NOT FOR DISTRIBUTION TO U.S. NEWSWIRE SERVICES OR FOR DISSEMINATION IN THE UNITED STATES. ANY FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF U.S. SECURITIES LAW

High Arctic Announces 2020 Fourth Quarter and Year End Financial and Operating Results

CALGARY, Canada – March 11, 2021 – High Arctic Energy Services Inc. (TSX: HWO) (the "Corporation" or "High Arctic") released its fourth quarter and year-end results today. The audited consolidated financial statements, management discussion & analysis ("MD&A), and annual information form for the year ended December 31, 2020 will be available on SEDAR at www.sedar.com, and on High Arctic's website at www.haes.ca. Non-IFRS measures, such as EBITDA, Adjusted EBITDA, Adjusted Net Earnings (Loss), and working capital are included in this News Release. See Non-IFRS Measures section, below. All amounts are denominated in Canadian dollars ("CAD"), unless otherwise indicated.

Mike Maguire, Chief Executive Officer commented:

"*The positive market outlook for oil and gas was confirmed in the rising utilization of our services in Canada through the quarter. The continuing momentum in oil and gas price appreciation through the start of 2021 creates an expectation that utilization will continue to improve. The prompt action we took in March 2020 to restructure our management and markedly reduce expenditures has ensured that we are financially positioned to take advantage of this increased demand. The PNG parliament enacted into legislation the key elements of the Papua LNG Gas Agreement and signed a Fiscal Stability Agreement with the project partners that cleared the path forward for the Papua LNG project in the near future. I believe that our continual focus on high quality safe and effective operations has protected the health of our employees and maintained our stellar reputation for quality service. This, combined with our well maintained equipment, has primed us to leverage work opportunities as they arise.*"

Highlights

- Delivered adjusted EBITDA of $8.5 million (2019 - $19.4 million) in an exceptionally difficult economic environment
- Strengthened our balance sheet and increased net cash to $22.6 million compared to the beginning of the year of $9.3 million
- Right-sized our business by eliminating a layer of head office management, reducing overheads and increasing efficiencies, resulting in $8.2 million of fixed cost savings in 2020
- Retained and renewed key customer contracts with a pro-active response to COVID-19, preserving service quality and passing through cost savings, and
- Continued investing in quality, safety, and equipment readiness, positioning the company to leverage opportunities with a turn-around in demand

Within this News Release, the three months ended December 31, 2020 may be referred to as the "Quarter" or "Q4-2020", and similarly the year ended December 31, 2020 may be referred to as "YTD-2020". The comparative three months ended December 31, 2019 may be referred to as "Q4-2019", and similarly the year ended December 31, 2019 may be referred to as "YTD-2019". References to other quarters may be presented as "QX-20XX" with X being the quarter/year to which the commentary relates.

2020 Overview

2020 was very trying for the energy industry as the world coped with a global health pandemic and an oil commodity price crisis that took root in the first quarter. We demonstrated resilience and leadership in mitigating the impacts of an extremely difficult year that was characterized by tremendous oil price instability and record low customer demand. Changes were made during the year with an emphasis on our 2020 strategic priorities delivering the following outcomes:

- Aligned cost infrastructure and strengthened business model to sustain positive operating cash flow
  - Adjusted EBITDA of $1.2 million and $8.5 million for the three months and year ended December 31, 2020 (2019 - $3.6 million and $19.4 million)
- Positioned to enable key customer long-term production objectives
- Delivered quality customer service evidenced by environment, social and governance ("ESG") performance
- Preserved core operational strength in PNG and Canada despite extremely low 2020 customer demand
- Consolidated and reorganized executive and functional support into one global structure
- Preserved financial strength with $22.6 million net cash to exit 2020 (cash less long-term debt)
- Reinforced liquidity with extension of $45 million bank loan facility through August 2023 on favorable terms, and
- Achieved cash outflow targets compared to 2019 levels with a $35.1 million reduction against a $25 million target.

