



**ANNUAL INFORMATION FORM
FOR THE YEAR ENDED
DECEMBER 31, 2022**

March 27, 2023

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FORWARD-LOOKING INFORMATION AND STATEMENTS

This annual information form (“AIF”) contains forward-looking statements. When used in this document, the words “may”, “would”, “could”, “should”, “will”, “intend”, “plan”, “anticipate”, “believe”, “seek”, “propose”, “estimate”, “expect”, and similar expressions, as they relate to High Arctic Energy Services Inc. (the “Corporation”, or “High Arctic”), 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 AIF. 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 AIF as intended, planned, anticipated, believed, estimated, or expected.

Specific forward-looking statements in this AIF include, among others, information or statements pertaining or referring directly or indirectly to the following:

- general economic and business conditions which will, among other things, impact demand for and market prices for the Corporation’s services;
- commodity prices and the impact that they have on industry activity and capital availability;
- projections of market prices and costs;
- expectations regarding the Corporation’s ability to raise capital and manage its debt obligations;
- estimated capital expenditure programs for 2023 and subsequent periods;
- factors upon which the Corporation will decide whether to undertake a specific course of operational action or expansion;
- treatment under governmental regulatory regimes and political uncertainty, military aggression, and civil unrest;
- expectations regarding the ability for the Corporation to negotiate contracts with customers in Papua New Guinea (“PNG”) and Canada; and
- the Corporation’s ability to have contracts settled in United States (“US”) dollars and obtain the necessary approvals to repatriate excess funds from PNG in a timely manner.

These statements involve known and unknown risks, uncertainties and other factors facing the Corporation. Risks, uncertainties, and other factors may be beyond the Corporation’s control and may cause actual results, or events to differ materially from those anticipated in such forward-looking statements. The Corporation 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 AIF should not be unduly relied upon by investors. These statements speak only as of the date of this AIF and are expressly qualified, in their entirety, by this cautionary statement.

With respect to forward-looking statements contained in this AIF, the Corporation has made assumptions regarding, among other things, its ability to:

- maintain its ongoing relationship with major customers;
- successfully market its services to current and new customers;
- devise methods for, and achieve its primary objectives;
- source and obtain equipment from suppliers;
- successfully manage, operate, and thrive in an environment which is facing much uncertainty;
- remain competitive in all its operations;
- attract and retain skilled employees; and
- obtain equity and debt financing when needed on satisfactory terms.

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 below and elsewhere referred to directly or indirectly in this AIF:

- the worldwide demand for oilfield services in connection with the drilling, workover and completion of oil and natural gas wells;
- impact on industry activity levels due to such factors as volatility in oil and natural gas prices and the ability of customers to raise capital for exploration and development, and therefore demand for our services;
- volatilities in global supply and demand and market prices for oil and natural gas and the effect of these volatilities on the demand for oilfield services generally;
- changes in legislation and the regulatory environment, including uncertainties with respect to royalty regimes, environmental initiatives, imposition of tariffs/taxes and government imposed production limitations;
- expectation of consistent interpretation and application of government regulations and controls;
- liabilities and risks inherent in oil and natural gas operations, including environmental liabilities and risks;
- risk of disease outbreak locally, regionally, or internationally that could adversely impact those same economies and negatively impact the price for oil and gas, and as a result, our services;
- lack of unified local, provincial, and federal political and geopolitical support for the development of energy resources;
- changes in PNG Government policy on resource development;
- risks inherent in operating in foreign jurisdictions, including political, military threat, and economic risk;
- uncertainties in weather and/or natural disasters affecting the ability to provide services at all and/or the duration of the service periods and the activities that can be completed;
- risks associated with operating in PNG, one of the most hazard prone regions in the world, where both geohazards and meteorological hazards are regular events and include earthquakes, tsunamis, cyclones, landslides, flood, drought and heatwaves;
- the uncertain timing and level of activity associated with exploration, appraisal, development and abandonment projects in PNG oil and gas;
- liquidity risks, which may be exacerbated if the Corporation is unable to maintain or raise needed financing on terms acceptable to the Corporation or at all;
- credit risks associated with customers in the oil and natural gas industry, including the inability of customers of the Corporation to pay for goods and services that have been provided;
- income tax matters including unanticipated tax and other expenses and liabilities of the Corporation in foreign jurisdictions;
- general economic conditions in the jurisdictions the Corporation operates in, including variations in exchange, interest, and tax rates;
- regional and international competition;
- sourcing, pricing and availability of raw materials, component parts, equipment, suppliers, facilities, and skilled personnel;
- continuing success in developing and integrating technological advances and the ability to match advances of competitors;
- pressures to reduce global greenhouse gas emissions through international agreements that may impact the ability to attract capital investment into the energy sector;
- the cancellation of industry-standard type contract arrangements used by the Corporation including written contracts, service orders and verbal agreements;
- cyber-security risks associated with information technology, where third parties purposely attempt to damage organization's systems through unauthorized and fraudulent access;
- stock market volatility and market valuations; and
- the other factors considered under "Risk Factors" in the AIF, which is incorporated by reference herein, and other filings with Canadian securities authorities.

Although management of the Corporation has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended.

Forward-looking statements contained herein are made as of the date of the AIF and the Corporation disclaims any obligation, to update any forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, whether as a result of new information, future events or otherwise, unless required by applicable securities law. In addition to terms defined throughout this document, certain defined terms that may be specific to High Arctic and or the industry in which our services are provided are provided in the Glossary of Terms below.

GLOSSARY OF TERMS

"ABCA" means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, including the regulations promulgated thereunder;

"AIF" means this annual information form;

"Board" means the Corporation's Board of Directors;

"CAD" means Canadian dollars;

"CAOEC" means Canadian Association of Energy Contractors, formerly the Canadian Association of Drilling Contractors;

"Common Shares" means the common shares of High Arctic;

"Corporation" or **"High Arctic"** means High Arctic Energy Services Inc., together with its divisions and subsidiaries and its predecessor entities;

"Covid-19" or **"Covid"** means the global coronavirus which reached a pandemic state as declared by the World Health Organization on March 11th, 2020, as well as its variations, mutations, and consequential health effects;

"Credit Facility" means the credit agreement between the Corporation and HSBC Bank Canada;

"Cryogenic Liquid Nitrogen Pumping Services" means the process of transporting, storing, and pumping liquid nitrogen for use in the drilling, completion and workovers of oil and natural gas wells;

"FID" means Final Investment Decision;

"Hydraulic Workover Rig" or **"HWR"** means a workover rig that moves the tubulars using hydraulic power while performing an oil and / or natural gas well workover;

"IADC" means International Association of Drilling Contractors;

"IFRS" means International Financial Reporting Standards;

"Leapfrog Rig" means a sister drilling rig package that includes core central drilling equipment that is setup on the next wellsite in advance of drilling, to reduce the amount of time between completion of drilling on one location and the commencement of drilling on the next location;

"N₂" means nitrogen;

"OPEC" is the Organization of the Petroleum Exporting Countries;

"Papua New Guinea" or **"PNG"** means the country of Papua New Guinea;

"Preferred Shares" means preferred shares in the capital of the Corporation issuable in series of which none have been issued;

"Q" means quarter;

“Seh’ Chene Partnership” means the Seh’ Chene Well Servicing Limited Partnership formed in July 2020, among HAES SD Holding Corp, a wholly owned subsidiary of the Corporation and Saa Dene Services Ltd., as limited partners and Seh’ Chene GP Inc., as general partner, in order to conduct an oilfield services business to be managed and operated by High Arctic;

“Shareholder” means a holder of Common Shares;

“Snubbing” is the act of mechanically overcoming forces exerted from pressurized wellbores when moving tubing and drill pipe into and out of that wellbore, a scenario often created after the well has had multiple fracturing operations performed on it;

“Stock Option Plan” means the stock option plan of the Corporation approved by the Shareholders on June 28, 2007, as amended on June 29, 2010, June 1, 2011, May 13, 2014, and May 10, 2017;

“Topdrive” is a mechanical device on a drilling rig that provides torque to the drill string and drill bit to drill a well. It moves up and down the rig derrick at the top of the drillpipe;

“TSX” means the Toronto Stock Exchange;

“US” means United States of America;

“USD” means US dollars;

“Well” means a hole drilled into the ground to extract petroleum, natural gas and associated liquids; and

“Well Servicing” is the utilization of a service rig to perform workover services including, maintenance and completions services on a well.

“WTI” is West Texas Intermediate, a North American grade of crude oil, frequently used as a benchmark for crude oil pricing.

Unless otherwise indicated, references herein to “\$” or “dollars” are to CAD.

CORPORATE STRUCTURE

General

High Arctic is incorporated under the ABCA and commenced operations on June 29, 2007 as a successor of High Arctic Energy Services Trust. The Corporation amended its articles of incorporation to consolidate its outstanding Common Shares on a five for one basis on June 14, 2011.

The head office of the Corporation is at 2350, 330 – 5th Avenue SW, Calgary, Alberta, Canada, T2P 0L4. The registered office of the Corporation is at Suite 1000 – 250 2nd Street SW Calgary, Alberta, Canada, T2P 0C1. The Corporation's telephone number is (403) 508-7836, the facsimile number is (780) 948-3058 and the website is www.haes.ca.

The Corporation is a reporting issuer in Alberta, British Columbia, Saskatchewan, Manitoba and Ontario. The Common Shares of High Arctic are listed on the TSX under the trading symbol "HWO".

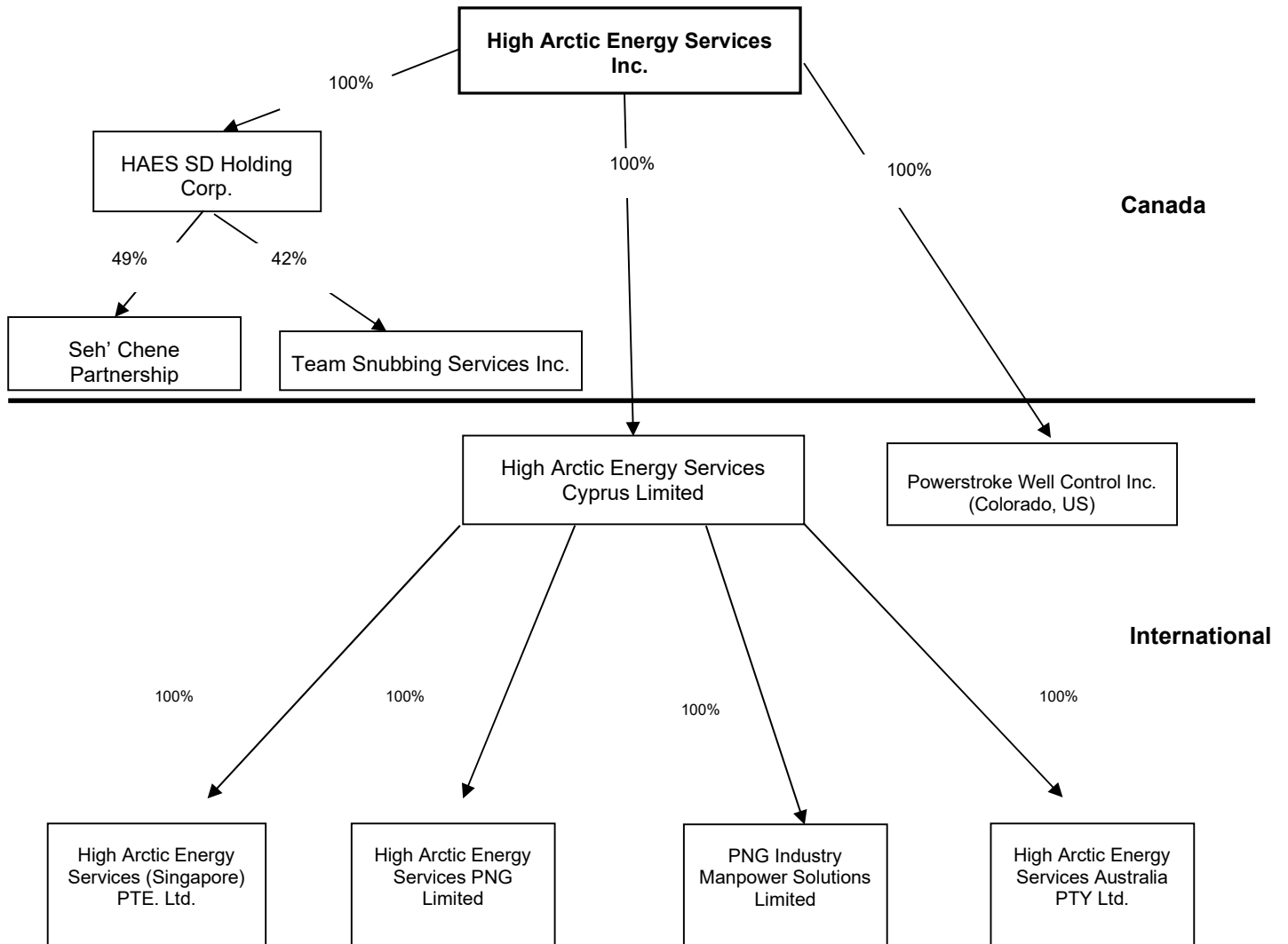
Inter-corporate Relationships

As at the date hereof, the subsidiaries of the Corporation actively carrying out business activities are set forth below:

Entity	Percentage of Voting Securities controlled (directly or indirectly) by High Arctic	Physical Location	Jurisdiction of Incorporation or Formation
High Arctic Energy Services Cyprus Limited	100%	Nicosia, Cyprus	Cyprus
High Arctic Energy Services PNG Limited	100%	Port Moresby, Papua New Guinea	Papua New Guinea
PNG Industry Manpower Solutions Limited	100%	Port Moresby, Papua New Guinea	Papua New Guinea
High Arctic Energy Services (Singapore) PTE. Ltd.	100%	Singapore	Singapore
High Arctic Energy Services Australia PTY Ltd.	100%	Brisbane, Australia	Australia
HAES SD Holding Corp	100%	Calgary, Canada	Canada
Seh' Chene Well Services Limited Partnership	49%	Calgary, Canada	Canada
Seh' Chene GP Inc.	49%	Calgary, Canada	Canada
Team Snubbing Services Inc.	42%	Calgary, Canada	Canada
Powerstroke Well Control Inc.	100%	Greeley, Colorado, US	US

Organization Structure of the Corporation

The following diagram sets out the relationship among the Corporation and its active subsidiaries:



GENERAL DEVELOPMENT OF THE BUSINESS AND THREE-YEAR HISTORY

High Arctic is an oilfield services company currently operating in PNG and Western Canada. In PNG, the product line consists of drilling services, workover services and equipment rental including rig mats, cranes, and oilfield related equipment. In Canada, the product line consists primarily of oilfield equipment rentals, pressure control rentals and the supply of Cryogenic Liquid Nitrogen Pumping Services. A description of each of High Arctic's services can be found below under "*Description of the Business*".

Three-Year History

The following is a summary of the significant events in the development of High Arctic's business during the last three completed financial years.

2020:

Predictions for increased drilling activity in Western Canada in 2020, were supported by higher rig counts. In the US, our operational foothold had been bolstered by the deployment of additional equipment from Canada including well servicing rigs, and an increasing order book of work. In PNG, Rig 103 and its Leapfrog Rig continued to operate from 2019 into 2020 and were expected to operate throughout the year. A refurbishment of Rig 102 was well progressed, and discussions were underway with several customers for its future use.

