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High Arctic Reports 2019 First Quarter Results

Calgary Alberta, May 9, 2019 – High Arctic Energy Services Inc. (TSX: HWO) – "High Arctic" or the "Corporation" is pleased to announce its 2019 first quarter results.

Mr. J. Cameron Bailey, High Arctic's CEO stated: "First quarter results continued to see the effects of Rig 116 rolling off its take or pay contract on November 2, 2018. With the recent approval of the new LNG project in PNG, we see potential for demand in drilling activity to start to pick up as early as Q4 2019. The quarter was also adversely impacted by extreme cold weather in Canada, although the company generally maintained pricing levels and market share. We are confident our focus on top-tier quality and customers is the right strategy to deliver profitability in what has been a long-term challenging market."

Highlights

High Arctic generated revenue of $46.5 million in the first quarter of 2019, a sequential decrease of $1.3 million over the fourth quarter of 2018 and $7.2 million or 13% lower than the comparable first quarter of 2018. These results were driven by waning customer demand in Canada carried over from 2018, Q4 2018 take or pay contract expiry and idle rigs in the Corporation's international operations, as expected, and were mitigated by the following positive developments;

- High Arctic generated revenue of $46.5 million (2018: $53.7 million) and adjusted EBITDA of $5.5 million (2018: $13.7 million).
- Approximately 75% of the reduction in well servicing hours during the quarter was due to extreme cold weather although High Arctic generally maintained its market share.
- Utilization of Rigs 103 and 104 was 100% for the quarter, ahead of the prior year.
- The Company has regained its leadership position in snubbing services critical to customers and snubbing hours in the quarter were more than doubled that of 2018.
- The strategy to diversify into new markets generated 1,584 hours of rig work in the United States in the first quarter.

Strategic Priorities

Corporation's strategic priorities remain targeted on:

- Regional work force development to strengthen safety, expertise, work standards and local communities.
- A strong capital structure to provide liquidity and strength throughout the energy services economic cycles.
- Specialty niche operations with noteworthy barriers to entry.
- Deep value opportunities to consolidate existing markets and geographically diversify.
- Solidifying customer relationships to gain market share and expand when industry conditions permit.
- Disciplined capital allocation to deliver shareholder value consistent with past performance.

First Quarter 2019:

- High Arctic reported revenue of $46.5 million, net loss of $(1.0) million and Adjusted EBITDA of $5.5 million in the quarter.

- Utilization for High Arctic's 58 registered Concord Well Servicing rigs was 52% in the quarter versus industry utilization of 48% (source: Canadian Association of Oilwell Drilling Contractors "CAODC").
- Consistent with 16 prior quarters, High Arctic declared $2.5 million ($0.05 per share) in dividends during the quarter. In addition, High Arctic repurchased and cancelled 770,151 shares with a value of $2.9 million under the Corporation's NCIB during the quarter resulting in a total of $5.4 million being returned to shareholders in the quarter via dividends and share repurchases.
- High Arctic continues to maintain a strong financial position with $23 million in net cash, an undrawn $45 million credit facility and a positive working capital position of $52.7 million.

Business Acquisition

On April 15, 2019, High Arctic acquired the assets of Precision Drilling's snubbing services equipment, entirely located in Canada providing High Arctic with additional quality snubbing equipment and access to experienced personnel and crews. The purchase price of $8.25 million was settled in cash from cash on hand. The acquisition will provide High Arctic with twelve additional marketed snubbing units, seven of which have been active over the last twelve months. This will provide additional capacity to further strategic diversification and growth in the United States. It will also increase High Arctic's fleet size, scale and capability in Canada to meet the needs of customers through safe and efficient services designed to increase production and lower costs. Upon closing, High Arctic owns and operates the largest snubbing fleet in Canada consisting of a total of 29 snubbing units.

Select Comparative Financial Information

The following is a summary of select financial information of the Corporation.

	Three Months Ended March 31		
$ millions (except per share amounts)	**2019**	**2018**	**% Change**
Revenue	**46.5**	53.7	(13%)
EBITDA[(1)]	**6.2**	12.7	(51%)
Adjusted EBITDA[(1)]	**5.5**	13.7	(60%)
Adjusted EBITDA % of revenue	**12%**	26%	(53%)
Operating earnings (loss)	**(1.8)**	6.7	(127%)
Net earnings (loss)	**(1.0)**	4.4	(123%)
per share (basic and diluted)[(2)]	**(0.02)**	0.08	(125%)
Adjusted Net earnings (loss)[(1)]	**(1.0)**	4.4	(123%)
per share (basic and diluted)[(2)]	**(0.02)**	0.08	(125%)
Funds provided from operations[(1)]	**4.8**	11.9	(60%)
per share (basic and diluted)[(2)]	**0.10**	0.22	(55%)
Dividends	**2.5**	2.6	(4%)
per share[(2)]	**0.05**	0.05	0%
Capital expenditures	**2.6**	2.6	0%
	As at		
	March 31, 2019	**December 31, 2018**	**% Change**
Working capital[(1)]	**52.7**	56.8	(7%)
Total assets	**271.3**	272.4	(0%)
Total non-current financial liabilities	**20.2**	14.6	38%
Net cash, end of period[(1)]	**23.0**	31.5	(27%)
Shareholders' equity	**225.1**	234.2	(4%)
Shares outstanding	**50.2**	51.0	(2%)

(1) Readers are cautioned that EBITDA, Adjusted EBITDA, Adjusted net earnings (loss), Funds from operations, working capital and Net cash do not have standardized meanings prescribed by IFRS – see "Non IFRS Measures" on page 10 for calculations of these measures.
(2) The number of shares used in calculating the net earnings (loss) per share and adjusted net earnings (loss) per share amounts is determined as explained in note 14 of the Financial Statements.

Corporate Profile

Headquartered in Calgary, Alberta, Canada, High Arctic provides oilfield services to exploration and production companies operating in Canada, the United States and Papua New Guinea ("PNG"). High Arctic is a publicly traded company listed on the Toronto Stock Exchange under the symbol "HWO".

High Arctic conducts its business operations in three separate operating segments: Drilling Services; Production Services; and Ancillary Services.

Drilling Services
The Drilling Services segment consists of High Arctic's drilling services in PNG where the Corporation has operated since 2007. High Arctic currently operates the largest fleet of tier-1 heli-portable drilling rigs in PNG, with two owned rigs and two rigs managed under operating and maintenance contracts for one of the Corporation's customers. The Corporation also provides additional drilling services in PNG as requested by its customers.

Production Services
The Production Services segment consists of High Arctic's well servicing and snubbing operations. These operations are primarily conducted in the Western Canadian Sedimentary Basin ("WCSB") and the United States through High Arctic's fleet of well servicing rigs, operating as Concord Well Servicing, and its fleet of stand-alone and rig assist snubbing units. In addition, High Arctic also provides work-over services in PNG with its heli-portable work-over rig. The revenue, expenses and assets related to the 2018 third quarter acquisition of Powerstroke and Saddle Well Services have been reported within the Production Services segment.

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

Consolidated Results

	Three Months Ended March 31			
($ millions)	**2019**	**2018**	**Change**	**%**
Revenue	**46.5**	53.7	(7.2)	(13%)
EBITDA(1)	**6.2**	12.7	(6.5)	(51%)
Adjusted EBITDA(1)	**5.5**	13.7	(8.2)	(60%)
Adjusted EBITDA % of Revenue	**12%**	26%	(14%)	(53%)
Net earnings (loss)	**(1.0)**	4.4	(5.4)	(123%)
per share (basic and diluted)(2)	**(0.02)**	0.08	(0.10)	(125%)
Adjusted net earnings (loss)(1)	**(1.0)**	4.4	(5.4)	(123%)
per share (basic and diluted)(2)	**(0.02)**	0.08	(0.10)	(125%)

(1) Readers are cautioned that EBITDA, Adjusted EBITDA and Adjusted net earnings (loss) do not have standardized meanings prescribed by IFRS – see "Non IFRS Measures" on page 10 for calculations of these measures.
(2) The number of shares used in calculating the net earnings (loss) per share and adjusted net earnings (loss) per share amounts is determined as explained in note 14 of the Financial Statements.

First Quarter:

- Revenue for the Corporation's drilling services decreased by $4.7 million in the first quarter of 2019 compared to the first quarter of 2018. This was partially offset by the snubbing revenue provided by the Powerstroke acquisition. Consolidated revenue decreased 13% to $46.5 million in the quarter from $53.7 million in the first quarter of 2018.

- The decrease in consolidated revenue combined with the decreased contribution from the Drilling Services segment resulted in Adjusted EBITDA decreasing to $5.5 million in the quarter from $13.7 million in the first quarter of 2018. The decreased revenue and increase in oilfield services expenses resulted in a decrease in net earnings to $(1.0) million, (($0.02) per share (basic)) in the quarter versus $4.4 million, ($0.08 per share (basic)) in the first quarter of 2018.

Operating Segments

Segmented Financial Results

	Three Months Ended March 31			
($ millions)	2019	2018	Change	%
Revenue:				
Drilling Services	**18.8**	23.5	(4.7)	(20%)
Production Services	**22.0**	23.3	(1.3)	(6%)
Ancillary Services	**5.7**	7.8	(2.1)	(27%)
Inter-segment eliminations	**0.0**	(0.9)	0.9	0%
	46.5	**53.7**	(7.2)	(13%)
Oilfield Service Operating Margin (1)				
Drilling Services	**4.2**	9.0	(4.8)	(53%)
Production Services	**2.1**	4.1	(2.0)	(49%)
Ancillary Services	**2.9**	4.9	(2.0)	(41%)
	9.2	**18.0**	(8.8)	(49%)
Oilfield Service Operating Margin Percentage (1)				
Drilling Services	**22%**	38%	(16%)	(42%)
Production Services	**10%**	18%	(8%)	(46%)
Ancillary Services	**51%**	63%	(12%)	(19%)
	20%	34%	(14%)	(41%)

(1) See 'Non-IFRS Measures' on page 10

Drilling Services

	Three Months Ended March 31			
($ millions)	2019	2018	Change	%
Revenue	**18.8**	23.5	(4.7)	(20%)
Oilfield services expense (1)	**14.6**	14.5	0.1	1%
Oilfield services operating margin (1)	**4.2**	**9.0**	**(4.8)**	**(53%)**
Operating margin (%)	**22%**	38%	(16%)	(42%)

(1) See 'Non-IFRS Measures' on page 10

The Corporation owns two heli-portable drilling rigs (Rigs 115 and 116) and operates two rigs (Rigs 103 and 104) on behalf of a major oil and gas exploration company in PNG. In the first quarter of 2018, High Arctic had Rig 405 in its PNG drilling fleet to complete a short-term drilling project. Due to the duration of this project, the rig was leased from a non-PNG third-party contractor and was returned to its owner in the fourth quarter of 2018.

First Quarter:

Drilling Services revenue decreased 20% in the quarter to $18.8 million from $23.5 million in the first quarter of 2018. This decrease was due to lower drilling activity in the quarter and the end of the take or pay contract for Rig 116 in the fourth quarter of 2018.

Rig 103 operated continuously on infield work during the quarter while Rig 104 continued operating at the Muruk 2 exploration wellsite. Rig 115 and Rig 116 were preserved in cold stack during the quarter and remain ready to redeploy.

Production Services

	Three Months Ended March 31			
($ millions)	**2019**	**2018**	**Change**	**%**
Revenue	**22.0**	23.3	(1.3)	(6%)
Oilfield services expense [1]	**19.9**	19.2	0.7	4%
Oilfield services operating margin [1]	**2.1**	**4.1**	**(2.0)**	**(49%)**
Operating margin (%)	**10%**	18%	(8%)	(44%)
Operating Statistics:				
Service rigs				
Average Fleet [2]	59	57	2	4%
Utilization [3]	52%	63%	(11%)	(18%)
Operating hours	27,913	32,184	(4,271)	(13%)
Revenue per hour	635	634	1	0%
Snubbing rigs				
Average Fleet [4]	16	8	8	100%
Utilization [3]	34%	26%	8%	31%
Operating hours	4,006	1,875	2,131	114%

(1) See 'Non-IFRS Measures' on page 10
(2) Average service rig fleet represents the average number of rigs registered with the CAODC during the period.
(3) Utilization is calculated on a 10-hour day using the number of rigs registered with the CAODC during the period.
(4) Average snubbing fleet represents the average number of rigs marketed during the period.

High Arctic's well servicing and snubbing operations are provided through its Production Services segment. These operations are primarily conducted in the WCSB and United States through High Arctic's fleet of well servicing rigs, operating as Concord Well Servicing, and its fleet of stand-alone and rig assist snubbing units.

The Production Services segment also provides heli-portable workover services in PNG through Rig 102. The net book value of Rig 102 is not material and no workover services were provided in PNG during 2019 or 2018 and as such no revenue was generated or costs have been incurred associated with this rig during the periods presented.

First Quarter:

Decreased quarter over quarter activity for High Arctic's Concord Well Servicing rigs was partially offset by higher activity from the Corporation's snubbing operations in the quarter resulting in a 6% decrease in revenue for the Production Services segment to $22.0 million in the quarter versus $23.3 million in the first quarter of 2018. Operating hours for the Concord rigs decreased 13% to 27,913 hours in the quarter from 32,184 hours in the first quarter of 2018. Consistent with prior quarters, the Concord rigs achieved above industry utilization of 52% versus the 48% utilization generated by the industry's registered well servicing rigs in the quarter (source: CAODC). Pricing remains competitive but with an increased exposure to higher rate operating areas this allowed the average revenue per hour for the Concord rigs to remain flat at $635 per hour in the quarter from $634 per hour in the comparative quarter in 2018.

The positive contribution from the Powerstroke acquisition resulted in an increase in the Production Services snubbing operations which saw revenue increase to $4.8 million in the quarter versus the $2.9 million generated in the first quarter of 2018. Operating hours for the snubbing rigs in the quarter were 4,006 versus 1,875 hours in the first quarter of 2018. Activity for the Corporation's snubbing operations continues to be hampered over recent quarters due to prolonged low natural gas prices which is curtailing snubbing activity on natural gas completions for the Corporation's customers. Snubbing revenue declined quarter over quarter due to low natural gas prices and the type of work undertaken which consisted of lower pressure well completions.

Operating margin decreased 8% compared to the same quarter in 2018. The decrease in margin is primarily due to extra costs related to expansion into the US and other associated operating costs on lower overall revenue.

Ancillary Services

	Three Months Ended March 31			
($ millions)	**2019**	**2018**	**Change**	**%**
Revenue	**5.7**	7.8	(2.1)	(27%)
Oilfield services expense [1]	**2.8**	2.9	(0.1)	(3%)
Oilfield services operating margin [1]	**2.9**	**4.9**	**(2.0)**	**(41%)**
Operating margin (%)	**51%**	63%	(12%)	(19%)

(1) Revenue includes inter-segment revenue charged to Production Services and Drilling Services from Ancillary Services division of $0.8 million for the quarter. In 2018 inter-segment revenue was $0.9 million for the quarter.
(2) See 'Non-IFRS Measures' on page 10

The Ancillary Services segment consists of High Arctic's oilfield rental equipment in Canada and PNG as well as its Canadian nitrogen and ClearCompliance software business operations.

First Quarter:

All contributing divisions of this segment showed decreases during the quarter relative to the first quarter in 2018 driven primarily by lower activity levels.

Operating margin as a percentage of revenue decreased to 51% in the quarter versus 63% in the first quarter of 2018. This decrease was due to the decreased contribution from both the PNG and Canadian rental divisions which generate higher margins.

General and Administration

	Three Months Ended March 31			
($ millions)	**2019**	**2018**	**Change**	**%**
General and administration	**3.7**	4.3	(0.6)	(14%)
Percent of revenue	**8%**	8%	0%	0%

General and administrative costs decreased $0.6 million to $3.7 million in the first quarter 2019 compared to 2018 mainly as a result of cost reduction initiatives taken through out 2018. General and administrative costs as a percentage of revenue were flat year on year at 8%.

Depreciation

Depreciation expense increased to $7.0 million in the quarter from $6.4 million in the first quarter of 2018. The Corporation incurred amortization costs of $0.5 million associated with right of use assets in 2019 as a result of the adoption of IFRS 16, Leases ("IFRS 16") offset by a reduction in operating lease expense by the same amount.

Share-based Compensation

The decrease in share-based compensation to $0.3 million in 2019 from $0.6 million in 2018 is a result of a higher number of awards granted in the first quarter of 2018.

Foreign Exchange Transactions

The Corporation has exposure to the U.S. dollar and other currencies such as the PNG Kina through its international operations. As a result, the Corporation is exposed to foreign exchange gains and losses through the settlement of foreign currency denominated transactions as well as the conversion of the Corporation's U.S. dollar-based subsidiaries into Canadian dollars for financial reporting purposes.

Gains and losses recorded by the Canadian parent on its U.S. denominated cash accounts, receivables, payables and intercompany balances are recognised as a foreign exchange gain or loss in the statement of earnings.

High Arctic is further exposed to foreign currency fluctuations through its net investment in foreign subsidiaries. The value of these net investments will increase or decrease based on fluctuations in the U.S. dollar relative to the Canadian dollar. These gains and losses are unrealized until such time that High Arctic divests its investment in a foreign subsidiary and are recorded in other comprehensive income as foreign currency translation gains or losses for foreign operations.

The U.S. dollar remained strong relative to the Canadian dollar with an average exchange rate of $1.3225 during the first quarter of 2019 (2018 – $1.2665). The stronger U.S. dollar benefits the Corporation as the majority of the Corporation's PNG business is conducted in U.S. dollars.

As at March 31, 2019, the U.S. dollar exchange rate was 1.3363 versus 1.2894 as at March 31, 2018. Although year on year the US dollar strengthened against the Canadian dollar, the U.S. dollar weakened from the end of 2018 through Q1 resulting in a translation loss of $3.0 million recorded in other comprehensive income for the quarter ended March 31, 2019 ($3.9 million gain for the three months ended March 31, 2018).

The fluctuation in exchange rates for the period resulted in a $0.2 million foreign exchange gain being recorded on various foreign exchange transactions (2018 - $0.4 million loss). The Corporation does not currently hedge its foreign exchange transactions or exposure.

Interest and Finance Expense

During the quarter, the Corporation did not have any long-term debt outstanding but incurred $0.2 million in bank fees and other interest charges ($0.1 million for the three months ended March 31, 2018).

Income Taxes

	Three Months Ended March 31		
($ millions)	**2019**	**2018**	**Change**
Net earnings (loss) before income taxes	**(1.0)**	6.2	(7.2)
Current income tax expense	**0.5**	1.6	(1.1)
Deferred income tax expense (recovery)	**(0.5)**	0.2	(0.7)
Total income tax expense	**-**	1.8	(1.8)
Effective tax rate	**0%**	29%	

The Corporation's effective tax rate decreased to 0% in 2019 from 29% in 2018. The decrease in effective tax rate is due to the net loss incurred in the first quarter.

Other Comprehensive Income (Loss)

As discussed above under Foreign Exchange Transactions, the Corporation recorded a $3.0 million foreign currency translation loss in other comprehensive income (loss) in the first quarter as compared to a gain of $3.9 million in the first quarter of 2018.

During the quarter ended March 31, 2019, the Corporation recognized an unrealized loss on its strategic investments due to fluctuations in investment share prices. The Corporation also recognized a realized loss on its strategic investments in the first quarter through the sale of a portion of the owned shares.

Liquidity and Capital Resources

	Three Months Ended March 31		
($ millions)	**2019**	**2018**	**Change**
Cash provided by (used in):			
Operating activities	**-**	4.8	(4.8)
Investing activities	**(1.4)**	(2.7)	1.3
Financing activities	**(5.8)**	(4.6)	(1.2)
Effect of exchange rate changes	**(1.3)**	0.1	(1.4)
Increase (decrease) in cash and cash equivalents	**(8.5)**	(2.4)	(6.1)
	As At		
	March 31, 2019	**March 31, 2018**	**Change**
Working capital(1)	52.7	57.6	(4.9)
Working capital ratio(1)	3.0 : 1	3.3 : 1	0.3:1
Net cash(1)	23.0	19.7	3.3
Undrawn availability under debt facilities	45.0	45.0	0.0

(1) See 'Non-IFRS Measures' on page 10

As at March 31, 2019, the Corporation had $nil outstanding on its debt facilities and $23.0 million in cash.

The Bank of PNG policy continues to encourage the use of the local market currency (Kina). Due to High Arctic's requirement to transact with international suppliers and customers, High Arctic has received approval from the Bank of PNG to maintain its U.S. dollar account within the conditions of the Bank of PNG currency regulations. The Corporation has taken steps to increase its use of PNG Kina for local transactions when practical. Included in the Bank of PNG's conditions is for future PNG drilling contracts to be settled in PNG Kina, unless otherwise approved by the Bank of PNG for the contracts to be settled in U.S. dollars. The Corporation has received such approval for its existing contracts with its key customers in PNG. The Corporation will continue to seek Bank of PNG approval for future customer contracts to be settled in U.S. Dollars on a contract by contract basis, however, there is no assurance the Bank of PNG will continue to grant these approvals.

If such approvals are not received in future, the Corporation's PNG drilling contracts will be settled in PNG Kina which would expose the Corporation to exchange rate fluctuations related to the PNG Kina. In addition, this may delay the Corporation's ability to receive U.S. Dollars which may impact the Corporation's ability to settle U.S. Dollar denominated liabilities and repatriate funds from PNG on a timely basis. The Corporation also requires the approval from the PNG Internal Revenue Commission ("IRC") to repatriate funds from PNG and make payments to non-resident PNG suppliers and service providers. While delays can be experienced for the IRC approvals, such approvals have been received in the past.

Operating Activities

The decrease in net earnings, increase in foreign exchange gains, deferred tax expense and gain on sale of assets offset by the increase in depreciation and changes in net working capital has resulted in funds provided from operations to decrease to $0.0 million from $4.8 million quarter on quarter 2019 to 2018.

Investing Activities

In the first quarter the Corporation has invested $2.6 million (2018 - $2.6 million) in capital expenditures primarily related to maintenance capital and upgrades to the Corporation's well servicing rigs.

Financing Activities

During the quarter, the Corporation distributed $2.5 million in dividends to its shareholders. In addition, the Corporation purchased and cancelled 770,151 shares for a total of $2.9 million under its NCIB, resulting in a total of $5.4 million being returned to shareholders via dividends and share buybacks year to date.

Credit Facility

As at March 31, 2019, High Arctic's credit facility consisted of a $45.0 million revolving loan facility which matures on August 31, 2020. The facility is renewable with the lender's consent and is secured by a general security agreement over the Corporation's assets.

The available amount under the $45.0 million revolving loan facility is limited to 60% of the net book value of the Canadian fixed assets plus 75% of acceptable accounts receivable (85% for investment grade receivables), plus 90% of insured receivables, less priority payables as defined in the loan agreement. As at March 31, 2019, there was no amount drawn on the facility and total credit available to draw was $45.0 million.

Outlook

Industry activity in the first quarter was affected by The Alberta Government imposed apportionment of oil production in the province to alleviate wide price differentials experienced throughout 2018. In addition, extreme cold weather in western Canada significantly slowed well servicing activity in the quarter. The uncertainties within the Canadian industry are ongoing and will continue until new pipeline capacity is added and Canadian oil and gas companies remain cautious with 2019 capital expenditure programs.

Notwithstanding the slow activity levels experienced in the quarter, Concord Well Servicing maintained its market share and achieved equipment utilization rates much better than that experienced by the well service industry. Concord has already begun to experience much improved equipment utilization leading into the second quarter of 2019. We expect this improved level of activity to be maintained throughout 2019.

The acquisition of Powerstroke opened a new market for snubbing and well services in the United States. The subsequent acquisition of Precision Drilling's snubbing assets provides High Arctic with additional quality equipment and access to experienced personnel and crews resulting in High Arctic being the largest snubbing operator in Canada with an estimated 55% market share. We continue to move under utilized assets from Canada into the United States where there is better utilization and day rates.

In Papua New Guinea, we see strong potential for increasing activity depending on the specific timing of the expansion of LNG export capacity. The announcement made that the gas sales agreement was signed between the State of Papua New Guinea and Papua LNG in April 2019 is very encouraging. Combined with the parallel project of co-habited PNG-LNG expansion train, the proposed facility is expected to double LNG export capacity in PNG and project partners have indicated target timing for commencement of LNG shipments from expansion production in 2024. Based on exploration license well commitments and increased optimism ahead of the LNG expansion, we expect drilling activity to increase in PNG as early as the fourth quarter 2019.

In PNG, Rig 103 and 104 remained active through the first quarter. Rig 103 moved to Moran field where operations commenced on April 10th to complete the work program interrupted by the earthquake in February 2018. Rig 103 will continue with infield well works for most of 2019. Rig 104 continued operations working on Muruk 2 and will demobilize back to Moro in Q2 before deploying for its next drilling assignment. Rig 116 and Rig 115 are cold stacked in Port Moresby maintained in ready to deploy condition. Both Rig 115 and 116 are being offered for services both within PNG and abroad.

Business Risks and Uncertainties

In addition to the financial risks discussed above under "Financial Risk Management", below under "Forward Looking Statements" and elsewhere in this MD&A, High Arctic is exposed to a number of business risks and uncertainties that could have a material impact on the Corporation. Readers of the Corporation's MD&A should carefully consider the risks described under the heading "Risk Factors" in the Corporation's recently filed AIF for the year ended December 31, 2018, which are specifically incorporated by reference herein. The AIF is available on SEDAR at www.sedar.com, a copy of which can be obtained on request, without charge, from the Corporation.

Non-IFRS Measures

This MD&A contains references to certain financial measures that do not have a standardized meaning prescribed by IFRS and may not be comparable to the same or similar measures used by other companies. High Arctic uses these financial measures to assess performance and believes these measures provide useful supplemental information to shareholders and investors. These financial measures are computed on a consistent basis for each reporting period and include the following:

EBITDA

Management believes that, in addition to net earnings reported in the consolidated statement of earnings and comprehensive income, EBITDA (earnings before interest, taxes, depreciation and amortization) is a useful supplemental measure of the Corporation's performance prior to consideration of how operations are financed or how results are taxed or how depreciation and amortization affects results. EBITDA is not intended to represent net earnings calculated in accordance with IFRS.

Adjusted EBITDA

Adjusted EBITDA is calculated based on EBITDA (as referred to above) prior to the effect of share-based compensation, gains or losses on sales or purchases of assets or investments, business acquisition costs, other costs related to consolidating facilities, excess of insurance proceeds over costs and foreign exchange gains or losses. Management believes the addback for these items provides a more comparable measure of the Corporation's operational financial performance between periods. Adjusted EBITDA as presented is not intended to represent net earnings or other measures of financial performance calculated in accordance with IFRS.

The following tables provide a quantitative reconciliation of consolidated net earnings to EBITDA and Adjusted EBITDA for the three months ended March 31, 2019 and 2018:

$ millions	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Net earnings (loss) for the period	**(1.0)**	4.4
Add:		
Interest and finance expense	**0.2**	0.1
Income taxes	**-**	1.8
Depreciation	**7.0**	6.4
EBITDA	**6.2**	12.7
Adjustments to EBITDA:		
Other expenses	**-**	-
Share-based compensation	**0.3**	0.6
Loss (gain) on sale of assets	**(0.8)**	-
Foreign exchange (gain) loss	**(0.2)**	0.4
Adjusted EBITDA	**5.5**	13.7

Adjusted Net Earnings
Adjusted net earnings is calculated based on net earnings prior to the effect of costs not incurred in the normal course of business, such as consolidating facilities, gains and transaction costs incurred for acquisitions. Management utilizes Adjusted net earnings to present a measure of financial performance that is more comparable between periods. Adjusted net earnings (loss) as presented is not intended to represent net earnings (loss) or other measures of financial performance calculated in accordance with IFRS. Adjusted net earnings (loss) per share and Adjusted net earnings (loss) per share – diluted are calculated as Adjusted net earnings (loss) divided by the number of weighted average basic and diluted shares outstanding, respectively. The following tables provide a quantitative reconciliation of net earnings (loss) to Adjusted net earnings (loss) for the three months ended March 31, 2019 and 2018:

$ millions	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Net earnings (loss) for the period	**(1.0)**	4.4
Adjusted net earnings (loss)	**(1.0)**	4.4

Oilfield Services Operating Margin
Oilfield services operating margin is used by management to analyze overall operating performance. Oilfield services operating margin is not intended to represent operating income nor should it be viewed as an alternative to net earnings (loss) or other measures of financial performance calculated in accordance with IFRS. Oilfield services operating margin is calculated as revenue less oilfield services expense.

Oilfield Services Operating Margin %
Oilfield services operating margin % is used by management to analyze overall operating performance. Oilfield services operating margin % is calculated as oilfield services operating margin divided by revenue.

$ millions	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Revenue	**46.5**	53.7
Less:		
Oilfield services expense	**37.3**	35.7
Oilfield Services Operating Margin	**9.2**	18.0
Oilfield Services Operating Margin (%)	**20%**	34%

Percent of Revenue
Certain figures are stated as a percent of revenue and are used by management to analyze individual components of expenses to evaluate the Corporation's performance from prior periods and to compare its performance to other companies.

Funds Provided from (used in) Operations
Management believes that, in addition to net cash generated from operating activities as reported in the consolidated statements of cash flows, cash flow from operating activities before working capital adjustments (funds provided from (used in) operations) is a useful supplemental measure as it provides an indication of the funds generated (used in) by High Arctic's principal business activities prior to consideration of changes in items of working capital.

This measure is used by management to analyze funds provided from (used in) operating activities prior to the net effect of changes in items of non-cash working capital and is not intended to represent net cash generated from (used in) operating activities as calculated in accordance with IFRS.

The following tables provide a quantitative reconciliation of net cash generated from operating activities to funds provided from (used in) operations for the three months ended March 31:

$ millions	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Net cash generated from operating activities	**-**	4.8
Less:		
Net changes in items of non-cash w orking capital	**4.8**	7.1
Funds provided from operations	**4.8**	11.9

Working capital
Working capital is used by management as another measure to analyze the operating liquidity available to the Corporation. It is defined as current assets less current liabilities and is calculated as follows:

	As At	
$ millions	March 31, 2019	December 31, 2018
Current assets	**78.7**	**80.4**
Less:		
Current liabilities	**(26.0)**	**(23.6)**
Working capital	**52.7**	**56.8**

Net cash
Net cash is used by management to analyze the amount by which cash and cash equivalents exceed the total amount of long-term debt and bank indebtedness or vice versa. The amount, if any, is calculated as cash and cash equivalents less total long-term debt. The following tables provide a quantitative reconciliation of cash and cash equivalents to net cash as follows:

	As At	
$ millions	March 31, 2019	December 31, 2018
Cash and cash equivalents	**23.0**	**31.5**
Less:		
Long-term debt	-	-
Net cash	**23.0**	**31.5**

High Arctic Energy Services Inc.

Consolidated Statements of Financial Position

For the years ended March 31, 2019 and 2018

Canadian $ Millions

	March 31, 2019	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	23.0	31.5
Accounts receivable	44.1	36.5
Short term investments	0.9	1.0
Inventory	10.1	10.6
Prepaid expenses	0.6	0.8
	78.7	80.4
Non-current assets		
Property and equipment	177.4	184.4
Right-of-use asset	7.6	0.0
Deferred tax asset	7.6	7.6
Total assets	**271.3**	**272.4**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	22.4	21.6
Dividend payable	0.8	0.8
Current portion of lease liability	1.3	0.0
Deferred revenue	0.5	0.2
Contingent liability	1.0	1.0
	26.0	23.6
Non-current liabilities		
Finance Lease Obligation	-	0.5
Lease liability	9.7	2.8
Deferred tax liability	10.5	11.3
Total liabilities	**46.2**	**38.2**
Shareholders' equity	**225.1**	**234.2**
Total liabilities and shareholders' equity	**271.3**	**272.4**

High Arctic Energy Services Inc.

