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High Arctic Corrects Omission in Information Circular

CALGARY, Canada – May 29, 2024 – High Arctic Energy Services Inc. (TSX: HWO) ("High Arctic" or the "Corporation") announces that, further to the Corporation's news releases dated May 11, 2024 and May 21, 2024, and the management information circular of the Corporation dated May 9, 2024 (the "Information Circular"), which was mailed to shareholders of the Corporation, the Corporation has filed the management's discussion and analysis for High Arctic Energy Services Cyprus Limited ("HAES Cyprus") for the years ended December 31, 2023, 2022 and 2021 (the "MD&A") on the Corporation's profile on SEDAR+ at www.sedarplus.ca. The MD&A was not included in the Information Circular as a result of a clerical error made on compiling the Information Circular.

As previously announced, the Information Circular relates to, among other things, a proposed plan of arrangement (the "Arrangement") between the Corporation and High Arctic Overseas Holdings Corp. ("SpinCo") and a proposed return of capital to shareholders of the Corporation ("Return of Capital").

The Corporation will provide, free of charge, a copy of the omitted MD&A upon request by any interested party. Please request a copy of the MD&A by sending an email to info@haes.ca. In the subject line of the email state "MD&A" and in the body of the email please provide your full name and mailing address, or email address if an emailed copy is requested, to ensure your request will be expedited.

The following is a summary of the highlights of the MD&A. This summary is qualified in its entirety by the full text of the MD&A.

The following is a summary review of risks, the results of operations, liquidity, and capital resources of HAES Cyprus and should be read in conjunction with the audited consolidated financial statements and notes of HAES Cyprus for the years ended December 31, 2023, 2022 and 2021, and the full text of the MD&A.

CORPORATE PROFILE

Headquartered in Nicosia, HAES Cyprus provides services in Papua New Guinea ("PNG") through its wholly owned subsidiaries to the extractive industries with particular focus on exploration and production companies operating in the energy sector. HAES Cyprus conducts its business operations in three separate operating segments: Drilling Services, Ancillary Services and Production Services.

Select Comparative Financial Information

The following is a summary of select financial information for HAES Cyprus:

		Years ended Dec 31,	
(thousands of USD)	2023	2022	2021
Operating results			
Revenue	**43,380**	29,929	11,750
Net loss (2)	**(8,623)**	(4,958)	(5,021)
Oilfield services operating margin (1)	**14,416**	5,598	3,730
Oilfield services operating margin as a % of revenue (1)	***33.2%***	*18.7%*	*31.7%*
EBITDA (1) (2)	**(4,002)**	3,065	2,004
Adjusted EBITDA (1)	**11,354**	5,517	1,975
Adjusted EBITDA as a % of revenue (1)	***26.2%***	*18.4%*	*16.8%*
Operating income (loss) (1)	**4,575**	(5,753)	(7,033)
Cash flow from operations:			
Cash flow from (used in) operating activities	**8,906**	2,632	(1,898)
Funds flow from operating activities (1)	**10,273**	512	1,682
Capital expenditures	**1,080**	401	1,870
			As at December 31
(thousands of USD)	2023	2022	2021

Financial position:			
Working capital [1]	**20,335**	12,173	12,442
Cash and cash equivalents	**10,958**	3,846	1,886
Total assets	**43,374**	50,570	68,462
Shareholder's equity	**33,112**	41,734	57,445

(1) Oilfield services operating margin, EBITDA (Earnings before interest, tax, depreciation, and amortization), Adjusted EBITDA, Operating loss, Funds flow from operating activities and Working capital do not have a standardized meanings prescribed by IFRS – see "Non IFRS Measures".

(2) Net loss, EBITDA and other financial results presented were impacted by a ($2,858) inventory adjustment in 2022 and by ($15,200) asset impairment in 2023.

