ANNUAL INFORMATION FORM
FOR THE YEAR ENDED DECEMBER 31, 2021

March 10, 2022

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FORWARD-LOOKING INFORMATION AND STATEMENTS

This annual information form ("AIF") 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, as they relate to High Arctic Energy Services Inc. (the "Corporation", or "High Arctic"), 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 AIF. 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 AIF as intended, planned, anticipated, believed, estimated, or expected.

Specific forward-looking statements in this AIF include, among others, statements pertaining to the following:

- general economic and business conditions which will, among other things, impact demand for and market prices for the Corporation's services;
- commodity prices and the impact that they have on industry activity and capital availability;
- projections of market prices and costs;
- expectations regarding the Corporation's ability to raise capital and manage its debt obligations;
- estimated capital expenditure programs for fiscal 2022 and subsequent periods;
- factors upon which the Corporation will decide whether to undertake a specific course of operational action or expansion;
- treatment under governmental regulatory regimes and political uncertainty and civil unrest; and
- expectations regarding the ability for the Corporation to negotiate contracts with customers in Papua New Guinea ("PNG");
- the Corporation's ability to have contracts settled in United States ("US") dollars and repatriate excess funds from PNG as approval is received from the Bank of PNG and their Internal Revenue Commission.

These statements involve known and unknown risks, uncertainties and other factors facing the Corporation. Risks, uncertainties, and other factors may be beyond the Corporation's control and may cause actual results, or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this AIF should not be unduly relied upon by investors. These statements speak only as of the date of this AIF and are expressly qualified, in their entirety, by this cautionary statement.

With respect to forward-looking statements contained in this AIF, the Corporation has made assumptions regarding, among other things, its ability to:

- maintain its ongoing relationship with major customers;
- market successfully to current and new customers;
- obtain equipment from suppliers;
- successfully manage, operate, and thrive in an environment which is facing much uncertainty;
- remain competitive in all its operations;
- attract and retain skilled employees; and
- obtain equity and debt financing on satisfactory terms.

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 below and elsewhere in this AIF:

- reduction in industry activity levels due to such factors as lower oil and natural gas prices and the ability of customers to raise capital for exploration and development;
- the worldwide demand for oilfield services in connection with the drilling, workover and completion of oil and natural gas wells;

- volatilities in global supply and demand and market prices for oil and natural gas and the effect of these volatilities on the demand for oilfield services generally;
- changes in legislation and the regulatory environment, including uncertainties with respect to royalty regimes, environmental initiatives, and provincial production limitations;
- consistent interpretation and application of government regulations and controls;
- liabilities and risks inherent in oil and natural gas operations, including environmental liabilities and risks;
- risk of disease outbreak locally, regionally, or internationally that could adversely impact those same economies and negatively impact the price for oil and gas, and as a result, our services;
- lack of unified local, provincial, and federal political and geopolitical support for the Canadian energy industry to provide world class solutions to the global energy marketplace;
- risks inherent in foreign operations, including political and economic risk;
- uncertainties in weather and/or natural disasters affecting the ability to provide services at all and/or the duration of the service periods and the activities that can be completed;
- impact of changing climate and regulations and tariffs/taxes imposed as a result;
- changes in PNG Government policy on resource development;
- the recommencement of exploration and appraisal work in PNG oil and gas;
- liquidity risks, which may be exacerbated if the Corporation is unable to maintain or raise financing on terms acceptable to the Corporation or at all;
- credit risks associated with customers in the oil and natural gas industry, including the inability of customers of the Corporation to pay for goods and services that have been provided;
- income tax matters including unanticipated tax and other expenses and liabilities of the Corporation in foreign jurisdictions;
- general economic conditions in Canada, Southeast Asia and elsewhere, including variations in exchange, interest, and tax rates;
- regional and international competition;
- sourcing, pricing and availability of raw materials, component parts, equipment, suppliers, facilities, and skilled personnel;
- continuing success in developing and integrating technological advances and the ability to match advances of competitors;
- pressures to reduce global greenhouse gas emissions through international agreements that may impact the ability to attract capital investment into the Canadian energy sector;
- the cancellation of industry-standard type contract arrangements used by the Corporation including written contracts, which are cancellable by customers at any time, and verbal agreements;
- price risks resulting in fluctuations in market prices for short term investments;
- cyber-security risks associated with information technology, where third parties purposely attempt to damage organization's systems through unauthorized and fraudulent access;
- stock market volatility and market valuations; and
- the other factors considered under "Risk Factors" in the AIF, which is incorporated by reference herein, and other filings with Canadian securities authorities.

Although management of the Corporation has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended.

Forward-looking statements contained herein are made as of the date of the AIF and the Corporation disclaims any obligation, to update any forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, whether as a result of new information, future events or otherwise, unless required by applicable securities law. Throughout this document we refer to certain defined terms that may be specific to High Arctic and or the industry in which our services are provided. For your ease of reference, the definition of each such term is provided in the Glossary of Terms below.

GLOSSARY OF TERMS

"**ABCA**" means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, including the regulations promulgated thereunder;

"**AIF**" means this annual information form;

"**Board**" means the Corporation's Board of Directors;

"**CAD**" means Canadian dollars;

"**CAOEC**" means Canadian Association of Energy Contractors, formerly the Canadian Association of Drilling Contractors;

"**Common Shares**" means the common shares of High Arctic;

"**Corporation**" or "**High Arctic**" means High Arctic Energy Services Inc., together with its divisions and subsidiaries and its predecessor entities;

"**Covid-19**" or "**Covid**" means the global coronavirus which reached a pandemic state as declared by the World Health Organization on March 11th, 2020, as well as its variations, mutations, and consequential health effects;

"**Credit Facility**" means the credit agreement between the Corporation and HSBC Bank Canada;

"**Cryogenic Liquid Nitrogen Pumping Services**" means the process of transporting, storing, and pumping liquid nitrogen for use in the drilling, completion and workovers of oil and natural gas wells;

"**FID**" means Final Investment Decision;

"**Hydraulic Workover Rig**" or "**HWR**" means a workover rig that moves the tubulars using hydraulic power while performing a workover;

"**IFRS**" means International Financial Reporting Standards;

"**Leapfrog Rig**" means a sister drilling rig package that includes core central drilling equipment that is setup on the next wellsite in advance of drilling, to reduce the amount of time between completion of drilling on one location and the commencement of drilling on the next location;

"**N_2**" means nitrogen;

"**Papua New Guinea**" **or** "**PNG**" means the country of Papua New Guinea;

"**Preferred Shares**" means preferred shares in the capital of the Corporation issuable in series of which none have been issued;

"**Q**" means quarter;

"**Rig Assist**" means a Snubbing unit that performs Snubbing services with the assistance of a service rig;

"**Seh' Chene Partnership**" means the Seh' Chene Well Servicing Limited Partnership formed in July 2020, among HAES SD Holding Corp, a wholly owned subsidiary of the Corporation and Saa Dene Services Ltd., as limited partners and Seh' Chene GP Inc., as general partner, in order to conduct an oilfield services business to be managed and operated by High Arctic;

"**Shareholder**" means a holder of Common Shares;

“**Snubbing**” is the act of mechanically overcoming forces exerted from pressurized wellbores when moving tubing and drill pipe into and out of that wellbore, a scenario often created after the well has had multiple fracturing operations performed on it;

“**Stand Alone Snubbing System®**” means High Arctic’s snubbing units designed to assist in the completion of wells without the aid of a service rig;

“**Stock Option Plan**” means the stock option plan of the Corporation approved by the Shareholders on June 28, 2007, as amended on June 29, 2010, June 1, 2011, May 13, 2014, and May 10, 2017;

“**TSX**” means the Toronto Stock Exchange;

“**US**” means United States of America;

“**USD**” means US dollars;

“**well**” means a hole drilled into the ground to extract petroleum, natural gas and associated liquids; and

“**Well Servicing**” is the utilization of a service rig to perform workover services including, maintenance and completions services on a well.

Unless otherwise indicated, references herein to “$” or “dollars” are to CAD.

CORPORATE STRUCTURE

General

High Arctic is incorporated under the ABCA and commenced operations on June 29, 2007 as a successor of High Arctic Energy Services Trust. The Corporation amended its articles of incorporation to consolidate its outstanding Common Shares on a five for one basis on June 14, 2011.

The head office of the Corporation is at 2350, 330 – 5th Avenue SW, Calgary, Alberta T2P 0L4**.** The registered office of the Corporation is at Suite 1000 – 250 2nd Street SW Calgary, Alberta, Canada, T2P 0C1. The Corporation's telephone number is (403) 508-7836, the facsimile number is (780) 948-3058 and the website is www.haes.ca.

The Corporation is a reporting issuer in Alberta, British Columbia, Saskatchewan, Manitoba and Ontario. The Common Shares of High Arctic are listed on the TSX under the trading symbol "HWO".

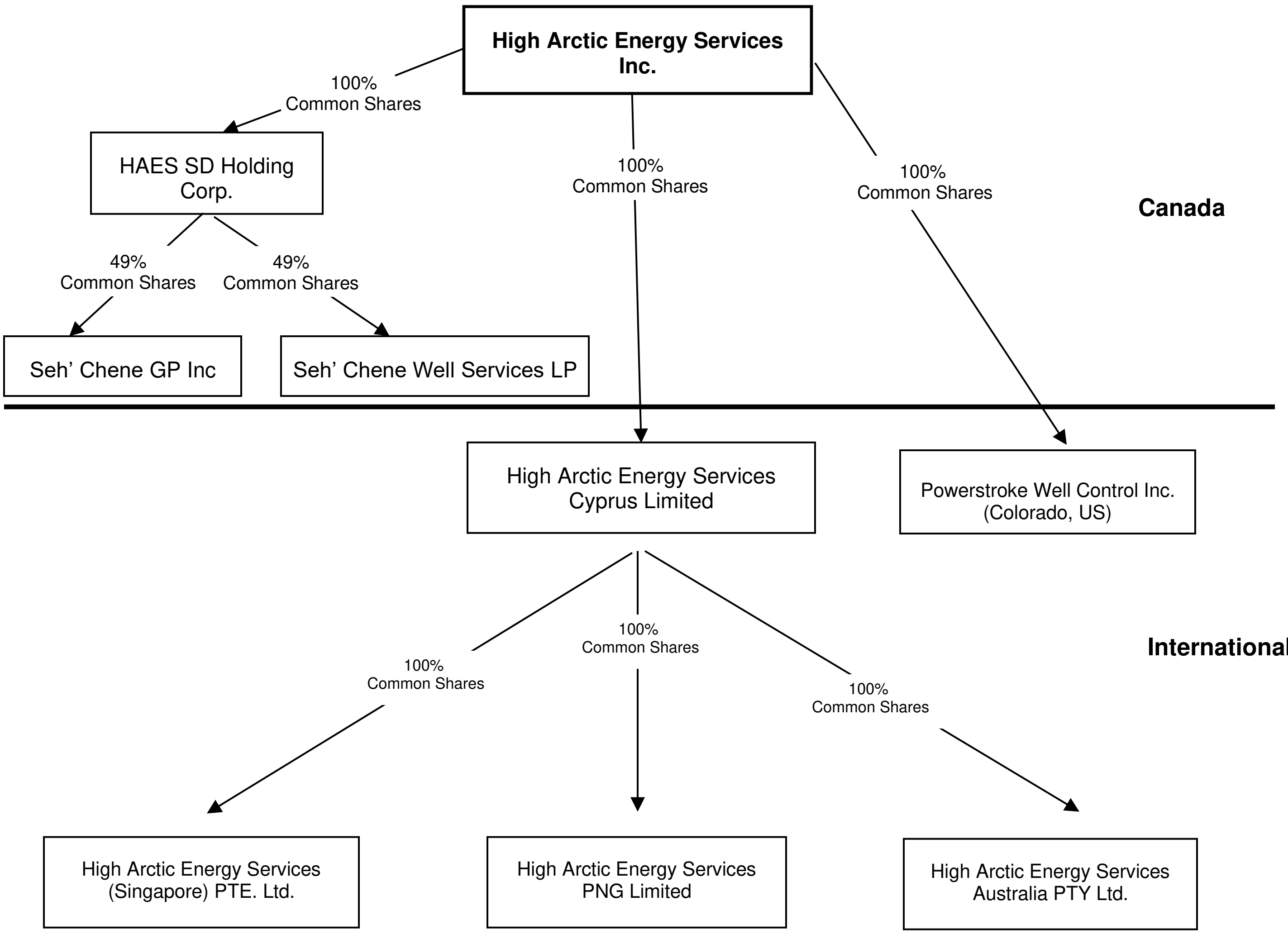
Inter-corporate Relationships

As at the date hereof, the subsidiaries of the Corporation actively carrying out business activities are set forth below:

Entity	Percentage of Voting Securities controlled (directly or indirectly) by High Arctic	Physical Location	Jurisdiction of Incorporation or Formation
High Arctic Energy Services Cyprus Limited	100%	Nicosia, Cyprus	Cyprus
High Arctic Energy Services PNG Limited	100%	Port Moresby, Papua New Guinea	Papua New Guinea
High Arctic Energy Services (Singapore) PTE. Ltd.	100%	Singapore	Singapore
High Arctic Energy Services Australia PTY Ltd.	100%	Brisbane, Australia	Australia
HAES SD Holding Corp	100%	Calgary, Canada	Canada
Seh' Chene Well Services Limited Partnership	49%	Calgary, Canada	Canada
Seh' Chene GP Inc.	49%	Calgary, Canada	Canada
Powerstroke Well Control Inc.	100%	Greeley, Colorado, US	US

Organization Structure of the Corporation

The following diagram sets out the relationship among the Corporation and its active subsidiaries:



GENERAL DEVELOPMENT OF THE BUSINESS AND THREE-YEAR HISTORY

High Arctic is an oilfield services company currently operating in PNG and Western Canada. In PNG, the product line consists of drilling services, workover services and equipment rental including rig mats, cranes, and oilfield related equipment. In Canada, the product line consists primarily of Well Servicing and Snubbing services, the supply of Cryogenic Liquid Nitrogen Pumping Services and equipment rentals. A description of each of High Arctic's services can be found below under "*Description of the Business"*.

Three-Year History

The following is a summary of the significant events in the development of High Arctic's business during the last three completed financial years.

2019:

In early 2019, extreme cold weather impacted well servicing operations resulting in lower operating hours although High Arctic generally maintained its market share in Canada. Expansion into new markets generated 1,584 hours of rig work in the US in the first quarter. Operations in PNG saw both Rigs 103 and 104 active and generating revenue throughout the first quarter.

The Chairman of the Board of High Arctic was recognized for his focus on trade and improving trade relationships between Canada and PNG in March, with his appointment as PNG Honorary Consul to Canada.

The Corporation acquired the assets of Precision Drilling's snubbing services business located entirely in Canada ("Precision Snubbing"). The acquisition closed in April 2019 and provided High Arctic with additional quality snubbing equipment and access to experienced personnel and crews. The purchase price of $8.25 million was settled in cash from cash on hand. The acquisition provided High Arctic with twelve additional marketed snubbing units as well as certain patent rights related to the design and configuration of stand-alone snubbing units and spare equipment.