In addition to High Arctic specific positioning, management carries a cautiously positive view of 2021 at this time due to recent global developments that reinforce trends established in the second half of 2020, including:

- An oil and natural gas commodity price stabilization due to a concerted global effort by producers to balance supply with demand
- Major customers with financial discipline to work within improving operational cash flows to balance production growth with reducing debt leverage to restore capital market opportunities to fund long term objectives
- COVID-19 vaccine rollout and indications toward loosening of COVID-19 travel restrictions as population immunity takes hold, and
- Steadfast developments by governments in Canada and PNG to work with industry to deliver new infrastructure for LNG and oil export growth.

Outlook

Positive developments include a market driven reduction to oil production in North America and elsewhere and production cuts from members of the Organization of Petroleum Exporting Countries ("OPEC") and non-OPEC members. This, combined with increased demand, returned some stability in the overall global supply of oil during the latter stages of Q4-2020. Market optimism for near-term energy demand increase drove oil prices higher through the end of 2020 and into 2021. The emergence of many Asian nations from COVID-19 restrictions during Q3-2020 and a cold northern winter resulted in a net increase in Asian LNG imports and improved natural gas demand. Closing benchmark crude oil prices on December 31, 2020 have increased by 20% over September 30, 2020 and the rally has extended well in to Q1-2021. Many analysts are now increasing their 2021 and 2022 price targets for crude oil, LNG and natural gas.

Notwithstanding these positive developments, there remains considerable uncertainty associated with the pandemic. Resilience, adaptability, and seizing strategic opportunities remain essential.

Despite the improving commodity prices, our customers continue to be conservative with their capital and other spending forecasts, with modest forecast spending increases this year of approximately 14%, according to the Canadian Association of Petroleum Producers ("CAPP"). In addition, the impact of potential impairment charges on our property and equipment, the risk to collectability of accounts receivable and the measurement uncertainty caused by conditions imposed upon High Arctic's business will continue to be relevant in future periods if conditions do not meaningfully improve through the vaccination rollouts.

High Arctic was eligible for various government subsidies during 2020, which amounted to approximately $6.1 million YTD-2020. The Corporation will continue to monitor and apply for programs where eligibility criteria are met, however, the continuity of these programs as well as High Arctic's ability to access these may change in 2021 depending on how the criteria are established and/or changed.

Notwithstanding COVID-19 and its implications, and access to government subsidies in 2021 and beyond, the Corporation's operating plan provides options to prudently manage operations and prioritize financial flexibility. We are focused on strategies that have led to cost efficiency, building upon our decision to streamline management teams and generate positive cash flow in a depressed market. Focus on working capital management through 2020 to preserve our cash balances and maintain a strong balance sheet during the crisis has demonstrated High Arctic's resilience, and enabled us to increase our working assets as customers increase their work programs.

The recent rally has exposed potential opportunities in our industry sector, and prudent deployment of capital, judicious consideration of acquisitions that strengthen our service base and enhance shareholder value as well as strategic reflection on mergers that strengthen both parties will be carefully considered.

In Canada, stabilizing oil and gas prices resulted in exploration and production ("E&P") companies undertaking more well site work programs through Q4-2020 and into 2021, which combined with work from government well abandonment programs improved the utilization of assets in the Corporation's Production Services and Ancillary Services Segments. The Seh' Chene Partnership has secured its first projects with a long term Canadian customer of High Arctic's and has added more work sites in 2021. The extreme cold experienced across North America in February 2021 had the short-term effect of shutting down our operations for several days, but conversely also resulted in meaningful draw down of oil and gas storage through extreme energy demand and shut in production.

We remain optimistic for a continued increase in activity for our Canadian services in 2021, driven in the near term by buoyant commodity prices, customer restoration of shut-in production, the well abandonment stimulus programs and our customers growing realization of the opportunity to deliver on ESG objectives while reducing end of life well abandonment costs. High Arctic believes we have a role to play in contributing to positive ESG worldwide outcomes. We have continued advancement of our investigation of technology to deliver on our customers needs for reliable, low cost well work solutions that reduce environmental impact while creating job opportunities for community-based oilfield workers.

