

# High Arctic Energy Services Inc.

(formerly High Arctic Energy Services Trust)

## Consolidated Balance Sheets

As at September 30, 2008 and December 31, 2007

(\$ Million Unaudited)

	September 30, 2008	December 31, 2007
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	17.6	21.0
Accounts receivable (Note 15)	28.8	40.0
Work-in-progress	-	0.5
Due from Optimal Pressure Drilling Services (Note 5)	2.8	-
Inventory	1.7	2.0
Prepaid Expenses	1.4	1.7
	<hr/>	<hr/>
	52.3	65.2
Property and equipment (Note 3)	99.7	105.2
Rigs and equipment under construction (Note 4)	7.2	2.5
Assets held for sale (Note 3)	26.2	52.9
Long term receivable (Note 11)	2.6	2.5
Future taxes	0.5	0.5
	<hr/>	<hr/>
	188.5	228.8
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	19.4	26.4
Income taxes payable	8.3	3.8
Prepaid mobilization revenue	0.7	1.6
Due to related parties (Note 10)	6.3	5.4
Credit facility and bridge loan (Note 6)	97.4	122.9
	<hr/>	<hr/>
	132.1	160.1
Convertible Debentures (Note 7)	25.2	23.3
	<hr/>	<hr/>
	157.3	183.4
Shareholders' equity (Note 8)	31.2	45.4
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	188.5	228.8
<b>Basis of presentation</b> (Note 1)		
<b>Commitments and contingencies</b> (Notes 5 and 11)		

See accompanying notes

Approved on behalf of the Corporation by:

(signed) "Jed Wood" Director

(signed) "Christopher Warren" Director

# High Arctic Energy Services Inc.

(formerly High Arctic Energy Services Trust)

Consolidated Statements of Net Earnings (Loss), Comprehensive Income (Loss) and Retained Earnings (Deficit)

**For the three and nine months ended September 30, 2008 and September 30, 2007**

(\$ Million except per unit amounts - Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
<b>Revenue</b> (Note 12)	41.8	29.0	123.5	90.8
<b>Expenses</b>				
Oilfield services	31.3	20.5	92.7	65.6
General and administration	3.2	4.7	12.0	12.5
Write-down of long term receivable (Note 11)	-	(0.4)	-	5.4
Amortization	4.7	6.0	13.0	16.5
Foreign exchange (gain) loss	(1.5)	1.1	(1.8)	1.8
	<u>37.7</u>	<u>31.9</u>	<u>115.9</u>	<u>101.8</u>
<b>Operating earnings (loss)</b>	4.1	(2.9)	7.6	(11.0)
Interest (Note 4)	4.5	2.3	16.8	4.7
Financing Costs	0.1	-	1.2	-
(Gain) Loss on sale of property, equipment and investments	0.9	-	(0.3)	(2.9)
Impairment on Assets Held for Sale	0.2	7.5	0.2	7.5
<b>Net earnings (loss) before income taxes</b>	<u>(1.6)</u>	<u>(12.7)</u>	<u>(10.3)</u>	<u>(20.3)</u>
<b>Income taxes (recovery)</b>	1.6	0.7	4.4	(5.9)
<b>Net earnings (loss) and comprehensive income (loss)</b>	<u>(3.2)</u>	<u>(13.4)</u>	<u>(14.7)</u>	<u>(14.4)</u>
<b>Retained earnings (Deficit) – beginning of period</b>	(97.1)	(17.0)	(85.6)	(13.9)
Distributions as a Trust	-	-	-	(2.1)
<b>Retained earnings (Deficit)– end of period</b>	<u>(100.3)</u>	<u>(30.4)</u>	<u>(100.3)</u>	<u>(30.4)</u>
<b>Earnings (loss) per share - basic and diluted</b>	\$ (0.07)	\$ (0.31)	\$ (0.35)	\$ (0.39)
<b>Basis of presentation</b> (Note 1)				

See accompanying notes

# High Arctic Energy Services Inc.

(formerly High Arctic Energy Services Trust)

## Consolidated Statements of Cash Flows

For the three and nine months ended September 30, 2008 and September 30, 2007

(\$ Million - Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
<b>Cash provided by (used in):</b>				
<b>Operating activities</b>				
Net earnings (loss) and comprehensive income (loss)	(3.2)	(13.4)	(14.7)	(14.4)
Add non-cash items:				
Amortization	4.7	6.0	13.0	16.5
Financing accretion and amortization	1.2	-	6.3	-
Share-based compensation	(0.3)	0.1	(0.1)	0.8
Future taxes (recovery)	-	(0.9)	-	(7.9)
Impairment on assets held for sale	0.2	7.5	0.2	7.5
Gain (loss) on sale of property and equipment	0.9	-	(0.3)	(2.9)
	3.5	(0.7)	4.4	(0.4)
Change in non-cash working capital balances (Note 13)	(6.8)	(21.4)	7.8	(23.4)
	(3.3)	(22.1)	12.2	(23.8)
<b>Investing activities</b>				
Property and equipment and rigs and equipment under construction	(3.3)	0.7	(15.3)	(21.2)
Proceeds on sale of property and equipment	16.8	1.1	30.9	8.4
Advances to Optimal Drilling (Note 5)	(1.3)	-	(2.8)	-
Change in non-cash working capital balances (Note 13)	-	5.1	(0.3)	(3.1)
	12.2	6.9	12.5	(15.9)
<b>Financing activities</b>				
Advances from (to) related parties	0.2	1.5	(0.1)	3.8
Change in credit facility	(15.5)	13.6	(28.0)	4.2
Issuance of shares, net of costs	-	-	-	38.0
Distributions as a Trust	-	-	-	(2.1)
Change in non-cash working capital balances (Note 13)	-	-	-	(3.3)
	(15.3)	15.1	(28.1)	40.6
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(6.4)</b>	<b>(0.1)</b>	<b>(3.4)</b>	<b>0.9</b>
<b>Cash and cash equivalents – beginning of period</b>	<b>24.0</b>	<b>4.1</b>	<b>21.0</b>	<b>3.1</b>
<b>Cash and cash equivalents – end of period</b>	<b>17.6</b>	<b>4.0</b>	<b>17.6</b>	<b>4.0</b>
<b>Supplemental information</b>				
<b>Cash paid for:</b>				
Interest	3.0	2.5	10.8	6.4
Income taxes	-	-	-	0.3
<b>Basis of presentation (Note 1)</b>				