On March 11, 2020 the World Health Organization declared a pandemic state resulting from the Covid-19 virus which impacted countries and economies throughout the world. Measures taken by governments around the world to contain the virus significantly restricted travel and drastically reduced demand for crude oil along with other products and services. This caused a dramatic slowdown in the global economy, market volatility and significant uncertainty. At the same time, the cooperation between the Organization of Petroleum Exporting Countries ("OPEC") and non-OPEC members, primarily Saudi Arabia and Russia, to manage global crude oil production levels broke down, resulting in a crisis and sudden significant decline in benchmark crude oil prices.

High Arctic's quick adjustment to the severe financial impact of Covid-19 together with commodity price pressure implications, resulted in measures to reduce certain cash outflows and position the Corporation to emerge from the crisis in a sound position, including:

- Change of leadership at executive levels within the Corporation and the establishment of a Board Executive Committee to provide oversight as the Corporation operates through the Covid-19 crisis and beyond.
- Significant reduction to our capital expenditure program, resulting in a capital spending reduction of 67% compared to 2019 spending of \$14.8 million.
- The suspension of monthly shareholder dividends effective March 2020, decreasing cash outflows by \$8.3 million compared to 2019.
- Downsizing of the workforce. Aside from the forced lay-off of hundreds of operations employees due to the shut down of revenue earning activity, a further workforce reduction of approximately 40% at executive, management and support personnel levels was made.
- Acceleration of changes to streamline and globalize processes under one management team and reduce fixed infrastructure costs was undertaken.
- A 20% director remuneration reduction took place and a review and reduction to executive and senior management base remuneration, and
- The drawdown of \$10 million from the Corporation's \$45 million Credit Facility.

In the lowest depths of the crisis during Q2-2020, High Arctic was able to maintain a core operation in Western Canada with its cornerstone customer, and pivot in PNG, where borders had been closed, to providing skilled and semi-skilled personnel along with some key equipment to assist its major customers to continue their essential operations. At the same time, we reached 7 years 'Total Recordable Incident Free' at our Cold Lake operations with our largest and longest standing Canadian customer and lifted our market share for well servicing in Canada. In the subsequent periods we extended or renewed contracts with many of our Canadian customers, most of which had implemented reduced rates.

High Arctic applied and qualified for several government programs – predominantly the Canadian Emergency Wage Subsidy (“CEWS”), which was utilized and assisted to ensure retention of a well-positioned and skilled workforce.

In Q3-2020, High Arctic reached two years ‘Lost Time Injury Free’ in Canada and was once again recognized by the IADC-AC with the 2019 Australasian Safety Statistics Award, the fourth such award in the past five years. With the continued challenges in the marketplace, we idled our operations in Colorado and North Dakota, and in early November 2020 we implemented a further streamlined global management and support structure, eliminating a further \$1.0 million in annual indirect costs. With a mission to execute dependable high-quality energy services, focused on environmental stewardship, while creating opportunity for local Indigenous communities and individuals we established the Seh’ Chene Partnership with the Saa Dene Group, led by internationally respected business leader and philanthropist, Mr. Jim Boucher, who was the Fort McKay First Nation’s Chief for over 30 years.

During 2020, we renewed our Credit Facility and extended the term through to August 31, 2023. The maximum availability remains at \$45.0 million, of which \$10.0 million being drawn at year end, with similar covenants, margin requirements and conditions. A total of 1,137,100 Common Shares of the Corporation were purchased and cancelled in 2020 pursuant to the 2019 Normal Course Issuer Bid, at an acquisition price of \$0.8 million. In December 2020, the Corporation received approval from the TSX to acquire for cancellation up to 5 percent of the Corporation’s issued and outstanding Common Shares under a new Normal Course Issuer Bid (“the 2020 Bid”). There were no shares purchased as at December 31, 2020 under the renewed 2020 Bid.

2021:

The Covid-19 pandemic continued into 2021. Governments around the world attempted to balance measures to contain the virus, including new and emerging virus variants, against the need to open economies. These measures, including intermittent lockdowns continued to impact global commercial activity, including reducing worldwide demand for energy, impacting High Arctic’s business.

Improvements in the pandemic outlook led to resumption in air travels with easing of restrictions and corresponding increase in energy needs around the world, which resulted in oil prices stabilizing and then climbing as the year progressed. Benchmark indices including Brent Crude, WTI Crude, Western Canadian select, Alberta Natural gas all reached peaks not seen since the pre-pandemic period.

In PNG, a spike in Covid-19 cases that commenced in Q2-2021, resulted in travel bans imposed by its near neighbor countries, especially Australia for several months through the middle of the year. This ban resulted in the shutting down of the primary source of skilled expatriate PNG workers. The result for High Arctic being the continuous cessation of all drilling and exploration activities and the deferral of customers project activities.

In July the Corporation announced an agreement with a major multi-national customer in PNG to provide services for the abandonment of a complex legacy exploration well, and separately, the extension of its long-standing drilling services contracts with its cornerstone customer to August 2022. The year ended with Rig 115 assembling on site while operations commenced in January 2022 without incident.

There was optimism for PNG as the Corporation anticipated meaningful drilling activity for the coming years. An agreement was reached in 2022 between the Government of PNG and the PNG-LNG partners on terms for the P’nyang gas field development. PNG’s development plan phases P’nyang after the Papua LNG project, which could result in nearly a decade of continuous construction activity adding three LNG trains and significant investment in the region. There was a positive outlook for Canada too, as increasing demand for services and labour shortages experienced across the industry lead to supply tightening and improved pricing.

In Canada, the impacts of Covid-19 as well as labour shortages in the oil and gas services industry resulted in lower-than-expected operating hours in 2021. Early breakup saw a more active Q2-2021 than normal, however Canada continued to battle Covid19-outbreaks throughout 2021, with High Arctic experiencing meaningful site shutdowns during the second half of the year, enacting vaccination or negative-test requirements to minimise on site exposure. Despite Covid-19 headwinds, oil prices continued to rise driving up demand for oilfield services. High Arctic’s activity remained steady throughout the year, hindered by Covid-19 outbreaks, soft activity levels with a key customer, and

inability to crew equipment due to labour shortages. High Arctic maintained positive profitability margins, via increased revenue per hour and strong cost controls, which included a \$2.5 million reduction in G&A expense in 2021 over 2020. The CEWS and Canada Emergency Rent Subsidy (CERs) programs ended on October 23, 2021, with these programs being replaced by new programs for the industries hardest hit by Covid-19, which High Arctic did not qualify for. High Arctic received government subsidies of approximately \$3.3 million in 2021 (\$6.3 million YTD-2020).

In October 2021, the Corporation announced a special one-time dividend payment of \$0.20 dollars per share to holders of Common Shares and paid dividends of \$9.7 million on November 5, 2021. In December 2021, the Corporation entered a mortgage arrangement with the Business Development Bank of Canada (BDC), for \$8.1 million secured by lands and buildings owned and occupied by High Arctic within Canada ("Mortgage Financing"). The Mortgage Financing provided the Corporation with liquidity, and added to existing cash balances. The initial mortgage term is 5 years with a fixed interest rate of 4.30%, 25 year amortization and monthly payments. The existing Credit Facility with HSBC, which matures on August 31, 2023, was amended to accommodate the Mortgage Financing, reducing the availability from \$45.0 million to \$37.0 million and adding up to \$5.0 million of account overdraft outside of the covenant requirements.

2022:

With the rebound of energy prices beginning late in the fourth quarter of 2021, cautious optimism returned to the sector following a prolonged period of uncertainty brought on by the Covid-19 pandemic. Entering 2022, global events propelled the energy sector into significant supply constraint. Sanctions against Russia combined with the actions of global energy and transport corporations reduced the supply of both oil and gas, stressing the market at a time of increasing energy demand as Covid-19 restrictions lifted. As a result, commodity price strength coupled with long-term security of supply assurances were expected to drive further increases in service activity.

With stability returning to the Canadian operations, Rig 115 active in PNG and an anticipated further increase in activities in PNG, the Corporation recommenced payment of a monthly dividend in the amount of \$0.005 per share commencing in April 2022. In addition, the Corporation replaced Computershare Trust Company as the registrar and transfer agent of the Corporation's Common Shares with Odyssey Trust Company.

After reflection on High Arctic's core strength, historical performance, and future opportunities, the Corporation made a strategic decision to divest certain well servicing and snubbing assets in Canada and focus on resurgent opportunities associated with our existing business in Papua New Guinea. In July 2022, High Arctic sold its entire Production Services segment, which includes its Canadian well servicing and snubbing businesses, to two separate purchasers (the "Sale Transactions").

The divestment of the well servicing business included High Arctic's Canadian well servicing fleet marketed under the Concord Well Servicing brand comprising 51 marketable rigs and 29 inactive and out of service rigs, as well as oilfield rental equipment associated with well servicing including 17 modern hydraulic catwalks purchased in 2021. The sale of the well servicing business resulted in the transfer of High Arctic's Canadian well servicing employees and a large majority of Canadian support personnel to the purchaser. The Corporation received an aggregate of \$38.2 million in cash consideration for the sale of all the assets of its Canadian well servicing business. \$10.2 million was received in Q3-2022, and the remaining \$28.0 million was received in January 2023. Title to four Alberta real estate locations owned by the Corporation transferred to the purchaser concurrently with the final payment, with High Arctic retaining owned Alberta properties in Whitecourt and Clairmont. The purchaser also assumed the lease obligations for High Arctic's properties in Cold Lake and Acheson.

The divestment of the snubbing business included High Arctic's Canadian snubbing fleet comprising 7 marketable packages and 32 inactive and out of service snubbing units, underbalance hoists and associated support equipment. The Canadian snubbing business was sold to Team Snubbing Services Inc., a private entity ("Team Snubbing"), for a 42% ownership interest in Team Snubbing valued at \$7.7 million and a convertible promissory note of \$3.4 million with a five-year term. Pursuant to a shareholders agreement between High Arctic and the other shareholders of Team Snubbing, High Arctic appointed two directors to the five-member board of directors of Team Snubbing, and key matters relating to the conduct of Team Snubbing's business will require not less than 65% shareholder approval.

Following the Sale Transactions, High Arctic retained its Ancillary Services segment in Canada, which includes its nitrogen pumping business and remaining rentals business focused on pressure control equipment and idle snubbing assets situated in the USA.

Due to the Sale Transactions, a significant portion of the assets pledged as security for the \$37 million HSBC Credit Facility no longer existed and therefore the Credit facility was cancelled effective July 28, 2022. The Corporation maintains a strong relationship with HSBC and continues to explore financing alternatives to support growth initiatives.

The divestment of High Arctic's Canadian Production Services segment allows our management to streamline the remaining Canadian business and focus attention on the growth opportunities in PNG where we are excited about the opportunities for our Drilling Services segment as the next round of gas development projects materialize there. After experiencing a decline in drilling activity in 2020 and 2021 due to the Covid-19 pandemic, rig activity returned to Papua New Guinea in Q1-2022, with the successful deployment of Rig 115 to undertake the abandonment of a complex legacy exploration well for a key customer. Following mobilization of Rig 115 during Q4, 2021, the assembly and recommissioning of Rig 115 and equipment on site took place in January 2022 with well abandonment services commencing thereafter. The well was professionally capped and abandoned fulfilling a key ESG commitment. The rig was demobilized by the end of Q2-2022.

Throughout the year, High Arctic continued to provide labor, rig hands, tradesmen and expert personnel to customers in PNG, following the success of doing the same in 2021. As a result, the Corporation took steps to formalize the provision of personnel services to PNG industry, by reactivating the registration of PNG Industry Manpower Solutions Limited ("PIMS"). In Q3-2022, High Arctic renewed contracts with its primary customer in PNG for an additional three-year term, covering the Heli-portable Drilling Rig 103 and related services, and the provision of personnel, camp accommodation, and rental equipment to support the drilling operations. In the second half of 2022, personnel and equipment commenced mobilizing to prepare Rig 103 for drilling activity, including a significant upgrade of the topdrive. Rig 103 is expected to commence drilling operations towards the end of Q1-2023.

DESCRIPTION OF THE BUSINESS

Mission, Vision and Values

Mission Statement

To provide services that unlock sustainable, reliable and affordable energy in demanding locations.

Vision Statement

With a relentless focus on quality, be recognized as a trusted provider of energy services.

Values

- **People** we care for our people
- **Community** we respect the people, cultures and places where we work
- **Trust** we do what we say
- **Challenge** we seek bespoke and innovative solutions
- **Customers** we use our expertise to meet our customers objectives

Overview

High Arctic provides oilfield services to exploration and production companies operating in PNG and Canada. High Arctic has organized its business into three operating segments: Drilling Services; Production Services; and Ancillary Services, supported corporately. For purposes of the summary below, only those segments with operating revenue are analyzed. Effective July 2022, the Corporation disposed of its Production Services segment.

Revenue

	Year ended 31 December 2022		Year ended 31 December 2021	
	Revenue (thousands)	% of Total Revenue	Revenue (thousands)	% of Total Revenue
Drilling Services	\$30,671	38%	\$10,653	14%
Production Services	\$36,100	45%	\$55,440	73%
Ancillary Services	\$14,756	19%	\$12,274	16%
Inter-Segment Elimination	\$(1,601)	(2%)	\$(1,925)	(3%)
Total	\$80,020	100%	\$76,442	100%

Drilling Services

The Drilling Services segment consists of High Arctic's drilling services in PNG where the Corporation has operated since 2007. The Corporation possesses a pair of drilling rigs (Rigs 115 and 116) that are portable by helicopter and have been maintained and preserved for use. High Arctic declared on August 1, 2022 that it had agreed to a three-year contract extension to oversee the operation of Rig 103 a heli-portable drilling rig for a major customer involved in oil and gas exploration in PNG. Despite not renewing the contract for Rig 104, which is owned by the same customer, the rig has been maintained and kept ready for use.

Papua New Guinea possesses substantial reserves of oil and natural gas, and has emerged as a crucial energy exporter to Asian markets, particularly for liquefied natural gas ("LNG"). A significant investment in the country's oil and gas industry was the successful construction of the PNG-LNG project in 2014, with the primary partners in the venture being customers of High Arctic. The facility consists of liquefaction and storage capabilities, boasting a nameplate capacity of 6.9 million tonnes per annum, and has long-term agreements to supply Asian LNG consumers. Moreover, the project has maintained a consistent production level well above its nameplate capacity since its inception. This venture announced in 2022 the signing of a gas agreement for the development of the P'nyang gas field in the Western Province of PNG, which is anticipated to result in the addition of another train to the world class PNG-LNG export facility.

High Arctic is set to capitalize on recent developments in the Papua New Guinea energy sector. Progress made by the Papua-LNG project joint venture, spearheaded by the supermajor energy company TotalEnergies, is a testament to this assertion. This joint venture is focused on the development of the Elk-Antelope gas field, a gas production facility, and the construction of pipelines and an LNG export facility to facilitate the transportation of resources from new drilling sites in the region.