High Arctic continued preservation of a strong capital structure characterized by no long-term debt and an extension of its Credit Facility to August 2021, with fewer covenants.

In August, Rig 104 was stacked in the customers forward base location awaiting notice of additional work, while Rig 103 and its Leapfrog Rig continued to operate for the rest of the year. Safety excellence was maintained in PNG with 3 years and 2 million man-hours "Total Recordable Incident Frequency" free attained in August and September respectively. This was maintained throughout the remainder of the year. Canadian operations achieved a 1-year "Lost Time Injury Free" record on the 25th of September with Cold Lake operations recording 6.2 years and 1.5 million manhours of Total Recordable Incident Free with Imperial Oil Limited ("IOL"). In May, High Arctic was awarded the International Association of Drilling Contractors – Australasian Chapter Land Contractor Safety Statistics Award for 2018, which High Arctic also won previously for 2017 and 2015.

A total of 1,397,247 common shares of the Corporation were purchased and cancelled in 2019 pursuant to the 2018 Normal Course Issuer Bid at a total cost of $5.1 million. In December 2019, the Corporation received approval from the TSX to acquire for cancellation up to 5 percent of the Corporation's issued and outstanding common shares under a Normal Course Issuer Bid ("the 2019 Bid"). As of December 31, 2019, there had been no purchases and cancellations pursuant to the 2019 Bid.

For the year ended December 31, 2019, the Corporation incurred $14.8 million in capital additions, disposed of various equipment for proceeds of $4.9 million, acquired the snubbing assets of Precision Drilling for $8.25 million and acquired three snubbing units from a competitor resulting in year to date $17.4 million of net cash used in investing activities.

2020:

Predictions for increased drilling activity in Western Canada in 2020, were supported by higher rig counts. In the US, our operational foothold had been bolstered by the deployment of additional equipment from Canada including Well

Servicing Rigs, and an increasing order book of work. In PNG, Rig 103 and its Leapfrog Rig continued to operate from 2019 into 2020 and were expected to operate throughout the year. A refurbishment of Rig 102 was well progressed, and discussions were underway with several customers for its future use.

On March 11, 2020 the World Health Organization declared a pandemic state resulting from the Covid-19 virus which impacted countries and economies throughout the world. Measures taken by governments around the world to contain the virus significantly restricted travel and drastically reduced demand for crude oil along with other products and services. This caused a dramatic slowdown in the global economy, market volatility and significant uncertainty. At the same time, the cooperation between the Organization of Petroleum Exporting Countries ("OPEC") and non-OPEC members, primarily Saudi Arabia and Russia, to manage global crude oil production levels broke down, resulting in a crisis and sudden significant decline in benchmark crude oil prices.

High Arctic's quick adjustment to the severe financial impact of Covid-19 together with commodity price pressure implications, resulted in measures to reduce certain cash outflows and position the Corporation to emerge from the crisis in a sound position, including:

- Change of leadership at executive levels within the Corporation and the establishment of a Board Executive Committee to provide oversight as the Corporation operates through the Covid-19 crisis and beyond.
- Significant reduction to our capital expenditure program, resulting in a capital spending reduction of 67% compared to 2019 spending of $14.8 million.
- The suspension of monthly shareholder dividends effective March 2020, decreasing cash outflows by $8.3 million compared to 2019.
- Downsizing of the workforce. Aside from the forced lay-off of hundreds of operations employees due to the shut down of revenue earning activity, a further workforce reduction of approximately 40% at executive, management and support personnel levels was made.
- Acceleration of changes to streamline and globalize processes under one management team and reduce fixed infrastructure costs was undertaken.
- A 20% director remuneration reduction took place and a review and reduction to executive and senior management base remuneration, and
- The drawdown of $10 million from the Corporation's $45 million Credit Facility.

In the lowest depths of the crisis during Q2-2020, High Arctic was able to maintain a core operation in Western Canada with its cornerstone customer, and pivot in PNG, where borders had been closed, to providing skilled and semi-skilled personnel along with some key equipment to assist its major customers to continue their essential operations. At the same time, we reached 7 years 'Total Recordable Incident Free' at our Cold Lake operations with our largest and longest standing Canadian customer and lifted our market share for well servicing in Canada. In the subsequent periods we extended or renewed contracts with many of our Canadian customers, most of which had implemented reduced rates.

High Arctic applied and qualified for several government programs – predominantly the Canadian Emergency Wage Subsidy ("CEWS"), which was utilized and assisted to ensure retention of a well-positioned and skilled workforce.

In Q3-2020, High Arctic reached two years 'Lost Time Injury Free' in Canada and was once again recognized by the IADC-AC with the 2019 Australasian Safety Statistics Award, the fourth such award in the past five years. With the continued challenges in the marketplace, we idled our operations in Colorado and North Dakota, and in early November 2020 we implemented a further streamlined global management and support structure, eliminating a further $1.0 million in annual indirect costs. With a mission to execute dependable high-quality energy services, focused on environmental stewardship, while creating opportunity for local Indigenous communities and individuals we established the Seh' Chene Partnership with the Saa Dene Group, led by internationally respected business leader and philanthropist, Mr. Jim Boucher, who was the Fort McKay First Nation's Chief for over 30 years.

During 2020, we renewed our Credit Facility and extended the term through to August 31, 2023. The maximum availability remains at $45.0 million, of which $10.0 million being drawn at year end, with similar covenants, margin requirements and conditions. A total of 1,137,100 common shares of the Corporation were purchased and cancelled in 2020 pursuant to the 2019 Normal Course Issuer Bid, at an acquisition price of $0.8 million. In December 2020, the

Corporation received approval from the TSX to acquire for cancellation up to 5 percent of the Corporation's issued and outstanding common shares under a new Normal Course Issuer Bid ("the 2020 Bid"). There were no shares purchased as at December 31, 2020 under the renewed 2020 Bid.

2021:

The Covid-19 pandemic continued into 2021. Governments around the world attempted to balance measures to contain the virus, including new and emerging virus variants, against the need to open economies. These measures, including intermittent lockdowns continued to impact global commercial activity, including reducing worldwide demand for energy, impacting High Arctic's business.

Improvements in the pandemic outlook led to resumption in air travels with easing of restrictions and corresponding increase in energy needs around the world, which resulted in oil prices stabilizing and then climbing as the year progressed. Benchmark indices including Brent Crude, WTI Crude, Western Canadian select, Alberta Natural gas all reached peaks not seen since the pre-pandemic period.

In PNG, a spike in Covid-19 cases that commenced in Q2-2021, resulted in travel bans imposed by its near neighbor countries, especially Australia for several months through the middle of the year. This ban resulted in the shutting down of the primary source of skilled expatriate PNG workers. The result for High Arctic being the continuous cessation of all drilling and exploration activities and the deferral of customers project activities.

In July the Corporation announced an agreement with a major multi-national customer in PNG to provide services for the abandonment of a complex legacy exploration well, and separately, the extension of its long-standing drilling services contracts with its cornerstone customer to August 2022. The year ended with Rig 115 assembling on site while operations commenced in January 2022 without incident.

There is optimism for PNG as the Corporation anticipates meaningful drilling activity for the coming years. An agreement was reached in 2022 between the Government of PNG and the PNG-LNG partners on terms for the P'nyang gas field development. PNG's development plan phases P'nyang after the Papua LNG project, which could result in nearly a decade of continuous construction activity adding three LNG trains and significant investment in the region. There is positive outlook for Canada too, as increasing demand for services and labour shortages experienced across the industry lead to supply tightening and improved pricing.

In Canada, the impacts of Covid-19 as well as labour shortages in the oil and gas services industry resulted in lower-than-expected operating hours in 2021. Early breakup saw a more active Q2-2021 than normal, however Canada continued to battle Covid19-outbreaks throughout 2021, with High Arctic experiencing meaningful site shutdowns during the second half of the year, enacting vaccination or negative-test requirements to minimise on site exposure. Despite Covid-19 headwinds, oil prices continued to rise driving up demand for oilfield services. High Arctic's activity remained steady throughout the year, hindered by Covid-19 outbreaks, soft activity levels with a key customer, and inability to crew equipment due to labour shortages. High Arctic maintained positive profitability margins, via increased revenue per hour and strong cost controls, which included a $2.5 million reduction in G&A expense in 2021 over 2020. The CEWs and Canada Emergency Rent Subsidy (CERs) programs ended on October 23, 2021, with these programs being replaced by new programs for the industries hardest hit by Covid-19, which High Arctic did not qualify for. High Arctic received government subsidies of approximately $3.3 million in 2021 ($6.3 million YTD-2020).

In October 2021, the Corporation announced a special one-time dividend payment of $0.20 dollars per share to holders of common shares and paid dividends of $9.7 million on November 5, 2021. In December 2021, the Corporation entered a mortgage arrangement with the Business Development Bank of Canada (BDC), for $8.1 million secured by lands and buildings owned and occupied by High Arctic within Canada ("Mortgage Financing") . The Mortgage Financing provided the Corporation with short term liquidity, and added to existing cash balances. The initial mortgage term is 5 years with a fixed interest rate of 4.30%, an amortization period of 25 years and is payable monthly. The existing Credit Facility with HSBC, which matures on August 31, 2023, was amended to accommodate the Mortgage Financing, reducing the availability from $45 million to $37 million and adding up to $5 million of account overdraft outside of the covenant requirements.

DESCRIPTION OF THE BUSINESS

Mission, Vision and Values

Mission Statement
Create superior value for investors through the delivery of dependable and innovative energy services consistent with the best interests of employees, customers and community.

Vision Statement
With a relentless focus on quality, be recognized as a trusted provider of energy services.

Core Value Statement

"Excellence in safety and service through exceptional leadership"
Exceptional leadership provides vision and inspires excellence that results in a safe environment, an ethical workplace, the highest quality of service, innovation, and efficient and profitable operations.

Overview

High Arctic provides oilfield services to exploration and production companies operating in Canada and PNG. High Arctic has organized its business into three operating segments: Drilling Services; Production Services; and Ancillary Services, supported corporately. For purposes of the summary below, only those segments with operating revenue are analyzed.

Revenue

	Year ended 31 December 2021		**Year ended 31 December 2020**	
	Revenue (thousands)	**% of Total Revenue**	**Revenue (thousands)**	**% of Total Revenue**
Drilling Services	$10,653	14%	$25,357	28%
Production Services	$55,440	73%	$57,853	64%
Ancillary Services	$12,274	16%	$9,407	10%
Inter-Segment Elimination	($1,925)	(3%)	($1,783)	(2%)
Total	**$76,442**	**100%**	**$90,834**	**100%**

Drilling Services

The Drilling Services segment consists of High Arctic's drilling services in PNG where the Corporation has operated since 2007. High Arctic currently operates the largest fleet of tier-1 heli-portable drilling rigs in PNG, with two owned rigs (Rigs 115 and 116) and two rigs (Rigs 103 and 104) managed under operating and maintenance contracts for one of the Corporation's key customers.

There are significant oil and natural gas reserves in PNG and the country has become a key energy exporter to the Asian LNG markets. A major investment in the oil and gas industry in PNG was the completion in 2014 of a liquefied natural gas project. Both primary participants in the project are customers of High Arctic. The project provides both liquefaction and storage facilities with a name plate capacity of 6.9 million tonnes per annum to Asian LNG consumers through long term agreements, however it has consistently produced at above nameplate since inception. 2021 saw a lot of delays in activity in PNG as a direct result of travel restrictions from the Covid-19 pandemic, leading to the drilling rigs being cold stacked for most of the year.

With the relaxing of travel restrictions demand for our equipment and services are expected to increase in 2022, LNG projects are also being considered by other operators within PNG with a gas agreement signed in April 2019 between

PNG and the proponents of the Papua LNG project for export of gas from the Antelope Field. The parties hope to move to a final investment decision on the planned two-train 5.6 million mt/year capacity Papua LNG project. ExxonMobil and its PNG-LNG partners have taken a final investment decision and kicked off work on gas development in the Angore gas field which will help backfill and maintain production at the 6.9 million mt/year Caution Bay LNG facility. In February 2022, the Government of PNG and the PNG-LNG partners announced the signing of a gas agreement for the development of the P'nyang gas field in the Western Province. Key terms include sequencing development to follow the Papua LNG project and third-party pipeline access for other stranded gas field discoveries through the west of the country.

Drilling Rig Fleet

The two owned heli-portable rigs, 115 and 116, were acquired in 2014 and became available for use in 2015 upon the completion of certain customer requested upgrades necessary to meet PNG's high international drilling standards. Each rig is a 1500 horsepower, AC electric, self-erecting rig that is designed to be broken down into 4500kg loads to allow for flexible helicopter, barge and land transport to areas with remote or limited access.

Rigs 103 and 104 are owned by one of High Arctic's key customers. These rigs have been operated and managed by High Arctic on behalf of its customer since 2007. Rigs 103 and 104 are also heli-portable 1500 horsepower, AC electric rigs.

Supporting Rigs 103 and 104 are two partial rig packages which are referred to as "Leapfrog" Rigs 103 and 104. These Leapfrog Rigs consist of a center rig section which is identical to the center rig section utilized in the complete Rig 103 and 104 rig packages. Where appropriate, these Leapfrog Rigs are utilized to advance the setup time at the next drilling location while drilling is completed by the main Rig 103 or 104 at its existing location. While drilling operations are ongoing at the existing location, the Leapfrog Rig is setup at the new location. Upon completion of drilling at the existing location, the remaining drilling rig components are moved to the new location which already has the center section of the Leapfrog Rig setup.

Rig camps are also provided as part of the rig packages for the rigs.

Contract for Services

Drilling Services are generally conducted under a daily rate contract where the Corporation charges a fixed rate per day depending on the activity being conducted. Such contracts generally have a daily operating rate while the equipment is operating and a reduced rate for other periods such as when the equipment is on standby waiting for orders or is moving between well locations but may include fixed fee or time-based compensation for the initial location of the drilling rig on the well site and its removal after release.

Under the Corporation's operations and management contracts for Rigs 103 and 104, High Arctic provides drilling services to the Corporation's key customer as well as other customers operating in PNG, for which the Corporation receives a daily drilling services rate. As compensation for the use of the rigs, the Corporation pays the customer a daily rig lease rate for the days the rig is utilized. The contracts for Rigs 103 and 104 are not take-or-pay and revenue is generated based on level of activity and services performed. In 2021, the contracts for Rigs 103 and 104 were extended up until August 2022, and the customer retains another option to extend for one year out to August 2023.

Each contract is negotiated between the parties, but standardized terms and conditions have been developed with our key customer over time. The main terms and conditions of each drilling contract are generally in line with the model IADC contract ("International Association of Drilling Contractors") as modified to reflect the conditions in PNG and include considerable detail related to the equipment and services provided by each party, standards of performance, indemnities for loss and risks and the applicable day rates, as well as containing standard terms and conditions commonly found in international oilfield services contracts.

A significant factor in determining the financial performance resulting under each contract is the level of activity at full operating rate as compared to lower rates that apply while moving, waiting on orders or while services are suspended with or without crews. The drilling program details such as the number, type and location of wells is not specified under the contract as the customer retains control and discretion over the activity. The Corporation is at risk for mechanical or other breakdown of the drilling rig or other equipment and compensation becomes “zero rate” after a short grace period. The remote location of the operations can have a significant impact on the time required to complete a repair. The Corporation manages the risk by maintaining an extensive inventory of spare parts and by having experienced technical personnel on site and in its field support bases.