See accompanying notes

# High Arctic Energy Services Inc.

(formerly High Arctic Energy Services Trust)

Consolidated Notes to the Financial Statements

**For the three and nine months ended September 30, 2008 and September 30, 2007**

(\$ Million - Unaudited)

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## 1 Basis of Presentation

High Arctic Energy Services Inc. (the "Corporation" or "HAES") is incorporated under the laws of Alberta, Canada and commenced operations on June 29, 2007 as a consequence of reorganization through a Plan of Arrangement approved by the security holders of the High Arctic Energy Services Trust (the "Trust"). The reorganization resulted in the Corporation acquiring the business of the Trust through the exchange of each outstanding Trust Unit or Exchangeable Share on a one-for-one basis, after accounting for the conversion factor applicable to certain Exchangeable Shares, for common shares of the Corporation (Note 8). For accounting purposes, the Corporation is considered a continuation of the Trust.

The Corporation's principal focus is to engage in the global oilfield services business by providing specialized drilling and production services to the Canadian and international oil and gas industry. The Corporation's Canadian operations are considered to have some seasonality with peak levels in the first and fourth quarters.

These unaudited consolidated financial statements are stated in Canadian dollars and have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") on a going concern basis. The consolidated earnings and cash flows for the periods prior to June 29, 2007 are those of the Trust. The going concern basis presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Corporation's ability to continue as a going concern is dependent upon improving cash flow from operations and complying with the terms of its outstanding debt. The Corporation has obtained a number of waivers from its banking covenants (Note 6) as a result of not generating sufficient cash flows from operations. The Corporation has renegotiated its credit facilities and will require asset sales to reduce its debt and maintain compliance with the revised terms. While the Corporation is focusing its best efforts on these matters, the outcome cannot be predicted at this time. There is therefore a risk regarding the Corporation's ability to continue as a going concern. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Corporation be unable to continue in business and therefore be unable to realize its assets and discharge its liabilities in the normal course of business. Such adjustments could be material.

## 2 Accounting Policies

The unaudited interim financial statements of the Corporation and its subsidiaries are presented in accordance with Canadian GAAP. These statements have been prepared using the same accounting policies and methods of computation as described in the financial statements for the year ended December 31, 2007, except as noted below. Accordingly, they should be read in conjunction with the annual audited financial statements and notes thereto for the period ended December 31, 2007.

### New Accounting Policies

As disclosed in the December 31, 2007 financial statements, the company adopted the following sections from the Canadian Institute of Chartered Accountants ("CICA") handbook:

- I. Section 1535 "Capital Disclosures". The new standard requires disclosure of the Corporation's objectives, policies and processes for managing capital. This includes qualitative information regarding the Corporation's objectives, policies and processes for

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managing capital and quantitative data about what the Corporation manages as capital. These disclosures are based on information that is provided internally to the Corporation's key management (see Note 14).

- II. Section 3031 "Inventories". The new disclosure replaces Section 3030 and provides more extensive guidance on measurement, and expands disclosure requirements to increase transparency. The Corporation's accounting policy for inventories is consistent with measurement requirements in the new standard and therefore it is not anticipated that the results of the Corporation will be impacted.
- III. Sections 3862 and 3863 replace section 3861 "Financial Instruments – Disclosure and Presentation" which revises and enhances financial instruments disclosure requirements and leaves unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Corporation manages those risks (see Note 15).

## Future Accounting Changes

The CICA has issued a new standard to replace the existing Goodwill and Intangible Assets standard. As of January 2009, the Corporation will be required to meet the new requirements defined in section 3064 for recognition, measurement, presentation and disclosure of intangible assets. These changes will affect the Corporation's policy of deferring start up costs during pre-operational periods.

The AcSB confirmed in February 2008 that IFRS standards will replace Canadian GAAP in 2011, for profit oriented Canadian publicly accountable entities. The Corporation is evaluating the potential impacts of this change in reporting standards.

## Comparative Figures

Certain comparative figures have been reclassified to conform to the current financial statement presentation.

# High Arctic Energy Services Inc.

(formerly High Arctic Energy Services Trust)

Consolidated Notes to the Financial Statements

For the three and nine months ended September 30, 2008 and September 30, 2007

(\$ Million - Unaudited)

## 3 Property and Equipment

	September 30, 2008		
	Cost	Accumulated Amortization	Net
Automotive	2.6	0.9	1.7
Computer hardware	0.5	0.3	0.2
Computer software	0.8	0.6	0.2
Equipment – field	19.4	10.0	9.4
Equipment – drilling rigs	24.5	3.9	20.6
Equipment – hydraulic workover rigs	56.0	16.4	39.6
Equipment – snubbing, air drilling and nitrogen	54.3	26.8	27.5
Equipment – office	0.5	0.2	0.3
Leasehold improvements	0.9	0.7	0.2
	159.5	59.8	99.7

	December 31, 2007		
	Cost	Accumulated Amortization	Net
Automotive	1.5	0.7	0.8
Computer hardware	0.8	0.3	0.5
Computer software	0.8	0.5	0.3
Equipment – field	32.6	9.4	23.2
Equipment – drilling rigs	7.2	1.3	5.9
Equipment – hydraulic workover rigs	48.9	9.3	39.6
Equipment – snubbing, air drilling and nitrogen	55.3	23.3	32.0
Equipment – office	0.7	0.2	0.5
Leasehold improvements	4.9	2.5	2.4
	152.7	47.5	105.2

In 2007, the Corporation provided for the impairment related to drilling rigs and equipment that are being actively marketed for disposition. The assets were reclassified and recorded as assets held for sale. In addition to the value held in property and equipment, the corporation also has \$26.2 million that has been reclassified as assets held for sale. In the quarter ending September 30, 2008 the Corporation provided \$0.2 million for the impairment of a facility located in the United Arab Emirates that the Corporation intends to sell.