E&P company activity and investments in the US have been increasing, and we continue to watch this market and look for sustainable opportunities to deploy our idled operations in Colorado and North Dakota. We currently still view these markets as too unstable to cost effectively reactivate at this time.

In Papua New Guinea recent developments are very encouraging for the progression of the TotalEnergies lead Papua LNG project with the PNG parliament enacting into legislation the key elements of the Papua LNG Gas Agreement. Further positive developments include the signing of a Fiscal Stability Agreement on February 9, 2021 and the renewal of the retention lease over the large Elk-Antelope gas field that will feed into the plant. The Corporation's drilling services remain suspended, however, we are still providing skilled personnel and rental equipment to assist our customers in their essential operations. We maintain ongoing dialogue with our major customers towards planning an effective return to work amid the ongoing travel constraints, leveraging off our demonstrated recent and long-term capacity as a PNG specialist contractor.

We believe High Arctic is well positioned to manage through this next phase of the crisis and into the post-pandemic period given our decisive early actions, our continued focus on cost efficiencies, maintaining adequate readiness and delivering quality services in a socially responsible manner. We have not compromised on front-line worker compensation, training, supervision or field QHSE support, and have maintained readiness of fleet and front line workforce aimed at being front positioned for an increase in activity where well servicing personnel will become a constraining factor. Our people continue to focus on quality as measured by safety performance excellence and long-term customer relationships. The health of our balance sheet, our strong working capital position, the renewed and extended $45.0 million credit facility, and the skill of our management team position us well to deliver shareholder value and grow our business.

Results Overview

The following is a summary of select financial information of the Corporation:

	For the three months ended December 31		**For the Year ended December 31**	
($ millions, except per share amounts)	**2020**	2019	**2020**	2019
Revenue	**16.6**	42.8	**90.8**	185.5
Net loss	**(11.5)**	(2.7)	**(25.9)**	(8.8)
Per share (basic and diluted) (2)	**(0.23)**	(0.06)	**(0.52)**	(0.18)
EBITDA (1)	**0.7**	5.4	**10.4**	23.1
Adjusted EBITDA (1) (3)	**1.2**	3.6	**8.5**	19.4
Adjusted EBITDA as % of revenue	**7%**	8%	**9%**	10%
Operating loss	**(11.6)**	(3.9)	**(27.5)**	(9.4)
Cash flows from operating activities	**2.1**	1.2	**19.7**	12.7
Per share (basic and diluted)	**0.04**	0.02	**0.40**	0.25
Funds provided from operations (1)	**0.7**	3.1	**5.8**	15.3
Per share (basic and diluted) (2)	**0.01**	0.06	**0.12**	0.31
Dividends	**-**	2.5	**1.6**	9.9
Per share (basic and diluted) (2)	**-**	0.05	**0.03**	0.20
Capital expenditures	**1.1**	4.9	**4.9**	14.8
Capital expenditures – acquisitions	**-**	-	**-**	8.3

(1) Readers are cautioned that EBITDA (Earnings before interest, tax, depreciation and amortization), Adjusted EBITDA, and Funds provided from operations do not have standardized meanings prescribed by IFRS – see "Non IFRS Measures" for calculations of these measures.
(2) The number of common shares used in calculating net loss per share, funds provided from operations per share, and dividends per share is determined as explained in Note 11 of the Financial Statements.
(3) Adjusted EBITDA includes the impact of wage and rent subsidies recorded.

($ millions, except share amounts)	As at/ For the year ended December 31 2020	December 31 2019
Working capital (1)	**44.8**	35.8
Cash, end of period	**32.6**	9.3
Total assets	**214.2**	251.8
Long-term debt	**10.0**	-
Total long-term financial liabilities	**7.8**	9.1
Shareholders' equity	**177.3**	205.6
YTD/share (basic and diluted)(2)	**3.58**	4.11
Common shares outstanding, millions	**48.8**	49.6

(1) Readers are cautioned that working capital does not have standardized meanings prescribed by IFRS – see "Non IFRS Measures" for calculations of these measures.
(2) The number of common shares used in calculating shareholders' equity per share is determined as explained in Note 11 of the Financial Statements.