Each contract has certain termination rights that can be invoked for failure to perform in accordance with the contract.

In aggregate, the total of the contracts for the drilling rigs operated in PNG accounted for approximately 14% of the Corporation’s revenue in 2021 (2020 – 28%). It is expected that in 2022, the PNG drilling revenues will make up a larger portion of the corporations’ revenue with increased activity. In January of 2022, mobilization of Rig 115 to site was completed and operations commenced. The Corporation expects additional drilling to occur in line with key customers project plans through 2023.

High Arctic attempts to mitigate the risk of loss of these contracts through its operational performance and experience operating in PNG’s challenging operational environment. A high level of operational integration also exists between the Corporation and its primary customer with respect to drilling activity.

Competition

Most wells drilled in PNG are currently completed with the use of a heli-portable drilling rig. This is due to the remote nature of drilling activities in PNG and the lack of suitable road infrastructure required to move traditional land-based drilling rigs. Due to High Arctic’s long-term experience and exceptional operational performance in PNG, the Corporation is currently the only active operator of heli-portable drilling rigs in PNG. Wells in PNG are expensive to drill by world standards which can limit the amount of drilling activity. As a result, there are relatively few active operators drilling wells at any time. To the Corporation’s knowledge, during 2021 there are two smaller older rigs in PNG, but they are not suitable for drilling operations similar to those completed by the Corporation. To the Corporation’s knowledge, none of these competitor drilling rigs have operated since 2015.

In addition to local competitors in PNG, the Corporation may also compete with other drilling contractors that operate heli-portable drilling rigs in the global oilfield services market. Due to the specialized nature of heli-portable drilling rigs, the size of the global heli-portable drilling rig fleet capable of drilling for oil and gas in PNG is limited. These rigs are generally operated by large multinational oilfield service companies who may have greater financial resources and operating assets than the Corporation. Most of these rigs are located and operated in South America and would require significant investment to relocate to PNG.

Certain areas with sufficient road infrastructure may be developed to support traditional land-based rigs. To the Corporation’s knowledge, there are currently two land-based rigs located in PNG capable of drilling wells typically completed in PNG. Due to higher mobilization costs associated with heli-portable drilling operations, the Corporation’s heli-portable rigs are typically utilized for remote access operations and as such do not compete in areas where traditional land-based rigs are more cost effective to utilize. Neither of these competitor rigs have operated since 2016.

The Corporation has established a position as a leading drilling contractor operating at high international standards in PNG. High Arctic has had a long-term relationship with one of the country’s most active operators and has also performed services for and established good relationships with the country’s other main operators.

The success and activity of the Corporation in PNG is dependent on its continued operational performance as well as the continued exploration and development plans of its customers. The Corporation’s primary customers in PNG are the most active operators in PNG, and PNG is a core part of their business activities.

Economic Dependence

During 2021, due to the cessation of drilling operation the Corporation had no customers in PNG with revenues greater than 10% of consolidated revenues (2020 – one customer). Sales to the largest customer in 2021 were approximately $6.0 million (7% of consolidated Corporation revenues) for the year ended December 31, 2021 (2020 - $20.7 million).

Production Services

The Production Services segment consists of High Arctic's Well Servicing and Snubbing operations. These operations are primarily conducted in the Western Canadian Sedimentary Basin ("WCSB") through High Arctic's fleet of Well Servicing rigs, operating as Concord Well Servicing, and its fleet of stand-alone and rig assist snubbing units. In addition, High Arctic also offers work-over services in PNG with its heli-portable work-over rig.

Well Servicing

High Arctic operates one of the largest service rig fleets in the WCSB. The Corporation's service rigs are used primarily for completions, maintenance, workovers, and abandonment services on producing oil and gas wells. Completion services prepare newly drilled wells for production and may include cleaning out, installing production tubing or downhole equipment. Workover services include major repairs or modifications to existing wells. Workovers are done to restore and enhance production in an existing producing well or plugging or abandoning a well. Well maintenance services are required to ensure continuous and efficient production of a producing well. These services include routine mechanical repairs or replacing damaged production tubing.

Service Rig Fleet

The table below shows the configuration of the Concord Well Servicing fleet as at December 31, 2021:

Size of Mobile Rig	Marketed	Total Owned
Single	25	30
Double	22	32
Slant	3	5
Total	**50**	**67**

Snubbing

Snubbing is the process of moving the tubing and drill pipe into and out of a wellbore under pressure. The ability of the producing formation to flow in a permanently pressure-controlled environment is a significant advantage in successfully addressing common production problems in fluid sensitive formations, low pressure reservoirs, naturally fractured reservoirs, and low permeability sandstone reservoirs. The largest activity of High Arctic's Snubbing operation is running production tubing to complete wells for production.

The Stand-Alone Snubbing System® was designed and developed by High Arctic in 1997 primarily to assist in the completion of shallow to medium natural gas wells without the need to have both a conventional service rig and a Rig Assist unit to perform Snubbing operations. The Stand-Alone Snubbing System® allows wells to be completed while eliminating the use of a conventional service rig and Rig Assist combination by providing all self-contained support equipment required for its operation. High Arctic has developed a proprietary load management system that allows work to be conducted on the well without the transfer of extra weight to the wellhead, in order to minimize ground disturbances and enable the Stand-Alone Snubbing System® to be free standing.

Snubbing Fleet

The table below shows the configuration of the Snubbing fleet as at December 31, 2021:

Type of Snubbing equipment	Marketed	Total
Stand Alone	5	15
Rig Assist	3	8
Total	**8**	**23**

Hydraulic Workover Rigs

Hydraulic Workover Rigs ("HWRs") are capable of the majority of workovers, completions, re-entries, abandonments, and Snubbing operations that are otherwise conducted with conventional draw work type service rigs in combination with Rig Assist units. The HWRs moves the tubular components in and out of the wellbore using hydraulic rams and slip assemblies. The Corporation owns one Heli-Portable Hydraulic Workover unit, Rig 102 in PNG.

Contract for Services

The Corporation's Well Servicing and Snubbing services are generally conducted under an hourly rate contract dependent upon the services being provided. The Well Servicing and Snubbing units used in well completions and workovers operate on a well-to-well, call-out basis where the customer calls for a unit to perform the required services on a particular well.

The Corporation generally signs master services agreements ("MSA's") that govern the terms of any work provided but does not specify or guarantee any level of work. In addition, it has several first call arrangements whereby the customer agrees to normally give High Arctic a first chance to perform the work but does not guarantee any level of work and may not be exclusive. The main terms and conditions of each MSA are or generally are in line with the model CAOEC contract and include basic detail related to the services provided by each party, indemnities for loss and risks and the applicable hourly rates, as well as containing standard terms and conditions common to oilfield services contracts. Well Servicing and Snubbing services are typically awarded based on an agreed upon bid sheet on a job-by-job basis. Take or pay contracts are not typically awarded in the industry.

The Corporation ordinarily seeks to limit its exposure to down hole risks, such as damage to the reservoir, blow outs, loss of hole and loss of equipment in the hole, other than limited liability in some instances for gross negligence. The customer also generally takes on the responsibility for well site reclamation and environmental damage associated with drilling fluids and pollution originating below the earth's surface.

Hydraulic Workover services in PNG are generally provided on a day rate basis on well-to-well, or multi-well programs.

Competition

The Well Servicing market in the WCSB is highly competitive with a few large competitors and many smaller competitors. At 31 December 2021, High Arctic's Concord service rig division competes against approximately 479 service rigs of varying design and capacity operating in the WCSB (source: CAOEC). Service rigs typically operate within a fairly close proximity to their home base and, therefore, the competition is more localized in nature and effectively limited to other service rigs based nearby.

Similar to the Well Servicing market, competition for Snubbing services is also quite competitive, however, due to the specialized nature of these services, there are a limited number of competitors.

High Arctic owns the only Hydraulic Workover Rig in PNG.

Ancillary Services

The Ancillary Services segment consists of High Arctic's oilfield rental equipment in Canada and PNG as well as its Canadian Nitrogen and compliance services. Revenues, net of intersegment activities, from Ancillary Services increased in 2021 to $12.2 million (2020 - $9.4 million) representing a 30% growth rate for the year.

Cryogenic Liquid Nitrogen Pumping Services

The Corporation delivers liquid nitrogen to clients using N_2 pumping units. N_2 is an inert gas that is non-corrosive and non-explosive and is used in place of air whenever a risk hazard assessment dictates. Nitrogen services were originally used primarily in support of underbalanced (Snubbing) operations; however, the Corporation's N_2 units are now widely used in the oil and natural gas industry. High Arctic's high-pressure Cryogenic Liquid Nitrogen Pumpers are used in applications such as fracturing, coil tubing clean out, purging pipelines, pressure testing vessels, and in the completion of oil and natural gas wells. Nitrogen is often pumped into the wellbore related to the underbalanced work to safely improve the recovery of introduced or produced fluids, while reducing the potential for damaging the formation.

The Cryogenic Liquid Nitrogen Bulkers are a trailer mounted storage tank that are used for transporting liquid nitrogen to the well sites for use in nitrogen pumping operations.

Nitrogen Fleet

The table below shows the configuration of the N_2 fleet as at December 31, 2021:

Type of Nitrogen Unit	Marketed	Total
Pumpers	5	12
Bulkers	2	5
Total	**7**	**18**

Equipment Rental Services

The Corporation has an extensive fleet of rental equipment in PNG and Canada. Its PNG rental fleet includes matting, cranes, forklifts, trucks, camps, pumps, generators, tanks, vehicles, and lighting towers. The Corporation's Canadian rental fleet primarily consists of high-pressure blowout preventers, boilers, lighting towers, hydraulic catwalks, and rig shacks. Rental of the Corporation's equipment is typically charged on a day rate basis.

Work Site Mats

The Corporation's work site mats are an environmentally friendly mat made of a high-density polyethylene composite suitable for a wide range of applications where a solid base and or ground protection is required for heavy equipment access. They are well suited for the difficult terrain in PNG where the conditions are often wet, boggy, and uneven. These mats are suitable for drilling, mining and civil activities including pipeline construction, plant construction and a base for camp facilities. At December 31, 2021, the Corporation had approximately 360 work site mats under contract in PNG and an additional 4,820 on hand. The Corporation has been actively pursuing opportunities to diversify our customer base in PNG and international markets for any uncontracted mats.

Competition

The Corporation competes with many service providers for its Ancillary Services. Other than the segment's fleet of specialized blowout preventers and boilers which are solely used in the oil and gas industry, its remaining fleet of rental equipment is capable of being utilized in other industries beyond oil and gas development. While this provides an expanded market, it also increases the number of potential competitors.

Due to the size of the market and remote operations, the Corporation faces less competition for its rental equipment in PNG. However, as the Corporation pursues alternative markets in PNG and internationally, it will face additional competition from other service providers operating in those markets.

The factors that will allow the Corporation to remain competitive in the markets for its Ancillary services are the Corporation's ability to supply the necessary equipment and services when required at competitive prices.

Seasonality

The Corporation's Canadian Production Services and Ancillary Services operations are seasonal in nature and are impacted by weather conditions that may hinder the Corporation's ability to access locations or move heavy equipment. The highest rate of activity in the industry is typically during the winter season, from November through March when frozen ground conditions allow for the movement of equipment in the field. The lowest period of activity is during spring breakup which commences with the thawing of the frozen winter ground around March until the completion of wet spring weather around June. During this period, wet ground conditions prevent the movement of heavy equipment.

High Arctic's inability to operate during any period has a higher impact on the results of its operations compared to some of its competitors who are able to deploy additional, potentially idle, equipment in the face of "catch-up" demand after the adverse operating conditions have subsided. The volatility in weather and temperature can create unpredictable activity and utilization rates, which can have a material adverse effect on the Corporation's business, financial condition, results of operations and cashflows. The Corporation has mitigated some of this risk through its international operations which are not as dependent on weather and do not have the same seasonality constraints as its Canadian operations.

Employees

At December 31, 2021, High Arctic had the following number of employees:

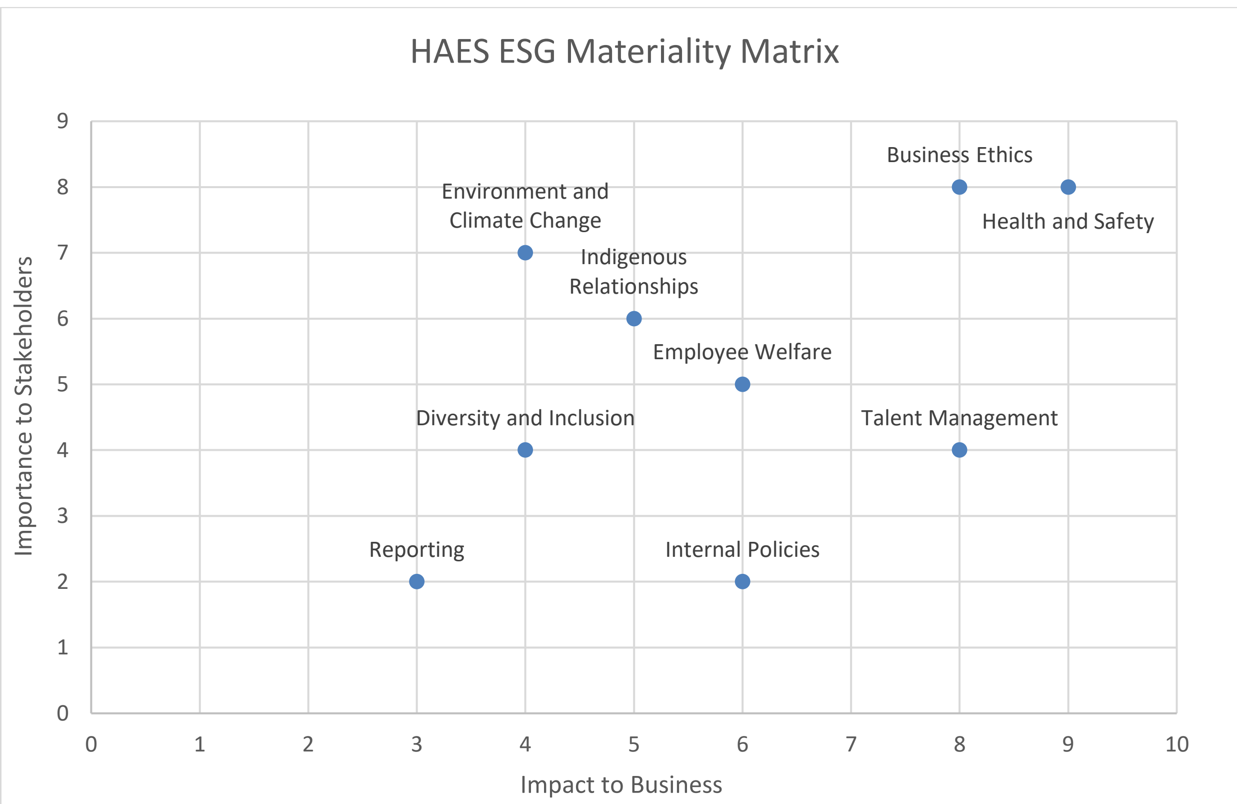
Operating Region	Number of Employees
PNG	154
Canada (including corporate administration)	325
Total	479

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

At High Arctic, we are committed to acting responsibly across our operations and advancing sustainable environmental, social and governance ("ESG") practices. We aim to align our ESG disclosures to maintain consistency with other ESG leaders, our industry, and our customers.

Materiality Assessment

The objective of the Materiality Assessment is to ensure that we address the issues and opportunities that are most material to High Arctic and our stakeholders, in 2021. We conduct the assessment using guidance from the Sustainability Accounting Standards Board ("SASB"), as a result we identified certain issues important to our stakeholders and defined their relative business impact in the matrix below:



On an annual basis, we review our materiality assessment and use data-driven analytics to understand and measure our performance levels, allowing us to set appropriate future targets and determine pathways to achieving them. In addition, we continue to review mandatory regulations, industry standards, and examine news and social media to develop a detailed view of current and evolving trends. We are committed to improving our corporate performance and communicating it transparently.

We recognize that each issue, taken in isolation, is of the utmost importance to certain stakeholders and key to the Corporation's success.

Environmental

Environment and Climate Change

High Arctic is committed to protecting the environment in compliance with environmental laws and regulations. We recognize climate change as an important global risk, and we actively monitor developments that have the potential to impact the way we conduct our business activity. We have implemented detailed procedures that comply with current environmental laws and regulations, including managing waste, spills and the uncontrolled release of hydrocarbons.

Commencing in 2022, our focus is to design and implement the strategies and tools necessary to monitor our energy usage and mix. This work will enable:

- formal and accurate reporting of our energy usage by each operating segment,
- the foundation for greenhouse gas calculations and reporting, and
- an ability to accurately measure the reduction of our environmental footprint resulting from our initiatives, such as introducing electric drive service rigs for which High Arctic has a proprietary design with patent pending.

While regulations and other governing enforcement standards continue to evolve, it will require us to challenge our thinking and supplement or replace equipment or change or discontinue existing methods of operations. As a result, we are motivated to reduce our carbon footprint across the scope of our operations and actively partner with our customers in their approach to better measure, control, and report emissions.

As an industry leader, we accept that our position requires us to assist our industry, customers, and communities in achieving safer, sustainable operations.

Social

Health and Safety

High Arctic Energy is committed to protecting the health and safety of our personnel, customers, and visitors. We value human life above all and will not prioritize profit over safety. No job is so urgent or important that the necessary steps for safety cannot be undertaken.

We promote a positive safety culture that improves human performance through visual leadership, proactive intervention, and competency. In addition, our training is specific to each role and based on the work systems that underpin the achievement of our health and safety objectives.

In 2019 we developed and introduced our online Document Management System (DMS) and Analytics. These platforms enable all worksites to access the necessary information that guides safe operations and use electronic applications (Apps) to capture the details of operational activity; including, but not limited to:

- Hazard and risk management,
- Incident reporting, notification and investigation,
- Equipment preventative maintenance and inspections,
- Corrective and improvement actions, their notification and progress tracking,
- Human Resource employee trends, and
- Operational performance.

As a result, we have experienced a consistent downward trend in our incident severity as the quality of information and its use by management improves.

Each quarter High Arctic's management presents QHSE results to the Board of Director's QHSE Committee. These meetings provide directors with the information needed to evaluate and govern QHSE strategies, outcomes and initiatives. The meetings also challenge management's implementation of a safe environment and ability for continuous improvement.

Employee Welfare

We have long acknowledged that employees that are well supported achieve positive results. Consequently, we support our employees and their families by supplementing medical, dental, vision and life insurance and long/short-term disability insurance plans.

Our employee and family assistance program provides practical help through qualified professionals and experts that offer counselling and advice for financial, health and other matters. In addition, the program provides immediate, confidential assistance to help employees find the right options and solutions to navigate life's challenges. High Arctic also offers vacation time options to support employee-specific quality-of-life needs, including family care and personal leave.

In 2021, we worked with industry experts to deliver a series of presentations aimed at improving the quality of life for our employees and their families:

- Finding Balance in Work and Home Life,
- Stress Relief - Tools & Techniques for Everyone,
- How Nutrition Impacts your Overall Health, and
- 75 Ways to Save on Household Expenses.

During the unprecedented challenges of operating in the Covid-19 environment, the presentations were well received and generated positive feedback through the Business.

Diversity and Inclusion

We believe that a diverse workforce enhances our long-term success. Diversity brings a vast range of experience and knowledge that can inform our engagement practices and positively shape our corporate culture, leading to improved acceptance of our presence in the communities where we work. Therefore, to benefit the communities where we work and strengthen our cultural values, we focus on hiring, retaining, and advancing underrepresented populations.

Our recent efforts have been focused in two areas:

1. expanding our methods to recruit and hire diverse talent, and
2. inspiring an inclusive and diverse culture.

Our dedication to the ongoing development of a respectful work environment built on the promise of equity and diversity encourages and enforces:

- a harassment-free and non-discriminatory workplace,
- respectful communication and cooperation between all employees,
- behaviour that respects individual differences and demonstrates mutual respect and consideration,
- teamwork and employee participation, allowing for the representation of all groups and employee perspectives,
- employer and employee contributions to the communities we serve, promoting a greater understanding and respect for its diversity,
- dealing with situations and complaints in a timely, sensitive, and confidential manner, and
- a culture that supports the reporting of all perceived incidents of discrimination or harassment without fear of retaliation.

Indigenous Relationships

High Arctic recognizes the history and diversity of Indigenous people. Our commitment is emphasized through our Seh' Chene partnership with the Saa Dene Group, led by internationally respected business leader and philanthropist Mr. Jim Boucher, former Chief of the Fort McKay First Nation's for over 30 years.

Our mission at Seh' Chene is to create opportunities for local indigenous communities and individuals focused on environmental stewardship while delivering dependable, high-quality energy services. We do this through ongoing engagement, employment, and mutually beneficial business opportunities. Find out more about Seh' Chene at the website https://sehchene.com.

Our history in Papua New Guinea is a testament to the value we place on the development of indigenous workers. Our PNG workforce comprises over 75% PNG Nationals, including the appointment of HR and Finance Managers and senior frontline supervisory and technical roles, including Electrical and Mechanical Tradesmen and Assistant Drillers in operations.

Talent Management

High Arctic engages high-performing, passionate people throughout the organization. We have implemented systems and processes that assist us in maintaining a well-trained, highly competent, and capable talent pool in field roles and the roles that contribute to operational success. In addition, we set annual goals and development targets for our Business and with each employee. Goals are implemented using a top-down approach to ensure that the message from our CEO is conveyed to each level of the Business in a manner that helps strengthen a culture of open feedback and communication and align all employees with the organization's vision, mission, and values.

Governance

Corporate Governance

The Board has oversight responsibilities for the corporate governance of High Arctic and its senior officers. Our Corporate Governance is the system by which the Corporation is directed and controlled to support a culture of integrity, compliance, and achievement of the Corporation's strategy.

High Arctic achieves this through the Board's self-reflection, independence, relationship oversight and effective process and tools. Integral to these oversight and monitoring responsibilities is the approval of the Code of Business Conduct, core governance policies, key governance standards, and the procedures management use to ensure adherence.

The Board has several committees, each with its own terms of reference. As of 31 December 2021, the committees are the Audit Committee; Governance and Nominating Committee; Remuneration Committee; Quality, Health, Safety and Environment Committee; and the Executive Committee. The Board and its committees frequently meet to fulfill their mandates and receive management reports on business outcomes and strategy.

Our Code of Business Conduct

At High Arctic, we are committed to conducting our business while upholding the highest ethical and business standards, no matter where in the world our business takes us. We commit to these standards both individually and collectively, even if maintaining such high ethical standards may result in a loss of business.

As we face daily and unique business challenges, our decisions and actions must be influenced by the highest sense of business and professional integrity. This commitment requires compliance with laws and requires that, employees, officers, and directors of High Arctic conduct business activities according to the Corporation's values and beliefs.

The success of our Business is reliant on delivering our services better than others. To establish or maintain market superiority, we must continually deliver on our promise with fewer variables and fewer errors. Therefore, our ability to identify risk through a systematic, whole of business approach, implement quality solutions and drive improvement through active measurement is fundamental to sustaining business success.

Our and Ethical Business Policy sets the expectation for employees' behaviour and standards of conduct at all levels of the business. The Code of Business Conduct is presented to every employee as part of the onboarding induction process.

Internal Policies and Governance Standards

We work proactively to ensure our workforce and the Board understand their obligations to uphold our standards and the law regarding ethics and compliance. We have developed internal corporate standards and policies, in addition to our code of business conduct, to guide our directors, officers, and employees in meeting their responsibilities to our shareholders, regulatory authorities, business partners and each other.

Key Internal Policies that underpin our governance are posted in prominent locations at our workplaces and made available online for employees and contractors. They include:

- Authorization for Expenditure,
- Drug and Alcohol,
- Ethical Business,
- Equity and Diversity,
- Quality,
- Environmental,
- Health and Safety
- Risk management

Governance Standards that form part of our Code of Business Conduct include:

- Anti-Bribery and Anti-Corruption
- Confidentiality and Intellectual Property
- Corporate Disclosure
- Employee Wellbeing
- Finance
- Information Technology
- Interpersonal Relationships
- Quality
- Business Travel
- Conflict of Interest
- Discrimination, Harassment & Bullying
- Environmental Sustainability
- Gifts, Donations and Sponsorships
- Insider Trading
- Risk Management
- Whistleblower

Reporting

According to our Whistleblower Standard, one of the key mechanisms through which suspected violations of our policies are reported is through our whistleblower hotline. We encourage our employees, consultants, service providers and other stakeholders to bring forward any concerns regarding suspected violations of our code, policies or standards, including those pertaining to High Arctic's accounting practices, audits, financial reporting, or internal controls. Such concerns may be raised with a supervisor, a member of our leadership team or through the whistleblower hotline.

Whistleblower hotline phone numbers and websites are published at work locations. This process is independently monitored and accessible in every country in which High Arctic operates. Whistleblower activity is under the oversight of the Audit Committee chairman.

Corporate Governance Material Available on Our Website

Our Corporate Governance Principals set forth our governing principles for an effective functioning Board. They are reviewed annually and are revised in response to changing governance practices and requirements. The Corporate Governance Principals, Code of Business Conduct, Board Mandate and Board Committee Terms of Reference are posted along with other governance related materials on the Corporate Governance section of our website at https://haes.ca/corporate-governance/

RISK FACTORS

The Corporation's business is subject to a number of risks and uncertainties, some of which are summarized below. Readers should carefully consider the risk factors set out below and consider all other information contained herein, and in the Corporation's other public filings prior to making an investment in the Corporation's Common Shares. If any such risks were to materialize, the Corporation's business, financial condition, results of operations, cash flows or prospects could be materially adversely affected. In turn, this could have a material adverse effect on the trading price of the Common Shares. The risks set out below are not an exhaustive list, nor should they be taken as a complete summary or description of all the risks associated with the Corporation's business and the oil and gas service business generally.

The success of the Corporation is dependent to a great extent on the health of the oil and natural gas industry in Canada and internationally which, in turn, is driven in large part by commodity prices. As a service provider to this industry, the Corporation is exposed to various risks, including:

- the Covid-19 situation with emerging variants and the ability for governments to successfully manage the virus, and the speed of resultant economic recovery associated with the return of freedom of movement, tourism and international trade; the inability to provide services caused by border restrictions, road or port closures or pipeline shut-ins, including as a result of pipeline companies suffering workforce disruptions or otherwise being unable to continue to operate;
- suppliers and third-party vendors experiencing workforce disruption or being ordered to cease operations;
- the implications of changes to government and government policy in Canada and other countries where High Arctic does business;
- Government and regulatory approval of our customers' projects;
- volatility in global supply and demand and market prices for oil and natural gas and the effect of these volatilities on the demand for oilfield services generally;
- uncertainties in weather affecting the ability to provide services at all and/or the duration of the service periods and the activities that can be completed, including the seasonality that affects industry activity in Canada;
- changes in legislation and the regulatory environment, including uncertainties with respect to royalty regimes, environmental initiatives, and provincial production limitations;
- alternatives to and changing demands for petroleum products;
- the worldwide demand for oilfield services in connection with the workover and completion of oil and natural gas wells;
- general economic and political conditions in Canada and Southeast Asia including variations in currency exchange rates, interest rates and income tax rates;
- liabilities and risks inherent in oil and natural gas operations, including environmental liabilities and risks arising below ground surface;
- credit risks associated with customers in the oil and natural gas industry, including the inability of a significant customer to pay for goods and services that have been provided; and
- risks inherent in foreign operations, including political, economic risk and the risk of foreign currency controls that could restrict the transfer of funds in or out of countries in which the Corporation operates or result in the imposition of taxes on such transfers.

These factors may have an impact upon the Corporation's customer base which, in turn, would impact the Corporation's business prospects. The following provides a further description of the risks associated with the Corporation's business and the oilfield services business in general. This list should not be taken as an exhaustive list, nor should it be taken as a complete summary or description of all the risks associated with the Corporation's business.

Volatility of Industry Conditions

The demand, pricing and terms for the Corporation's services depend significantly upon the level of expenditures made by oil and gas companies on exploration, development, and production activities. Expenditures by oil and gas companies are typically directly related to the demand for, and price of, oil and gas. Generally, when commodity prices and demand are predicted to be, or are relatively high, demand for High Arctic's services is high. The converse is also true. Historically, oilfield services companies are more sensitive to crude oil price volatility compared to companies doing exploration and production.

The prices for crude oil and gas have fluctuated widely during recent years and may continue to be volatile in the future. Crude oil prices have decreased significantly since mid-2014 and have fluctuated in response to a variety of factors beyond High Arctic's control, including: global energy supply, production and policies, including the ability of OPEC to set and maintain production levels in order to influence or control prices for oil; oil and gas production by non-OPEC countries; the level of consumer demand; political conditions, including the risk of war involving producer countries, hostilities in the Middle East and global terrorism; global and domestic economic conditions, including currency fluctuations; cost of exporting, producing and delivering oil and gas; technological advances affecting energy consumption; weather conditions; the effect of world-wide energy conservation and greenhouse gas reduction measures and the price and availability of alternative energy sources; government policy and regulations; and ongoing fluctuations in demand precipitated by the global Covid-19 pandemic.

2021 saw a recovery in oil and gas prices from the pandemic lows of 2020, as a result of returning energy demand accompanying the relaxation of travel restrictions with the roll out of the Covid-19 vaccines, the removal of nuclear power stations from service in Germany and elsewhere, and the inability of renewable sources to meet the expanding needs. The price growth was countered to a small degree through the agreement by OPEC and Russia to modestly increase crude oil production by 400,000 barrels per day each month until previous production cuts undertaken in 2020 are fully reversed. This return to pre-pandemic supply levels should occur by the third quarter of the 2022-year and result in a tightening of the supply and demand gap in the global market.

In February 2022, Russian forces attacked Ukraine resulting in higher geopolitical tensions, increase sanctions on Russia, and an increase to global oil prices. It is uncertain at this point in time how the resulting rise in geopolitical risks will impact the global oil and gas industry as well as the Corporation going forward.

In addition to current and future oil and gas prices, the level of expenditures made by oil and gas companies are influenced by numerous factors over which the Corporation has no control, including but not limited to: general economic conditions; the cost of exploring for, producing and delivering oil and gas; the discovery rates of new oil and gas reserves; cost and availability of drilling equipment; availability and expected availability of pipeline and other oil and gas transportation capacity; North American natural gas storage levels; demand for heating and cooling; availability and pricing of alternate energy sources; taxation and royalty changes; government regulation; environmental regulation; ability of oil and gas companies to obtain credit, equity capital and/or debt financing; and currency fluctuations in the jurisdiction where we operate. A further decline in expenditures by oil and gas companies caused by the fluctuations in and uncertainly regarding crude oil pricing and continued low natural gas prices or otherwise, could have a material adverse effect on High Arctic's business, financial condition, results of operations and cash flows. Conversely a sustained recovery and increase in oil and gas prices could drive a material improvement in demand for and pricing of High Arctic's services. Such recoveries create a business risk to the Corporation as well, including the need to ensure appropriate levels of operating and support personnel are available to the organization to allow for the continuation and growth of quality service to our customers and appropriate returns to our shareholders.

Pipeline Constraints and Energy Industry Uncertainty

Uncertainties that exist within the Canadian oil and gas industry are ongoing. Industry activity continues to be muted due to a significant differential for Western Canadian Select and other crude grades to WTI and other benchmark North American oil prices, which is a disincentive for long-term capital investments in the country. This is as a result of the surplus of oil production in Western Canada relative to the takeaway capacity caused by pipeline constraints. Production limits were introduced in January 2019 to align production with export capacity, protecting the value of Western Canadian oil by helping prevent Canadian crude from selling at large discounts. The limits were intended as a short-term measure, but ongoing delays and cancellation of pipeline projects saw monthly oil production limits remain in effect until December 2020. The curtailment policy was allowed to expire in December 2021 as oil production had reached pre-pandemic levels but remained within export capacity and storage levels are expected to remain within normal range of operations. The major change was Enbridge's line 3 coming online and expectations for the Trans Mountain expansion to come online in early 2023.

In January 2021, the new US presidential administration cancelled the permit allowing the Keystone XL pipeline to cross the border from Canada into the US, removing one of the possible pathways to market surplus Western Canadian oil. During 2021 the state government of Michigan renewed attempts to shut down Enbridge Line 5, which transports up to 540,000 bpd. There will continue to be uncertainty until government policy and action provides definitive support. Until then, the WCS to WTI differential will continue to erode the ability for producers (our customers) to continue to operate at their potential in the Canadian marketplace.

Reliance on Key Personnel

The success of the Corporation is dependent upon its key personnel. Any loss of the services of such persons could have a material adverse effect on the business and operations of the Corporation. The Corporation's ability to provide reliable and quality services is dependent on its ability to hire and retain a dedicated and quality pool of employees.

The Corporation strives to retain employees by providing a safe working environment, competitive wages and benefits, and an atmosphere in which all employees are treated equally regarding opportunities for advancement. The unexpected loss of key personnel or the inability to retain or recruit skilled personnel could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Dependence on Major Customers

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 ongoing services to two large multinational/regional customers who accounted for approximately 32% of the Corporation's revenue in 2021. The Corporation has historically had a stable relationship with these customers, however, there can be no assurance that the Corporation's relationship with the customers will continue. A significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, may have a material adverse effect on the Corporation's business, results of operations, financial conditions, and cash flows. The Corporation constantly strives to win new business and commit to contracts to reduce its reliance on specific customers.

Excess Equipment Levels in the Industry

Due to the long-life nature of oilfield service equipment and the long delivery time for equipment being manufactured, the quality of equipment available does not always correspond with the demand for its use. Periods of high demand often lead to increases in capital expenditures, which in turn lead to increased supply and decreased demand. Such increases in supply often lead to downward pricing pressures across the industry which could materially impact the Corporation's profitability. Additionally, the Corporation could fail to secure sufficient work in which to employ its equipment, which could have a material adverse effect on the Corporation's business, results of operations, financial conditions, and cash flows.

Competition

The oil and gas services industry is highly competitive and the Corporation competes with a substantial number of companies which may have more equipment and personnel as well as greater financial resources. The Corporation's ability to generate revenue and earnings depends primarily upon its ability to win bids in competitive bidding processes and to perform awarded projects within estimated times and costs. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of products and services that compete with those of the Corporation or that new or existing competitors will not enter the various markets in which the Corporation is active. In certain aspects of its business, the Corporation also competes with several small and medium-sized companies, which, like the Corporation, have certain competitive advantages such as low overhead costs and specialized regional strengths. In addition, reduced levels of activity in the oil and natural gas industry can intensify competition and may result in lower revenue for the Corporation.

Safety Performance

Standards for the prevention of incidents in the oil and natural gas industry are governed by service company safety polices and procedures, accepted industry safety practices, customer specific safety requirements and health and safety legislation. Safety is captured in our Health Safety Policy, which states that we value human life above all, and will not prioritize profit over safety. No job is so urgent or important that the necessary steps for safety cannot be undertaken. Many customers consider safety performance a key factor in selecting oilfield service providers. Deterioration of the Corporation's safety performance could result in a decline in the demand for the Corporation's services and could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Operational Risk and Insurance

The Corporation's operations are subject to operational risks inherent in the oil and natural gas industry. These risks include equipment defects, malfunction and failures, human error, natural disasters, vehicle accidents, explosions, and uncontrollable flows of natural gas or well fluids that can cause personal injury, loss of life, suspension of operations, damage to formations, damage to facilities, business interruptions and damage to or destruction of property, equipment and the environment. These risks could expose the Corporation to substantial liability for personal injury, wrongful death, property damage, loss of oil and natural gas production, pollution, and other environmental damages. The frequency and severity of such incidents will affect operating costs, insurability and relationships with customers, employees, and regulators.

Although the Corporation contractually limits and excludes certain potential liabilities and maintains insurance coverage that it believes is adequate and customary for a contractor in the oilfield services industry, there can be no assurance that such insurance will be adequate to cover the Corporation's future liabilities. In addition, there can be no assurance that the Corporation will be able to maintain adequate insurance at rates it considers reasonable and commercially justifiable.

The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits maintained by the Corporation, or a claim at a time when the Corporation is not able to obtain adequate insurance, could have a material adverse effect on the Corporation's ability to conduct normal business operations and on its financial condition, results of operations and cash flows.

Risks Applicable to the Corporation's International Activities

The Corporation operates in international locations, including PNG, which displays characteristics of an emerging market. The Corporation's international operations are subject to special risks inherent in doing business outside Canada. These risks can involve matters arising out of the policies of foreign governments, imposition of special taxes or similar charges by government bodies, restrictions on carrying on business or the revocation or non-issuance of licenses to carry on business by a foreign government, foreign exchange fluctuations and controls, civil disturbances, including landowner disputes, and deprivation or unenforceability of contract rights or the taking of property without fair compensation. Foreign properties, operations and investments may be adversely affected by local political and economic developments, including nationalization, laws affecting foreign ownership, government participation, royalties, duties, rates of exchange, exchange controls, currency fluctuation, taxation and new laws or policies as well as by laws and policies of Canada affecting foreign trade, investment, and taxation.

Furthermore, it is important for the Corporation to maintain good relationships with the governments in the countries in which it operates. The Corporation may not be able to maintain such relationships if the governments of these countries change. Democracies, by their very nature, involve government change from time to time and changes to governing parties and the policies of governing parties can impact the Corporation at an industry, resource development and business level. Certain regions in which the Corporation may conduct operations have been subject to political and economic instability. The Corporation's operations are subject to government legislation, policies and controls relating to environmental protection, taxes, and labour standards. To attempt to mitigate these risks, the Corporation employs personnel with extensive experience in the international marketplace, supplemented with qualified local staff. Management is unable to predict the extent or duration of these risks or quantify their potential impact.

Further, in our main international location, PNG elected a new minority government in July 2017. In May 2019 this governing coalition was removed from office when key ministers defected and formed a new coalition which has governed with regular changes to ministers and coalition partners in the period since, and the ability for this or any, coalition to continue is unknown. The next national elections will take place in the middle of 2022, which all adds to the complexity applicable to doing business in PNG.

Since the Corporation derives a material portion of its revenues from its subsidiaries incorporated outside Canada, the payment of dividends or the making of other cash payments or advances by these subsidiaries to the Corporation may be subject to restrictions or controls on the transfer of funds in or out of these countries or result in the imposition of taxes on such payments or advances. In addition, since the Corporation's international activities are governed by foreign laws, in the event of a dispute, the Corporation may be subject to the exclusive jurisdiction of foreign courts and the application of foreign laws or may not be successful in subjecting foreign persons to the jurisdiction of Canadian courts.

In PNG, the Bank of PNG policy continues to encourage the use of the local market currency in PNG, kina. Due to High Arctic's requirement to transact with international suppliers and customers, High Arctic has received approval from the Bank of PNG to continue to maintain its USD account within the conditions of the Bank of PNG currency regulations. The Corporation continues to use PNG kina for local transactions when practical. Included in the Bank of PNG's conditions is for future contracts to be settled in PNG kina, unless otherwise approved by the Bank of PNG for the contracts to be settled in USD. The Corporation has historically received such approval for its existing contracts with its key customers in PNG. The Corporation will continue to seek Bank of PNG approval for future customer drilling contracts to be settled in USD on a contract-by-contract basis, however there is no assurance the Bank of PNG will continue to grant these approvals. If such approvals are not received, the Corporation's PNG drilling contracts will be settled in PNG kina which would expose the Corporation to exchange rate fluctuations related to the PNG kina. In addition, this may delay the Corporation's ability to receive USD which may impact the Corporation's ability to settle USD denominated liabilities and repatriate funds from PNG on a timely basis.

In addition to the approval from the Bank of PNG to maintain a USD account in PNG and maintain the Corporation's contracts in USD, the Corporation is also required to receive a tax clearance certificate from the Internal Revenue Commission in order to make payments to non-resident suppliers and disbursements such as intercompany dividends out of PNG. Other than the processing time to receive these certificates, the Corporation has not experienced issues receiving these certificates in the past. The Corporation intends to repatriate excess funds from PNG consistent with past practices as approval is received from the Bank of PNG and the Internal Revenue Commission.

Government Regulation and Anti-Bribery Laws

The operations of the Corporation in Canada, PNG and elsewhere are subject to a variety of federal, provincial and local laws, regulations, and guidelines, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment, the operation of equipment used in its operations and the transportation of materials and equipment it provides for its customers. Such laws or regulations are subject to change and may have a material impact to the Corporation's operations or costs to comply with changes to such laws or regulations in the future. Accordingly, it is impossible to predict the cost or impact that such laws and regulations may have on the Corporation or its future operations.

The Corporation's obligation to comply with laws and regulations also includes those involving bribery and anti-corruption. High Arctic currently operates in Canada and PNG and may expand its operations to other international locations in the future. In the course of the Corporation's operations, High Arctic personnel may be required to interact with certain government and foreign officials from time to time. The Corporation has controls, policies, procedures, and training that mandate the compliance with these laws and regulations, however there can be no assurance that employees or consultants will not violate these controls, policies, and procedures. Any alleged violation of these laws and regulations could disrupt the business and cause High Arctic to incur significant costs to investigate any alleged breach. If High Arctic was found to be in contravention with these laws and regulations, severe civil and criminal penalties and other sanctions could materially harm their reputation, business, result of operations, financial conditions, and liquidity.

Sources, Pricing and Availability of Equipment and Equipment Parts

The Corporation sources its equipment and equipment parts from a variety of suppliers which are located throughout the world. Failure of suppliers to deliver supplies and materials in a timely and efficient manner would be detrimental to the Corporation's ability to maintain levels of service to its customers. The Corporation is also dependent on the technical services of other parties for certain parts and services. High Arctic attempts to mitigate this risk by maintaining good relations with key suppliers. However, if the current suppliers are unable to provide the supplies and materials, or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of services to our clients could have a material adverse effect on our results of operations and our financial condition.

Climate Change, Natural Disasters and Environmental Regulations

The effects of climate change, including physical and regulatory impacts, could have a negative impact on our operations and the demand for oil and natural gas. Laws, regulations or treaties concerning climate change or greenhouse gas emissions, including incentives to conserve energy or use alternate sources of energy, can have an adverse impact on the demand for oil and natural gas, which could have a material adverse effect on High Arctic. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in the imposition of material fines and penalties. Natural disasters may result in delays or cancellation of some of our customer's operations or could increase our operating costs (such as insurance costs), which could have a material adverse affect on our business and operating results.

Canada and PNG are signatories to the Paris Agreement drafted at the United Nations Framework Convention on Climate Change in December 2015. It is not possible at this time to predict the effect of the Paris Agreement and climate related legislation or whether additional climate-change legislation, regulations or other measures will be adopted at the federal, state, provincial or local levels in Canada and PNG. Concerns about climate change have resulted in a number of environmental activists and members of the public opposing the continued exploitation and development of hydrocarbons which has influenced investors' willingness to invest in the oil and gas industry. In recent times, there has been a movement to hold governments and oil and natural gas companies responsible for climate change through climate litigation. In November 2021, countries worldwide met in Glasgow as part of the COP 26 global climate summit to discuss the impacts of climate change with the goal to limit temperature rise to 1.5 degrees Celsius. Further efforts by governments and non-governmental organizations to reduce greenhouse gas emissions are apparent, which may reduce growth in demand for oil and natural gas and ultimately in time, if successful, reduce consumption of oil and natural gas. To the extent that certain institutions implement policies that discourage investments in our industry, it could have an adverse effect on our financing costs and our access to liquidity and capital.

Additionally, if our reputation is adversely affected by criticism of the oil and gas industry, it could undermine shareholder confidence or public support for our business. Although the Corporation is not a large producer of greenhouse gases, mandatory emissions reductions may result in increased operating costs and capital expenditures for oil and natural gas producers, thereby decreasing the demand for the Corporation's services. Given the evolving nature of the debate related to climate change and control of greenhouse gases and resulting requirements, the Corporation is unable to predict the impact of current and pending emissions reduction legislation on the Corporation and its customers and it is possible that such impact would have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. The Corporation is pro-active in its approach to environmental concerns. Generally, industry acceptable contracts in Canada for both drilling and well servicing, provide a clear division of responsibilities relating to the foregoing between oilfield service companies and the customer.

Due to these foregoing climate change risks, we have been and continue to use our know-how to develop ways to assist our customers to reduce their greenhouse gas emissions through the provision of our services. The Corporation did not incur any material expenditure in the past year as a result of environmental protection requirements, nor does it anticipate environmental protection requirements to have a material financial or operational impact on the capital expenditures, earnings, or competitive position of the Corporation in 2022.

