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High Arctic Announces 2021 Third Quarter Financial and Operating Results

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

Mike Maguire, Chief Executive Officer, commented:

"The market and High Arctic have reached an inflection point. Commodity prices have increased significantly, a rig is being mobilized to location in Papua New Guinea, operating hours are increasing in Canada and many customers are receptive to pricing discussions.

The past 18 months have been exceptionally challenging as we dealt with the impact of the Covid-19 pandemic and an oil price collapse. I want to thank our employees and shareholders for being supportive through this difficult period. We are implementing initiatives to reward our loyal employees, attract new staff and continue to provide high quality services to our clients in this period of renewed opportunity.

The recent $0.20 special dividend underscores the confidence of board and management in the significantly improving market conditions and our business fundamentals.."

HIGHLIGHTS

- PNG continues to be a strategic investment for the Corporation. During Q3-2021 we began mobilizing equipment and personnel within our drilling services segment and expect to commence wellsite activity in the latter half of Q4-2021. In the process, we extended recordable incident free activity in PNG out to 5 years and over 2.5 million work hours.
- Growth in High Arctic's Canadian production services and ancillary services were assisted by operating rate improvements but hindered by Covid-19 outbreaks in August and September and soft utilization in one of our main well servicing contracts. High Arctic has subsequently enacted a Covid vaccination or negative-test requirement to ensure the employee is safe to work. Despite a difficult quarter, our well servicing utilization of 41% remained above the industry average of 38%.
- Consolidated Q3-2021 revenues were $18.7 million ($18.5 million in Q3-2020). The Corporation generated EBITDA of $1.3 million and $3.3 million during Q3-2021 and YTD-2021, respectively.
- Cost reduction initiatives undertaken in 2020 delivered $2.7 million or 26.6% lower general and administrative costs during the first nine months of 2021.
- In October of 2021, the Corporation announced a special one-time dividend payment of $0.20 per share to holders of common shares and paid dividends of $9.7 million on November 5, 2021. The dividend emphasizes High Arctic's strong balance sheet position and ability to return surplus cash to shareholders. Post dividend, the Corporation has a substantive net cash balance and with improving EBITDA, increasing access to funds under a $45 million loan facility to fund growth initiatives.

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 September 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 September 30, 2021 may be referred to as the "**Quarter**" or "**Q3-2021**", and similarly the six months ended September 30, 2021 may be referred to as "**YTD-2021**". The comparative three months ended September 30, 2020 may be referred to as "**Q3-2020**", and similarly the nine months ended September 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

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

	For the three months ended September 30		For the nine months ended September 30	
($ thousands, except per share amounts)	**2021**	2020	**2021**	2020
Revenue	**18,654**	18,529	**52,798**	74,250
Operating loss	**(4,597)**	(4,897)	**(14,848)**	(15,897)
Net loss	**(4,784)**	(6,079)	**(13,999)**	(14,389)
Per share (basic and diluted)	**(0.10)**	(0.12)	**(0.29)**	(0.29)
Oilfield services operating margin	**3,886**	5,917	**10,516**	17,501
Oilfield services operating margin as a % of revenue	**20.8%**	31.9%	**19.9%**	23.6%
EBITDA	**1,294**	2,948	**3,254**	9,760
Adjusted EBITDA	**1,412**	3,476	**3,082**	7,375
Adjusted EBITDA as % of revenue	**7.6%**	18.8%	**5.8%**	9.9%
Cash provided by operating activities	**737**	1,192	**1,675**	17,763
Per share (basic and diluted)	**0.02**	0.02	**0.03**	0.36
Funds provided by operating activities	**1,077**	2,357	**2,307**	5,461
Per share (basic and diluted)	**0.02**	0.05	**0.05**	0.11
Dividends	**-**	-	**-**	1,638
Per share (basic and diluted)	**-**	-	**-**	0.03
Capital expenditures	**2,658**	590	**4,108**	3,824

