



**INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE-MONTHS ENDED
September 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	September 30, 2022	December 31, 2021
Assets			
Current assets			
Cash and cash equivalents		\$ 23,386	\$ 12,037
Accounts receivable	3	12,101	20,714
Asset sale receivable	4	28,000	-
Inventory		15,029	9,136
Prepaid expenses and other assets		895	2,239
Income tax receivable		-	1,006
		79,411	45,132
Non-current assets			
Property and equipment	5	56,482	125,309
Equity investments	6	8,161	-
Income tax receivable		2,738	2,000
Note receivable	7	2,522	-
Right-of-use assets	8(a)	348	5,268
Deferred tax asset	14	-	7,743
Total Assets		\$ 149,662	\$ 185,452
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 4,564	\$ 13,367
Deferred revenue		4,287	-
Current portion of long-term debt	9	3,889	296
Income taxes payable		726	664
Current portion of lease liabilities	8(b)	267	1,081
Dividend payable		244	-
		13,977	15,408
Non-current liabilities			
Long-term debt	9	3,971	7,779
Deferred tax liability		5,870	6,050
Lease liabilities	8(b)	192	7,364
Total Liabilities		24,010	36,601
Shareholders' Equity			
Share capital	10(a)	169,697	169,697
Contributed surplus		14,351	13,818
Accumulated other comprehensive income		28,631	23,421
Deficit		(87,027)	(58,085)
		125,652	148,851
Total Liabilities and Shareholders' Equity		\$ 149,662	\$ 185,452

Commitments and contingencies (Note 18)

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 September 30		Nine-months ended September 30	
		2022	2021	2022	2021
Revenue	12	\$ 12,519	\$ 18,654	\$ 66,921	\$ 52,798
Expenses					
Oilfield services	13(a)	9,431	14,768	52,587	42,282
General and administrative	13(b)	2,516	2,474	7,778	7,434
Depreciation and amortization		3,149	5,876	14,711	17,634
Share-based compensation	11	182	133	533	296
		15,278	23,251	75,609	67,646
		(2,759)	(4,597)	(8,688)	(14,848)
Impairment of assets	5	(879)	-	(9,558)	-
Interest and finance expense	13(c)	(897)	(151)	(1,346)	(513)
Foreign exchange (loss) gain		(131)	103	(182)	47
Gain (loss) on sale of property and equipment	5	28	(88)	164	421
Income from equity investments		295	-	423	-
Loss before income taxes		(4,343)	(4,733)	(19,187)	(14,893)
Current income tax expense		(327)	(280)	(1,177)	(557)
Deferred income tax recovery (expense)		124	229	(7,116)	1,451
		(203)	(51)	(8,293)	894
Net loss for the period		\$ (4,546)	\$ (4,784)	\$ (27,480)	\$ (13,999)
Net loss per share – basic and diluted	10(b)	\$ (0.09)	\$ (0.10)	\$ (0.56)	\$ (0.29)

	Three-months ended September 30		Nine-months ended September 30	
	2022	2021	2022	2021
Net loss for the period	\$ (4,546)	\$ (4,784)	\$ (27,480)	\$ (13,999)
Other comprehensive loss:				
<i>Item that may be reclassified subsequently to net loss:</i>				
Foreign currency translation gain (loss) for foreign operations	4,137	1,921	5,210	(96)
Comprehensive loss for the period	\$ (409)	\$ (2,863)	\$ (22,270)	\$ (14,095)

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 10(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		-	-	-	(27,480)	(27,480)
Dividends		-	-	-	(1,462)	(1,462)
Other comprehensive loss – foreign currency translation loss		-	-	5,210	-	5,210
Share-based compensation	11	-	533	-	-	533
Balance at September 30, 2022		\$ 169,697	\$ 14,351	\$ 28,631	\$(87,027)	\$ 125,652
Balance at December 31, 2020		\$ 169,220	\$ 13,741	\$ 23,991	\$(29,731)	\$ 177,221
Net loss for the period		-	-	-	(13,999)	(13,999)
Other comprehensive loss – foreign currency translation loss		-	-	(96)	-	(96)
Purchase of common shares for cancellation		(274)	172	-	-	(102)
Share-based compensation	11	-	296	-	-	296
Exercise of performance share units	11	751	(804)	-	-	(53)
Balance at September 30, 2021		\$ 169,697	\$ 13,405	\$ 23,895	\$(43,730)	\$ 163,267