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For the three and nine months ended September 30, 2008 and September 30, 2007

(\$ Million - Unaudited)

## 4 Rigs and Equipment Under Construction

	Nine Months Ended September 30, 2008	Year Ended December 31, 2007
<b>Equipment – hydraulic workover and drilling rigs</b>		
Opening balance	-	23.9
Construction costs and capitalized interest	0.5	8.0
Units completed and transferred to property and equipment	-	(23.9)
Units completed and transferred to assets held for sale, net of impairment	(0.2)	(8.0)
	0.3	-
<b>Equipment – snubbing, air drilling and nitrogen</b>		
Opening balance	0.9	38.0
Construction costs and capitalized interest	1.0	14.3
Equipment transferred to Optimal Pressure Drilling Services	-	(1.6)
Units completed and transferred to property and equipment	(1.7)	(49.8)
	0.2	0.9
<b>Equipment – Optimal Pressure Drilling Services</b>		
Opening balance (commenced January 1, 2008)	1.6	-
Equipment transferred to Optimal Pressure Drilling Services	-	1.6
Construction costs	5.7	-
Units completed and transferred to property and equipment	(0.6)	-
	6.7	1.6
	7.2	2.5

The Corporation capitalizes interest on the equipment loan (Note 6) relating to rigs and equipment under construction. During the three and nine months ended September 30, 2008, no interest was capitalized to rigs and equipment under construction (2007 - \$0.2 million and \$ 1.7 million respectively).

## 5 Investment in Optimal Pressure Drilling Services

On December 31, 2007 the Corporation formed a joint venture ("Optimal Pressure Drilling Services") with the Schlumberger group ("Schlumberger") for the purpose of providing underbalanced drilling ("UBD") services and managed pressure drilling ("MPD") services to the worldwide upstream oil and gas industry. The principal customer of Optimal Pressure Drilling Services is currently Schlumberger. Optimal Pressure Drilling Services is operated through separate legal entities (the "JV Entities"), including Optimal Pressure Drilling Services Inc., a Canadian corporation ("Optimal Canada"), Optimal Pressure Drilling Services, S.A. DE C.V., a Mexican corporation ("Optimal Mexico") and Optimal Pressure Drilling Services International Ltd., a Barbados corporation.

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**For the three and nine months ended September 30, 2008 and September 30, 2007**

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Optimal Pressure Drilling Services is owned 51% by the Corporation and 49% by Schlumberger through direct investments in the JV Entities. As part of the initial formation of Optimal Pressure Drilling Services, the Corporation sold its existing UBD and MPD equipment and the technology associated with its existing UBD and MPD businesses, including intellectual property rights, to those entities for proceeds of approximately US\$18.2 million. The start-up and ongoing capital needs are proportionately funded by the Corporation and Schlumberger.

As per the terms of the joint venture agreement, the parties entered into a put & call agreement that will allow the Corporation to sell its interest to Schlumberger or Schlumberger to purchase the interest of the Corporation based on a certain premium to the fair market value of the JV Entities at the time of exercise, as determined under the put & call agreement. The put or the call can be exercised by the holder at any time after December 31, 2008 and prior to that time can be exercised by Schlumberger in the event of certain financial distress events or a change in control of the Corporation. The put & call agreement contains the procedures for determining the fair market value at the time of exercise. Following an exercise of the put or the call, the Corporation would be prevented from conducting UBD and MPD activities and competing directly or indirectly with Schlumberger and the JV Entities for a period of three (3) years. However, the non-compete provision will not apply to UBD and MPD activities conducted by the Corporation within Canada, the United States of America, Western Europe and Papua New Guinea.

The joint venture agreement sets out the initial cash contribution commitment to the JV Entities that is required to meet their anticipated capital requirements for the first year. The cash contributions are being used by Optimal Pressure Drilling Services to fund the purchase of equipment required for the business and for working capital. The Corporation's portion of the initial cash commitment is US\$33.2 million of which US\$18.9 million was paid on closing at December 31, 2007, and US\$7.1 million was paid in March 2008. A further US\$2.1 million was advanced in October, 2008 and the balance of US\$5.1 million will be advanced as required by Optimal Pressure Drilling Services. Of the US\$26.0 million, advanced by the Corporation to September 30, 2008, an amount of US\$0.8 million was paid to Optimal Canada in the form of share capital and US\$25.2 million was paid to Optimal Mexico in the form of an interest bearing shareholder loan of US\$20.6 million and share capital of US\$4.6 million. The shareholder loan is unsecured, bears interest at a rate of 8% per annum payable quarterly, the principal is repayable at any time at the option of Optimal Mexico and the Corporation is entitled to full repayment upon ceasing to be a shareholder.

Optimal Pressure Drilling Services commenced operations January 1, 2008. Summarized financial information (in CDN\$) for the Corporation's 51% proportionate interest in the JV Entities at September 30, 2008 is as follows:

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## Consolidated Notes to the Financial Statements

### For the three and nine months ended September 30, 2008 and September 30, 2007

(\$ Million - Unaudited)

	September 30, 2008	December 31, 2007
<b>Balance Sheet</b>		
Cash	2.8	14.3
Deposits and prepaid expenses	0.2	0.0
Accounts receivable	2.5	0.1
Total current assets	5.5	14.4
Construction in Progress	6.7	0.2
Property and equipment	15.0	13.2
Total assets	27.2	27.8
Accounts payable	2.0	0.0
Due to High Arctic Energy Services Inc.	2.8	9.0
Notes payable to shareholders'	21.5	13.4
Total liabilities	26.3	22.4
Shareholders' equity & retained earnings	0.9	5.4
Total liabilities and shareholders' equity	27.2	27.8
<b>Income Statement</b>		
	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2008
Revenue	2.3	5.5
Oilfield services	2.6	6.2
General & administration	0.2	0.4
Amortization	0.7	1.8
Foreign exchange (Gain) Loss	0.3	0.4
Interest on High Arctic Loan	0.6	1.2
Net earnings (loss)	(2.1)	(4.5)

As part of the consolidation process, certain intercompany balances are eliminated for consolidated financial statements reporting purposes. The Corporation deferred a gain on sale of \$2.4 million on the equipment sold to the JV Entities in 2007. A gain of \$0.3 million is included in income for the nine months ended September 30, 2008 (nil – 2007) and the gain is recorded on a basis consistent with the future amortization of the related assets. A gain of \$0.1 million is included in income for the three months ended September 30, 2008 (nil – 2007)

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(\$ Million - Unaudited)

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## 6 Revolving Credit Facility and Bridge Loan

