CONDENSED INTERIM

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

March 31, 2024 and 2023

(Unaudited)

Notice of No Auditor Review of Condensed Consolidated Interim Financial Statements

Pursuant to National Instrument 51-102 *Continuous Disclosure Obligations*, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited consolidated interim financial statements of High Arctic Energy Services Inc. for the interim reporting period ended March 31, 2024, have been prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board, and are the responsibility of the Corporation's management.

The Corporation's external auditors, KPMG LLP, have not performed a review of these unaudited consolidated interim financial statements in accordance with the standards established by Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's external auditor.

HIGH ARCTIC ENERGY SERVICES INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited) (thousands of Canadian Dollars)	As at March 31, 2024	As at December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	57,038	50,331
Accounts receivable (Note 4)	17,600	17,468
Inventory	8,663	9,378
Prepaid expenses and other assets	845	851
Current portion of notes receivable (Note 9)	1,403	745
Income tax receivable	669	665
	86,218	79,438
Non-current assets		
Property and equipment (Note 6)	27,546	27,554
Right of use assets (Note 10(a))	2,448	2,655
Intangible assets (Note 5)	1,426	1,501
Goodwill (Note 3)	812	812
Notes receivable (Note 9)	2,440	2,995
Equity investments (Note 8)	8,672	8,182
	43,344	43,699
Total assets	129,562	123,137
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 11)	16,260	14,134
Current portion of long-term debt (Notes 12)	174	175
Current portion of lease liabilities (Note 10(b))	925	959
Current portion of contingent consideration payable (Note 3)	812	812
Income tax payable	480	373
	18,651	16,453
Non-current liabilities		
Long-term debt (Note 12)	3,308	3,352
Lease liabilities (Note 10(b))	1,702	1,860
Contingent consideration payable (Note 3)	2,140	2,140
	7,150	7,352
Total liabilities	25,801	23,805
Shareholders’ Equity		
Share capital (Note 13)	169,992	169,992
Contributed surplus	14,609	14,550
Accumulated and other comprehensive income	27,845	26,980
Deficit	(108,685)	(112,190)
	103,761	99,332
Total liabilities and shareholders’ equity	129,562	123,137

The accompanying notes are an integral part of these condensed interim consolidated financial statements.
Commitments and contingencies (Note 20)
Subsequent events (Note 21)

Approved on behalf of the Board,

(Signed) “Douglas Strong”	(Signed) “Michael Binnion”
Douglas Strong	Michael Binnion
Director	Director

HIGH ARCTIC ENERGY SERVICES INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(unaudited)	Three months ended Mar 31,	
(thousands of Canadian Dollars)	2024	2023
Revenue (Note 15)	18,005	8,771
Oilfield services expenses (Note 16)	10,660	5,878
General and administrative expenses (Note 16)	2,816	1,952
Depreciation and amortization expenses (Notes 5,6,10)	1,714	2,732
Share-based compensation expense (Note 14)	59	186
Operating income (loss)	2,756	(1,977)
Interest and other income	570	417
Interest and finance expense (Note 16)	(30)	(40)
Foreign exchange gain (loss)	113	(6)
Gain on sale of property and equipment	-	130
Income from equity investments (Note 8)	490	373
Income (loss) before income tax from continuing operations	3,899	(1,103)
Income tax recovery (expense)	(394)	33
Deferred income tax recovery	-	440
Income tax recovery (expense) from continuing operations	(394)	473
Net income (loss) from continuing operations	3,505	(630)
Net income from discontinued operations (Note 7)	-	5
Total net income (loss)	3,505	(625)
Income (loss) per share (Note 13)		
Basic and diluted – continuing operations	$0.07	($0.01)
Basic and diluted – discontinued operations	n/a	$0.00

	Three months ended Mar 31,	
	2024	2023
Total net income (loss)	3,505	(625)
Other comprehensive income (loss):		
Items that may be reclassified subsequently to net income (loss):		
Foreign currency translation gain (loss) for foreign operations	865	(45)
Comprehensive income (loss) for the period	4,370	(670)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

HIGH ARCTIC ENERGY SERVICES INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(thousands of Canadian Dollars, except number of common shares)	Number of Common shares	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
Balance, December 31, 2022	48,691,864	169,554	14,685	27,853	(96,861)	115,231
Share-based compensation expense (Note 14)	-	-	186	-	-	186
Purchase of common shares for cancellation	(18,296)	(64)	39	-	-	(25)
Dividends	-	-	-	-	(730)	(730)
Other comprehensive loss – foreign currency translation loss	-	-	-	(45)	-	(45)
Net loss for the period	-	-	-		(625)	(625)
Balance, March 31, 2023	48,673,568	169,490	14.910	27.808	(98,216)	113,992

Balance, December 31, 2023	49,122,302	169,992	14,550	26,980	(112,190)	99,332
Share-based compensation expense (Note 14)	-	-	59	-	-	59
Other comprehensive income – foreign currency translation gain	-	-	-	865	-	865
Net income for the period	-	-	-	-	3,505	3,505
Balance, March 31, 2024	49,122,302	169,992	14,609	27,845	(108,685)	103,761