High Arctic is strategically positioned to support these developments, given its dominant position in PNG, existing work relationships with the operating companies, and proximity to the proposed sites of operation. High Arctic has made a concerted effort to establish open communication channels with all active energy companies in PNG to ensure that its personnel, equipment and expertise are utilized optimally to advance the region's energy sector. Through such collaborations, High Arctic hopes to contribute to the continued growth and prosperity of Papua New Guinea and its people. These recent developments in the energy sector hold immense promise for the region's continued development and growth. With a commitment to open communication, innovation, and strategic partnerships, High Arctic is poised to play a crucial role in the future of the PNG energy sector.

Drilling Rig Fleet

The two owned heli-portable rigs, 115 and 116, were acquired in 2014 and became available for use in 2015 upon the completion of certain customer requested upgrades necessary to meet PNG's high international drilling standards. Each rig is a 1500 horsepower, AC electric, self-erecting rig that is designed to be broken down into 4500kg loads to allow for flexible helicopter, barge and land transport to areas with remote or limited access.

Rigs 103 and 104 are owned by one of High Arctic's key customers. These rigs have been operated and managed by High Arctic on behalf of its customer since 2007. Although the contract for Rig 104 was not renewed in August 2022, the rig has been preserved and remains in operational condition. The Corporation is optimistic for future contracts with third-party customers in the coming activity cycle. Rigs 103 and 104 are also heli-portable 1500 horsepower, AC electric rigs.

Supporting Rigs 103 and 104 are two partial rig packages which are referred to as "Leapfrog" Rigs 103 and 104. These Leapfrog Rigs consist of a center rig section which is identical to the center rig section utilized in the complete Rig 103 and 104 rig packages. Where appropriate, these Leapfrog Rigs are utilized to advance the setup time at the next drilling location while drilling is completed by the main Rig 103 or 104 at its existing location. While drilling operations are ongoing at the existing location, the Leapfrog Rig is setup at the new location. Upon completion of drilling at the existing location, the remaining drilling rig components are moved to the new location which already has the center section of the Leapfrog Rig setup.

Rig camps are also provided as part of the rig packages for the rigs.

Contract for Services

Drilling Services are generally conducted under a daily rate contract where the Corporation charges a fixed rate per day depending on the activity being conducted. Such contracts generally have a daily operating rate while the equipment is operating and a reduced rate for other periods such as when the equipment is on standby waiting for orders or is moving between well locations but may include fixed fee or time-based compensation for the initial location of the drilling rig on the well site and its removal after release.

High Arctic provides drilling services for Rig 103 under the Corporation's operations and management contracts, serving both the Corporation's primary customer and other customers operating in Papua New Guinea. In return for utilizing the rig, the Corporation pays the customer a daily rig lease rate, and generates revenue based on the level of activity and services provided. The contract for Rig 103 was extended in 2022 to August 2025 with two 1-year options for the customer to extend the term.

Each contract is negotiated between the parties, but standardized terms and conditions have been developed with our key customer over time. The main terms and conditions of each drilling contract are generally in line with the model IADC contract as modified to reflect the conditions in PNG and include considerable detail related to the equipment and services provided by each party, standards of performance, indemnities for loss and risks and the applicable day

rates, as well as containing standard terms and conditions commonly found in international oilfield services contracts.

A significant factor in determining the financial performance resulting under each contract is the level of activity at full operating rate as compared to lower rates that apply while moving, waiting on orders or while services are suspended with or without crews. The drilling program details such as the number, type and location of wells is not specified under the contract as the customer retains control and discretion over the activity. The Corporation is at risk for mechanical or other breakdown of the drilling rig or other equipment and compensation becomes “zero rate” after a short grace period. The remote location of the operations can have a significant impact on the time required to complete a repair. The Corporation manages the risk by maintaining an extensive inventory of spare parts and by having experienced technical personnel on site and in its field support bases.

Each contract has certain termination rights that can be invoked for failure to perform in accordance with the contract.

In aggregate, the total of the contracts for the drilling rigs operated in PNG accounted for approximately 38% of the Corporation's revenue in 2022 (2021 – 14%). By 2023, it is anticipated that the revenues generated from drilling in Papua New Guinea will constitute a majority of the Corporation's total revenue due to heightened activity and the divestment of High Arctic's Production Services segment in Canada. In the fourth quarter of 2022, the process of mobilizing Rig 103 to the site was initiated, and drilling is scheduled to commence by the end of the first quarter of 2023. The Corporation foresees further drilling in alignment with the project plans of its key customers throughout 2023 and for the remaining terms of existing contracts.

High Arctic is striving to minimize the probability of losing these contracts by leveraging its operational expertise and experience in navigating the demanding operational environment of Papua New Guinea. Additionally, the Corporation has established a strong level of operational coordination with its primary customer concerning drilling operations.

Competition

Most wells drilled in PNG are currently completed with the use of a heli-portable drilling rig. This is due to the remote nature of drilling activities in PNG and the lack of suitable road infrastructure required to move traditional land-based drilling rigs. Due to High Arctic's long-term experience and exceptional operational performance in PNG, the Corporation is currently the only active operator of heli-portable drilling rigs in PNG. Wells in PNG are expensive to drill by world standards which can limit the amount of drilling activity. As a result, there were relatively few active operators drilling wells at any time. To the Corporation's knowledge, during 2022 there are two smaller older rigs in PNG, but they were not suitable for drilling operations similar to those completed by the Corporation. To the Corporation's knowledge, none of these competitor drilling rigs have operated since 2015.

In addition to local competitors in PNG, the Corporation may also compete with other drilling contractors that operate heli-portable drilling rigs in the global oilfield services market. Due to the specialized nature of heli-portable drilling rigs, the size of the global heli-portable drilling rig fleet capable of drilling for oil and gas in PNG is limited. These rigs are generally operated by large multinational oilfield service companies who may have greater financial resources and operating assets than the Corporation. Most of these rigs are located and operated in South America and would require significant investment to relocate to PNG.

Certain areas with sufficient road infrastructure may be developed to support traditional land-based rigs. To the Corporation's knowledge, there are currently two land-based rigs located in PNG capable of drilling wells typically completed in PNG. Due to higher mobilization costs associated with heli-portable drilling operations, the Corporation's heli-portable rigs are typically utilized for remote access operations and as such do not compete in areas where traditional land-based rigs are more cost effective to utilize. To the Corporation's knowledge, during 2022 one large land-based drilling rig commenced preparation for work in the primary PNG-LNG production field. This would be the first time competitor rigs have prepared for operation since 2016.

The Corporation has established a position as a leading drilling contractor operating at high international standards in PNG. High Arctic has had a long-term relationship with one of the country's most active operators and has also performed services for and established good relationships with the country's other main operators.

The success and activity of the Corporation in PNG is dependent on its continued operational performance as well as the continued exploration and development plans of its customers. The Corporation's primary customers in PNG are the most active operators in PNG, and PNG is a core part of their business activities.

Economic Dependence

In 2022, High Arctic experienced a significant boost in revenue from its operations in Papua New Guinea compared to 2020 and 2021. This was largely due to the Corporation providing services to two key multinational customers operating in PNG, whose revenues each accounted for more than 10 percent of the Corporation's total revenues.

Looking ahead, High Arctic expects the PNG region to be the primary driver of its revenue growth for the near future. In line with this expectation, the Corporation's management has devised a strategic plan to deploy its assets more effectively in the region. This plan includes a focus on developing partnerships and collaborations with local businesses, as well as leveraging the Corporation's unique position and extensive experience and knowledge of PNG to minimize risks and maximize profitability.

High Arctic is confident that the PNG region is poised for a significant upcycle over the coming years and is committed to capitalizing on this opportunity. By taking a proactive approach and investing in the region's growth, the Corporation is well-positioned to establish a strong foothold in the market and generate sustainable long-term returns for its stakeholders.

Production Services

The Production Services segment represented 45% of the Corporation's consolidated revenue during 2022 and 73% during 2021. In July 2022, High Arctic completed the sale of its Canadian well servicing and Canadian snubbing businesses, which comprised the entire Production Services segment operating in the Western Canadian Sedimentary Basin. This segment used a fleet of well servicing rigs under the Concord Well Servicing brand and a fleet of snubbing units. Included in this segment was work-over services in PNG with its heli-portable work-over rig. High Arctic will no longer report on its Production Services segment after 2022 due to the Sale Transactions. The hydraulic workover rig in PNG has moved to Ancillary Services commencing 2023. Hydraulic workover services in PNG are owned by High Arctic and are generally provided on a day rate basis on well-to-well, or multi-well programs.

Hydraulic Workover Rig

Hydraulic Workover Rigs ("HWRs") are capable of the majority of workovers, completions, re-entries, abandonments, and Snubbing operations that are otherwise conducted with conventional draw work type service rigs. The HWRs moves the tubular components in and out of the wellbore using hydraulic rams and slip assemblies. The Corporation owns one Heli-Portable Hydraulic Workover unit, Rig 102 in PNG.

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 services. Revenues, net of intersegment activities, from Ancillary Services increased in 2022 to \$14.8 million representing 19% of consolidated revenue and a 20% growth rate for the year over \$12.2 million of revenue in 2021.

Cryogenic Liquid Nitrogen Pumping Services

The Corporation delivers liquid nitrogen to clients using N₂ pumping units. N₂ is an inert gas that is non-corrosive and non-explosive and is used in place of air whenever a risk hazard assessment dictates. Nitrogen services were originally used primarily in support of underbalanced (Snubbing) operations; however, the Corporation's N₂ units are now widely used in the oil and natural gas industry. High Arctic's high-pressure Cryogenic Liquid Nitrogen Pumpers are used in applications such as fracturing, coil tubing clean outs, purging pipelines, pressure testing vessels, and in the completion of oil and natural gas wells. Nitrogen is often pumped into the wellbore related to the underbalanced work to safely improve the recovery of introduced or produced fluids, while reducing the potential for damaging the formation.

The Cryogenic Liquid Nitrogen Bulklers are a trailer mounted storage tank that are used for transporting liquid nitrogen to the well sites for use in nitrogen pumping operations.

Nitrogen Fleet

The table below shows the configuration of the N₂ fleet as at December 31, 2022:

Type of Nitrogen Unit	Marketed	Total
Pumpers	5	12
Bulkers	2	5
Total	7	18

Equipment Rental Services

The Corporation has an extensive fleet of rental equipment in PNG and Canada. Its PNG rental fleet includes matting, cranes, forklifts, trucks, camps, pumps, generators, tanks, vehicles, and lighting towers. The Corporation's Canadian rental fleet primarily consists of high-pressure blowout preventers, boilers, lighting towers, hydraulic catwalks, and rig shacks. Rental of the Corporation's equipment is typically charged on a day rate basis.

Work Site Mats

The Corporation's work site mats are an environmentally friendly mat made of a high-density polyethylene composite suitable for a wide range of applications where a solid base and or ground protection is required for heavy equipment access. They are well suited for the difficult terrain in PNG where the conditions are often wet, boggy, and uneven. These mats are suitable for drilling, mining and civil activities including pipeline construction, plant construction and a base for camp facilities. At December 31, 2022, the Corporation had approximately 575 work site mats under contract in PNG and an additional 4,605 on hand. The Corporation has been actively pursuing opportunities to diversify our customer base in PNG and international markets for any uncontracted mats.

Competition

The Corporation competes with many service providers for its Ancillary Services. Other than the segment's fleet of specialized blowout preventers and boilers which are solely used in the oil and gas industry, its remaining fleet of rental equipment is capable of being utilized in other industries beyond oil and gas development. While this provides an expanded market, it also increases the number of potential competitors.

Due to the size of the market and remote operations, the Corporation faces less competition for its rental equipment in PNG. However, as the Corporation pursues alternative markets in PNG and internationally, it will face additional competition from other service providers operating in those markets.

The factors that will allow the Corporation to remain competitive in the markets for its Ancillary services are the Corporation's ability to supply the necessary equipment and services when required at competitive prices.

Seasonality

The Corporation's Canadian Ancillary Services operations are seasonal in nature and are impacted by weather conditions that may hinder our customers ability to access locations or move heavy equipment. The highest rate of activity in the industry is typically during the winter season, from November through March when frozen ground conditions allow for the movement of equipment in the field. The lowest period of activity is during spring breakup which commences with the thawing of the frozen winter ground around March until the completion of wet spring weather around June. During this period, wet ground conditions prevent the movement of heavy equipment.

The volatility in weather and temperature can create unpredictable activity and utilization rates, which can have a material adverse effect on the Corporation's business, financial condition, results of operations and cashflows. The Corporation has mitigated some of this risk through its international operations which are not as dependent on weather and do not have the same seasonality constraints as its Canadian operations.

Employees

At December 31, 2022, High Arctic had the following number of employees:

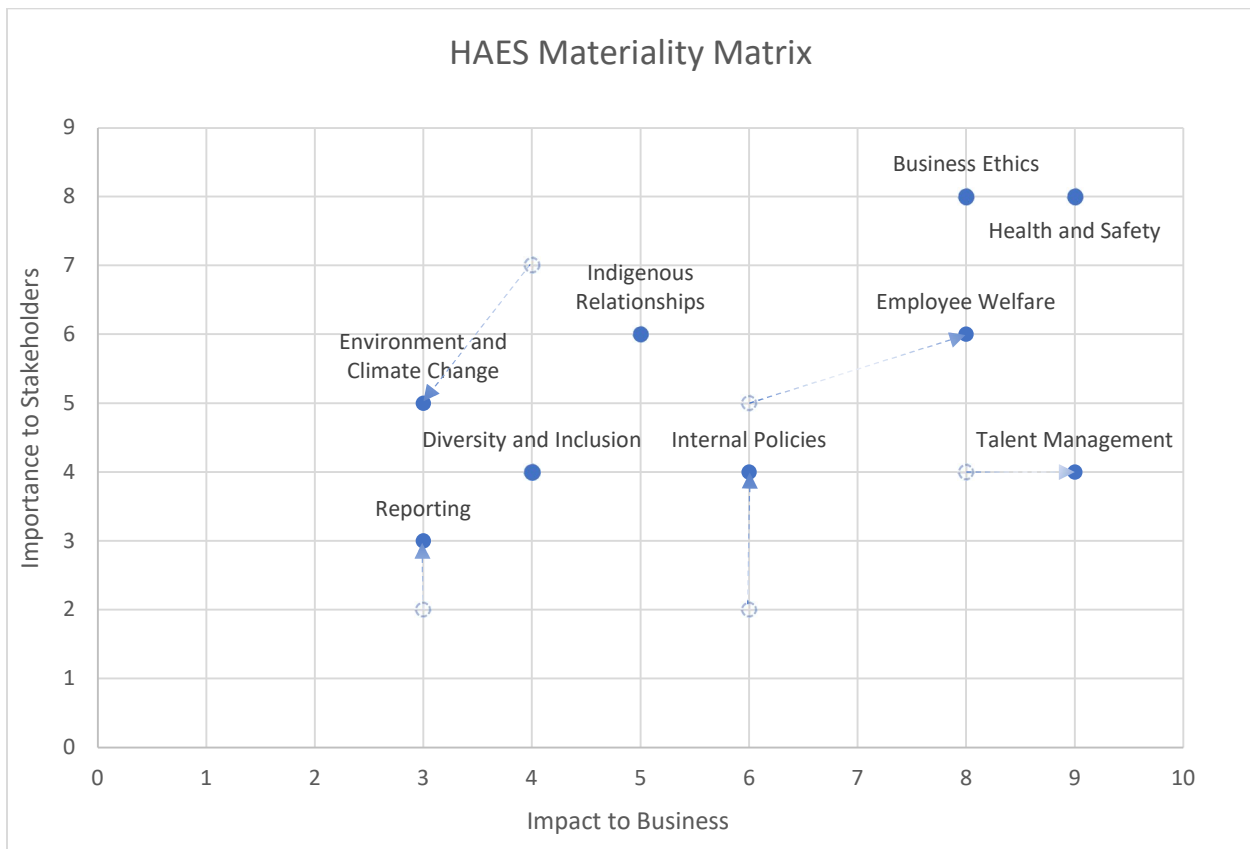
Operating Region	Number of Employees
PNG (including Australia)	92
Canada (including corporate administration)	20
Total	112

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

At High Arctic, we are committed to acting responsibly across our operations and advancing sustainable environmental, social and governance ("ESG") practices. We aim to align our ESG disclosures to maintain consistency with other ESG leaders, our industry, and our customers.

