INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX-MONTHS ENDED
June 30, 2022 and 2021

(Unaudited)

HIGH ARCTIC ENERGY SERVICES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)

(Stated in Thousands of Canadian Dollars)

	Note	June 30, 2022	December 31, 2021
Assets			
Current assets			
Cash		$ 15,098	$ 12,037
Accounts receivable	3	17,676	20,714
Inventory		10,529	9,136
Prepaid expenses and other assets		1,652	2,239
Income tax receivable	12	-	1,006
		44,955	45,132
Assets held-for-sale	5	57,181	-
Non-current assets			
Property and equipment	4	56,538	125,309
Income tax receivable	12	2,574	2,000
Right-of-use assets	6(a)	408	5,268
Equity investments		128	-
Deferred tax asset	12	-	7,743
		59,648	140,320
Total Assets		$ 161,784	$ 185,452
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ 12,350	$ 13,367
Current portion of long-term debt	7	3,754	296
Income taxes payable		778	664
Current portion of lease liabilities	6(b)	347	1,081
Dividend payable		244	-
		17,473	15,408
Liabilities associated with assets held-for-sale	5	7,695	-
Non-current liabilities			
Long-term debt	7	4,186	7,779
Deferred tax liability		5,635	6,050
Lease liabilities	6(b)	185	7,364
		10,006	21,193
Total Liabilities		35,174	36,601
Shareholders' Equity			
Share capital	8(a)	169,697	169,697
Contributed surplus		14,169	13,818
Accumulated other comprehensive income		24,494	23,421
Deficit		(81,750)	(58,085)
		126,610	148,851
Total Liabilities and Shareholders' Equity		$ 161,784	$ 185,452

Commitments and contingencies (Note 16)

Subsequent events (Note 17)

Approved on behalf of the Corporation by:

(signed) "Doug Strong" Director (signed) "Michael Binnion" Director

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

HIGH ARCTIC ENERGY SERVICES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited)

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

	Note	Three-months ended June 30 2022	Three-months ended June 30 2021	Six-months ended June 30 2022	Six-months ended June 30 2021
Revenue	10	**$ 25,706**	$ 16,377	**$ 54,402**	$ 34,144
Expenses					
Oilfield services	11(a)	**19,770**	13,109	**43,156**	27,514
General and administrative	11b)	**2,836**	2,472	**5,262**	4,960
Depreciation and amortization		**5,998**	4,834	**11,562**	11,758
Share-based compensation	9	**213**	68	**351**	163
		28,817	20,483	**60,331**	44,395
		(3,111)	(4,106)	**(5,929)**	(10,251)
Impairment of assets	4	**(8,679)**	-	**(8,679)**	-
Interest and finance expense	11(c)	**(224)**	(146)	**(449)**	(362)
Foreign exchange loss		**(79)**	(21)	**(51)**	(56)
Gain on sale of property and equipment		**59**	45	**136**	509
Investment income		**35**	-	**128**	-
Loss before income taxes		**(11,999)**	(4,228)	**(14,844)**	(10,160)
Current income tax expense		**(343)**	(108)	**(850)**	(277)
Deferred income tax (expense) recovery	12	**(7,921)**	318	**(7,240)**	1,222
		(8,264)	210	**(8,090)**	945
Net loss for the period		**$ (20,263)**	$ (4,018)	**$ (22,934)**	$ (9,215)
Net loss per share – basic and diluted	8(b)	**$ (0.42)**	$ (0.08)	**$ (0.47)**	$ (0.19)

	Three-months ended June 30 2022	Three-months ended June 30 2021	Six-months ended June 30 2022	Six-months ended June 30 2021
Net loss for the period	**$ (20,263)**	$ (4,018)	**$ (22,934)**	$ (9,215)
Other comprehensive loss:				
Item that may be reclassified subsequently to net loss:				
Foreign currency translation gain (loss) for foreign operations	**1,991**	(1,081)	**1,073**	(2,017)
Comprehensive loss for the period	**$ (18,272)**	$ (5,099)	**$ (21,861)**	$ (11,232)

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

HIGH ARCTIC ENERGY SERVICES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(Stated in Thousands of Canadian Dollars)

	Note	Share capital Note 8(a)	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
Balance at December 31, 2021		**$ 169,697**	**$ 13,818**	**$ 23,421**	**$(58,085)**	**$ 148,851**
Net loss for the period		**-**	**-**	**-**	**(22,934)**	**(22,934)**
Dividends		**-**	**-**	**-**	**(731)**	**(731)**
Other comprehensive loss – foreign currency translation loss		**-**	**-**	**1,073**	**-**	**1,073**
Share-based compensation	9	**-**	**351**	**-**	**-**	**351**
Balance at June 30, 2022		**$ 169,697**	**$ 14,169**	**$ 24,494**	**$(81,750)**	**$ 126,610**

	Note	Share capital Note 8(a)	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
Balance at December 31, 2020		$ 169,220	$ 13,741	$ 23,991	$(29,731)	$ 177,221
Net loss for the period		-	-	-	(9,215)	(9,215)
Other comprehensive loss – foreign currency translation loss		-	-	(2,017)	-	(2,017)
Share-based compensation	9	-	163	-	-	163
Exercise of performance share units	9	310	(310)	-	-	-
Balance at June 30, 2021		$ 169,530	$ 13,594	$ 21,974	$(38,946)	$ 166,152

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

HIGH ARCTIC ENERGY SERVICES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Stated in Thousands of Canadian Dollars)

	Note	Three-months ended June 30 2022	Three-months ended June 30 2021	Six-months ended June 30 2022	Six-months ended June 30 2021
Operating activities					
Net loss for the period		**$ (20,263)**	$ (4,018)	**$ (22,934)**	$ (9,215)
Adjustments for:					
Depreciation and amortization		**5,998**	4,834	**11,562**	11,758
Impairment	4	**8,679**	-	**8,679**	-
Deferred income tax expense (recovery)	12	**7,921**	(318)	**7,240**	(1,222)
Share-based compensation expense	9	**213**	68	**351**	163
Non-cash finance expense		**87**	98	**178**	199
Foreign exchange loss		**79**	21	**51**	56
Gain on sale of property and equipment	4	**(59)**	(45)	**(136)**	(509)
Equity earnings on investments		**(35)**	-	**(128)**	-
		2,620	640	**4,863**	1,230
Changes in non-cash working capital	13	**3,500**	1,383	**1,557**	(292)
Cash flow from operating activities		**6,120**	2,023	**6,420**	938
Investing activities					
Purchase of property and equipment	4	**(1,734)**	(685)	**(3,316)**	(1,450)
Proceeds from disposal of property and equipment	4	**74**	260	**1,111**	831
Changes in non-cash working capital	13	**121**	(327)	**248**	(40)
Cash flow used in investing activities		**(1,539)**	(752)	**(1,957)**	(659)
Financing activities					
Lease obligation payments	6(b)	**(464)**	(384)	**(931)**	(792)
Dividend payments		**(487)**	-	**(487)**	-
Repayment of long-term debt	7	**(81)**	-	**(135)**	(10,000)
Changes in non-cash working capital	13	**244**	-	**244**	-
Cash flow used in financing activities		**(788)**	(384)	**(1,309)**	(10,792)
Effect of foreign exchange rate changes		**(137)**	(176)	**(93)**	(357)
Increase (decrease) in cash		**3,656**	711	**3,061**	(10,870)
Cash, beginning of period		**11,442**	21,017	**12,037**	32,598
Cash, end of period		**$ 15,098**	$ 21,728	**$ 15,098**	$ 21,728

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

1. Nature of Business

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

The Corporation's head office address is located at Suite 2350, 330– 5th Ave SW, Calgary, Alberta, Canada T2P 0L4.

As of June 30, 2022, 21,916,634 common shares of the Corporation were owned by FBC Holdings S.A.R.L., representing 44.9% of the outstanding common shares.

2. Basis of Presentation

(a) Statement of compliance and approval

These unaudited interim condensed consolidated financial statements ("Condensed Consolidated Financial Statements") have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting.

The Condensed Consolidated Financial Statements were authorized for issuance by the Board of Directors on August 11, 2022.

(b) Basis of preparation

Unless otherwise noted, the Interim Condensed Consolidated Financial Statements follow the same accounting policies and methods of computation as described in the annual audited consolidated financial statements for the year ended December 31, 2021.

The disclosures provided below are incremental to those included as part of the annual audited consolidated financial statements for the year ended December 31, 2021. Certain information and disclosures normally included in the notes to the annual audited consolidated financial statements have been condensed or have been/will be disclosed on an annual basis only. Accordingly, these Interim Condensed Consolidated Financial Statements should be read in conjunction with the annual audited consolidated financial statements.

(c) Judgments, estimates and assumptions

The Interim Condensed Consolidated Financial Statements were prepared using the same judgments, estimates and assumptions as described in the annual audited consolidated financial statements for the year ended December 31, 2021.

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

3. Accounts receivable

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

	As at June 30, 2022	As at December 31, 2021
Less than 31 days	$ 11,598	$ 11,803
31 to 60 days	2,227	6,415
61 to 90 days	3,349	2,522
Greater than 90 days	1,092	675
Provision for expected credit losses	(590)	(701)
Total	$ 17,676	$ 20,714

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

	As at June 30, 2022	As at December 31, 2021
Canadian dollars	$ 9,660	$ 11,177
US dollars ("USD") (June 30, 2022– USD $6,220; December 31, 2021 – USD $7,523)	8,016	9,537
Total	$ 17,676	$ 20,714

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

The details of this approach as at June 30, 2022 was as follows:

($ thousands, unless otherwise noted)	Less than 31 days	31-60 days	61-90 days	Over 90 days	Total
Investment grade receivables	$ 9,339	$ 1,202	$ 3,034	$ 523	$ 14,098
Non-investment grade receivables	2,259	1,025	315	569	4,168
Total receivables	$ 11,598	$ 2,227	$ 3,349	$ 1,092	$ 18,266
ECL for investment grade (%)	*0.04*	*0.06*	*0.10*	*0.30*	-
ECL for non-investment grade (%)	*0.25*	*0.75*	*5.00*	*10.00*	-
Investment grade ECL provision	$ -	$ -	$ -	$ -	$ -
Non-investment grade ECL provision	(2)	(6)	(13)	-	(21)
Specifically provided for amounts	-	-	-	(569)	(569)
Total provision for ECL	**$ (2)**	**$ (6)**	**$ (13)**	**$ (569)**	**$ (590)**

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

The comparative details of this approach as at December 31, 2021 was as follows:

($ thousands, unless otherwise noted)	Less than 31 days	31-60 days	61-90 days	Over 90 days	Total
Investment grade receivables	$ 10,052	$ 5,817	$ 2,330	$ 46	$ 18,245
Non-investment grade receivables	1,751	598	192	629	3,170
Total receivables	$ 11,803	$ 6,415	$ 2,522	$ 675	$ 21,415
ECL for investment grade (%)	*0.04*	*0.06*	*0.10*	*0.30*	-
ECL for non-investment grade (%)	*0.25*	*0.75*	*5.00*	*10.00*	-
ECL provision - investment grade	$ -	$ -	$ -	$ -	$ -
ECL provision - non-investment grade	(4)	(33)	(40)	-	(77)
Specifically provided for amounts	-	-	-	(624)	(624)
Total provision for ECL	**$ (4)**	**$ (33)**	**$ (40)**	**$ (624)**	**$ (701)**

4. Property and equipment

Cost	Vehicles	Oilfield equipment	Computer equipment	Land and building	Work-in-progress	**Total**
At December 31, 2021	$ 7,799	$ 340,401	$ 4,469	$ 10,782	$ 7,272	$ 370,723
Additions	-	-	-	-	3,316	3,316
Dispositions	(366)	(5,974)	(1,138)	-	-	(7,478)
Transfers	-	8,382	44	-	(8,426)	-
Reclassification – assets held-for-sale	(2,323)	(147,233)	(109)	(3,927)	(1,398)	(154,990)
Reclassification – vehicle lease	664	-	-	-	-	664
Effect of foreign exchange	2	2,632	14	-	23	2,671
At June 30, 2022	**$ 5,776**	**$ 198,208**	**$ 3,280**	**$ 6,855**	**$ 787**	**$ 214,906**
Accumulated depreciation						
At December 31, 2021	$ 7,177	$ 232,672	$ 3,834	$ 1,731	$ -	$ 245,414
Depreciation	148	10,656	86	124	-	11,014
Impairment	-	8,679	-	-	-	8,679
Dispositions	(363)	(5,002)	(1,138)	-	-	(6,503)
Reclassification – assets held-for-sale	(1,842)	(100,264)	(109)	(441)	-	(102,656)
Reclassification – vehicle lease	408	-	-	-	-	408
Effect of foreign exchange	1	1,997	14	-	-	2,012
At June 30, 2022	**$ 5,529**	**$ 148,738**	**$ 2,687**	**$ 1,414**	**$ -**	**$ 158,368**
Net book value						
At December 31, 2021	$ 622	$ 107,729	$ 635	$ 9,051	$7,272	$ 125,309
At June 30, 2022	**$ 247**	**$ 49,470**	**$ 593**	**$ 5,441**	**$ 787**	**$ 56,538**

For the three and six-month periods ended June 30, 2022, High Arctic disposed of property and equipment and received cash proceeds of $74 and $1,111 (June 30, 2021: $260 and $831, respectively), resulting in a gain on sale of $59 and $136, respectively (June 30, 2021: $45 and $509 gain on sale, respectively).

The Sale Transactions resulted in the Property and equipment of $52,334 being transferred to assets held-for-sale, refer to Note 5.

Impairment

On July 18, 2022 High Arctic announced the sale of its Canadian Well Servicing business (the “Well Servicing Transaction”) and Snubbing business (the “Snubbing Transaction”). The first close of the Canadian Well Servicing Transaction and the close of the Snubbing Transaction occurred on July 27, 2022 (“the Sale Transactions”), refer to Note 17.

The Well Servicing Assets were sold for a total cash consideration of $38,200, and post-close considerations for prepaid property tax of $185. This transaction also resulted in the transfer of field personnel and a large majority of office support personnel to the acquiring company. As at June 30, 2022, indications of impairment were identified due to a letter of intent being executed in Q2-2022 and the subsequent sale of the Well Servicing business. The net book value of assets and liabilities sold to the acquiring company was $46,619 and the sale price of $38,383 was used as the best estimate of fair value, resulting in a non-cash impairment of $8,236. The related assets was transferred from property and equipment to assets held-for-sale, refer to Note 5.

The Snubbing Assets were sold to a private entity, Team Snubbing Services Inc. (“Team”). This transaction resulted in the sale of High Arctic’s snubbing assets and transfer of field personnel to Team. High Arctic sold assets having a net book value of $11,546 and the fair value less cost to sell is estimated to be $11,103, resulting in a non-cash impairment of $443. As part of the consideration, High Arctic will receive a convertible promissory note from Team for $3,365 with a five-year term, interest accruing at 4.5% from January 1, 2023 and principal repayments commencing July of 2024. High Arctic will receive the remainder of the consideration in the form of 420,000 common voting shares in Team, representing 42% of the post-closing total outstanding shares in Team.

In Q2-2022, the Corporation recognized total non-cash impairment expense of $8,679 relating to the Well Servicing and Snubbing CGU.

No other indicators of impairment were noted by the Corporation.

5. Assets held-for-sale

In Q2-2022 management committed to a plan to sell its Canadian Well Servicing and Canadian Snubbing businesses. Accordingly, these assets are presented as assets held-for-sale at June 30, 2022. Efforts to sell the assets continued as at June 30, 2022 and the Sale Transactions were completed on July 27, 2022.

Impairment losses relating to the assets held-for-sale

Impairment losses of $8,679 for write-downs of the asset to the lower of its carrying amount and its fair value less costs to sell have been included in the Statements of Loss and Comprehensive Loss. The impairment losses have been applied to reduce the carrying amount of property and equipment within the asset groups that were held-for-sale, refer to Note 4.

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

Assets and liabilities of assets held-for-sale

As at June 30, 2022, the asset held-for-sale was stated at fair value less costs to sell and comprised the following assets and liabilities.

Assets held-for-sale as at June 30, 2022		**Total**
Prepaids	$	185
Total current assets		185
Property and equipment		52,334
Right-of-use assets		4,662
Total non-current assets		56,998
Total assets held-for-sale	**$**	**57,181**

Liabilities held-for-sale as at June 30, 2022		**Total**
Lease liability - current	$	793
Total current assets		793
Lease liability – non-current		6,902
Total non-current assets		6,902
Total liabilities held-for-sale	**$**	**7,695**

These net book value of assets and liabilities are comprised of $41,231 from the sale of the Well Servicing business and $11,103 from the sale of the Snubbing business.

Cumulative income or expenses included in Other Comprehensive Income

There are no cumulative income or expenses included in OCI relating to the asset held-for-sale.

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

6. Right-of-use assets and lease liabilities

a) Right-of-use assets

Cost		Total
At December 31, 2021	$	7,782
Additions		523
Reclassification to assets held-for-sale		(6,290)
Disposals		(955)
Effect of foreign exchange rate changes		(41)
At June 30, 2022		**1,019**
Accumulated amortization		**Total**
At December 31, 2021	$	2,514
Amortization		548
Reclassification - assets held-for-sale		(1,628)
Disposals		(756)
Effect of foreign exchange rate changes		(67)
At June 30, 2022		**611**
Net book value		
At December 31, 2021	$	5,268
At June 30, 2022	**$**	**408**

The right-of-use assets relate to various leases of real estate assets and vehicles. The Canadian Well Servicing Transaction resulted in the right-of-use assets for real estate assets and vehicles of $4,662 being transferred to assets held-for-sale, refer to Note 5.

b) Lease liabilities

		Total
At December 31, 2021	$	8,445
Lease additions		522
Reclassification – assets held-for-sale		(7,695)
Lease payments		(931)
Lease finance expense (Note 10)		178
Effect of foreign exchange rate changes		13
At June 30, 2022	**$**	**532**

		Total
Current	$	347
Non-current		185
At June 30, 2022	**$**	**532**

The Canadian Well Servicing Transaction resulted in the lease liabilities for real estate assets and vehicles of $7,695 getting transferred to assets held-for-sale, refer to Note 5.

The undiscounted cash flows relating to the lease liabilities at June 30, 2022 are as follows:

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

		Total
Less than one year	$	357
One to five years		185
More than five years		4
Total undiscounted liabilities	**$**	**546**

7. Debt

	Six-months ended June 30, 2022	Year ended December 31, 2021
Revolving credit facility	**$ -**	$ -
Mortgage financing[1]	**$ 7,940**	$ 8,075

[1] Includes total of current and non-current amounts

a) Revolving Credit Facility

The Corporation has a $37,000 revolving facility which has a maturity date of August 31, 2023, is renewable with the lender's consent, and is secured by a general security agreement over the Corporation's assets. In addition, the revolving credit facility allows for up to $5,000 to be available by way of account overdraft which is not subject to the covenant requirements described below.

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

The facility is subject to two financial covenants which are reported to the lender on a quarterly basis. The first covenant requires the Funded Debt to EBITDA ratio to be less than 3.0 to 1 and the second covenant requires the EBITDA to Interest Expense ratio (defined below) to be a minimum of 3.0 to 1. Both are calculated on the last day of each fiscal quarter on a rolling four quarter basis. As at June 30, 2022, the Corporation was in compliance with these two financial covenants.

Ratio	Covenant	June 30, 2022
Funded Debt to EBITDA [1]	< 3.0x	-
EBITDA to Interest Expense [1]	>3.0x	18.2

(1) As at June 30, 2022 the Corporation had access to $23,136 of the revolving facility.

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

Funded Debt to EBITDA is defined as the ratio of consolidated Funded Debt to the aggregate EBITDA for the trailing four quarters. Funded Debt is the amount of debt provided and outstanding at the date of the covenant calculation. Interest Expense excludes any impact related to lease liabilities (note 5). EBITDA for the purposes of calculating the covenants is defined as a trailing 12-month net income (loss) plus interest expense, current tax expense, deferred income tax expense (recovery), depreciation and amortization, share-based compensation expense, and non-cash inventory write-downs, less gains from foreign exchange and sale or purchase of assets and lease payments.

The Sale Transactions in July 2022 resulted in the cancellation of revolving credit facility, refer to Note 17.

b) Mortgage Financing:

During December 2021, the Corporation entered a mortgage financing arrangement for $8,100, secured by lands and buildings owned and occupied by High Arctic 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 with payments occurring monthly. The mortgage liability and associated financing costs are specifically excluded from the Revolving Credit Facility financial covenant calculations.

		As at, June 30, 2022		As at, December 31, 2021
Current	**$**	**3,754**	$	296
Non-current		**4,186**		7,779
Total	**$**	**7,940**	$	8,075

The Well Servicing Transaction in July 2022 resulted in the sale of certain Corporation owned land and buildings. Upon close of the transaction the associated mortgage debt is repayable at the time of the second close in January 2023, refer to Note 17 for further details.

8. Shareholders' equity

a) Share capital

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

	Six-months ended June 30, 2022		Year ended December 31, 2021	
Common shares issued and outstanding:	**Shares**	**Amount**	Shares	Amount
Balance, beginning of period	48,733,145	$ 169,697	48,759,660	$ 169,220
Exercise of performance share units (Note 8)	-	-	52,289	751
Normal course issuer bid	-	-	(78,804)	(274)
Balance, end of period	**48,733,145**	**$ 169,697**	**48,733,145**	**$ 169,697**

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

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

On December 13, 2021, the Corporation received approval from the Toronto Stock Exchange to acquire for cancellation up to 2,420,531 common shares, representing approximately 10 percent of the Corporation's public float at the date of approval, under a Normal Course Issuer Bid ("NCIB"). The NCIB is valid for one year, commencing on December 15, 2021 and terminating on December 14, 2022. Pursuant to the NCIB no shares have been purchased and cancelled in 2022.

The Corporation's previous NCIB commenced on December 11, 2020 and terminated on December 10, 2021. Pursuant to this previous NCIB, in total 78,804 common shares were purchased and cancelled in 2021.

b) Per common share amounts

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

There is no dilutive impact to the weighted average number of common shares outstanding for the three and six-months ended June 30, 2022 and 2021, as the effects of all stock options and units are anti-dilutive.

	Three-months ended June 30			
	2022		2021	
	Number of common shares	**Net loss per common share**	Number of common shares	Net loss per common share
Weighted average number of common shares used in basic and diluted net loss per share	**48,733,145**	**$ (0.42)**	**48,811,949**	**$ (0.08)**

	Six-months ended June 30			
	2022		2021	
	Number of common shares	**Net loss per common share**	Number of common shares	Net loss per common share
Weighted average number of common shares used in basic and diluted net loss per share	**48,733,145**	**$ (0.47)**	**48,789,581**	**$ (0.19)**

9. Share-based compensation

The Corporation has various equity-based compensation plans under which up to 4,873,314 common shares (being 10% of all outstanding shares) may be issued as at June 30, 2022.

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

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

	Six-months ended June 30, 2022	Year ended December 31, 2021
Stock options	**448,000**	464,500
Performance share unit plan – restricted units	**514,279**	351,123
Performance share unit plan – performance units	**621,271**	389,435
Deferred share units	**909,400**	836,743
Balance, end of period	**2,492,950**	2,041,801
Common shares available for grants	**4,873,314**	4,873,314
Percentage used of total available	**51%**	42%
Remaining common shares available for grants	**2,380,364**	2,831,513

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

	Three-months ended	
	June 30, 2022	June 30, 2021
Stock options	**$ 24**	$ 8
Performance share unit plan – restricted units	**40**	3
Performance share unit plan – performance units	**86**	10
Deferred share units	**63**	47
Total expense	**$ 213**	$ 68

	Six-months ended	
	June 30, 2022	**June 30, 2021**
Stock options	**$ 53**	**$ 4**
Performance share unit plan – restricted units	**74**	**50**
Performance share unit plan – performance units	**104**	**9**
Deferred share units	**120**	**100**
Total expense	**$ 351**	**$ 163**

Stock Option Plan

The Corporation has a Stock Option Plan under which options to purchase common shares may be granted to directors, management, and certain employees. At June 30, 2022, a total of 448,000 stock options are outstanding and expire at various dates up to 2026, at exercise prices that range from $1.44 to $3.75 per share.

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

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

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

	Number of Stock Options	Weighted Average Exercise Price ($)
At December 31, 2021	464,500	2.02
Forfeited/Cancelled	(16,500)	(1.44)
At June 30, 2022	**448,000**	**2.04**

Exercise prices	Outstanding number of options	Weighted average remaining life of outstanding options (years)	Weighted average exercise price of outstanding options ($)	Exercisable number of options	Weighted average exercise price of options that are exercisable ($)
$1.30	27,000	4.39	1.30	-	-
$1.37	100,000	4.39	1.37	-	-
$1.44	184,500	4.39	1.44	-	-
$1.59	16,500	4.39	1.59	-	-
$3.75	120,000	0.42	3.75	120,000	3.75
At June 30, 2022	**448,000**	**3.32**	**2.04**	**120,000**	**3.75**

The Corporation values all its share options using the Black-Scholes model. No stock options were granted in 2022.

Performance Share Unit Plan ("PSUP")

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

	RSUs	PSUs	Total
At December 31, 2021	351,123	389,435	740,558
Granted	159,999	309,999	469,998
Dividends reinvested	3,157	3,814	6,971
Forfeited/Cancelled	-	(81,977)	(81,977)
At June 30, 2022	**514,279**	**621,271**	**1,135,550**

The fair value of each PSU granted in the 2022-year was $1.65, equivalent to the share price at the time of grant. The estimated fair value using the Black-Scholes valuation model is equal to the share price at the time of grant, due to the PSUs granted having an exercise price of nil.

Deferred Share Unit Plan ("DSU")

Details regarding the DSUs and related activity is as follows:

	Six-months ended June 30, 2022	Year ended December 31, 2021
Outstanding, beginning of period	**836,743**	523,117
Granted	**67,289**	241,998
Dividends re-invested	**5,368**	71,628
Outstanding, end of period	**909,400**	836,743

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

DSUs granted in 2022 pursuant to the Board of Directors' election to have quarterly compensation for services rendered settled in DSUs rather than cash were 67,289 DSUs (2021 – 151,998).

DSUs vest immediately, and the fair value of each unit is equivalent to the share price at the time of grant.

10. Revenue

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

Three-months ended June 30, 2022	Drilling Services	Production Services	Ancillary Services	Inter-Segment Elimination	**Total**
Service revenue:					
Canada	$ -	$ 14,945	$ 549	$ -	**$15,494**
PNG	5,953	-	-	-	**5,953**
	5,953	14,945	549	-	**21,447**
Equipment rental revenue:					
Canada	-	1,134	1,446	(724)	**1,856**
PNG	148	-	2,255	-	**2,403**
	148	1,134	3,701	(724)	**4,259**
Total revenue	**$ 6,101**	**$ 16,079**	**$4,250**	**$ (724)**	**$25,706**

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

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

Six-months ended June 30, 2022	Drilling Services	Production Services	Ancillary Services	Inter-Segment Elimination	**Total**
Service revenue:					
Canada	$ -	$ 29,448	$ 1,064	$ -	**$ 30,512**
PNG	15,527	-	-	-	**15,527**
	15,527	29,448	1,064	-	**46,039**
Equipment rental revenue:					
Canada	-	1,693	3,085	(1,387)	**3,391**
PNG	148	-	4,824	-	**4,972**
	148	1,693	7,909	(1,387)	**8,363**
Total revenue	**$15,675**	**$ 31,141**	**$ 8,973**	**$ (1,387)**	**$ 54,402**

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

High Arctic has a 49% ownership interest in the Seh' Chene Well Services Limited Partnership (the "Partnership") and is one of two participants in the Partnership whose mission is to execute dependable high-quality energy services, focused on environmental stewardship, while creating opportunity for local Indigenous communities and individuals. The Partnership is governed by a Limited Partnership Agreement, which requires that unanimous consent be obtained from the participants for all significant operating and financing decisions. High Arctic has been appointed as manager to oversee the day-to-day operations of the Partnership, which includes providing drilling, well completion, well reclamation and abandonment, production workover and equipment rental services to third parties on behalf of the Partnership. High Arctic has recorded service revenue for the three and six-month periods ended June 30, 2022 to the Partnership of $1,228 and $2,722, respectively (2021: $465 and $920, respectively).

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

11. Supplementary expense disclosure

a) Oilfield services expenses by nature

	Three-months ended June 30		Six-months ended June 30	
	2022	2021	**2022**	2021
Personnel	**$ 13,643**	$ 8,465	**$ 26,618**	$ 18,246
Equipment operating and maintenance	**3,661**	2,871	**9,889**	5,457
Material and supplies	**1,445**	1,360	**4,751**	2,361
Drilling rig rental	**178**	-	**199**	44
Other	**843**	413	**1,699**	1,406
	$ 19,770	$ 13,109	**$43,156**	$ 27,514

b) General and administrative expenses by nature

	Three-months ended June 30		Six-months ended June 30	
	2022	2021	**2022**	2021
Personnel	**$ 2,176**	$ 1,570	**$ 3,966**	$ 3,291
Professional, legal, and advisory fees	**322**	304	**537**	566
Information technology services	**172**	147	**481**	392
Corporate	**107**	343	**238**	457
Office and warehouse	**48**	151	**72**	205
Recovery of expected credit losses	**(45)**	(60)	**(122)**	(60)
Vehicle, supplies and other	**56**	17	**90**	109
	$ 2,836	$ 2,472	**$ 5,262**	$ 4,960

In 2021 the Corporation received government subsidies from the Canada Emergency Wage Subsidy and Rent Subsidy programs in relation to the impact of the Covid-19 pandemic. These programs expired in Q4-2021, and the Corporation no longer qualified for new government subsidies in 2022. For the three and six-month periods ended June 30, 2021, the resulting reduction of personnel costs amounted to $848 and $1,660, respectively, were allocated to Oilfield service expenses, and $96 and $195 were allocated to General and administrative expenses, respectively. For the three and six-month periods ended June 30, 2021, the resulting reduction of other costs relating to rent subsidies amounted to $83 and $182, respectively.

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

c) Interest and finance expense

	Three-months ended June 30		Six-months ended June 30	
	2022	2021	**2022**	2021
Interest on facility and standby fees (Note 7)	**$ 128**	$ 51	**$ 253**	$ 150
Finance expense (Note 6(b))	**87**	98	**178**	199
Other	**9**	(3)	**18**	13
	$ 224	$ 146	**$ 449**	$ 362

12. Income Tax

At June 30, 2022 deferred tax assets created through the accumulation of non-capital losses in North America were reviewed to assess the probability that future taxable profit could be utilized against such losses. As a result of the Sale Transactions in July 2022, and a history of unused non-capital losses the deferred tax asset has been written down to $ nil (December 31, 2021 - $7,743).

At June 30, 2022, non-current income tax receivable of $2,574 relates to prior period installments made to the PNG government. The Corporation can apply these accumulated installments to future income tax payable on earnings in PNG. No installment payments were made in YTD-2022. The Corporation has reclassified all current income tax receivable to non-current based on the anticipated timing of recovery of these amounts.

13. Supplementary cash flow information

Changes in non-cash working capital balances:

	Three-months ended June 30		Six-months ended June 30	
	2022	2021	**2022**	2021
Source (use) of cash:				
Accounts receivable	**$ 6,694**	$ 2,363	**$ 3,038**	$ **(5)**
Inventory, prepaid expenses and other assets [1]	**(2,165)**	(1,177)	**(989)**	**(814)**
Accounts payable and accrued liabilities	**(1,840)**	(104)	**(1,017)**	**670**
Dividend payable	**244**	-	**244**	**-**
Income taxes payable	**(11)**	2	**114**	**(4)**
Income taxes receivable	**406**	-	**431**	**-**
Impact of foreign exchange on working capital	**537**	(28)	**228**	**(179)**
	$ 3,865	$ 1,056	**$ 2,049**	$ **(332)**

Attributable to:				
Operating activities	**$ 3,500**	$ 1,383	**$ 1,557**	$ (292)
Investing activities	**121**	(327)	**248**	(40)
Financing activities	**244**	-	**244**	-
	$ 3,865	$ 1,056	**$ 2,049**	$ (332)

[1] Three and six-month periods ended June 30, 2022 includes prepaid property tax reclassified to assets held-for-sale of $185.

For the three and six-months ended June 30, 2022, interest amounting to $128 and $253 was paid, respectively (June 30, 2021 - $51 and $150, respectively).

For the three and six-months ended June 30, 2022, taxes paid amounted to $354 and $736, respectively (June 30, 2021 - $95 and $276, respectively).

14. Financial instruments and risk management

Financial and other risks

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

The Corporation is also exposed to geopolitical risks including the trade and economic impacts of the ongoing war in Ukraine. Geopolitical risks associated with the situation in Ukraine could significantly impact international trade and global commodity prices, including global oil prices.

Market risks

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

a) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The Corporation currently has mortgage financing arrangement with a fixed interest rate of 4.30% (Note 7). The Corporation is exposed to interest rate risk upon renewal or expiration of the initial term. In addition, the Corporation is also exposed to interest rate risk on borrowing within its revolving credit facility, which is a floating rate credit facility and fluctuates in response to changes in the prime interest rates (Note 7). The Corporation had no risk management contracts that would be affected by interest rates in place at June 30, 2022.

b) Commodity price risk

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

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

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

The Corporation had no risk management contracts that would be affected by commodity prices in place at June 30, 2022.

c) Foreign currency risk

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

The majority of the Corporation's international revenue and expenses are effectively transacted in USD and the Corporation does not actively engage in foreign currency hedging. For the three and six months ended June 30, 2022, a $0.10 change in the exchange rate of the Canadian dollar relative to the USD would have resulted in a change to the net loss amounting to $102 and $233, respectively (2021: $145 and $373, respectively).

d) PNG foreign currency restrictions

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

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

As at June 30, 2022 USD $630 (December 31, 2021: USD $384) was on deposit with a large international bank in PNG. The Bank of PNG ("BPNG") has provided approval for High Arctic to maintain a USD bank account in accordance with the BPNG currency regulations. Historically, the Corporation has received approval from the BPNG for drilling services contracts with its key customers in PNG to be denominated and settled in USD. However, if such approval is withdrawn in the future, or new contracts do not receive BPNG approval, funds may be converted into PGK and the Corporation would be required to access the foreign currency market in PNG to meet its foreign currency obligations, thus exposing the Corporation to greater foreign exchange exposure for the PGK.

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

Credit risk, customers, and economic dependence

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

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

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

The net carrying amount of accounts receivable represents the estimated maximum credit exposure on the accounts receivable balance. The Corporation has a wide range of customers comprised of small independent, intermediate and large multinational oil and gas producers.

Notwithstanding its large customer base, the Corporation provides services to 4 large multinational/regional customers who individually accounted for greater than 10% of its consolidated revenues during the three-month period ended June 30, 2022 with sales of $6,007, $3,886, $2,982, and $2,925, respectively (2021: three customers with revenues of $4,449, $2,145, and $2,028, respectively).

The Corporation provides services to 4 large multinational/regional customers who individually accounted for greater than 10% of its consolidated revenues during the six-month period ended June 30, 2022 with sales of $10,582, $8,535, $5,908, and $5,615, respectively (June 30, 2021: three customers with revenues of $8,655, $4,305, and $4,218, respectively).

As at June 30, 2022, these 4 customers represented a total of $6,289 or 36% of outstanding accounts receivable (December 31, 2021: two customers represented a total of $2,737 or 13% of outstanding accounts receivable).

Liquidity risk

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

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

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

Further, the Corporation currently had up to $37,000 in remaining availability under its credit facility, subject to the bank stipulated Margin Requirement (Note 7), to enable execution of strategic direction.

The Sale Transactions in July 2022 lead to the sale of the Corporation's Canadian Well Servicing and Snubbing businesses as well as a portion of the Corporation's Canadian well servicing rentals. Subsequent to closing of the Sale Transactions, no funding is available under the revolving credit facility. High Arctic intends to fund working capital and capital expenditure needs from cash balances with a view to establish a new arrangement geared towards its Papua New Guinea ("PNG") business in due course.

15. Operating segments

The Corporation determines its operating segments based on internal information reviewed by the executive management team and Board of Directors to allocate resources and assess performance. The Corporation's reportable operating segments are strategic operating units that offer different products and services. The Corporation operates in Canada and PNG. The Corporation has four operating segments as follows:

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

Drilling Services

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

Production Services

This segment consisted on June 30, 2022 of the Corporation's well servicing and snubbing services provided in Canada, and well servicing in PNG with its heli-portable workover rig.

Ancillary Services

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

Corporate

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

Details associated with each geographic and operating segment are provided for the three and six-months ended and as at June 30, 2022 and 2021 in the tables which follow.

2022	PNG	Canada	**Total**
Revenue – three-months ended [1]	$ 8,356	$ 17,350	**$ 25,706**
Revenue – six-months ended [1]	20,499	33,903	**54,402**
Non-current assets excluding deferred tax assets and assets held-for-sale [1]	45,137	14,511	**59,648**
Total assets excluding deferred tax assets and assets held-for-sale [1]	74,887	29,716	**104,603**
Assets held-for-sale	$ -	$ 57,181	**$ 57,181**

[1] Revenue represents balances for the three and six-month periods ended June 30, 2022. Total assets excluding deferred tax asset represents balances as at June 30, 2022.

2021	PNG	Canada	Total
Revenue – three-months ended [1]	$ 1,303	$ 15,074	**$ 16,377**
Revenue – six-months ended [1]	2,465	31,679	**34,144**
Non-current assets excluding deferred tax assets [1] [2]	52,426	80,151	**132,577**
Total assets excluding deferred tax assets [1]	$ 74,844	$ 102,865	**$ 177,709**

[1] Revenue represents balances for the three and six-month periods ended June 30, 2021. Total assets excluding deferred tax assets represents balances as at December 31, 2021.

[2] December 31, 2021 non-current assets excluding deferred tax assets were restated.

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

Three-months ended June 30, 2022	Drilling Services	Production Services	Ancillary Services	Corporate	Inter-segment eliminations	**Total**
Revenue	$ 6,101	$ 16,079	$ 4,250	$ -	$ (724)	**$25,706**
Expenses						
Oilfield Services	4,637	13,935	1,922	-	(724)	**19,770**
General and administrative	1,046	872	140	778	-	**2,836**
Depreciation and amortization	1,777	3,017	1,160	44	-	**5,998**
Share-based compensation	-	-	-	213	-	**213**
	7,460	17,824	3,222	1,035	(724)	**28,817**
	(1,359)	(1,745)	1,028	(1,035)	-	**(3,111)**
Impairment	-	(8,679)	-	-	-	**(8,679)**
Investment income	-	-	-	35	-	**35**
Foreign exchange loss	-	-	-	(79)	-	**(79)**
Gain on sale of property and equipment	-	20	39	-	-	**59**
Interest and finance expense	-	-	-	(224)	-	**(224)**
Loss before income taxes	**$ (1,359)**	**$ (10,404)**	**$ 1,067**	**$ (1,303)**	**$ -**	**$(11,999)**