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

HIGH ARCTIC ENERGY SERVICES INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (thousands of Canadian Dollars)	Three months ended Mar 31, 2024	 2023
Cash flows from operating activities:		
Net income (loss) from continuing operations	3,505	(630)
Adjustments for:		
Depreciation and amortization expenses (Notes 5,6,10)	1,714	2.732
Deferred income tax recovery	-	(440)
Unrealized foreign exchange (gain) loss	(113)	6
Share-based compensation expense (Note 14)	59	186
Non-cash finance expense	(58)	(60)
Gain on sale of property and equipment	-	(130)
Income from equity investments	(490)	(373)
Funds from operating activities from continuing operations	4,617	1,291
Change in non-cash working capital (Note 17)	2,818	(983)
Cash from operating activities from continuing operations	7,435	308
Cash from operating activities from discontinued operations (Note 7)	-	65
Net cash from operating activities	7,435	373
Cash flows from investing activities:		
Property and equipment expenditures (Note 6)	(1,050)	(396)
Proceeds from asset sales, net of costs (Note 1)	-	28,130
Change in non-cash working capital (Note 17)	-	34
Net cash from (used in) investing activities	(1,050)	27,768
Cash flows from financing activities:		
Purchase of common shares for cancellation	-	(25)
Repayment of long-term debt (Note 12)	(45)	(56)
Dividend payments	-	(730)
Lease obligation payments (Note 10)	(253)	(153)
Net cash used in financing activities	(298)	(964)
Effect of foreign exchange rate changes	620	9
Change in cash and cash equivalents	6,707	27,186
Total cash and cash equivalents, beginning of period	50,331	19,559
Total cash and cash equivalents, end of period	57,038	46,745

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

HIGH ARCTIC ENERGY SERVICES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(Stated in Thousands of Canadian Dollars)

1. Nature of business

High Arctic Energy Services Inc. (”High Arctic” or the ”Corporation”) is incorporated under the laws of Alberta, Canada and is a publicly traded corporation listed on the Toronto Stock Exchange under the symbol ”HWO”. High Arctic is engaged in contract drilling, equipment rentals and other oilfield services to the oil and natural gas industry in Papua New Guinea (”PNG”) and Canada. The Corporation’s head office address is located at Suite 2350, 330 – 5th Ave SW Calgary, Canada T2P 0L4.

As of March 31, 2024, 21,916,634 common shares of the Corporation were owned by FBC Holdings S.A.R.L., representing 44.6% of the outstanding common shares. In addition, High Arctic directors and officers collectively own 3,146,483 common shares, representing 6.4% of the outstanding common shares.

During 2022, High Arctic entered into an agreement to sell its Canadian well servicing assets (the ”Well Servicing Transaction”) for cash consideration of $38,200. Consideration of $10,200 was received in Q3 2022 and the asset sale receivable balance of $28,000 that was outstanding on December 31, 2022, was received in full during Q1 2023.

During 2022, High Arctic entered into an agreement with Team Snubbing Services Inc. (”Team Snubbing”) to sell its snubbing assets (the ”Snubbing Transaction”). Consideration received included an equity ownership investment (see Note 8) in Team Snubbing and a note receivable (see Note 9).

On June 19, 2023, High Arctic entered into an agreement to sell its Canadian Nitrogen transportation, hauling and pumping services business (the ”Nitrogen Transaction”) for cash consideration of $1,350. The transaction closed on July 31, 2023 (see Note 7).

On December 28, 2023, High Arctic completed the acquisition of all the shares of Delta Rental Services Ltd. (”Delta”) for cash consideration of $3,430 and contingent consideration that includes a combination of cash and shares, payable over a three-year period. See Note 3.

The following table lists the Corporation’s principal subsidiaries, the jurisdiction of formation or incorporation of such subsidiaries and the percentage of shares owned, directly or indirectly, by the Corporation as at March 31, 2024:

Name of subsidiary	Jurisdiction of formation or incorporation	Percentage ownership of shares beneficially owned or controlled (in) directly by the Corporation
High Arctic Energy Services Cyprus Limited	Cyprus	100%
High Arctic Energy Services PNG Limited	PNG	100%
PNG Industry Manpower Solutions Limited	PNG	100%
High Arctic Energy Services (Singapore) PTE Ltd.	Singapore	100%
High Arctic Energy Services Australia PTY Ltd.	Australia	100%
HAES SD Holding Corp.	Alberta	100%
Powerstroke Well Control, Inc.	United States	100%
Seh’ Chene GP Inc.	Alberta	49%
Seh’ Chene Well Services Limited Partnership	Alberta	49%
Team Snubbing Services Inc.	Alberta	42%

2. Basis of Presentation

(a) Statement of compliance and approval

These unaudited condensed interim consolidated financial statements ("Financial Statements") have been prepared in accordance with International Accounting Standards 34 – Interim Financial Reporting. These Financial Statements were authorized for issuance by the Board of Directors on May 15, 2024.

(b) Basis of preparation

Unless otherwise noted, these Financial Statements follow the same accounting policies and methods of computation as described in the annual audited consolidated financial statements for the year ended December 31, 2023. Accordingly, these Financial Statements should be read in conjunction with the audited consolidated financial statements.

(c) Functional and presentation currency

The financial statements are presented in Canadian Dollars, which is also the currency of the primary economic operating environment ("functional currency") of the parent company.

The US dollar is the functional currency of five of the Corporation's subsidiaries, with one subsidiary utilizing the Australian dollar as its functional currency.

All values are rounded to the nearest thousand dollars ($000), except where otherwise indicated.

(d) Judgments, estimates and assumptions

The interim financial statements were prepared using the same judgments, estimates and assumptions as described in the audited annual financial statements for the year ended December 31, 2023.

