

WESTERN ENERGY SERVICES CORP.
FORM 51-102F3
MATERIAL CHANGE REPORT

1. NAME AND ADDRESS OF COMPANY

Western Energy Services Corp. ("**Western**" or the "**Corporation**")
Suite 1700, 215 – 9th Avenue SW
Calgary, Alberta T2P 1K3

2. DATE OF MATERIAL CHANGE

September 21, 2017 and September 22, 2017.

3. NEWS RELEASE

A news release setting out information concerning the material changes described in this report was issued by the Corporation on September 22, 2017 and disseminated through the facilities of a recognized news service.

4. SUMMARY OF MATERIAL CHANGE

On September 21, 2017, Western entered into agreements with Alberta Investment Management Corporation ("**AIMCo**") providing for a \$215 million second lien senior secured term loan facility and a private placement (the "**Private Placement**") of 9,100,000 common shares of Western ("**Common Shares**") at a price of \$1.25 per Common Share, for aggregate gross proceeds of \$11,375,000 (together, the "**AIMCo Financings**").

Western entered into an agreement on September 22, 2017 with a syndicate of underwriters (the "**Underwriters**") led by Peters & Co. Limited, pursuant to which the Underwriters have agreed to purchase, on a bought deal basis, 9,100,000 Common Shares at a price of \$1.25 per Common Share, for aggregate gross proceeds of \$11,375,000 (the "**Bought Deal Financing**").

Additionally, Western has received commitments from certain of its lenders to effect amendments to its senior secured credit facilities (the "**First Lien Facilities**").

Western expects that the net proceeds of the AIMCo Financings and the Bought Deal Financing, along with cash on hand and funds available under the First Lien Facilities, will be used to redeem its outstanding 7 7/8% senior unsecured notes (the "**Senior Notes**").

5. FULL DESCRIPTION OF MATERIAL CHANGE

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First Lien Facilities

On September 21, 2017, the Corporation entered into a commitment letter with HSBC Bank Canada wherein HSBC Bank Canada provided its commitment and agreed to act as lead arranger for the purpose of (i) increasing the aggregate amount of the First Lien Facilities by increasing the revolving facility from \$50 million to up to \$70 million and maintaining the Corporation's \$10 million operating facility, (ii) extending the maturity date of the First Lien Facilities from

December 17, 2018 to December 17, 2020, (iii) eliminating the covenant relief period, and (iv) otherwise amending the First Lien Facilities to contemplate and permit the Second Lien Facility and various other amendments (collectively, the "**First Lien Amendments**").

AIMCo Financings

Second Lien Term Loan

On September 21, 2017, the Corporation entered into a commitment letter with AIMCo, pursuant to which AIMCo agreed to provide a second lien senior secured credit facility (the "**Second Lien Facility**") in favour of the Corporation in an aggregate principal amount of up to \$215 million. The Second Lien Facility will mature five years from the date that Western elects to draw the funds (the "**Draw Date**") and the interest rate under the Second Lien Facility will be 7.25% per annum. The proceeds from the Second Lien Facility will be made available in a single draw to be made no later than February 15, 2018, which proceeds are required to be used to partially repay the Senior Notes. Amortization payments equal to 1% of the principal amount will be payable annually, in equal quarterly installments, beginning on July 1, 2018. In addition to a number of customary conditions to the single draw under the Second Lien Facility, it is a condition precedent to such single draw that, on the date that notice is provided by the Corporation of its intention to make such single draw, there shall be at least \$30 million in undrawn capacity under the First Lien Facilities. Amounts borrowed under the Second Lien Facility that are repaid or prepaid will not be available for reborrowing. The Corporation may not prepay the Second Lien Facility prior to the second anniversary of the Draw Date, except with payment of a make-whole premium. At any time following the second anniversary of the Draw Date and prior to the third anniversary of the Draw Date, the Corporation may prepay the Second Lien Facility at a premium equal to 5% of the principal amount repaid. Thereafter, the Corporation may prepay the Second Lien Facility with no prepayment premium. If a change of control occurs in respect of the Corporation prior to the six month anniversary of the closing of the Second Lien Facility, then the Corporation shall be required to repay in full the amount of all loans outstanding under the Second Lien Facility, together with all accrued and unpaid interest thereon, and a fee of \$6,500,000.

In conjunction with the closing of the Second Lien Facility, Western has agreed to issue to AIMCo 7,099,546 warrants to purchase Common Shares (the "**Warrants**"). Each Warrant will entitle AIMCo to acquire one Common Share at an exercise price per Common Share equal to a 45% premium to the volume weighted average price of the Common Shares for the five trading days ended prior to the date of issue of the Warrants, at any time prior to three years following the date of issue of the Warrants. Provided the volume weighted average price of the Common Shares is greater than the exercise price of the Warrants for 60 consecutive calendar days, Western will have the option to require AIMCo to exercise all or any portion of the Warrants at any time or from time to time.

