



---

# Investor Presentation

January 2019

---

TSX : HWO



# DISCLAIMER

*Certain information contained within this presentation and statements made in conjunction with this presentation, including information and statements that contain words such as “seek”, “anticipate,” “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe”, “forecast”, “can” and similar expressions, are forward-looking statements. In particular, forward-looking statements in this presentation include, but are not limited to, statements with respect to future capital expenditures, future financial resources, anticipated equipment utilization levels, future oil and gas well activity, projections of market prices and costs, outcomes of specific events and trends in the oil and gas industry.*

*These statements are derived from certain assumptions and analyses made by the Corporation based on its experience and perception of historical trends, current conditions, expected future developments and other factors that it believes are appropriate in the circumstances. These statements or predictions are subject to a number of known and unknown risks and uncertainties that could cause actual results to differ materially from the Corporation’s expectations. These risks and uncertainties include the items discussed under the heading “Risk Factors” in the Corporations’ most recently filed Annual Information Form as well as the Corporation’s other public disclosure documents located on SEDAR ([www.sedar.com](http://www.sedar.com)). Consequently, all of the forward-looking information contained within*

*this presentation and statements made in conjunction with this presentation are qualified by these cautionary statements and there can be no assurance that actual results or developments anticipated by the Company will be realized or that they will have the expected consequences or effects on the Corporation or its business or operations.*

*Other than as required by applicable securities laws, the Corporation assumes no obligation to update publicly any such forward-looking information or statements, whether as a result of new information, future events or otherwise.*





# CORPORATE SNAPSHOT



■ Cyrus Capital 42%
 ■ Insiders 4%
 ■ Public 53%

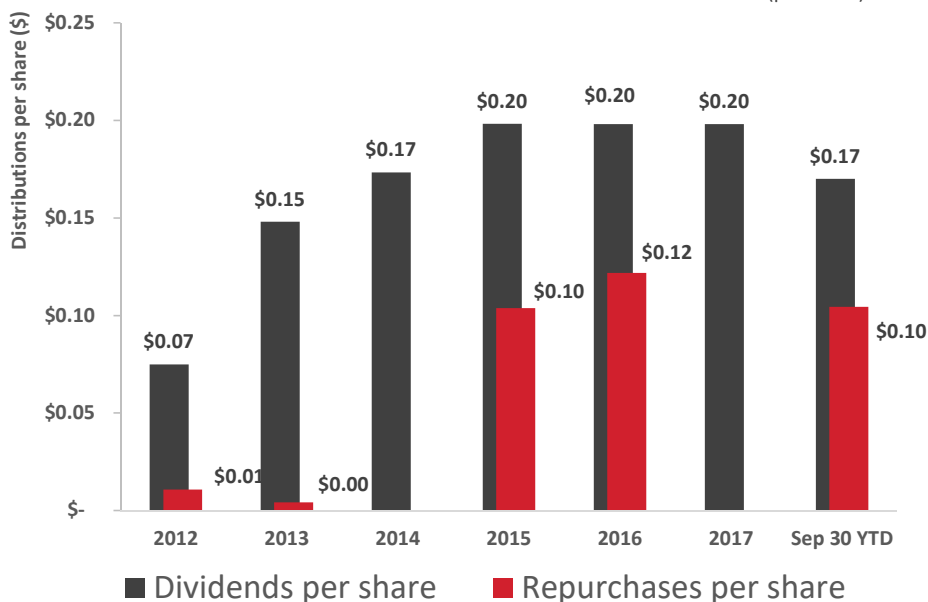
Shares Outstanding (September 30, 2018):	51.2 million
Share Price (December 31, 2018):	\$3.17
Market Cap (December 31, 2018):	\$160.2 million
Cash Balances (September 30, 2018):	\$22.3 million
Working Capital (September 30, 2018):	\$64.2 million
Adjusted EBITDA (Nine Months September 30, 2018):	\$45.0 Million
Annual Dividend	\$0.198
Dividend Yield (December 31, 2018):	6.2%



NO DEBT | FREE CASH FLOW | ORGANIC GROWTH | DEFENSIBLE MARKETS

# TRACK RECORD OF Shareholder Returns

DISTRIBUTIONS TO SHAREHOLDERS (per share)



Sources: Company Reports  
Comps include ESI, PD, TDG, WRG, AKT.A

- \$1.49 per share of Shareholder Distributions over the past 6 years
- \$1.25 per Share of Working Capital