Operating Results

Drilling services segment

		Years ended Dec 31,	
(thousands of USD, unless otherwise noted)	2023	2022	2021
Revenue	**35,494**	23,600	8,456
Oilfield services expense	**26,980**	22,399	7,139
Oilfield services operating margin[1]	**8,514**	1,201	1,317
Operating margin (%)	***24.0%***	*5.1%*	*15.6%*

(1) See "Non-IFRS Measures"

Revenues for FY 2023 increased over the comparable period in 2022 and 2021 primarily as revenues generated from the reactivation of Rig 103 in mid-March of 2023 far exceeded revenues earned in 2022 from the short-term contract awarded to Rig 115, and the lack of any meaningful drilling activity in 2021. Slightly offsetting the increased revenue from the higher drilling rig utilization in FY 2023 was a reduced level of revenue from the provision of manpower as personnel were allocated to roles in or supporting the increased drilling operations.

Operating margin as a percentage of revenues increased in FY 2023. This was attributable to increased activity resulting from the full utilization of PNG Rig 103 from mid-March 2023 to the end of 2023. 2022 margins were negatively impacted by the inventory adjustment and obsolescence provision of $2,858 recorded and low margin reimbursable expenses incurred on behalf of HAES Cyprus' customer in preparation for reactivating Rig 103 the following year.

Ancillary services segment

		Years ended Dec 31,	
(thousands of USD, unless otherwise noted)	2023	2022	2021
Revenue	**7,886**	6,329	3,294
Oilfield services expense	**1,937**	1,866	806
Oilfield services operating margin[1]	**5,949**	4,463	2,488
Operating margin (%)	***75.4%***	*70.5%*	*75.5%*

(1) See "Non-IFRS Measures"

The Ancillary services segment consists of HAES Cyprus' oilfield rental equipment in PNG. In 2023, rental services revenue increased over FY 2022 as additional rental equipment was deployed with the Rig 103 drilling operations in PNG.

Operating margin as a percentage of revenues increased in FY 2023 from 70.5% in FY 2022 to 75.4%. This was attributable to higher revenue results being spread over the relatively fixed cost base inherent in HAES Cyprus' Ancillary services segment.

General and Administrative ("G&A")

		Years ended Dec 31,	
(thousands of USD, unless otherwise noted)	2023	2022	2021
G&A	**3,619**	3,657	2,420
Percent of revenue (%)	***8.3%***	*12.2%*	*20.6%*

G&A expenses totaled $3,619 for FY 2023, consistent with the $3,657 incurred in 2022 which itself was up 51% from 2021 as PNG exited the deepest restrictions imposed to attempt to control the spread of COVID-19 and HAES Cyprus returned personnel to full time employment. When compared to 2022 G&A, costs were relatively flat as headcount remained consistent throughout the two years.

Non-IFRS Measures
This summary 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. HAES Cyprus 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 earnings from operations before interest, taxes, depreciation, and amortization ("EBITDA), adjusted EBITDA, oilfield services operating margin, oilfield services operating margin %, operating income (loss), funds flow from operations, and working capital.

Please refer to the "Non-IFRS Measures" section of the MD&A for a full description of each non-IFRS measure and the assumptions and limitations of each measure.

Adjusted EBITDA
The following table provides a quantitative reconciliation of consolidated net loss, as disclosed in the consolidated statements of loss and comprehensive loss, to EBITDA and Adjusted EBITDA for the years ended December 31, 2023, 2022 and 2021:

	Years ended Dec 31,		
(thousands of USD)	2023	2022	2021
Net loss	**(8,623)**	(4,958)	(5,021)
Add:			
Interest income	**-**	(586)	(389)
Bank charges and finance expenses	**243**	107	20
Income tax expense (recovery)	**(1,844)**	808	(949)
Depreciation	**6,222**	7,694	8,343
EBITDA	**(4,002)**	3,065	2,004
Adjustments to EBITDA:			
Inventory adjustments	**-**	2,858	-
Asset impairment expense	**15,200**	-	-
Loss (gain) on sale of property and equipment	**13**	(416)	(39)
Foreign exchange loss	**143**	10	10
Adjusted EBITDA	**11,354**	5,517	1,975

Oilfield services operating margin
The table under “Oilfield services operating margin %” below provides a quantitative reconciliation of revenue, as disclosed in the consolidated statements of loss and comprehensive loss, to oilfield services operating margin and oilfield operating margin % for the years ended December 31, 2023, 2022 and 2021.