Pandemic Risk

Global Crude prices exited 2021 rising as crude markets continue their path to recovery in the wake of the Covid-19 pandemic. 2021 saw widespread vaccine rollouts and lifting of demand-disrupting lockdown measures, causing a surge in economic activity, and driving crude demand back up. Notwithstanding this, there remains significant uncertainty related to the pandemic.

The outbreak of epidemics, pandemics, and other public health crises in geographic areas in which we have operations, suppliers, customers, or employees, including the global outbreak of the Covid-19 pandemic, may increase our exposure to, and magnitude of, each of the risks identified herein, resulting from a reduction in demand for crude oil and natural gas consumption and/or lower commodity prices. Our business, financial condition, results of operations, cash flows, reputation, access to capital, cost of borrowing, access to liquidity, ability to fund dividend payments and/or business plans may without limitation, be adversely impacted as a result of:

- The delay or suspension of work due to workforce disruption or labour shortages caused by workers becoming infected with Covid-19, or government or health authority shelter in place orders, quarantine orders, mandated restrictions on travel by workers or closure of facilities, workforce camps or worksites;
- Suppliers and third-party vendors experiencing similar workforce disruption or being ordered to suspend operations;
- Reduced cash flows resulting in less funds from operations being available to fund our capital expenditure;
- Counterparties being unable to fulfill their contractual obligations to us on a timely basis or at all;
- The capabilities of our information technology systems and the potential heightened threat of a cybersecurity breach arising from the increased number of employees working remotely;
- Our ability to obtain additional capital including, but not limited to, debt and equity financing being adversely impacted as a result of unpredictable financial markets, foreign currency exchange rates, commodity prices and/or a change in market fundamentals; and
- An overall slowdown in the global economy, political and economic instability, and civil unrest.

Given the dynamic nature of the events related to the Covid-19 pandemic, we cannot reasonably estimate the period of time that the ongoing pandemic and related market conditions will persist, the full extent of the impact they will continue to have on our business, financial condition, results of operations or cash flows or the pace or extent of the subsequent recovery. The Corporation will continue to monitor the situation and may take actions that alter its operations as may be required by federal, state, or local authorities or that the Corporations determines are in the best interests of its employees, customers, partners, suppliers, shareholders, and stakeholders. Any such alterations or modifications could cause substantial interruption to the Corporation’s operations, any of which could have a material adverse effect on the Corporation’s operations or financial results.

Financing Risk

The Corporation is exposed to risk associated with access to equity capital and debt financing required for business needs and the risk that necessary capital cannot be acquired on a timely basis, on reasonable terms to the Corporation, or at all. The covenants and security granted under the Credit Facility could limit its ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise. Where additional financing is raised by the issuance of Common Shares or securities convertible into Common Shares, control of the Corporation may change, and shareholders may suffer dilution to their investment.

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 continually monitor its financial resources to provide sufficient liquidity to meet its liabilities when due. The Corporation’s processes for managing liquidity risk include preparing and monitoring capital and operating budgets, coordinating, and authorizing project expenditures, and authorization of contractual agreements. The Corporation seeks to manage its financing based on the results of these processes.

Third Party Credit Risk

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

The Corporation views the credit risks on these amounts as normal for the industry. The carrying amount of accounts receivable represents the maximum credit exposure on this balance. During times of weak economic conditions, the risk of increased payment delays and default increases due to reductions in customers’ cash flows. Failure to collect accounts receivable from customers could have a material adverse effect on the Corporation’s business, financial condition, results of operations and cash flows. High Arctic generally grants unsecured credit to its customers; however, it evaluates all new customers, as appropriate, and analyzes and reviews the financial health of its current customers on an ongoing basis.

The Corporation has a wide range of customers comprised of small independent, intermediate, and large multinational oil and gas producers. Management has assessed the customers as creditworthy and the Corporation has had no history of collection issues with its customers, however, the inability for the Corporation’s customers to meet their financial obligation to the Corporation could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Seasonality

In Canada, the level of activity in the oilfield services industry is influenced by seasonal weather patterns. Extreme cold has led to customers occasionally shutting down well servicing activities for brief periods of time approximately a week in duration. Spring break-up leaves many secondary roads temporarily incapable of supporting the weight of heavy equipment particularly during the second quarter, which results in severe restrictions in the level of oilfield services. The duration of this period will have a direct impact on the level of the Corporation’s activities. Spring break-up occurs earlier in the year in south-eastern Alberta than it does in northern Alberta and British Columbia. The timing and duration of spring break-up is dependent on weather patterns, but it generally occurs in April and May. Additionally, if an unseasonably warm winter prevents sufficient freezing, the Corporation may not be able to access well sites and its operating results and financial condition may therefore be adversely affected. The demand for oilfield services may also be affected by the severity of the Canadian winters. In addition, during excessively rainy periods, equipment moves may be delayed, thereby adversely affecting revenues. The volatility in the weather and temperature can therefore create unpredictability in activity and utilization rates, which could have a material adverse effect on the Corporation’s business, financial condition, results of operations and cash flows.

Foreign Exchange Rate 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 transacted in USD and the Corporation does not actively engage in foreign currency hedging.

For the year ended December 31, 2021, a $0.10 change in the value of the Canadian dollar relative to the USD would have resulted in a change of $0.56 million to net loss for the year as a result of changes in foreign exchange.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Corporation considers acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Corporation's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Corporation.

The integration of acquired businesses may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets are periodically disposed of, so that the Corporation can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Corporation, if disposed of, could realize less than their carrying value in the financial statements of the Corporation.

Technology Risks

The ability of the Corporation to meet customer demands in respect of performance and cost will depend upon continuous improvements in operating equipment. There can be no assurance that the Corporation will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. Failure by the Corporation to do so could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. No assurances can be given that competitors will not achieve technological advantages over the Corporation.

Further, we rely heavily on information technology systems and other digital systems to operate our business. Threats to information technology systems associated with cybersecurity risks and cyber incidents or attacks continue to grow and are increased by the growing complexity of our information technology systems. Cybersecurity attacks could include, but are not limited to, malicious software, attempts to gain unauthorized access to data and the unauthorized release, corruption or loss of data and personal information, account takeovers, and other electronic security breaches that could lead to disruptions in our critical systems.

Other cyber incidents may occur as a result of natural disasters, telecommunication failure, utility outages, human error, design defects, and unexpected complications with technology upgrades. Risks associated with these attacks and other incidents include, among other things, loss of intellectual property, reputational harm, leaked information, improper use of our assets, disruption of our and our customers’ business operations and safety procedures, loss or damage to our data systems, unauthorized disclosure of personal information which could result in administrative penalties and increased costs to prevent, respond to or mitigate cybersecurity events. Although we monitor our information technology systems for threats, cybersecurity attacks and other incidents are evolving and unpredictable. The occurrence of such an attack or incident could go unnoticed for a period of time. Any such attack or incident could have a material adverse effect on our business, financial condition results of operations and cash flow.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and alternative energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. The Corporation cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Corporation’s business, financial condition, results of operations and cash flows.

Significant Shareholders

The Corporation has one Shareholder that directly or indirectly has the ability to control the votes to approximately 45% of the issued and outstanding Common Shares at December 31, 2021 and, as such, may be in a position to significantly influence the outcome of actions requiring Shareholder approval.

Internal Control Deficiencies

Senior management personnel have conducted reviews and designed and developed processes to ensure that internal controls are established and adhered to. Based upon their evaluation of the internal controls, the Chief Executive Officer and Chief Financial Officer have satisfied themselves that the internal controls are effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. However, the Corporation's potential inability to successfully address potential material weaknesses in internal controls or other control deficiencies may affect its ability to report its financial results on a timely and accurate basis and to comply with disclosure and other requirements.

Dividends

The amount of future cash dividends paid by the Corporation will be subject to the discretion of the Board and may vary depending on a variety of factors and conditions existing from time to time, many of which will be beyond the control of the Corporation. These factors and conditions include fluctuations in capital expenditure requirements, debt service requirements, restrictions imposed on the Corporation by its lenders, operating costs, foreign exchange rates and the satisfaction of the liquidity and solvency tests imposed by applicable corporate law for the declaration and payment of dividends. There can be no assurance that the Corporation will pay dividends in the future.

Dilution

High Arctic may make future acquisitions or enter into financings or other transactions involving the issuance of securities of High Arctic which may be dilutive.

Volatility in Market Price of Common Shares

The market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Corporation's control, including the following: (i) actual or anticipated fluctuations in High Arctic's financial results; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other companies that investors deem comparable to High Arctic; (iv) the loss or resignation of members of Management or the Board and other key personnel of High Arctic; (v) sales or perceived sales of additional Common Shares; (vi) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving High Arctic or its competitors where High Arctic does not realize its anticipated benefits from such transaction; (vii) trends, concerns, technological or competitive developments, regulatory changes and other related issues in the oil and natural gas industry; and (viii) actual or anticipated fluctuations in interest rates.

Financial markets have experienced significant price and volume fluctuations in recent years that have particularly affected the market prices of equity securities of companies and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if High Arctic's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values which may result in impairment losses.

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 its long-term debt facility, when drawn upon, is a floating rate Credit Facility and fluctuates in response to changes in the prime interest rates. For the year ended December 31, 2021, a 1% nominal change in the interest charged to the Corporation under its Credit Facility would not have been material. For the Corporations' Mortgage Facility, the interest rate is fixed for five years and will be adjusted then, thereby reducing exposure to interest rate risk on this facility.

Income Tax Risk

The Corporation has risks for income tax matters, including the unanticipated tax and other expenses and liabilities of the Corporation due to changes in income tax laws. The Corporation must file tax returns in the foreign jurisdictions in which it operates. The tax laws and the prevailing assessment practices are subject to interpretation and the foreign authorities may disagree with the filing positions adopted by the Corporation. The impact of any challenges cannot be reliably estimated and may be significant to the financial position or overall operations of the Corporation.

Forward-Looking Statements and Information May Prove Inaccurate

Shareholders and prospective investors are cautioned not to place undue reliance on the Corporation's forward-looking statements and information. By its nature, forward-looking statements and information involve numerous assumptions, known and unknown risk and uncertainties, of both a general and specific nature, which could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties related to forward-looking statements and information are found under the heading "Note Regarding Forward-Looking Statements" in this AIF.

Conflicts of Interest

Certain directors or officers of High Arctic may also, or may in the future be, directors or officers of other companies that may compete or be counterparties to agreements with High Arctic, and as such may, in certain circumstances, have a conflict of interest. Conflicts of interest, if any, will be subject to and governed by procedures prescribed by the ABCA which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with High Arctic disclose his or her interest and, in the case of directors, refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA. See "*Directors and Officers - Conflicts of Interest*" in this AIF.

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, High Arctic may disclose confidential information relating to the business, operations or affairs of the Corporation. Although confidentiality agreements are to be signed by third parties prior to the disclosure of any confidential information, a breach of such confidentiality agreement could put High Arctic at competitive risk and may cause significant damage to its business. The harm to High Arctic's business from a breach of confidentiality cannot presently be quantified but may be material and may not be compensable in damages. There can be no assurance that, in the event of a breach of confidentiality, High Arctic will be able to obtain equitable remedies, such as injunctive relief from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

DIVIDENDS AND DISTRIBUTIONS

On May 17, 2012, the Corporation instituted a dividend policy and the first monthly dividend of $0.01 per Common Share was paid on June 14, 2012. In March 2013, the Corporation increased its monthly divided to $0.0125 per share and subsequently increased it to $0.0165 per Common Share in November 2014 which remained in effect until March 2020. In 2020, the Corporation suspended its monthly dividend of $0.0165. In 2021, the Corporation declared a one-time special dividend of $0.20 per share. No future dividends are currently scheduled. The table below summarizes the total annual dividends paid to shareholders in each of the last three fiscal periods.

For the Year Ended	Aggregate Annual Dividend per Common Share
2019	$0.198
2020	$0.033
2021	$0.200

The declaration and payment by the Corporation of any future dividends or distributions on the Common Shares and the amount will be at the discretion of Board and will be established on the basis of the Corporation's earnings, financial requirements, statutory solvency tests, any contractual restriction on such dividends and other conditions existing from time-to-time. There can be no assurance that the Corporation will continue to pay any dividends or distributions in the future.

CAPITAL STRUCTURE

The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares. The Corporation's Common Shares trade on the TSX under the symbol "HWO".

As at December 31, 2021 there were 48,733,145 issued and outstanding Common Shares. No Preferred Shares have been issued.

Each Common Share entitles its holder to receive notice of and to attend all meetings of the Shareholders and to one vote at such meetings. The holders of Common Shares are, at the discretion of the board of directors, entitled to receive any dividends declared by the board of directors.

The holders of Common Shares are entitled to share equally in any distribution of the assets of the Corporation upon its liquidation, dissolution, bankruptcy or winding-up or other distribution of its assets among its Shareholders for the purpose of winding-up its affairs.

The Preferred Shares may be issued from time to time in one or more series, each consisting of such number of Preferred Shares as determined by the board of directors of the Corporation, who also may fix the designations, rights, privileges, restrictions and conditions attaching to the shares of each series of Preferred Shares. The Preferred Shares of each series shall, with respect to payment of dividends and distribution of assets in the event of voluntary or involuntary liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, rank on a parity with the Preferred Shares of every other series and shall be entitled to preference over the Common Shares and the shares of any other class ranking junior to the Preferred Shares.

Credit Facility

As at December 31, 2021, High Arctic had no amount drawn on a $37.0 million Credit Facility which matures on August 31, 2023. In December 2021, the Corporation amended its revolving Credit Facility from a borrowing limit of $45 million to $37 million and site-specific assets held as mortgage security for separate mortgage financing have been carved out. The Credit Facility is renewable with the lender's consent and is secured by a general security agreement over certain of the Corporation's assets. In addition, up to $5 million of the Credit Facility shall be available by way of account overdraft outside of covenant requirements described below.

The Credit Facility is subject to two financial covenants, which are reported to the lender on a quarterly basis:

Covenants	Required	December 31, 2021
Funded Debt to covenant EBITDA (1)	3.00: 1 Maximum	Not Applicable – no amounts drawn
Covenant EBITDA to Interest Expense (2)	3.00: 1 Minimum	11.1: 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 as 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 non-cash inventory write-downs, less gains from foreign exchange and sale or purchase of assets and lease payments.

The Corporation was in compliance with the financial covenants under its Credit Facility as at December 31, 2021, and there have been no changes to these financial covenants subsequent to this date.

Mortgage Facility

In December 2021, the Corporation executed an $8.1 million mortgage arrangement secured by lands and buildings owned and occupied by High Arctic and located within Alberta, Canada. The mortgage has an initial term of 5 years with a fixed interest rate of 4.30% and an amortization period of 25 years, payable monthly. The Credit Facility has been amended to accommodate the Mortgage Financing.

