

**FORM 51-102F3**  
**MATERIAL CHANGE REPORT**

1. **Name and Address of Company**

High Arctic Energy Services Inc. ("High Arctic" or the "Corporation")  
Suite 2350, 330 5<sup>th</sup> Ave S.W.  
Calgary, Alberta  
T2P 0L4

2. **Date of Material Change**

July 17, 2022

3. **News Release**

A press release was disseminated on July 18, 2022, via Globe Newswire.

4. **Summary of Material Change**

High Arctic announced agreements to sell its Canadian Well Servicing and Canadian Snubbing Businesses.

5. 1 **Full Description of Material Change**

High Arctic Energy Services Inc. (TSX: HWO) "High Arctic" or the "Corporation" has entered into an asset purchase agreement with Precision Drilling Corporation ("Precision") to sell High Arctic's Canadian well servicing business for an aggregate purchase price of \$38.2 million payable in cash (the "Well Servicing Transaction"). Additionally, the Corporation has entered into an asset purchase agreement with Team Snubbing Services Inc. ("Team") to sell High Arctic's Canadian snubbing business for 42% of the post-closing total outstanding shares in Team and a note receivable of \$3.4 million (the "Snubbing Transaction").

Both the Well Servicing Transaction and the Snubbing Transaction retain working capital, are subject to customary commercial closing conditions and are expected to close before the end of July 2022.

Michael Binnion, Chairman of High Arctic, commented "After reflection on High Arctic's core strength and future opportunities, the Board made a strategic decision to divest certain assets in Canada and focus on resurgent opportunities associated with our existing business in Papua New Guinea ("PNG"). PNG is a market where we have a dominant position, a history of high profit margins and free cash flow generation, and where the Corporation's future fortunes are inextricably tied.

We take great pride in the development of our Canadian well servicing and snubbing businesses. These transactions, we believe, set our employees up for success as most transition to a larger organization wherein their safety, service acumen and operational skill set them up for career success."

**FORM 51-102F3**  
**MATERIAL CHANGE REPORT**

The Well Servicing Transaction includes High Arctic's Canadian Well Servicing fleet marketed under the Concord Well Servicing brand comprising of 51 marketable rigs and 29 inactive and out of service rigs, as well as oilfield rental equipment associated with well servicing including 17 modern hydraulic catwalks purchased in 2021. The transaction will result in the transfer of High Arctic's Well Servicing employees and a large majority of support personnel to Precision.

The consideration includes \$10.2 million payable at closing and the remaining \$28.0 million payable in January 2023, with High Arctic expecting to retain approximately \$3.0 million in closing working capital. Title to four Alberta real estate locations owned by the Corporation will transfer to Precision on final payment, with High Arctic retaining owned Alberta properties in Whitecourt and Clairmont. Precision will assume the lease obligations for High Arctic's properties in Cold Lake and Acheson.

Mike Maguire, CEO of High Arctic, said "Consolidation in the well servicing market is necessary to realize the scale and synergies to deliver profitability to shareholders. This transaction delivers to Precision high quality assets and people, and provides High Arctic with access to the capital tied up in our business. We are pleased to have found in Precision's Well Servicing team, people who share a culture grounded in service quality and believe there is no better place to vend in Concord Well Servicing."

Precision's President and CEO, Kevin Neveu, stated, "This acquisition significantly expands our well servicing division with high quality rigs and field personnel, strategic regional positioning, and alignment with key customers. High Arctic's people are well known for their focus on safety and field execution and will complement Precision's High Performance, High Value operating strategy. The Transaction accomplishes needed consolidation in the well servicing industry, providing greater opportunities for our combined team, while bolstering service capabilities for our customers. I am excited to welcome High Arctic employees to the Precision family."

Paradigm Capital Inc. is acting as exclusive financial advisor to High Arctic in connection with the Well Servicing Transaction.

The Snubbing Transaction includes High Arctic's Canadian Snubbing fleet comprising 7 marketable packages and 32 inactive and out of service snubbing units, underbalance hoists and associated support equipment. Commensurate with the Snubbing Transaction, High Arctic will appoint two directors to the 5-person board of Team, and an affiliate of Team will enter into a five-year lease of High Arctic's owned property in Clairmont, Alberta on current market terms. The transaction will result in the transfer of High Arctic's snubbing employees to Team.