Operating Highlights *($ millions, unless otherwise noted)*	Three months ended December 31 **2020**	2019	Year ended December 31 **2020**	2019
Revenue:				
Drilling Services	**$ 1.6**	$ 13.5	**$ 25.4**	$ 71.5
Production Services	**13.8**	24.3	**57.8**	92.4
Ancillary Services	**1.7**	5.6	**9.4**	24.6
Inter-segment eliminations	**(0.5)**	(0.6)	**(1.8)**	(3.0)
	$ 16.6	$ 42.8	**$ 90.8**	$ 185.5

Production Services – Canada	Three months ended December 31 **2020**	2019	Year ended December 31 **2020**	2019
Service rigs:				
Average fleet (1)	**50**	57	**50**	57
Utilization (2)	**44%**	53%	**43%**	53%
Operating hours	**20,070**	27,382	**79,683**	109,162
Revenue per hour ($)	**581**	607	**587**	606
Snubbing rigs:				
Average fleet (3)	**8**	18	**8**	18
Utilization (2)	**23%**	19%	**20%**	16%
Operating hours	**1,696**	3,085	**6,054**	10,385

Production Services – US	Three months ended December 31 **2020**	2019	Year ended December 31 **2020**	2019
Service rigs:				
Average fleet (1)	**2**	2	**2**	2
Utilization (2)	**0%**	119%	**23%**	101%
Operating hours	**-**	2,186	**1,903**	5,543
Revenue per hour ($)	**-**	907	**883**	1,000
Snubbing rigs:				
Average fleet (3)	**6**	6	**6**	6
Utilization (2)	**0%**	25%	**5%**	32%
Operating hours	**-**	1,353	**1,138**	5,177

(1) Average service rig fleet represents the average number of rigs registered with the CAODC during the period.
(2) Utilization is calculated on a 10-hour day using the number of rigs registered with the CAODC during the period.
(3) Average snubbing fleet represents the average number of rigs marketed during the period.

Fourth Quarter 2020:

- High Arctic reported revenue of $16.6 million during Q4-2020 (Q4-2019 - $42.8 million). Revenue was down across all operating segments due to the COVID-19 induced market conditions, but most markedly in Drilling Services due to the cessation of drilling work in PNG.
- Utilization of the Corporation's Concord Well Servicing fleet in Western Canada was 44% in the Quarter versus industry utilization of 30% (source: Canadian Association of Oilwell Drilling Contractors "CAODC") and increased 16% over Q3-2020 and 40% from the lows experienced in Q2-2020.
- Utilization of the Corporation's Western Canadian Snubbing and Nitrogen services increased 71% and 51% respectively over Q3-2020 and over 100% from the lows experienced in Q2-2020.
- High Arctic realized Adjusted EBITDA of $1.2 million during Q4-2020 (Q4-2019 - $3.6 million). EBITDA changes were mainly due to the $26.2 million of reduced revenue, attributable predominantly to lack of drilling in PNG and reduced levels of Production Services and Ancillary Services activity in Canada, offset by reduced operating and administrative costs of $23.8 million compared to Q4-2019. Results include CEWS benefits used to enable the retention of a well-positioned and skilled workforce, which provided $1.2 million in Q4-2020.
- High Arctic incurred a net loss of $11.5 million during Q4-2020 (Q4-2019 - $2.7 million). Net loss changes were due both to the reduced earnings generated through lower revenues and the Corporation's review of its' depreciation policy, specifically as it related to salvage value estimates, with resultant increased depreciation of $5.6 million for the Quarter.
- CEWS provided $1.2 million in wage subsidy relief, of which $1.1 million offset Oilfield services expenses and $0.1 million offset General and administrative expenses.
- Restructuring costs of $0.5 million were incurred in Q4-2020, as the Corporation worked to ensure right-sizing of overhead was aligned to activity and revenue, where $0.2 million related to operating personnel and $0.3 million to administrative personnel.
- There were no dividends declared or paid in Q4-2020, compared to $2.5 million in Q4-2019 ($0.05 per share).
- Cash decreased by $0.6 million during Q4-2020 as compared to a decrease of $2.8 million in Q4-2019.
- No further amounts were drawn on the Corporation's remaining loan facility of up to $35.0 million.
- High Arctic repurchased and cancelled 991,600 common shares at a cost of $0.7 million under the NCIB in place during the Quarter, and
- Approval of a new NCIB by the Toronto Stock Exchange on December 8, 2020 enabling the acquisition of up to 2,437,983 common shares up to December 10, 2021, with no common shares purchased to date.

