigs working on spot rates versus long term contracts, as compared to the same period of the prior year when the Company had one rig working on a long term legacy contract for much of the quarter at a favorable day rate; and
- o Well servicing utilization of 26% in the fourth quarter of 2017 compared to 27% in the same period of the prior year. Improved market conditions resulted in an 11% increase in hourly rates during the fourth quarter of 2017, as compared to the same period in the prior year, mainly due to increased demand for fully crewed rigs, which resulted in higher hourly rates in 2017. Lower utilization was offset by improved pricing, which led to a \$0.8 million (or 8%) increase in well servicing Operating Revenue in the period.
- Fourth quarter Adjusted EBITDA improved by \$6.6 million (or 187%) to \$10.1 million in 2017 as compared to \$3.5 million in the fourth quarter of 2016. The year over year change in Adjusted EBITDA is due to increased activity in the contract drilling segment and improved pricing in Canada, which was partially offset by lower pricing in the United States and decreased well servicing activity.
- Administrative expenses, excluding depreciation and stock based compensation, increased by \$0.8 million (or 16%) to \$5.8 million, as compared to \$5.0 million in the fourth quarter of 2016, mainly due to higher employee related costs.
- The Company incurred a net loss of \$5.0 million in the fourth quarter of 2017 (\$0.06 per basic common share) as compared to a net loss of \$14.5 million in the same period in 2016 (\$0.20 per basic common share). The change can be attributed to the following:
 - o A \$6.6 million increase in Adjusted EBITDA due to higher utilization in the contract drilling segment and improved pricing for contract drilling and well servicing in Canada, partially offset by lower contract drilling pricing in the United States and decreased well servicing activity;

- o A \$1.6 million increase in income tax recoveries mainly due to the decrease in the federal corporate tax rates in the United States from 35.0% to 21.0%, which was signed into law in December 2017;
 - o A \$0.6 million increased gain in other items, which mainly consist of gains and losses on foreign exchange and asset sales;
 - o A \$0.4 million decrease in depreciation expense mainly due to certain equipment being fully depreciated over the last four quarters; and
 - o A \$0.2 million decrease in stock based compensation expense as fewer unvested stock options and restricted share units were outstanding in the quarter.
- Fourth quarter 2017 capital expenditures of \$5.9 million included \$3.0 million of expansion capital and \$2.9 million of maintenance capital. In total, capital spending in the fourth quarter of 2017 increased by \$3.2 million from the \$2.7 million incurred in the fourth quarter of 2016. The Company incurred expansion capital mainly related to drilling rig upgrades and the purchase of oilfield rental equipment in the fourth quarter of 2017, as well as necessary maintenance capital related to the higher activity in the period.

2017 Operating Results:

- Operating Revenue in 2017 benefited from improved market conditions and higher customer spending which resulted in a corresponding increase in demand for Western's services. In 2017, Operating Revenue increased by \$102.1 million (or 87%) to \$219.0 million as compared to \$116.9 million in 2016. In the contract drilling segment, Operating Revenue totalled \$166.7 million in 2017, an increase of \$87.8 million (or 111%), as compared to \$78.9 million in 2016, and included \$6.4 million in shortfall commitment revenue in 2017, as compared to \$1.8 million in shortfall commitment revenue in 2016; while in the production services segment, Operating Revenue totalled \$52.5 million, an increase of \$14.4 million (or 38%) as compared to \$38.1 million in 2016. Higher utilization in all divisions and higher pricing in Canada in 2017 as compared to 2016, impacted Operating Revenue in the contract drilling and production services segments as described below:
 - o Drilling Rig Utilization in Canada of 37% for the year ended December 31, 2017, compared to 17% for the prior year, reflects a 2,000 bps increase. Drilling Rig Utilization of 37% in 2017 represents an 800 bps premium to the CAODC industry average, whereas in 2016, Drilling Rig Utilization of 17% was on par with the CAODC industry average of 17%. The increase in the Company's utilization premium in 2017 is attributable to:
 - the quality of Western's drilling rig fleet which meets current customer demands;
 - the ability of the Company's rig crews;
 - the efforts by the Company's marketing group to reposition rigs for existing and new customers; and
 - a number of Western's customers increasing their capital budgets in 2017, as compared to 2016 when customer spending was limited.