Materiality Assessment

The objective of the Materiality Assessment is to ensure that we address the issues and opportunities that are most material to High Arctic and our stakeholders, in 2022. We conduct the assessment using guidance from the Sustainability Accounting Standards Board ("SASB"), as a result we identified certain issues important to our stakeholders and defined their relative business impact in the matrix below:



On an annual basis, we review our materiality assessment and assess the impact of changes to the business, market and macro trends to re-assess. Heading into 2023 we have changed our assessment of several factors as illustrated in the chart above. These changes reflect investment sentiment in light of energy security events that arose in 2022, the material difference in our Corporation's profile following divestments in Canada and greater proportional reliance on the PNG energy market, the changes in government policies and tightening of the labour markets.

In managing the Corporation, we use data-driven analytics to understand and measure our performance levels, allowing us to set appropriate future targets and determine pathways to achieving them. In addition, we continue to review mandatory regulations, industry standards, and examine news and social media to develop a detailed view of current and evolving trends. We are committed to improving our corporate performance and communicating it transparently.

We recognize that each issue, taken in isolation, is of the utmost importance to certain stakeholders and key to the Corporation's success.

Environmental

Environment and Climate Change

High Arctic is committed to protecting the environment in compliance with environmental laws and regulations. We recognize climate change as a vital global risk, and we actively monitor developments that have the potential to impact the way we conduct our business activity. We have implemented detailed procedures that comply with current environmental laws and regulations, including managing waste, spills and the uncontrolled release of hydrocarbons.

Our focus is to design and implement the strategies and tools necessary to monitor our energy usage and mix. This work will enable:

- formal and accurate reporting of our energy usage by each operating segment,
- the foundation for greenhouse gas calculations and reporting, and
- an ability to accurately measure the reduction of our environmental footprint resulting from our initiatives.

While regulations and other governing enforcement standards continue to evolve, it will require us to challenge our thinking and supplement or replace equipment or change or discontinue existing methods of operations. As a result, we are motivated to reduce our carbon footprint across the scope of our operations and actively partner with our customers in their approach to better measure, control, and report emissions.

As an industry leader, we accept that our position requires us to assist our industry, customers, and communities in achieving safer, sustainable operations.

Social

Health and Safety

High Arctic Energy is committed to protecting the health and safety of our personnel, customers, and visitors. We value human life above all and will not prioritize profit over safety. No job is so urgent or important that the necessary steps for safety cannot be undertaken.

We promote a positive safety culture that improves human performance through visual leadership, proactive intervention, and competency. In addition, our training is specific to each role and based on the work systems that underpin the achievement of our health and safety objectives.

In 2019 we developed and introduced our online Document Management System (DMS) and Analytics. These platforms enable all worksites to access the necessary information that guides safe operations and use electronic applications (Apps) to capture the details of operational activity; including, but not limited to:

- Hazard and risk management,
- Incident reporting, notification and investigation,
- Equipment preventative maintenance and inspections,
- Corrective and improvement actions, their notification and progress tracking,

- Human Resource employee trends, and
- Operational performance.

As a result, we have experienced a consistent downward trend in our incident severity as the quality of information and its use by management improves.

Each quarter High Arctic's management presents QHSE results to the Board of Director's QHSE Committee. These meetings provide directors with the information needed to evaluate and govern QHSE strategies, outcomes and initiatives. The meetings also challenge management's implementation of a safe environment and ability for continuous improvement.

Employee Welfare

We have long acknowledged that employees that are well supported achieve positive results. Consequently, we support our employees and their families by supplementing medical, dental, vision and life insurance and long/short-term disability insurance plans.

Our employee and family assistance program provides practical help through qualified professionals and experts that offer counselling and advice for financial, health and other matters. In addition, the program provides immediate, confidential assistance to help employees find the right options and solutions to navigate life's challenges. High Arctic also offers vacation time options to support employee-specific quality-of-life needs, including family care and personal leave.

In 2022, we worked with industry experts to deliver a series of presentations aimed at improving the quality of life for our employees and their families:

- Finding Balance in Work and Home Life,
- Stress Relief - Tools & Techniques for Everyone,
- How Nutrition Impacts your Overall Health, and
- 75 Ways to Save on Household Expenses.

Diversity and Inclusion

We believe that a diverse workforce enhances our long-term success. Diversity brings a vast range of experience and knowledge that can inform our engagement practices and positively shape our corporate culture, leading to improved acceptance of our presence in the communities where we work. Therefore, to benefit the communities where we work and strengthen our cultural values, we focus on hiring, retaining, and advancing underrepresented populations.

Our efforts have been focused in two areas:

1. expanding our methods to recruit and hire diverse talent, and
2. inspiring an inclusive and diverse culture.

Our dedication to the ongoing development of a respectful work environment built on the promise of equity and diversity encourages and enforces:

- a harassment-free and non-discriminatory workplace,
- respectful communication and cooperation between all employees,
- behaviour that respects individual differences and demonstrates mutual respect and consideration,
- teamwork and employee participation, allowing for the representation of all groups and employee perspectives,
- employer and employee contributions to the communities we serve, promoting a greater understanding and respect for its diversity,
- dealing with situations and complaints in a timely, sensitive, and confidential manner, and
- a culture that supports the reporting of all perceived incidents of discrimination or harassment without fear of retaliation.

Indigenous Relationships

High Arctic recognizes the history and diversity of Indigenous people. Our commitment is emphasized through our Seh' Chene partnership with the Saa Dene Group, led by internationally respected business leader and philanthropist Mr. Jim Boucher, former Chief of the Fort McKay First Nation's for over 30 years.

Our mission at Seh' Chene is to create opportunities for local indigenous communities and individuals focused on environmental stewardship while delivering dependable, high-quality energy services. We do this through ongoing engagement, employment, and mutually beneficial business opportunities. Find out more about Seh' Chene at the website <https://sehchene.com>.

Our history in Papua New Guinea is a testament to the value we place on the development of indigenous workers. Our PNG workforce comprises over 75% PNG nationals, including the appointment of human resources and finance managers and senior frontline supervisory and technical roles, including electrical and mechanical tradesmen and assistant drillers in operations.

Talent Management

High Arctic engages high-performing, passionate people throughout the organization. We have implemented systems and processes that assist us in maintaining a well-trained, highly competent, and capable talent pool in field roles and the roles that contribute to operational success. In addition, we set annual goals and development targets for our Business and with each employee. Goals are implemented using a top-down approach to ensure that the message from our CEO is conveyed to each level of the business in a manner that helps strengthen a culture of open feedback and communication and align all employees with the organization's vision, mission, and values.

Governance

Corporate Governance

The Board has oversight responsibilities for the corporate governance of High Arctic and its senior officers. Our Corporate Governance is the system by which the Corporation is directed and controlled to support a culture of integrity, compliance, and achievement of the Corporation's strategy.

High Arctic achieves this through the Board's self-reflection, independence, relationship oversight and effective process and tools. Integral to these oversight and monitoring responsibilities is the approval of the Code of Business Conduct, core governance policies, key governance standards, and the procedures management use to ensure adherence.

The Board has several committees, each with its own terms of reference. As of 31 December 2022, the committees are the Audit Committee; Governance and Nominating Committee; Remuneration Committee; Quality, Health, Safety and Environment Committee; and the Executive Committee. The Board and its committees frequently meet to fulfill their mandates and receive management reports on business outcomes and strategy.

Our Code of Business Conduct

At High Arctic, we are committed to conducting our business while upholding the highest ethical and business standards, no matter where in the world our business takes us. We commit to these standards both individually and collectively, even if maintaining such high ethical standards may result in a loss of business.

As we face daily and unique business challenges, our decisions and actions must be influenced by the highest sense of business and professional integrity. This commitment requires compliance with laws and requires that, employees, officers, and directors of High Arctic conduct business activities according to the Corporation's values and beliefs.

The success of our Business is reliant on delivering our services better than others. To establish or maintain market superiority, we must continually deliver on our promise with fewer variables and fewer errors. Therefore, our ability to identify risk through a systematic, whole of business approach, implement quality solutions and drive improvement through active measurement is fundamental to sustaining business success.

Our Ethical Business Policy sets the expectation for employees' behaviour and standards of conduct at all levels of the business. The Code of Business Conduct is presented to every employee as part of the onboarding induction process.

Internal Policies and Governance Standards

We work proactively to ensure our workforce and the Board understand their obligations to uphold our standards and the law regarding ethics and compliance. We have developed internal corporate standards and policies, in addition to our code of business conduct, to guide our directors, officers, and employees in meeting their responsibilities to our shareholders, regulatory authorities, business partners and each other.

Key Internal Policies that underpin our governance are posted in prominent locations at our workplaces and made available online for employees and contractors. They include the following policies:

- Authorization for Expenditure
- Drug and Alcohol
- Ethical Business
- Equity and Diversity
- Stop the Job
- Quality
- Environmental
- Health and Safety
- Risk Management

Governance Standards that form part of our Code of Business Conduct include the following:

- Anti-Bribery and Anti-Corruption
- Confidentiality and Intellectual Property
- Corporate Disclosure
- Employee Wellbeing
- Finance
- Information Technology
- Interpersonal Relationships
- Quality
- Business Travel
- Conflict of Interest
- Discrimination, Harassment & Bullying
- Environmental Sustainability
- Gifts, Donations and Sponsorships
- Insider Trading
- Risk Management
- Whistleblower

Reporting

According to our Whistleblower Standard, one of the key mechanisms through which suspected violations of our policies are reported is through our whistleblower hotline. We encourage our employees, consultants, service providers and other stakeholders to bring forward any concerns regarding suspected violations of our code, policies or standards, including those pertaining to High Arctic's accounting practices, audits, financial reporting, or internal controls. Such concerns may be raised with a supervisor, a member of our leadership team or through the whistleblower hotline.

Whistleblower hotline phone numbers and websites are published at all work locations. This process is independently monitored and accessible in every country in which High Arctic operates. Whistleblower activity is under the oversight of the chair of the Audit Committee.

Corporate Governance Material Available on Our Website

Our Corporate Governance Principals set forth our governing principles for an effective functioning Board. They are reviewed annually and are revised in response to changing governance practices and requirements. The Corporate Governance Principals, Code of Business Conduct, Board Mandate and Board Committee Terms of Reference are posted along with other governance related materials on the Corporate Governance section of our website at <https://haes.ca/corporate-governance/>

RISK FACTORS

The Corporation's business is subject to a number of risks and uncertainties, some of which are summarized below. Readers should carefully consider the risk factors set out below and consider all other information contained herein, and in the Corporation's other public filings prior to making an investment in the Corporation's Common Shares. If any such risks were to materialize, the Corporation's business, financial condition, results of operations, cash flows or prospects could be materially adversely affected. In turn, this could have a material adverse effect on the trading price of the Common Shares. The risks set out below are not an exhaustive list, nor should they be taken as a complete summary or description of all the risks associated with the Corporation's business and the oil and gas service business generally.

The success of the Corporation is dependent to a great extent on the health of the oil and natural gas industry in PNG, Canada and internationally which, in turn, is driven in large part by commodity prices. As a service provider to this industry, the Corporation is exposed to various risks, including:

- volatility in global supply and demand and market prices for oil and natural gas and the effect of these volatilities on the demand for oilfield services generally;
- the Russia-Ukraine conflict has had a significant impact on many aspects of the global economy. It has affected geopolitical relations between Russia and other countries, disrupted oil and gas supply chains, led to an increased focus on energy security and increased demand for energy services from other regions. This conflict could continue to cause disruption in the long term due to political tensions, policy change and economic factors;
- general economic and political conditions in jurisdictions in which the Corporation operates including variations in currency exchange rates, interest rates and income tax rates;
- macroeconomic events can have a wide-ranging effect on the global economy. This includes increasing prices of commodities, impacts of government fiscal policy, increased costs of doing business and higher borrowing costs due to rising interest rates;
- risks inherent in foreign operations, including political, economic risk and the risk of foreign currency controls that could restrict the transfer of funds in or out of countries in which the Corporation operates or result in the imposition of taxes on such transfers;
- lingering affects of the Covid-19 pandemic which has caused widespread economic volatility, with effects ranging from restrictions on freedom of movement and disruptions to deployment of labour force, international trade, and tourism;
- suppliers and third-party vendors experiencing workforce disruption or being ordered to cease operations;
- the implications of changes to government and government policy in Canada and other countries where High Arctic does business;
- government and regulatory approval of our customers' projects;
- changes in legislation and the regulatory environment, including uncertainties with respect to royalty regimes, environmental guideline, climate change policy, and provincial production caps;
- alternatives to and changing demands for petroleum products;
- the worldwide demand for oilfield services in connection with the workover and completion of oil and natural gas wells;
- liabilities and risks inherent in oil and natural gas operations, including environmental liabilities and risks arising below ground surface;
- credit risks associated with customers in the oil and natural gas industry, including the inability of a significant customer to pay for goods and services that have been provided; and
- uncertainties in weather affecting the ability to provide services and/or the duration of the service periods and the activities that can be completed, including the seasonality that affects industry activity in Canada.

These factors may have an impact upon the Corporation's customer base which, in turn, would impact the Corporation's business prospects. The following provides a further description of the risks associated with the Corporation's business and the oilfield services business in general. This list should not be taken as an exhaustive list, nor should it be taken as a complete summary or description of all the risks associated with the Corporation's business.

Volatility of Industry Conditions

The demand, pricing and terms for the Corporation's services depend significantly upon the level of expenditures made by oil and gas companies on exploration, development, and production activities. Expenditures by oil and gas companies are typically directly related to the demand for, and price of, oil and gas. Generally, when commodity prices and demand are predicted to be, or are relatively high, demand for High Arctic's services is high. The converse is also true. Historically, oilfield services companies are more sensitive to crude oil price volatility compared to companies doing exploration and production.

Over the past few years, crude oil and gas prices have experienced significant fluctuations and are expected to remain volatile in the future. In later-2014, crude oil prices underwent a substantial decline and remained suppressed until the later part of 2021, influenced by various factors beyond High Arctic's control. These factors include global energy supply, production, and policies, such as OPEC's ability to set and maintain production levels to influence or control oil prices, non-OPEC countries' oil and gas production, consumer demand, political conditions (including the risk of war involving producer countries, hostilities in the Middle East, and global terrorism), global and domestic economic conditions (including currency fluctuations), export, production, and delivery costs, technological advancements affecting energy consumption, weather conditions, and the impact of worldwide energy conservation and greenhouse gas reduction measures, as well as the price and availability of alternative energy sources, and government policies and regulations. Ongoing fluctuations in demand due to global events, such as the Russia-Ukraine conflict and high global cost inflation, have further contributed to the volatility in oil and gas prices.