Year to date 2020:

- High Arctic reported revenue of $90.8 million YTD-2020 (YTD-2019 - $185.5 million). Changes were mainly attributable to COVID-19 induced market conditions and travel restrictions across all operating segment.
- High Arctic realized Adjusted EBITDA of $8.5 million (YTD-2019 - $19.4 million) which resulted from $94.7 million of decreased revenue, offset by decreases in operating and administrative costs of $83.8 million compared to YTD-2019. Results include CEWS benefits to enable the retention of a well-positioned and skilled workforce, which provided $6.1 million YTD-2020.
- High Arctic incurred a net loss of $25.9 million (YTD-2019 - $8.8 million). Net loss changes were due both to the reduced earnings generated as well as increased depreciation of $6.5 million due to the Corporation's review of its' depreciation policy, specifically salvage value estimates.

- YTD-2020, restructuring costs of $1.6 million were recorded, with $0.8 million charged against operations and $0.8 million against administrative costs. The Corporation believes that appropriate rationalization has been initiated to allow for business endurance into 2021 and beyond.
- Other significant YTD-2020 non-operational items include additional bad debt provision of $0.6 million and increased depreciation of $6.5 million over YTD-2019, offset by CEWS of $6.1 million which supported wages within the Corporation during the year.
- Strong working capital position of $44.8 million on December 31, 2020, including a cash balance of $32.6 million.
- A revolving bank loan facility with availability of $45.0 million, of which $10.0 million has been drawn, due August 31, 2023.
- Dividends amounting to approximately $0.8 million per month were suspended in March 2020. Consequently, YTD-2020 dividends amounted to $1.6 million ($0.03 per share), compared to $9.9 million YTD-2019 ($0.20 per share), and
- Resumption of share purchases under our Normal Course Issuer Bid ("NCIB") resulting in the acquisition of 1,137,100 common shares (2019 - 1,397,247) at an acquisition price of $0.8 million (2019 - $5.1 million).

Global Developments and High Arctic's Strategic Objectives

The impact of inconsistent oil prices and COVID-19 has been very challenging. At the outset, and during Q4-2020, COVID-19 continued to impact the global economy, with governments around the world attempting to balance the implementation of measures to contain the virus, including new and emerging variants, against the need to open up economies. As economies successfully open up, the demand for energy including crude oil along with other products and services will also increase, however the timing of these events continues to be uncertain.

The full extent of the impact of COVID-19 on the Corporation's operations and future financial performance will depend on future developments that are uncertain and unpredictable, including the speed at which successful vaccinations will inoculate large portions of the global population, the development of substantive treatment options, the continued duration and spread of COVID-19 and/or variants of the virus, restrictions imposed by governments in attempts to control its spread, the continued impact on capital and financial markets on a macro-scale and any new information that may emerge concerning the severity of the virus. These uncertainties may persist beyond the primary inoculation of populations against the virus in the place where the Corporation operates.