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

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

Six-months ended/As at June 30, 2022	Drilling Services	Production Services	Ancillary Services	Corporate	Inter-Segment Elimination	**Total**
Revenue	$ 15,675	$ 31,141	$ 8,973	$ -	$ (1,387)	**$54,402**
Expenses						
Oilfield Services	12,114	28,750	3,679	-	(1,387)	**43,156**
General and administrative	1,907	1,599	272	1,484	-	**5,262**
Depreciation and amortization	3,613	5,727	2,144	78	-	**11,562**
Share-based compensation	-	-	-	351	-	**351**
	17,634	36,076	6,095	1,913	(1,387)	**60,331**
	(1,959)	(4,935)	2,878	(1,913)	-	**(5,929)**
Impairment	-	(8,679)	-	-	-	**(8,679)**
Foreign exchange loss	-	-	-	(51)	-	**(51)**
Gain (loss) on sale of property and equipment	(133)	(427)	696	-	-	**136**
Interest and finance expense	-	-	-	(449)	-	**(449)**
Loss before income tax	**(2,092)**	**(14,041)**	**3,574**	**(2,285)**	**-**	**(14,844)**
Property and equipment	33,132	2,621	20,338	447		**56,538**
Right-of-use assets	255	-	153	-	-	**408**
Assets-held-for sale (1)	-	54,287	2,894	-	-	**57,181**
Total assets less deferred tax assets	$ 55,528	$ 2,621	$ 45,879	$ 575	$ -	**$104,603**

(1) Assets held-for sale include $41,231 property and equipment from the sale of the Well Servicing business and $11,103 from the sale of the Snubbing business. Assets held-for-sale also include $185 in prepaids and $4,662 in right-of-use assets as part of the Well Servicing transaction.

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

Six-months ended/As at June 30, 2021	Drilling Services	Production Services	Ancillary Services	Corporate	Inter-Segment Elimination	Total
Revenue	$ 1,644	$ 28,703	$ 4,768	$ -	$ (971)	**$ 34,144**
Expenses						
Oilfield Services	1,729	24,096	2,660	-	(971)	**27,514**
General and administrative	1,363	1,899	278	1,420	-	**4,960**
Depreciation and amortization	3,259	5,827	2,589	83	-	**11,758**
Share-based compensation	-	-	-	163	-	**163**
	6,351	31,822	5,527	1,666	(971)	**44,395**
	(4,707)	(3,119)	(759)	(1,666)	-	**(10,251)**
Foreign exchange loss	-	-	-	(56)		**(56)**
Gain on sale of property and equipment	5	419	71	14	-	**509**
Interest and finance expense	-	-	-	(362)	-	**(362)**
Loss before income tax	**(4,702)**	**(2,700)**	**(688)**	**(2,070)**	**-**	**(10,160)**
Property and equipment [1]	35,875	68,142	20,795	497	-	125,309
Right-of-use assets [1]	192	4,793	283	-	-	5,268
Total assets less deferred tax assets [1] [2]	$ 54,452	$ 92,838	$ 28,923	$ 497	$ -	$ 177,710

[1] Represents balances as at December 31, 2021
[2] December 31, 2021 total assets less deferred tax assets were restated.

16. Commitments and contingencies

As part of the Corporation's contractual rig management and operations, the Corporation has been supplied an inventory of spare parts with a total value of $7,363 at June 30, 2022 (December 31, 2021: $7,244) by a customer for the Corporation's operations in PNG. The inventory is owned by this party and has not been recorded on the books of High Arctic. At the end of the contract, the Corporation must make a payment to the customer equivalent to any inventory shortfall and return the balance of inventory on hand.

17. Subsequent Events

On July 28, 2022, High Arctic announced the first closing of the sale of its Canadian Well Servicing business for an aggregate purchase price of $38,200 payable in cash, with $10,200 payable on first closing and $28,000 payable on second closing which is anticipated to occur in January 2023. Additionally, on the same date the Corporation announced the closing of the sale of High Arctic's Canadian Snubbing business to Team Snubbing Services Inc. for consideration consisting of 42% ownership in the outstanding shares and a note receivable of $3,365 with a five-year term, interest accruing at 4.5% from January 1, 2023, and principal repayments commencing July of 2024.

High Arctic retains its Ancillary Services Segment in Canada comprised of the Nitrogen Pumping business and a Rentals business focused on pressure control. High Arctic also retains its snubbing assets in the USA.

The Canadian Well Servicing transaction resulted in the reclass of the following to Assets held-for-sale: property and equipment of $41,231, right-of-use asset of $4,662, prepaids of $185 and lease liability of $7,695. The Canadian Well Servicing transaction resulted in the write down of property and equipment as impairment expense of $8,236 as at June 30, 2022.

The Snubbing transaction resulted in the reclass of property and equipment of $11,102 to assets held-for-sale on the Statement of Financial Position as at June 30, 2022. The Snubbing transaction resulted in the write down of property and equipment as impairment expense of $443 as at June 30, 2022. Investment in the share capital of Team represents a joint arrangement whereby High Arctic has significant influence of Team's operations and rights to the net assets of Team. High Arctic will appoint two directors to the five-member board of Team.

As a result of the Sale Transactions the Corporation has no funding available under its current undrawn revolving credit facility and the facility has been cancelled effective July 27, 2022.

At second closing of the Canadian Well Servicing transaction in January 2023, the Corporation will transfer title to real estate locations owned by the Corporation to the purchaser of the Well Servicing business and the Corporation will be required to repay mortgage principal of $3,565 related to these properties.