MARKET FOR SECURITIES

Trading Summary

The Common Shares are listed for trading on the TSX under the symbol "HWO". The following table sets forth the price range and trading volume of the Common Shares as reported by the TSX for the months indicated during 2021:

Month	High ($)	Low ($)	Total Volume
January	$1.36	$1.00	518,096
February	$1.51	$0.94	1,114,536
March	$1.63	$1.13	667,852
April	$1.33	$1.12	451,170
May	$1.34	$1.16	818,640
June	$1.64	$1.31	1,788,422
July	$1.61	$1.25	690,421
August	$1.36	$1.15	376,217
September	$1.43	$1.18	808,902
October	$2.00	$1.36	1,604,464
November	$1.85	$1.40	1,271,986
December	$1.54	$1.25	831,799

Prior Sales

The following tables summarize the securities of the Corporation not listed on a marketplace for the financial year ended December 31, 2021 and granted during the most recently completed financial year.

Share-based Compensation activity

Stock Option Grants:

In the twelve-month period ended December 31, 2021, the Corporation granted 638,000 stock options.

Date of Grant	Number of Stock options granted	Trading Price on Date of Issuance
June 7, 2021	494,500	$1.56
August 13, 2021	27,000	$1.32
September 30, 2021	100,000	$1.35
November 29, 2021	16,500	$1.57

Performance Share Unit Plan (the "PSUP Plan") Grants:

The share units granted under this plan may be Performance Share Units ("PSU's") or Restricted Share Units (RSU's).

In the twelve-month period ended December 31, 2021, the Corporation granted PSUs to acquire an aggregate of 80,000 Common Shares, the particulars of which are set forth in the following table:

Date of Grant	Number of Common Shares Issuable on Release (1)	Trading Price on Date of Issuance
June 7, 2021	62,500	$1.56
November 12, 2021	17,500	$1.79

(1) Each PSU entitles the holder to acquire one Common Share or the cash equivalent on the terms and conditions set forth in the PSUP Plan.

In the twelve-month period ended December 31, 2021, the Corporation granted RSUs to acquire an aggregate of 10,000 Common Shares, the particulars of which are set forth in the following table:

Date of Grant	Number of Common Shares Issuable on Release (1)	Trading Price on Date of Issuance
November 12, 2021	10,000	$1.79

(1) Each RSU entitles the holder to acquire one Common Share or the cash equivalent on the terms and conditions set forth in the PSUP Plan.

Deferred Share Unit Plan (“the DSU Plan”) Grants:

In the twelve-month period ended December 31, 2021, the Corporation granted Deferred Share Units (“DSUs”) to acquire an aggregate of 241,998 Common Shares, the particulars of which are set forth in the following table:

Date of Grant	Number of Common Shares Issuable on Release (1)(2)	Trading Price on Date of Issuance
March 31, 2021	44,441	$1.22
June 30, 2021	29,171	$1.60
September 30, 2021	40,768	$1.35
December 10, 2021	90,000	$1.48
December 31, 2021	37,618	$1.49

(1) Each DSU entitles the holder to acquire one Common Share or the cash equivalent on the terms and conditions set forth in the DSU Plan.
(2) DSU issuance includes the election of some directors to receive quarterly director fee compensation in DSU’s.

DIRECTORS AND OFFICERS

The following table sets forth the names and municipalities of residence of those individuals who are directors and officers of the Corporation at December 31, 2021, and March 10, 2022, together with their principal occupations and positions held during the last five years:

Name and Municipality of Residence	Position	Director / Officer Since	Principal Occupation During the Preceding Five Years
Simon P. D. Batcup (4,7) *Guelph, Ontario*	Director	June, 2007	Mr. Batcup has been actively involved in executive management of numerous private and public companies, as both owner and investor. He is a consultant with Osborne Interim and was formerly chairman of Brauerei Fahr, a brewery based in Turner Valley.
Michael R. Binnion (4,5,9) *Calgary, Alberta*	Director and Chairman of the Board	June, 2005	Mr. Binnion is the Chairman of the Corporation. He is also the President and Chief Executive Officer of Questerre Energy Corporation since November 2000.
Daniel J. Bordessa (2,6,8,9) *Toronto, Ontario*	Director	April, 2011	Mr. Bordessa is a Partner of Cyrus Capital Partners, L.P. which manages investment funds since March 2005.
Douglas J. Strong (1,4,8,9) *Calgary, Alberta*	Director	December, 2018	Mr. Strong is a Chartered Professional Accountant (Chartered Accountant) with 36 years of experience having been with Precision Drilling 21 years in a number of senior financial and operational roles, including Chief Financial Officer from 2005 to 2010 and most recently as President of Completion & Production Services responsible for completion and production in Canada and the US.
Honourable Joe Oliver (2,6) *Toronto, Ontario*	Director	June, 2016	Mr. Oliver is an independent businessman. Mr. Oliver is the former Canadian Minister of Natural Resources and Minister of Finance (2011-2015). He is currently the Chair of the Ontario Independent Electricity System Operator (IESO).
Ember W. M. Shmitt (3,6) *New York, New York*	Director	July, 2016	Mrs. Shmitt is currently the Director of Investor Relations at Cyrus Capital Partners, since February 2007.
Michael J. Maguire (8,9) *Brisbane, Australia*	Chief Executive Officer	December 2013	Mr. Maguire was appointed as Chief Executive Officer on March 23, 2020. He joined the Corporation as Vice-President, International Operations in December 2013 and was appointed President, International Operations in December 2016. Prior to that, he spent seven years with Easternwell Group in various positions of increasing seniority.
Lance Mierendorf *Calgary, Alberta*	Chief Financial Officer	October, 2021	Mr. Mierendorf joined High Arctic in April 2021 as Interim Chief Financial Officer and moved into role of Chief Financial Officer in October 2021. With 25+ years of financial leadership in the oil and gas industry, including 10+ years in the CFO role for publicly listed energy and oil field service companies, Mr. Mierendorf has extensive experience in Canadian and international business environments.
Stephen P Lambert *Toowoomba, Australia*	Vice-President Business Support and Chief Process Officer	March, 2020	Mr. Lambert joined High Arctic in July 2014 and has held several roles of increasing seniority including People and Safety Manager PNG, General Manager PNG, and Global Director Quality and Risk. Mr. Lambert's current role is VP Business Spt & CPO
Samuel Ward *Brisbane, Australia*	Vice-President Operations - PNG	March, 2020	Mr. Ward joined High Arctic in January 2015 in a senior operational capacity and has held several roles of increasing seniority including Rig Superintendent, Operations Manager and General Manager PNG. He has over 15 years of oilfield drilling and well servicing experience.

Donald Pack *Calgary, Alberta*	Executive Vice-President	January, 2017	Mr. Pack has over 35 years of well servicing experience prior to joining High Arctic in early 2017. In 1990, he moved to Precision Well Servicing where he began his tenure and was promoted to Vice President Operations where he oversaw the ongoing operations of the completions and production services department prior to joining high arctic.

(1) Chairman of the Audit Committee
(2) Member of the Audit Committee
(3) Chairman of the Governance and Nominating Committee
(4) Member of the Governance and Nominating Committee
(5) Chairman of the Remuneration Committee
(6) Member of the Remuneration Committee
(7) Chairman of the Quality, Health, Safety & Environment Committee
(8) Member of the Quality, Health, Safety & Environment Committee
(9) Member of the Executive Committee

The directors listed above will hold office until the next annual general meeting of the Corporation or until their successors are elected or appointed.

Securities of Directors and Officers

To the knowledge of the Corporation, as at December 31, 2021, the directors and executive officers of the Corporation, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 2,611,199 Common Shares of the Corporation, or approximately 5.4% of the 48,733,145 Common Shares of the Corporation then issued and outstanding. The Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, is based upon information furnished to the Corporation by the above individuals and/or management.

FBC Holdings Sàrl ("FBC") owned 21,916,634 common share or 45% of the issued and outstanding shares of High Arctic as of December 31, 2021. Daniel Bordessa, a Director of the Corporation, is a partner of Cyrus Capital Partners, L.P., which is the investment manager of FBC. Under certain circumstances, under the partnership agreement of Cyrus Capital Partners, L.P., Mr. Bordessa could become a controlling partner thereby able to indirectly exercise control or direction over the Common Shares of the Corporation owned by the partnership.

Conflicts of Interest

Circumstances may arise where members of the board of directors or officers of the Corporation are directors or officers of Corporations which are in competition to our interests. No assurances can be given that opportunities identified by such board members or officers will be provided to the Corporation. Pursuant to the ABCA, directors who have an interest in a proposed transaction upon which our board of directors are voting are required to disclose their interests and refrain from voting on the transaction. As at the date hereof, High Arctic is not aware of any existing or potential material conflicts of interest between the Corporation or one of its subsidiaries and any of its directors or officers.

Cease Trade Orders

To the knowledge of the Corporation, no director or executive officer of the Corporation, as at the date of this AIF, or within 10 years before the date of this AIF, has been, a director, chief executive officer or chief financial officer of any company, that:

(a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) was subject to a cease trader order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer cease to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

Except as noted below, to the knowledge of the Corporation, no director or executive officer of the Corporation, or a Shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, is:

(a) as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company that, while that person was acting that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has within the 10 years before the date of the AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement, or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Daniel Bordessa was a director of DesignLine Corporation; a private Delaware corporation involved in the transportation manufacturing sector, between February 2013 and March 2013 and was appointed to the director seat as a representative of Cyrus Capital Partners, L.P. Cyrus Capital Partners, L.P., is the investment manager for certain funds that are the senior secured debt providers, preferred shareholder, and a significant shareholder (on a fully diluted basis) of DesignLine Corporation. In August 2013 DesignLine Corporation, with the agreement of Cyrus Capital Partners, L.P., filed for creditor protection under Chapter 11 of the US Bankruptcy Code.

Daniel Bordessa was a director of Angel Mining plc between August 21, 2009, and October 22, 2012, and was appointed to the director seat as a representative of Cyrus Capital Partners, L.P. Cyrus Capital Partners, L.P., is the investment manager for certain funds that are the senior secured debt providers and largest shareholder (on a fully diluted basis) of Angel Mining plc. On March 1, 2013, Angel Mining plc, with the agreement of Cyrus Capital Partners, L.P., appointed the administrators Cork Gully LLP in the United Kingdom as a result of liquidity issues at its subsidiaries.

Regulatory Actions

To the knowledge of the Corporation, no director or executive officer of the Corporation, or a Shareholder holding a sufficient number of securities of the Corporation to materially affect the control of the Corporation, has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a security's regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The primary function of the Audit Committee is to assists the board of directors of the Corporation in fulfilling its oversight responsibilities for financial reporting processes, financial statements, and risk management. The Audit Committee Charter of the Corporation is set forth in Schedule "A" attached to this AIF.

Composition of the Audit Committee

The Audit Committee currently has 3 members: Douglas Strong, Daniel Bordessa and Joe Oliver. None of the Audit Committee members has a direct or indirect material relationship with the Corporation. Furthermore, each member of the Audit Committee has been determined by the Board to be "independent" as defined in National Instrument 52-110 – Audit Committees ("NI 52-110"). The Audit Committee members are all financially literate, meaning the member has the ability to read and understand a set of financial statements that present a breadth and level of complexity of the issues that can be expected to be raised by the Corporation's financial statements.

Relevant Education and Experience of Members of the Audit Committee

The following is a description of the education and experience of each member of the Audit Committee.

Douglas J. Strong – Chairman

Mr. Strong joined the board in December 2018. Mr. Strong has 37 years of experience having been with Precision Drilling 21 years in a number of senior financial and operational roles, including Chief Financial Officer from 2005 to 2010 and most recently as President of Completion & Production Services responsible for service rigs and snubbing in Canada and the US. Prior to that his experience includes financial roles with Nabors Industries associated with international land contract drilling outside North America. Mr. Strong began his career with Collins Barrow in Calgary, Alberta in 1980 and holds a Bachelor of Commerce degree from the University of Calgary and is a Chartered Accountant and CPA.

Daniel J. Bordessa

Mr. Bordessa joined the Board in April of 2011. Mr. Bordessa is a Partner of Cyrus Capital Partners, L.P. (Cyrus) and was formerly a Managing Director of Cyrus Capital Partners Europe, LLP. Mr. Bordessa has been actively involved in the financial advisory and investment business through equity and debt investments in public and private companies. Mr. Bordessa is responsible for the origination, execution, and management of complex financial transactions on behalf of the funds which Cyrus manages. Mr. Bordessa also sits on a number of boards of public and privately held companies in Canada and internationally. Mr. Bordessa holds a Master of Business Administration degree from the Schulich School of Business at York University and an Honours Bachelor of Commerce degree from Carleton University.

Joe Oliver

Mr. Oliver joined the Board in June of 2016. Mr. Oliver is the former Canadian Minister of Natural Resources and Minister of Finance (2011–2015). He is currently the Chair of the Ontario Independent Electricity System Operator (IESO). Previously, Mr. Oliver served as Executive Director of the Ontario Securities Commission and as the President and CEO of the Investment Dealers Association of Canada. He received a Bachelor of Arts degree and a Bachelor of Civil Law degree from McGill University and an MBA from the Harvard Business School.

Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as outlined in section 4(24) of the Audit Committee Terms of Reference attached as Schedule “A” of this AIF.

External Auditor Services Fees

On November 24, 2021 High Arctic announced that the Corporation had chosen KPMG LLP as external auditors for calendar year 2021 and PricewaterhouseCoopers LLC has resigned.

The table below provides information about the fees expensed to the Corporation by KPMG and PricewaterhouseCoopers LLP in fiscal 2021 and 2020 dividing the services into the categories of work performed, in CAD $:

PricewaterhouseCoopers LLP fees:

Type of Work	2021 Fees	2020 Fees
Audit Fees (1) - Canada	$70,025	$229,500
Audit Fees (1) – Foreign Subsidiaries	$71,948	$162,500
Audit Related Fees (2)	$4,863	-
Tax fees (3)	$197,554	$68,000
Total	**$344,390**	**$457,500**

KPMG fees:

Type of Work	2021 Fees	2020 Fees
Audit Fees (1) - Canada	$256,800	-
Audit Fees (1) – Foreign Subsidiaries	$109,500	-
Audit Related Fees (2)	$-	-
Tax fees (3)	$2,980	-
Total	**$369,280**	**-**

(1) Audit fees consist of fees for the audit of the Corporation's annual financial statements of the parent company and all relevant subsidiaries, the review of the Corporation's interim financial statements and services that are normally provided in connection with statutory and regulatory filings or engagements.
(2) Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and are not reported as audit fees. Such fees include services provided in conjunction with the filing of regulatory documents by the Corporation.
(3) All non-audit services, including tax filing, are disclosed to and pre-approved by the Audit Committee

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

In the normal course of the Corporation's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions. Potential litigation may develop in relation to personal injuries (including resulting from exposure to hazardous substances, property damage, property taxes, environmental issues, including claims relating to contamination or natural resource damages and contract disputes). The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the corporation and could have a material adverse effect on the Corporation's assets, liabilities, business, financial condition and results of operations.

The Corporation is not party to any legal proceeding, nor was it a party to any legal proceedings during the 2021 financial year, nor is the Corporation aware of any contemplated legal proceedings involving the Corporation, its subsidiaries or any of its property which involves a claim for damages exclusive of interest and costs that may exceed 10% of the current assets of the Corporation.

