

HIGH ARCTIC ENERGY SERVICES INC.



ANNUAL INFORMATION FORM FOR THE YEAR ENDED DECEMBER 31, 2015

March 11, 2016

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NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual information form (“AIF”) contains forward-looking statements. When used in this document, the words “may”, “would”, “could”, “will”, “intend”, “plan”, “anticipate”, “believe”, “seek”, “propose”, “estimate”, “expect”, and similar expressions, 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, statements pertaining to the following:

- general economic and business conditions which will, among other things, impact demand for and market prices for the Corporation’s services;
- expectations regarding the Corporation’s ability to raise capital and manage its debt obligations;
- commodity prices and the impact that they have on industry activity;
- estimated capital expenditure programs for fiscal 2016 and subsequent periods;
- projections of market prices and costs;
- factors upon which the Corporation will decide whether or not to undertake a specific course of operational action or expansion;
- treatment under governmental regulatory regimes and political uncertainty and civil unrest.

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:

- obtain equity and debt financing on satisfactory terms;
- market successfully to current and new customers;
- obtain equipment from suppliers;
- construct property and equipment according to anticipated schedules and budgets;
- remain competitive in all of its operations; and
- attract and retain skilled employees.

The Corporation’s actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this AIF:

- liquidity risks, which may be exacerbated if the Corporation is unable to maintain or raise financing on terms acceptable to the Corporation or at all;
- reduction in industry activity levels due to such factors as lower oil and natural gas prices and the ability of customers to raise capital for exploration and development;
- 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;
- changes in legislation and the regulatory environment, including uncertainties with respect to royalty regimes and environmental initiatives;
- income tax matters including unanticipated tax and other expenses and liabilities of the Corporation in foreign jurisdictions;
- the worldwide demand for oilfield services in connection with the drilling, workover and completion of oil and natural gas wells;
- 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;
- general economic conditions in Canada, the United States, Southeast Asia and elsewhere, including variations in exchange rates and interest rates;
- regional and international competition;
- risks inherent in foreign operations, including political and economic risk;
- liabilities and risks inherent in oil and natural gas operations, including environmental liabilities and risks;
- 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;
- uncertainties in weather affecting the duration of the service periods and the activities that can be completed;
- the cancellation of industry-standard type contract arrangements used by the Corporation including written contracts, which are cancellable by customers at any time, and verbal agreements;
- price risks resulting in fluctuations in market prices for short term investments;
- 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.

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;

“**By-laws**” means the by-laws of High Arctic dated December 31, 2010;

“**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;

“**Credit Facility**” means a credit agreement dated May 5, 2011 and amended in October, 2012, July, 2014 and June, 2015 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;

“**Hydraulic Workover Rig**” or “**HWR**” means a workover rig that moves the tubulars using hydraulic power while performing a workover;

“**IFRS**” means International Financial Reporting Standards;

“**N₂**” means nitrogen;

“**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;

“**Rig Assist**” means a Snubbing unit that performs Snubbing services with the assistance of a service rig;

“**Share Incentive Plan**” means the executive and director share incentive plan approved by the Shareholders on June 29, 2010;

“**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;

“**Stand Alone Snubbing System[®]**” means High Arctic’s snubbing units designed to assist in the completion of wells without the aid of a service rig;

“**Stock Option Plan**” means the stock option plan of the Corporation approved by the Shareholders on June 28, 2007, as amended on May 13, 2014;

“**TSX**” means the Toronto Stock Exchange;

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

“**workover**” means the process of performing major maintenance or remedial treatments on a well and for this purpose includes completion of a well for production.

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

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 to consolidate its outstanding Common Shares on a five for one basis on June 14, 2011.

The head office of the Corporation is at Suite 2010, 444 – 5th Ave SW, Calgary, Alberta, T2P 2T8 and the registered office of the Corporation is at Suite 1000 – 250 2nd Street S W Calgary, Alberta, Canada, T2P 0C1. The Corporation’s telephone number is (403) 508-7836, the facsimile number is (403) 262-5176 and the website is www.haes.ca. The Corporation maintains offices in Calgary, Alberta; Nicosia, Cyprus; Brisbane, Australia; Singapore; Port Moresby, Papua New Guinea; Red Deer, Alberta; and Grande Prairie, Alberta.

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".