These factors, combined with improved market conditions, resulted in higher demand for the Company's drilling rigs in 2017. Additionally, Western continued to increase its market share in 2017. Western's 50 drilling rigs in Canada represent approximately 8% of the rigs registered with the CAODC, however Western's total operating days in 2017, represented 10% of the total industry Operating Days reported by the CAODC. The factors noted above led to improved Operating Revenue per Billable Day in 2017 particularly in the latter part of the year, resulting in a 3% year over year improvement as compared to 2016.

- o In the United States, five of the Company's six drilling rigs operated during the period, two of which were working on long term contracts, resulting in Drilling Rig Utilization of 52% for the year ended December 31, 2017, as compared to 24% in the prior year. Operating Revenue per Billable Day in the United States decreased by 12% for the year ended December 31, 2017, due to changes in the mix of rigs working on spot rates versus long term contracts, as compared to the prior year when the Company had one rig working on a long term legacy contract for much of the year at a favorable day rate; and
 - o Well servicing utilization of 26% for the year ended December 31, 2017 compared to 20% in the prior year. Continued improvements in the economic environment helped increase activity year over year. Additionally, well servicing hourly rates increased by 5% in 2017, as compared to 2016, as activity continued to improve throughout 2017. Improved utilization and pricing led to a \$12.0 million (or 39%) year over year increase in well servicing Operating Revenue.
- Adjusted EBITDA increased by \$29.9 million (or 518%) to \$35.7 million in 2017 as compared to \$5.8 million in 2016. The year over year increase in Adjusted EBITDA is due to higher activity across all divisions, a \$4.6 million increase in shortfall commitment revenue in 2017, and the Company's ability to safely and efficiently reactivate equipment and crews without incurring significant costs, including rigs that had been idle for an extended period of time. These factors were aided by improved pricing in Canada, which was partially offset by lower pricing in the United States.
 - Administrative expenses in 2017, excluding depreciation and stock based compensation, increased by \$2.6 million (or 13%) to \$22.6 million as compared to \$20.0 million in 2016. The increase in administrative expenses is mainly due to higher employee related costs, coupled with one time professional fees incurred in the period.
 - The Company incurred a net loss of \$37.4 million for the year ended December 31, 2017 (\$0.48 per basic common share) as compared to a net loss of \$62.0 million for the year ended December 31, 2016 (\$0.84 per basic common share). The decrease in net loss can be attributed to the following:

- o A \$29.9 million increase in Adjusted EBITDA due to higher utilization in both the contract drilling and production services segments, improved contract drilling and well servicing pricing in Canada, and increased shortfall commitment revenue;
- o A prior period loss on asset decommissioning of \$5.2 million in the contract drilling segment;
- o A \$1.8 million decrease in stock based compensation expense as fewer of the Company's unvested stock options and restricted share units were outstanding in the period; and
- o A \$0.6 million decrease in finance costs mainly due to the Company reducing its available Credit Facilities in 2016, resulting in lower standby fees.

Offsetting the above mentioned items are the following:

- o An increase of \$7.0 million in depreciation expense due to the Company changing from unit of production to straight line depreciation for drilling and well servicing rigs effective April 1, 2016;
 - o A \$2.9 million increase in other items which totaled a loss of \$1.4 million in 2017, as compared to a gain of \$1.5 million in 2016, and include \$1.6 million in transaction costs related to the unsuccessful acquisition of Savanna Energy Services Corp. ("Savanna") in 2017, as well as gains and losses on foreign exchange and asset sales; and
 - o A \$3.4 million decrease in income tax recovery due to improved earnings before taxes, offset by the decrease in the United States federal corporate tax rates from 35.0% to 21.0%, which was signed into law in December 2017.
- Capital expenditures of \$18.1 million for the year ended December 31, 2017 included \$9.4 million of expansion capital and \$8.7 million of maintenance capital. In total, capital spending for 2017 increased by \$13.4 million from the \$4.7 million incurred in 2016. The Company incurred expansion capital mainly related to drilling rig upgrades in 2017, which have contributed to the increase in cash flow from operating activities in the year, as well as necessary maintenance capital related to the higher activity in the period.
 - On October 17, 2017 the Company closed the following financing transactions:
 - o A lending agreement with Alberta Investment Management Corporation ("AIMCo") providing for a \$215.0 million second lien secured term loan facility (the "Second Lien Facility"). The Second Lien Facility was available in a single draw which was made subsequent to December 31, 2017, and was used to repay a portion of the Company's outstanding 7% senior unsecured notes (the "Senior Notes"). Interest is payable semi-annually, at a rate of 7.25% per annum, on January 1 and July 1 each year. Amortization payments equal to 1% of the principal amount are payable annually in quarterly installments beginning on July 1, 2018, with the balance due on January 31, 2023. In conjunction with the Second Lien Facility, Western issued to AIMCo approximately 7.1 million warrants to purchase common shares of Western, at an exercise price of \$1.77 per common share, which expire on October 17, 2020;
 - o A private placement with AIMCo of 9.1 million common shares of Western at a price of \$1.25 per common share, for aggregate gross proceeds of \$11.4 million;
 - o A bought deal offering of common shares of Western with a syndicate of underwriters where the underwriters purchased 9.1 million common shares of Western at a price of \$1.25 per common share, for aggregate gross proceeds of \$11.4 million; and
 - o Completed a number of amendments to its Credit Facilities, including the following:
 - Extended the maturity of its syndicated revolving credit facility (the "Revolving Facility") and its committed operating facility (the "Operating Facility" and together the "Credit Facilities") to December 17, 2020;
 - Increased the limit of the Revolving Facility from \$50.0 million to \$70.0 million, while the \$10.0 million Operating Facility limit remained unchanged;
 - The interest coverage and current ratio covenants were permanently removed;
 - A debt service coverage ratio was added, which is calculated based on EBITDA, as defined in the Credit Facilities agreement, divided by the sum of interest expense and scheduled long term debt principal repayments. This covenant will only be tested when the outstanding principal under the Credit Facilities exceeds \$40.0 million or the net book value of property and equipment is less than \$400.0 million. If applicable, the debt service coverage ratio must meet or exceed 1.0 as at and prior to March 31, 2018, 1.25 as at June 30, 2018, 1.5 as at September 30, 2018 and December 31, 2018, and 2.0 thereafter; and
 - The Revolving Facility continues to include an accordion feature, whereby an incremental \$50.0 million of borrowing would be available, subject to the approval of the lenders.
 - Subsequent to December 31, 2017, on January 31, 2018 the Company completed the one time draw of \$215.0 million on its Second Lien Facility. The proceeds from the Second Lien Facility draw, along with cash on hand and funds available under the Credit Facilities were used to redeem the Senior Notes at their par value of \$265.0 million on February 1, 2018.

Selected Financial Information

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

Financial Highlights	Three months ended December 31			Year ended December 31		
	2017	2016	Change	2017	2016	Change
Revenue	66,515	45,126	47%	238,175	124,438	91%
Operating Revenue ⁽¹⁾	59,255	41,649	42%	218,988	116,907	87%
Gross Margin ⁽¹⁾	15,886	8,507	87%	58,310	25,762	126%
Gross Margin as a percentage of Operating Revenue	27%	20%	35%	27%	22%	23%
Adjusted EBITDA ⁽¹⁾	10,067	3,506	187%	35,695	5,775	518%
Adjusted EBITDA as a percentage of Operating Revenue	17%	8%	113%	16%	5%	220%
Cash flow from operating activities	(800)	(1,327)	(40%)	24,641	16,631	48%
Capital expenditures	5,912	2,724	117%	18,132	4,719	284%
Net loss	(4,974)	(14,509)	(66%)	(37,445)	(61,973)	(40%)
-basic net loss per share	(0.06)	(0.20)	(70%)	(0.48)	(0.84)	(43%)
-diluted net loss per share	(0.06)	(0.20)	(70%)	(0.48)	(0.84)	(43%)
Weighted average number of shares						
-basic	88,812,216	73,795,896	20%	77,601,827	73,703,437	5%
-diluted	88,812,216	73,795,896	20%	77,601,827	73,703,437	5%
Outstanding common shares as at period end	92,175,598	73,795,944	25%	92,175,598	73,795,944	25%