Reorganization and spinoff of PNG business

As at March 31, 2024, the Corporation has concluded that its intended reorganization does not currently meet the definition of an asset held for sale or distribution and, accordingly, is not presented herein as held for sale of distribution.

Subsequent to March 31, 2024, the Board of Directors' and High Arctic Management advanced its plans surrounding the intended reorganization by resolving previously outstanding matters such that on May 11, 2024, the Corporation was in a position to announce its plans to proceed with a reorganization. In addition, High Arctic has filed a Plan of Arrangement and other documents that, if approved by the Corporation's shareholders, will complete the intended reorganization. The reorganization is still subject to, amongst other things, regulatory approval and shareholder approval of 66 2/3% of votes cast at the annual general and special meeting of shareholders scheduled for June 17, 2024. Accordingly, management has made the judgement that the arrangement does not meet the highly probable criteria to disclose the PNG business as discontinued operations as at March 31, 2024.

(e) Re-presentation of comparatives

Pursuant to the terms of the Nitrogen Transaction, the Corporation agreed to sell all of its Canadian Nitrogen transportation, hauling and pumping services business. Accordingly, certain comparative figures of these Interim Financial Statements have been restated to present operations of High Arctic's Canadian Nitrogen transportation, hauling and pumping services business as a discontinued operation (Note 7).

3. Delta Acquisition

On December 28, 2023, High Arctic completed the acquisition of all the shares of Delta (the "Delta Acquisition"). Delta was a privately-owned rentals company focused on pressure control equipment and equipment supporting the high-pressure stimulation of oil and gas wells along with other well site rental equipment.

The aggregate purchase price of the Delta Acquisition was $6,382 consisting of $3,430 in cash paid on closing and contingent consideration payable of $2,952. The contingent consideration payable is payable in a combination of cash and shares of the Corporation over a thirty-six-month period following the transaction's close. In determining the fair value of the contingent consideration payable, several profitability scenarios were considered and then given a probability rating and discounted to determine a probability-weighted contingent consideration payable amount. As of result of this acquisition, goodwill of $812 and intangible assets of $1,501 (Note 5) were recognized.

4. Accounts receivable

The aging and expected credit loss associated with accounts receivable was as follows:

(thousands of Canadian Dollars)	As at Mar 31, 2024	As at Dec 31, 2023
Less than 31 days	7,165	6,680
31 days to 60 days	7,715	6,842
61 days to 90 days	1,173	2,854
Greater than 90 days	1,750	1,284
	17,803	17,660
Expected credit losses	(203)	(192)
	17,600	17,468

The Corporation's accounts receivables are denominated in the following functional currencies:

(thousands of Canadian Dollars)	As at Mar 31, 2024	As at Dec 31, 2023
Canadian dollars	3,285	2,534
US dollars ('USD')	14,315	14,934
	17,600	17,468

High Arctic determined the expected credit loss (ECL) provision percentages used in the provision matrix based on historical credit loss experience as well as historical global default rates for investment grade and speculative grade companies as published by Standard and Poor's. Further, High Arctic aggregated its accounts receivable into groups that share similar credit risk characteristics, taking into consideration drivers for each group's credit risk. The ECL also incorporates forward-looking information.

The details of this approach as at March 31, 2024 was as follows:

(thousands of Canadian Dollars)	Less than 31 days	31- 60 days	61 – 90 days	Over 90 days	Total
Investment grade receivables	6,069	6,765	1,044	917	14,795
Non-investment grade receivables	1,096	950	129	833	3,008
Total receivables	7,165	7,715	1,173	1,750	17,803
ECL for investment grade (%)	*0.04*	*0.06*	*0.10*	*0.30*	
ECL for non-investment grade (%)	*0.25*	*0.75*	*5.00*	*10.00*	
ECL provision – investment grade	(2)	(4)	(1)	(3)	(10)
ECL provision – non-investment grade	(3)	(7)	(3)	(33)	(46)
Specifically provided for amounts	-	-	-	(147)	(147)
Total provision for ECL	(5)	(11)	(4)	(183)	(203)

The comparative details of this approach as at December 31, 2023 was as follows:

(thousands of Canadian Dollars)	Less than 31 days	31- 60 days	61 – 90 days	Over 90 days	Total
Investment grade receivables	5,893	6,278	2,674	541	15,386
Non-investment grade receivables	787	564	180	743	2,274
Total receivables	6,680	6,842	2,854	1,284	17,660
ECL for investment grade (%)	*0.04*	*0.06*	*0.10*	*0.30*	
ECL for non-investment grade (%)	*0.25*	*0.75*	*2.00*	*4.00*	
ECL provision – investment grade	(2)	(4)	(3)	(2)	(11)
ECL provision – non-investment grade	(2)	(4)	(4)	(31)	(41)
Specifically provided for amounts	-	-	-	(140)	(140)
Total provision for ECL	(4)	(8)	(7)	(173)	(192)

5. Intangible assets

(thousands of Canadian Dollars)	As at Mar 31, 2024	As at Dec 31, 2023
Intangible assets	1,501	1,501
Less amortization	(75)	-
	1,426	1,501

The intangible assets acquired in the Delta acquisition (Note 3) include customer relationships with a fair value of $1,215, brand with a fair value of $76 and a non-compete agreement with a fair value of $210. The fair value of customer relationships was determined using an income approach using the multi-period excess earnings method. The significant assumptions used in determining the fair value of the customer relationships include forecasted revenues and cashflows from existing customer relationships, customer attrition rates, contributory asset charges and discount rates.

