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 2021 Second Quarter Financial and Operating Results

CALGARY, Canada – August 12, 2021 – High Arctic Energy Services Inc. (TSX: HWO) (the "Corporation" or "High Arctic") released its second quarter results today.

Mike Maguire, Chief Executive Officer commented:

"We have been encouraged by improved activity levels in Canada this second quarter, as customers took advantage of the early break-up to conduct production optimizing work, and the cost efficiencies we implemented in 2020 continued to hold. I am optimistic for continued activity increases as we move towards the traditionally busy winter season with sustained pre-pandemic commodity prices. The tightening market and the buoyant commodity prices should contribute to increases in customer pricing, and improvement in cash generated from operations.

The relaxing of covid-19 travel restrictions in Papua New Guinea has encouraged our customers to begin maintenance and abandonment activities. I am very pleased we are welcoming back employees as we undertake the necessary work to ready Rig-115 and other equipment for deployment later this quarter and into 2022.

We note the proposed merger of Santos and Oil Search, that Santos states 'would create an unrivalled regional champion of size and scale', and 'would also create greater alignment in Papua New Guinea supporting the development of key projects including Papua LNG'. These two companies both have long histories in PNG, both are focused on ESG and share values aligned with our own and the expectations of the PNG communities.

We enter the second half of 2021 with positive EBITDA, a strong balance sheet, access to capital, clear strategic priorities and a sound operational footing."

HIGHLIGHTS

The following highlights the Corporation's results, in thousands of Canadian dollars, for Q2-2021 and YTD-2021:

- Consolidated Q2-2021 revenues of $16,377 were slightly higher as compared to Q2-2020 revenues of $16,109. This 2% improvement is primarily due to Canada service rig operating hours increasing by 32% in High Arctic's Production Services segment, offset by an 83% decline in Drilling Services revenue in PNG where operations were suspended due to Covid-19 restriction.
- The Corporation generated EBITDA of $752 and $1,960 during Q2-2021 and YTD-2021, respectively, which helped to fund capital expenditures of $685 and $1,450 during these periods, respectively.
- The restructuring and cost reduction initiatives undertaken by management throughout the 2020-year led to a 35% ($2,725) decline in general and administrative costs during the first six months of 2021.
- Balance sheet and liquidity remain strong at June 30, 2021 with cash of $21,728, positive working capital of $34,023, an undrawn revolving loan facility and no long-term debt outstanding.
- In July of 2021, the Corporation announced several key developments:
  - Agreement to terms with a major multi-national customer in PNG to provide drilling services in the second half of 2021 for the abandonment of a complex legacy exploration well with the Corporation's heli-portable drilling rig 115.
  - Receipt of notice from our longest-standing customer in PNG of their intent to exercise an option to extend the existing drilling services contracts to August 2022.
  - The purchase of 17 modern hydraulic catwalks currently deployed with an existing High Arctic customer in Cold Lake, Alberta for $1,100. As part of the transaction, High Arctic and the vendor will equally share revenue from July to December 2021 while the catwalks are sequentially upgraded to latest specification, safety controls and mobility. High Arctic will assume full control of all assets and all revenues on January 1, 2022.

The Corporation's strategic priorities for 2021 include:

- Safety excellence and focus on quality service delivery through consistent global standards;
- Cost control focused on operating cash flow, while balancing strategic priorities to fuel growth;
- Investment initiatives that secure the Corporation's future as a lower emissions energy services provider;
- Growth and divestiture opportunities that enhance shareholder value, align with our core service offerings, and reside in well understood markets; and
- Disciplined working capital management and capital stewardship to improve returns for shareholders that potentially include dividends and common share buybacks.

The unaudited interim consolidated financial statements ("Financial Statements") and management discussion & analysis ("MD&A") for the quarter ended June 30, 2021 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, EBITDA for purposes of long-term debt covenants, Adjusted net earnings (loss), Oilfield services operating margin, Operating margin %, Percent of revenue, Funds provided from operations, Working capital and Net cash are included in this News Release. See Non-IFRS Measures section, below. All amounts are denominated in Canadian dollars ("CAD"), unless otherwise indicated.

Within this News Release, the three months ended June 30, 2021 may be referred to as the "**Quarter**" or "**Q2-2021**", and similarly the six months ended June 30, 2021 may be referred to as "**YTD-2021**". The comparative three months ended June 30, 2020 may be referred to as "**Q2-2020**", and similarly the six months ended June 30, 2020 may be referred to as "**YTD-2020**". References to other quarters may be presented as "**QX-20XX**" with X being the quarter/year to which the commentary relates. All amounts are expressed in thousands of Canadian dollars, unless otherwise noted.