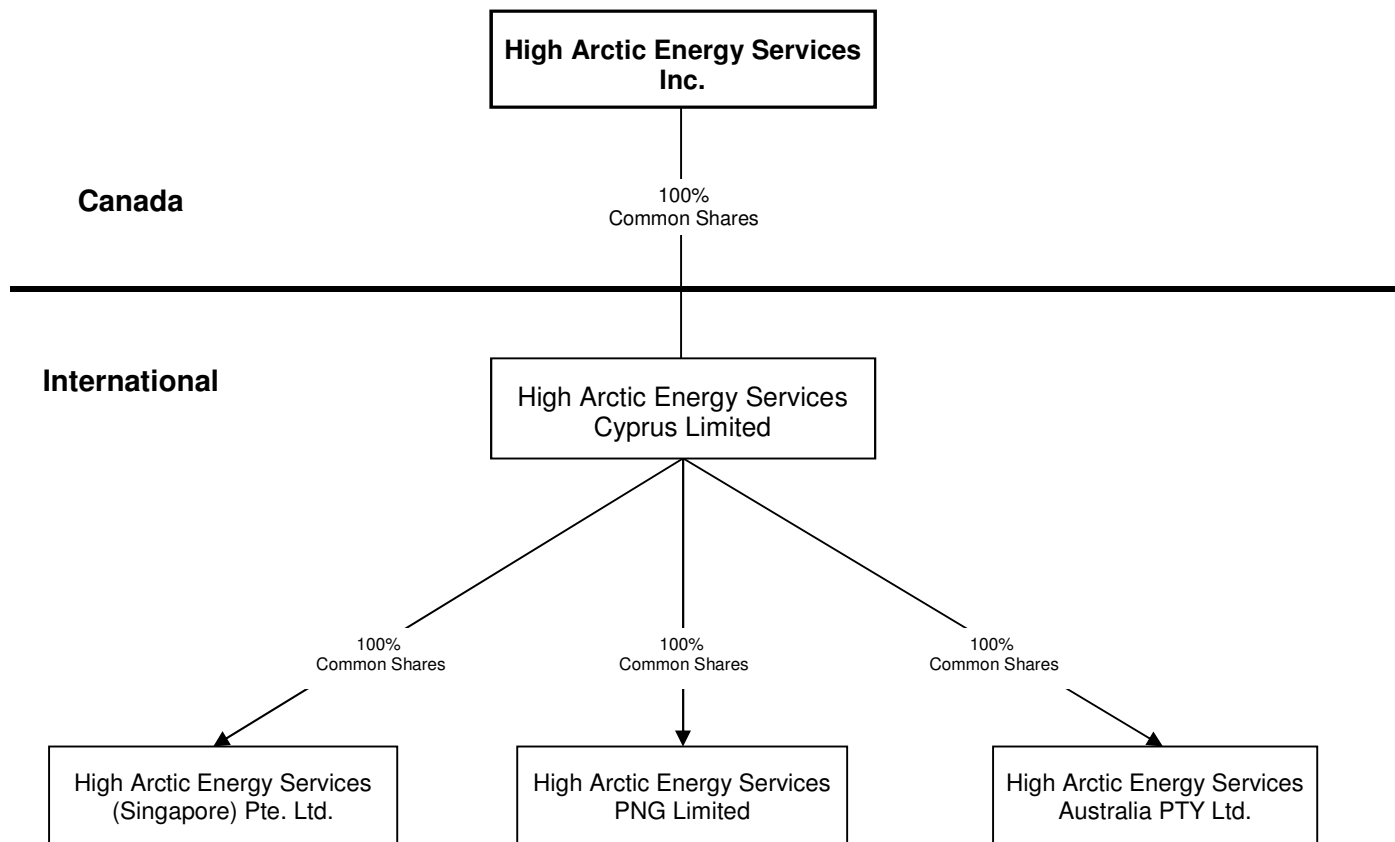
Inter-corporate Relationships

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

	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 (Singapore) Pte. Ltd.	100%	Singapore	Singapore
High Arctic Energy Services PNG Limited	100%	Port Moresby, Papua New Guinea	Papua New Guinea
High Arctic Energy Services Australia PTY Ltd	100%	Brisbane, Australia	Australia

Organization Structure of the Corporation

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



GENERAL DEVELOPMENT OF THE BUSINESS

History

High Arctic's principal focus is to provide contract drilling services, snubbing services, workover services rental equipment and related oilfield services in PNG and Canada. The Corporation began as a private company in 1993 focused on snubbing applications in Alberta. The business evolved into Stand Alone Snubbing System[®] units, drilling services, equipment rentals and nitrogen pumping services. The Corporation has had international activities in the Middle East region, Mexico, northern Africa, India and elsewhere but is currently operating only in Canada and PNG.

In July 2005, High Arctic completed a reorganization into an unincorporated investment trust known as High Arctic Energy Services Trust and made an initial public offering of trust units in Canada, raising gross proceeds of \$84.0 million. The trust units were initially listed for trading on the TSX on July 21, 2005. High Arctic Energy Services Trust converted into the current publicly traded corporate entity through a plan of arrangement on June 29, 2007.

During 2007, the Corporation significantly expanded its international operations with the start-up of operations in PNG. Operations commenced in PNG in 2007 with two drilling rigs, Rigs 101 and 103, and a fleet of rental equipment. Both rigs are heli-portable drilling rigs operated by High Arctic under operating leases from its principal customer. The Corporation also participated in a joint venture with a major international service provider, to provide well pressure control services in Mexico for the period from January 1, 2008 until September, 2009 when the Corporation's interest in the joint venture was sold to the joint venture partner.

In 2008, High Arctic's growth in PNG continued with the mobilization of Rig 102, a heli-portable Hydraulic Workover Rig, to PNG to perform services starting its first well in June 2008. The Corporation was awarded a contract for Rig 104, which, like Rig 103, is a state-of-the-art heli-portable drilling rig, and drilling began in December 2008. Rig 104 is also owned by High Arctic's customer and managed by High Arctic under an operating lease.

Substantially all of the Corporation's operating activities in the Middle East region and in Mexico were discontinued in 2009.

On April 30, 2010, the Corporation completed a series of transactions to reduce debt levels, extend its credit facilities and expand its equity capital. The Corporation issued 6,593,677 Common Shares in settlement of all outstanding indebtedness and claims owed by the Corporation to related parties. The then outstanding debentures of the Corporation (plus accrued interest) of approximately \$30.9 million were converted into 24,736,227 Common Shares. An additional 2,526,148 Common Shares were issued to the Corporation's senior lenders as consideration for a term loan with a maturity date of April 30, 2011. On closing, the principal amount of the term loan credit facility was \$43.9 million.

On June 14, 2011, the Corporation completed a consolidation of its Common Shares on the basis of one (1) new post-consolidation Common Share for every five (5) pre-consolidated Common Shares. The 252,183,147 Common Shares of the Corporation outstanding were reduced to approximately 50,436,636 Common Shares.

High Arctic commenced monthly dividend payments with the first monthly dividend of \$0.01 per share paid on June 14, 2012.

Effective October 1, 2012, the Corporation completed an extension and amendment of its Credit Facility. The main components of the Credit Facility were a \$30.0 million revolving loan and a \$5.0 million revolving operating loan. The Credit Facility is secured by all of the assets of High Arctic and by guarantees given by its material foreign subsidiaries. For additional information on the Credit Facility, see the section below "*Material Contracts – Credit Facility*".

Developments of High Arctic in 2013

The Corporation renewed its contracts with its major customer for the drilling operations for Rigs 103 and 104 in PNG and the drilling support services related to the supply of personnel and rental equipment to support the related drilling. The extensions took effect on July 1, 2013 for a three year term to June 30, 2016.

High Arctic entered into a contract with a major Canadian global upstream oil and natural gas company to provide equipment and services to their primary staging area in the southern forelands of PNG. This staging area provides both ship and helicopter borne logistics and materials support to their drilling activities in the area. The Corporation provided the customer with 1,065 Dura-Base® mats, a 160 ton crawler crane and other specialized rolling stock along with operating personnel to support the equipment and manage the site.

High Arctic increased its monthly dividend to \$0.0125 per share in March, 2013. The annual dividend totalled \$7.2 million, which represented 20% of funds provided from operations during 2013.

On May 13, 2013, the Corporation received approval from the Toronto Stock Exchange to acquire for cancellation up to 5 percent of the Corporation's issued and outstanding Common Shares under a Normal Course Issuer Bid (the "2013 Bid"). Under the terms of the 2013 Bid, a total of 105,470 Common Shares were purchased and cancelled at a cost of \$0.2 million.

In June, 2013, the UB250K workover rig commenced operations; however, a few days into the work both hydraulic power units which are used to supply power to the rig were damaged beyond repair in a fire. No injuries or environmental damage occurred during the incident. Insurance proceeds of \$2.9 million related to the fire were received.