6. Property and equipment

(thousands of Canadian Dollars)	Vehicles	Oilfield equipment	Computer equipment and software	Land and building	Work-in progress	Total
Cost						
Balance, Dec 31, 2023	372	166,131	2,491	6,866	310	176,170
Additions	-	-	-	-	1,050	1,050
Effect of foreign exchange	3	3,584	6	-	9	3,602
Balance, Mar 31, 2024	375	169,715	2,497	6,866	1,369	180,822
Accumulated depreciation						
Balance, Dec 31, 2023	315	144,441	2,184	1,676	-	148,616
Depreciation	3	1,345	26	43	-	1,417
Effect of foreign exchange	2	3,236	5	-	-	3,243
Balance, Mar 31, 2024	320	149,022	2,215	1,719	-	153,276
Net book value, Dec 31, 2023	57	21,690	307	5,190	310	27,554
Net book value, Mar 31, 2024	55	20,693	282	5,147	1,369	27,546

Impairment of the PNG cash-generating unit – 2023

As at September 30, 2023, the Corporation noted indicators of potential impairment in its PNG Operations CGU. Indicators include the Corporation's primary customer planning to conclude drilling after completing its minimum well commitment on their drilling schedule under a long-term contract and the lack of outstanding customer contract tenders or open bid submissions for High Arctic's rigs 115 and 116. The Corporation then undertook an impairment analysis of the PNG Operations CGU and determined that its recoverable amount was below its estimated carrying value of $52,050. Based on the impairment analysis High Arctic recorded an impairment of $20,500 at September 30, 2023.

7. Discontinued operations

The operating results of the Corporation's nitrogen transportation, hauling and pumping services business reported herein as discontinued operations for the three months ended March 31, 2023 are as follows:

(thousands of Canadian Dollars)	Three months ended Mar 31, 2023
Revenue	754
Expenses:	
Oilfield services	(574)
General and administration	(115)
Depreciation	(60)
Net income from discontinued operations	5

Discontinued operations reported in the condensed interim consolidated statements of cash flows are as follows:

(thousands of Canadian Dollars)	Three months ended Mar 31 ,2023
Cash flow from operating activities	65
Cash flow from investing activities	-
Cash flow from financing activities	-

8. Equity investments

(thousands of Canadian Dollars)	As at Mar 31, 2024	As at Dec 31, 2023
Equity investment – Team Snubbing Services Inc.	8,524	8,034
Equity investment – Seh' Chene Well Services Limited Partnership	148	148
	8,672	8,182

During 2022, High Arctic entered into an agreement with Team Snubbing Services Inc. ("Team Snubbing") to sell its snubbing assets (the "Snubbing Transaction"). Consideration received included an equity ownership investment in Team Snubbing and a note receivable (Note 9).

The Corporation noted the following unaudited financial information for Team Snubbing for three months ended March 31, 2024 and 2023:

(thousands of Canadian Dollars)	Three months ended March 31, 2024	2023
Revenue	7,460	6,202
Net income after tax	1,166	888
Net income after tax – 42% share	490	373

9. Notes receivable

(thousands of Canadian Dollars)	As at Mar 31, 2024	As at Dec 31, 2023
Convertible promissory note	3,365	3,365
Less: Interest accretion on convertible promissory note	(325)	(417)
Note receivable on Delta Acquisition	880	880
Less: Interest accretion on note receivable on the Delta Acquisition	(77)	(88)
	3,843	3,740
Current	1,403	745
Non-current	2,440	2,995

In 2022, as part of the consideration for the Snubbing Transaction, High Arctic received a convertible promissory note from Team Snubbing for $3,365 with a five-year term, annual interest of 4.5% accruing from January 1, 2023 and principal repayments commencing July 2024. The note receivable is being recorded at amortized cost using the effective interest rate method. In the event of default, the outstanding principal amount plus accrued interest is convertible to additional common shares of Team Snubbing.

In 2023, as part of the consideration for the Delta Acquisition, High Arctic received an interest-free note receivable for $880 with a three-year term, accruing from December 28, 2023, and principal repayments commencing December 2024. The note receivable is considered a financial asset. The carrying value of the note is determined by discounting the anticipated future cash flow impact of the note using an effective interest rate of 5% which approximates the credit risk associated with the principal amount outstanding of the note. Accretion of $77 was recorded to the note receivable as at March 31, 2024, which results in a carrying value balance of $803 as at March 31, 2024.

10. Right of use assets and lease liabilities

(a) Right of use assets:

(thousands of Canadian Dollars)	As at Mar 31, 2024	As at Dec 31, 2023
Costs:		
Opening balance	3,653	1,560
Additions	-	1,697
Dispositions	(4)	(729)
Acquisition	-	1,174
Effect of foreign exchange rate changes	37	(49)
Closing balance	3,686	3,653

(thousands of Canadian Dollars)	As at Mar 31, 2024	As at Dec 31, 2023
Accumulated amortization:		
Opening balance	998	186
Additions	222	833
Disposals	-	-
Effect of foreign exchange rate changes	18	(21)
Closing balance	1,238	998
Net closing balance	2,448	2,655

The right-of-use assets relate to various types of real estate assets and vehicles.

(b) Lease liabilities

(thousands of Canadian Dollars)	As at Mar 31, 2024	As at Dec 31, 2023
Opening balance	2,819	1,482
Lease additions	-	1,697
Lease disposals	(4)	(550)
Acquisition	-	1,174
Lease payments	(253)	(1,148)
Lease finance expense (Note 16(c))	45	196
Effect of foreign exchange rate changes	20	(32)
Closing balance	2,627	2,819
Current	925	959
Non-current	1,702	1,860

The lease liabilities relate to various types of real estate assets and vehicles which are recorded as right-of-use assets.

The undiscounted cash flows relating to the lease liabilities at March 31, 2024 are as follows:

(thousands of Canadian Dollars)	As at Mar 31, 2024	As at Dec 31, 2023
Less than one year	993	1,055
One year to five years	1,602	2,144
More than five years	131	-
Total undiscounted liabilities	2,726	3,199

11. Accounts payable

The nature of the Corporation's accounts payable and accrued liabilities as at March 31, 2024 and December 31, 2023 are as follows:

(thousands of Canadian Dollars)	As at Mar 31, 2024	As at Dec 31, 2023
Trade accounts payable	7,098	5,405
Accrued liabilities	7,241	7,385
Wages and payroll taxes payable	1,524	973
Other accounts payable	397	371
Total accounts payable and accrued liabilities	16,260	14,134

12. Long term debt

(thousands of Canadian Dollars)	As at Mar 31, 2024	As at Dec 31, 2023
Current	174	175
Non-current	3,308	3,352
Total	3,482	3,527

The Corporation has mortgage financing secured by lands and buildings owned by High Arctic located within Alberta, Canada. The mortgage has a remaining initial term of under three years with a fixed interest rate of 4.30% with payments occurring monthly. The Corporation's mortgage financing contains certain non-financial covenants requiring lenders' consent including changes to the underlying business.

13. Shareholders' equity

(a) Share capital

The Corporation is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. No preferred shares have been issued by the Corporation. The common shares do not have a par value and all issued shares are fully paid. On December 13, 2023, the Corporation received approval from the Toronto Stock Exchange to acquire for cancellation up to 1,000,000 common shares, or approximately 2 percent of the Corporation's outstanding shares, under a Normal Course Issuer Bid ("NCIB"). The NCIB is valid for one year, commencing on December 15, 2023, and terminating on December 14, 2024. No shares were purchased and cancelled in the first three months of 2024 pursuant to the NCIB (2023 Q1 - 18,296 shares).

	Three months ended Mar 31, 2024		Year ended Dec 31, 2023	
Common shares issued and outstanding:	Shares	Amount	Shares	Amount
Balance, beginning of period	49,122,302	$169,992	48,691,864	$169,554
Exercise of performance share units (Note 11)	-	-	448,734	502
Purchase of common shares for cancellation	-	-	(18,296)	(64)
Balance, end of period	49,122,302	$169,992	49,122,302	$169,992

(b) Per share amounts

(thousands of Canadian Dollars) (except number of common shares)	Three months ended March 31, 2024	 2023
Continuing Operations		
Net income (loss)	$3,505	($630)
Basic - weighted average number of common shares	49,122,302	48,691,631
Basic net income (loss) per share	$0.07	($0.01)
Diluted - weighted average number of common shares (1)	50,497,647	48,691,631
Diluted net income per share (1)	$0.07	($0.01)
Discontinued Operations		
Net income	-	$5
Weighted average number of common shares	n/a	48,691,631
Basic net income per share	n/a	$0.00

(1) For the three months ended March 31, 2023, stock options were excluded from the calculation of diluted weighted average number of common shares as these options were anti-dilutive. For the comparative period March 31, 2023, all of the shares outstanding under the Corporation's equity-based compensation plans were excluded from the calculation of diluted weighted average number of common shares as the outstanding options and units were anti-dilutive.

14. Share based compensation

The Corporation has four equity-based compensation plans under which up to 4,912,230 common shares (being 10% of all outstanding shares) may be issued as at March 31, 2024. The following table summarizes the Corporation's outstanding grants for each equity-based compensation plan:

(number of options)	As at Mar 31, 2024	As at Dec 31, 2023
Stock options	13,770	117,000
Performance share unit plan – restricted units	140,059	140,059
Performance share unit plan – performance units	180,538	180,538
Deferred share units	970,017	938,536
Balance, end of period	1,304,384	1,376,133
Common shares available for grants	4,912,230	4,912,230
Percentage used of total available	27%	28%
Remaining common shares available for grant	3,607,846	3,536,097

Stock Option Plan

The Corporation has a Stock Option Plan under which options to purchase common shares may be granted to directors, management, and certain employees. At March 31, 2024, a total of 13,770 stock options at an exercise price of $1.30 per share were outstanding.

These stock options are typically exercisable over a term of five years and are subject to a three-year vesting period with 33.3 percent exercisable by the holder after the first anniversary date, another 33.3 percent after the second anniversary date and the balance after the third anniversary date.

Subsequent to March 31, 2024, all of the 13,770 stock options outstanding were either cancelled or, with respect to stock options held by a former executive employee of the Corporation, expired unexercised.

Details regarding the stock options and associated changes and weighted average exercise prices are as follows:

	Number of stock options	Weighted average exercise price ($)
As at December 31, 2022	250,000	1.39
Forfeited/Cancelled	(133,000)	(1.39)
As at December 31, 2023	117,000	1.39
Forfeited/Cancelled	(103,230)	(1.40)
As at March 31, 2024	13,770	1.30

(Exercise price)	Outstanding number of options	Weighted average remaining life of outstanding options (years)	Weighted average exercise price of outstanding options ($)	Exercisable number of options	Weighted average exercise price of options that are exercisable ($)
$1.30	13,770	3.45		-	-
As at December 31, 2023	13,770	3.45	$1.30	-	-

The Corporation values all its share options using the Black-Scholes model. No stock options were granted in 2024.

Performance Share Unit Plan ("PSUP")

Details regarding the PSUP Units and related activity is as follows:

(number of options)	RSUs	PSUs	Total
As at December 31, 2022	524,965	407,945	932,910
Dividends re-invested	19,906	14,464	34,370
Exercised	(330,842)	(117,892)	(448,734)
Forfeited/Cancelled	(73,970)	(123,979)	(197,949)
As at December 31, 2023	140,059	180,538	320,597
Dividends re-invested	-	-	-
Forfeited/Cancelled	-	-	-
As at March 31, 2024	140,059	180,538	320,597

There were no PSU's granted in 2024 or 2023.

Deferred Share Unit Plan ("DSU")

Details regarding the DSU and related activity is as follows:

(number of options)	For the period ended Mar 31, 2024	For the period ended Dec 31, 2023
Outstanding, beginning of period	938,536	1,107,970
Granted	31,481	155,547
Forfeited / Cancelled	-	(364,677)
Dividends re-invested	-	39,696
Outstanding, end of period	970,017	938,536

The weighted average fair value of each DSU granted during 2024 was $1.09 (year ended December 31, 2023 - $1.23), equivalent to the previous 5-day weighted average share price at the time of grant. DSUs granted in 2024 pursuant to certain Directors' election to have quarterly compensation for services rendered settled in DSUs rather than cash were 31,481 DSUs (year ended December 31, 2023 – 155,547 DSUs).

15. Revenue

The following tables include a reconciliation of disaggregated revenue for continuing operations by reportable segment. Revenue has been disaggregated by primary geographic location and type of service provided.

Three-months ended March 31, 2024 (thousands of Canadian Dollars)	Drilling Services	Ancillary Services	Total
PNG service revenue	9,738	-	9,738
Equipment rental revenue:			
Canada	-	2,988	2,988
PNG	2,650	2,629	5,279
Total revenue	12,388	5,617	18,005

Three-months ended March 31, 2023 (thousands of Canadian Dollars)	Drilling Services	Ancillary Services	Total
Service revenue:			
Canada	-	94	94
PNG	5,655	-	5,655
	5,655	94	5,749
Equipment rental revenue:			
Canada	-	574	574
PNG	621	1,827	2,448
	621	2,401	3,022
Total revenue	6,276	2,495	8,771

16. Supplementary expense disclosures – continuing operations

(a) Oilfield services expenses by nature:

	Three months ended Mar 31,	
(thousands of Canadian Dollars)	2024	2023
Personnel	4,732	3,077
Equipment operating and maintenance	530	575
Material and supplies	2,404	1,107
Drilling rig rental	2,650	627
Other	344	492
Total oilfield services expense	10,660	5,878

(b) General and administrative expenses by nature:

	Three months ended Mar 31,	
(thousands of Canadian Dollars)	2024	2023
Personnel	1,480	1,275
Professional, legal, and advisory fees	894	234
Information technology services	166	200
Corporate	193	138
Office and warehouse	37	87
Expense (recovery) of expected credit losses	10	(13)
Vehicle, supplies and other	36	31
Total general and administrative expense	2,816	1,952

(c) Interest and finance expenses:

	Three months ended Mar 31,	
(thousands of Canadian Dollars)	2024	2023
Interest on long term debt and standby fees	38	48
Finance expense – lease liabilities	45	15
Notes receivable accretion	(64)	(44)
Other expenses	11	21
Interest and finance expenses	30	40

17. Supplementary cash flow information

Changes in non-cash working capital balances:

(thousands of Canadian Dollars)	Three months ended Mar 31, 2024	2023
Source (use) of cash:		
Accounts receivable	(132)	(332)
Inventory, prepaid expense and other assets	721	(652)
Accounts payable and accrued liabilities	2,126	(18)
Income taxes payable	107	(2)
Income taxes receivable	(4)	-
Impact of foreign exchange on working capital	-	(97)
	2,818	949
Attributable to:		
Operating activities	2,818	(983)
Investing activities	-	34
Financing activities	-	-
	2,818	(949)

18. Financial Instruments and risk management

Financial instrument measurement and classification:
The Corporation's financial assets and liabilities consist of cash and cash equivalents, accounts receivable, note receivable, accounts payable and accrued liabilities, long-term debt, lease liabilities and contingent consideration payable. The carrying values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate fair value due to the short-term nature of these instruments. The carrying value of long-term debt and lease liabilities where interest is charged at a fixed rate is not significantly different than fair value.

At March 31, 2024, the estimated fair value of the Corporation's notes receivable was $3,843 (December 31, 2023 - $3,740). This determination of fair value is based on level 3 inputs as there are no active market valuation inputs available in order to support a different valuation for the notes receivable.

At March 31, 2024, the estimated fair value of the contingent consideration payable was calculated to total $2,952 (December 31, 2023 - $2,952, Note 3).