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

Operating Highlights ⁽¹⁾	Three months ended December 31			Year ended December 31		
	2017	2016	Change	2017	2016	Change
Contract Drilling						
Canadian Operations:						
Contract drilling rig fleet:						
-Average active rig count	21.6	16.2	33%	20.6	10.0	106%
-End of period	50	51	(2%)	50	51	(2%)
Operating Revenue per Billable Day	18,807	16,657	13%	17,558 ⁽³⁾	16,984 ⁽⁴⁾	3%
Operating Revenue per Operating Day	21,100	18,811	12%	19,446 ⁽³⁾	19,058 ⁽⁴⁾	2%
Operating Days	1,774	1,317	35%	6,801	3,276	108%
Drilling rig utilization - Billable Days	43%	32%	34%	41%	20%	105%
Drilling rig utilization - Operating Days	38%	28%	36%	37%	17%	118%
CAODC industry average utilization ⁽²⁾	28%	25%	12%	29%	17%	71%
United States Operations:						
Contract drilling rig fleet:						
-Average active rig count	4.0	1.7	135%	3.1	1.4	121%
-End of period	6	5	20%	6	5	20%
Operating Revenue per Billable Day (US\$)	18,038	20,197	(11%)	19,198	21,805	(12%)
Operating Revenue per Operating Day (US\$)	21,265	23,440	(9%)	22,338	25,166	(11%)
Operating Days	313	134	134%	969	440	120%
Drilling rig utilization - Billable Days	75%	34%	121%	61%	28%	118%
Drilling rig utilization - Operating Days	63%	29%	117%	52%	24%	117%
Production Services						
Well servicing rig fleet:						
-Average active rig count	17.0	17.6	(3%)	17.2	12.9	33%
-End of period	66	66	-	66	66	-
Service rig Operating Revenue per Service Hour	708	638	11%	673	643	5%
Service Hours	15,650	16,182	(3%)	62,946	47,305	33%
Service rig utilization	26%	27%	(4%)	26%	20%	30%

(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 revenue from take or pay contracts of \$6.4 million for the year ended December 31, 2017.

(4) Excludes shortfall commitment revenue from take or pay contracts of \$1.8 million for the year ended December 31, 2016.

Financial Position at (stated in thousands)	December 31, 2017	December 31, 2016	Change
Working capital	62,866	51,118	23%
Property and equipment	652,828	708,567	(8%)
Total assets	760,504	793,525	(4%)
Long term debt	265,219	264,070	-

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"). Western provides well servicing and oilfield rental equipment services in Canada through its wholly owned subsidiary Western Production Services Corp. ("Western Production Services"). Western Production Services' division, Eagle Well Servicing ("Eagle") provides well servicing operations, while its division, Aero Rental Services ("Aero") provides oilfield rental equipment services. Financial and operating results for Horizon and Stoneham are included in Western's contract drilling segment, while financial and operating results for Eagle and Aero are included in Western's production services segment.

Western has a drilling rig fleet of 56 rigs specifically suited for drilling horizontal wells of increased complexity. Western is currently the fifth largest drilling contractor in Canada, based on the CAODC registered rigs, with a fleet of 50 rigs operating through Horizon. Of the Canadian fleet, 23 are classified as Cardium class rigs, 19 as Montney class rigs and eight as Duvernay class rigs. As compared to the Cardium class rigs, the Montney class rigs have a larger hookload, while the Duvernay class rigs have the largest hookload allowing the rig to support more drill pipe downhole. Additionally, Western has six drilling rigs operating through Stoneham, including five Duvernay class triple drilling rigs. Western is also the fifth 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 hydraulic fracturing 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. 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, 2017 and 2016 and for the years ended December 31, 2017 and 2016.

	Three months ended December 31			Year ended December 31		
	2017	2016	Change	2017	2016	Change
Average crude oil and natural gas prices⁽¹⁾⁽²⁾						
Crude Oil						
West Texas Intermediate (US\$/bbl)	55.28	49.16	12%	50.81	43.37	17%
Western Canadian Select (CDN\$/bbl)	49.10	45.84	7%	49.49	39.27	26%
Natural Gas						
30 day Spot AECO (CDN\$/mcf)	1.67	3.11	(46%)	2.23	2.18	2%
Average foreign exchange rates⁽²⁾						
US dollar to Canadian dollar	1.27	1.33	(5%)	1.30	1.32	(2%)

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

(2) Source: Bloomberg

West Texas Intermediate ("WTI") on average improved in the fourth quarter of 2017 as compared to the third quarter of 2017, increasing by 15%, and was 12% higher compared to the same period in the prior year. For Western's Canadian customers, the impact of the weaker US dollar when translating WTI into Canadian dollars, resulted in only a 7% increase for the three months ended December 31, 2017, as compared to the same period in the prior year. Canadian heavy crude pricing improved in the fourth quarter of 2017, as Western Canadian Select ("WCS") on average increased by 4% as compared to the third quarter of 2017, and by 7% as compared to the same period of the prior year. The prices for condensate and natural gas liquids ("NGL") in Canada also improved in the fourth quarter of 2017, as compared to the same period in the prior year. For the year ended December 31, 2017, WTI was 17% higher than the prior year, WCS on average increased by 26% in 2017 as compared to 2016, and the price for condensate and NGLs in Canada also improved year over year. When translating WTI into the Canadian dollar equivalent for the year ended December 31, 2017, the weaker US dollar resulted in a 15% increase as compared to the year ended December 31, 2016. Canadian natural gas prices, such as AECO, declined quarter over quarter, decreasing on average by 1% from the third quarter of 2017 to the fourth quarter of 2017 and decreasing by 46% compared to the fourth quarter of 2016. Additionally, for the year ending December 31, 2017, AECO increased by 2% as compared to 2016.