The Corporation has a revolving credit facility with a syndicate of commercial lenders. The facility is comprised of a \$20-million revolving loan ("Facility A") and a \$100-million equipment based revolving loan ("Facility B"). Facility A may be drawn to a maximum of the lesser of \$20-million and the total of 75% of eligible Canadian accounts receivable aged less than 90 days and 90% of eligible foreign receivables insured by the Export Development Canada (the "Facility A Borrowing Base"). Facility B may be drawn to a maximum of the lesser of \$100-million and 75% of the appraised orderly liquidation value of eligible equipment (the "Facility B Borrowing Base"). The Corporation also entered into a bridge facility credit agreement with one of the syndicate lenders dated July 12, 2007 for a \$20-million multi-draw bridge loan facility (the "Bridge Loan") which was subsequently drawn down in full by the Corporation. The obligations under the revolving credit facility and the Bridge Loan are secured by, among other things, the pledge of accounts receivable and the eligible equipment pursuant to debentures under which the Corporation and certain subsidiaries grant security over all of their respective assets. The lenders have also taken security over any proceeds arising under the put & call agreement described in Note 5.

As at September 30, 2008, the Corporation owed approximately \$4.4 million on Facility A (2007 – \$2.8 million), \$74.0 million on Facility B (2007 - \$100.0 million) and \$20.0 million on the Bridge Loan (the aggregate amounts owing on Facility A, Facility B and the Bridge Loan are herein referred to as the "Senior Consolidated Debt"). Accordingly, the Senior Consolidated Debt was approximately \$98.4 million (December 31, 2007 - \$126.4 million) excluding debt issue costs that were offset against that amount as reported on the balance sheet. The interest rate applicable to all prime loans under the revolving credit facility is prime plus 2% for amounts drawn up to 2.75x consolidated earnings before interest, depreciation, amortization and taxes and prime plus 4% for the excess drawn over the 2.75x amount. The interest rate applicable to the Bridge Loan is prime plus 6.25%. Prior to October 22, 2007, the interest rate applicable to all prime loans under the revolving credit facility was prime plus 1% and prime plus 6.25% under the Bridge Loan.

The Corporation has obtained waivers and amendments of certain financial covenant requirements to avoid a covenant default that would have resulted in the Senior Consolidated Debt being repayable immediately and triggered a cross default under the Convertible Debentures (see Note 7). Effective on June 6, 2008, the revolving credit facility and the Bridge Loan were amended (the "Amendments") to extend the maturity date and to establish new covenants that are consistent with the Corporation's business plan. The revolving term period of Facility A and Facility B was extended to March 31, 2009, after which the outstanding principal will become payable over a 36-month period. The maturity date of the Bridge Loan is now March 31, 2009. The Corporation is not permitted any further draws under its revolving credit facilities until its Consolidated Leverage Ratio ("CLR") is below 2.75 to 1.0.

As part of the Amendments, High Arctic is required to raise net proceeds of at least \$50 million through the sale of equipment to be completed by January 31, 2009. The sales must be completed at defined intervals so that 25% is completed by July 31, 2008, 50% is completed by September 30, 2008 and 75% is completed by November 30, 2008. To November 7, 2008, the Corporation had applied net proceeds from asset sales of \$28.9 million against amounts owing on the revolving credit facility and fees since the renegotiation of the credit facility. The Corporation does not expect to be able to meet the November 30, 2008 requirement for cumulative net proceeds from asset sales of \$37.5 million and is currently reviewing the situation with its lenders

The CLR is defined in the revolving credit facility agreement as, in general terms, consolidated total debt, as defined, divided by the 12-month trailing adjusted consolidated earnings before interest, depreciation, amortization and taxes. The CLR test is applied monthly and at September 30, 2008,

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the Corporation had a CLR of approximately 3.54 to 1.0 which was within the required level of 4.2 to 1.0. The maximum allowed CLR will decrease over time until it reaches 2.75 to 1.0 to be achieved by March 31, 2009. The Corporation plans to meet the requirements through a combination of increased earnings and decreased debt through the application of proceeds from the sale of assets.

Commencing with the first quarter of 2009, the Corporation must use 50% of excess cash flow (which is generally defined as consolidated earnings before interest, depreciation, amortization and taxes less debt service requirements, allowable capital expenditures and cash income taxes, all as determined by the lenders acting reasonably) to repay Facility A and Facility B amounts until the CLR has been reduced to 2.75 to 1.0 and thereafter to repay the Bridge Loan.

Assuming the proceeds from the mandatory asset sales are the only principal payments made by March 31, 2009, in addition to the maturity of the Bridge Loan of \$20.0 million, the remaining principal outstanding on the revolving credit facility of \$56.0 million will become repayable in 36 equal monthly payments as follows: to December 31, 2009 - \$14.0 million; to December 31, 2010 - \$18.7 million; to December 31, 2011 - \$18.7 million and to December 31, 2012 - \$4.6 million.

To facilitate the Amendments, the Corporation agreed to pay its lenders an amendment fee of approximately \$1.1 million. In addition, in consideration for amendments to the Bridge Loan, the Corporation:

- (i) issued to the lender 1,000,000 warrants to purchase common shares of the Corporation until June 20, 2010 at an exercise price of \$1.09 per common share; and
- (ii) amended the expiry date to June 20, 2010 (as opposed to April 29, 2009) and the exercise price to \$1.09 (as opposed to \$1.60) per common share in respect of the 500,000 warrants to purchase common shares of the Corporation that were previously issued to the lender on October 29, 2007.

The Corporation also incurred \$1.1 million in fees related to amendments made in October, 2007 to the revolving credit facility and \$2.7 million in fees related the Bridge Loan amendments made at that time. The \$1.1 million was repaid in June 2008 from proceeds of the asset sales. The \$2.7 million together with the additional fee of \$1.1 million referred to above will be deferred until March 31, 2009 provided that if the revolving credit facility is extended at that time the fees will be 40% payable on March 31, 2009 and the balance payable in nine equal monthly payments to December 31, 2009.

As at September 30, 2008, the liability for the unpaid cash fees of \$3.8 million has been accrued. Unamortized fees of \$0.7 million were deducted from the related debt and are being amortized using the effective interest rate method over the period to March 31, 2009. A total of \$0.4 million and \$3.9 of the fees were expensed as interest in the three months and nine months ended September 30, 2008, respectively. The Corporation valued the warrants at \$0.6 million using the following assumptions in the Black-Scholes model: average risk-free interest rate of 4.2%; average expected life of 1.5 years; expected volatility of 75% and a weighted average estimate of dividend yield of nil.