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 September 30		Nine-months ended September 30	
		2022	2021	2022	2021
Operating activities					
Net loss for the period		\$ (4,546)	\$ (4,784)	\$ (27,480)	\$ (13,999)
Adjustments for:					
Depreciation and amortization		3,149	5,876	14,711	17,634
Impairment	5	879	-	9,558	-
Deferred income tax (recovery) expense	14	(124)	(229)	7,116	(1,451)
Share-based compensation expense	11	182	133	533	296
Non-cash finance expense		848	96	1,026	295
Foreign exchange loss (gain)		131	(103)	182	(47)
(Gain) loss on sale of property and equipment	5	(28)	88	(164)	(421)
Income from equity investments		(295)	-	(423)	-
Funds flow from operations		196	1,077	5,059	2,307
Changes in non-cash working capital	15	746	(340)	2,303	(632)
Cash flow from operating activities		942	737	7,362	1,675
Investing activities					
Purchase of property and equipment	5	(660)	(2,658)	(3,976)	(4,108)
Proceeds from disposal of property and equipment	4,5	10,254	152	11,365	983
Changes in non-cash working capital	15	(924)	315	(676)	275
Cash flow from (used in) investing activities		8,670	(2,191)	6,713	(2,850)
Financing activities					
Lease obligation payments	8(b)	(94)	(407)	(1,025)	(1,199)
Dividend payments		(731)	-	(1,218)	-
Repayment of long-term debt	9	(80)	-	(215)	(10,000)
Purchase of common share for cancellation		-	(102)	-	(102)
Changes in non-cash working capital	15	-	-	244	-
Cash flow used in financing activities		(905)	(509)	(2,214)	(11,301)
Effect of foreign exchange rate changes		(419)	445	(512)	88
Increase (decrease) in cash		8,288	(1,518)	11,349	(12,388)
Cash, beginning of period		15,098	21,728	12,037	32,598
Cash, end of period		\$ 23,386	\$ 20,210	\$ 23,386	\$ 20,210

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

HIGH ARCTIC ENERGY SERVICES INC.

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the three and nine-months ended September 30, 2022 and 2021

(Unaudited)

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

1. Nature of Business

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

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

As of September 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 (“Interim Condensed Consolidated Financial Statements”) have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting.

The Interim Condensed Consolidated Financial Statements were authorized for issuance by the Board of Directors on November 10, 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.

3. Accounts receivable

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

	As at September 30, 2022		As at December 31, 2021	
Less than 31 days	\$	6,242	\$	11,803
31 to 60 days		626		6,415
61 to 90 days		3,427		2,522
Greater than 90 days		2,444		675
Provision for expected credit losses		(638)		(701)
Total	\$	12,101	\$	20,714

HIGH ARCTIC ENERGY SERVICES INC.

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the three and nine-months ended September 30, 2022 and 2021

(Unaudited)

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

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

	As at September 30, 2022		As at December 31, 2021	
Canadian dollars	\$	5,165	\$	11,177
US dollars ("USD") (September 30, 2022– USD \$5,060; December 31, 2021 – USD \$7,523)		6,936		9,537
Total	\$	12,101	\$	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 September 30, 2022 was as follows:

<i>(\$ thousands, unless otherwise noted)</i>	Less than 31 days	31-60 days	61-90 days	Over 90 days	Total
Investment grade receivables	\$ 5,864	\$ 480	\$ 3,392	\$ 1,683	\$ 11,419
Non-investment grade receivables	378	146	35	761	1,320
Total receivables	\$ 6,242	\$ 626	\$ 3,427	\$ 2,444	\$ 12,739
<i>ECL for investment grade (%)</i>	<i>0.04</i>	<i>0.06</i>	<i>0.10</i>	<i>0.30</i>	-
<i>ECL for non-investment grade (%)</i>	<i>0.25</i>	<i>0.75</i>	<i>5.00</i>	<i>10.00</i>	-
Investment grade ECL provision	\$ -	\$ -	\$ -	\$ -	\$ -
Non-investment grade ECL provision	(4)	(1)	(2)	(26)	(33)
Specifically provided for amounts	-	-	-	(605)	(605)
Total provision for ECL	\$ (4)	\$ (1)	\$ (2)	\$ (631)	\$ (638)

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

<i>(\$ thousands, unless otherwise noted)</i>	Less than 31 days	31-60 days	61-90 days	Over 90 days	Total
Investment grade receivables	\$ 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
<i>ECL for investment grade (%)</i>	<i>0.04</i>	<i>0.06</i>	<i>0.10</i>	<i>0.30</i>	-
<i>ECL for non-investment grade (%)</i>	<i>0.25</i>	<i>0.75</i>	<i>5.00</i>	<i>10.00</i>	-
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)

HIGH ARCTIC ENERGY SERVICES INC.