Improved market conditions in 2017, particularly the improved crude oil and condensate prices, has led to a corresponding increase in the demand for oilfield services in both Canada and the United States. The CAODC reported that for drilling in Canada, the total number of Operating Days in the Western Canadian Sedimentary Basin ("WCSB") increased approximately 54% in 2017 as compared to 2016. Similarly, as reported by Baker Hughes, a GE Company, the average number of active drilling rigs in the United States increased approximately 71% in 2017 as compared to 2016.

Outlook

Currently, 37 of Western's drilling rigs are operating. Four of Western's 56 drilling rigs (or 7%) are under long term take or pay contracts, with one expected to expire in 2018, two expected to expire in 2019 and one expected to expire in 2020. These contracts each typically generate between 250 and 350 Billable Days per year.

Western's capital budget for 2018 remains unchanged and is expected to total \$20 million, including capital spending carry forward for 2017 of approximately \$2 million, with \$8 million allocated for expansion capital and \$12 million for maintenance capital. Western believes the 2018 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.

Since hitting 10 year lows in the first quarter of 2016, crude oil prices, while remaining well below previous highs, have improved. As such, North American drilling rig counts recovered in 2017 and the Company is expecting stable year over year activity levels in 2018. Improving gross margin continues to be a priority for the Company and, as has been demonstrated over the last three quarters, Western is working to implement higher rates with each rig that is awarded work. Prices for Western's services remain below historical levels and will continue to impact Adjusted EBITDA and cash flow from operating activities in the near term. However, Western's variable cost structure and a prudent capital budget will aid in preserving balance sheet strength. As at December 31, 2017, in addition to \$48.8 million in cash and cash equivalents, Western had \$80.0 million of available credit under its Credit Facilities, which do not mature until December 17, 2020. Western repaid the \$265.0 million in outstanding Senior Notes at par in the first quarter of 2018 with proceeds from the \$215.0 million Second Lien Facility, along with cash on hand and funds available under the Credit Facilities. Completing these financing transactions has lowered Western's total debt and leverage metrics, decreased Western's effective interest rates and extended the maturity on all of Western's long term debt. Additionally, Western will save approximately \$5.3 million annually in cash interest expense, due to the decreased total debt level and lower interest rate on the Second Lien Facility, as compared to the Senior Notes.

Oilfield service activity in Canada will be affected by the development of resource plays in Alberta and northeast British Columbia which will be impacted by pipeline construction, increased environmental regulations including the implementation of a carbon tax in Alberta, and decreased foreign investment into Canada. Currently, the largest challenges facing the oilfield service industry are continued customer spending constraints as a result of lower commodity prices and the increasing challenge of staffing field crews, particularly in the well servicing division. 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 service activity.

2017 Fourth Quarter and Year End Financial and Operating Results Conference Call and Webcast

Western has scheduled a conference call and webcast to begin promptly at 9:00 a.m. MT (11:00 a.m. ET) on Thursday, February 22, 2018.

The conference call dial-in number is 1-888-231-8191.

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 two hours after the completion of the call until March 8, 2018 by dialing 1-855-859-2056, passcode 6578818.

Non-IFRS Measures

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

Operating Revenue

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

Gross Margin

Management believes that in addition to net income, Gross Margin is a useful supplemental measure as it provides an indication of the results generated by Western's principal operating activities prior to considering administrative expenses, depreciation and amortization, stock based compensation, how those activities are financed, the impact of foreign exchange, how the results are taxed, how funds are invested, and how non-cash items and one-time gains and losses affect results.