	As at	
($ thousands, except share amounts)	**September 30, 2021**	December 31, 2020
Working capital	**32,863**	44,577
Cash, end of period	**20,210**	32,598
Total assets	**188,192**	214,159
Long-term debt	**-**	10,000
Long-term financial liabilities, excluding long-term debt	**7,310**	7,782
Shareholders' equity	**163,267**	177,221
Per share (basic and diluted)	**3.35**	3.57
Common shares outstanding, thousands	**48,734**	48,760

All amounts are in $ thousands of Canadian Dollars, unless otherwise noted

Third Quarter 2021 Summary:

- Preparation activities for Rig 115 in PNG commenced during Q3-2021 with crews assembling, camps established and mobilization efforts underway.
- Consolidated revenues of $18,654 were flat in Q3-2021 relative to Q3-2020 revenues of $18,529. High Arctic achieved increased activity in snubbing and well service operations, which were offset by confirmed Covid-19 cases resulting in crews being stood down in Canada, and lower PNG drilling revenues.
- In the latter half of Q3-2021 High Arctic noted improvement in market conditions allowing for higher revenue per hour rates going into Q4-2021.
- Q3-2021 oil services operating margin was $3,886 (20.8% of revenues) versus $5,917 (31.9% of revenues) in Q3-2020. Lower profitability is reflective of access to $1,644 less in government subsidies (CEWS) which is recorded in oilfield services expense in Q3-2021, and lower contribution from PNG.
- Utilization for High Arctic's 49 registered Concord Well Servicing rigs was 41% in the Quarter versus industry utilization of 38% (source: Canadian Association of Oilwell Energy Contractors "**CAOEC**").
- Adjusted EBITDA and Funds provided by operating activities were positive for the three-month period ended September 30, 2021 at $1,412 and $1,077 respectively.
- Cash balance as at September 30, 2021 was $20,210 and the Corporation held no long-term debt.
- Net loss for Q3-2021 was $4,784 as compared to $6,079 in Q3-2020, due to lower depreciation expense from equipment fully depreciated in 2020.
- All activities in the US have ceased and Corporation owned property and equipment is in the process of being relocated to Canada or disposed.

Year to Date September 30, 2021 Summary

- For the nine months ended September 30, 2021, High Arctic's revenue declined by 28.9% to $52,798 from $74,250 in the corresponding 2020-period. Lower revenues in 2021 is primarily attributable to no drilling activities in PNG.
- Oilfield services operating margin profitability decreased to $10,516 (19.9% of revenues) from $17,501 (23.6% of revenues) YTD-2020 primarily due to access to $1,786 less in government subsidies (CEWS) in 2021, and lower contribution from PNG.
- Utilization for High Arctic's 49 registered Concord Well Servicing rigs was 44% YTD-2021 versus industry utilization of 35% (source: Canadian Association of Oilwell Energy Contractors "**CAOEC**").
- High Arctic continues to prioritize cost controls as part of cost reduction initiatives undertaken in the 2020 -year, with YTD-2021 general & administrative costs decreasing by $2,692 from $10,126 in 2020 to $7,434 in 2021.
- High Arctic repurchased and cancelled 78,304 common shares, all during Q3-2021, under its NCIB program. Minimal share repurchases, and cancellations have been completed as of the date of the MD&A.
- Cash decreased by $12,388 YTD-2021 primarily as a result of the repayment of $10,000 of long-term debt from cash on hand and capex purchases primarily relating to catwalks currently deployed with an existing High Arctic customer. No amount is drawn under the revolving loan facility as of the date of our MD&A.