High Arctic's quick adjustment to the severe financial impact of COVID-19 together with commodity price pressure implications, has resulted in measures to reduce certain cash outflows over prior-year 2019 levels including:

- A $18.2 million reduction in capital expenditures, where YTD-2020 capital spending of $4.9 million compares to YTD-2019 capital spending of $23.1 million ($14.8 million in equipment related Capex, and $8.3 million in business acquisition Capex)
- The suspension of monthly shareholder dividends in March 2020 has decreased cash outflows by $2.5 million in Q4-2020 compared to Q4-2019 and has resulted in a YTD-2020 reduction in cash outflows of $8.3 million
- A $4.3 million reduction in share buybacks helping to preserve pre-pandemic net cash
- The Company completed necessary downsizing of its workforce, where a total reduction of approximately 45% was made at executive, management and support personnel levels, decreasing salaries and related costs by $8.6 million YTD-2020

- Accelerated changes to streamline and globalize processes and reduce fixed infrastructure costs, and
- Board Executive Committee oversight through the COVID-19 crisis.

High Arctic's focus remains on being well positioned to navigate through the uncertainty with capacity ready for deployment as markets recover and activity levels increase, and includes:

- Sustained emphasis on the safety and well-being of our people, in particular through mature and focused operational health, safety and environment policies.
- Renewal and extension of customer contracts with modest changes with a core customer base in Canada.
- Continued support services to our major customers in PNG, and maintaining readiness to redeploy for drilling services.
- Continued use of government wage subsidy programs, to the extent that the Corporation continues to qualify, to maintain regional workforce strength.
- Carefully controlling recertification and maintenance expenditures enabling High Arctic to have equipment poised for quick activation from all our regional bases, and
- A strong opening liquidity position, with cash of $32.6 million and up to $35 million remaining Bank Facility borrowing capacity.

High Arctic continues to maintain close working relations with its customers and focus on high quality customer service differentiation as an absolute imperative. These attributes have been, and continue to be, key principles for High Arctic throughout the energy industry economic cycle.

The Corporation remains acutely aware that the impact to our customers' spending and their ability to pay for work completed on a timely basis could have a significant impact on High Arctic's financial and operating results and we continue to work closely with our customers to ensure credit and operating risks are minimized.

The Canadian federal government's $1.7 billion well abandonment and site reclamation stimulus plan announced in April 2020 has begun to benefit High Arctic, as the Corporation is able to use its' expertise on this important initiative. High Arctic has directly applied for hundreds of wells across the first tranches of the Alberta and Saskatchewan controlled programs, with approvals for some of this work commencing during the Quarter. With tens of thousands of inactive oil and gas wells across western Canada, we would expect that over the stimulus period, there will be opportunity for High Arctic to participate in these positive ESG initiatives.

Liquidity and Capital Resources

Operating Activities

Cash provided from operations of $2.1 million for the Quarter (Q4-2019 - $1.2 million) resulted from $0.7 million of funds provided from operations (Q4-2019 - $3.1 million), plus $4.4 million due to working capital changes (Q4-2019 – offset of $1.9 million), net of the reclassification of current income tax receivable of $3.0 million (2019 - $nil) to long-term.

YTD-2020, cash provided from operations amounted to $19.7 million (YTD-2019 - $12.7 million), with funds provided from operations amounting to $5.8 million (YTD-2019 - $15.3 million), and working capital changes amounting to $16.9 million resulting from the net impact of the collection of accounts receivable of $26.9 million, exceeding various liability payments, as well as the impact of the income tax receivable reclassification to long-term, as discussed above for the Quarter.

Investing Activities

During the Quarter, the Corporation's cash used in investing activities amounted to $1.1 million (Q4-2019 – $1.0 million) mainly as a result of capital expenditures. During Q4-2019, capital expenditures of $4.9 million were offset by proceeds on disposal of property and equipment of $3.3 million, and together with related working capital changes accounted for the majority of this activity.

YTD-2020, cash used in investing activities totalled $1.2 million (YTD-2019 – $17.4 million). YTD-2020 capital expenditures amounted to $4.9 million, proceeds of disposal were $5.1 million, with working capital changes representing the balance of the change. In the prior year, YTD-2019 capital expenditures were $14.8 million, business acquisition expenditures amounted to $8.3 million associated with the acquisition of a snubbing business, offset by proceeds from the sale of various assets of $5.9 million which created the movements in investing activities.