Oilfield services operating margin %
The following table provides a quantitative calculation of oilfield services operating margin and %:

	Years ended Dec 31,		
(thousands of USD, unless otherwise noted)	2023	2022	2021
Revenue	43,380	29,929	11,750
Oilfield services expenses	(28,964)	(24,331)	(8,020)
Oilfield services operating margin	14,146	5,598	3,730
Oilfield services operating margin %	33.2%	18.7%	31.7%

Operating income (loss)

The table disclosed below provides a quantitative reconciliation of revenue, as disclosed in the consolidated statements of comprehensive loss to operating income (loss) for the years ended December 31, 2023, 2022 and 2021:

	Years ended Dec 31,		
(thousands of USD)	2023	2022	2021
Revenue	43,380	29,929	11,750
Oilfield services expenses	(28,964)	(24,331)	(8,020)
G&A expenses	(3,619)	(3,657)	(2,420)
Depreciation	(6,222)	(7,694)	(8,343)
Operating income (loss)	4,575	(5,753)	(7,033)

Percentage of revenue
Certain figures are stated as a percentage of revenue and are used by management to analyze individual components of expenses to evaluate HAES Cyprus' performance from prior periods and to compare its performance to other companies.

Funds flow from operations
The following tables provide a quantitative reconciliation of net cash generated from (used in) operating activities, as disclosed in the consolidated statements of cash flows, to funds flow from (used in) operations for years ended December 31, 2023, 2022 and 2021:

		Years ended Dec 31,	
(thousands of USD)	2023	2022	2021
Net cash generated from (used in) operating activities	8,906	2,632	(1,898)
Less:			
Changes in non-cash working capital balances - operating	(1,367)	2,120	(3,580)
Funds flow from operations	10,273	512	1,682

Working capital

The following tables provide a quantitative reconciliation of current assets, as disclosed in the consolidated statements of financial position, to working capital as at December 31, 2023, 2022 and 2021:

(thousands of USD)	As at Dec 31, 2023	As at Dec 31, 2022	As at Dec 31, 2021
Current assets	30,090	17,905	18,687
Current liabilities	(9,755)	(5,732)	(6,245)
Working capital	20,335	12,173	12,442
Working capital ratio	3.1:1	3.1:1	3.0:1

For more information on the Arrangement and the Return of Capital, please see the Information Circular and the Corporation's news releases dated May 11, 2024 and May 24, 2024, available on the Company's SEDAR+ profile at www.sedarplus.com.

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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Forward-Looking Statements

Forward-Looking Statements. Certain statements contained in this press release may constitute forward-looking statements. These statements relate to future events. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. High Arctic believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this press release should not be unduly relied upon by investors. These statements speak only as of the date of this press release and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this press release contains forward-looking statements, pertaining to the following: the timing and anticipated receipt of required regulatory (including stock exchange), court, and shareholder approvals for the Arrangement; the ability of High Arctic to satisfy the other conditions to, and to complete, the Arrangement; and the closing of the Arrangement, the approval by the Board and the amount and payment of the Return of Capital.

In respect of the forward-looking statements and information concerning the anticipated completion of the proposed Arrangement and related transactions, High Arctic has provided them in reliance on certain assumptions that it believes are reasonable at this time, including assumptions as to the ability of the parties to receive, in a timely manner, the necessary regulatory, court, shareholder and other third party approvals; and the ability of the parties to satisfy, in a timely manner, the other conditions to the closing of the Arrangement. These dates may change for a number of reasons, including unforeseen delays in preparing meeting material; inability to secure necessary shareholder, regulatory, court or other third-party approvals in the time assumed or the need for additional time to satisfy the other conditions to the completion of the Arrangement. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this news release concerning these times.

This forward-looking information represents High Arctic's views as of the date of this document and such information should not be relied upon as representing its views as of any date subsequent to the date of this document. High Arctic has attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimates expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. There can be no assurance that forward-looking information will prove to be accurate, as results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. Except as required by law, High Arctic undertakes no obligation to publicly update or revise any forward-looking statements.