Drilling Services Segment

($ thousands, unless otherwise noted)	Three months ended September 30 2021	2020	Nine months ended September 30 2021	2020
Revenue	**$ 2,718**	$ 4,751	**$ 4,362**	$ 23,880
Oilfield services expense	**2,430**	3,162	**4,159**	17,606
Oilfield services operating margin	**$ 288**	$ 1,589	**$ 203**	$ 6,274
Operating margin (%)	***10.6%***	*33.4%*	***4.7%***	*26.3%*

Production Services Segment

($ thousands, unless otherwise noted)	Three months ended September 30 2021	2020	Nine months ended September 30 2021	2020
Revenue	**$ 13,100**	$ 12,596	**$ 41,803**	$ 43,985
Oilfield services expense	**11,140**	8,806	**35,236**	36,462
Oilfield services operating margin	**$ 1,960**	**$ 3,790**	**$ 6,567**	**$ 7,523**
Operating margin (%)	***15.0%***	***30.1%***	***15.7%***	***12.4%***

Operating Statistics - Canada	Three months ended September 30 2021	2020	Nine months ended September 30 2021	2020
Service rigs:				
Average fleet	**49**	50	**49**	50
Utilization	**41%**	39%	**44%**	43%
Operating hours	**18,175**	17,956	**58,764**	59,613
Revenue per hour ($)	**602**	564	**595**	589
Snubbing packages:				
Average fleet	**8**	8	**8**	8
Utilization	**22%**	17%	**23%**	19%
Operating hours	**1,569**	1,228	**4,978**	4,358

Ancillary Services Segment

($ thousands, unless otherwise noted)	Three months ended September 30 2021	2020	Nine months ended September 30 2021	2020
Revenue	**$ 2,836**	$ 1,182	**$ 6,633**	$ 6,385
Oilfield services expense	**1,198**	644	**2,887**	2,681
Oilfield services operating margin	**$ 1,638**	$ 538	**$ 3,746**	$ 3,704
Operating margin (%)	***57.8%***	***45.5%***	***56.5%***	***58.0%***

Liquidity and Capital Resources

Operating Activities

In Q3-2021, cash from operating activities was $737 (Q3-2020: $1,192) of which $1,077 are funds provided by operations ($2,357 in Q3-2020) and $340 cash outflow from working capital changes (Q3-2020: $1,165), mainly due to payments for accounts payable and accrued liabilities during the Quarter.

YTD-2021 cash provided by operations of $1,675 (YTD-2020: $17,763) of which $2,307 are funds provided by operations (Q3-2020: $5,461), less $632 cash outflow from working capital changes (YTD:2020: $12,302 cash inflow) predominantly due to increased prepaid expenses in the 2021-period.

Investing Activities

Capital expenditures during the Quarter of $2,658 (Q3-2020: $590) were partially offset by proceeds on disposal of $152 (Q2-2020: $44). The balance of the change in cash flow used in investing activities related to working capital balance changes for capital items.

YTD-2021 capital expenditures amounted to $4,108 (YTD-2020: $3,824), proceeds of disposal were $983 (YTD-2020: $4,952), with working capital changes representing the balance of the change in cash flow used in investing activities.

Financing Activities

During Q1-2021, 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 YTD-2021.

High Arctic suspended dividends in March 2020, and as such no dividends were paid during the YTD-2021 or Q2-2020. In October 2021, the corporation announced a one-time special dividend of $0.20 per common share and paid out $9,747 on November 5, 2021.

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 September 30, 2021, the Corporation remains in compliance with these two financial covenants under the credit facility.

The covenant calculations at September 30, 2021 are:

Covenant	Required	**As at September 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	**7.00 : 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, restructuring costs in the 2020-year, and non-cash inventory write-downs, less gains from foreign exchange and sale or purchase of asset, less lease payments.

(3) As at September 30, 2021, the Corporation had access to $8.7 million of the revolving facility.

Outlook

The 2021 rally in oil and gas commodity prices has continued throughout the year resulting in sustained pricing above pre-pandemic levels in the third quarter. There are strong fundamentals for High Arctic to expect substantive activity growth in 2022 across its segments and geographies. These include the economic recovery in the Canadian and global economy, a recovery in global demand for energy, shortage of gas storage in key foreign markets, sustained high energy prices for oil and natural gas, a resurgence in demand for energy services in Canada and High Arctic's revenue generating activity in Papua New Guinea recommencing.

Canadian production services in general are at an inflection point. Crew constraints, cost inflation and equipment recertification needs have created an environment that we expect will drive not only top line pricing increases, but margin growth. The Corporation has recently realised improved pricing for services. A lasting pricing trend combined with continuous customer work is necessary to restore workforce expansion, shareholder returns and capital investment justification.