Financial and other risks:

The Corporation is exposed to financial risks arising from its financial assets and liabilities. This includes pandemic and/or endemic risk or the risk that operations and/or administration are forced to run at less than full capacity due to an absence or reduction of members of the workforce, either through forced closures by government both within countries and across national borders, by internally imposed rotational schedules and/or quarantine or illness of the workforce. Further, geopolitical risks are the potential risks that a business may face due to changes in global events, policies, national security threats, or regulations. These have an impact on a company's workforce and operations by limiting market access and increasing costs and could have significant impact on the Corporation. Also, cyber-security risks increase with the use of cloud hosted servers. Such restrictions could significantly impact the ability for the Corporation to operate, and therefore impact financial results.

Market risks:

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

a) 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 currently has mortgage financing with a fixed interest rate of 4.30% (Note 12). The Corporation is exposed to interest rate risk upon renewal or expiration of the initial term. The Corporation had no risk management contracts that would be affected by interest rates in place at March 31, 2024.

b) Commodity price risk

Commodity price risk is the risk that the Corporation's future cash flows will fluctuate due to changes in demand for High Arctic's services, where almost all the Corporation's customers are oil and gas producers. High Arctic's customers' activity and strategic decisions are impacted by the fluctuations of oil and gas pricing.

These prices are sensitive to not only the relationship between the Canadian and US dollar, but more importantly local, regional and world economic and geopolitical events. This includes implications from changing oil demand and supply, policy direction by OPEC , the ongoing effect of the conflicts between Russia and Ukraine and in the Middle East,, climate change driven transitions to lower emission energy sources, the impact of future pandemics upon economic activity include the emergence of variants of COVID-19, the implications of changes to government and government policy and investment decisions in PNG to expand its LNG export capacity.

The Corporation had no risk management contracts that would be affected by commodity prices in place at March 31, 2024 and December 31, 2023.

c) Foreign currency risk

Foreign currency risk is the risk that a variation in the exchange rate between Canadian and foreign currencies will affect the Corporation's results.

Most of the Corporation's international revenue and expenses are effectively transacted in USD and the Corporation does not actively engage in foreign currency hedging. For the three months ended March 31, 2024, a $0.10 change in the exchange rate of the Canadian dollar relative to the USD would have resulted in a change to the net profit amounting to $293 (2023: $61).

d) PNG foreign currency restrictions

The Corporation's ability to repatriate funds from PNG is controlled by the PNG government through their central bank. There are currently several monetary and currency exchange control measures in PNG that can impact the ability to repatriate funds, as well as establish requirements to transact in the local PNG currency (Kina or "PGK").

As at March 31, 2024, USD $8,283 (December 31, 2023 - USD $5,635) was on deposit with a large international bank in PNG. The Bank of PNG ("BPNG") has provided approval for High Arctic to maintain a USD bank account in accordance with the BPNG currency regulations. Historically, the Corporation has received approval from BPNG for drilling services contracts with its key customers in PNG to be denominated and settled in USD. The Corporation will continue to seek BPNG approval for our contracts to be settled in USD on a contract-by-contract basis, however, there is no assurance the BPNG will grant these approvals.

The BPNG currency regulations also limit the amount of foreign currency that companies can maintain in order to meet their forecasted three-month cash flow requirements, with excess funds required to be held in PGK. While no significant issues have been experienced to date, there is no guarantee such restrictions will not impact the Corporation's ability to transact or repatriate funds.

Credit risk, customers, and economic dependence:

Credit risk is the risk of a financial loss occurring as a result of a default by a counter party on its obligation to the Corporation. The Corporation's financial instruments that are exposed to credit risk consist primarily of accounts receivable and cash balances held in banks. The Corporation mitigates credit risk by regularly monitoring its accounts receivable position and depositing cash in properly capitalized banks. The Corporation also institutes credit reviews prior to commencement of contractual arrangements.

The Corporation's accounts receivable is predominantly with customers who explore for and develop petroleum reserves and are subject to industry credit risk consistent with the industry. The Corporation assesses the creditworthiness of its customers on an ongoing basis and monitors the amount and age of balances outstanding.

In providing for ECL, the Corporation uses the historical default rates within the industry between investment grade and non-investment grade customers as well as forward-looking information to determine the appropriate loss allowance provision.

The net carrying amount of accounts receivable represents the estimated maximum credit exposure on the accounts receivable balance. The Corporation has a range of customers comprised of small independent, intermediate and large multinational oil and gas producers in North America and predominantly large global customers in PNG.

The Corporation provided services to one large multinational customer who individually accounted for greater than 10% of its consolidated revenues during the three months ended March 31, 2024 with total sales of $13,510 (2023: two customers with total sales of $6,977).

As at March 31, 2024, one customer represented a total of $12,575 or 73% of outstanding accounts receivable (December 31, 2023 – two customers represented a total of $15,139 or 92% of outstanding accounts receivable).

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, working capital management, coordinating, and authorizing project expenditures, authorization of contractual agreements, and managing compliance to debt finance agreements.

Subsequent to the closing of the Well Servicing and Snubbing Transactions, its legacy revolving credit facility was terminated.