Peters & Co. Limited is acting as exclusive financial advisor to the Corporation in connection with the Second Lien Facility and each of the Underwriters will receive a fee in connection with the closing of such financing.

Private Placement

Western has also entered into an agreement with AIMCo whereby AIMCo has committed to purchase, on a private placement basis, 9,100,000 Common Shares at a price of \$1.25 per

Common Share for aggregate gross proceeds of \$11,375,000. Completion of the Private Placement is subject to certain conditions, including the receipt of all necessary regulatory approvals (including that of the Toronto Stock Exchange). Common Shares issued under the Private Placement will be subject to a hold period of four months.

Assuming completion of the Bought Deal Financing and the AIMCo Financings, AIMCo will beneficially own, or exercise control or direction over, directly or indirectly, an aggregate of 9,100,000 Common Shares (16,199,546 Common Shares if the AIMCo Warrants are exercised in full) representing approximately 10% (approximately 16% if the AIMCo Warrants are exercised in full) of the issued and outstanding Common Shares.

Bought Deal Financing

Western has entered into an agreement for a bought deal financing through a syndicate of Underwriters led by Peters & Co. Limited pursuant to which the Underwriters have agreed to purchase, on a bought deal basis, 9,100,000 Common Shares at a price of \$1.25 per Common Share for aggregate gross proceeds of \$11,375,000.

The Common Shares will be distributed by way of a short form prospectus in all provinces of Canada, except Quebec, and certain other jurisdictions as Western and the Underwriters may agree on a private placement basis. Completion of the Bought Deal Financing is subject to certain conditions, including the receipt of all necessary regulatory approvals (including that of the Toronto Stock Exchange).

Closing of the First Lien Amendments, the AIMCo Financings and the Bought Deal Financing are expected to occur on or about October 17, 2017. The closing of the Bought Deal Financing, the closing of the AIMCo Financings and the closing of the First Lien Amendments are each subject to the condition that the Underwriters, AIMCo and the lenders under the First Lien Facilities (the "**First Lien Lenders**") and HSBC, as administrative agent for the First Lien Lenders, as applicable, shall have satisfactory evidence that each financing shall close concurrently with the others (or that the Bought Deal Financing and the AIMCo Financings shall close prior to the First Lien Amendments). If any of the Bought Deal Financing, the Private Placement, the Second Lien Facility or the First Lien Amendments does not close, then none of the Bought Deal Financing, the Private Placement, the Second Lien Facility or the First Lien Amendments shall close, unless such condition is waived by the Underwriters, AIMCo or the First Lien Lenders and HSBC, as administrative agent for the First Lien Lenders, as applicable.

Capital Structure

Western intends to redeem its Senior Notes due on January 30, 2019 no earlier than January 30, 2018, at which time the Senior Notes will be redeemable at par.

5.2 DISCLOSURE FOR RESTRUCTURING TRANSACTIONS

Not applicable.

6. RELIANCE ON SUBSECTION 7.1(2) OF NATIONAL INSTRUMENT 51-102

Not applicable.

7. OMITTED INFORMATION

Not applicable.

8. EXECUTIVE OFFICER

For further information, contact Mr. Jeffrey K. Bowers, Senior VP Finance and Chief Financial Officer, by telephone at (403) 984-5916.

9. DATE OF REPORT

October 2, 2017.

Cautionary Note Regarding Forward-Looking Statements

This material change report contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. More particularly and without limitation, this material change report contains forward-looking statements and information relating to the expected closing date of the AIMCo financings, Bought Deal Financing and the First Lien Amendments, the expected Draw Date of the Second Lien Facility, the use of proceeds thereof, the proposed amendments to the First Lien Facilities, and the expected redemption of all remaining Senior Notes.

These forward-looking statements and information are based on certain key expectations and assumptions made by Western, including the assumption that Western will be able to negotiate definite documentation for the Second Lien Facility and the amendments to the First Lien Facilities, obtain all regulatory approvals for the financings and satisfy all other conditions precedent to the completion of the proposed transactions. 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, the inability to obtain regulatory approvals, risks associated with general economic conditions, the demand for Western's services, volatility in market prices for oil and natural gas and the effect of this volatility on the demand for oilfield services generally, currency exchange rate risk, compliance with covenants and/or repayment obligations under the First Lien Facilities and Senior Note indenture, changes in legislation, dependence on, and concentration of, major customers, and the creditworthiness and performance by the Western's counterparties and customers.

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 material change report 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.