Consolidated Statements of Earnings and Comprehensive Income

For the years ended March 31, 2019 and 2018

Canadian $ Millions, except per share amounts

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Revenue	46.5	53.7
Expenses		
Oilfield services	37.3	35.7
General and administration	3.7	4.3
Depreciation	7.0	6.4
Share-based compensation	0.3	0.6
	48.3	47.0
Operating earnings (loss)	**(1.8)**	**6.7**
Foreign exchange (gain) loss	(0.2)	0.4
(Gain) on sale of property and equipment	(0.8)	-
Interest and finance expense	0.2	0.1
Net earnings before income taxes	**(1.0)**	**6.2**
Current income tax expense	0.5	1.6
Deferred income tax expense (recovery)	(0.5)	0.2
	-	1.8
Net earnings (loss) for the period	**(1.0)**	**4.4**
Earnings (loss) per share:		
Basic	(0.02)	0.08
Diluted	(0.02)	0.08

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Net earnings (loss) for the period	(1.0)	4.4
Other comprehensive income (loss):		
Items that may be reclassified subsequently to net income:		
Foreign currency translation (losses) gains for foreign operations	(3.0)	3.9
Items that may not be reclassified subsequently to net income:		
(Losses) on short term investments, net of tax	-	(0.7)
Comprehensive income (loss) for the period	**(4.0)**	**7.6**

High Arctic Energy Services Inc.

Consolidated Statements of Cash Flows
For the year ended March 31, 2019 and 2018
Canadian $ Millions

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Net earnings (loss) for the period	(1.0)	4.4
Adjustments for:		
Depreciation	7.0	6.4
Provision for onerous lease	-	(0.1)
Share-based compensation	0.3	0.6
(Gain) on sale of property and equipment	(0.8)	-
Foreign exchange (gain) loss	(0.2)	0.4
Deferred income tax expense (recovery)	(0.5)	0.2
	4.8	11.9
Net changes in items of working capital	(4.8)	(7.1)
Net cash generated from operating activities	-	4.8
Investing activities		
Additions of property and equipment	(2.6)	(2.6)
Sale of short term investments	0.1	-
Disposal of property and equipment	1.4	0.1
Net changes in items of working capital	(0.3)	(0.2)
Net cash used in investing activities	(1.4)	(2.7)
Financing activities		
Dividend payments	(2.5)	(2.6)
Purchase of common shares for cancellation	(2.9)	(1.0)
Capital lease obligations	(0.4)	-
Finance lease obligation payments	-	(1.0)
Net cash used in investing activities	(5.8)	(4.6)
Effect of exchange rate changes	(1.3)	0.1
Net change in cash and cash equivalents	(8.5)	(2.4)
Cash and cash equivalents - beginning of period	31.5	22.1
Cash and cash equivalents - end of period	**23.0**	**19.7**
Cash paid for:		
Interest	0.2	0.1
Income taxes	0.5	0.7

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, among others, statements pertaining to the following: general economic and business conditions which will, among other things, impact demand for and market prices for the Corporation’s services; expectations regarding the Corporation’s ability to raise capital and manage its debt obligations; commodity prices and the impact that they have on industry activity; estimated capital expenditure programs for fiscal 2019 and subsequent periods; projections of market prices and costs; factors upon which the Corporation will decide whether or not to undertake a specific course of operational action or expansion; the Corporation’s ongoing relationship with major customers; treatment under governmental regulatory regimes and political uncertainty and civil unrest; the Corporation’s ability to maintain a U.S. dollar bank account and conduct its business in U.S. dollars in PNG; and the Corporation’s ability to repatriate excess funds from PNG as approval is received from the Bank of PNG and the PNG Internal Revenue Commission.

With respect to forward-looking statements contained in this Press Release, the Corporation has made assumptions regarding, among other things, its ability to: obtain equity and debt financing on satisfactory terms; market successfully to current and new customers; the general continuance of current or, where applicable assumed industry conditions; activity and pricing; assumptions regarding commodity prices, in particular oil and gas; the Corporation’s primary objectives, and the methods of achieving those objectives; obtain equipment from suppliers; construct property and equipment according to anticipated schedules and budgets; remain competitive in all of its operations; and attract and retain skilled employees.

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, along with the risk factors set out in the most recent Annual Information Form filed on SEDAR at www.sedar.com.

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.

About High Arctic

High Arctic is a publicly traded company listed on the Toronto Stock Exchange under the symbol “HWO”. The Corporation’s principal focus is to provide drilling and specialized well completion services, equipment rentals and other services to the oil and gas industry.

High Arctic is a market leader providing drilling and specialized well completion services and supplies rig matting, camps and drilling support equipment on a rental basis in Papua New Guinea. The Canadian and US operations provides well servicing, well abandonment, snubbing and nitrogen services and equipment on a rental basis to a large number of oil and natural gas exploration and production companies operating in Western Canada and the United States.

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