

LONESTAR WEST INC.
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May 25, 2016

Symbol: LSI (TSX.V)

LONESTAR WEST ANNOUNCES Q1 2016 FINANCIAL RESULTS

Sylvan Lake, Alberta, (TSX.V: LSI) - Lonestar West Inc. today announced the financial results for the three months period ended March 31, 2016.

The results for the quarter ended March 31, 2016 reflect the increasingly challenging North American industry conditions due to continued low oil and natural gas prices which, in turn, has resulted in substantially lower industry activity levels. This has resulted in significant pricing pressure in areas exposed to low commodity prices, due to reduced customer demand and heightened competition for non-energy related projects. To the extent possible, the Company will attempt to mitigate these factors through the diversification of revenues, increased utilization of existing assets through relocation to geographical areas which have higher demand, and implementing cost saving measure by streamlining operations.

Highlights for the three months ended March 31, 2016 include:

- Revenues were \$11,919,783 for the quarter ended March 31, 2016, compared to \$13,312,981 for the prior year comparable quarter.
- Gross margin¹ was 19.3% compared to 25.8% for the prior year comparable quarter.
- Normalized EBITDAC² was \$891,813 compared to \$2,242,707 for the prior year comparable quarter.
- Normalized EBITDAC³ per basic share was \$0.03 from \$0.08 for the prior year comparable quarter.
- A non-cash, non-reoccurring impairment charge of \$107,974 was recorded with respect to intangible assets.
- Loss before taxes was \$1,053,137 as compared to net income before taxes of \$378,227 for the prior year comparable quarter.
- Net loss for the period was \$2,271,552 as compared to net income of \$210,965 for the prior year comparable quarter.

"All Lonestar employees and their families are safe following the wildfires that began on May 3, 2016, and are ongoing in and around our Fort McMurray, Alberta location. Lonestar has not suffered any equipment or facility damage to date, and we are working with the municipality and our customers in the area to ensure we are prepared to assist in restoring services and rebuilding infrastructure," commented James Horvath, President and CEO of Lonestar. "In the first quarter of fiscal 2016 the Company has capitalized on the opportunity provided by the downturn in the oil and gas markets to improve the bench strength of our management team, to better position Lonestar for long term growth and success. The first quarter was adversely impacted by weather, and depressed energy markets, so management is focused on increasing business development efforts and repositioning operations to areas less sensitive to the fluctuations in energy prices."

The Company is continuing to intensify its focus on cost control while maintaining superior service to its customer base. In addition, the Company is continually assessing the location of its fleet and redeploys assets to areas less impacted by the energy markets.

The Company believes that the United States market for Hydrovac services is still in its early stages of development. Lonestar forecasts the increasing acceptance of the Hydrovac technology across numerous sectors throughout the United States will continue, and that the Company is well positioned to capitalize on these opportunities.

About Lonestar West

Based in Sylvan Lake, Alberta, Lonestar West Inc. operates a fleet of 160 Hydrovac, Vacuum and Auxiliary units throughout Western Canada, Ontario, California, and the Southern United States. It is focused on profitably growing its HVAC services to become a major competitor in the North American market.

For more information please visit the Lonestar West website at www.lonestarwest.com

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This News Release contains certain forward-looking statements and forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of applicable Canadian securities laws. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "achieve", "could", "believe", "plan", "intend", "objective", "continuous", "ongoing", "estimate", "outlook", "expect", "may", "will", "project", "should" or similar words, including negatives thereof, suggesting future outcomes. In particular, this News Release contains forward-looking statements relating to: demand for the Company's services and general industry activity level; the Company's growth opportunities; and expectations regarding the Company's revenue, normalized EBITDAC and equipment utilization. Lonestar believes the expectations reflected in such forward-looking statements are reasonable as of the date hereof but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon.

Various material factors and assumptions are typically applied in drawing conclusions. Specific material factors and assumptions include, but are not limited to:

- Changes in industry conditions (including the levels of capital expenditures made by oil and gas producers and explorers)
- Credit risk to which the Company is exposed in the conduct of its business
- Fluctuations in prevailing commodity prices, currency and interest rates
- The competitive environment to which the business is, or may be, exposed in all aspects of its business
- The ability of the Company to access equipment and new technologies
- The Company's ability to maintain relationships with key suppliers
- The ability of the Company to attract and maintain key personnel and other qualified employees
- Various environmental risks to which the Company is exposed in the conduct of its operations
- Inherent risks associated with the conduct of the business in which the Company operates
- Timing and costs associated with the acquisition of capital equipment
- The impact of weather and other seasonal factors that affect business operations
- Availability of financial resources or third-party financing, and;
- The impact of new laws or changes in administrative practices on the part of regulatory authorities.

Readers are cautioned that these factors are difficult to predict. Accordingly readers are cautioned that the actual results achieved will vary from the information provided herein and the variations may be material. Readers are also cautioned that the list of factors above are not exhaustive. Before placing reliance on any forward-looking statements to make decisions with respect to an investment in securities in Lonestar, prospective investors and others should carefully consider the factors identified above and other risks, uncertainties and potential changes that may cause actual results or events to differ materially from those anticipated in such forward-looking statements.

Forward-looking statements are not a guarantee of future performance and involve a number of risks and uncertainties, some of which are described herein. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause Lonestar's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, the risks identified in Lonestar's annual information form and management discussion and analysis for the year ended December 31, 2014 (the "MD&A"), which are available for viewing on SEDAR at www.sedar.com. In addition, the forward-looking statements contained in this News Release are made as of the date of this News Release. Lonestar does not undertake any obligation to publicly update or to revise any forward-looking statements except as expressly required by applicable securities laws. The forward-looking statements contained in this Press Release are expressly qualified by the cautionary statements contained herein.

Notes:

1. Gross margin is calculated as gross profit as a percentage of revenues
2. This News Release contains the term Normalized EBITDAC as presented and does not have any standardized meaning prescribed by international financial reporting standards ("IFRS") and therefore it may not be comparable with the calculation of similar measures for other entities. Management uses normalized EBITDAC to analyze the operating performance of the business. Normalized EBITDAC as presented is not intended to represent cash provided by operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS. It is defined as Earnings before interest, taxes, depreciation, amortization, and stock based compensation excluding foreign exchange gains or losses which are primarily related to the US dollar activities of the Company and can vary significantly depending on exchange rate fluctuations, which are beyond the control of the Company.
3. Normalized EBITDAC per share is calculated as Normalized EBITDAC divided by the weighted average shares outstanding for the period.

NEITHER THE TSX VENTURE EXCHANGE NOR ITS REGULATION SERVICES PROVIDER (AS THAT TERM IS DEFINED IN THE POLICIES OF THE TSX VENTURE EXCHANGE) ACCEPTS RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE.