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High Arctic Acquires Private Rental Business in Canada

CALGARY, Alberta – December 28, 2023, High Arctic Energy Services Inc. (TSX: HWO) (the “Corporation” or “High Arctic”) announces that today it has closed the acquisition of Delta Rental Services Ltd. (“Delta”) for aggregate purchase consideration of \$7 million subject to earn-out provisions, pursuant to a Share Purchase Agreement between High Arctic and the shareholders of Delta (the “Delta Acquisition”).

Delta is a privately owned rentals company headquartered in Red Deer, Alberta, Canada, founded in 2016. Delta’s business is focussed on pressure control equipment and equipment supporting the high-pressure stimulation of oil and gas wells, along with other well site rental equipment. Delta supports a range of customers including top-tier multi-national and domestic energy producers and their contractors.

The Delta Acquisition includes all of the assets, personnel and contracts of Delta including the retention of their current yard and office lease in Red Deer. The consideration includes \$3.43 million in cash paid at closing with the remaining \$3.57 million payable as 75% in cash and 25% in High Arctic common shares to the selling shareholders as an earn-out over three years, subject to achieving certain financial performance targets. Each annual earn-out payment is adjusted up or down depending upon the amount of over or under performance of the Delta business to the targets. Issuance of the common shares pursuant to the earn-out would be subject to regulatory approvals including the approval of the Toronto Stock Exchange (“TSX”).

In its most recently completed financial year, Delta recorded over \$8 million in revenue at margins consistent with High Arctic’s Canadian business. The total consideration represents a 3 – 3.5x multiple of the Corporation’s estimated annual after-tax cash flow contribution from Delta.

Mike Maguire, CEO of High Arctic, said “Delta is an important strategic development for High Arctic. We are excited to be bringing co-founder Mr. JD Morrical and the Delta team into High Arctic. The Delta brand is a strong one synonymous with quality and service. The combination of Delta and High Arctic expands geographical coverage in Alberta and offers both operational synergies and potential for cross deployment of underutilized assets. I am confident the combined HAES Rentals and Delta team will deliver performance greater than the sum of its parts.”

“The Delta Acquisition addresses strategic objectives of scaling our Canadian business and pursuing opportunities for growth that enhance shareholder value. The Delta Acquisition is expected to increase Canadian revenues three to four-fold and contribute strongly to positive cash flow. The Delta Acquisition contemplates, and the structure of the consideration is reflective of, High Arctic’s intention to reorganize and separate the Canadian and PNG businesses and maximize a return of capital to shareholders. I am confident that this transaction is symbolic of the prospects for a purely Canadian entity and how additional accretive transactions can be unearthed.”

JD Morrical, President of Delta, said “I am keen to start the next part of the Delta story as a substantive part of High Arctic’s Canadian business. We have enjoyed a good relationship with the HAES Rentals team built on mutual respect and shared values. I am very happy that the small business that Scott Odegard and I created has grown to the point that High Arctic wants us to be part of their group. It also represents a cash realization as we honor Scott, his family, and transition the business with his passing in 2021. I am thankful for the support of our loyal customers and staff who are more like family to us, and I am glad that they will all become part of the High Arctic team. I look forward to playing a key leadership role in forging these two rentals businesses together and continuing their growth.”

Non-GAAP Measures

High Arctic uses certain performance measures that are not recognizable under International Financial Reporting Standards (“IFRS”). These performance measures include cash flow and after-tax cash flow. Management believes that this measure provides supplemental financial information that is useful in the evaluation of High Arctic’s operations. Readers should be cautioned, however, that these measures should not be construed as alternatives to measures determined in accordance with IFRS as an indicator of High Arctic’s performance. The Corporation’s method of calculating these measures may differ from that of other organizations and, accordingly, these may not be comparable.

Forward-Looking Statements

This press release contains forward-looking statements. When used in this document, the words “may”, “would”, “could”, “will”, “intend”, “plan”, “anticipate”, “believe”, “seek”, “propose”, “estimate”, “expect”, and similar expressions are intended to identify forward-looking statements. Such statements reflect the Corporation’s current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Corporation’s actual results, performance or achievements to vary from those described in this press release. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this press release as intended, planned, anticipated, believed, estimated or expected. Specific forward-looking statements in this press release include, but are not limited to, statements pertaining to the following: the expected benefits of the Delta Acquisition; the expected operational synergies; the expected deployment of underutilized assets; the expected performance of the combined rental business; the estimated annual after-tax cashflow contribution from Delta; the anticipated scaling and growth of High Arctic’s Canadian business; the expected increase in Canadian revenues; the Corporation’s ability to unearth future accretive transactions; the issuance of the common shares pursuant to the earn-out; and the Corporation’s ability to obtain TSX and other regulatory approvals for the issuance of the common shares. The Corporation’s actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth above and

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

About High Arctic

High Arctic is an energy services provider. High Arctic is a market leader in Papua New Guinea providing drilling and specialized well completion services and supplies rental equipment including rig matting, camps, material handling and drilling support equipment. In western Canada High Arctic provides pressure control and other oilfield equipment on a rental basis to exploration and production companies, from its bases in Whitecourt and Red Deer, Alberta.

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