The attack by Russian forces on Ukraine in February 2022 was a significant event that had global repercussions. This conflict led to a heightened level of geopolitical tensions, as well as increased sanctions on Russia from countries around the world. The international community was quick to condemn Russia for its actions, and the sanctions were put in place to pressure Russia to change its behavior. One of the consequences of these actions was a subsequent rise in global oil and gas prices. This was due to the fact that Russia is one of the world's largest oil and gas producers, and the sanctions on the country disrupted the global supply chain. As a result, prices rose, which had a significant impact on the global economy. It remains unclear how the escalation of geopolitical risks resulting from the attack on Ukraine will affect the global oil and gas industry and corporations in the future. This is a matter of concern for many, as the oil and gas industry is one of the most important sectors of the global economy.

Another factor that influenced global oil prices in 2022 was the return of energy demand following the relaxation of government controls associated with the Covid-19 pandemic. As economies around the world recovered and the global movement of people and goods returned, the demand for oil and gas increased, which led to higher prices. However, as a consequence of high energy prices and other factors, high cost-inflation manifested globally and fears of recession began to dominate many markets. As a consequence, energy demand growth curtailed towards the end of the year driving prices lower, OPEC responded with cuts to output targets in November and prices stabilized somewhat.

Based on OPEC's responses to changing market conditions in recent years, it is evident that the organization will continue to try to ensure healthy oil prices globally. However, perceived limits of the spare capacity of OPEC members and their ability to increase production to meet increasing demand creates additional uncertainty regarding oil prices going forward. This uncertainty makes it difficult for corporations and investors to plan for the future, as they must consider the potential impact of changing market conditions on the oil and gas industry and global economies.

In addition to the volatility of oil and gas prices, the level of expenditures made by oil and gas companies are influenced by numerous factors in the industry over which the Corporation has no control, including but not limited to: general economic conditions; the cost of exploring for, producing and delivering oil and gas; the discovery rates of new oil and gas reserves; cost and availability of drilling equipment; availability and expected availability of pipeline and other oil and gas transportation capacity; North American natural gas storage levels; demand for heating and cooling; availability and pricing of alternate energy sources; taxation and royalty changes; government regulation; environmental regulation; ability of oil and gas companies to obtain credit, equity capital and/or debt financing; and currency fluctuations in the jurisdiction where we operate. A further decline in expenditures by oil and gas companies caused by the fluctuations in and uncertainty regarding crude oil pricing and low natural gas prices or otherwise, could have a material adverse effect on High Arctic's business, financial condition, results of operations and cash flows. Conversely a sustained recovery

and increase in oil and gas prices could drive a material improvement in demand for and pricing of High Arctic's services. Such recoveries create a business risk to the Corporation as well, including the need to ensure appropriate levels of operating and support personnel are available to the organization to allow for the continuation and growth of quality service to our customers and appropriate returns to our shareholders.

Pipeline Constraints and Energy Industry Uncertainty

Ongoing uncertainties persist in the Canadian oil and gas industry, with muted industry activity due to significant differentials for Western Canadian Select and other crude grades compared to WTI and other benchmark North American oil prices. This discourages long-term capital investments in the country, as it is caused by a surplus of oil production in Western Canada relative to the takeaway capacity due to pipeline constraints including tidewater access to European and Asian markets. Certain pipeline projects are nearing completion to partially alleviate this situation. Both the Trans Mountain pipeline expansion and Coastal Gas Link pipeline will provide long-awaited tidewater access to Asian and other markets.

In North America, pipeline construction activity has been generally subdued after a period of rapid capacity expansion that was interrupted by the market collapse in 2020. Additionally, there are increasing environmental and political challenges to large midstream projects, and the Biden administration's more adversarial stance toward fossil fuels in pursuit of stricter national climate policies has only heightened these challenges. This shift is exemplified by the effective cancellation of the Keystone XL project on the president's first day in office. These factors have caused North American midstream construction to focus more on upgrades and expansions of existing systems, rather than major greenfield projects.

Reliance on Key Personnel

The success of the Corporation is dependent upon its key personnel. Any loss of the services of such persons could have a material adverse effect on the business and operations of the Corporation. The Corporation's ability to provide reliable and quality services is dependent on its ability to hire and retain a dedicated and quality pool of employees. The Corporation strives to retain employees by providing a safe working environment, competitive wages and benefits, and an atmosphere in which all employees are treated equally regarding opportunities for advancement. The unexpected loss of key personnel or the inability to retain or recruit skilled personnel could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Dependence on Major Customers

The Corporation has a wide range of customers comprised of small independent, intermediate, and large multinational oil and gas producers. The Corporation provides ongoing services to three large multinational/regional customers who accounted for approximately 56% of the Corporation's revenue in 2022. The Corporation has historically had a stable relationship with these customers, however, there can be no assurance that the Corporation's relationship with the customers will continue. A significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, may have a material adverse effect on the Corporation's business, results of operations, financial conditions, and cash flows. The Corporation constantly strives to win new business and commit to contracts to reduce its reliance on specific customers.

Excess Equipment Levels in the Industry

Due to the long-life nature of oilfield service equipment and the long delivery time for equipment being manufactured, the quality of equipment available does not always correspond with the demand for its use. Periods of high demand often lead to increases in capital expenditures, which in turn lead to increased supply. Such increases in supply often lead to downward pricing pressures across the industry which could materially impact the Corporation's profitability if there is a subsequent reduction in demand. Additionally, the Corporation could fail to secure sufficient work in which to employ its equipment, which could have a material adverse effect on the Corporation's business, results of operations, financial conditions, and cash flows.

Competition

The oil and gas services industry is highly competitive and the Corporation competes with a number of companies which may have more equipment and personnel as well as greater financial resources. The Corporation's ability to generate revenue and earnings depends primarily upon its ability to win bids in competitive bidding processes and to perform awarded projects within estimated times and costs. There can be no assurance that such competitors will not

substantially increase the resources devoted to the development and marketing of products and services that compete with those of the Corporation or that new or existing competitors will not enter the various markets in which the Corporation is active. In certain aspects of its business, the Corporation also competes with several small and medium-sized companies, which, like the Corporation, have certain competitive advantages such as low overhead costs and regional strengths. In addition, reduced levels of activity in the oil and natural gas industry can intensify competition and may result in lower revenue for the Corporation.

Safety Performance

Standards for the prevention of incidents in the oil and natural gas industry are governed by service company safety policies and procedures, accepted industry safety practices, customer specific safety requirements and health and safety legislation. Safety is captured in our Health and Safety Policy, which states that we value human life above all, and will not prioritize profit over safety. No job is so urgent or important that the necessary steps for safety cannot be undertaken. Many customers consider safety performance a key factor in selecting oilfield service providers. Deterioration of the Corporation's safety performance could result in a decline in the demand for the Corporation's services and could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Operational Risk and Insurance

The Corporation's operations are subject to operational risks inherent in the oil and natural gas industry. These risks include equipment defects, malfunction and failures, human error, natural disasters, vehicle accidents, explosions, and uncontrollable flows of natural gas or well fluids that can cause personal injury, loss of life, suspension of operations, damage to formations, damage to facilities, business interruptions and damage to or destruction of property, equipment and the environment. These risks could expose the Corporation to substantial liability for personal injury, wrongful death, property damage, loss of oil and natural gas production, pollution, and other environmental damages. The frequency and severity of such incidents will affect operating costs, insurability and relationships with customers, employees, and regulators.

Although the Corporation contractually limits and excludes certain potential liabilities and maintains insurance coverage that it believes is adequate and customary for a contractor in the oilfield services industry, there can be no assurance that such insurance will be adequate to cover the Corporation's future liabilities. In addition, there can be no assurance that the Corporation will be able to maintain adequate insurance at rates it considers reasonable and commercially justifiable.

The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits maintained by the Corporation, or a claim at a time when the Corporation is not able to obtain adequate insurance, could have a material adverse effect on the Corporation's ability to conduct normal business operations and on its financial condition, results of operations and cash flows.

Risks Applicable to the Corporation's International Activities

A significant portion of the Corporation's activities are conducted in PNG, which displays characteristics of an emerging market. The Corporation's international operations are subject to special risks inherent in doing business outside Canada. These risks can involve matters arising out of the policies of foreign governments, imposition of special taxes or similar charges by government bodies, restrictions on carrying on business or the revocation or non-issuance of licenses to carry on business by a foreign government, foreign exchange fluctuations and controls, civil disturbances, including landowner disputes, and deprivation or unenforceability of contract rights or the taking of property without fair compensation. Foreign properties, operations and investments may be adversely affected by local political and economic developments, including nationalization, laws affecting foreign ownership, government participation, royalties, duties, rates of exchange, exchange controls, currency fluctuation, taxation and new laws or policies as well as by laws and policies of Canada affecting foreign trade, investment, and taxation.

Furthermore, it is important for the Corporation to maintain good relationships with the governments in the countries in which it operates. The Corporation may not be able to maintain such relationships if the governments of these countries change. Democracies, by their very nature, involve government change from time to time and changes to governing parties and the policies of governing parties can impact the Corporation at an industry, resource development and business level. Certain regions in which the Corporation may conduct operations have been subject to political and economic instability. The Corporation's operations are subject to government legislation, policies and controls relating

to environmental protection, taxes, and labour standards. To attempt to mitigate these risks, the Corporation employs personnel with extensive experience in the international marketplace, supplemented with qualified local staff. Management is unable to predict the extent or duration of these risks or quantify their potential impact.

Further, in our main international location, PNG held elections in July 2022. James Marape was returned as Prime Minister and he formed a new coalition government including the appointment of John Rosso as his deputy Prime Minister. Government terms are for fixed five-year periods and they enjoy an 18-month grace period when a vote of no-confidence is not permitted. It is common in PNG politics for governments to change by vote of no-confidence during a term, with only two Prime Ministers ever completing a full term.

Since the Corporation derives a material portion of its revenues from its subsidiaries incorporated outside Canada, the payment of dividends or the making of other cash payments or advances by these subsidiaries to the Corporation may be subject to restrictions or controls on the transfer of funds in or out of these countries or result in the imposition of taxes on such payments or advances. In addition, since the Corporation's international activities are governed by foreign laws, in the event of a dispute, the Corporation may be subject to the exclusive jurisdiction of foreign courts and the application of foreign laws or may not be successful in subjecting foreign persons to the jurisdiction of Canadian courts.

In PNG, the Bank of PNG policy continues to encourage the use of the local market currency in PNG, the Kina. Due to High Arctic's requirement to transact with international suppliers and customers, High Arctic regularly has received approval from the Bank of PNG to continue to maintain its USD account within the conditions of the Bank of PNG currency regulations. The Corporation continues to use the local currency to settle local transactions when practical. Included in the Bank of PNG's conditions is for future contracts to be settled in Kina, unless otherwise approved by the Bank of PNG for the contracts to be settled in USD. The Corporation has historically received such approval for its drilling services contracts with its key customers in PNG. The Corporation will continue to seek Bank of PNG approval for future customer drilling contracts to be settled in USD 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, the Corporation's PNG drilling contracts will be settled in Kina which would expose the Corporation to exchange rate fluctuations related to the Kina. In addition, this may delay the Corporation's ability to receive USD which may impact the Corporation's ability to settle USD denominated liabilities and repatriate funds from PNG on a timely basis. In February 2023, High Arctic received advice from the PNG Central Bank instructing the Corporation to settle our contract for Rig 103 in PNG Kina. High Arctic has engaged dialogue with the bank aimed at reinstating approval to settle the contract in USD, dialogue is ongoing.

In addition to the approval from the Bank of PNG to maintain a USD account in PNG and maintain the Corporation's contracts in USD, the Corporation is also required to receive a tax clearance certificate from the Internal Revenue Commission in order to make payments to non-resident suppliers and disbursements such as intercompany dividends out of PNG. Other than the processing time to receive these certificates, the Corporation has received approval of all certificates in the past. The Corporation intends to repatriate excess funds from PNG consistent with past practices as approval is received from the Bank of PNG and the Internal Revenue Commission.

Government Regulation and Anti-Bribery Laws

The operations of the Corporation in PNG and Canada and elsewhere are subject to a variety of federal, provincial and local laws, regulations, and guidelines, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment, the operation of equipment used in its operations and the transportation of materials and equipment it provides for its customers. Such laws or regulations are subject to change and may have a material impact to the Corporation's operations or costs to comply with changes to such laws or regulations in the future. Accordingly, it is impossible to predict the cost or impact that such laws and regulations may have on the Corporation or its future operations.

The Corporation's obligation to comply with laws and regulations also includes those involving bribery and anti-corruption. High Arctic currently operates in PNG and Canada and may expand its operations to other international locations in the future. In the course of the Corporation's operations, High Arctic personnel may be required to interact with certain government and foreign officials from time to time. The Corporation has controls, policies, procedures, and training that mandate the compliance with these laws and regulations, however there can be no assurance that employees or consultants will not violate these controls, policies, and procedures. Any alleged violation of these laws and regulations could disrupt the business and cause High Arctic to incur significant costs to investigate any alleged

breach. If High Arctic was found to be in contravention with these laws and regulations, severe civil and criminal penalties and other sanctions could materially harm their reputation, business, result of operations, financial conditions, and liquidity.

Sources, Pricing and Availability of Equipment and Equipment Parts

The Corporation sources its equipment and equipment parts from a variety of suppliers which are located throughout the world. Failure of suppliers to deliver supplies and materials in a timely and efficient manner would be detrimental to the Corporation's ability to maintain levels of service to its customers. The Corporation is also dependent on the technical services of other parties for certain parts and services. High Arctic attempts to mitigate this risk by maintaining good relations with key suppliers. However, if the current suppliers are unable to provide the supplies and materials, or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of services to our clients could have a material adverse effect on our results of operations and our financial condition.

Climate Change, Natural Disasters and Environmental Regulations

The effects of climate change, including physical and regulatory impacts, could have a negative impact on our operations and the demand for oil and natural gas. Laws, regulations or treaties concerning climate change or greenhouse gas emissions, including incentives to conserve energy or use alternate sources of energy, can have an adverse impact on the demand for oil and natural gas, which could have a material adverse effect on High Arctic. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in the imposition of material fines and penalties. Natural disasters may result in delays or cancellation of some of our customer's operations or could increase our operating costs (such as insurance costs), which could have a material adverse effect on our business and operating results.

The Paris Agreement, which was drafted at the United Nations Framework Convention on Climate Change in December 2015, has been signed by PNG and Canada. However, the effect of this agreement and other climate-related legislation, as well as the adoption of additional measures at the federal, state, provincial or local levels in PNG and Canada, is currently unpredictable. The growing concerns about climate change have led to opposition from environmental activists and the public towards the continued exploitation and development of fossil fuels. As a result, investors are becoming increasingly hesitant to invest in the oil and gas industry. Furthermore, there has been a movement to hold governments and oil and gas companies accountable for climate change through climate litigation. In November 2022, countries worldwide met in Egypt for the COP 27 global climate summit. During the summit, the governments committed to achieving net-zero emissions from national government operations no later than 2050 and discussed the impacts of climate change, reaffirming the goal to limit temperature rise to 1.5 degrees Celsius. Governments and non-governmental organizations continue to make efforts to reduce greenhouse gas emissions, which may ultimately reduce the growth in demand for oil and natural gas and, in time, reduce consumption. In addition, the implementation of policies by certain institutions that discourage investments in the industry could have adverse effects on financing costs, as well as the industry's access to liquidity and capital.