Notes to the Interim Condensed Consolidated Financial Statements
As at and for the three and nine-months ended September 30, 2022 and 2021
(Unaudited)

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

4. Asset sale receivable

	As at September 30, 2022	As at December 31, 2021
Total	\$ 28,000	\$ -

On July 17, 2022, High Arctic entered into an agreement with Precision Drilling Corporation to sell its Canadian Well Servicing business (the “Well Servicing Transaction”) for \$38,200 and retained working capital upon first closing. The transaction was structured with two closing dates.

The first closing occurred on July 27, 2022 with High Arctic receiving a cash payment of \$10,200. The remaining receivable balance of \$28,000 is due and payable upon the second closing of the transaction in January 2023.

Additional information pertaining to the Well Servicing Transaction is disclosed in Note 5, Property and equipment, and Note 8, Right-of-use assets and lease liabilities.

5. 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	-	-	-	-	3,976	3,976
Dispositions	(6,188)	(148,536)	(1,464)	(3,916)	(1,899)	(162,003)
Transfers	-	8,472	44	-	(8,516)	-
Reclassification – vehicle lease	664	-	-	-	-	664
Impairment	-	(9,558)	-	-	-	(9,558)
Effect of foreign exchange	8	13,031	68	-	138	13,245
At September 30, 2022	\$ 2,283	\$ 203,810	\$ 3,117	\$ 6,866	\$ 971	\$ 217,047
Accumulated depreciation	Vehicles	Oilfield equipment	Computer equipment	Land and building	Work-in-progress	Total
At December 31, 2021	\$ 7,177	\$ 232,672	\$ 3,834	\$ 1,731	\$ -	\$ 245,414
Depreciation	161	13,699	127	167	-	14,154
Dispositions	(5,529)	(101,823)	(1,304)	(438)	-	(109,094)
Reclassification – vehicle lease	408	-	-	-	-	408
Effect of foreign exchange	6	9,610	67	-	-	9,683
At September 30, 2022	\$ 2,223	\$ 154,158	\$ 2,724	\$ 1,460	\$ -	\$ 160,565

HIGH ARCTIC ENERGY SERVICES INC.

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the three and nine-months ended September 30, 2022 and 2021

(Unaudited)

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

Net book value						
At December 31, 2021	\$ 622	\$ 107,729	\$ 635	\$ 9,051	\$7,272	\$ 125,309
At September 30,						
2022	\$ 60	\$ 49,652	\$ 393	\$ 5,406	\$ 971	\$ 56,482

For the three and nine-month periods ended September 30, 2022, High Arctic disposed of property and equipment and received cash proceeds of \$10,254 and \$11,365, respectively, of which \$10,200 were received from the Well Servicing Transaction during Q3-2022. For the retained businesses, High Arctic disposed of property and equipment and received cash proceeds of \$54 and \$1,165, respectively (September 30, 2021: \$152 and \$983, respectively), resulting in a gain on sale of \$28 and \$164, respectively (September 30, 2021: \$88 loss and \$421 gain on sale, respectively).

Impairment

On July 17, 2022 High Arctic entered into the Well Servicing Transaction and agreed to sell its Snubbing business (the "Snubbing Transaction"). The first close of the Well Servicing Transaction and the close of the Snubbing Transaction occurred on July 27, 2022 ("the Sale Transactions"). For the three and nine-month periods ended September 30, 2022, the Corporation recognized impairment expense of \$879 and \$9,558, respectively, relating to the Well Servicing and Snubbing CGU.

The Canadian Well Servicing Assets were sold for a total cash consideration of \$38,200. This transaction resulted in the sale of the assets and 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 \$47,082 and the fair value less cost to sell was estimated to be \$38,200, resulting in impairment of \$8,882, of which \$8,236 was recognized in Q2-2022 and the remainder of \$646 recognized in Q3-2022.

The Canadian Snubbing Assets were sold to a private entity, Team Snubbing Services Inc. ("Team"). This transaction also resulted in the transfer of field personnel to Team. As part of the consideration, High Arctic received a convertible promissory note from Team for \$3,365. High Arctic received the remainder of the consideration of \$7,738 in the form of 420,000 common voting shares in Team, representing 42% of the post-closing total outstanding shares in Team. The net book value of assets and liabilities sold to the acquiring company was \$11,779 and the fair value less cost to sell was estimated to be \$11,103, resulting in impairment of \$676, of which \$443 was recognized in Q2-2022 and the remainder of \$233 recognized in Q3-2022.

No other indicators of impairment were noted by the Corporation.

HIGH ARCTIC ENERGY SERVICES INC.

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the three and nine-months ended September 30, 2022 and 2021

(Unaudited)

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

6. Equity Investments

	As At September 30, 2022	As at December 31, 2021
Equity investment – Team Snubbing	\$ 8,013	\$ -
Equity investment – Seh’ Chene	\$ 148	\$ -
Equity investments – Total	\$ 8,161	\$ -

a) Team Snubbing Services Inc.

