



**INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE AND SIX-MONTHS ENDED
June 30, 2021 and 2020**

(Unaudited)

HIGH ARCTIC ENERGY SERVICES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)

(Stated in Thousands of Canadian Dollars)

	Note	As at June 30 2021	As at December 31 2020
Assets			
Current assets			
Cash		\$ 21,728	\$ 32,598
Accounts receivable	3	12,891	12,886
Inventory		9,083	9,356
Prepaid expenses and other assets		1,836	749
		45,538	55,589
Non-current assets			
Property and equipment	4	130,124	141,676
Right-of-use assets	5(a)	5,698	6,067
Income tax receivable		3,010	3,258
Deferred tax asset		7,569	7,569
Total Assets		\$ 191,939	\$ 214,159
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 9,750	\$ 9,080
Income taxes payable		477	481
Current portion of lease liabilities	5(b)	1,288	1,451
		11,515	11,012
Non-current liabilities			
Long-term debt	6	-	10,000
Lease liabilities	5(b)	7,552	7,782
Deferred tax liability		6,720	8,144
Total Liabilities		25,787	36,938
Shareholders' Equity			
Share capital	7(a)	169,530	169,220
Contributed surplus		13,594	13,741
Accumulated other comprehensive income		21,974	23,991
Deficit		(38,946)	(29,731)
		166,152	177,221
Total Liabilities and Shareholders' Equity		\$ 191,939	\$ 214,159

Commitments and contingencies (Note 14)

Approved on behalf of the Corporation by:

(signed) "Doug Strong" Director

(signed) "Michael Binnion" Director

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

HIGH ARCTIC ENERGY SERVICES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited)

(Stated in Thousands of Canadian Dollars, except per share amounts)

	Note	Three-months ended		Six-months ended	
		June 30 2021	2020	June 30 2021	2020
Revenue	9	\$ 16,377	\$ 16,109	\$ 34,144	\$ 55,721
Expenses					
Oilfield services	10(a)	13,109	11,836	27,514	44,137
General and administrative	10(b)	2,472	3,126	4,960	7,685
Depreciation and amortization		4,834	7,515	11,758	14,823
Share-based compensation	8	68	(18)	163	76
		20,483	22,459	44,395	66,721
		(4,106)	(6,350)	(10,251)	(11,000)
Foreign exchange (loss) gain		(21)	136	(56)	196
Gain on sale of property and equipment		45	41	509	2,793
Interest and finance expense	10(f)	(146)	(358)	(362)	(584)
Loss before income taxes		(4,228)	(6,531)	(10,160)	(8,595)
Current income tax expense		(108)	(33)	(277)	(445)
Deferred income tax recovery		318	419	1,222	730
		210	386	945	285
Net loss for the period		\$ (4,018)	\$ (6,145)	\$ (9,215)	\$ (8,310)
Net loss per share – basic and diluted	7(b)	\$ (0.08)	\$ (0.12)	\$ (0.19)	\$ (0.17)

	Three-months ended		Six-months ended	
	June 30 2021	2020	June 30 2021	2020
Net loss for the period	\$ (4,018)	\$ (6,145)	\$ (9,215)	\$ (8,310)
Other comprehensive (loss) income:				
<i>Item that may be reclassified subsequently to net (loss) income:</i>				
Foreign currency translation (loss) gain for foreign operations	(1,081)	(3,927)	(2,017)	4,588
Comprehensive loss for the period	\$ (5,099)	\$ (10,072)	\$ (11,232)	\$ (3,722)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

HIGH ARCTIC ENERGY SERVICES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(Stated in Thousands of Canadian Dollars)

	Note	Share capital Note 7(a)	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
Balance at December 31, 2020		\$ 169,220	\$ 13,741	\$ 23,991	\$(29,731)	\$ 177,221
Net loss for the period		-	-	-	(9,215)	(9,215)
Other comprehensive loss – foreign currency translation loss		-	-	(2,017)	-	(2,017)
Share-based compensation	8	-	163	-	-	163
Exercise of performance share units	8	310	(310)	-	-	-
Balance at June 30, 2021		\$ 169,530	\$ 13,594	\$ 21,974	\$(38,946)	\$ 166,152
Balance at December 31, 2019		\$ 173,071	\$ 9,792	\$ 24,831	\$ (2,108)	\$ 205,586
Net loss for the period		-	-	-	(8,310)	(8,310)
Dividends		-	-	-	(1,638)	(1,638)
Other comprehensive income – foreign currency translation gain		-	-	4,588	-	4,588
Share-based compensation	8	-	76	-	-	76
Balance at June 30, 2020		\$ 173,071	\$ 9,868	\$ 29,419	\$(12,056)	\$ 200,302

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

HIGH ARCTIC ENERGY SERVICES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Stated in Thousands of Canadian Dollars)

	Note	Three-months ended June 30		Six-months ended June 30	
		2021	2020	2021	2020
Operating activities					
Net loss for the period		\$ (4,018)	\$ (6,145)	\$ (9,215)	\$ (8,310)
Adjustments for:					
Depreciation and amortization		4,834	7,515	11,758	14,823
Share-based compensation expense (recovery)	8	68	(18)	163	76
Non-cash finance expense		98	115	199	234
Gain on sale of property and equipment	4	(45)	(41)	(509)	(2,793)
Foreign exchange loss (gain)		21	(136)	56	(196)
Deferred income tax recovery		(318)	(419)	(1,222)	(730)
Funds flow from operations		640	871	1,230	3,104
Changes in non-cash working capital	11	1,383	6,807	(292)	13,467
Cash flow from operating activities		2,023	7,678	938	16,571
Investing activities					
Purchase of property and equipment	4	(685)	(1,303)	(1,450)	(3,234)
Proceeds from disposal of property and equipment	4	260	138	831	4,908
Changes in non-cash working capital	11	(327)	(125)	(40)	(1,232)
Cash flow (used in) from investing activities		(752)	(1,290)	(659)	442
Financing activities					
Cash dividends paid		-	-	-	(1,638)
(Repayment of) proceeds from long- term debt	6	-	-	(10,000)	10,000
Lease obligation payments	5(b)	(384)	(487)	(792)	(994)
Changes in non-cash working capital	11	-	-	-	(819)
Cash flow (used in) from financing activities		(384)	(487)	(10,792)	6,549
Effect of foreign exchange rate changes		(176)	(722)	(357)	637
Increase (decrease) in cash		711	5,179	(10,870)	24,199
Cash, beginning of period		21,017	28,329	32,598	9,309
Cash, end of period		\$ 21,728	\$ 33,508	\$ 21,728	\$ 33,508

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

HIGH ARCTIC ENERGY SERVICES INC.