In August, 2013, the maturity of the Credit Facility was extended to August 31, 2015. During the year ended December 31, 2013 the Corporation repaid \$7.0million of its outstanding long term debt.

High Arctic entered into a contract in December 2013 with a new customer in PNG to drill two firm wells with spud of the first well targeted for late March 2014. The firm two well commitment, including mobilization, was expected to take at least nine months to complete with an option to extend. The equipment included in the agreement comprised Rig 103 and the leap frog package, a 93 man main camp, a 32 man leap frog camp and High Arctic owned drilling support equipment and matting.

For the year ended December 31, 2013, total capital expenditures of \$21.9 million were incurred. High Arctic continued to build its fleet of rental equipment and matting in PNG at a cost of approximately \$10.1 million. In Canada, total expenditures of approximately \$11.8 million included retrofits and rebuilds of its Nitrogen Units, equipment to replace the components of the damaged UB250K Rig, the acquisition of Blow Out Preventers for its rental fleet and the costs of the construction of its new facility in Grande Prairie, Alberta.

Developments of High Arctic in 2014

High Arctic increased its monthly dividend to \$0.015 per share in March, 2014 and increased it further to \$0.0165 per share in November, 2014. In total, annual dividends of \$9.4 million were declared in 2014, which represented 22% of the funds provided from operations during the year.

In May, 2014, the main components of the Corporation's available credit facilities were increased to a \$40.0 million revolving loan and a \$5.0 million revolving operating loan. In August, 2014, the Corporation paid the outstanding balance of the long-term debt of \$6.7 million. At December 31, 2014, the Corporation had no long term debt.

On April 9, 2014, the Corporation announced that it had signed a new Drilling Services Agreement with a customer for one heli-portable drilling rig in Papua New Guinea. High Arctic agreed to provide one drilling rig and a 100 person camp for a firm contract term of two years with an extension option available for one additional year. The two year term commenced once the rig had been mobilized and was ready to commence drilling operations on June 15, 2015. In conjunction with the award of this contract, High Arctic agreed to purchase two heli-portable drilling rigs (Rig 115 and Rig 116 – the "Rigs") and associated ancillary equipment at a cost of US\$29.0 million (the "Acquisition"). The matching Rigs are AC self-erecting 1500 HP triple drilling rigs designed and manufactured as heli-portable. The Rigs can be broken down into 2700kg loads allowing maximum transportation versatility and flexible alternatives in helicopter selection. Constructed in 2010, the Rigs feature the latest safety designs and drilling automation technology, and have each had approximately one year of use.

On June 11, 2014, the Corporation completed its previously announced bought-deal short form prospectus offering of 5,051,000 subscription receipts (the "Subscription Receipts") at a price of \$4.95 per Subscription Receipt for aggregate gross proceeds of approximately \$25.0 million (the "Offering"). Each Subscription Receipt was exchangeable into one Common Share upon completion of the Acquisition of the Rigs.

On July 28, 2014, the Acquisition of the Rigs was completed. The Acquisition was funded by the net proceeds of the Offering and cash on hand. Concurrently with the completion of the Acquisition of the Rigs, the net proceeds from the sale of Subscription Receipts were released by the escrow agent and 5,051,000 Common Shares were issued on exchange for the Subscription Receipts. Issuance costs of \$1.4 million were incurred pursuant to the Offering. FBC Holdings Sàrl, an insider of the Corporation, purchased 1,516,000 of the Common Shares issued, bringing its holdings to approximately 39% of the issued and outstanding Common Shares in the Corporation.

The Rigs were shipped to Houston, Texas and Rig 115 commenced upgrading in August, 2014. The upgrading was completed in early January, 2015 and the rig was shipped to PNG where it arrived on March 2, 2015. The first well utilizing Rig 115 was spudded in June, 2015 at which time its two year contract commenced.

On December 1, 2014, High Arctic announced it had signed a second Drilling Services Agreement with its customer for Rig 116, along with a 100 person camp, for a firm contract term of two years which commences once the rig has been accepted at its first drilling location in PNG. The contract is projected to deliver annualized revenue of approximately US\$30 million once the drilling operations commence. The upgrading of Rig 116 commenced in Houston in December, 2014 and it arrived in PNG in August, 2015.

For the year ended December 31, 2014, total capital expenditures of \$55.7 million were incurred. The costs to acquire and transport the Rigs to Houston, the upgrading of Rig 115 and commencement of the upgrading of Rig 116 accounted for approximately \$49.3 million. All costs related to the Rigs remained in work-in-progress at the end of 2014 and were transferred to productive assets upon their arrival in PNG in 2015. In Canada, total expenditures of approximately \$6.4 million included retrofits of certain Snubbing and Nitrogen Units, the acquisition of Blow-Out Preventers for its rental fleet, a 50 ton crane and the final costs of the construction of its new facility in Grande Prairie, Alberta which opened for operations in March, 2014.

Developments of High Arctic in 2015

The upgrading of Rig 115 was completed in early January, 2015 and the rig was shipped to PNG where it arrived on March 2, 2015. Rig 115 earned standby with crew rates until the first well utilizing Rig 115 was spudded in June, 2015 upon which time full drilling rates commenced. The upgrading of Rig 116 was completed in June, 2015 and the rig was shipped to PNG where it arrived in August, 2015 and is earning standby without crew rates until the customer proceeds with the usage of the rig at a drilling site.

In January, 2015, the Corporation received approval from the Toronto Stock Exchange to acquire for cancellation up to 5 percent of the Corporation's issued and outstanding common shares under a Normal Course Issuer Bid ("the 2015 Bid"). The 2015 Bid commenced on January 12, 2015 and was valid for one year. As of December 31, 2015, 1,569,983 common shares had been purchased and cancelled pursuant to the 2015 Bid at a total cost of \$5.7 million. An additional 48,500 common shares were purchased in January, 2016 prior to the conclusion of the one year period.

For the year ended December 31, 2015, total capital expenditures of \$40.0 million were incurred. The costs to transport the Rigs to PNG, the upgrading of Rig 116, the acquisition of rolling stock and the construction of a rig camp accounted for approximately \$36.9 million. In Canada, total expenditures of

\$3.1 million included final costs on a 170K Snubbing unit and maintenance and recertifications of existing equipment.

Monthly dividends of \$0.0165 per share were paid throughout 2015. In total, annual dividends of \$10.9 million were declared in 2015, which represented 21% of the funds provided from operations during the year.

In June, 2015, the maturity date of amounts outstanding under both main components of the credit facilities was extended to August 31, 2017 with no principal payments required prior to that date.

Since June, 2015, High Arctic has accumulated short term investments in select publicly traded oilfield service companies at a cost of \$16.5 million. These investments were made by the Corporation as strategic investments while it evaluates potential acquisition opportunities.

DESCRIPTION OF THE BUSINESS

General

High Arctic is an oilfield services company currently operating in PNG and Western Canada. In PNG, the product line consists of contract drilling services, workover services and equipment rental including rig mats, cranes and oilfield related equipment. In Canada, the product line consists primarily of Snubbing services and the supply of Cryogenic Liquid Nitrogen Pumping Services and equipment rentals.

The Corporation's corporate head office is located in Calgary, Alberta, with additional Canadian offices located in Grande Prairie and Red Deer. International offices are located in Nicosia in Cyprus, Port Moresby in Papua New Guinea, Brisbane in Australia and in Singapore.

The Corporation's services are generally conducted under a daily or hourly rate contract, under varying contract durations ranging from a single day to multi-year terms. 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 an 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. Snubbing and nitrogen services are generally conducted under an hourly rate contract dependent upon the services being provided. Rentals are charged at set daily or monthly rates depending upon the term of the contract.

The Corporation ordinarily seeks to limit its exposure to down hole risks, such as damage to the reservoir, blow outs, loss of hole and loss of equipment in the hole, other than limited liability in some instances for gross negligence. The customer also generally takes on the responsibility for well site reclamation and environmental damage associated with drilling fluids and pollution originating below the earth's surface.

A contract duration can vary from a few days or even part of a day on a single well to multiple year, multiple well contracts. In Canada, the contracts are generally on a well-by-well basis. Generally, the Corporation's Snubbing units used in well completions and workovers operate on a well-to-well, call-out basis where the customer calls for a unit to perform the required services on a particular well. In PNG, the rigs are contracted for longer periods because of the frontier nature of the work environment, the associated cost of mobilizing crews and equipment to remote locations and the often limited equipment availability that make call outs not practical. Usually, the contracts have extension periods beyond the primary term, as well as price adjustment clauses, and occasionally some exploration based contracts have early termination clauses that allow the customer to terminate for a fee before the completion of the primary term.

The Corporation's largest contract drilling operation is in PNG where it currently operates four heli-portable drilling rigs. The Corporation's activity in PNG accounted for 85% of the Corporation's revenue

for 2015 as compared to 72% in 2014. Services in PNG are provided under longer term contracts rather than the well to well contracts common in Canada. A significant customer in PNG is a large oil and natural gas company that owns and leases Rig 103 and Rig 104 to High Arctic under an operating lease agreement. The operations of these Rigs are under long term contracts that expire in June, 2016. Rigs 115 and 116 commenced operations in 2015 under take-or-pay contracts with a new customer. The contract terms for these Rigs commenced upon clearance of the Rigs by PNG customs and expire twenty-four months after the spud date of the first well utilizing each Rig. In PNG, High Arctic also owns a Hydraulic Workover Rig (Rig 102) and other drilling support equipment.

Main Product / Service Lines

Drilling and workover Rigs

The Corporation currently operates four heli-portable drilling rigs in PNG including the provision of support personnel. One Hydraulic Workover Rig capable of completing and conducting workovers on wells is currently stacked in PNG.

Equipment Rentals

The Corporation has an extensive fleet of equipment for rentals, primarily within PNG. This rental fleet includes matting, cranes, forklifts, trucks, camps, river pumps and lighting towers. Rental of this equipment is typically charged on a day rate basis for an agreed upon contract term. High Arctic also rents equipment ancillary to its Canadian operations, such as high pressure blowout preventers and boilers which are rented on a daily or hourly rental basis.

Snubbing

Snubbing is the process of moving the tubing and drill pipe into and out of a wellbore under pressure. The ability of the producing formation to flow in a permanently pressure-controlled environment is a significant advantage in successfully addressing common production problems in fluid sensitive formations, low pressure reservoirs, naturally fractured reservoirs and low permeability sandstone reservoirs. The largest activity of High Arctic's Snubbing operation is running production tubing to complete wells for production.

Snubbing services are generally provided on an hourly basis under short term well-to well-contracts using the Stand Alone Snubbing System[®] units and Rig Assist units.

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. 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. The most common uses are; well bore displacement, well bore/well head pressure testing, well bore cleanouts, nitrified acid stimulation, nitrified fluid treatments, underbalanced drilling and milling, live well applications, coil tubing applications, hydrocarbon blanketing, hydrocarbon displacement, unconventional gas stimulation (coal bed methane), conventional fracturing, pipeline pigging, pipeline commissioning/decommissioning, accelerated plant cool downs, vessel purging and pressure testing, ice plug well control, and SAGD well workovers.

Operating Regions

The Corporation has two operating regions, PNG and Canada. Consolidated revenue for the two operating regions for the years ended December 31, 2015 and 2014 is as follows:

	Year ended 31 December 2015		Year ended 31 December 2014	
	Revenue (millions)	% of Total Revenue	Revenue (millions)	% of Total Revenue
PNG	\$177.8	84.7%	\$123.5	71.9%
Canada	\$32.1	15.3%	\$48.3	28.1%
Total	\$209.9	100%	\$171.8	100%

Description of Equipment and Services

The following chart sets forth a list of High Arctic's major equipment as at December 31, 2015:

Type of Equipment	Units Owned or Leased	Canada	PNG
Heli-Portable Drilling Rigs	4	-	4
Heli-Portable Hydraulic Workover Rig	1	-	1
Snubbing Units	18	18	-
Cryogenic Liquid Nitrogen Pumpers	12	12	-
Cryogenic Liquid Nitrogen Bulklers	5	5	-
Dura-Base® mats	9,838	-	9,838

Heli-Portable Drilling Rigs

The Corporation owns two new heli-portable rigs which were acquired in 2014 and became available for use in 2015 upon the completion of certain customer requested specifications and upgrades necessary to meet PNG's high international drilling standards. Each rig is a 1500 horsepower, AC electric, self-erecting rig that can be broken down into 2700kg loads. Rig 115 and Rig 116 are both operating under take-or-pay contracts that commenced upon the clearance of PNG customs and expire twenty-four months after the spud date of the first well utilizing each rig.

High Arctic also operated two drilling rigs in PNG under drilling services contracts in 2015. The rigs are leased by the Corporation from one of its customers. Rig 103 and Rig 104 are both operating under long term contracts which expire in June, 2016. Both are 1500 horsepower heli-portable rigs.