INDEXED SHARE PRICE PERFORMANCE



- High Arctic's share price has increased 43% from January 2013 and maintained disciplined distributions, without sacrificing capital to execute on growth opportunities
- High Arctic has delivered industry leading returns to shareholders-

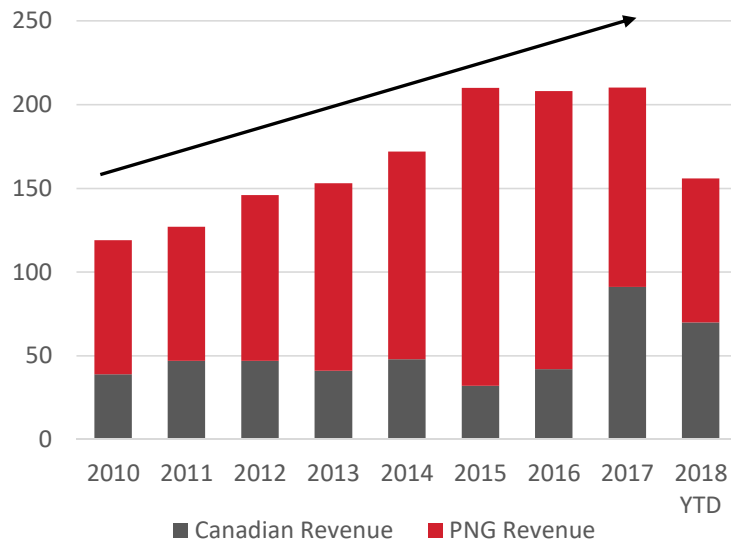
TIER 1 STRATEGY: DEFENSIBLE NICHES, BETTER MARGIN, SAFETY & PERFORMANCE

TIER 1 RESULTS LEADS TO PERFORMANCE IN TRACK RECORD OF:

# Track Record of Profitable Growth

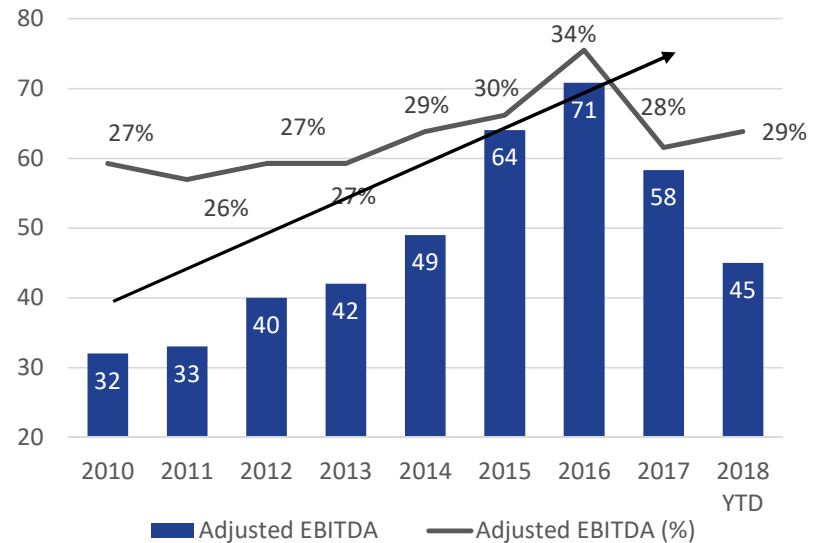
## REVENUE

(as at September 30, 2019)



## ADJUSTED EBITDA

(as at June 30, 2018)



## Why High Arctic

- Specialty niche operations with significant barriers to entry
- Ten year history of profitable operations with superior returns on equity
- Very strong balance sheet with access to in excess of \$100 million in liquidity, which includes non-cash Working Capital
- Continued growth in Canada and recent expansion into the US
- Seven years of consistent growing dividends with low payout ratio <30%



# Business Overview

High Arctic Energy Services is a tier one drilling and service rig provider to the leading exploration and production companies in Papua New Guinea (PNG), Canada and the United States



## Nine Month 2018 Revenue

PNG \$86.1 mm  
Canada \$69.8 mm

### LNG

### PNG



- Dominant market position for contract drilling, well completion and rental services in PNG
- Provides services in PNG to super majors and regional energy companies under long-term contracts
- PNG's enviable position as a low cost provider of LNG to Asia reduces exposure to lower world energy prices.