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

(stated in thousands)	Three months ended December 31		Year ended December 31	
	2017	2016	2017	2016
Operating Revenue				
Drilling	45,906	28,965	166,660	78,887
Production services	13,362	12,710	52,456	38,064
Less: inter-company eliminations	(13)	(26)	(128)	(44)
	59,255	41,649	218,988	116,907
Third party charges	7,260	3,477	19,187	7,531
Revenue	66,515	45,126	238,175	124,438
Less: operating expenses	(66,933)	(53,308)	(245,352)	(157,212)
Add:				
Depreciation – operating	16,238	16,551	65,227	57,903
Stock based compensation – operating	66	138	260	633
Gross Margin	15,886	8,507	58,310	25,762

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 loss under IFRS, as disclosed in the consolidated statements of operations and comprehensive income, to earnings before interest and finance costs, taxes, depreciation and amortization ("EBITDA"), Adjusted EBITDA and Operating Loss:

(stated in thousands)	Three months ended December 31		Year ended December 31	
	2017	2016	2017	2016
Net loss	(4,974)	(14,509)	(37,445)	(61,973)
Add:				
Finance costs	5,598	5,478	21,950	22,522
Income tax recovery	(6,842)	(5,183)	(18,555)	(21,955)
Depreciation – operating	16,238	16,551	65,227	57,903
Depreciation – administrative	284	365	1,213	1,569
EBITDA	10,304	2,702	32,390	(1,934)
Add:				
Stock based compensation – operating	66	138	260	633
Stock based compensation – administrative	397	484	1,689	3,135
Loss on asset decommissioning	-	265	-	5,490
Other items	(700)	(83)	1,356	(1,549)
Adjusted EBITDA	10,067	3,506	35,695	5,775
Subtract:				
Depreciation – operating	(16,238)	(16,551)	(65,227)	(57,903)
Depreciation – administrative	(284)	(365)	(1,213)	(1,569)
Operating Loss	(6,455)	(13,410)	(30,745)	(53,697)

Net Debt

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

(stated in thousands)	December 31, 2017	December 31, 2016
Long term debt	265,219	264,070
Current portion of long term debt	475	684
Less: cash and cash equivalents	(48,825)	(44,597)
Net Debt	216,869	220,157

Defined Terms:

Average active rig count (contract drilling): Calculated as drilling rig utilization – Billable Days 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.

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

Drilling rig utilization – Operating Days (or "Drilling Rig Utilization"): Calculated based on Operating Days divided by total available days.

Drilling rig utilization – Billable Days: Calculated based on Billable 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 in 2017 (2016: 366 days).

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 Oilwell Drilling Contractors ("CAODC");
- DecaNewton ("daN");

- International Financial Reporting Standards ("IFRS");
- Natural Gas Liquids ("NGL");
- Pounds ("lbs");
- Thousand cubic feet ("mcf");
- West Texas Intermediate ("WTI"); and
- Western Canadian Sedimentary Basin ("WCSB").

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 information and statements contained herein that are not clearly historical in nature constitute forward-looking information, and the words "may", "will", "should", "could", "expect", "intend", "anticipate", "believe", "estimate", "propose", "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 Corporation's internal projections, estimates or beliefs concerning, among other things, an outlook on the estimated amounts and timing of capital expenditures, anticipated future debt levels and revenues or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. This 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 and utilization of the Company's services and equipment; the pricing for the Company's services and equipment; the terms of existing and future drilling contracts in Canada and the US and the revenue resulting therefrom (including the number of Operating Days typically generated from the Company's contracts); the Company's expansion and maintenance capital plans for 2018; the Company's liquidity needs including the ability of current capital resources to cover Western's financial obligations and the 2018 capital budget; the use and availability of the Company's Credit Facilities; pricing for Western's services and impact on Adjusted EBITDA; the Company's ability to maintain certain covenants under its Credit Facilities; the future declaration of dividends; expectations as to the increase in crude oil transportation capacity through pipeline development; the potential impact of changes to environmental laws and regulations and the implementation of a carbon tax in Alberta; the expectation of continued foreign investment into the Canadian crude oil and natural gas industry; expectations relating to producer spending, and the Company's ability to find and maintain enough field crew members and the Company's change to its depreciation assumptions.

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; 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 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 fluctuations; the ability of the Company to attract and retain skilled labour and qualified management; the ability to retain and attract significant customers; and general business, economic and market 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 continue to improve for the remainder of 2018 and that commodity prices will remain low, and other general industry, economic, market and business conditions. Readers are cautioned that the foregoing list of risks, uncertainties and assumptions are not exhaustive. Additional information on these and other risk factors that could affect Western's operations and financial results are included in Western's annual information form which may be accessed through the SEDAR website at www.sedar.com. The forward-looking statements and information contained in this press release are made as of the date hereof and Western does not undertake any obligation to update publicly or revise any forward-looking statements and information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

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