Each of the four rigs operated by the Corporation is comprised of a draw-works support chassis, mast, drill floor sub-structure, and specialized drilling equipment. As a result, the light-weight, heli-portable equipment allows for efficient mobilization to areas with remote or limited access.

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 in combination with Rig Assist units. The HWR moves the tubular components in and out of the wellbore using hydraulic rams and slip assemblies. The Corporation owns one Heli-Portable Hydraulic Workover Rig 102 which is located in PNG.

Dura-Base® Mats

The Corporation's operation in PNG holds certain distribution rights for the rental of Dura-Base® mats within PNG. Dura-Base® mats are an environmental friendly mat made of a high density polyethylene composite. The mats are suitable for a wide range of applications where access, ground protection and a solid base is required for heavy equipment. They are well suited for the difficult terrain in PNG where wet and boggy conditions are often encountered. These mats are suitable for drilling and mining activities, pipeline construction, base camp and camp facilities. At December 31, 2015, the Corporation had approximately 6,700 Dura-Base® mats under contract with a diverse list of customers in PNG and an additional 3,138 on hand.

Support Rental Equipment

The Corporation provides drilling support equipment in PNG, such as camps, cranes, forklifts and trucks, on a daily rental basis and drilling support personnel on a daily rental rate basis, all under a drilling support contract with terms tied to the term of the various drilling services contracts. Other contracts, of varying lengths, for drilling support equipment and support personnel are also in place with other customers in PNG.

Stand Alone Snubbing System® Units

The Stand Alone Snubbing System® was designed and developed by High Arctic in 1997 primarily to assist in the completion of shallow to medium natural gas wells without the need to have both a conventional service rig and a Rig Assist unit to perform Snubbing operations. Most of the Corporation's units are capable of tripping tubing, with an automated pipe handling system, in excess of 3,500 meters, with an average trip time of 9.5 metres per minute and a lifting capability of 120,000 pounds. In 2014, the Corporation added a system with a lifting capability of 170,000 pounds to its fleet. High Arctic also owns three units with a lifting capability of 250,000 pounds. The Stand Alone Snubbing System® allows wells to be completed while eliminating the use of a conventional service rig and Rig Assist combination by providing all self-contained support equipment required for its operation. High Arctic has developed a proprietary load management system that allows work to be conducted on the well without the transfer of extra weight to the wellhead, in order to minimize ground disturbances and enable the Stand Alone Snubbing System® to be free standing.

The Corporation owns fifteen such Stand Alone Snubbing System® units all located in Canada. Generally, these units work on short-term well-by-well hourly rate contracts. As a result of the industry slowdown, in the first quarter of 2015 High Arctic reduced its fleet of marketed snubbing units to nine.

Rig Assist Units

A Rig Assist unit is a truck-mounted hydraulic system that can be used in conjunction with the other services on location to manage a well while it is underbalanced. The system function is to run downhole tubulars in and out of natural gas wells using hydraulic rams. The Rig Assist units are typically contracted on a day-to-day call-out basis to snub-assist in combination with a workover rig in underbalanced operations as requested by a customer.

The Corporation owns three Rig Assist units, all of which are located in Canada. The Rig Assist units generally work on short-term well-by-well hourly rate contracts.

Cryogenic Liquid Nitrogen Pumpers and Cryogenic Liquid Nitrogen Bulklers

High Arctic's high pressure Cryogenic Liquid Nitrogen Pumpers are used in applications such as coil tubing clean out, purging pipelines, pressure testing vessels, and in the completion of oil and natural gas

wells. Nitrogen 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 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. The Corporation owned twelve cryogenic liquid nitrogen pumpers and five cryogenic liquid nitrogen bulklers as of December 31, 2015, all operating in Canada under short term renewable daily and hourly rate contracts. As a result of the industry slowdown, in the first quarter of 2015 High Arctic reduced its fleet of marketed nitrogen pumpers to eight and nitrogen bulklers to three.

Market Information

PNG

There are significant oil and natural gas reserves in PNG and the country has become a significant energy exporter. A major step towards this goal was the completion in 2014 of a liquefied natural gas project (PNG LNG). Both primary participants in the project are customers of High Arctic. The project provides both liquefaction and storage facilities with a capacity of 6.6 million tonnes per annum (mtpa) to Asian LNG consumers through long term agreements. Other LNG projects are being considered by other operators within PNG, all of which should lead to increased oilfield activity there.

High Arctic provided services to ten different customers in PNG during 2015 (2014 – five) and is one of the leading drilling contractors in PNG. The success and activity of the Corporation is dependent on the exploration and development plans of its two main customers, one of which also is the owner of the two drilling rigs operated by High Arctic. The Corporation's two largest customers in PNG are the most active operators in PNG, and PNG is the core part of their business activities. The Corporation currently owns and operates the two newest and most advanced heli-portable rigs currently in the country and has the benefit of long term contracts.

Wells in PNG are expensive to drill by world standards which can limit the amount of drilling activity. As a result, there are relatively few active operators drilling wells at any particular time.

Canada

High Arctic's Canadian business depends on the overall drilling and well completion activity in the industry which is driven by the level of spending by oil and natural gas companies. The Canadian oilfield services sector is cyclical and is significantly affected by the activity levels of exploration and production companies.

WTI crude oil prices decreased in 2015 to an average price of \$48.80 US per barrel as compared to the 2014 average price of \$93.00 US per barrel and closed the year trading in the \$37.00 US per barrel range. Natural gas prices have also been comparatively low over the past several years. The current commodity prices remain of concern to the industry and are expected to continue to have a negative impact on drilling activity in Western Canada until higher prices are sustained.

CAODC reported that 5,292 wells were completed in 2015 as compared to 10,927 wells in 2014, a 52% decrease. In 2015, 1,482 natural gas wells were drilled in Western Canada, a decrease of 30% from 2,119 in 2014. As a result, the Corporation experienced a significant decrease in its Canadian revenue in 2015 to \$32.1 million (2014 - \$48.3 million).

Competitors

The Corporation's competitors vary by country and the type of service provided. The factors the Corporation believes are important in it obtaining new contracts are its comparatively new fleet of equipment, its high level of experience with pressure control services, its high attention to safety standards, and its experienced personnel and management.

The Corporation's competitors for any international work vary by region and can include large international drilling contractors or local, regional contractors. In PNG, the Corporation has established a position as a leading drilling contractor operating at high international standards and is one of the most active drilling contractors. High Arctic has had a long term relationship with one of the country's most active operators and has also established relationships with the country's other main operators by providing drilling services and rental equipment and related services.