On July 27, 2022, as part of the consideration for the Snubbing Transaction, High Arctic received a 420,000 common voting shares in Team, representing 42% of the post-closing total outstanding shares. High Arctic appointed two directors to the five-member Board of Team with key matters relating to the conduct of business requiring not less than 65% shareholder approval. In Q3-2022, the Corporation recognized the initial investment at \$7,738 and recognized income from equity investments of \$275 representing the Corporation’s proportionate interest of the earnings of Team for the period from closing to September 30, 2022. No dividends were paid by Team since the date of the initial investment.

b) Seh’ Chene Well Services Limited Partnership

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.

Initial investment into the partnership in 2020 was nominal with the Corporation’s interest in earnings accumulating to \$148 as at September 30, 2022. No earnings were distributed from the Partnership in 2022 and 2021.

7. Note Receivable

On July 27, 2022, as part of the consideration for the Snubbing Transaction, High Arctic received a convertible promissory note from Team for \$3,365 with a five-year term, annual interest of 4.5% accruing from January 1, 2023 and principal repayments commencing July 2024. The note receivable is considered a financial asset. The carrying value of the note is determined by discounting the anticipated future cash flow impact of the note using a discount rate of 13%. Accordingly, an initial amortized value at the time of entering into the agreement was \$2,470 resulting in initial accretion expenses of \$895. Accretion income of \$52 recorded to the note receivable during Q3-2022 resulted in a carrying value balance of \$2,522 as at September 30, 2022.

HIGH ARCTIC ENERGY SERVICES INC.

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(Unaudited)

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8. Right-of-use assets and lease liabilities

a) Right-of-use assets

Cost		Total
At December 31, 2021	\$	7,782
Additions		523
Disposals		(7,402)
Effect of foreign exchange rate changes		(40)
At September 30, 2022		863
Accumulated amortization		Total
At December 31, 2021	\$	2,514
Amortization		557
Disposals		(2,525)
Effect of foreign exchange rate changes		(31)
At September 30, 2022		515
Net book value		
At December 31, 2021	\$	5,268
At September 30, 2022	\$	348

The right-of-use assets are associated with various leases relating to real estate assets and vehicles.

b) Lease liabilities

		Total
At December 31, 2021	\$	8,445
Lease additions		522
Lease disposal		(7,677)
Lease payments		(1,025)
Lease finance expense (Note 13)		183
Effect of foreign exchange rate changes		11
At September 30, 2022	\$	459
		Total
Current	\$	267
Non-current		192
At September 30, 2022	\$	459

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

		Total
Less than one year	\$	277
One to five years		193
Total undiscounted liabilities	\$	470

HIGH ARCTIC ENERGY SERVICES INC.

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(Unaudited)

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9. Long-term Debt

	As at September 30, 2022	As at December 31, 2021
Revolving credit facility	\$ -	\$ -
Mortgage financing⁽¹⁾	\$ 7,860	\$ 8,075

⁽¹⁾ Includes total of current and non-current amounts

a) Revolving Credit Facility

At close of the Sale Transactions, the Revolving Credit Facility was cancelled effective July 27, 2022. The Corporation maintains a small overdraft facility in the amount of \$600 with security interest over cash balances in Canada.

Prior to the Sale Transactions, the Corporation had a \$37,000 revolving facility with a maturity date of August 31, 2023 which was secured by a general security agreement over the Corporation's assets. In addition, the revolving credit facility allowed for up to \$5,000 to be available by way of account overdraft which was not subject to the covenant requirements.

For the nine-months ended September 30, 2022, the Corporation did not draw upon the facility.

b) Mortgage Financing

During December 2021, the Corporation entered into 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.

	As at, September 30, 2022	As at, December 31, 2021
Current	\$ 3,889	\$ 296
Non-current	3,971	7,779
Total	\$ 7,860	\$ 8,075

The Well Servicing Transaction included the sale of certain Corporation owned land and buildings. At second closing in January 2023, the Corporation will transfer title to real estate locations to the purchaser of the Well Servicing business. Prior to the second closing, the Corporation is required to repay mortgage principal of \$3,565 associated with these properties.

HIGH ARCTIC ENERGY SERVICES INC.

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(Unaudited)

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

10. 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.

	Nine-months ended September 30, 2022		Year ended December 31, 2021	
	Shares	Amount	Shares	Amount
Common shares issued and outstanding:				
Balance, beginning of period	48,733,145	\$ 169,697	48,759,660	\$ 169,220
Exercise of performance share units (Note 11)	-	-	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.