RESULTS OVERVIEW

($ thousands, except per share amounts)	For the three months ended June 30 2021	2020	For the six months ended June 30 2021	2020
Revenue	**16,377**	16,109	**34,144**	55,721
Net loss	**(4,018)**	(6,145)	**(9,215)**	(8,310)
Per share (basic and diluted)	**(0.08)**	(0.12)	**(0.19)**	(0.17)
Oilfield services operating margin	**3,268**	4,273	**6,630**	11,584
Oilfield services operating margin as a % of revenue	***20.0%***	*26.5%*	***19.4%***	*20.8%*
EBITDA	**752**	1,342	**1,960**	6,812
Adjusted EBITDA	**796**	1,147	**1,670**	3,899
Adjusted EBITDA as % of revenue	***4.9%***	*7.1%*	***4.9%***	*7.0%*
Operating loss	**(4,106)**	(6,350)	**(10,251)**	(11,000)
Cash provided by operating activities	**2,023**	7,678	**938**	16,571
Per share (basic and diluted)	**0.04**	0.15	**0.02**	0.33
Funds provided by operating activities	**640**	871	**1,230**	3,104
Per share (basic and diluted)	**0.01**	0.02	**0.03**	0.06
Dividends	**-**	-	**-**	1,638
Per share (basic and diluted)	**-**	-	**-**	0.03
Capital expenditures	**685**	1,303	**1,450**	3,234

($ thousands, except share amounts)	As at June 30, 2021	December 31, 2020
Working capital	**34,023**	44,577
Cash, end of period	**21,728**	32,598
Total assets	**191,939**	214,159
Long-term debt	**--**	10,000
Long-term financial liabilities, excluding long-term debt	**7,552**	7,782
Shareholders' equity	**166,152**	177,221
Per share (basic and diluted)	**3.41**	3.57
Common shares outstanding, thousands	**48,812**	48,760

Second Quarter 2021 Summary:

- High Arctic reported revenue of $16,377, incurred a net loss of $4,018 and realized Adjusted EBITDA of $796 during Q2-2021. This compares with revenue of $16,109, a net loss of $6,145 and Adjusted EBITDA of $1,147 during Q2-2020.
- Oilfield services operating margin decreased to $3,268 in the Quarter from $4,273 in Q2-2020. In the Quarter, High Arctic experienced a loss of $4 (Q2-2020: $1,489) in its Drilling Services segment operating margin due to suspension of drilling activity in PNG. In contrast, the Production Services and Ancillary Services segments recorded operating margins of $2,189 (Q2-2020: $2,210) and $1,083 (Q2-2020: $574), respectively.
- The CEWS provided $944 in wage subsidy relief in the Quarter, of which $848 offset oilfield services expenses and $96 offset general and administrative expenses. During Q2-2020, $2,132 of CEWS was received with $1,802 offset against oilfield services expenses and $330 offset general and administrative expenses.
- Utilization for High Arctic's 49 registered Concord Well Servicing rigs was 44% in the Quarter versus industry utilization of 29% (source: Canadian Association of Oilwell Energy Contractors "**CAOEC**").
- Q2-2021 depreciation and amortization was adjusted down by $511 to correct an over determination of this estimate recorded in Q1-2021.
- Cash increased by $711 during the Quarter to $21,728.

Year to Date June 30, 2021 Summary

- High Arctic reported revenue of $34,144, incurred a net loss of $9,215 and realized Adjusted EBITDA of $1,670 during YTD-2021. This compares with revenues of $55,721, a net loss of $8,310 and Adjusted EBITDA of $3,899 during YTD-2020.
- Revenue declined by $21,577 primarily attributable to the ongoing suspension of drilling activity in PNG, down $17,485, and the US Segment being inactive (starting in Q3-2020) resulting in YTD-2021 revenues being $2,240 lower compared to the prior year period.
- The restructuring and cost reduction initiatives undertaken by management throughout the 2020-year led to a 35% ($2,725) decline in general and administrative costs during the first six months of 2021.
- Oilfield services operating margin decreased from $11,584 in YTD-2020 to $6,630 in YTD-2021. In the period, High Arctic experienced an operating loss of $85 in its Drilling Services segment ($4,685 operating margin in YTD-2020) due to suspension of drilling activity in PNG, in contrast the Production Services and Ancillary Services segments recorded operating margins of $4,607 ($3,733 in YTD-2020) and $2,108 ($3,166 in YTD-2020), respectively.
- Utilization for High Arctic's 49 registered Concord Well Servicing rigs was 46% YTD-2021 versus industry utilization of 34% (source: Canadian Association of Oilwell Energy Contractors "**CAOEC**").
- Cash decreased by $10,870 2021 primarily as a result of the repayment of $10,000 of long-term debt from cash on hand. No amount is drawn under this revolving loan facility as of the date of this MD&A.
- No dividends were paid in YTD-2021, compared to $1,638 paid during YTD-2020. High Arctic suspended its monthly dividend in March 2020.
- High Arctic has not repurchased any shares under the NCIB in place 2021.