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the three and six-months ended June 30, 2021 and 2020

(Unaudited)

(Amounts are stated in thousands of Canadian Dollars, except per share amounts and/or unless otherwise stated)

1. Nature of Business

High Arctic Energy Services Inc. (“High Arctic” or the “Corporation”) is incorporated under the laws of Alberta, Canada and is a publicly traded corporation listed on the Toronto Stock Exchange under the symbol “HWO”. High Arctic is engaged in contract drilling, production and completion services, equipment rentals and other oilfield services to the oil and natural gas industry in Canada, Papua New Guinea (“PNG”), and the United States (“US”).

The Corporation’s head office address is located at Suite 500, 700 – 2nd Street SW, Calgary, Alberta, Canada T2P 2W1.

As of June 30, 2021, 21,916,634 common shares of the Corporation were owned by FBC Holdings S.A.R.L., representing 44.9% of the outstanding common shares.

2. Basis of Presentation

(a) Statement of compliance and approval

These unaudited interim condensed consolidated financial statements (“Condensed Consolidated Financial Statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board, including International Accounting Standard 34 – Interim Financial Reporting.

The Condensed Consolidated Financial Statements were authorized for issuance by the Board of Directors on August 12, 2021.

(b) Basis of preparation

Unless otherwise noted, the Condensed Consolidated Financial Statements follow the same accounting policies and methods of computation as described in the annual audited consolidated financial statements for the year ended December 31, 2020.

The disclosures provided below are incremental to those included as part of the annual audited consolidated financial statements for the year ended December 31, 2020. Certain information and disclosures normally included in the notes to the annual audited consolidated financial statements have been condensed or have been/will be disclosed on an annual basis only. Accordingly, these Condensed Consolidated Financial Statements should be read in conjunction with the annual audited consolidated financial statements.

(c) Judgments, estimates and assumptions

The Condensed Consolidated Financial Statements were prepared using the same judgments, estimates and assumptions as described in the annual audited consolidated financial statements for the year ended December 31, 2020.

As described in Note 2(d) of the annual audited consolidated financial statements for the year ended December 31, 2020, due to the outbreak of the novel coronavirus (“COVID-19”) and the resulting impacts on the global economy and in particular the demand for and prices of oil and natural gas, the estimates and judgements used to prepare these Condensed Consolidated Financial Statements were subject to a higher degree of measurement uncertainty.

HIGH ARCTIC ENERGY SERVICES INC.

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the three and six-months ended June 30, 2021 and 2020

(Unaudited)

(Amounts are stated in thousands of Canadian Dollars, except per share amounts and/or unless otherwise stated)

3. Accounts receivable

The aging and allowance for doubtful accounts associated with accounts receivable was as follows:

	As at June 30, 2021	As at December 31, 2020
Less than 31 days	\$ 9,448	\$ 8,045
31 to 60 days	1,931	3,131
61 to 90 days	984	1,208
Greater than 90 days	1,181	1,272
Provision for expected credit losses	(653)	(770)
Total	\$ 12,891	\$ 12,886

The Corporation's accounts receivable are denominated in the following functional currencies:

	As at June 30, 2021	As at December 31, 2020
Canadian dollars	\$ 11,202	\$ 11,551
US dollars ("USD") (2021 – USD \$1,363; 2020 – USD \$1,049)	1,689	1,335
Total	\$ 12,891	\$ 12,886

High Arctic determined the expected credit loss (ECL) provision percentages used in the provision matrix based on historical credit loss experience as well as historical global default rates for investment grade and speculative grade companies as published by Standard and Poor's. Further, High Arctic aggregated its accounts receivable into groups that share similar credit risk characteristics, taking into consideration drivers for each groups' credit risk. The ECL also incorporates forward looking information.

The details of this approach as at June 30, 2021 was as follows:

(\$ thousands, unless otherwise noted)	Less than 31 days	31-60 days	61-90 days	Over 90 days	Total
Investment grade receivables	\$ 7,530	\$ 1,629	\$ 885	\$ 488	\$ 10,532
Non-investment grade receivables	1,918	302	99	693	3,012
Total receivables	\$ 9,448	\$ 1,931	\$ 984	\$ 1,181	\$ 13,544
<i>ECL for investment grade (%)</i>	<i>0.04</i>	<i>0.06</i>	<i>0.10</i>	<i>0.30</i>	-
<i>ECL for non-investment grade (%)</i>	<i>0.75</i>	<i>5.00</i>	<i>10.00</i>	<i>10.00</i>	-
Investment grade ECL provision	\$ -	\$ -	\$ -	\$ -	\$ -
Non-investment grade ECL provision	(9)	(15)	(10)	(8)	(42)
Specifically provided for amounts	-	-	-	(611)	(611)
Total provision for ECL	\$ (9)	\$ (15)	\$ (10)	(619)	\$ (653)

HIGH ARCTIC ENERGY SERVICES INC.

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the three and six-months ended June 30, 2021 and 2020

(Unaudited)

(Amounts are stated in thousands of Canadian Dollars, except per share amounts and/or unless otherwise stated)

The comparative details of this approach as at December 31, 2020 was as follows:

<i>(\$ thousands, unless otherwise noted)</i>	Less than 31 days	31-60 days	61-90 days	Over 90 days	Total
Investment grade receivables	\$ 4,400	\$ 2,235	\$ 643	\$ 416	\$ 7,694
Non-investment grade receivables	3,645	896	565	856	5,962
Total receivables	<u>\$ 8,045</u>	<u>\$ 3,131</u>	<u>\$ 1,208</u>	<u>\$ 1,272</u>	<u>\$ 13,656</u>
ECL for investment grade (%)	0.04	0.06	0.10	0.30	-
ECL for non-investment grade (%)	0.75	5.00	10.00	10.00	-
Investment grade ECL provision	\$ -	\$ -	\$ -	\$ -	\$ -
Non-investment grade ECL provision	(27)	(45)	(56)	(86)	(214)
Specifically provided for amounts	-	-	-	(556)	(556)
Total provision for ECL	<u>\$ (27)</u>	<u>\$ (45)</u>	<u>\$ (56)</u>	<u>\$ (642)</u>	<u>\$ (770)</u>

4. Property and equipment

Cost	Vehicles	Oilfield equipment	Computer equipment	Land and building	Work-in- progress	Total
At December 31, 2020	\$ 9,382	\$ 346,511	\$ 4,277	\$ 10,782	\$ 3,714	\$ 374,666
Additions	-	-	-	-	1,450	1,450
Dispositions	(900)	(2,789)	-	-	-	(3,689)
Transfers	28	1,277	20	-	(1,325)	-
Effect of foreign exchange	(2)	(4,247)	(22)	-	(94)	(4,365)
At June 30, 2021	\$ 8,508	\$ 340,752	\$ 4,275	\$ 10,782	\$ 3,745	\$ 368,062
Accumulated depreciation	Vehicles	Oilfield equipment	Computer equipment	Land and building	Work-in- progress	Total
At December 31, 2020	\$ 8,515	\$ 219,404	\$ 3,587	\$ 1,484	\$ -	\$ 232,990
Depreciation	95	10,792	165	124	-	11,176
Dispositions	(849)	(2,518)	-	-	-	(3,367)
Effect of foreign exchange	(2)	(2,841)	(18)	-	-	(2,861)
At June 30, 2021	\$ 7,759	\$ 224,837	\$ 3,734	\$ 1,608	\$ -	\$ 237,938
Net book value						
At December 31, 2020	867	127,107	690	9,298	3,714	141,676
At June 30, 2021	\$ 749	\$ 115,915	\$ 541	\$ 9,174	\$ 3,745	\$ 130,124

HIGH ARCTIC ENERGY SERVICES INC.

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the three and six-months ended June 30, 2021 and 2020

(Unaudited)

(Amounts are stated in thousands of Canadian Dollars, except per share amounts and/or unless otherwise stated)

For the three and six-month periods ended June 30, 2021, High Arctic disposed of property and equipment and received proceeds of \$260 and \$831, respectively (June 30, 2020 - \$138 and \$4,908, respectively), resulting in a gain on sale of \$45 and \$509, respectively (June 30, 2020: gain of \$41 and \$2,793, respectively).

5. Right-of-use assets and lease liabilities

a) Right-of-use assets

Cost		Total
At December 31, 2020	\$	8,238
Additions		226
Effect of foreign exchange rate changes		(40)
At June 30, 2021	\$	8,424
Accumulated amortization		Total
At December 31, 2020	\$	2,171
Amortization		582
Effect of foreign exchange rate changes		(27)
At June 30, 2021	\$	2,726
Net book value		
At December 31, 2020	\$	6,067
At June 30, 2021	\$	5,698

The right-of-use assets relate to various types of real estate assets and vehicles.

b) Lease liabilities

		Total
At December 31, 2020	\$	9,233
Lease additions		226
Lease payments		(792)
Lease finance expense (Note 10)		199
Effect of foreign exchange rate changes		(26)
At June 30, 2021	\$	8,840
		Total
Current	\$	1,288
Non-current		7,552
At June 30, 2021	\$	8,840

The lease liabilities relate to various types of real estate assets and vehicles which are recorded as right-of-use assets in 5a). Government of Canada rent subsidies under CERS have been recorded as a reduction to Oilfield services expenses, taking into consideration both IFRS accounting for government assistance as well as the practical expedient elected by the Corporation. Refer to Note 10 Supplementary expense disclosure for movement details. There was no accounting impact relating to the lease liability accounting and under IFRS 16 due to CERS.

HIGH ARCTIC ENERGY SERVICES INC.

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the three and six-months ended June 30, 2021 and 2020

(Unaudited)

(Amounts are stated in thousands of Canadian Dollars, except per share amounts and/or unless otherwise stated)

The undiscounted cash flows relating to the lease liabilities at June 30, 2021 are as follows:

		Total
Less than one year	\$	1,649
One to five years		3,669
More than five years		5,745
Total undiscounted liabilities	\$	11,063

6. Long-term debt

	Six-months ended June 30, 2021	Year ended December 31, 2020
Revolving loan	\$ -	\$ 10,000

The Corporation has a \$45,000 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.

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

The facility is subject to two financial covenants which are reported to the lender on a quarterly basis. The first covenant requires the Funded Debt to EBITDA ratio to be less than 3.0 to 1 and the second covenant requires the EBITDA to Interest Expense ratio (defined below) 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. As at June 30, 2021, the Corporation was in compliance with these two financial covenants.

Funded Debt to 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. Interest Expense excludes any impact related to lease liabilities (note 5). 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 assets and lease payments.

HIGH ARCTIC ENERGY SERVICES INC.

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the three and six-months ended June 30, 2021 and 2020

(Unaudited)

(Amounts are stated in thousands of Canadian Dollars, except per share amounts and/or unless otherwise stated)

7. Shareholders' equity

a) Share capital

The Corporation is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. No preferred shares have been issued by the Corporation.

	Six-months ended June 30, 2021		Year ended December 31, 2020	
	Shares	Amount	Shares	Amount
Common shares issued and outstanding:				
Balance, beginning of period	48,759,660	\$ 169,220	49,623,432	\$ 173,070
Exercise of performance share units (Note 8)	52,289	310	273,328	99
Normal course issuer bid	-	-	(1,137,100)	(3,949)
Balance, end of period	48,811,949	\$ 169,530	48,759,660	\$ 169,220

The common shares do not have a par value and all issued shares are fully paid.

On December 8, 2020, the Corporation received approval from the Toronto Stock Exchange to acquire for cancellation up to 2,437,983 common shares, representing approximately 10 percent of the Corporation's public float at the date of approval, under a Normal Course Issuer Bid ("NCIB"). The NCIB is valid for one year, commencing on December 11, 2020 and terminates on December 10, 2021. No common shares have been purchased under this NCIB.

The Corporation's previous NCIB commenced on December 2, 2019 and terminated on December 1, 2020. Pursuant to the previous NCIB, in total 1,137,100 common shares have been purchased and cancelled.

b) Per common share amounts

The following table summarizes the weighted average number of common shares used in calculating basic and diluted earnings per share. All potentially dilutive instruments such as stock options and units under the Performance Share Unit Plan and Deferred Share Unit Plan are considered in this calculation.

There is no dilutive impact to the weighted average number of common shares outstanding for the three and six-months ended June 30, 2021 and 2020, as the effects of all stock options and units are anti-dilutive.

	Three-months ended June 30			
	2021		2020	
	Number of common shares	Net loss per common share	Number of common shares	Net loss per common share
Weighted average number of common shares used in basic and diluted net loss per share	48,811,949	\$ (0.08)	49,626,667	\$ (0.12)

HIGH ARCTIC ENERGY SERVICES INC.

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the three and six-months ended June 30, 2021 and 2020

(Unaudited)

(Amounts are stated in thousands of Canadian Dollars, except per share amounts and/or unless otherwise stated)

	Six-months ended June 30			
	2021		2020	
	Number of common shares	Net loss per common share	Number of common shares	Net loss per common share
Weighted average number of common shares used in basic and diluted net loss per share	48,789,581	\$ (0.19)	49,625,049	\$ (0.17)

8. Share-based compensation

The Corporation has various equity-based compensation plans under which up to 4,881,195 common shares (being 10% of all outstanding shares) may be issued as at June 30, 2021.

The following table summarizes the Corporation's outstanding grants for each equity-based compensation plan:

	Six-months ended June 30, 2021	Year ended December 31, 2020
Stock options	659,500	265,500
Performance share unit plan – restricted units	306,666	422,181
Performance share unit plan – performance units	334,366	376,053
Deferred share units	596,729	523,117
Balance, end of period	1,897,261	1,586,851
Common shares available for grants	4,881,195	4,875,966
Percentage used of total available	39%	33%
Remaining common shares available for grants	2,983,934	3,289,115

Share-based compensation expense associated with each of the equity-based compensation plans amounted to:

	Three-months ended	
	June 30, 2021	June 30, 2020
Stock options	\$ 8	\$ -
Performance share unit plan – restricted units	3	(18)
Performance share unit plan – performance units	10	-
Deferred share units	47	-
Total expense	\$ 68	\$ (18)

HIGH ARCTIC ENERGY SERVICES INC.

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the three and six-months ended June 30, 2021 and 2020

(Unaudited)

(Amounts are stated in thousands of Canadian Dollars, except per share amounts and/or unless otherwise stated)

	Six-months ended	
	June 30, 2021	June 30, 2020
Stock options	\$ 4	\$ -
Performance share unit plan – restricted units	50	76
Performance share unit plan – performance units	9	-
Deferred share units	100	-
Total expense	\$ 163	\$ 76

Stock Option Plan

The Corporation has a Stock Option Plan under which options to purchase common shares may be granted to directors, management, and certain employees. At June 30, 2021, a total of 659,500 stock options are outstanding and expire at various dates up to 2026, at exercise prices that range from \$1.44 to \$3.75 per share.

These stock options are typically exercisable over a term of 5 years and subject to a three-year vesting period with 33.3% exercisable by the holder after the first anniversary date, another 33.3% after the second anniversary date and the balance after the third anniversary date.

Details regarding the stock options and associated changes and weighted average exercise prices are as follows:

	Number of Stock Options	Weighted Average Exercise Price (\$)
At December 31, 2020	265,500	3.72
Granted	494,500	1.44
Expired	(50,000)	3.46
Forfeited/Cancelled	(50,500)	3.94
At June 30, 2021	659,500	2.01

Exercise prices	Outstanding number of options	Weighted average remaining life of outstanding options (years)	Weighted average exercise price of outstanding options (\$)	Exercisable number of options	Weighted average exercise price of options that are exercisable (\$)
\$1.44	494,500	5.46	1.44	-	-
\$3.67	35,000	0.19	3.67	35,000	3.67
\$3.75	130,000	1.49	3.75	130,000	3.75
At June 30, 2021	659,500	4.40	2.01	165,000	3.73

HIGH ARCTIC ENERGY SERVICES INC.

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the three and six-months ended June 30, 2021 and 2020

(Unaudited)

(Amounts are stated in thousands of Canadian Dollars, except per share amounts and/or unless otherwise stated)

The Corporation values all its share options using the Black-Scholes model. The number of options granted in the second quarter of the 2021-year was 494,500. The fair value of each stock option granted was \$0.62 and was estimated at the grant date using the following weighted average assumptions:

Expected volatility	54%
Risk-free rate	0.6%
Expected term	3.6 years
Expected dividends	-
Share price	\$1.56
Exercise price	\$1.44

Performance Share Unit Plan ("PSUP")

Details regarding the PSUP Units and related activity is as follows:

	RSUs	PSUs	Total
At December 31, 2020	422,181	376,053	798,234
Granted	-	62,500	62,500
Exercised	(62,181)	(28,751)	(90,932)
Forfeited/Cancelled	(53,334)	(75,436)	(128,770)
At June 30, 2021	306,666	334,366	641,032

During the six-months period ended June 30, 2021, 90,932 PSUP units were exercised, of which 52,289 were settled through the issuance of common shares (note 7(a)), and 38,643 were settled in cash and remitted as statutory withholdings on behalf of the recipients.

The fair value of each PSU granted in the 2021-year was \$1.56, equivalent to the share price at the time of grant. The estimated fair value using the Black-Scholes valuation model is equal to the share price at the time of grant, due to the PSUs granted having an exercise price of nil.

Deferred Share Unit Plan ("DSU")

Details regarding the DSUs and related activity is as follows:

	Six-months ended June 30, 2021	Year ended December 31, 2020
Outstanding, beginning of period	523,117	161,729
Granted	73,612	364,615
Exercised	-	(8,622)
Dividends re-invested	-	5,395
Outstanding, end of period	596,729	523,117

HIGH ARCTIC ENERGY SERVICES INC.

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the three and six-months ended June 30, 2021 and 2020

(Unaudited)

(Amounts are stated in thousands of Canadian Dollars, except per share amounts and/or unless otherwise stated)

9. Revenue

The following tables includes a reconciliation of disaggregated revenue by reportable segment. Revenue has been disaggregated by primary geographic location and type of service provided.

Three-months ended June 30, 2021	Drilling Services	Production Services	Ancillary Services	Inter- Segment Elimination	Total
Service revenue:					
Canada	\$ -	\$ 12,406	\$ 584	\$ -	\$12,990
PNG	893	-	-	-	893
	893	12,406	584	-	13,883
Equipment rental revenue:					
Canada	-	922	1,578	(416)	2,084
PNG	-	-	410	-	410
	-	922	1,988	(416)	2,494
Total revenue	\$ 893	\$13,328	\$2,572	\$ (416)	\$16,377

Three-months ended June 30, 2020	Drilling Services	Production Services	Ancillary Services	Inter- Segment Elimination	Total
Service revenue:					
Canada	\$ -	\$ 7,010	\$ 206	\$ -	\$ 7,216
US	-	658	-	-	658
PNG	5,098	-	-	-	5,098
	5,098	7,668	206	-	12,972
Equipment rental revenue:					
Canada	-	1,876	833	(234)	2,475
US	-	8	-	-	8
PNG	99	-	555	-	654
	99	1,884	1,388	(234)	3,137
Total revenue	\$ 5,197	\$ 9,552	\$ 1,594	\$ (234)	\$ 16,109

HIGH ARCTIC ENERGY SERVICES INC.

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the three and six-months ended June 30, 2021 and 2020

(Unaudited)

(Amounts are stated in thousands of Canadian Dollars, except per share amounts and/or unless otherwise stated)

Six-months ended June 30, 2021	Drilling Services	Production Services	Ancillary Services	Inter-Segment Elimination	Total
Service revenue:					
Canada	\$ -	\$26,510	\$ 1,112	\$ -	\$ 27,622
PNG	1,600	-	-	-	1,600
	1,600	26,510	1,112	-	29,222
Equipment rental revenue:					
Canada	-	2,193	2,835	(971)	4,057
PNG	44	-	821	-	865
	44	2,193	3,656	(971)	4,922
Total revenue	\$ 1,644	\$28,703	\$ 4,768	\$ (971)	\$ 34,144

Six-months ended June 30, 2020	Drilling Services	Production Services	Ancillary Services	Inter-Segment Elimination	Total
Service revenue:					
Canada	\$ -	\$ 25,930	\$ 917	\$ -	\$26,847
US	-	2,211	-	-	2,211
PNG	16,098	-	-	-	16,098
	16,098	28,141	917	-	45,156
Equipment rental revenue:					
Canada	-	3,219	2,452	(882)	4,789
US	-	29	-	-	29
PNG	3,031	-	2,716	-	5,747
	3,031	3,248	5,168	(882)	10,565
Total revenue	\$19,129	\$ 31,389	\$ 6,085	\$ (882)	\$55,721

High Arctic has a 49% ownership interest in the Seh' Chene Well Services Limited Partnership (the "Partnership") and is one of two participants in the Partnership whose mission is to execute dependable high-quality energy services, focused on environmental stewardship, while creating opportunity for local Indigenous communities and individuals. The Partnership is governed by a Limited Partnership Agreement, which requires that unanimous consent be obtained from the participants for all significant operating and financing decisions. High Arctic has been appointed as manager to oversee the day-to-day operations of the Partnership, which includes providing drilling, well completion, well reclamation and abandonment, production workover and equipment rental services to third parties on behalf of the Partnership. High Arctic has recorded Production services revenue for the three and six-month periods ended June 30, 2021 from the Partnership of \$465 and \$920, respectively (2020: nil for both periods).

HIGH ARCTIC ENERGY SERVICES INC.

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the three and six-months ended June 30, 2021 and 2020

(Unaudited)

(Amounts are stated in thousands of Canadian Dollars, except per share amounts and/or unless otherwise stated)

10. Supplementary expense disclosure

a) Oilfield services expenses by nature

	Three-months ended June 30		Six-months ended June 30	
	2021	2020	2021	2020
Personnel ^{(1) (2)}	\$ 8,465	\$ 7,604	\$ 18,246	\$ 26,977
Drilling rig rental	-	126	44	2,271
Material and supplies	1,360	1,275	2,361	5,450
Equipment operating and maintenance costs	2,871	1,899	5,457	6,398
Other ⁽¹⁾	413	932	1,406	3,041
	\$ 13,109	\$ 11,836	\$ 27,514	\$ 44,137

b) General and administrative expenses by nature

	Three-months ended June 30		Six-months ended June 30	
	2021	2020	2021	2020
Personnel ^{(1) (2)}	\$ 1,547	\$ 1,610	\$ 3,268	\$ 4,950
Professional, legal, and consulting fees	304	416	591	888
Facility costs	117	219	198	341
Provision for ECL	(60)	485	(60)	694
Information technology services	147	243	392	435
Rentals	63	72	127	140
Other ⁽¹⁾	354	81	444	237
	\$ 2,472	\$ 3,126	\$ 4,960	\$ 7,685

(1) Costs presented for 2020 and 2021 periods are net of government assistance as described below.

(2) Costs presented for the 2020 periods include restructuring costs described below

c) Government assistance: Canada Emergency Wage Subsidy (CEWS) program

As a result of the CEWS, the resulting reduction of personnel costs amounted to \$944 and \$1,855 for the three and six-month periods ended June 30, 2021, respectively (2020: \$2,132 for both periods). For the three and six-months ended June 30, 2021, \$848 and \$1,660, respectively, were allocated to Oilfield service expenses, and \$96 and \$195, respectively, were allocated to General and administrative expenses. During Q2-2020, \$1,802 were allocated to Oilfield services expenses and \$330 were allocated to General and administrative expenses. Amounts recorded as Accounts Receivable as at June 30, 2021 were \$583 (December 31, 2020: \$1,447).

d) Government assistance: Canada Emergency Rent Subsidy (CERS) program

As a result of the CERS, the resulting reduction of other costs amounted to \$83 and \$182 for the three and six-month periods ended June 30, 2021, respectively (2020: nil). These amounts have been recorded as a reduction to Oilfield services expenses, taking into consideration both IFRS accounting for government assistance as well as the practical expedient elected by the Corporation. No Accounts receivable were outstanding as at June 30, 2021 (December 31, 2020: \$105) related to CERS.

HIGH ARCTIC ENERGY SERVICES INC.

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the three and six-months ended June 30, 2021 and 2020

(Unaudited)

(Amounts are stated in thousands of Canadian Dollars, except per share amounts and/or unless otherwise stated)

e) Restructuring costs

For the three and six-month periods ended June 30, 2020, \$208 and \$863, respectively, of restructuring costs are included in Personnel costs, with \$33 and \$383, respectively, recorded as part of Oilfield services and \$175 and \$480, respectively, recorded as part of General and administrative expenses. No such amounts were incurred in 2021.

f) Interest and finance expense

	Three-months ended June 30		Six-months ended June 30	
	2021	2020	2021	2020
Interest on facility and standby fees (Note 6)	\$ 51	\$ 189	\$ 150	\$ 204
Finance expense (Note 5(b))	98	115	199	234
Other	(3)	54	13	146
	\$ 146	\$ 358	\$ 362	\$ 584

11. Supplementary cash flow information

Changes in non-cash working capital balances:

	Three-months ended June 30		Six-months ended June 30	
	2021	2020	2021	2020
Source (use) of cash:				
Accounts receivable	\$ 2,363	\$ 17,497	\$ (5)	\$ 24,182
Inventory and prepaid expenses and other assets	(1,177)	(450)	(814)	(1,606)
Accounts payable and accrued liabilities	(104)	(8,918)	670	(10,440)
Dividend payable	-	-	-	(819)
Income taxes payable	2	27	(4)	(31)
Income taxes receivable	-	(70)	-	(193)
Deferred revenue	-	(745)	-	(682)
Impact of foreign exchange on working capital	(28)	(659)	(179)	1,005
	\$ 1,056	\$ 6,682	\$ (332)	\$ 11,416
Attributable to:				
Operating activities	\$ 1,383	\$ 6,807	\$ (292)	\$ 13,467
Investing activities	(327)	(125)	(40)	(1,232)
Financing activities	-	-	-	(819)
	\$ 1,056	\$ 6,682	\$ (332)	\$ 11,416

For the three and six-months ended June 30, 2021, interest amounting to \$51 and \$150 was paid, respectively (June 2020: \$189 and \$204, respectively).

For the three and six-months ended June 30, 2021, taxes paid amounted to nil (June 2020: \$76 and \$669, respectively).

HIGH ARCTIC ENERGY SERVICES INC.

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the three and six-months ended June 30, 2021 and 2020

(Unaudited)

(Amounts are stated in thousands of Canadian Dollars, except per share amounts and/or unless otherwise stated)

12. Financial instruments and risk management

Financial and other risks

The Corporation is exposed to financial risks arising from its financial assets and liabilities. This includes the risk associated with the developments relating to COVID-19. Pandemic and/or endemic risk is the risk that operations and/or administration are forced to run at less than full capacity due to an absence or reduction of members of the workforce, either through forced closures by government both within countries and across national borders, by internally imposed rotational schedules and/or quarantine or illness of the workforce. Further, cyber-security risks increase as employees work from home. Such restrictions could significantly impact the ability for the Corporation to operate, and therefore impact financial results.

Market risks

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market rates:

a) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The Corporation is exposed to interest rate risk as the long-term debt is a floating rate credit facility and fluctuates in response to changes in the prime interest rates. The Corporation had no risk management contracts that would be affected by interest rates in place at June 30, 2021.

b) Commodity price risk

Commodity price risk is the risk that the Corporation's future cash flows will fluctuate due to changes in demand for High Arctic's services, where almost all the Corporation's customers are oil and gas producers. High Arctic's customer's activity and strategic decisions are impacted by the fluctuations of oil and gas pricing.

These prices are sensitive to not only the relationship between the Canadian and US dollar, but more importantly local, regional and world economic events. This includes implications from declining oil demand and over supply, climate change driven transitions to lower emission energy sources, the current COVID-19 pandemic which creates a scenario of both downward and fluctuating price pressure as well as the implications of changes to government and government policy including the policy directions that will be taken by the new US President and ongoing negotiations in PNG to build LNG expansion with industry.

While the Corporation recognizes it will be impacted by these risks, the Corporation also strongly believes that there is a significant role for the energy services industry in the current, transitional and future phases of energy industry changes.

The Corporation had no risk management contracts that would be affected by commodity prices in place at June 30, 2021.

c) Foreign currency risk

Foreign currency risk is the risk that a variation in the exchange rate between Canadian and foreign currencies will affect the Corporation's results.

The majority of the Corporation's international revenue and expenses are effectively transacted in USD and the Corporation does not actively engage in foreign currency hedging. For the three and six-months ended June 30, 2021, a \$0.10 change in the exchange rate of the Canadian dollar relative to the USD would have resulted in a change to the net loss amounting to \$145 and \$373, respectively (June 30, 2020: \$225 and \$142, respectively).

HIGH ARCTIC ENERGY SERVICES INC.

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the three and six-months ended June 30, 2021 and 2020

(Unaudited)

(Amounts are stated in thousands of Canadian Dollars, except per share amounts and/or unless otherwise stated)

d) PNG foreign currency restrictions

The Corporation's ability to repatriate funds from PNG is controlled by the PNG government through their central bank.

There are currently a number of monetary and currency exchange control measures in PNG that can impact the ability to repatriate funds, as well as establish requirements to transact in the local PNG currency (Kina or "PGK").

As at June 30, 2021 USD \$487 (December 31, 2020: \$894) was on deposit with a large international bank in PNG. The Bank of PNG ("BPNG") has provided approval for High Arctic to maintain a USD bank account in accordance with the BPNG currency regulations. The Corporation has received approval from the BPNG for its existing drilling services contracts with its key customers in PNG to be denominated and settled in USD. However, if such approval is withdrawn in the future, these funds may be converted into PGK and the Corporation would be required to access the foreign currency market in PNG to meet its foreign currency obligations, thus exposing the Corporation to greater foreign exchange exposure for the PGK.

The BPNG currency regulations also limit the amount of foreign currency that companies can maintain in order to meet their forecasted three-month cash flow requirements, with excess funds required to be held in PGK. While no significant issues have been experienced to date, there is no guarantee such restrictions will not exist or will not impact the Corporation's ability to transact or repatriate funds.

Credit risk, customers, and economic dependence

Credit risk is the risk of a financial loss occurring as a result of a default by a counter party on its obligation to the Corporation. The Corporation's financial instruments that are exposed to credit risk consist primarily of accounts receivable and cash balances held in banks. The Corporation mitigates credit risk by regularly monitoring its accounts receivable position and depositing cash in properly capitalized banks. The Corporation also institutes credit reviews prior to commencement of contractual arrangements.

The Corporation's accounts receivable is predominantly with customers who explore for and develop petroleum reserves and are subject to industry credit risk consistent with the industry. The Corporation assesses the credit worthiness of its customers on an ongoing basis and monitors the amount and age of balances outstanding.

In providing for ECL, the Corporation uses the historical default rates within the industry between investment grade and non-investment grade customers as well as forward looking information to determine the appropriate loss allowance provision.

The net carrying amount of accounts receivable represents the estimated maximum credit exposure on the accounts receivable balance. The Corporation has a wide range of customers comprised of small independent, intermediate and large multinational oil and gas producers. Notwithstanding its large customer base, the Corporation provides services to 3 large multinational/regional customers which individually accounted for greater than 10% of its consolidated revenues during the three and six-months periods ended June 30, 2021 (June 30, 2020: two customers). Sales to these 3 customers were approximately \$4,449, \$2,145, and \$2,028, respectively, for the three-months ended June 30, 2021 (three-months period ended June 30, 2020: two customers, with revenue of \$5,786 and \$5,130, respectively), and sales to these 3 customers were approximately \$8,655, \$4,305, and \$4,218, respectively, for the six-months period ended June 30, 2021 (six-months period ended June 30, 2020: two customers, with revenue of \$17,608 and \$10,811, respectively).

As at June 30, 2021, these 3 customers represented a total of \$4,252 or 33% of outstanding accounts receivable

HIGH ARCTIC ENERGY SERVICES INC.

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the three and six-months ended June 30, 2021 and 2020

(Unaudited)

(Amounts are stated in thousands of Canadian Dollars, except per share amounts and/or unless otherwise stated)

(December 31, 2020: two customers represented a total of \$2,158 or 17% of outstanding accounts receivable).

As a result of the economic pressures currently faced by the oil and gas industry, together with the implications of the COVID-19 pandemic, a more thorough assessment of accounts receivable continues to be undertaken to take this changing environment into consideration.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

Liquidity risk is currently being impacted by uncertainty within capital markets given the COVID-19 pandemic on global economies, economic recession possibilities, contraction of available capital and reliance on continued fiscal stimulus by governments around the world.

The Corporation's processes for managing liquidity risk include preparing and monitoring capital and operating budgets, working capital management, coordinating and authorizing project expenditures, authorization of contractual agreements, managing compliance to debt finance agreements, and remaining attentive to the relationship with High Arctic's lender. The Corporation seeks to manage its financing based on the results of these processes.

Further, the Corporation currently has up to \$45,000 in remaining availability under its credit facility, subject to the bank stipulated Margin Requirement (note 6), to enable execution of strategic direction.

13. Operating segments

The Corporation determines its operating segments based on internal information reviewed by the executive management team and Board of Directors to allocate resources and assess performance. The Corporation's reportable operating segments are strategic operating units that offer different products and services. The Corporation operates in Canada and PNG. The Corporation has paused operations in the USA with no revenues in the 2021-year. The Corporation has four operating segments as follows:

Drilling Services

This segment currently consists of the Corporation's drilling services provided in PNG, including the provision of drilling personnel to assist our customer's operations.

Production Services

This segment currently consists of the Corporation's well servicing and snubbing services provided in Canada, the US, and well servicing in PNG with its heli-portable workover rig.

Ancillary Services

Ancillary services segment consists of High Arctic's oilfield rental equipment in Canada and PNG Singapore as well as its Canadian nitrogen services.

Corporate

The Corporate segment provides management and administrative services to all of the Corporation's operations.

HIGH ARCTIC ENERGY SERVICES INC.

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the three and six-months ended June 30, 2021 and 2020

(Unaudited)

(Amounts are stated in thousands of Canadian Dollars, except per share amounts and/or unless otherwise stated)

Details associated with each geographic and operating segment are provided for the three and six-months ended and as at June 30, 2021 and 2020 in the tables which follow.

2021	PNG ⁽¹⁾	Canada	Total
Revenue – three-months ended ⁽²⁾	\$ 1,303	\$ 15,074	\$ 16,377
Revenue – six-months ended ⁽²⁾	2,465	31,679	34,144
Total assets excluding deferred tax assets ⁽²⁾	\$ 77,399	\$ 106,971	\$ 184,370

⁽¹⁾ Includes US geographic segment assets as at June 30, 2021 of \$171. No US segment revenues in 2021.

⁽²⁾ Revenue represents balances for the three and six-month periods ended June 30, 2021. Total assets excluding deferred tax asset represents balances as at June 30, 2021.