### Oil+Liquids

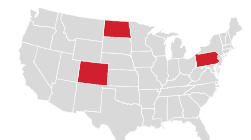
### Canada



- Owns and operates Canada's largest fleet of stand alone snubbing units-*original niche market*
- Acquired a tier 1 service rig platform in Q3 2016 that works for large Canadian E&P's and international supermajors
- Solid platform established for growth across completion & production services landscape

### Oil+Liquids

### US



- In August 2018, High Arctic acquired PowerStroke Well Control, through which will roll out US expansion plan in North Dakota, Colorado and Pennsylvania
- PowerStroke offers well servicing and snubbing services

# Canadian Operations

## Quality Equipment

	Total	Marketed
Service Rigs	85	58
Snubbing	22	12
Nitrogen Pumpers	12	7
Nitrogen Bulkers	5	3
Rental Equipment	1,050	1,050

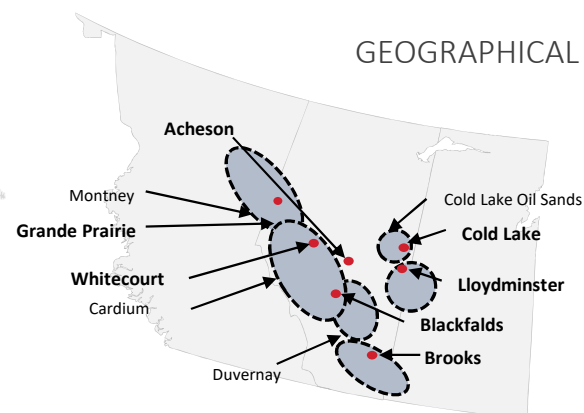
## Geographical Footprint

- Facilities strategically located to cover major basins in WCSB
- Exposure to heavy oil, light oil and natural gas basins

## Oil+Liquids



## GEOGRAPHICAL FOOTPRINT



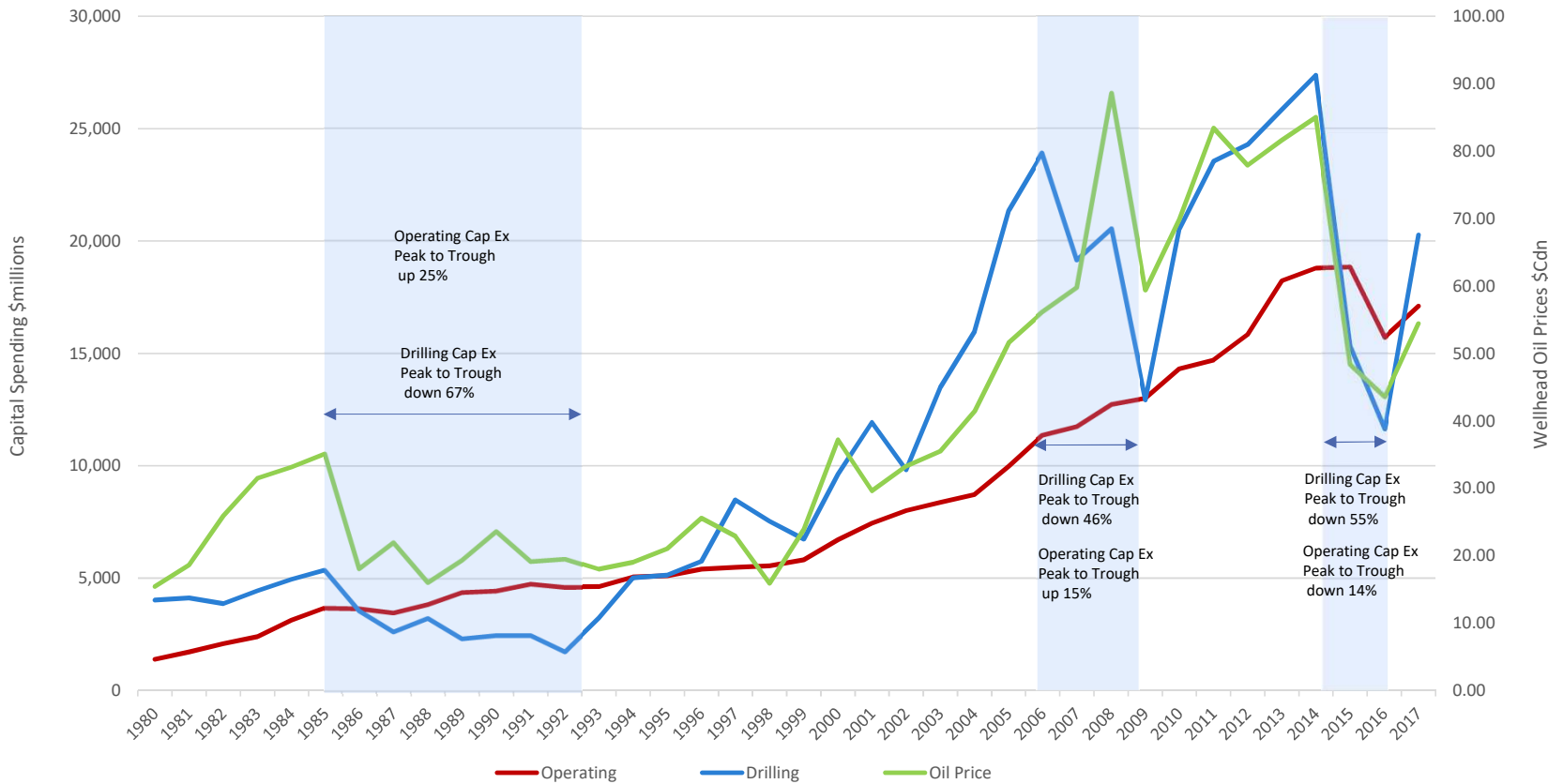
## OUR CUSTOMERS



84% of Canada Revenue derived from Contracted Arrangements  
95% Well Servicing Related to Oil Production



# Canadian Industry Capital Expenditures



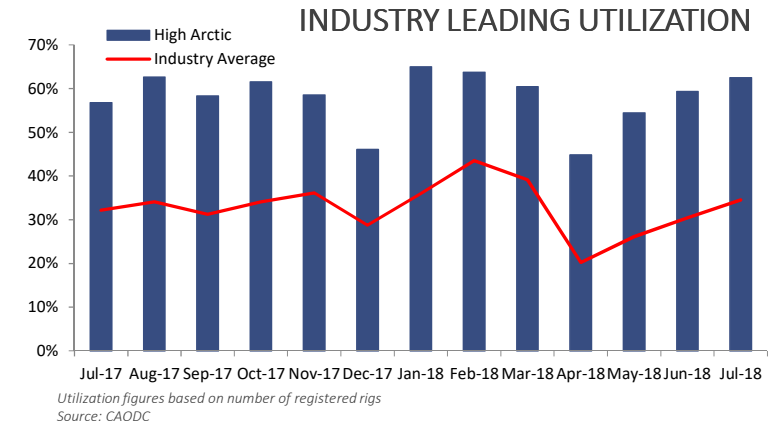
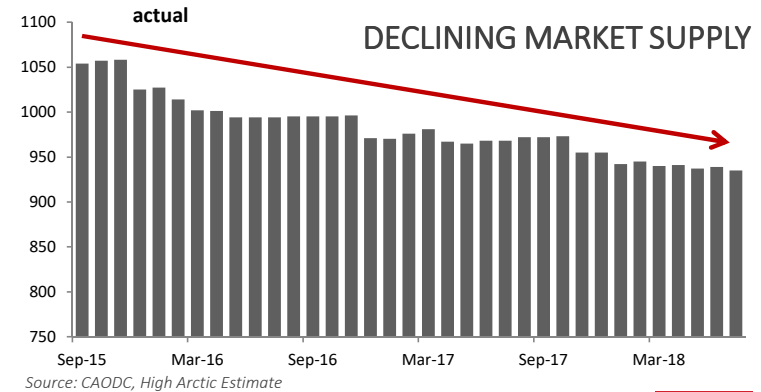
Sources: CAPP Statistical Handbook

### Oil+Liquids



# Concord Well Servicing

- High quality asset base, defensive barrier to entry, superior utilization and top tier safety and performance
- Operates one of the largest fleets of service rigs in WCSB
- Solid client base that includes international supermajors top tier Canadian E&P companies
- Operate 6% of rigs available and over 11% of total industry hours
- Pricing and market fundamentals improving as market supply compresses with labor shortages

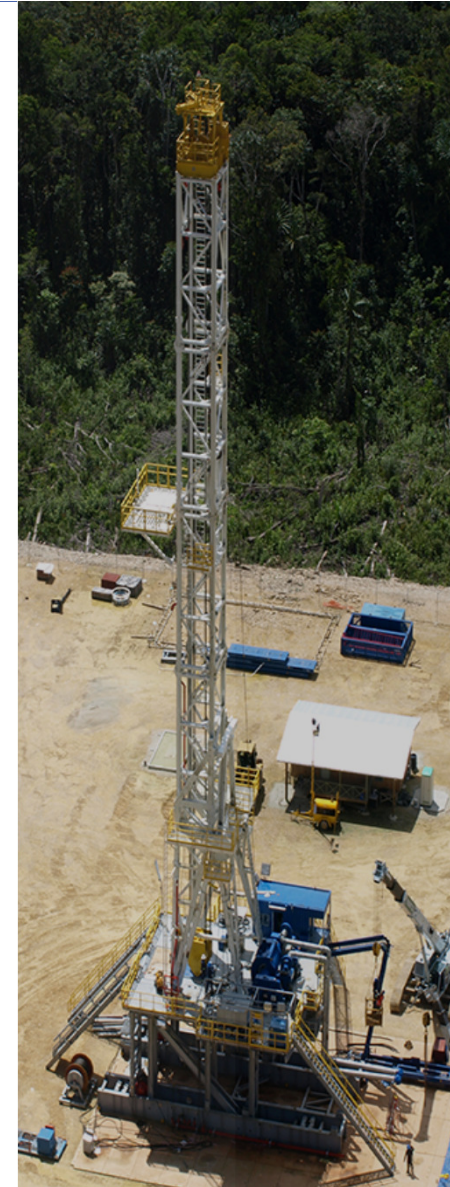


# Papua New Guinea



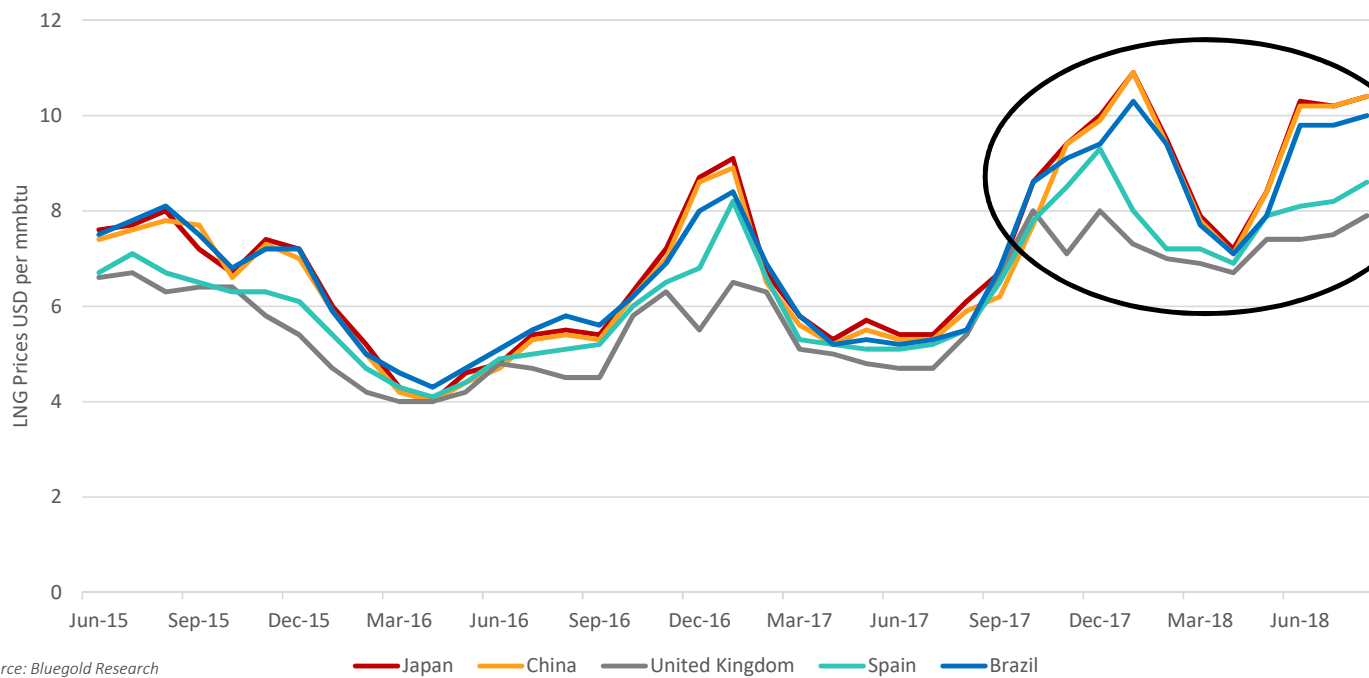
LNG

- Overview – One of the world’s great emerging markets
  - Part of the British Commonwealth with a parliamentary government
  
- Oil and Gas Activities – Long History, with New Growth
  - After early years of “Turner Valley-type” exploration, PNG found it’s Leduc
    - World class wells
  - Drilling for decades and High Arctic is the first mover
  - Remote jungle locations requires specialized logistics skills and experience
  
- Macro Drivers for Growth
  - Low cost source of LNG to Asian markets
  - Recent OSL/Exxon discovery at Muruk opens new development area
  - Exxon carrying out large seismic program to support a long term exploration program
  - **ExxonMobil, Total and partners announced expansion with three new LNG trains to develop Elk-Antelope and the P’nyang fields.**



# LNG Development

THE LONG TERM PNG ADVANTAGE



Japan and China LNG Price have increased ~70% in the past 12 months

Source: Bluegold Research

Proximity to growing Asian market's provides incentive to develop LNG projects despite industry downturn

# LNG Development

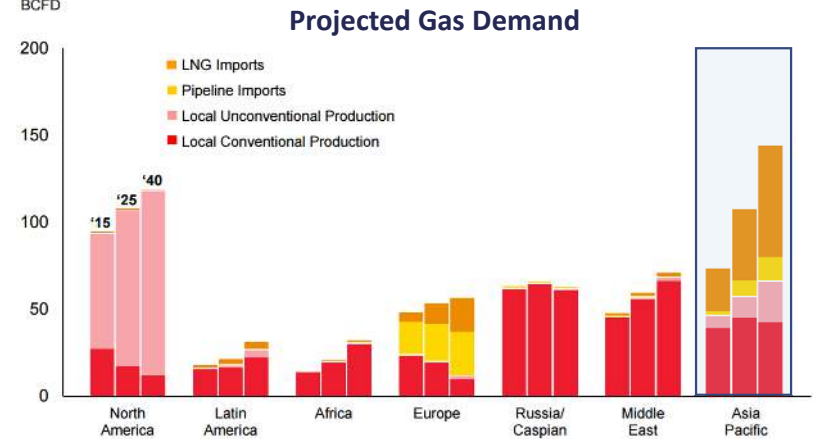


THE LONG TERM PNG ADVANTAGE

## □ LNG Overview – Growing

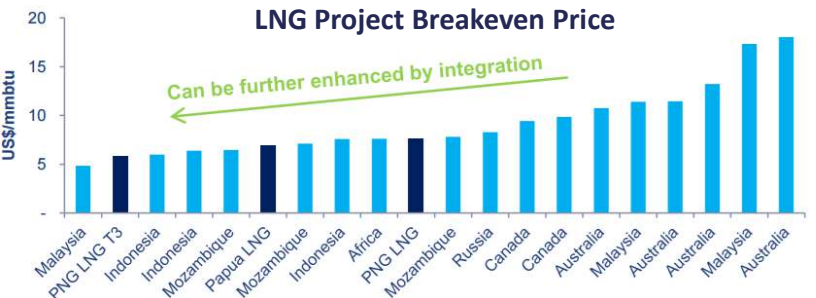
- PNG’s LNG projects are advantageously situated to supply Asian buyers
- PNG is one of the strongest emerging markets driven by its large gas reserves delivered by some of the world most successful energy companies and supported by increasing demand from large multinationals in Japan and Korea.
- Globally contracted LNG supply is expected to be short of total anticipated demand by 2020
- Largest growth in demand for LNG is expected to come from Asia Pacific resulting from changes in:
  - Government policy
  - Environmental strategy to replace coal
- Additional supply required to replace expiring contracts with Asian buyers (>45 MTPA from Japan, >20 MTPA from Korea between 2017 -2026)

By Region and Supply Type  
BCFD



Source: ExxonMobil 2017 Outlook for Energy

LNG Project Breakeven Price



Source: Wood Mackenzie 3Q16, full-life breakeven, 10% discount rate, FOB

Proximity to growing Asian market’s provides incentive to develop LNG projects despite industry downturn

# PNG Outlook & Development: Building a Country

## □ PNG LNG:

- Exxon is the operator
- Total forecast production includes 9.0 tcf of natural gas and 200+ million bbls of associated liquids over 30 years
- Exploration to support expansion

## □ OSL:

- Targeting 4 to 6 exploration wells/yr
- Ongoing / planned drilling programs in Elk-Antelope, Muruk and P'nyang
- Muruk gas discovery – confirmation of very good quality reservoir leading to potential appraisal program in 2018.
- Focusing investment in PNG to support 10 year growth platform

## □ Elk-Antelope:

- Ownership: TOTAL, Exxon and OSL
- Proven certification of 5.2tcf
- Development wells required to feed existing LNG facility and Papua LNG.
- FID expected by end of 2018 / early 2019 on Papua LNG plant.

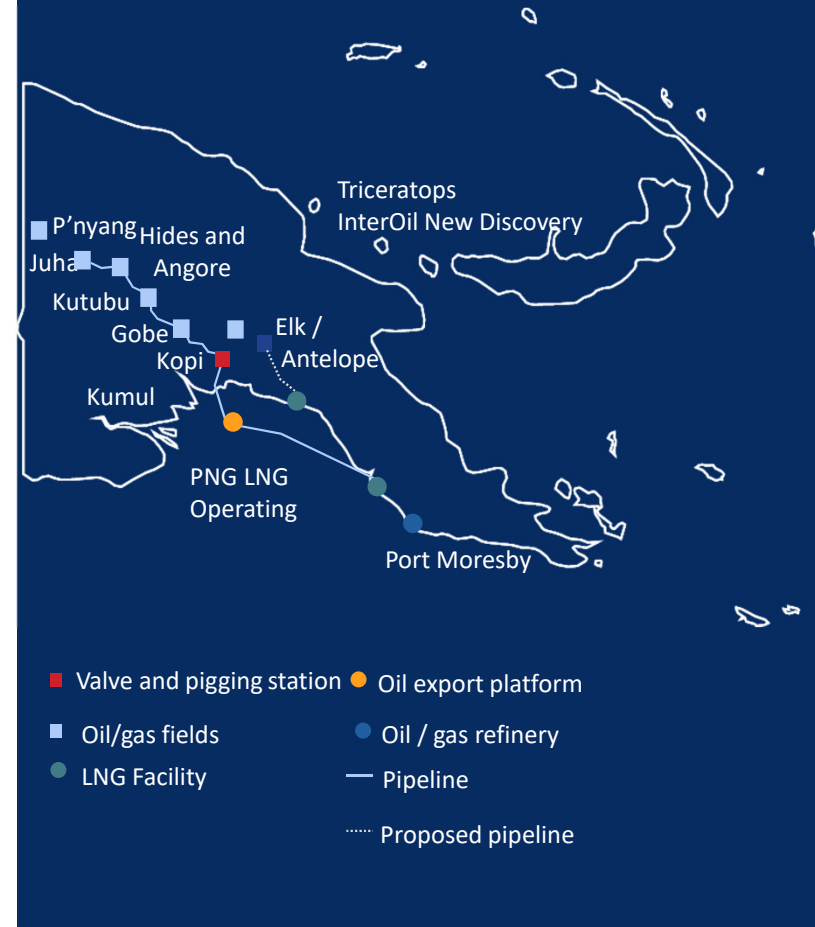
## □ Exxon:

- Completed acquisition of InterOil
- Significant unexplored acreage
- Discussed expanding LNG capacity in PNG
- Recently announced new natural gas discovery in PNG North Highlands

Customer Base



## NATURAL GAS + OIL PRODUCTION



# PNG Equipment Rentals

LNG



## □ Matting

- Inventory exceeding 10,000 rental mats in PNG
- High Arctic has PNG distributor rights
- Possible expansion into other countries with similar challenging environments

## □ Camp Services

- Owns and manages two 103 man Heli-portable man camps
- Operates and manages two 93 man Heli- portable drilling rig camps

## □ Other Rental Equipment

- Cranes (ranging from 30 ton to 160 ton)
- Rig moving trucks and other rolling stock
- Forklifts
- River pumps

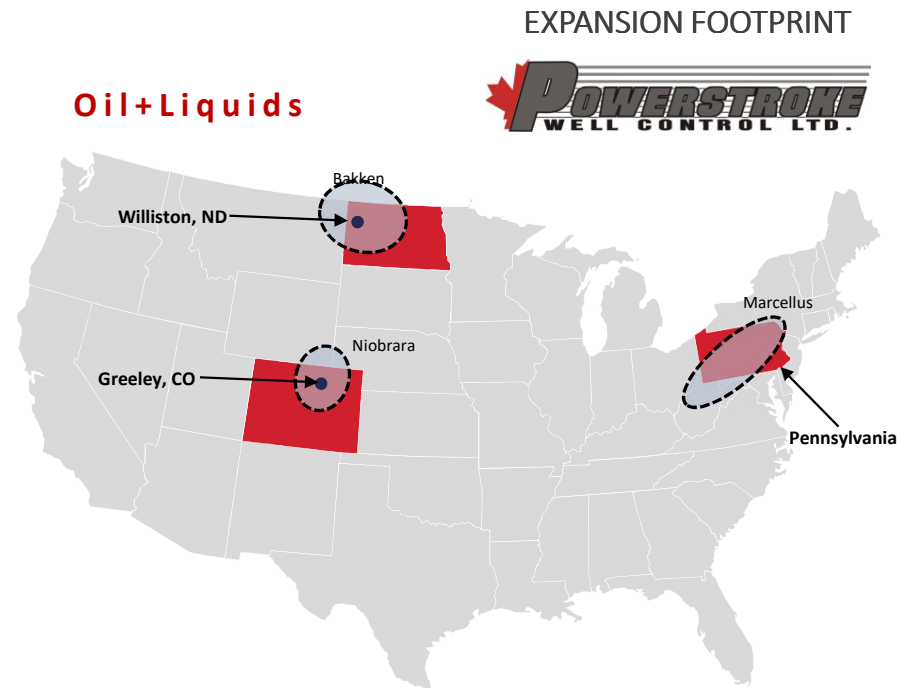


# US Operations

- In August 2018, High Arctic acquired PowerStroke Well Control Ltd. for \$9.4mm as part of a plan to expand into the US well completion and services market
- Post acquisition, High Arctic operates the largest snubbing fleet in Canada with 17 high-spec marketable snubbing units, of which 8 will be planned to be marketed in the US in the coming months
- The acquisition will also allow for immediate service rig deployment in the US, and increases High Arctic's total marketable service rig count to 59
- As of December 2018, High Arctic has established fully operational facilities in Williston, ND and Greeley, CO

## Equipment Deployment Plan

	Currently In US	Moving from Canada	Total US Planned
Service Rigs	1	4	5
Snubbing	3	5	8





# Financial Summary

- Increased percentage of contribution from Canada
- Well positioned for a turn around

\$millions (except per share amounts)	9 Months Ended September 30			Year Ended December 31
	2018	2017	% Change	2017
Consolidated Revenue	155.5	158.7	(2%)	210.2
Canada	68.9	67.5	2.1%	91.1
US	0.1			
International	85.3	91.2	(6%)	119.1
Adjusted EBITDA	45	45.9	(2%)	58.3
Adjusted EBITDA % of Revenue	29%	29%	0.1%	28%
Net Earnings per Share (basic)	0.26	0.32	(19%)	0.38
Funds from Operations per Share (basic)	0.68	0.67	1.1%	0.85
Dividends per Share	0.15	0.15	0.0%	0.2

# Outlook



Solidify High Arctic's leading position in PNG as the driller of choice



Continue organic roll out opportunities in Canada and the US



Actively pursue accretive acquisition opportunities within the North American energy services sector

← Geographically and Operationally Diversified Energy Services Company →



---

# Contact us

J Cameron Bailey, President & CEO

Ph: (587) 318-3826

Email: [cam.bailey@haes.ca](mailto:cam.bailey@haes.ca)

## Head Office

700 – 2<sup>nd</sup> Street SW, Suite 500  
Calgary, AB Canada T2P 2W1

## Website

[www.haes.ca](http://www.haes.ca)

---

## Analyst Coverage

AltaCorp Capital  
Industrial Alliance  
National Bank  
Paradigm Capital

Tim Monachello  
Elias Foscolos  
Greg Coleman  
Jason Tucker

---

TSX : HWO