Drilling Services Segment

($ thousands, unless otherwise noted)	Three months ended June 30 2021	2020	Six months ended June 30 2021	2020
Revenue	**$ 893**	$ 5,197	**$ 1,644**	$ 19,129
Oilfield services expense	**897**	3,708	**1,729**	14,444
Oilfield services operating margin	**$ (4)**	$ 1,489	**$ (85)**	$ 4,685
Operating margin (%)	***(0.4%)***	*28.7%*	***(5.2%)***	*24.5%*

Production Services Segment

($ thousands, unless otherwise noted)	Three months ended June 30 2021	2020	Six months ended June 30 2021	2020
Revenue	**$ 13,328**	$ 9,552	**$ 28,703**	$ 31,389
Oilfield services expense	**11,139**	7,342	**24,096**	27,656
Oilfield services operating margin	**$ 2,189**	$ 2,210	**$ 4,607**	$ 3,733
Operating margin (%)	***16.4%***	*23.1%*	***16.1%***	*11.9%*

Operating Statistics - Canada	Three months ended June 30 2021	2020	Six months ended June 30 2021	2020
Service rigs:				
Average fleet	**49**	50	**49**	51
Utilization	**44%**	32%	**46%**	46%
Operating hours	**19,469**	14,759	**40,589**	41,657
Revenue per hour ($)	**582**	556	**591**	599
Snubbing packages:				
Average fleet	**8**	8	**8**	9
Utilization	**19%**	8%	**24%**	20%
Operating hours	**1,400**	574	**3,409**	3,129

Ancillary Services Segment

($ thousands, unless otherwise noted)	Three months ended June 30 2021	2020	Six months ended June 30 2021	2020
Revenue	**$ 2,572**	$ 1,594	**$ 4,768**	$ 6,085
Oilfield services expense	**1,489**	1,020	**2,660**	2,919
Oilfield services operating margin	**$ 1,083**	$ 574	**$ 2,108**	$ 3,166
Operating margin (%)	***42.1%***	*36.0%*	***44.2%***	*52.0%*

Liquidity and Capital Resources

Operating Activities

Cash from operating activities were $2,023 for the Quarter (Q2-2020: $7,678) of which $640 are funds provided by operations ($871 in Q2-2020) and $1,403 cash inflow from working capital changes (Q2-2020: $6,807), mainly due to the collection of accounts receivable during the Quarter.

YTD-2021 cash provided by operations of $938 (YTD-2020: $16,571) of which $1,230 are funds provided by operations (Q2-2020: $3,104), less $292 cash outflow from working capital changes (YTD:2020: $13,467 cash inflow) predominantly due to increased prepaid expenses in the 2021-period.

Investing Activities

During the Quarter, the Corporation's cash used in investing activities amounted to $752 (Q2-2020: $1,290). Capital expenditures during the Quarter of $685 (Q2-2020: $1,303) were partially offset by proceeds on disposal of $260 (Q2-2020: $138). The balance of the change related to working capital balance changes for capital items.

YTD-2021 cash used in investing activities totalled $659 (YTD-2020: $442 cash from investing activities). YTD-2021 capital expenditures amounted to $1,450 (YTD-2020: $3,234), proceeds of disposal were $831 (YTD-2020: $4,908), with working capital changes representing the balance of the change.

Financing Activities

During March 2021, the Corporation repaid the $10,000 amount outstanding on its $45,000 revolving loan facility from December 31, 2020. The Corporation did not draw further on its available revolving loan facility during the Quarter.

High Arctic suspended dividends in March 2020, and as such no dividends were paid during the YTD-2021 or Q2-2020.

Credit Facility

The Corporation has a $45.0 million revolving facility which has a maturity date of August 31, 2023, is renewable with the lender's consent, and is secured by a general security agreement over the Corporation's assets. The Corporation's loan facility is subject to two financial covenants which are reported to the lender on a quarterly basis. As at June 30, 2021, the Corporation remains in compliance with these two financial covenants under the credit facility.

The covenant calculations at June 30, 2021 are:

Covenant	Required	**As at June 30, 2021**
Funded debt to covenant EBITDA (1)(2)	3.0 : 1 Maximum	**0.0 : 1**
Covenant EBITDA to Interest expense (2)	3.0 : 1 Minimum	**10.10 : 1**

(1) Funded debt to covenant EBITDA is defined as the ratio of consolidated Funded Debt to the aggregate covenant 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 is defined as a trailing 12-month net income (loss) plus interest expense, current tax expense, deferred income tax expense (recovery), depreciation and amortization, share-based compensation expense, and restructuring costs in the 2020-year, less gains from foreign exchange and sale or purchase of asset, less lease payments.