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 YTD-2022. Subsequent to September 30, 2022, the Corporation began repurchasing shares, and has repurchased and cancelled 16,376 shares as of the authorization date of these financial statements

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 nine-months ended September 30, 2022 and 2021, as the effects of all stock options and units are anti-dilutive.

	Three-months ended September 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	\$ (0.09)	48,800,114	\$ (0.10)

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	Nine-months ended September 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	\$ (0.56)	48,793,187	\$ (0.29)

11. 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 September 30, 2022.

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

	Nine-months ended September 30, 2022	Year ended December 31, 2021
Stock options	325,000	464,500
Performance share unit plan – restricted units	519,672	351,123
Performance share unit plan – performance units	603,893	389,435
Deferred share units	973,264	836,743
Balance, end of period	2,421,829	2,041,801
Common shares available for grants	4,873,314	4,873,314
Percentage used of total available	50%	42%
Remaining common shares available for grants	2,451,485	2,831,513

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

	Three-months ended	
	September 30, 2022	September 30, 2021
Stock options	\$ (15)	\$ 34
Performance share unit plan – restricted units	47	17
Performance share unit plan – performance units	64	26
Deferred share units	86	56
Total expense	\$ 182	\$ 133

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	Nine-months ended	
	September 30, 2022	September 30, 2021
Stock options	\$ 38	\$ 38
Performance share unit plan – restricted units	121	67
Performance share unit plan – performance units	168	35
Deferred share units	206	156
Total expense	\$ 533	\$ 296

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 September 30, 2022, a total of 325,000 stock options are outstanding and expire at various dates up to 2026, at exercise prices that range from \$1.30 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 option movements and weighted average exercise prices are as follows:

	Number of Stock Options	Weighted Average Exercise Price (\$)
At December 31, 2021	464,500	2.02
Granted	30,000	1.30
Forfeited/Cancelled	(169,500)	(2.14)
At September 30, 2022	325,000	1.93

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	57,000	4.73	1.30	5,610	1.30
\$1.37	100,000	4.21	1.37	34,000	1.37
\$1.44	76,500	4.21	1.44	30,600	1.44
\$1.59	16,500	4.21	1.59	5,610	1.59
\$3.75	75,000	0.24	3.75	75,000	3.75
At September 30, 2022	325,000	3.42	1.93	150,820	2.53

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The Corporation values all its share options using the Black-Scholes model. For the three-month period ended September 30, 2022, 30,000 options were granted. The weighted average fair value of stock options granted was \$0.45 and was estimated at the grant date using the following weighted average assumptions:

Expected volatility	56%
Risk-free rate	3%
Expected term	3.6 years
Expected dividends	4%
Share price	\$1.30
Exercise price	\$1.30

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	319,999	479,998
Dividends reinvested	8,550	10,137	18,687
Forfeited/Cancelled	-	(115,678)	(115,678)
At September 30, 2022	519,672	603,893	1,123,565

The fair value of each PSUP Units 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 PSUP Units granted having an exercise price of nil.

Deferred Share Unit Plan ("DSU")

Details regarding the DSUs and related activity is as follows:

	Nine-months ended September 30, 2022	Year ended December 31, 2021
Outstanding, beginning of period	836,743	523,117
Granted	121,616	241,998
Dividends re-invested	14,905	71,628
Outstanding, end of period	973,264	836,743

DSUs granted in for the nine-months period ended September 30, 2022, pursuant to the Board of Directors' election to have quarterly compensation for services rendered settled in DSUs rather than cash, were 121,616 DSUs (2021 – 114,380).

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

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12. 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 September 30, 2022	Drilling Services	Production Services	Ancillary Services	Inter-Segment Elimination	Total
Service revenue:					
Canada ⁽¹⁾	\$ -	\$ 4,409	\$ 579	\$ -	\$4,988
PNG ⁽²⁾	4,855	-	-	-	4,855
	4,855	4,409	579	-	9,843
Equipment rental revenue:					
Canada ⁽³⁾	-	550	732	(215)	1,067
PNG	15	-	1,594	-	1,609
	15	550	2,326	(215)	2,676
Total revenue	\$ 4,870	\$ 4,959	\$2,905	\$ (215)	\$12,519

⁽¹⁾ Service revenue associated with the Canadian Well Servicing and Snubbing businesses totaled \$4,409 during the quarter.

⁽²⁾ In Q3-2022, reimbursable revenues of \$1,295 for the supply of materials supporting drilling services recorded in Q1-2022 were reclassified from revenue to deferred revenue to reflect materials in transit to High Arctic's customer.