2020	PNG ⁽¹⁾	Canada	Total
Revenue – three-months ended ⁽²⁾	\$ 6,418	\$ 9,691	\$ 16,109
Revenue – six-months ended ⁽²⁾	24,085	31,636	55,721
Total assets excluding deferred tax assets ⁽²⁾	\$ 85,931	\$ 120,659	\$ 206,590

⁽¹⁾ Includes US geographic segment revenues of \$666 and \$2,240 for the three and six-month periods ended June 30, 2020, respectively. Includes US segment assets as at December 31, 2020 of \$234.

⁽²⁾ Revenue represents balances for the three and six-month periods ended June 30, 2020. Total assets excluding deferred tax assets represents balances as at December 31, 2020.

Three-months ended June 30, 2021	Drilling Services	Production Services	Ancillary Services	Corporate	Inter- segment eliminations	Total
Revenue	\$ 893	\$ 13,328	\$ 2,572	\$ -	\$ (416)	\$ 16,377
Expenses						
Oilfield Services	897	11,139	1,489	-	(416)	13,109
General and administrative	726	991	150	605	-	2,472
Depreciation and amortization	804	2,829	1,158	43	-	4,834
Share-based compensation	-	-	-	68	-	68
	2,427	14,959	2,797	716	(416)	20,483
	(1,534)	(1,631)	(225)	(716)	-	(4,106)
Foreign exchange loss	-	-	-	(21)	-	(21)
(Loss) Gain on sale of property and equipment	-	(95)	112	28	-	45
Interest and finance expense	-	-	-	(146)	-	(146)
Loss before income taxes	\$ (1,534)	\$ (1,726)	\$ (113)	\$ (855)	\$ -	\$ (4,228)

HIGH ARCTIC ENERGY SERVICES INC.

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the three and six-months ended June 30, 2021 and 2020

(Unaudited)

(Amounts are stated in thousands of Canadian Dollars, except per share amounts and/or unless otherwise stated)

Three-months ended June 30, 2020	Drilling Services	Production Services	Ancillary Services	Corporate	Inter- segment eliminations	Total
Revenue	\$ 5,197	\$ 9,552	\$1,594	\$ -	\$ (234)	\$ 16,109
Expenses						
Oilfield Services	3,708	7,342	1,020	-	(234)	11,836
General and administrative	641	1,286	81	1,118	-	3,126
Depreciation and amortization	2,666	3,283	1,487	79	-	7,515
Share-based compensation	-	-	-	(18)	-	(18)
	7,015	11,911	2,588	1,179	(234)	22,459
	(1,818)	(2,359)	(994)	(1,179)	-	(6,350)
Foreign exchange gain	-	-	-	136	-	136
Gain on sale of property and equipment	-	-	41	-	-	41
Interest and finance expense	-	-	-	(358)	-	(358)
Earnings (Loss) before income tax	\$ (1,818)	\$ (2,359)	\$ (953)	\$ (1,401)	\$ -	\$ (6,531)

Six-months ended/As at June 30, 2021	Drilling Services	Production Services	Ancillary Services	Corporate	Inter- Segment Elimination	Total
Revenue	\$ 1,644	\$ 28,703	\$ 4,768	\$ -	\$ (971)	\$ 34,144
Expenses						
Oilfield Services	1,729	24,096	2,660	-	(971)	27,514
General and administrative	1,363	1,899	278	1,420	-	4,960
Depreciation and amortization	3,259	5,827	2,589	83	-	11,758
Share-based compensation	-	-	-	163	-	163
	6,351	31,822	5,527	1,666	(971)	44,395
	(4,707)	(3,119)	(759)	(1,666)	-	(10,251)
Foreign exchange loss	-	-	-	(56)	-	(56)
Gain on sale of property and equipment	5	419	71	14	-	509
Interest and finance expense	-	-	-	(362)	-	(362)
Loss before income tax	\$ (4,702)	\$ (2,700)	\$ (688)	\$ (2,070)	\$ -	\$ (10,160)
Property and equipment	36,869	71,600	21,225	430	-	130,124
Right-of-use assets	341	5,048	309	-	-	5,698
Total assets less deferred tax assets	\$ 50,051	\$ 97,615	\$ 36,274	\$ 430	\$ -	\$ 184,370

HIGH ARCTIC ENERGY SERVICES INC.

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the three and six-months ended June 30, 2021 and 2020

(Unaudited)

(Amounts are stated in thousands of Canadian Dollars, except per share amounts and/or unless otherwise stated)

Six-months ended June 30, 2020	Drilling Services	Production Services	Ancillary Services	Corporate	Inter- Segment Elimination	Total
Revenue	\$19,129	\$31,389	\$ 6,085	\$ -	\$ (882)	\$55,721
Expenses						
Oilfield Services	14,444	27,656	2,919	-	(882)	44,137
General and administrative	1,436	3,163	280	2,806	-	7,685
Depreciation and amortization	5,286	6,535	2,923	79	-	14,823
Share-based compensation	-	-	-	76	-	76
	21,166	37,354	6,122	2,961	(882)	66,721
	(2,037)	(5,965)	(37)	(2,961)	-	(11,000)
Foreign exchange gain	-	-	-	196	-	196
Gain on sale of property and equipment	-	-	2,793	-	-	2,793
Interest and finance expense	-	-	-	(584)	-	(584)
Earnings (Loss) before income tax	(2,037)	(5,965)	2,756	(3,349)	-	(8,595)
Property and equipment ⁽¹⁾	40,980	76,898	23,285	513	-	141,676
Right-of-use assets ⁽¹⁾	333	5,447	287	-	-	6,067
Total assets less deferred tax assets ⁽¹⁾	\$ 56,570	\$ 110,940	\$ 38,567	\$ 513	\$ -	\$206,590

⁽¹⁾ Represents balances as at December 31, 2020

14. Commitments and contingencies

As part of the Corporation's contractual rig management and operations, the Corporation has been supplied an inventory of spare parts with a total value of \$7,081 at June 30, 2021 (December 31, 2020: \$7,857) by a customer for the Corporation's operations in PNG. The inventory is owned by this party and has not been recorded on the books of High Arctic. At the end of the contract, the Corporation must make a payment to the customer equivalent to any inventory shortfall and return the balance of inventory on hand.