## 7 Convertible Debentures

During November 2007, the Corporation issued \$27.9-million principal amount of 12 percent unsecured convertible debentures due December 31, 2012. Costs related to the issuance of the debenture were \$1.9 million, of which \$1.7 million was deducted against the related debt and is being amortized over the 60 month term of the debt using the effective interest rate method.

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### For the three and nine months ended September 30, 2008 and September 30, 2007

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The interest is payable semi-annually on each June 30 and December 31 provided that the first payment was due on June 30, 2008. An amount of \$2.1 million was paid on June 30, 2008 on account of interest accrued to that date. The interest rate is initially 12% but reduces to 10% if the Consolidate Leverage Ratio, as defined in the debenture agreements, of the Corporation is equal to or below 5.0 to 1.0. The Consolidated Leverage Ratio is similar to the CLR for the revolving credit facilities described in Note 6 except the consolidated debt used in the numerator includes the convertible debentures. The Corporation has calculated the Consolidated Leverage Ratio to be less than the 5.0 to 1.0 at September 30, 2008. Accordingly, the Corporation can reduce the interest rate to 10% effective December 1, 2008.

The debentures are convertible into common shares of the Corporation at the option of the holder at any time prior to maturity at a conversion price equal to \$1.62 per share, subject to customary anti-dilution adjustments, and conversion is subject to the terms and conditions set out in the certificates representing the debentures. At September 30, 2008, there had not been any conversions of the debentures. The Corporation may elect to issue common shares to satisfy the principal amount at maturity.

Subject to certain limits, the Corporation may redeem all or any portion of the convertible debentures at any time after the third anniversary date from closing. The redemption price is \$1,050 per \$1,000 of principal amount if the redemption occurs on or before November 14, 2011 and \$1,025 per \$1,000 of principal amount if the redemption is after November 14, 2011 and prior to maturity.

As the convertible debentures are considered a compound financial instrument, the liability and equity components are presented separately. The debentures have been accounted for using the residual method resulting in an equity element stemming from the call option in the amount of \$2.8 million, net of related issue costs of \$0.2 million, being credited to shareholders' equity. The liability was valued using an estimated borrowing rate of 16%. Accretion expense related to the liability component of \$1.6 million was recorded in the nine months ended September 30, 2008 and \$0.5 million was recorded in the 3 months ended September 30, 2008 (\$0.1 was recorded in the year ended December 31, 2007).

## 8 Share Capital

### (a) Details of Shareholders' Equity

#### Authorized

An unlimited number of common shares and an unlimited number of preferred shares may be issued.

#### Issued

	September 30, 2008	December 31, 2007
Common shares (b)	126.3	126.3
Warrants (c)	1.7	1.1
Equity element of convertible debentures (Note 7)	2.8	2.8
Contributed surplus (d)	0.7	0.8
Retained earnings (Deficit)	(100.3)	(85.6)
	<u>31.2</u>	<u>45.4</u>

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## **(b) Changes in Issued Shares**

	September 30, 2008		December 31, 2007	
	Shares	\$	Shares	\$
Opening Balance (1)	42,442,325	126.3	26,127,213	89.2
Issuance of Trust Units	-	-	5,225,442	13.6
<b>Value attributed to warrants on private placement</b>	-	-	-	(0.8)
Issuance of Trust Units	-	-	10,921,746	28.4
Unit issuance costs	-	-	-	(4.1)
Changes in conversion ratio – Series B Exchangeable Shares	-	-	167,924	-
Common Shares Outstanding	42,442,325	126.3	42,442,325	126.3

(1) The opening balance for 2007 refers to the Trust Units and Series A and Series B Exchangeable Shares outstanding at that time that were converted to Common Shares on June 29, 2007 under the Plan of Arrangement as described below.

## **Issuance of Trust Units**

On March 28, 2007 the Trust issued 5,225,442 Trust Units and 1,306,361 Trust Unit purchase warrants (with an exercise price of \$2.98 per Trust Unit and that expired on September 28, 2008) for aggregate consideration of \$13.6 million. On that date, the Trust also issued 2,500,000 Trust Units in exchange for 2,500,000 Exchangeable Shares. The Trust valued the warrants at \$0.8 million using the following assumptions in the Black-Scholes model: average risk-free interest rate of 4.2%; average expected life of 1.5 years; expected volatility of 40% and a weighted average estimate of distribution yield of nil.

On April 13, 2007 the Trust completed a prospectus offering of 10,921,746 Trust Units for aggregate consideration of \$28.4 million. Concurrent with the transaction the Trust issued 1,000,000 Trust Units in exchange for 1,000,000 Exchangeable Shares.

## **Plan of Arrangement**

At the Annual and Special Meeting of securityholders of the Trust held on June 28, 2007 unitholders, optionholders and holders of Exchangeable Shares approved the conversion of the Trust's business into a corporate structure under a Plan of Arrangement. The Plan of Arrangement was subsequently approved by the Alberta Court of Queen's Bench on June 29, 2007. Under the Plan of Arrangement, each outstanding Trust Unit or Exchangeable Share was exchanged, after accounting for the conversion factor applicable to certain Exchangeable Shares, for one common share of the Corporation. Additionally, all outstanding options to acquire Trust Units, whether vested or not, were exchanged for options of the Corporation under substantially the same terms and conditions, including, without limitation, the same "in the money" amount, if any.

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## (c) Warrants

	September 30, 2008	December 31, 2007
Opening Balance	1.1	-
Issuance of Trust Units (b)	-	0.8
October 22, 2007 Bridge Loan (Note 6)	-	0.3
June 6, 2008 Renegotiation of Facility (Note 6)	0.6	-
Closing Balance	1.7	1.1

## (d) Contributed Surplus

	September 30, 2008	December 31, 2007
Opening Balance	0.8	0.7
Share-based compensation (Note 9)	(0.1)	0.1
Closing Balance	0.7	0.8

## (e) Per Share Amounts

The weighted average number of common shares outstanding for the three and nine months ended September 30, 2008 respectively was 42,442,325 basic and fully diluted shares (three and nine month ended September 30, 2007 were 42,442,335 and 36,668,107 fully and basic diluted respectively). All potentially dilutive instruments such as options, warrants and the convertible debentures are anti-dilutive.