In Papua New Guinea work started on the mobilization of Rig 115, heli-transportable camps, and associated support equipment to commence operations on a remote exploration well abandonment. The Camps are established, and occupancy levels are increasing as personnel continue to mobilize and the main rig equipment progresses towards the well site where operations are expected to commence late in Q4. The location of the work site positions the rig well for additional work on exploration commitment wells in nearby licence blocks, however further drilling plans have not yet been announced.

We remain optimistic for announcements of meaningful drilling projects in PNG during 2022. We note that several key developments are progressing that support long term confidence. The Santos – Oil Search merger is progressing towards Shareholder votes in December following completion of due diligence and the first PNG regulatory approval hurdle having been achieved. The Papua LNG project team remobilisation is underway, progressing pre-feed studies towards a project FID in early 2023. The PNG-LNG partners have approved the Angore field development as backfill to support current production levels. The PNG Government and PNG-LNG operator ExxonMobil have signed a Heads of Agreement for a P'nyang gas agreement. The development of P'nyang has been seen as a possible catalyst to expand the existing LNG plant. Arran Energy has announced intention to FID its Stanley Gas Condensate Development early in 2022. In the short term, we have been receiving requests for rental equipment and skilled manpower to support customer production maintenance and optimization activities.

In Canada, utilization of High Arctic's services continues to trend upwards save for operating hours lost to confirmed Covid-19 cases amongst crews, and soft utilisation under one long-standing well servicing contract. In this instance, High Arctic continues to engage in customer discussions to explore improvements in the efficient use of our services and mutually beneficial economic returns.

Near term activity heading into the traditional peaks of winter are expected to increase across High Arctic's operating segments in Canada given the improving and stabilizing economic environment, and predictions for a cold winter. We expect our customers, buoyed by the sustained high commodity prices and improved balance sheets, to increase activity to sustain and moderately boost existing well production. Many public E&P companies have recently announced intentions for increased 2022 budgets including provisions for increases in the cost of oilfield services.

High Arctic is confident that the steps it has taken engaging with customers and employees to implement an employee Covid-19 restriction exemption program will substantially reduce the risk of site shutdowns in Canada and PNG. The program, which requires proof of vaccination or a current negative antigen test result, is aimed to ensure the employee is safe to work, and in compliance with site access controls.

First revenue from our Q3 purchase of automated tubular handling catwalk machines has commenced inline with expectations. We expect this revenue to increase in the new year as more upgraded units are deployed at improved rates, and the revenue split with the seller concludes. We continue to actively explore opportunities to make investments or acquisitions that strengthen our service base and enhance shareholder value.

High Arctic was eligible for various government subsidies during YTD-2021, which are described in our MD&A including the Canada Emergency Wage Subsidy ("CEWS"). The Corporation will continue to apply for programs where eligibility criteria are met, however, CEWS concluded on October 23, being replaced with the Canada Worker Lockdown Benefit. Any subsidies received in future quarters are expected to be minor.

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 the 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 the MD&A as intended, planned, anticipated, believed, estimated, or expected. Specific forward-looking statements in the MD&A include, among others, statements pertaining to the following: general economic and business conditions which will include, among other things, continued improvement in energy services outlook, impact of high commodity prices on demand for and market prices for the Corporation's services; impact of the Covid-19 Delta variant; ability to prioritize a strong balance sheet and liquidity position; activity increases in the medium and long-term in PNG; opportunities to invest and enhance shareholder value; Canada Worker Lockdown Benefit subsidy amounts; improving and stabilizing economic environment, climate and weather predictions and their effect on energy demand; improving customer pricing trends, 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; customer activity to boost production; expectations regarding the Corporation's ability to raise capital and manage its debt obligations; estimated capital expenditure programs; projections of market prices and costs; expectations for improving customer demand in the near-term, 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 the 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 the 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 the MD&A are expressly qualified in their entirety by this cautionary statement. These statements are given only as of the date of the 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.

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