Financing Activities

During the Quarter, no further draws were taken on the available bank facility. YTD-2020, $10.0 million of the maximum $45.0 million long-term debt facility was drawn. No long-term debt existed at December 31, 2019.

High Arctic suspended dividends in March 2020, and as such no dividends were paid during the Quarter (2019 - $2.5 million). YTD-2020, $1.6 million in dividends were paid to shareholders, down $8.3 million from $9.9 million YTD-2019.

During the Quarter and YTD-2020, $0.7 million and $0.8 million was paid to repurchase and cancel common shares under the existing NCIB, versus $nil and $5.1 million in Q4-2019 and YTD-2019, respectively, under NCIBs in place at that time.

On December 8, 2020, the Corporation received approval from the Toronto Stock Exchange to acquire for cancellation up to 2,437,983 common shares under an NCIB which commenced on December 11, 2020 and terminates on December 10, 2021. No common shares have been purchased under this NCIB up to and including March 11, 2021.

Credit Facility

As noted above, at December 31, 2020, the Corporation had drawn $10.0 million (December 31, 2019 - $nil) of its $45.0 million revolving bank loan facility, which matures on August 31, 2023. The facility is renewable with the lender's consent and is secured by a general security agreement over the Corporation's assets.

It provides for a $5.0 million overdraft for the duration of the term, which is inclusive of the $45.0 million available. The overdraft is not subject to covenant restrictions, however is dependent upon North American asset net book values remaining above $50.0 million.

The facility is limited to 60% of the net book value of the Canadian fixed assets plus 75% of acceptable accounts receivable (85% for bank facility defined investment grade receivables), and 90% of insured receivables, less priority payables, and receivables that have been sold or factored, whether to the lender or another third party as defined in the loan agreement ("Margin Requirement").

Interest on the facility, which is independent of standby fees, is charged monthly at prime plus an applicable margin which fluctuates based on the Funded Debt to Covenant EBITDA ratio (defined below), where the applicable margin can range between 0.75% – 1.75% of the outstanding balance. Standby fees also fluctuate based on the Funded Debt to Covenant EBITDA ratio and range between 0.40% and 0.60% of the undrawn balance.

The facility is subject to two financial covenants which are reported to the lender on a quarterly basis. As at December 31, 2020, the Corporation was in compliance with these two financial covenants. The first covenant requires the Funded Debt to Covenant EBITDA ratio to be under 3.0 to 1 and the second covenant requires Covenant EBITDA to Interest Expense ratio to be a minimum of 3.0 to 1. Both are calculated on the last day of each fiscal quarter on a rolling four quarter basis.

The financial covenant calculations at December 31, 2020 are:

Covenant	Required	As at December 31, 2020
Funded debt to Covenant EBITDA (1)(2)	3.0 : 1 Maximum	**1.05 : 1**
Covenant EBITDA to Interest expense (2)	3.0 : 1 Minimum	**30.56 : 1**

(1) Funded debt to Covenant EBITDA is defined as the ratio of consolidated Funded Debt to the aggregate EBITDA for the trailing four quarters. Funded debt is the amount of debt provided and outstanding at the date of the covenant calculation.

(2) EBITDA for the purposes of calculating the covenants, “Covenant EBITDA,” is defined as a trailing 12-month net income plus interest expense, current tax expense, depreciation, amortization, future income tax expense (recovery), share based compensation expense, and up to $1 million of restructuring costs in a twelve month trailing period, less gains from foreign exchange and sale or purchase of assets. Interest expense excludes impacts from IFRS 16.

In terms of sensitivity, had government assistance been excluded from Covenant EBITDA, the Corporation would have remained in compliance with its financial covenants for the reporting periods, however, the available borrowing headroom would have been reduced significantly.

The facility contains additional covenants and conditions impacting availability and repayment of borrowings under the facility. Events of default, which include material adverse change conditions, at the reasonable discretion of the lender, may result in facility indebtedness being immediately due and payable.