The Canadian market is a highly competitive, mature market with a range of competitors for each of the Corporation's product lines. Management believes that the Corporation stands out by offering high standards of safety, an advanced fleet of equipment and industry-recognized training and leadership in Snubbing.

Customers

The Corporation's accounts receivable are predominantly with customers who explore for and develop petroleum reserves and are subject to normal industry credit risks. The Corporation assesses the credit worthiness 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. The Corporation has a wide range of customers comprised of small independent, intermediate and large multinational oil and gas producers. Notwithstanding its large customer base, the Corporation provides services to three significant customers in Papua New Guinea. One customer represents approximately 47% of the Corporation's revenue for the year ended December 31, 2015 (2014 – 28%) and 45% of its accounts receivable at that date (2014 - 41%). The second customer represents approximately 30% of the Corporation's revenue for the year ended December 31, 2015 (2014 – 35%) and 15% of its accounts receivable at that date (2014 – 16%). A third significant customer represents approximately 5% of the Corporation's revenue for the year ended December 31, 2015 (2014 – nil) and 20% of the Corporation's accounts receivable at that date (2014 – nil). Management has assessed the three customers as creditworthy and the Corporation has had no history of collection issues with these customers. See "*Risk Factors – Service Agreements and Contracts*".

Major Customer Contracts

The Corporation has a number of significant contracts related to its PNG business. With one customer, the Corporation has separate contracts for each of Rig 103 and Rig 104 and other contracts for the supply of drilling support services, rental equipment, casing running tools, the supply of camps, and other smaller contracts.

With a second customer, in 2014 the Corporation entered into Drilling Services Agreements for High Arctic owned Rig115 and Rig116. Under two separate agreements, High Arctic has agreed to provide each of the rigs, along with a 100 person camp, for a firm contract term of two years. The two year terms commence once each rig has been accepted at its first drilling location in PNG. Rig 115 began operations in early April, 2015 and due to the June, 2015 spud date of its first well, its contract will continue until June, 2017. Rig 116 cleared PNG customs in August, 2015 and began earning standby rates then. It is currently estimated that the first well for Rig 116 will be spudded in late 2016 or early 2017 which would extend its contract to at least late 2018.

Each of these contracts is executed in the normal course of business. The Corporation also has operating lease contracts with a customer for the lease of each of Rig 103 and Rig 104 and each of four camps. Any one of these contracts does not constitute a majority of the Corporation's business. The loss of any one contract would generally not have a significantly material negative impact on the results of the Corporation but the loss of the contract for any of the rigs, would, depending on the circumstances, potentially be very material particularly in the context of the overall customer relationship.

Each contract referred to above is negotiated between the parties but standardized terms and conditions have been developed with the customer over time. The main terms and conditions of each drilling contract are generally in line with the model IADC contract ("International Association of Drilling Contractors") 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 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 goes on "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 in the field and by having experienced technical personnel on site and in its field support base.

The contracts for Rig 103, Rig 104 and the related Drilling Support Services contract were renegotiated in 2013 and renewed until June, 2016. Each contract has certain termination rights that can be invoked for failure to perform in accordance with the contract. The contracts may also have a termination for convenience clause that allows the customer to terminate for any reason, sometimes with a penalty and other times with no penalties. The Rig 104 contract and the drilling support services agreement cannot be terminated for convenience while Rig 103 can be terminated with 120 days' notice.

In aggregate, the total of the contracts for the heli-portable drilling rigs operated in PNG accounted for approximately 72% of the Corporation's revenue in 2015 (2014 – 60%). As such, the loss of these contracts would have a materially negative impact on financial results of the Corporation. High Arctic has provided services to one of its main customers for the past nine years and to the second main customer since January, 2014. A high level of operational integration exists between the Corporation and the two entities with respect to drilling activity.

In addition to the contracts referenced above, the Corporation has a number of contracts with other customers both in PNG and Canada. In Canada, the Corporation generally signs master services agreements that govern the terms of any work provided but does not specify or guarantee any level of work. In addition, it has a number of first call arrangements whereby the customer agrees to normally give High Arctic a first chance to perform the work but does not guarantee any level of work and may not be exclusive. No one of these contracts is material to the Corporation on an individual basis. See "*Risk Factors – Service Agreements and Contracts*".

Employees

As at December 31, 2015, High Arctic had approximately the following number of employees:

Operating Region	Number of Employees
PNG	360
Canada (including Corporate administration)	137
Total	497

Competitive Conditions

High Arctic provides oilfield services primarily to the field operation locations of oil and natural gas exploration and production companies that are located in Western Canada and in PNG. The oilfield services businesses that the Corporation operates are highly competitive and, in order to be successful, High Arctic must provide services that meet the specific needs of its clients at competitive prices. The principal competitive factors in the markets in which the Corporation operates are price, service quality and availability, reliability and performance of equipment used to perform its services, technical knowledge and experience and safety record. Competitors offer similar services in all geographic regions in which High Arctic operates. See "*Risk Factors – Competition*".

Seasonality

The Corporation's Canadian oilfield services operations are seasonal in nature and are impacted by weather conditions that may hinder the Corporation's ability to access locations or move heavy equipment. The lowest activity levels are usually experienced during the second quarter of the year when road weight restrictions are in place and access to well sites in Western Canada is reduced.

High Arctic's inability to operate during any period has a higher impact on the results of its operations compared to some of its competitors who are in a position to deploy additional, potentially idle, equipment in the face of "catch-up" demand after the adverse operating conditions have subsided. 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. See "*Risk Factors – Seasonality*".

Environmental Protection

The Canadian and PNG oil and natural gas industries are regulated by a number of federal, provincial and state governmental bodies and agencies under a variety of federal, provincial and state legislation that sets forth numerous prohibitions and requirements, with respect to planning and approval processes related to land use, sustainable resource management, waste management, responsibility for the release of presumed hazardous materials, protection of wildlife and the environment and the health and safety of workers. Legislation provides for restrictions and prohibitions on the transport of dangerous goods and the release or emission of various substances, including substances used and produced in association with certain oil and natural gas industry operations. The legislation addresses various permits, drilling, access road construction, camp construction, well completion, installation of surface equipment, air monitoring, surface and ground water monitoring in connection with these activities, waste management and access to remote or environmentally sensitive areas.

The operations of the Corporation are subject to a variety of federal, provincial, state and local laws, regulations and guidelines, and as a consequence, the various environmental and health and safety statutes and regulations governing the manufacturing, processing, importation, transportation, handling

and disposal of substances used in oil and natural gas operations. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in the imposition of material fines and penalties. See "*Risk Factors – Environmental Liability*".