The following table details the remaining contractual maturities of the Company's financial liabilities as of March 31, 2024:

Payments due by period						
(thousands of Canadian Dollars)	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	Total
Accounts payable and accrued liabilities	16,260	-	-	-	-	16,260
Lease liabilities	149	776	727	844	131	2,627
Long-term debt	29	145	174	523	2,611	3,482
Contingent consideration payable	-	812	1,096	1,044	-	2,952
Income tax payable	480	-	-	-	-	480
Total	16,918	1,733	1,994	2,411	2,742	25,799

19. Segmented information

The Corporation determines its operating segments based on internal information reviewed by the executive management team and Board of Directors to allocate resources and assess performance. The Corporation's reportable operating segments are strategic operating units that offer different products and services. The Corporation operates in Canada and PNG. For 2024, the Corporation has three operating segments, supported by a corporate segment as follows:

a) Drilling Services

This segment currently consists of the Corporation's Drilling Services provided in PNG, including the provision of drilling personnel to assist our customer's operations.

b) Ancillary Services

Ancillary Services segment consists of High Arctic's oilfield rental equipment in Canada and PNG and its Canadian nitrogen services which was sold in July 2023 (see Note 7).

c) Production Services

This segment consists of the Corporation's snubbing assets in the US, its equity investment in Team Snubbing and Seh' Chene Well Services Limited Partnership and its hydraulic workover rig in PNG.

d) Corporate

This segment provides management and administrative services to all the Corporation's operations.

Details associated with each geographic and operating segment are provided as at March 31, 2024 and December 31, 2023 and for the three months ended March 31, 2024 and 2023 in the tables which follow.

i. Revenues from geographical location

	Three months ended Mar 31,	
(thousands of Canadian Dollars)	2024	2023
Revenue		
PNG	15,017	8,103
Canada [1]	2,988	668
Total revenue	18,005	8,771

[1] Revenue associated with the Nitrogen transportation, hauling and pumping service business sold during the three-month period ended March 31, 2023 totaled $754 and is presented as discontinued operations. See Note 7.

ii. Assets by geographical location

(thousands of Canadian Dollars)	As at March 31, 2024		As at December 31, 2023	
Segment	Non-current assets	Total Assets	Non-current assets	Total Assets
PNG	17,434	62,684	17,385	56,466
Canada	25,910	66,878	26,314	66,671
	43,344	129,562	43,699	123,137

iii. Income (loss) from reportable segments

Three months ended March 31, 2024 (thousands of Canadian Dollars)	Drilling Services	Ancillary Services	Production Services	Corporate	Total
Revenue	12,388	5,617	-	-	18,005
Oilfield services expenses	(8,746)	(1,894)	(20)	-	(10,660)
General and administrative expenses	(1,043)	(290)	(11)	(1,472)	(2,816)
Depreciation and amortization expenses	(528)	(924)	(109)	(153)	(1,714)
Share-based compensation expenses	-	-		(59)	(59)
Interest and other income	-	-	-	570	570
Interest and finance expenses	-	-	-	(30)	(30)
Foreign exchange gain	-	-	-	113	113
Income from equity investment	-	-	490	-	490
Net segment income (loss) before income tax	2,071	2,509	350	(1,031)	3,899

Three months ended March 31, 2023 (thousands of Canadian Dollars)	Drilling Services	Ancillary Services	Production Services	Corporate	Total
Revenue	6,276	2,495	-	-	8,771
Oilfield services expenses	(5,085)	(793)	-	-	(5,878)
General and administrative expenses	(1,006)	(162)	(13)	(771)	(1,952)
Depreciation and amortization expenses	(1,539)	(783)	(380)	(30)	(2,732)
Share-based compensation expenses	-	-		(186)	(186)
Interest and other income	-	-	-	417	417
Interest and finance expenses	-	-	-	(40)	(40)
Foreign exchange loss	-	-	-	(6)	(6)
Gain on sale of property and equipment	-	106	-	24	130
Income from equity investment	-	-		373	373
Net segment income (loss) before income tax from continuing operations	(1,354)	863	(20)	(592)	(1,103)
Net segment income from discontinued operations	-	5	-	-	5

iv. Asset breakdown by reportable segments

					As at Mar 31, 2024					As at Dec 31, 2023
(thousands of Canadian Dollars)	Drilling Services	Ancillary Services	Production Services	Corporate	Total	Drilling Services	Ancillary Services	Production Services	Corporate	Total
Property and equipment	8,490	14,367	709	3,980	27,546	8,364	14,197	817	4,176	27,554
Right of use assets	874	1,304	-	270	2,448	984	1,371	-	300	2,655
Total assets	43,831	32,964	9,400	43,367	129,562	39,419	30,517	9,069	44,132	123,137

20. Commitments and contingencies

As part of the Corporation's contractual rig management and operations, the Corporation has been supplied equipment and an inventory of spare parts with a total value of $8,313 at March 31, 2024 (December 31, 2023 - $8,114) by a customer for the Corporation's operations in PNG, the underlying value is denominated in USD. The capital equipment and inventory are owned by this party and have not been recorded on the books of High Arctic. Written notice is required to end the contract. When the notice to terminate is communicated, the Corporation must return the balance of capital equipment and inventory and make a payment to the customer equivalent to any shortfall. As at March 31, 2024, the Corporation has recorded a current obligation of $3,508 (December 31, 2023 - $3,424) as a result of consuming third-party owned inventory in operations which it is required to replenish on or prior to the termination of the contractual arrangement.

21. Subsequent events

On May 11, 2024, the Board of Directors of the Corporation announced that it had unanimously approved the reorganization of High Arctic to separate the Corporation's North American and PNG businesses, by way of a court-approved plan of arrangement (the "Arrangement"), as well as a distribution of surplus cash to shareholders by way of a return of capital of up to $38.2 million. The Arrangement will transfer High Arctic's PNG business to a separate, dedicated, and independent, publicly-traded company named High Arctic Overseas Holdings Corp., while High Arctic will continue to own and operate the Corporation's existing North American business. Each of the two companies will have its own management and operational teams and a separate Board of Directors.