Criticism of the oil and gas industry could harm our reputation and erode shareholder confidence and public support. While the Corporation is not a significant contributor to greenhouse gas emissions, mandatory emission reductions may increase operating costs and capital expenditures for oil and gas producers, which could decrease the demand for our services. As the dialogue regarding climate change and greenhouse gas control continues to evolve and new requirements emerge, we cannot predict the impact of current and impending emissions reduction legislation on the Corporation and its customers. Such impact could have a material adverse effect on our business, financial condition, results of operations and cash flows. The Corporation is committed to addressing environmental concerns and taking a proactive approach.

Due to these foregoing climate change risks, we have been and continue to use our know-how to develop ways to assist our customers to reduce their greenhouse gas emissions through the provision of our services. The Corporation did not incur any material expenditure in the past year as a result of environmental protection requirements, nor does it anticipate environmental protection requirements to have a material financial or operational impact on the capital expenditures, earnings, or competitive position of the Corporation in 2023.

Pandemic Risk

The outbreak of epidemics, pandemics, and other public health crises in geographic areas in which we have operations, suppliers, customers, or employees, including the global outbreak of the Covid-19 pandemic, may increase our exposure to, and magnitude of, each of the risks identified herein, resulting from a reduction in demand for crude oil and natural gas consumption and/or lower commodity prices. Our business, financial condition, results of operations, cash flows, reputation, access to capital, cost of borrowing, access to liquidity, ability to fund dividend payments and/or business plans may without limitation, be adversely impacted as a result of:

- the delay or suspension of work due to workforce disruption or labour shortages caused by workers becoming infected, or government or health authority shelter in place orders, quarantine orders, mandated restrictions on travel by workers or closure of facilities, workforce camps or worksites;
- suppliers and third-party vendors experiencing similar workforce disruption or being ordered to suspend operations;
- reduced cash flows resulting in less funds from operations being available to fund our capital expenditure;
- counterparties being unable to fulfill their contractual obligations to us on a timely basis or at all;
- the capabilities of our information technology systems and the potential heightened threat of a cybersecurity breach arising from the increased number of employees working remotely;
- our ability to obtain additional capital including, but not limited to, debt and equity financing being adversely impacted as a result of unpredictable financial markets, foreign currency exchange rates, commodity prices and/or a change in market fundamentals; and
- an overall slowdown in the global economy, political and economic instability, and civil unrest.

Given the dynamic nature of the events related to the Covid-19 pandemic, it is uncertain whether Covid-19 will resurge, and the full extent of the impact that Covid-19 will have on our business, financial condition, results of operations or cash flows cannot be predicted.

Financing Risk

The Corporation is exposed to risk associated with access to equity capital and debt financing required for business needs and the risk that necessary capital cannot be acquired on a timely basis, on reasonable terms to the Corporation, or at all. The asset base, working capital, existing mortgage debt, profitability of existing operations, and future projected activities impact the ability of the Corporation to access debt and equity financing. Where additional financing is raised by the issuance of Common Shares or securities convertible into Common Shares, control of the Corporation may change, and shareholders may suffer dilution to their investment.

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 continually monitor its financial resources to provide sufficient liquidity to meet its liabilities when due. The Corporation's processes for managing liquidity risk include preparing and monitoring capital and operating budgets, coordinating, and authorizing project expenditures, and authorization of contractual agreements. The Corporation seeks to manage its financing based on the results of these processes.

Third Party Credit Risk

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

The Corporation views the credit risks on these amounts as normal for the industry. The carrying amount of accounts receivable represents the maximum credit exposure on this balance. During times of weak economic conditions, the risk of increased payment delays and default increases due to reductions in customers' cash flows. Failure to collect accounts receivable from customers could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. High Arctic generally grants unsecured credit to its customers; however, it evaluates all new customers, as appropriate, and analyzes and reviews the financial health of its current customers on an ongoing basis.

The Corporation has a wide range of customers comprised of small independent, intermediate, and large multinational oil and gas producers. Management has assessed the customers as creditworthy and the Corporation has had no history of collection issues with its customers, however, the inability for the Corporation's customers to meet their financial obligation to the Corporation could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Seasonality

In Canada, the level of activity in the oilfield services industry is influenced by seasonal weather patterns. Extreme cold has led to customers occasionally shutting down well servicing activities for brief periods of time approximately a week in duration. Spring break-up leaves many secondary roads temporarily incapable of supporting the weight of heavy equipment particularly during the second quarter, which results in severe restrictions in the level of oilfield services. The duration of this period will have a direct impact on the level of the Corporation's activities. Spring break-up occurs earlier in the year in south-eastern Alberta than it does in northern Alberta and British Columbia. The timing and duration of spring break-up is dependent on weather patterns, but it generally occurs in April and May. Additionally, if an unseasonably warm winter prevents sufficient freezing, the Corporation may not be able to access well sites and its operating results and financial condition may therefore be adversely affected. The demand for oilfield services may also be affected by the severity of the Canadian winters. In addition, during excessively rainy periods, equipment moves may be delayed, thereby adversely affecting revenues. The volatility in the weather and temperature can therefore create unpredictability in activity and utilization rates, which could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Foreign Exchange Rate 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. The majority of the Corporation's international revenue and expenses are effectively transacted in USD, once requisite government approvals to convert local currency denominated transactions are obtained as applicable, and the Corporation does not actively engage in foreign currency hedging.

For the year ended December 31, 2022, 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 loss amounting to \$0.34 million.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Corporation considers acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Corporation's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Corporation.

The integration of acquired businesses may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, certain assets are periodically disposed of, so that the Corporation can focus its efforts and resources more efficiently. Depending on the state of the market for such assets, certain identified assets of the Corporation, if disposed of, could realize less than their carrying value in the financial statements of the Corporation.

Technology Risks

The ability of the Corporation to meet customer demands in respect of performance and cost will depend upon continuous improvements in operating equipment. There can be no assurance that the Corporation will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. Failure by the Corporation to do so could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. No assurances can be given that competitors will not achieve technological advantages over the Corporation.

Further, we rely heavily on information technology systems and other digital systems to operate our business. Threats to information technology systems associated with cybersecurity risks and cyber incidents or attacks continue to grow and are increased by the growing complexity of our information technology systems. Cybersecurity attacks could include, but are not limited to, malicious software, attempts to gain unauthorized access to data and the unauthorized

release, corruption or loss of data and personal information, account takeovers, and other electronic security breaches that could lead to disruptions in our critical systems.

Other cyber incidents may occur as a result of natural disasters, telecommunication failure, utility outages, human error, design defects, and unexpected complications with technology upgrades. Risks associated with these attacks and other incidents include, among other things, loss of intellectual property, reputational harm, leaked information, improper use of our assets, disruption of our and our customers' business operations and safety procedures, loss or damage to our data systems, unauthorized disclosure of personal information which could result in administrative penalties and increased costs to prevent, respond to or mitigate cybersecurity events. Although we monitor our information technology systems for threats, cybersecurity attacks and other incidents are evolving and unpredictable. The occurrence of such an attack or incident could go unnoticed for a period of time. Any such attack or incident could have a material adverse effect on our business, financial condition results of operations and cash flow.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and alternative energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. The Corporation cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Significant Shareholders

The Corporation has one Shareholder that directly or indirectly has the ability to control the votes to approximately 45% of the issued and outstanding Common Shares at December 31, 2022 and, as such, may be in a position to significantly influence the outcome of actions requiring Shareholder approval.

Minority Interest in Team Snubbing Services Inc.

The Corporation is a minority shareholder of Team Snubbing and therefore is dependent on, and subject to, the decisions of the majority shareholders and management of Team Snubbing to a certain extent. The Corporation has representation on the board of directors of Team Snubbing, and the terms of the shareholders agreement governing the affairs of Team Snubbing provide that key matters relating to the conduct of Team Snubbing's business will require not less than 65% shareholder approval, giving the Corporation an effective veto over any such decisions. However, the Corporation, as a minority shareholder, is dependent on Team Snubbing to manage and operate its business and to do so in compliance with the shareholders agreement, and applicable laws. If Team Snubbing manages its business in a manner that results in violation of the shareholders agreement or applicable laws, such violation may have an adverse impact on the Corporation.

Internal Control Deficiencies

Senior management personnel have conducted reviews and designed and developed processes to ensure that internal controls are established and adhered to. Based upon their evaluation of the internal controls, the Chief Executive Officer and Chief Financial Officer have satisfied themselves that the internal controls are effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. However, the Corporation's potential inability to successfully address potential material weaknesses in internal controls or other control deficiencies may affect its ability to report its financial results on a timely and accurate basis and to comply with disclosure and other requirements.

Dividends

The amount of future cash dividends paid by the Corporation will be subject to the discretion of the Board and may vary depending on a variety of factors and conditions existing from time to time, many of which will be beyond the control of the Corporation. These factors and conditions include fluctuations in capital expenditure requirements, debt service requirements, restrictions imposed on the Corporation by its lenders, operating costs, foreign exchange rates and the satisfaction of the liquidity and solvency tests imposed by applicable corporate law for the declaration and payment of dividends. There can be no assurance that the Corporation will pay dividends in the future.

Dilution

High Arctic may make future acquisitions or enter into financings or other transactions involving the issuance of securities of High Arctic which may be dilutive.

Volatility in Market Price of Common Shares

The market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Corporation's control, including the following: (i) actual or anticipated fluctuations in High Arctic's financial results; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other companies that investors deem comparable to High Arctic; (iv) the loss or resignation of members of Management or the Board and other key personnel of High Arctic; (v) sales or perceived sales of additional Common Shares; (vi) significant acquisitions, asset dispositions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving High Arctic or its competitors where High Arctic does not realize its anticipated benefits from such transaction; (vii) trends, concerns, technological or competitive developments, regulatory changes and other related issues in the oil and natural gas industry; and (viii) actual or anticipated fluctuations in interest rates.

Financial markets have experienced significant price and volume fluctuations in recent years that have particularly affected the market prices of equity securities of companies and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if High Arctic's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values which may result in impairment losses.

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 Corporations' Mortgage Facility interest rate was fixed for the five year term in December 2021, thereby reducing exposure to interest rate risk on this facility. An undrawn revolving credit facility secured against the Canadian well servicing and snubbing business was extinguished during July 2022 when these Canadian businesses were sold.

Income Tax Risk

The Corporation has risks for income tax matters, including the unanticipated tax and other expenses and liabilities of the Corporation due to changes in income tax laws. The Corporation must file tax returns in the foreign jurisdictions in which it operates. The tax laws and the prevailing assessment practices are subject to interpretation and the foreign authorities may disagree with the filing positions adopted by the Corporation. The impact of any challenges cannot be reliably estimated and may be significant to the financial position or overall operations of the Corporation.

Forward-Looking Statements and Information May Prove Inaccurate

Shareholders and prospective investors are cautioned not to place undue reliance on the Corporation's forward-looking statements and information. By its nature, forward-looking statements and information involve numerous assumptions, known and unknown risk and uncertainties, of both a general and specific nature, which could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties related to forward-looking statements and information are found under the heading "Note Regarding Forward-Looking Statements" in this AIF.

Conflicts of Interest

Certain directors or officers of High Arctic may also, or may in the future be, directors or officers of other companies that may compete or be counterparties to agreements with High Arctic, and as such may, in certain circumstances, have a conflict of interest. Conflicts of interest, if any, will be subject to and governed by procedures prescribed by the ABCA which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with High Arctic disclose his or her interest and, in the case of directors, refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA. See "*Directors and Officers - Conflicts of Interest*" in this AIF.

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, High Arctic may disclose confidential information relating to the business, operations or affairs of the Corporation. Although confidentiality agreements are to be signed by third parties prior to the disclosure of any confidential information, a breach of such confidentiality agreement could put High Arctic at competitive risk and may cause significant damage to its business. The harm to High Arctic's business from a breach of confidentiality cannot presently be quantified but may be material and may not be compensable in damages. There can be no assurance that, in the event of a breach of confidentiality, High Arctic will be able to obtain equitable remedies, such as injunctive relief from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

DIVIDENDS AND DISTRIBUTIONS

On May 17, 2012, the Corporation instituted a dividend policy and the first monthly dividend of \$0.01 per Common Share was paid on June 14, 2012. In March 2013, the Corporation increased its monthly dividend to \$0.0125 per share and subsequently increased it to \$0.0165 per share in November 2014 which remained in effect until March 2020. In 2020, the Corporation suspended its monthly dividend of \$0.0165 per share.

In 2021, the Corporation declared a one-time special dividend of \$0.20 per share.

In April 2022, the Corporation recommenced its monthly dividend at \$0.005 per share. No further changes to the monthly dividend have been announced as of the date of this AIF. The table below summarizes the total annual dividends paid to shareholders in each of the last three fiscal periods.

For the Year Ended	Aggregate Annual Dividend per Common Share
2020	\$0.033
2021	\$0.200
2022	\$0.045

The declaration and payment by the Corporation of any future dividends or distributions on the Common Shares and the amount will be at the discretion of Board and will be established on the basis of the Corporation's earnings, financial requirements, statutory solvency tests, any contractual restriction on such dividends and other conditions existing from time-to-time. There can be no assurance that the Corporation will continue to pay any dividends or distributions in the future.

CAPITAL STRUCTURE

The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares. The Corporation's Common Shares trade on the TSX under the symbol "HWO".

As at December 31, 2022 there were 48,691,864 issued and outstanding Common Shares. No Preferred Shares have been issued.

Each Common Share entitles its holder to receive notice of and to attend all meetings of the Shareholders and to one vote at such meetings. The holders of Common Shares are, at the discretion of the board of directors, entitled to receive any dividends declared by the board of directors.

The holders of Common Shares are entitled to share equally in any distribution of the assets of the Corporation upon its liquidation, dissolution, bankruptcy or winding-up or other distribution of its assets among its Shareholders for the purpose of winding-up its affairs.

The Preferred Shares may be issued from time to time in one or more series, each consisting of such number of Preferred Shares as determined by the board of directors of the Corporation, who also may fix the designations, rights, privileges, restrictions and conditions attaching to the shares of each series of Preferred Shares. The Preferred Shares

of each series shall, with respect to payment of dividends and distribution of assets in the event of voluntary or involuntary liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, rank on a parity with the Preferred Shares of every other series and shall be entitled to preference over the Common Shares and the shares of any other class ranking junior to the Preferred Shares.

Credit Facility

The Corporation had a \$37.0 million revolving facility with a maturity date of August 31, 2023 which was secured by a general security agreement over the Corporation's assets. In addition, the revolving credit facility allowed for up to \$5.0 million to be available by way of account overdraft which was not subject to the covenant requirements.

The Revolving Credit Facility was extinguished effective July 28, 2022 in conjunction with the Sale Transactions. The Corporation maintains an overdraft facility in the amount of \$0.6 million with the same bank with security interest over cash balances in Canada.

Mortgage Facility

In December 2021, the Corporation executed an \$8.1 million mortgage arrangement secured by lands and buildings owned and occupied by High Arctic and located within Alberta, Canada. The mortgage has an initial term of 5 years with a fixed interest rate of 4.30% and an amortization period of 25 years, payable monthly.