## **9 Share-based Compensation Plan**

The Corporation has a Share Option Plan that provides incentive for directors, management and key employees that provides options to purchase shares. A total of approximately 4,244,233 options (being 10% of all outstanding shares) are available for grants under the plan.

At September 30, 2008, a total of 1,498,200 options are outstanding and expire at various dates up to 2013, at amounts that range from \$0.65 to \$13.57 per share. These options have a term of 5 years and allow the holder to exercise their options over a three-year vesting period with 40% exercisable on the first anniversary date, 30% on the second anniversary date and 30% on the third anniversary date. The options have an average remaining contractual life of 3.57 years and 620,030 options may be exercised during 2008.

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	Number of Shares	Weighted Average Exercise Price \$/Share
<b>Total Outstanding January 1, 2007</b>	1,619,000	12.62
Granted	3,148,900	2.61
Exercised	-	-
Forfeited	(616,150)	8.77
<b>Total Outstanding December 31, 2007</b>	4,151,750	4.58
Granted	415,500	0.77
Exercised	-	-
Forfeited	(3,069,050)	4.40
<b>Total Outstanding September 30, 2008</b>	1,498,200	4.49

Exercise Price Range	Options Outstanding			Exercisable Options	
	Number of Options	Remaining Contractual Life (Years)	Weighted Average Exercise Price (\$)	Number of Options	Weighted Average Exercise Price (\$)
\$0.65 to \$1.99	713,500	4.43	1.19	96,000	1.84
\$2.00 to \$3.99	334,700	3.50	2.76	133,880	2.76
\$4.00 to \$6.99	63,500	3.20	6.17	25,400	6.17
\$7.00 to \$9.99	148,500	3.02	9.72	59,400	9.72
\$10.00 to \$13.57	238,000	2.16	11.17	199,600	10.98
<b>Total Outstanding September 30, 2008</b>	1,498,200	3.57	4.49	514,280	6.41

The Corporation recognized share-based compensation expense/(gain) and contributed surplus of \$(0.1) million for the nine months ended September 30, 2008 based on vesting (2007 - \$0.8 million) using the following assumptions in the Black-Scholes model: average risk-free interest rate of 4.2%; average expected life of 5 years; expected volatility of 40% to September 30, 2007 and 75% thereafter and a weighted average estimate of distribution yield of nil (2007 – nil).

On August 12, 2008, the Corporation adopted a stock appreciation rights plan (“SAR plan”) intended to supplement the Share Option Plan. Under the terms of the SAR plan, the Corporation may grant stock appreciation rights (“SARs”) to its directors, officers and employees that entitle them to receive a cash payment based on the appreciation in value of the corporation’s common shares from the initial price set at the time of award. A maximum of 5,375,000 SARs may be issued under the SAR plan. As at September 30, 2008, the entire 5,375,000 were awarded and outstanding each with an initial price \$0.75. Since that initial price exceeded the value of the common shares at September 30, 2008, no expense has been recorded to date.

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## 10 Related Party Transactions

In the normal course of business, during the three and nine months ended September 30, 2008 the Corporation incurred general and administration expenses related to premises rent of \$0.2 million and \$0.8 million respectively (2007 - \$0.3 million and \$0.8 million respectively) and equipment and vehicle leases payments of \$0.1 million and \$0.5 million respectively (2007 - \$0.2 million and \$0.7 million respectively) charged by companies controlled by the Chief Executive Officer of the Corporation ("CEO").

These transactions are measured at exchange values based on rates charged to arms length customers, which in the opinion of management approximate fair value.

As part of the terms of the October 22, 2007 amendments to the Corporation's credit facility, in October 2007 the CEO loaned the Corporation \$2.0 million at a rate of 11%. This loan is secured by a promissory note repayable on a subordinated basis to the revolving credit facility and Bridge Loan (see Note 6). Interest expense for 2008 includes \$0.2 million pertaining to this loan.

A further amount of \$4.3 million (2007 - \$4.3 million) is owed to the CEO and companies controlled by the CEO as at September 30, 2008 on account of various transactions. The amounts are unsecured and repayable on demand and non-interest bearing. For the 3 month period ended September 30, 2008, the Corporation has accrued \$0.1 million as an estimate of interest at a rate of 6% per annum that may be paid on overdue amounts. The \$4.3 million also includes an amount of \$1.0 million recorded during the 3 month period ended September 30, 2008 as an estimate of a liability related to the purchase of fixed assets.

Optimal Pressure Drilling Services (see Note 5) engaged the services of one of the corporation's directors and incurred fees during 2008 of approximately \$0.1 million in the nine months ended September 30, 2008 (2007 - Nil) that are recorded in Optimal Pressure Drilling Services.

## 11 Commitments and Contingencies

### Rigs Under Construction

On November 28, 2007 the Corporation completed a settlement with Sense EDM AS that, as previously reported, could potentially have obligated the Corporation to acquire four additional rigs and pay a cancellation fee for a fifth rig. Another party agreed to purchase the four additional rigs and the Corporation has been released from any obligation with respect to those rigs. The Corporation is required to pay a \$0.9 million cancellation fee for the fifth rig unless it or another buyer purchases that rig or a similar rig from Sense EDM by December 31, 2008, and management believes that fifth rig has been sold.

### Accounts Receivable

The Corporation is involved in litigation with Transeuro Energy Corp ("Transeuro") over amounts owing for goods and services rendered by the Corporation in Canada, Dubai, Armenia, Ukraine and Papua New Guinea.

Due primarily to the collection risk related to the financial condition of Transeuro, the Corporation has provided for a writedown of \$20.7 million in relation to the Transeuro amounts. These financial statements reflect a net long term receivable of approximately \$2.5 million plus recovery costs

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incurred to date of \$0.1 million, which is less than the amount that the Corporation's management expects to ultimately collect.

#### Income Taxes

The Corporation has been informed by a customer in Turkmenistan that there is a possible exposure to the Corporation of US\$1.9 million for taxes in that jurisdiction and the customer has withheld this amount from amounts owed by it to the Corporation. Management believes that it has calculated and remitted all taxes properly due in Turkmenistan and the asserted tax exposure is without merit. However, given the uncertainty of the substance of the issue and the documentation requirements to resolve the matter, the Corporation has provided for the amount fully in its provision for income taxes for the year ended December 31, 2007.