There are no penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority during legal proceedings material to the Corporation to which the Corporation is a party or of which any of its property is the subject matter, and there are no such proceedings known to the Corporation to be contemplated during the financial year ended December 31, 2021.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Cyrus Capital Partners L.P., as investment manager to FBC Holdings Sàrl, owns 45% of the issued and outstanding shares of High Arctic as of December 31, 2021. Daniel Bordessa, a Director of the Corporation, is a Partner of Cyrus Capital Partners L.P. Other than the aforementioned or pursuant to the related party transactions, as set out in the consolidated audited financial statements for the year-ended December 31, 2021, there were no other material interests, direct or indirect, of directors and executive officers of the Corporation or any Shareholder who is the direct or indirect beneficial owner of, or who exercises control or direction over more than 10% of the Common Shares, or any known associate or affiliate of such persons in any transaction within the three most recently completed financial years or during the current financial year which has materially affected or will materially affect the Corporation.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Corporation at year end are KPMG LLP, Chartered Professional Accountants, Suite 3100, 205 5 Avenue SW, Calgary, AB T2P 4B9.

At December 31, 2021 Computershare Investor Services was the registrar and transfer agent for the Common Shares of the Corporation at its offices in Calgary, Alberta and Toronto, Ontario. On February 16, 2022 High Arctic announced that it had replaced Computershare Investor Services as the registrar and transfer agent with Odyssey Trust Company at their principal offices in Calgary, Alberta, Vancouver, British Columbia and Toronto, Ontario.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business (unless otherwise required by applicable securities requirements to be disclosed) and the Credit Facility discussed above under the heading *"Capital Structure",* neither the Corporation nor its subsidiaries have entered into any material contracts within the last financial year, or before the last financial year that are still in effect.

INTEREST OF EXPERTS

The corporation changed auditors for the 2021 year ended audit from Pricewaterhouse Coopers LLP to KPMG LLP. There is no person or company whose profession or business gives authority to a statement, report or valuation made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by the Corporation during, or related to, the Corporation's most recently completed financial year other than KPMG LLP, Chartered Professional Accountants, and Pricewaterhouse Coopers LLP the Corporation's auditors, who have prepared an independent auditor's report dated March 10, 2022 and March 11, 2021 in respect of the Corporation's consolidated financial statements as at December 31, 2021 and December 31, 2020 and for years then ended.

KPMG LLP are the auditors of the Corporation and have confirmed that they are independent with respect to the Corporation within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans is contained in the Corporation's Management Proxy and Information Circular for its most recent annual meeting of Shareholders. Additional financial information is contained in the Corporation's audited consolidated financial statements and management's discussion and analysis for the year ended December 31, 2021, which are also available on SEDAR at www.sedar.com.

SCHEDULE A

HIGH ARCTIC ENERGY SERVICES INC.
AUDIT COMMITTEE TERMS OF REFERENCE

1. Constitution

Pursuant to the Business Corporations Act (Alberta), the bylaws of High Arctic Energy Services Inc. (the "**Corporation**" or "**High Arctic**") and annual resolutions of the Board of Directors of the Corporation (the "**Board**") and in intended compliance with applicable corporate and securities laws and the requirements of each stock exchange upon which securities of the Corporation are traded, there is hereby constituted, as a standing committee of the Board, a committee designated as the "Audit Committee" (the "Committee"), which Committee is delegated the powers and subject to the terms of reference hereinafter set forth.

2. Mandate

The mandate of the Committee shall be to assist the Board in fulfilling its oversight responsibilities in respect of: (i) the adequacy, integrity and effectiveness of the Corporation's and its subsidiaries (collectively, "**High Arctic**") financial reporting process and financial statements, including, without limitation, the adequacy, integrity and effectiveness of internal financial and management controls and systems; and the adequacy and integrity of the audit process; and (ii) risk management for High Arctic, including, without limitation, the adequacy, integrity and effectiveness of risk management systems and reporting, in addition to any mandate or function prescribed by applicable law, regulation or rule to be discharged by the Committee constituted as the audit committee of an entity such as High Arctic.

The purpose of this document is to establish the terms of reference for the Audit Committee to assist the Board in fulfilling its oversight responsibilities. Responsibility for accounting for transactions and internal control over financial accounting lies with executive officers of the Corporation and senior management ("**Management**") of the Corporation.

3. Organization and Operation

(1) The Committee shall be comprised of a minimum of three (3) members of the Board. Committee members shall be appointed by the Board provided that any member may be removed or replaced at any time by the Board.

(2) Each of the members of the Committee shall be "unrelated directors", "outside directors" and "financially literate", as such terms are defined from time to time pursuant to the Governance Guidelines of the Toronto Stock Exchange ("TSX") and, to the extent practicable, the Committee shall include at least one member who may reasonably be regarded as a financial expert. In addition, each of the members of the Committee shall be "independent" and "financially literate" as required by Multilateral Instrument 52-110 adopted by the Canadian Securities Administrators ("**CSA**") or any rule or instrument implemented in substitution or addition thereto.

(3) A majority of the members of the Committee shall be residents of Canada.

(4) The Committee shall have the power to appoint its chairman.

(5) Any member of the Committee, the President and Chief Executive Officer or the auditors of the Corporation (the "**auditors**") may call a meeting of the Committee upon not less than 48 hours' notice to the other members of the Committee. The Committee shall have the right to determine who shall, and who shall not, be present at any time during a meeting of the Committee.

(6) The auditors of the Corporation are entitled to receive notice of every meeting of the Committee and, at the expense of the Corporation, to attend and be heard thereat and, if so, requested by a member of the Committee, shall attend any meeting of the Committee held during the term of office of the auditors.

(7) The Chief Executive Officer and Chief Financial Officer or their designates shall be available to attend at all meetings of the Committee upon invitation of the Committee.

(8) The Committee shall meet at least four times annually.

(9) A quorum for meetings of the Committee shall be a majority of its members present in person, by video conference, by telephone, or a combination thereof.

(10) Questions arising at any meeting of the Committee shall be decided by a majority of the votes cast.

(11) The rules for calling, holding, conducting, and adjourning meetings of the Committee shall be the same as those governing meetings of the Board or as otherwise provided in the by-laws of the Corporation.

(12) The Corporate Secretary, or such other person as the Corporate Secretary of the Corporation shall designate, shall keep minutes of the meetings of the Committee. Minutes of each Committee meeting should be concise in describing substantive issues discussed by the Committee and clearly identify Committee responsibilities discharged and those outstanding.

(13) Except as set forth herein, the Committee may determine its own rules of procedure.

4. Duties and Responsibilities

In the discharge of its mandate, the Committee shall:

Corporate Information and Internal Control

(1) Review and recommend for approval by the Board, annual and quarterly financial statements, and all financial information in any prospectus, offering memorandum, AIF, management's discussion, and analysis ("**MD&A**") or annual report of the Corporation;

(2) Review and make recommendations with respect to information and control systems of High Arctic;

(3) Review and approve all major changes to information and control systems of High Arctic;

(4) Review and approve spending authorities and expenditure approval limits of officers of High Arctic;

(5) Review and approve all determinations made in respect of significant accounting and tax compliance issues;

(6) Review all significant financial, accounting and tax issues in connection with proposed non-recurring events such as mergers, acquisitions, or divestitures;

(7) Review and approve all press releases or other publicly circulated documents containing financial information;

(8) In consultation with the auditors, review and monitor the integrity of the financial statements of High Arctic and any formal announcements relating to High Arctic's financial performance, and review significant financial reporting judgments contained therein;

(9) Review and monitor the effectiveness of High Arctic's internal control monitoring function;

(10) Review and monitor the effectiveness of the audit process, taking into consideration applicable professional and regulatory requirements;

Auditors

(11) Make recommendations to the Board in respect of the auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for High Arctic, in respect of the terms of retainer of the auditors and, as determined desirable or necessary, in respect of the replacement of the auditors (subject to shareholder notification and approval);

(12) Review the terms of the auditors' engagement and make recommendations to the Board as to the compensation of the auditors;

(13) Require the auditors to report directly to the Committee;

(14) Oversee the work of auditors engaged for the purposes of preparing or issuing an audit report or performing other audit, review, or attest services for High Arctic, including the resolution of disagreements between management and the auditors regarding financial reporting;

(15) Annually consider any comments raised by the auditors of the Corporation regarding internal controls and procedures;

(16) Review and make recommendations in respect of any material issues raised by any internal quality control review (or peer review) of High Arctic or by any inquiry or investigation by governmental or professional authorities;

(17) Annually, evaluate the auditors' qualifications, performance, and independence;

(18) Review and discuss with the auditors any disclosed relationships or services that may impact the objectivity and independence of the auditors;

(19) Annually, to ensure continuing auditor independence, consider the rotation of the lead audit partner or the auditor itself;

(20) Where there is a change of auditor, review all issues related to the change, including information to be included in the notice of change of auditors (Section 4.11 of National Instrument 51-102 – Continuous Disclosure Obligations ("**NI 51-102**"), and the planned steps for an orderly transition;

(21) Review all reportable events, including disagreements, unresolved issues, and consultations, as defined in NI 51-102, on a routine basis, whether or not there is a change of auditors;

(22) Develop and implement a policy on the engagement of the auditors to supply non-audit services, taking into account any relevant independence guidance regarding the provision of non-audit services by the auditor;

(23) At each meeting, consult with external auditors, without the presence of management, about the quality of High Arctic's accounting principles, internal controls and completeness and accuracy of High Arctic's financial reports;

(24) Pre-approve engagements for non-audit services provided by the auditors or their affiliates, together with estimated fees and potential issues of independence. The pre- approval requirement is waived with respect to the provision of non-audit services if:

(i) the aggregate amount of all such non-audit services provided to High Arctic constitutes not more than five percent of the total amount of revenues paid by High Arctic to the auditors during the fiscal year in which the non-audit services are provided;

(ii) such services were not recognized by High Arctic at the time of the engagement to be non-audit services; and

(iii) such services are promptly brought to the attention of the Committee by High Arctic and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board to whom authority to grant such approvals has been delegated by the Committee.

Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval, such authority may be delegated by the Committee to one or more independent members of the Committee;

(25) Set hiring policies for partners, employees and former partners and employees of the present and former auditors;

(26) At least annually, separately interview management and the auditors to discuss the relationship between them, especially as regards to the competency, communication, access provided, and cooperation displayed in matters relating to the audit and the financial affairs of High Arctic;

(27) Establish procedures for:

(a) the receipt, retention and treatment of complaints received by High Arctic regarding accounting, internal accounting controls, or auditing matters;

(b) the confidential, anonymous submission by employees of High Arctic of concerns regarding questionable accounting and auditing matters; and

(c) the proportionate and independent investigation of any matters raised by employees of High Arctic, including the appropriate follow-up action (if any);

(28) Monitor changes to applicable laws, regulations and rules and industry standards and practices with respect to financial reporting;

Audit

(29) Review with management and the auditors the audit plan for the coming year;

(30) Review with management and the auditors any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgments of management that may be material to financial reporting;

(31) Separately interview management and the auditors regarding significant financial reporting issues during the fiscal period and the method of resolution;

(32) Review any problems experienced by the auditors in performing the audit, including any restrictions imposed by management or significant accounting issues in which there was a disagreement with management;

(33) Review annual and quarterly financial statements with management and the auditors (including disclosures under MD&A), in conjunction with the report of all significant variances between comparative reporting periods;

(34) Review the certification process under National Instrument 52-109 adopted by the CSA;

(35) Review and make recommendations as to the auditors' report to management and management's response and subsequent remedy of any identified weaknesses;

Risk Management and Controls

(36) Provide oversight in respect of risk management policies and practices, including the identification of major business risks and the processes and other steps taken to mitigate such risks;

(37) Review and make recommendations as to hedging strategies, policies, objectives, and controls;

(38) Review, not less than quarterly, a mark to market assessment of High Arctic's hedge positions and counter party credit risk and exposure;

(39) Review High Arctic's risk retention philosophy and resulting exposure to the Corporation;

(40) Review the adequacy of insurance coverage;

(41) Review loss prevention policies and programs in the context of competitive and operational considerations;

(42) Review and recommend for approval the annual operating and capital budgets of High Arctic and any amendments thereto;

(43) Annually review authority limits for capital expenditures;

(44) Review all pending litigation involving High Arctic and assess the prospective exposure to High Arctic;

(45) Obtain explanations of significant variances with comparative reporting periods;

(46) Ascertain compliance with covenants under loan agreements; and

(47) Review, not less than annually, High Arctic's cyber-security risk management programs and effectiveness of monitoring function.

Other Duties and Responsibilities

The responsibilities, practices and duties of the Committee outlined herein are not intended to be comprehensive. The Board may, from time to time, charge the Committee with the responsibility of reviewing other items of financial, control or risk management nature.

The Committee shall periodically report to the Board decisions taken in exercise of powers conferred herein and the results of reviews undertaken and any associated recommendations.

5. Authority

The Committee shall have all power and authority necessary or desirable to fully and effectively discharge its mandate hereunder and, in that connection and without limitation, the Committee may:

(1) Investigate any corporate activity, in any area, that the Committee considers necessary or advisable, and, for such purposes and the performance of its other responsibilities, the Committee shall have unrestricted access to all personnel records of High Arctic, the auditors and all other advisors to High Arctic and, from time to time, may require the Chief Financial Officer to report to the Committee;

(2) Make any recommendation to the Board, as it considers necessary or advisable, in respect of matters within its mandate, provided, however, that where the Committee intends to make any such recommendation, the recommendation shall first be presented to the Lead Director and, in respect of financial matters, to the auditor for comment before being communicated to the Board, unless the Committee concludes that such action would not be in the best interest of High Arctic and/or the shareholders; and

(3) Engage and obtain the advice of outside advisors, if necessary, to properly discharge its functions, duties and responsibilities including, without limitation:

(a) to engage independent counsel and other advisors as it determines necessary to carry out its duties;

(b) to set and pay the compensation for any advisor employed by the Committee; and

(c) to communicate directly with the auditors.

6. Limitation

The foregoing is (i) subject to and without limitation of the requirement that in exercising their powers and discharging their duties the members of the Board act honestly and in good faith with a view to the best interests of the Corporation; and (ii) subject to and not in expansion of the requirement that in exercising their powers and discharging their duties the members of the Board exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

While the Committee has the responsibilities and powers set forth herein, it is not the duty of the Committee to prepare financial statements, plan or conduct audits or to determine that the Corporation’s financial statements and disclosures are complete and accurate and are in accordance with International Financial Reporting Standards (“**IFRS**”) and applicable rules and regulations. These are the responsibilities of Management and the external auditor.

The Committee, the Chair of the Committee and any Committee members identified as having accounting or related financial expertise are members of the Board of Directors, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Corporation, and are specifically not accountable or responsible for the day-to-day operation or performance of such activities.

Although the designation of a Committee member as having accounting or related financial expertise for disclosure purposes is based on that individual’s education and experience, which that individual will bring to bear in carrying out her or his duties on the Committee, such designation does not impose on such person any duties, obligations or liabilities that are greater than the duties, obligation and liabilities imposed on such person as a member of the Committee and the Board of Directors in the absence of such designation. Rather, the role of a Committee member who is identified as having accounting or related financial expertise, like the role of all Committee members, is to oversee the process, not to certify or guarantee the internal or external audit of the Corporation’s financial information or public disclosure.