RISK FACTORS

The business and operations of the Corporation are subject to various risks as set forth elsewhere in the AIF and below. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this AIF.

Risk Management and Uncertainties

The success of the Corporation is dependent to a great extent on the health of the oil and natural gas industry in 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;
- uncertainties in weather affecting the duration of the service periods and the activities that can be completed, including the seasonality that affects industry activity in Canada;
- reduction in industry activity levels in western Canada, primarily due to a recent period of lower commodity prices;
- changes in legislation and the regulatory environment, including uncertainties with respect to implementing environmental initiatives;
- 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;
- general economic conditions in Canada, the United States and Southeast Asia including variations in currency exchange rates and interest rates;
- 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;
- risks inherent in foreign operations, including political and 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;
- regional and international competition; and
- price risks resulting in fluctuations in market prices for short term investments.

These factors may have an impact upon the Corporation's customer base which, in turn, would impact the Corporation's business prospects. The Corporation is also subject to specific risks.

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 covenants and security granted under the credit facility could limit its ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

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 are predominantly with customers who explore for and develop petroleum reserves and are subject to normal industry credit risks. The Corporation assesses the credit-worthiness 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 natural gas producers. Notwithstanding its large customer base, the Corporation provides services to three significant customers in Papua New Guinea. One customer represents approximately 47% of the Corporation's revenue for the year ended December 31, 2015 (2014 – 28%) and 45% of its accounts receivable at that date (2014 - 41%). The second customer represents approximately 30% of the Corporation's revenue for the year ended December 31, 2015 (2014 – 35%) and 15% of its accounts receivable at that date (2014 – 16%). A third significant customer represents approximately 5% of the Corporation's revenue for the year ended December 31, 2015 (2014 – nil) and 20% of the Corporation's accounts receivable at that date (2014 – nil). Management has assessed the three customers as creditworthy and the Corporation has had no history of collection issues with these customers.

The Corporation limits its exposure to credit risk on cash and cash equivalents by depositing the majority of its cash with investment grade banking institutions. Management does not expect the counterparties to fail to meet their obligations.

Customer Concentration Risk

Please refer to "Major Customer Contracts" above.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The Corporation is exposed to interest rate risk as its long term debt facility, when drawn upon, is a floating rate credit facility and fluctuates in response to changes in the prime interest

rates. For the year ended December 31, 2015, a 1% nominal change in the interest charged to the Corporation under its credit facility would not have been material.

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.

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 maintains insurance coverage that it believes is adequate and customary for an operator 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 to be maintained by the Corporation, or a claim at a time when the Corporation is not able to obtain liability 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.

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.

Risk of Foreign Operations

The Corporation operates in international locations, including PNG, which displays characteristics of an emerging market. Operations in these countries may be subject to a variety of risks including, but not limited to: currency fluctuations, devaluations and exchange controls; inflation; uncertain political and economic conditions resulting in unfavourable government actions such as unfavourable legislation or regulation, trade restrictions, unfavourable tax enforcement or adverse tax policies; the denial of contract rights; and social unrest, acts of terrorism or armed conflict. 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.

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 transacted in U.S. dollars and the Corporation has not actively engaged in foreign currency hedging to date. For the year ended December 31, 2015, a \$0.01 change in the value of the Canadian dollar relative to the U.S. dollar would not have been material. A material increase in the value of the Canadian dollar relative to the US dollar may have a material adverse change on the Corporation's business, financial condition, results of operations and cash flow.

Commodity Price Risk

Commodity price risk is the risk that fluctuations in oil or natural gas prices could materially adversely affect the Corporation's financial condition. The commodity prices affect the levels of drilling activity, particularly with respect to natural gas, which primarily affects the Canadian business. The Corporation mitigates this exposure with its diversification into international operations not dependent on the Canadian oil and natural gas industry.

Dependence on Suppliers

High Arctic sources supplies and materials from a variety of suppliers 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 the expected level of service to its customers. High Arctic attempts to mitigate this risk by maintaining good relations with key suppliers and having access to alternative 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.

Government Regulation

The operations of the Corporation in Canada, PNG 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. Although such expenditures historically have not been material to the Corporation, such laws or regulations are subject to change and may be material to the Corporation 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.

Seasonality

In Canada, the level of activity in the oilfield services industry is influenced by seasonal weather patterns. 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.

Service Agreements and Contracts

The business operations of the Corporation depend on successful execution of performance-based contracts, many of which are oral agreements or are written agreements that are cancellable at any time. The key factors which determine whether a client will continue to use the Corporation are service quality and availability, reliability and performance of the Corporation's equipment, technical knowledge and experience, reputation for safety and competitive price. There can be no assurance that the Corporation's relationship with its customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by additional sales to new or existing customers, could have

a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Internal Control Deficiencies

External consultants and 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 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.

Environmental Liability

The Corporation is subject to the operating risks inherent in the industry, including environmental damage. The Corporation has established programs and procedures to address compliance with current environmental standards and monitors its practices concerning the handling of environmentally hazardous materials. However, there can be no assurance that the Corporation's procedures will prevent environmental damage occurring from spills of materials handled by the Corporation or that such damage has not already occurred. On occasion, substantial liabilities to third parties may be incurred. The Corporation may have the benefit of insurance maintained by it or the customer; however, the Corporation may become liable for damages against which it cannot adequately insure or against which it may elect not to insure because of high costs or other reasons.

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.

Proprietary Technology

The success and ability of the Corporation to compete depends in part on the proprietary technology of the Corporation and its subsidiaries, proprietary technology of third parties that has been, or is required to be, licensed by the Corporation and its subsidiaries, and the ability of the Corporation and such third parties to prevent others from copying such proprietary technologies. The Corporation relies on intellectual property rights and other contractual or proprietary rights, including (without limitation) copyright, trademark laws, trade secrets, confidentiality procedures, contractual provisions and licenses and patents to protect its proprietary technology and on third parties from whom licenses have been received to protect their proprietary technology. The Corporation may have to engage in litigation in order to protect its patents or other intellectual property rights, or to determine the validity or scope of the proprietary rights of others. This kind of litigation can be time-consuming and expensive, regardless of whether the Corporation is successful. The process of seeking patent protection can itself be long and expensive, and there can be no assurance that any patent applications of the Corporation and its subsidiaries or such third parties will result in issued patents, or that, even if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to the Corporation. Furthermore, others may develop technologies that are similar or superior to the technology of the Corporation or such third parties or design around the patents owned by the Corporation, its subsidiaries and/or such third parties.