#### Other

A former employee of the Corporation has commenced a wrongful dismissal suit against the Corporation. A formal offer from the plaintiff to settle for \$0.5 million was rejected by the Corporation. The Corporation has made a provision in its financial statements for an amount that it believes is adequate to cover any exposure.

The Corporation is involved in a legal action over services rendered to it. The Corporation is disputing approximately \$0.1 million on the basis that the Corporation did not receive the full benefit of the contracted services and the former employee who contracted the services had a conflict of interest. The Corporation believes it has adequately accrued for any amount that may be owed.

The Corporation has posted a performance bond (that has been guaranteed by Export Development Canada or "EDC") of approximately US\$3.5 million in respect of its contract in Kuwait and would be liable to EDC for this amount if EDC was required to honour the bond as a result of a default by the Corporation in the performance of its obligations under the contract. Under the terms of the contract, the Corporation could be obligated to provide up to five rigs that may not be available if requested. As at September 30, 2008, the Corporation was not providing any services in Kuwait as the two rigs providing services to date have both been released from service by the customer but can be called back to service at any time during the term of the contract ending in August, 2012.

#### Lease Obligations

The Corporation has entered into long-term premises and equipment leases with a related party, described in Note 10, that expire in 2010. The premises leases contain an option to renew for a further five years.

In addition, the corporation has entered into lease obligations in Papua New Guinea for equipment and premises with arms length parties. Future minimum lease payments as at September 30, 2008 are:

	\$
To September 30, 2009	2.1
To September 30, 2010	0.2
	<u>2.3</u>

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## 12 Segmented Information

The Corporation operates one business of providing oilfield services to customers. This business has the following geographic characteristics:

<b>Revenue</b>	<b>Three Months Ended September 30</b>		<b>Nine Months Ended September 30</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Canada	12.3	11.8	41.2	52.1
International				
Papua New Guinea	24.6	11.0	63.4	17.0
Mexico	2.0	0.9	5.1	0.9
United Arab Emirates	-	0.7	-	5.2
Saudi Arabia	-	-	-	4.5
Thailand/India	2.0	2.2	4.8	6.4
Kuwait/Qatar/Oman	0.9	2.4	5.7	3.6
Tunisia	-	-	3.3	-
Other	-	-	-	1.1
Total International	29.5	17.2	82.3	38.7
	41.8	29.0	123.5	90.8

### **Property and Equipment, Rigs and Equipment Under Construction and Assets Held for Sale**

	<b>As at September 30, 2008</b>	<b>As at December 31, 2007</b>
Canada	91.7	98.2
Mexico	19.5	10.9
Middle East, North Africa & India	6.9	43.2
Papua New Guinea	15.0	8.3
	133.1	160.6

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## 13 Supplementary Information

The net change in the following non-cash working capital items increases (decreases) cash flows as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
<b>Operations</b>				
Accounts receivable, work-in-progress	(0.8)	11.0	11.7	7.8
Inventory and prepaid expenses	(0.2)	0.9	0.6	(0.1)
Long term receivable	(0.1)	(17.8)	(0.1)	(17.8)
Reclassification of assets held for sale	-	(9.1)	-	(9.1)
Accounts payable and accrued liabilities, income taxes payable, amortization of accrued fees and prepaid mobilization revenue	(5.7)	(6.4)	(4.4)	(4.2)
	(6.8)	(21.4)	7.8	(23.4)
<b>Investing</b>				
Accounts payable and accrued liabilities	-	5.1	(0.3)	(3.1)
<b>Financing</b>				
Distributions as a Trust	-	-	-	(3.3)
	(6.8)	(16.3)	7.5	(29.8)

## 14 Capital Disclosures

The Corporation's capital structure is comprised of Shareholders' Equity described in Note 8, Convertible Debentures described in Note 7, plus the Credit Facility and Bridge Loan (the "Credit Facility") described in Note 6.

	September 30, 2008	December 31, 2007
Shareholders Equity	31.2	45.4
Convertible Debentures <sup>(1)</sup>	27.9	27.9
Credit Facility <sup>(1)</sup>	98.4	126.4
Cash and cash equivalents	(17.6)	(21.0)
<b>Total Capitalization</b>	<b>139.9</b>	<b>178.7</b>

(1) The Convertible Debentures and the Credit Facility are shown at their principal amounts owing. The amounts reported on the balance sheet differ because issue costs and equity elements have been netted against the principal amount.

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The Corporation's strategy is to have a capital structure that will provide the capital to meet the needs of its business and instill confidence with investors, creditors and capital markets. The Corporation has determined that it must reduce its debt levels and increase the shareholder's equity to reduce its leverage ratios and provide adequate financial flexibility to meet the financial obligations, both current and long term. During 2006 and 2007, the Corporation increased its debt levels to fund the acquisition of new equipment and the expansion of its international business. Its current debt levels are well above prevailing industry standards and severely limit the financial flexibility of the Corporation.

The Corporation must significantly reduce its debt levels to meet the financial covenant tests imposed under the Credit Facility. Sales of non-performing and underutilized assets are being actively pursued to generate funds to pay down the Credit Facility. Future equity financings are a possibility to further reduce the risk associated with the current highly leveraged capital structure. Financing decisions for the foreseeable future will be governed largely by the requirement to reduce debt and manage the covenants imposed under the Credit Facility as more fully discussed in Note 6. Longer term, once the debt levels are reduced to acceptable levels, financing decisions will be based on the timing and extent of expected operating and capital cash outlays.

The Corporation monitors its debt levels and ability to service the debt using non-GAAP financial metrics with the primary one being the Consolidated Leverage Ratio or CLR. The CLR is defined in the revolving credit facility agreement as, in general terms, consolidated total debt excluding the Convertible Debentures, as defined, divided by the 12-month trailing adjusted consolidated earnings before interest, depreciation, amortization and taxes (EBITDA). The Corporation's objective is to reduce the CLR to a level of 2.75 to 1.0, or better, compared to the September 30, 2008 level of 3.54 to 1.0.