⁽³⁾ Equipment rental revenue associated with the assets sold in the Well Servicing Transaction included in Ancillary services totaled \$328 during the quarter.

Three-months ended September 30, 2021	Drilling Services	Production Services	Ancillary Services	Inter-Segment Elimination	Total
Service revenue:					
Canada	\$ -	\$12,187	\$ 722	\$ -	\$12,909
PNG	2,718	-	-	-	2,718
	2,718	12,187	722	-	15,627
Equipment rental revenue:					
Canada	-	913	1,225	(444)	1,694
PNG	-	-	1,333	-	1,333
	-	913	2,558	(444)	3,027
Total revenue	\$ 2,718	\$13,100	\$3,280	\$ (444)	\$18,654

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Nine-months ended September 30, 2022	Drilling Services	Production Services	Ancillary Services	Inter- Segment Elimination	Total
Service revenue:					
Canada ⁽¹⁾	\$ -	\$ 33,858	\$ 1,643	\$ -	\$35,501
PNG ⁽²⁾	20,382	-	-	-	20,382
	20,382	33,858	1,643	-	55,883
Equipment rental revenue:					
Canada ⁽³⁾	-	2,241	3,817	(1,601)	4,457
PNG	163	-	6,418	-	6,581
	163	2,241	10,235	(1,601)	11,038
Total revenue	\$20,545	\$ 36,099	\$ 11,878	\$ (1,601)	\$66,921

⁽¹⁾ Service revenue associated with the Canadian Well Servicing and Snubbing business totaled \$33,858 during the period.

⁽²⁾ In Q3-2022, reimbursable revenues of \$1,295 for the supply of materials supporting drilling services recorded in Q1-2022 were reclassified from revenue to deferred revenue to reflect materials in transit to High Arctic's customer.

⁽³⁾ Equipment rental revenue associated with the assets sold in the Canadian Well Servicing Transaction included in Ancillary services totaled \$2,495 during the period.

Nine-months ended September 30, 2021	Drilling Services	Production Services	Ancillary Services	Inter- Segment Elimination	Total
Service revenue:					
Canada	\$ -	\$38,683	\$ 1,835	\$ -	\$40,518
PNG	4,318	-	-	-	4,318
	4,318	38,683	1,835	-	44,836
Equipment rental revenue:					
Canada	-	3,119	4,060	(1,415)	5,764
PNG	44	-	2,154	-	2,198
	44	3,119	6,214	(1,415)	7,962
Total revenue	\$ 4,362	\$41,802	\$ 8,049	\$ (1,415)	\$52,798

High Arctic recorded service revenue for the three and nine-month periods ended September 30, 2022 to the Seh' Chene Well Services Limited Partnership of \$1,062 and \$3,783, respectively (2021: \$448 and \$1,368, respectively).

HIGH ARCTIC ENERGY SERVICES INC.

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13. Supplementary expense disclosure

a) Oilfield services expenses by nature

	Three-months ended September 30		Nine-months ended September 30	
	2022	2021	2022	2021
Personnel	\$ 7,254	\$ 8,465	\$ 33,872	\$ 26,711
Equipment operating and maintenance	1,447	3,971	11,336	9,428
Material and supplies ⁽¹⁾	(14)	1,654	4,737	4,015
Drilling rig rental	40	18	239	102
Other	704	660	2,403	2,026
	\$ 9,431	\$ 14,768	\$ 52,587	\$ 42,282

⁽¹⁾ In Q3-2022, reimbursable costs of \$1,243 for materials and supplies initially recorded in Q1-2022 were reclassified from oilfield services to inventory to reflect materials in transit to High Arctic's customer.

b) General and administrative expenses by nature

	Three-months ended September 30		Nine-months ended September 30	
	2022	2021	2022	2021
Personnel	\$ 1,924	\$ 1,788	\$ 5,890	\$ 5,056
Professional, legal, and advisory fees	216	207	753	730
Information technology services	196	245	678	637
Corporate	71	143	309	391
Office and warehouse	61	30	133	174
Expense (recovery) of expected credit losses	11	(4)	(111)	(64)
Vehicle, supplies and other	37	65	126	510
	\$ 2,516	\$ 2,474	\$ 7,778	\$ 7,434

c) Interest and finance expense

	Three-months ended September 30		Nine-months ended September 30	
	2022	2021	2022	2021
Note receivable accretion (Note 7)	\$ 843	\$ -	\$ 843	\$ -
Interest on facility and standby fees (Note 9)	105	45	358	195
Lease finance expense (Note 8(b))	5	96	183	295
Interest income and other	(56)	10	(38)	23
	\$ 897	\$ 151	\$ 1,346	\$ 513

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14. Income Tax

In Q2-2022, 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 was written down to \$ nil (December 31, 2021 - \$7,743).