The Snubbing Transaction recognizes the contributed High Arctic assets at \$11.1 million. As part of the consideration, High Arctic will receive a convertible promissory note from Team for \$3.4 million with a five-year term, interest accruing at 4.5% from January 1,

**FORM 51-102F3**  
**MATERIAL CHANGE REPORT**

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.

Mike Maguire, CEO of High Arctic, said “We are thrilled to become a significant shareholder of Team Snubbing Services Inc., a Canadian snubbing specialist on a rapid growth trajectory. Ownership in Team retains for our shareholders an exposure to the Canadian energy services sector, in a bespoke service offering that realizes high margins overseen by skilled and passionate management, while at the same time releasing our management to focus efforts elsewhere.”

Mike Watts, CEO of Team, said “We are genuinely excited for the future of Team. The addition of the top-tier snubbing assets of High Arctic will enable us to realize our business plans for rapid expansion of operations in Canada and abroad. Team management has been working diligently over the past number of years to create a strong corporate and operational foundation given the uncertain times in the Canadian energy industry. This transaction has helped solidify management’s efforts and adds an exciting portfolio to the Team group. Through this transaction we get a strengthened balance sheet, board members with vast experience and knowledge of the energy services industry and capital markets, and employees who are as passionate about high quality, reliable and safe snubbing practices as we are.”

Elimination of Production Services Segment. Combined, the two transactions represent the effective divestment of High Arctic’s Canadian Production Services segment. Post-closing, High Arctic will retain in Canada its Ancillary Services Segment comprised of the Nitrogen Pumping business and a smaller Rentals business focused on pressure control while keeping the HAES Rental Services branding. These Ancillary Services businesses will be supported from our Whitecourt facility, and a small corporate headquarters in Calgary.

The book value of the net assets transferring under the Well Servicing Transaction is estimated to be \$42.4 million and under the Snubbing Transaction are estimated to be \$11.1 million, at the respective closings. The minority interest in Team will be reported as an investment on High Arctic’s balance sheet, with the net movements in Team’s profit and loss recognized to High Arctic’s income statement on a proportionate basis.

Mike Maguire, CEO of High Arctic, said “The divestment of High Arctic’s Canadian Production Services allows our management to streamline the remaining Canadian business and focus attention on the growth opportunities in PNG where we are excited about the opportunities for our Drilling Services segment as the next round of gas development projects materialize there.

The net proceeds of the Well Servicing Transaction provides additional liquidity to the Corporation. The timing of the second Well Servicing Transaction payment provides the

**FORM 51-102F3  
MATERIAL CHANGE REPORT**

opportunity for management to evaluate the need and sources for both working and growth capital in PNG. The Corporation has a history of returning surplus cash to shareholders, and will consider capacity to distribute funds to shareholders at that time.

On behalf of High Arctic's Board of Directors and management I acknowledge all the employees affected by these transactions and thank them for their dedicated service and their commitment to operational excellence at High Arctic."

DLA Piper (Canada) LLP is acting as legal advisor to High Arctic on both transactions.

**Forward-Looking Statements**

This press release contains forward-looking statements. When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions are intended to identify forward-looking statements. Such statements reflect the Corporation's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Corporation's actual results, performance or achievements to vary from those described in this press release.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this press release as intended, planned, anticipated, believed, estimated or expected. Specific forward-looking statements in this press release include, but are not limited to, statements pertaining to the following: the expected benefits of the transactions; the expected closing date of the transactions; the expected transfer of assets and employees; the estimated book value of assets transferred; the expected impact on financial reporting; the expected working capital at close of the transactions, and the expected market developments and growth in PNG.

The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth above and elsewhere in this press release.

The forward-looking statements contained in this press release are expressly qualified in their entirety by this cautionary statement. These statements are given only as of the date of this press release. The Corporation does not assume any obligation to update these forward-looking statements to reflect new information, subsequent events or otherwise, except as required by law.

**5.2 Disclosure for Restructuring Contracts**

Not applicable

**6. Reliance on Section 7.1(2) of National Instrument 51-102**

Not Applicable

**FORM 51-102F3  
MATERIAL CHANGE REPORT**

7. **Omitted Information**

Not Applicable

8. **Executive Officer**

The name and business number of the executive officer of High Arctic who is knowledgeable about the material change and this report is:

Lance Mierendorf – Chief Financial Officer

Telephone: (587) 318-2218

9. **Date of Report**

July 21, 2021