The Sale Transactions included the sale of certain Corporation owned land and buildings. At the second closing of the sale of the well servicing business in January 2023, the Corporation transferred title to real estate locations to the purchaser of the well servicing business. In December 2022, the Corporation repaid mortgage principal of \$3.6 million associated with these properties. As at December 31, 2022, the amount outstanding under the Corporation's mortgage financing was \$4.2 million.

MARKET FOR SECURITIES

Trading Summary

The Common Shares are listed for trading on the TSX under the symbol "HWO". The following table sets forth the price range and trading volume of the Common Shares as reported by the TSX for the months indicated during 2022:

Month	High (\$)	Low (\$)	Total Volume
January	\$1.67	\$1.53	891,862
February	\$1.74	\$1.62	456,287
March	\$1.82	\$1.64	1,309,421
April	\$1.69	\$1.92	1,107,985
May	\$1.78	\$1.52	730,086
June	\$1.83	\$1.49	651,223
July	\$1.35	\$1.59	620,733
August	\$1.58	\$1.40	592,137
September	\$1.46	\$1.24	272,311
October	\$1.53	\$1.38	238,426
November	\$1.57	\$1.46	656,789
December	\$1.57	\$1.45	412,312

Share Based Compensation

The following tables summarize the securities of the Corporation not listed on a marketplace for the financial year ended December 31, 2022 and granted during the most recently completed financial year.

Share-based Compensation activity

Stock Option Grants:

In the twelve-month period ended December 31, 2022, the Corporation granted 30,000 stock options and had outstanding 250,000 stock options.

Date of Grant	Number of Stock options granted	Trading Price on Date of Issuance
August 14, 2022	30,000	\$1.30

Performance Share Unit Plan (“the PSUP Plan”) Grants:

The share units granted under this plan may be Performance Share Units (“PSU’s”) or Restricted Share Units (RSU’s).

In the twelve-month period ended December 31, 2022, the Corporation granted PSUs to acquire an aggregate of 319,999 Common Shares, the particulars of which are set forth in the following table:

Date of Grant	Number of Common Shares Issuable on Release ⁽¹⁾	Trading Price on Date of Issuance
March 14, 2022	309,999	\$1.65
August 14, 2022	10,000	\$1.47

(1) Each PSU entitles the holder to acquire one Common Share or the cash equivalent on the terms and conditions set forth in the PSUP Plan.

In the twelve-month period ended December 31, 2022, the Corporation granted RSUs to acquire an aggregate of 159,999 Common Shares, the particulars of which are set forth in the following table:

Date of Grant	Number of Common Shares Issuable on Release ⁽¹⁾	Trading Price on Date of Issuance
March 14, 2022	159,999	\$1.65

(1) Each RSU entitles the holder to acquire one Common Share or the cash equivalent on the terms and conditions set forth in the PSUP Plan.

Deferred Share Unit Plan (“the DSU Plan”) Grants:

In the twelve-month period ended December 31, 2022, the Corporation granted Deferred Share Units (“DSUs”) to acquire an aggregate of 246,410 Common Shares, the particulars of which are set forth in the following table:

Date of Grant	Number of Common Shares Issuable on Release ⁽¹⁾⁽²⁾	Trading Price on Date of Issuance
March 31, 2022	32,280	\$1.75
June 30, 2022	35,009	\$1.56

September 30, 2022	54,327	\$1.36
December 10, 2022	90,000	\$1.51
December 31, 2022	34,794	\$1.51

(1) Each DSU entitles the holder to acquire one Common Share or the cash equivalent on the terms and conditions set forth in the DSU Plan.

(2) DSU issuance includes the election of some directors to receive quarterly director fees compensation in DSUs.

DIRECTORS AND OFFICERS

The following table sets forth the names and municipalities of residence of those individuals who are directors and officers of the Corporation at December 31, 2022, and March 27, 2023, together with their principal occupations and positions held during the last five years:

Name and Municipality of Residence	Position	Director / Officer Since	Principal Occupation During the Preceding Five Years
Simon P. D. Batcup ^(4,7) <i>Guelph, Ontario</i>	Director	June, 2007	Mr. Batcup has been actively involved in executive management of numerous private and public companies, as both owner and investor. He is a consultant with Osborne Interim and was formerly chairman of Brauerei Fahr, a brewery based in Turner Valley.
Michael R. Binnion ^(4,5,9) <i>Calgary, Alberta</i>	Director and Chairman of the Board	June, 2005	Mr. Binnion is the Chairman of the Corporation. He is also the President and Chief Executive Officer of Questerre Energy Corporation since November 2000.
Daniel J. Bordessa ^(2,6,8,9) <i>Toronto, Ontario</i>	Director	April, 2011	Mr. Bordessa is a Partner of Cyrus Capital Partners, L.P. which manages investment funds since March 2005.
Douglas J. Strong ^(1,4,8,9) <i>Calgary, Alberta</i>	Director	December, 2018	Mr. Strong is a Chartered Professional Accountant (Chartered Accountant) with 37 years of experience having been with Precision Drilling 21 years in several senior financial and operational roles, including Chief Financial Officer from 2005 to 2010 and as President of Completion & Production Services responsible for operations in Canada and the US from 2010 to 2015.
Honourable Joe Oliver ^(2,6) <i>Toronto, Ontario</i>	Director	June, 2016	Mr. Oliver joined the Board in June of 2016. Mr. Oliver is the former Canadian Minister of Natural Resources and Minister of Finance (2011–2015). He is currently the Chair of the Ontario Independent Electricity System Operator (IESO). Previously, Mr. Oliver served as Executive Director of the Ontario Securities Commission and as the President and CEO of the Investment Dealers Association of Canada. He received a Bachelor of Arts degree and a Bachelor of Civil Law degree from McGill University and an MBA from the Harvard Business School.
Ember W. M. Shmitt ^(3,6) <i>New York, New York</i>	Director	July, 2016	Mrs. Shmitt is currently the Director of Investor Relations at Cyrus Capital Partners, since February 2007.
Michael J. Maguire ^(8,9) <i>Brisbane, Australia</i>	Chief Executive Officer	December 2013	Mr. Maguire was appointed as Chief Executive Officer on March 23, 2020. He joined the Corporation as Vice-President, International Operations in December 2013 and was appointed President, International Operations in December 2016. Prior to that, he spent seven years with Easternwell Group in various positions of increasing seniority.
Lance Mierendorf ⁽⁹⁾ <i>Calgary, Alberta</i>	Chief Financial Officer	October, 2021	Mr. Mierendorf joined High Arctic in April 2021 as Interim Chief Financial Officer and moved into role of Chief Financial Officer in October 2021. With 25+ years of financial leadership in the oil and gas industry, including

			10+ years in the CFO role for publicly listed energy and oil field service companies.
Stephen P Lambert <i>Toowoomba, Australia</i>	Chief Operating Officer	March, 2020	Mr. Lambert joined High Arctic in July 2014 and has held several roles of increasing seniority including People and Safety Manager PNG, General Manager PNG, Global Director Quality and Risk and VP Business Spt & CPO. Mr. Lambert's current role is Chief Operations Officer.

- (1) Chairman of the Audit Committee
- (2) Member of the Audit Committee
- (3) Chairman of the Governance and Nominating Committee
- (4) Member of the Governance and Nominating Committee
- (5) Chairman of the Remuneration Committee
- (6) Member of the Remuneration Committee
- (7) Chairman of the Quality, Health, Safety & Environment Committee
- (8) Member of the Quality, Health, Safety & Environment Committee
- (9) Member of the Executive Committee

The directors listed above will hold office until the next annual general meeting of the Corporation or until their successors are elected or appointed.

Securities of Directors and Officers

To the knowledge of the Corporation, as at December 31, 2022, the directors and executive officers of the Corporation, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 2,693,699 Common Shares of the Corporation, or approximately 5.5% of the 48,691,864 Common Shares of the Corporation then issued and outstanding. The Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, is based upon information furnished to the Corporation by the above individuals and/or management.

FBC Holdings Sàrl ("FBC") owned 21,916,634 common share or 45.0% of the issued and outstanding shares of High Arctic as of December 31, 2022. Daniel Bordessa, a Director of the Corporation, is a partner of Cyrus Capital Partners, L.P., which is the investment manager of FBC. Under certain circumstances, under the partnership agreement of Cyrus Capital Partners, L.P., Mr. Bordessa could become a controlling partner thereby able to indirectly exercise control or direction over the Common Shares of the Corporation owned by the partnership.

Conflicts of Interest

Circumstances may arise where members of the board of directors or officers of the Corporation are directors or officers of Corporations which are in competition to our interests. No assurances can be given that opportunities identified by such board members or officers will be provided to the Corporation. Pursuant to the ABCA, directors who have an interest in a proposed transaction upon which our board of directors are voting are required to disclose their interests and refrain from voting on the transaction. As at the date hereof, High Arctic is not aware of any existing or potential material conflicts of interest between the Corporation or one of its subsidiaries and any of its directors or officers.

Cease Trade Orders

To the knowledge of the Corporation, no director or executive officer of the Corporation, as at the date of this AIF, or within 10 years before the date of this AIF, has been, a director, chief executive officer or chief financial officer of any company, that:

- (a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to a cease trader order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer cease to be a director, chief executive

officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

To the knowledge of the Corporation, no director or executive officer of the Corporation, or a Shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, is:

- (a) as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company that, while that person was acting that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has within the 10 years before the date of the AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement, or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Regulatory Actions

To the knowledge of the Corporation, no director or executive officer of the Corporation, or a Shareholder holding a sufficient number of securities of the Corporation to materially affect the control of the Corporation, has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a security's regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The primary function of the Audit Committee is to assist the board of directors of the Corporation in fulfilling its oversight responsibilities for financial reporting processes, financial statements, and risk management. The Audit Committee Charter of the Corporation is set forth in Schedule “A” attached to this AIF.

Composition of the Audit Committee

The Audit Committee currently has 3 members: Douglas Strong, Daniel Bordessa and Joe Oliver. None of the Audit Committee members has a direct or indirect material relationship with the Corporation. Furthermore, each member of the Audit Committee has been determined by the Board to be “independent” as defined in National Instrument 52-110 – Audit Committees (“NI 52-110”). The Audit Committee members are all financially literate, meaning the member has the ability to read and understand a set of financial statements that present a breadth and level of complexity of the issues that can be expected to be raised by the Corporation’s financial statements.

Relevant Education and Experience of Members of the Audit Committee

The following is a description of the education and experience of each member of the Audit Committee.

Douglas J. Strong – Chairman

Mr. Strong joined the board in December 2018. Mr. Strong has 37 years of experience having been with Precision Drilling 21 years in a number of senior financial and operational roles, including Chief Financial Officer from 2005 to 2010 and most recently as President of Completion & Production Services responsible for service rigs and snubbing in Canada and the US. Prior to that his experience includes financial roles with Nabors Industries associated with international land contract drilling outside North America. Mr. Strong began his career with Collins Barrow in Calgary, Alberta in 1980 and holds a Bachelor of Commerce degree from the University of Calgary and is a Chartered Accountant and CPA.

Daniel J. Bordessa

Mr. Bordessa joined the Board in April of 2011. Mr. Bordessa is a Partner of Cyrus Capital Partners, L.P. (Cyrus) and was formerly a Managing Director of Cyrus Capital Partners Europe, LLP. Mr. Bordessa has been actively involved in the financial advisory and investment business through equity and debt investments in public and private companies. Mr. Bordessa is responsible for the origination, execution, and management of complex financial transactions on behalf of the funds which Cyrus manages. Mr. Bordessa also sits on a number of boards of public and privately held companies in Canada and internationally. Mr. Bordessa holds a Master of Business Administration degree from the Schulich School of Business at York University and an Honours Bachelor of Commerce degree from Carleton University.

Joe Oliver

Mr. Oliver joined the Board in June of 2016. Mr. Oliver is the former Canadian Minister of Natural Resources and Minister of Finance (2011–2015). He is currently the Chair of the Ontario Independent Electricity System Operator (IESO). Previously, Mr. Oliver served as Executive Director of the Ontario Securities Commission and as the President and CEO of the Investment Dealers Association of Canada. He received a Bachelor of Arts degree and a Bachelor of Civil Law degree from McGill University and an MBA from the Harvard Business School.

Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as outlined in section 4(24) of the Audit Committee Terms of Reference attached as Schedule “A” of this AIF.

External Auditor Services Fees

KPMG LLP was the Corporation’s external auditors for calendar year 2022.

On November 24, 2021 High Arctic announced that the Corporation had chosen KPMG LLP as external auditors for calendar year 2021 and that PricewaterhouseCoopers LLC has resigned.

The table below provides information about the fees expensed to the Corporation by KPMG in fiscal 2022 and 2021 dividing the services into the categories of work performed, in CAD \$:

KPMG fees:

Type of Work	2022 Fees	2021 Fees
Audit Fees ⁽¹⁾ - Canada	\$375,250	\$256,800
Audit Fees ⁽¹⁾ – Foreign Subsidiaries	\$234,850	\$109,500
Audit Related Fees ⁽²⁾	\$4,469	\$-
Tax fees ⁽³⁾	\$110,428	\$2,980
Total	\$724,997	\$369,280

- (1) Audit fees consist of fees for the audit of the Corporation's annual financial statements of the parent company and all relevant subsidiaries, the review of the Corporation's interim financial statements and services that are normally provided in connection with statutory and regulatory filings or engagements.
- (2) Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and are not reported as audit fees. Such fees include services provided in conjunction with the filing of regulatory documents by the Corporation.
- (3) All non-audit services, including tax filing, are disclosed to and pre-approved by the Audit Committee

The table below provides information about the fees expensed to the Corporation by PricewaterhouseCoopers LLP in fiscal 2021 dividing the services into the categories of work performed, in CAD \$:

PricewaterhouseCoopers LLP fees:

Type of Work	2022 Fees	2021 Fees
Audit Fees ⁽¹⁾ - Canada	\$ -	\$70,025
Audit Fees ⁽¹⁾ – Foreign Subsidiaries	\$ -	\$71,948
Audit Related Fees ⁽²⁾	\$ -	\$4,863
Tax fees ⁽³⁾	\$ -	\$197,554
Total	\$ -	\$344,390

- (1) Audit fees expensed during 2021 consist of work associated with the 2021 fiscal year accounts prior to the date of the change of the auditors and certain fees associated with the audit of the Corporation's annual financial statements of the parent company and all relevant subsidiaries engagements for the 2020 fiscal year during which PricewaterhouseCoopers LLP were the Corporation's external auditors.
- (2) Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and are not reported as audit fees relating to 2020 and expensed during 2021. Such fees include services provided in conjunction with the filing of regulatory documents by the Corporation.
- (3) All non-audit services, including tax filing relating to 2020 and expensed during 2021, are disclosed to and pre-approved by the Audit Committee

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

In the normal course of the Corporation's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions. Potential litigation may develop in relation to personal injuries (including resulting from exposure to hazardous substances, property damage, property taxes, environmental issues, including claims relating to contamination or natural resource damages and contract disputes). The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Corporation and could have a material adverse effect on the Corporation's assets, liabilities, business, financial condition and results of operations.

The Corporation is not party to any legal proceeding, nor was it a party to any legal proceedings during the 2022 financial year, nor is the Corporation aware of any contemplated legal proceedings involving the Corporation, its subsidiaries or any of its property which involves a claim for damages exclusive of interest and costs that may exceed 10% of the current assets of the Corporation.