15. Supplementary cash flow information

Changes in non-cash working capital balances:

	Three-months ended September 30		Nine-months ended September 30	
	2022	2021	2022	2021
Source (use) of cash:				
Accounts receivable	\$ 5,575	\$ 75	\$ 8,613	\$ 70
Inventory, prepaid expenses and other assets	(3,560)	141	(4,549)	(673)
Accounts payable and accrued liabilities	(7,786)	(618)	(8,803)	52
Note receivable	(843)	-	(843)	-
Dividend payable	-	-	244	-
Income taxes payable	(52)	107	62	103
Income taxes receivable	575	-	1,006	-
Deferred Revenue	4,287	-	4,287	-
Impact of foreign exchange on working capital	1,626	270	1,854	91
	\$ (178)	\$ (25)	\$ 1,871	\$ (357)
Attributable to:				
Operating activities	\$ 746	\$ (340)	\$ 2,303	\$ (632)
Investing activities	(924)	315	(676)	275
Financing activities	-	-	244	-
	\$ (178)	\$ 25	\$ 1,871	\$ (357)

For the three and nine-months ended September 30, 2022, interest amounting to \$105 and \$358 was paid, respectively (September 30, 2021 - \$45 and \$195, respectively).

For the three and nine-months ended September 30, 2022, taxes paid amounted to \$327 and \$1,063, respectively (September 30, 2021 - \$375 and \$651, respectively).

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16. 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 conflict 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 with a fixed interest rate of 4.30% (Note 9). 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 9). The Corporation had no risk management contracts that would be affected by interest rates in place at September 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, transitional and future phases of energy industry changes.

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

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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 nine-months ended September 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 \$193 and \$40, respectively (2021: \$144 and \$517, 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 September 30, 2022 USD \$1,030 (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

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accounts receivable balance. The Corporation has a wide range of customers comprised of small independent, intermediate and large multinational oil and gas producers.

Notwithstanding its large customer base, the Corporation provides services to 3 large multinational/regional customers who individually accounted for greater than 10% of its consolidated revenues during the three-month period ended September 30, 2022 with sales of \$4,655, \$4,451, and \$1,556, respectively (2021: one customer with revenues of \$4,056).

The Corporation provides services to 6 large multinational/regional customers who individually accounted for greater than 10% of its consolidated revenues during the nine-month period ended September 30, 2022 with sales of \$12,138, \$9,468, \$8,617, \$8,367, \$7,050, and \$6,721 respectively (September 30, 2021: three customers with revenues of \$12,711, \$5,927, and \$5,718, respectively).

As at September 30, 2022, these 6 customers represented a total of \$7,621 or 63% 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.

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 the 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.

17. 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:

Drilling Services

This segment currently consists of the Corporation's drilling services provided in PNG, including the provision of drilling personnel to assist customers with various operations supporting drilling activities.

Production Services

This segment consisted on September 30, 2022 of the Corporation's well servicing in PNG with its heli-portable

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workover rig. The Corporation's well servicing and snubbing businesses in Canada, which formed the largest parts of this segment, was sold as part of the Sale Transactions in Q3-2022.

Ancillary Services

Ancillary services segment consists of High Arctic's oilfield rental equipment in Canada and PNG as well as its Canadian nitrogen services and inactive snubbing assets located in the USA.

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 nine-months ended and as at September 30, 2022 and 2021 in the tables which follow.

2022	PNG	Canada	Total
Revenue – three-months ended	\$ 6,463	\$ 6,056	\$ 12,519
Revenue – nine-months ended	26,963	39,958	66,921
Non-current assets excluding deferred tax assets ⁽¹⁾	43,016	27,235	70,251
Total assets excluding deferred tax assets ⁽¹⁾	\$ 80,169	\$ 69,493	\$ 149,662

⁽¹⁾ As at September 30, 2022.

2021	PNG	Canada	Total
Revenue – three-months ended	\$ 4,051	\$ 14,603	\$ 18,654
Revenue – nine-months ended	6,517	46,281	52,798
Non-current assets excluding deferred tax assets ⁽²⁾	52,426	80,151	132,577
Total assets excluding deferred tax assets ⁽²⁾	\$ 74,844	\$ 102,865	\$ 177,709

⁽²⁾ As at December 31, 2021.