	Twelve Months Ended September 30, 2008	Twelve Months Ended December 31, 2007
<b>Consolidated Total Debt</b>	<b>98.4</b>	<b>126.4</b>
Net Income (Loss) (twelve month trailing)	(69.9)	(69.6)
<b>Add (deduct):</b>		
Interest and financing	24.7	11.4
Income tax	15.6	5.3
Amortization	19.1	22.6
Gain on sale of property and equipment	(0.3)	(0.9)
Gain on sale of investments	-	(2.0)
Asset impairment	24.1	31.4
Foreign Exchange (gain)/loss, net	(1.0)	2.6
Stock based compensation	(0.8)	0.1
Write-down of long-term receivable (Note 11)	15.2	20.6
Optimal Pressure Drilling Services	1.1	-
<b>Adjusted EBITDA (Twelve Month)</b>	<b>27.8</b>	<b>21.5</b>
<b>Consolidated Leverage Ratio</b>	<b>3.54</b>	<b>5.88</b>

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The Corporation negotiated amendments to its credit facility and the maximum allowable CLR at September 30, 2008 was 4.2 to 1.0. The maximum CLR will decrease over time until it reaches 2.75 to 1.0. See Note 6.

## 15 Financial Instruments and Risk Management

### Fair Value of Financial Assets and Liabilities

The Company's cash and cash equivalents are designated as held-for-trading and are measured at carrying value, which approximates fair value due to the short-term nature of these instruments. Accounts receivable and due from Optimal Pressure Drilling Services are designated as loans and receivables and recorded at amortized cost, which approximates fair value due to the short term nature of the instrument. Accounts payable and accrued liabilities, due to related party, the credit facility and bridge loan and convertible debentures are designated as other liabilities and are recorded at cost. The fair value of accounts payable and accrued liabilities and due to related party approximates their carrying values due to the short term nature of these instruments. The fair value of the credit facility and bridge loan and convertible debentures approximate their carrying values as the interest rates applicable to these instruments reflect current market rates.

### Financial Risks

The Corporation is exposed to financial risks arising from its financial assets and liabilities. The financial risks include market risk relating to interest rates, foreign currency risk, commodity price risk, credit risk and liquidity risk.

#### Market Risk

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

#### Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The Corporation is exposed to interest rate risk as the revolving credit facility and Bridge Loan are floating rate credit facilities and will fluctuate in response to changes in market interest rates. For the three and nine months ending September 30, 2008, an increase or decrease in interest expense for each one percent change in interest rates on revolving credit facility and Bridge Loan would have amounted to \$0.2 million and \$0.7 million respectively.

#### Foreign Currency Risk

Foreign exchange risk is the risk that a variation in the exchange rate between Canadian and foreign currencies will affect the Corporation's results. The majority of the Corporation's international revenue and expenses are transacted in U.S. dollars and the Corporation does not actively engage in foreign currency hedging.

For the nine months ended September 30, 2008, a 1% increase in the value of the Canadian dollar relative to the U.S. dollar would have resulted in a \$0.6 million decrease in earnings as a result of changes in foreign exchange.

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### Commodity Price Risk

Commodity price risk is the risk that fluctuations in oil or natural gas prices could materially adversely affect the Corporation's financial condition. The commodity prices affect the levels of drilling activity, particularly with respect to natural gas, which affects certain segments of the Corporation's business. The Corporation mitigates this exposure with its diversification into international operations not dependent on the Canadian oil and gas industry.

### Credit Risk

Credit risk is the risk of a financial loss occurring as a result of a default by a counterparty on its obligation to the Corporation. The Corporation's financial instruments that are exposed to credit risk consist primarily of accounts receivable and the long-term receivable due from Transeuro. The Corporation mitigates credit risk by regularly monitoring its accounts receivable position. The Corporation also institutes detailed credit reviews prior to commencement of contractual arrangements and where practical uses export credit insurance provided by Export Development Canada.

### Customers

The Corporation's account receivables are predominantly with customers who explore for and develop petroleum reserves and are subject to normal industry credit risks. The Corporation assesses the credit worthiness of its customers on an ongoing basis and monitors the amount and age of balances outstanding. The Corporation views the credit risks on these amounts as normal for the industry. The carrying amount of accounts receivable represents the maximum credit exposure on this balance. The Corporation has over 400 customers comprised of small independent, intermediate and large multinational oil and gas producers. Notwithstanding its large customer base, the Corporation has two significant customers. The first significant customer is a major Canadian exploration and production company which represents approximately 13.3% of the Corporation's revenue for the nine months ended September 30, 2008 and 2.7% of the Corporation's accounts receivable at that date. The services provided to this customer are distributed within this customer's diverse locations of operations within Canada, which management believes limits the risk of concentrating a significant portion of its revenue on this customer. Services are provided to the second significant customer in Papua New Guinea. That customer represents approximately 51.4% of the Corporation's revenue for the nine months ended September 30, 2008 and 40.5% of its accounts receivable at that date. Management has assessed the two customers as creditworthy and the Corporation has had no history of collection issues with either customer.

The aging of accounts receivables as at September 30, 2008 is as follows:

	\$
0 to 30 days	18.2
31 to 60 days	5.4
61 to 90 days	2.5
Greater than 90 days	4.1
Allowances	(1.4)
<b>Total</b>	<b>28.8</b>

The bad debt provision is based on an individual account by account analysis and the customer's prior credit history.

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## 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. The Corporation's processes for managing liquidity risk include preparing and monitoring capital and operating budgets, coordinating and authorizing project expenditures, and authorization of contractual agreements. The Corporation seeks additional financing based on the results of these processes. The budgets are updated when required as conditions change (see Note 14).

The following are the contractual maturities of financial liabilities:

	<b>1 Year</b>	<b>2-3 Years</b>	<b>4-5 Years</b>	<b>Beyond 5 Years</b>	<b>Total</b>
Accounts Payable	19.4	-	-	-	19.4
Current Tax Payable	8.3	-	-	-	8.3
Convertible Debentures	-	-	27.9	-	27.9
Due to Related Parties	-	6.3	-	-	6.3
Bridge Loan	20.0	-	-	-	20.0
Credit Facility	31.8	37.3	9.3	-	78.4
<b>Total</b>	<b>79.5</b>	<b>43.6</b>	<b>37.2</b>	<b>-</b>	<b>160.3</b>