There are no penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority during legal proceedings material to the Corporation to which the Corporation is a party or of which any of its property is the subject matter, and there are no such proceedings known to the Corporation to be contemplated during the financial year ended December 31, 2022.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Cyrus Capital Partners L.P., as investment manager to FBC Holdings Sàrl, owns 45% of the issued and outstanding shares of High Arctic as of December 31, 2022. Daniel Bordessa, a Director of the Corporation, is a Partner of Cyrus Capital Partners L.P. Other than the aforementioned or pursuant to the related party transactions, as set out in the consolidated audited financial statements for the year-ended December 31, 2022, there were no other material interests, direct or indirect, of directors and executive officers of the Corporation or any Shareholder who is the direct or indirect beneficial owner of, or who exercises control or direction over more than 10% of the Common Shares, or any known associate or affiliate of such persons in any transaction within the three most recently completed financial years or during the current financial year which has materially affected or will materially affect the Corporation.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Corporation at year end are KPMG LLP, Chartered Professional Accountants, Suite 3100, 205 5 Avenue SW, Calgary, AB T2P 4B9.

On February 16, 2022 High Arctic announced that it had replaced Computershare Investor Services as the registrar and transfer agent with Odyssey Trust Company at their principal offices in Calgary, Alberta, Vancouver, British Columbia and Toronto, Ontario. At December 31, 2022 Odyssey Trust Company was the registrar and transfer agent for the Common Shares of the Corporation.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business (unless otherwise required by applicable securities requirements to be disclosed) and the Credit Facility discussed above under the heading “*Capital Structure*”, neither the Corporation nor its subsidiaries have entered into any material contracts within the last financial year, or before the last financial year that are still in effect.

INTEREST OF EXPERTS

KPMG LLP are the auditors of the Corporation and have confirmed that they are independent with respect to the Corporation within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

The Corporation changed auditors for the 2021 year ended audit from PricewaterhouseCoopers LLP to KPMG LLP. There is no person or company whose profession or business gives authority to a statement, report or valuation made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by the Corporation during, or related to, the Corporation’s most recently completed financial year other than KPMG LLP, Chartered Professional Accountants who have prepared an independent auditor’s report dated March 27, 2023 and March 11, 2022 in respect of the Corporation’s consolidated financial statements as at December 31, 2022 and December 31, 2021 and for years then ended.

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com. Additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of the Corporation’s securities and securities authorized for issuance under equity compensation plans is contained in the Corporation’s Management Proxy and Information Circular for its most recent annual meeting of Shareholders. Additional financial information is contained in the Corporation’s audited consolidated financial statements and management’s discussion and analysis for the year ended December 31, 2022, which are also available on SEDAR at www.sedar.com.

SCHEDULE A

HIGH ARCTIC ENERGY SERVICES INC. AUDIT COMMITTEE TERMS OF REFERENCE

1. Constitution

Pursuant to the Business Corporations Act (Alberta), the bylaws of High Arctic Energy Services Inc. (the “**Corporation**” or “**High Arctic**”) and annual resolutions of the Board of Directors of the Corporation (the “**Board**”) and in intended compliance with applicable corporate and securities laws and the requirements of each stock exchange upon which securities of the Corporation are traded, there is hereby constituted, as a standing committee of the Board, a committee designated as the “Audit Committee” (the “Committee”), which Committee is delegated the powers and subject to the terms of reference hereinafter set forth.

2. Mandate

The mandate of the Committee shall be to assist the Board in fulfilling its oversight responsibilities in respect of: (i) the adequacy, integrity and effectiveness of the Corporation’s and its subsidiaries (collectively, “**High Arctic**”) financial reporting process and financial statements, including, without limitation, the adequacy, integrity and effectiveness of internal financial and management controls and systems; and the adequacy and integrity of the audit process; and (ii) risk management for High Arctic, including, without limitation, the adequacy, integrity and effectiveness of risk management systems and reporting, in addition to any mandate or function prescribed by applicable law, regulation or rule to be discharged by the Committee constituted as the audit committee of an entity such as High Arctic.

The purpose of this document is to establish the terms of reference for the Audit Committee to assist the Board in fulfilling its oversight responsibilities. Responsibility for accounting for transactions and internal control over financial accounting lies with executive officers of the Corporation and senior management (“**Management**”) of the Corporation.

3. Organization and Operation

- (1) The Committee shall be comprised of a minimum of three (3) members of the Board. Committee members shall be appointed by the Board provided that any member may be removed or replaced at any time by the Board.
- (2) Each of the members of the Committee shall be “unrelated directors”, “outside directors” and “financially literate”, as such terms are defined from time to time pursuant to the Governance Guidelines of the Toronto Stock Exchange (“TSX”) and, to the extent practicable, the Committee shall include at least one member who may reasonably be regarded as a financial expert. In addition, each of the members of the Committee shall be “independent” and “financially literate” as required by Multilateral Instrument 52-110 adopted by the Canadian Securities Administrators (“CSA”) or any rule or instrument implemented in substitution or addition thereto.
- (3) A majority of the members of the Committee shall be residents of Canada.
- (4) The Committee shall have the power to appoint its chairman.
- (5) Any member of the Committee, the President and Chief Executive Officer or the auditors of the Corporation (the “**auditors**”) may call a meeting of the Committee upon not less than 48 hours’ notice to the other members of the Committee. The Committee shall have the right to determine who shall, and who shall not, be present at any time during a meeting of the Committee.
- (6) The auditors of the Corporation are entitled to receive notice of every meeting of the Committee and, at the expense of the Corporation, to attend and be heard thereat and, if so, requested by a member of the Committee, shall attend any meeting of the Committee held during the term of office of the auditors.
- (7) The Chief Executive Officer and Chief Financial Officer or their designates shall be available to attend at all meetings of the Committee upon invitation of the Committee.
- (8) The Committee shall meet at least four times annually.
- (9) A quorum for meetings of the Committee shall be a majority of its members present in person, by video conference, by telephone, or a combination thereof.

- (10) Questions arising at any meeting of the Committee shall be decided by a majority of the votes cast.
- (11) The rules for calling, holding, conducting, and adjourning meetings of the Committee shall be the same as those governing meetings of the Board or as otherwise provided in the by-laws of the Corporation.
- (12) The Corporate Secretary, or such other person as the Corporate Secretary of the Corporation shall designate, shall keep minutes of the meetings of the Committee. Minutes of each Committee meeting should be concise in describing substantive issues discussed by the Committee and clearly identify Committee responsibilities discharged and those outstanding.
- (13) Except as set forth herein, the Committee may determine its own rules of procedure.

4. Duties and Responsibilities

In the discharge of its mandate, the Committee shall:

Corporate Information and Internal Control

- (1) Review and recommend for approval by the Board, annual and quarterly financial statements, and all financial information in any prospectus, offering memorandum, AIF, management's discussion, and analysis ("**MD&A**") or annual report of the Corporation;
- (2) Review and make recommendations with respect to information and control systems of High Arctic;
- (3) Review and approve all major changes to information and control systems of High Arctic;
- (4) Review and approve spending authorities and expenditure approval limits of officers of High Arctic;
- (5) Review and approve all determinations made in respect of significant accounting and tax compliance issues;
- (6) Review all significant financial, accounting and tax issues in connection with proposed non-recurring events such as mergers, acquisitions, or divestitures;
- (7) Review and approve all press releases or other publicly circulated documents containing financial information;
- (8) In consultation with the auditors, review and monitor the integrity of the financial statements of High Arctic and any formal announcements relating to High Arctic's financial performance, and review significant financial reporting judgments contained therein;
- (9) Review and monitor the effectiveness of High Arctic's internal control monitoring function;
- (10) Review and monitor the effectiveness of the audit process, taking into consideration applicable professional and regulatory requirements;

Auditors

- (11) Make recommendations to the Board in respect of the auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for High Arctic, in respect of the terms of retainer of the auditors and, as determined desirable or necessary, in respect of the replacement of the auditors (subject to shareholder notification and approval);
- (12) Review the terms of the auditors' engagement and make recommendations to the Board as to the compensation of the auditors;
- (13) Require the auditors to report directly to the Committee;
- (14) Oversee the work of auditors engaged for the purposes of preparing or issuing an audit report or performing other audit, review, or attest services for High Arctic, including the resolution of disagreements between management and the auditors regarding financial reporting;
- (15) Annually consider any comments raised by the auditors of the Corporation regarding internal controls and procedures;

(16) Review and make recommendations in respect of any material issues raised by any internal quality control review (or peer review) of High Arctic or by any inquiry or investigation by governmental or professional authorities;

(17) Annually, evaluate the auditors' qualifications, performance, and independence;

(18) Review and discuss with the auditors any disclosed relationships or services that may impact the objectivity and independence of the auditors;

(19) Annually, to ensure continuing auditor independence, consider the rotation of the lead audit partner or the auditor itself;

(20) Where there is a change of auditor, review all issues related to the change, including information to be included in the notice of change of auditors (Section 4.11 of National Instrument 51-102 – Continuous Disclosure Obligations (“NI 51-102”), and the planned steps for an orderly transition;

(21) Review all reportable events, including disagreements, unresolved issues, and consultations, as defined in NI 51-102, on a routine basis, whether or not there is a change of auditors;

(22) Develop and implement a policy on the engagement of the auditors to supply non-audit services, taking into account any relevant independence guidance regarding the provision of non-audit services by the auditor;

(23) At each meeting, consult with external auditors, without the presence of management, about the quality of High Arctic's accounting principles, internal controls and completeness and accuracy of High Arctic's financial reports;

(24) Pre-approve engagements for non-audit services provided by the auditors or their affiliates, together with estimated fees and potential issues of independence. The pre-approval requirement is waived with respect to the provision of non-audit services if:

(i) the aggregate amount of all such non-audit services provided to High Arctic constitutes not more than five percent of the total amount of revenues paid by High Arctic to the auditors during the fiscal year in which the non-audit services are provided;

(ii) such services were not recognized by High Arctic at the time of the engagement to be non-audit services; and

(iii) such services are promptly brought to the attention of the Committee by High Arctic and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board to whom authority to grant such approvals has been delegated by the Committee.

Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval, such authority may be delegated by the Committee to one or more independent members of the Committee;

(25) Set hiring policies for partners, employees and former partners and employees of the present and former auditors;

(26) At least annually, separately interview management and the auditors to discuss the relationship between them, especially as regards to the competency, communication, access provided, and cooperation displayed in matters relating to the audit and the financial affairs of High Arctic;

(27) Establish procedures for:

(a) the receipt, retention and treatment of complaints received by High Arctic regarding accounting, internal accounting controls, or auditing matters;

(b) the confidential, anonymous submission by employees of High Arctic of concerns regarding questionable accounting and auditing matters; and

(c) the proportionate and independent investigation of any matters raised by employees of High Arctic, including the appropriate follow-up action (if any);

(28) Monitor changes to applicable laws, regulations and rules and industry standards and practices with respect to financial reporting;

Audit

- (29) Review with management and the auditors the audit plan for the coming year;
- (30) Review with management and the auditors any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgments of management that may be material to financial reporting;
- (31) Separately interview management and the auditors regarding significant financial reporting issues during the fiscal period and the method of resolution;
- (32) Review any problems experienced by the auditors in performing the audit, including any restrictions imposed by management or significant accounting issues in which there was a disagreement with management;
- (33) Review annual and quarterly financial statements with management and the auditors (including disclosures under MD&A), in conjunction with the report of all significant variances between comparative reporting periods;
- (34) Review the certification process under National Instrument 52-109 adopted by the CSA;
- (35) Review and make recommendations as to the auditors' report to management and management's response and subsequent remedy of any identified weaknesses;

Risk Management and Controls

- (36) Provide oversight in respect of risk management policies and practices, including the identification of major business risks and the processes and other steps taken to mitigate such risks;
- (37) Review and make recommendations as to hedging strategies, policies, objectives, and controls;
- (38) Review, not less than quarterly, a mark to market assessment of High Arctic's hedge positions and counter party credit risk and exposure;
- (39) Review High Arctic's risk retention philosophy and resulting exposure to the Corporation;
- (40) Review the adequacy of insurance coverage;
- (41) Review loss prevention policies and programs in the context of competitive and operational considerations;
- (42) Review and recommend for approval the annual operating and capital budgets of High Arctic and any amendments thereto;
- (43) Annually review authority limits for capital expenditures;
- (44) Review all pending litigation involving High Arctic and assess the prospective exposure to High Arctic;
- (45) Obtain explanations of significant variances with comparative reporting periods;
- (46) Ascertain compliance with covenants under loan agreements; and
- (47) Review, not less than annually, High Arctic's cyber-security risk management programs and effectiveness of monitoring function.

Other Duties and Responsibilities

The responsibilities, practices and duties of the Committee outlined herein are not intended to be comprehensive. The Board may, from time to time, charge the Committee with the responsibility of reviewing other items of financial, control or risk management nature.

The Committee shall periodically report to the Board decisions taken in exercise of powers conferred herein and the results of reviews undertaken and any associated recommendations.

5. Authority

The Committee shall have all power and authority necessary or desirable to fully and effectively discharge its mandate hereunder and, in that connection and without limitation, the Committee may:

(1) Investigate any corporate activity, in any area, that the Committee considers necessary or advisable, and, for such purposes and the performance of its other responsibilities, the Committee shall have unrestricted access to all personnel records of High Arctic, the auditors and all other advisors to High Arctic and, from time to time, may require the Chief Financial Officer to report to the Committee;

(2) Make any recommendation to the Board, as it considers necessary or advisable, in respect of matters within its mandate, provided, however, that where the Committee intends to make any such recommendation, the recommendation shall first be presented to the Lead Director and, in respect of financial matters, to the auditor for comment before being communicated to the Board, unless the Committee concludes that such action would not be in the best interest of High Arctic and/or the shareholders; and

(3) Engage and obtain the advice of outside advisors, if necessary, to properly discharge its functions, duties and responsibilities including, without limitation:

(a) to engage independent counsel and other advisors as it determines necessary to carry out its duties;

(b) to set and pay the compensation for any advisor employed by the Committee; and

(c) to communicate directly with the auditors.

6. Limitation

The foregoing is (i) subject to and without limitation of the requirement that in exercising their powers and discharging their duties the members of the Board act honestly and in good faith with a view to the best interests of the Corporation; and (ii) subject to and not in expansion of the requirement that in exercising their powers and discharging their duties the members of the Board exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

While the Committee has the responsibilities and powers set forth herein, it is not the duty of the Committee to prepare financial statements, plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and are in accordance with International Financial Reporting Standards ("IFRS") and applicable rules and regulations. These are the responsibilities of Management and the external auditor.

The Committee, the Chair of the Committee and any Committee members identified as having accounting or related financial expertise are members of the Board of Directors, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Corporation, and are specifically not accountable or responsible for the day-to-day operation or performance of such activities.

Although the designation of a Committee member as having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out her or his duties on the Committee, such designation does not impose on such person any duties, obligations or liabilities that are greater than the duties, obligation and liabilities imposed on such person as a member of the Committee and the Board of Directors in the absence of such designation. Rather, the role of a Committee member who is identified as having accounting or related financial expertise, like the role of all Committee members, is to oversee the process, not to certify or guarantee the internal or external audit of the Corporation's financial information or public disclosure.