Three-months ended September 30, 2022	Drilling Services	Production Services	Ancillary Services	Corporate	Inter- segment eliminations	Total
Revenue	\$ 4,870	\$ 4,959	\$ 2,904	\$ -	\$ (214)	\$12,519
Expenses						
Oilfield Services	3,718	4,469	1,458	-	(214)	9,431
General and administrative	989	494	99	934	-	2,516
Depreciation and amortization	1,644	-	1,465	40	-	3,149
Share-based compensation	-	-	-	182	-	182
	6,351	4,963	3,022	1,156	(214)	15,278
	(1,481)	(4)	(118)	(1,156)	-	(2,759)
Impairment	-	(879)	-	-	-	(879)
Income from equity Investments	-	-	-	295	-	295
Foreign exchange loss	-	-	-	(131)	-	(131)
Gain on sale of property and equipment	-	4	24	-	-	28
Interest and finance expense	-	-	-	(897)	-	(897)
Loss before income taxes	\$ (1,481)	\$ (879)	\$ (94)	\$ (1,889)	\$ -	\$ (4,343)

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Three-months ended September 30, 2021	Drilling Services	Production Services	Ancillary Services	Corporate	Inter- segment eliminations	Total
Revenue	\$ 2,718	\$ 13,100	\$ 3,280	\$ -	\$ (444)	\$ 18,654
Expenses						
Oilfield Services	2,430	11,140	1,642	-	(444)	14,768
General and administrative	717	830	156	771	-	2,474
Depreciation and amortization	1,882	2,749	1,209	36	-	5,876
Share-based compensation	-	-	-	133	-	133
	5,029	14,719	3,007	940	(444)	23,251
	(2,311)	(1,619)	273	(940)	-	(4,597)
Foreign exchange gain	-	-	-	103	-	103
(Loss) Gain on sale of property and equipment	-	(132)	44	-	-	(88)
Interest and finance expense	-	-	-	(151)	-	(151)
(Loss) income before income taxes	\$ (2,311)	\$ (1,751)	\$ 317	\$ (988)	\$ -	\$ (4,733)

Nine-months ended/As at September 30, 2022	Drilling Services	Production Services	Ancillary Services	Corporate	Inter- Segment Elimination	Total
Revenue	\$ 20,545	\$ 36,099	\$ 11,878	\$ -	\$ (1,601)	\$ 66,921
Expenses						
Oilfield Services	15,832	33,219	5,137	-	(1,601)	52,587
General and administrative	2,896	2,093	371	2,418	-	7,778
Depreciation and amortization	5,257	5,728	3,608	118	-	14,711
Share-based compensation	-	-	-	533	-	533
	23,985	41,040	9,116	3,069	(1,601)	75,609
	(3,440)	(4,941)	2,762	(3,069)	-	(8,688)
Impairment	-	(9,558)	-	-	-	(9,558)
Income from equity investments	-	-	-	423	-	423
Foreign exchange loss	-	-	-	(182)	-	(182)
(Loss) gain on sale of property and equipment	(133)	(423)	720	-	-	164
Interest and finance expense	-	-	-	(1,346)	-	(1,346)
(Loss) income before income tax	\$ (3,573)	\$ (14,922)	\$ 3,482	\$ (4,174)	\$ -	\$ (19,187)
Property and equipment	33,669	-	22,424	389	-	56,482
Right-of-use assets	183	-	41	124	-	348
Total assets less deferred tax assets	\$ 61,644	\$ -	\$ 87,507	\$ 513	\$ -	\$ 149,664

HIGH ARCTIC ENERGY SERVICES INC.

Notes to the Interim Condensed Consolidated Financial Statements

As at and for the three and nine-months ended September 30, 2022 and 2021

(Unaudited)

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

Nine-months ended September 30, 2021	Drilling Services	Production Services	Ancillary Services	Corporate	Inter- Segment Elimination	Total
Revenue	\$4,362	\$ 41,802	\$ 8,049	\$ -	\$ (1,415)	\$ 52,798
Expenses						
Oilfield Services	4,159	35,236	4,302	-	(1,415)	42,282
General and administrative	2,080	2,729	434	2,191	-	7,434
Depreciation and amortization	5,141	8,576	3,799	118	-	17,634
Share-based compensation	-	-	-	296	-	296
	11,380	46,541	8,535	2,605	(1,415)	67,646
	(7,018)	(4,738)	(487)	(2,605)	-	(14,848)
Foreign exchange gain	-	-	-	47	-	47
Gain on sale of property and equipment	5	286	115	15	-	421
Interest and finance expense	-	-	-	(513)	-	(513)
Loss before income tax	\$ (7,013)	\$ (4,452)	\$ (372)	\$ (3,056)	\$ -	\$(14,893)
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	\$ 92,837	\$ 28,923	\$ 497	\$ -	\$ 177,709

⁽¹⁾ Represents balances as at December 31, 2021

⁽²⁾ December 31, 2021 total assets less deferred tax assets were restated.

18. 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 \$7,832 at September 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.