Outlook

The outlook for the energy services sector continues to improve following the Q1 rally in oil and gas prices which has been sustained above pre-pandemic levels through the second quarter. Utilization of High Arctic's services in Canada has exceeded our expectations for the second quarter during which demand tends to soften due to the seasonal spring breakup. Canadian well servicing hours in our Production Services segment were within 8% of those experienced in Q1, and both the Nitrogen service-line and Rentals in Canada from within our Ancillary Services segment increased revenues over the first quarter.

Near term activity across High Arctic's three operating segments in both Canada and PNG are expected to increase given the improving and stabilizing economic environment. We expect our customers, now buoyed by high commodity prices and improved balance sheets, to increase their activity to boost production.

In Papua New Guinea High Arctic has been recently awarded well abandonment work and started preparations for the mobilization of Rig 115, heli-transportable camps and associated support equipment to commence work on a remote exploration well abandonment in Q4 this year. The location of the work site positions the rig well for additional work on exploration commitment wells in nearby licence blocks. Routine maintenance and servicing activities on rigs 103 and 104, currently stacked in the highlands, continued through the drilling cessation to ensure these rigs are ready for deployment when called upon. We remain optimistic of more meaningful activity increases in the medium to longer term in PNG.

Throughout this recent severe trough, the Company set a strategic focus on quality of people, systems, and productivity to strengthen underlying service processes to customers. As High Arctic's business activity in Canada continues to recover, operating cash flow has returned to breakeven to slightly positive overall. As service demand increases, there is a need for higher prices to restore profit margins and a return on shareholder's equity.

Optimising operational and environmental efficiencies within High Arctic and for our customers remains paramount. High Arctic has further advanced contract dialogue with select customers on possible field trial locations for our electric drive service rig design, which has a patent pending. We see tremendous opportunity for the deployment of this technology in Western Canada. The service rig upgrade is estimated to significantly reduce Co2 emissions while operating over the wellbore by displacing diesel fuel power. Customer economics, we believe, are compelling with broad market opportunity in certain well-established oil fields.

Automated service rig pipe handling is also an optimization focus and in July High Arctic announced investment in highly mobile, automated tubular handling catwalk machines. We are confident of the value that this investment will bring to our customers as well as our investors. We continue to actively explore opportunities to make investments or acquisitions that strengthen our service base and enhance shareholder value.

In Canada, Covid-19 vaccination rates reached world leading levels in July and consequently the reported new covid cases and serious hospitalizations dropped to levels that have allowed for the relaxation of many government imposed social and economic restrictions. In PNG, the spike in Covid-19 cases observed in April that saw travel bans imposed, has receded and major corporations have begun returning personnel to work. However there remains uncertainty from the possible ongoing impacts of Covid-19, and in particular the rising case numbers of the delta variant. Recent positive steps taken by governments within Canada and around the world towards re-opening economies may moderate or reverse course and, in the process, may impair the current favourable outlook.

High Arctic was eligible for various government subsidies during 2021, which are described in this MD&A. The Corporation will continue to apply for programs where eligibility criteria are met, including the Canada Emergency Wage Subsidy ("**CEWS**"), however, the amount of subsidies is expected to be less than comparable 2020 levels.

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, EBITDA for purposes of long-term debt covenants, Adjusted net earnings (loss), Oilfield services operating margin, Percent of revenue, 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 News Release contains forward-looking statements. When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", 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 MD&A.

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 MD&A as intended, planned, anticipated, believed, estimated or expected. Specific forward-looking statements in this MD&A include, among others, statements pertaining to the following: general economic and business conditions which will include, among other things, impact of high commodity prices on demand for and market prices for the Corporation's services; impact of the Covid-19 Delta variant; activity increases in the medium and long-term in PNG; opportunities to invest and enhance shareholder value, CEWS criteria requirements and expectations on subsidy amounts, the Corporation's ability to maintain a USD bank account and conduct its business in USD in PNG; market fluctuations in interest rates, commodity prices, and foreign currency exchange rates; restrictions to repatriate funds held in PGK; expectations regarding the Corporation's ability to raise capital and manage its debt obligations; estimated capital expenditure programs for fiscal 2021; 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; a final Papua LNG investment decision; expectations for the speed and efficacy of distributions relating to Covid-19 vaccines; and estimated credit risks and tax losses.

With respect to forward-looking statements contained in this MD&A, 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 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 MD&A, 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 MD&A are expressly qualified in their entirety by this cautionary statement. These statements are given only as of the date of this MD&A. 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 oil and natural gas exploration and production companies.

For further information contact:

Michael J. Maguire
Chief Executive Officer
P: +1 (587) 318 3826
P: +1 (800) 688 7143

High Arctic Energy Services Inc.
Suite 500, 700 – 2nd Street S.W.
Calgary, Alberta, Canada T2P 2W1

website: www.haes.ca
Email: info@haes.ca