Non - IFRS Measures

This News Release contains references to certain financial measures that do not have a standardized meaning prescribed by International Financial Reporting Standards (“IFRS”) and may not be comparable to the same or similar measures used by other companies. High Arctic uses these financial measures to assess performance and believes these measures provide useful supplemental information to shareholders and investors. These financial measures are computed on a consistent basis for each reporting period and include EBITDA, Adjusted EBITDA, Adjusted net earnings (loss), Funds provided from operations, Working capital, and Net cash, none of which have standardized meanings prescribed under IFRS.

These financial measures should not be considered as an alternative to, or more meaningful than, net income (loss), Cash from operating activities, current assets or current liabilities, cash and/or other measures of financial performance as determined in accordance with IFRS.

For additional information regarding non-IFRS measures, including their use to management and investors and reconciliations to measures recognized by IFRS, please refer to the Corporation’s MD&A, which is available online at www.sedar.com and through High Arctic’s website at www.haes.ca.

Forward-Looking Statements

This press release contains forward-looking statements. When used in this document, the words “may”, “would”, “could”, “will”, “intend”, “plan”, “anticipate”, “believe”, “seek”, “propose”, “estimate”, “expect”, “prepare”, “determine” and similar expressions are intended to identify forward-looking statements. Such statements reflect the Corporation’s current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Corporation’s actual results, performance or achievements to vary from those described in this press release.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this press release as intended, planned, anticipated, believed, estimated or expected. Specific forward-looking statements in this press release include, among others, statements pertaining to the following: general economic and business conditions which will, among other things, impact demand for and market prices for the Corporation's services; expectations regarding the Corporation's ability to raise capital and manage its debt obligations; commodity prices and the impact that they have on industry activity; initiatives to reduce cash outlays over 2019 levels; reduction of annual indirect cost; continued safety performance excellence; realization of work from Site Rehabilitation Programs; oversight of working capital to maintain a strong balance sheet; estimated capital expenditure programs; projections of market prices and costs; factors upon which the Corporation will decide whether or not to undertake a specific course of operational action or expansion; the Corporation's ongoing relationship with major customers; treatment under governmental regulatory regimes and political uncertainty and civil unrest; the Corporation's ability to maintain a USD bank account and conduct its business in USD in PNG; the Corporation's ability to receive approval from the Bank of PNG and the PNG Internal Revenue Commission to repatriate excess funds from PNG; the Corporation's cash outflow reduction initiatives and associated targets; and the Corporation's ability to comply with debt facility loan agreement terms and conditions.

With respect to forward-looking statements contained in this press release, the Corporation has made assumptions regarding, among other things, its ability to: obtain equity and debt financing on satisfactory terms; market successfully to current and new customers; the general continuance of current or, where applicable assumed industry conditions; activity and pricing; assumptions regarding commodity prices, in particular oil and gas; the Corporation's primary strategies and objectives, and the methods of achieving those objectives; obtain equipment from suppliers; construct property and equipment according to anticipated schedules and budgets; remain competitive in all of its operations; and attract and retain skilled employees.

The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth above and elsewhere in this press release, along with the risk factors set out in the most recent Annual Information Form filed on SEDAR at www.sedar.com.

The forward-looking statements contained in this press release are expressly qualified in their entirety by this cautionary statement. These statements are given only as of the date of this press release. The Corporation does not assume any obligation to update these forward-looking statements to reflect new information, subsequent events or otherwise, except as required by law.

About High Arctic Energy Services

High Arctic's principal focus is to provide drilling and specialized well completion services, equipment rentals and other services to the oil and gas industry. High Arctic is a market leader providing drilling and specialized well completion services and supplies rig matting, camps and drilling support equipment on a rental basis in Papua New Guinea. The Western Canadian operation provides well servicing, well abandonment, snubbing and nitrogen services and equipment on a rental basis to a large number of exploration and production companies operating in Canada.

For further information contact:

Michael J. Maguire
Chief Executive Officer

Christopher C. Ames, CPA, CA
VP Finance & Chief Financial Officer

403.508.7836
1.800.668.7143
website: info@haes.ca
email: info@haes.ca