Despite the efforts of the Corporation or such third parties, the intellectual property rights, particularly existing or future patents, of the Corporation or such third parties may be invalidated, circumvented,

challenged, infringed or required to be licensed to others. It cannot be assured that any steps the Corporation or such third parties may take to protect its intellectual property rights and other rights to such proprietary technologies that will be central to the Corporation's operations will prevent misappropriation or infringement or the termination of licenses from third parties.

Risk of Third Party Claims for Infringement

A third party may claim that the Corporation has infringed such third party's rights or may challenge the right of the Corporation in their intellectual property. Any claim, whether or not with merit, could be time consuming to evaluate, result in costly litigation, cause delays in the operations of the Corporation or require the Corporation to enter into licensing agreements that may require the payment of a license fee or royalties to the owner of the intellectual property. Such royalty or licensing agreements, if required, may not be available on terms acceptable to the Corporation.

Risks Applicable to the Oilfield Services Industry

Lower Industry Activities

The level of activity in the oil and natural gas exploration and production industry is volatile. After a significant decline was experienced in 2009 as compared to earlier years, the period from early 2010 through to the first half of 2012 saw Canadian drilling activity levels improve significantly. During the second half of 2012, activity levels declined again and remained at even lower levels throughout 2013. Industry activity increased significantly in 2014, mainly as a result of increased cash flows generated with sustained higher oil prices. This trend reversed in 2015 due to the sudden and significant decline in the price of oil. The Corporation's activity in Canada is driven largely by the number of natural gas wells completed. The forecast for drilling activity in 2016 is for a large reduction in natural gas well completions from the 2015 levels because of continued lower commodity prices. Producers have reduced their capital expenditure budgets for 2016 due to weak commodity prices and unfavourable economics. To the extent this continues, it may result in a reduction in the Corporation's activity levels moving forward. Similarly, activity levels in PNG may be negatively affected for the Corporation should customers reduce their future exploration programs.

Volatility of Industry Conditions

The demand, pricing and terms for oilfield services largely depend upon the level of industry activity for oil and natural gas exploration and development. Industry conditions are influenced by numerous factors over which the Corporation has no control, including: the level of oil and natural gas prices; expectations about future oil and natural gas prices; the cost of exploring for, producing and delivering oil and natural gas, including estimated costs from changes to government royalty regimes; the expected rates of declining current production; the discovery rates of new oil and natural gas reserves; available pipeline and other oil and natural gas transportation capacity; worldwide weather conditions; global political, military, regulatory and economic conditions; and the ability of oil and natural gas companies to raise equity capital or debt financing. A material decline in oil or natural gas prices or industry activity in any of the areas in which High Arctic operates could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. Management is not anticipating a meaningful increase in commodity prices during 2016 which may result in a reduction in the Corporation's activity levels in Canada moving forward.

Environmental Regulations

Future federal legislation, including potential international or bilateral requirements enacted under Canadian law, together with provincial emission reduction requirements, such as those in effect under Alberta's Climate Change and Emissions Management Act and potential further provincial requirements, may require the reduction of emissions or emissions intensity from the Corporation's operations and facilities. Mandatory emissions reductions may result in increased operating costs and capital expenditures for oil and natural gas producers, thereby decreasing the demand for the Corporation's services. The mandatory emissions reductions may also impair the Corporation's ability to provide its services economically. The Corporation is unable to predict the impact of current and pending emissions reduction legislation on the Corporation and its customers and it is possible that such impact would have

a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Competition

The Corporation's continued success partially depends upon developing and implementing technological advances in its equipment and services and the ability to match advances of competitors. Reduced levels of activity in the oil and natural gas industry can intensify competition, which will have an effect on the Corporation's ability to generate revenue and earnings. The Corporation provides oilfield services primarily to the field operation locations of oil and natural gas exploration and production companies. The oilfield service business in which the Corporation operates is highly competitive. To be successful, the Corporation needs to provide services that meet the specific needs of its clients at competitive prices.

The principal competitive factors in the markets in which the Corporation operates are price, service quality and availability, reliability and performance of equipment used to perform its services, technical knowledge and experience and reputation for safety. The Corporation competes with regional and international competitors of all sizes. These competitors offer similar services in all geographic areas in which the Corporation operates. As a result of competition, the Corporation may be unable to provide some of the services presently offered by the Corporation and its subsidiaries or to acquire additional businesses, which may affect the Corporation's business, financial condition, results of operations and cash flows.

Reduced levels of activity in the oil and natural gas industry could intensify competition and result in lower revenue to the Corporation. Variations in the exploration and development budgets of oil and natural gas companies which are directly affected by fluctuations in energy prices, the cyclical nature and competitiveness of the oil and natural gas industry and governmental regulation will have an effect upon the Corporation's ability to generate revenue and earnings.

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 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 40% of the issued and outstanding Common Shares and, as such, may be in a position to significantly influence the outcome of actions requiring Shareholder approval.

Risks Applicable to the Corporation's International Activities

The Corporation's operations in PNG and elsewhere 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 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. 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.

Since the Corporation derives a majority 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.

OTHER RISK FACTORS

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, that 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.

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 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.

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*".

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. Subsequent monthly dividend payments in the amount of \$0.01 per share were paid from July to March 2013. On March 19, 2013, the Board of Directors approved the increase of the monthly dividend to \$0.0125 per Common Share, first payable on April 12, 2013. On March 17, 2014, the Board of Directors approved the increase of the monthly dividend to \$0.015 per Common Share, first payable on April 14, 2014. On November 13, 2014, the Board of Directors approved the increase of the monthly dividend to \$0.0165 per Common Share, first payable on December 12, 2014. During the year ended December 31, 2015, the Corporation declared dividends of \$10.8 million (2014 - \$9.4 million), of which \$0.9 million (2014 - \$0.9 million) was payable as of the year end. Dividends are recorded as a liability on the date of declaration by the Corporation's Board of Directors. To the date of this AIF, dividends totalling \$0.033 per Common Share have been declared for 2016.

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 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.

DESCRIPTION OF CAPITAL STRUCTURE

Capitalization

The Corporation's authorized share capital consists of 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, 2015 there were 54,388,969 issued and outstanding Common Shares. That number includes 58,800 Common Shares held in the Share Incentive Plan (as defined herein) that have not yet vested and which may be cancelled under certain circumstances related to a three year vesting period. No Preferred Shares have been issued.

As of the date of this AIF there are 53,800,269 issued and outstanding Common Shares.

A total of 5,438,896 options (being 10% of all outstanding shares) were available for grant as at December 31, 2015 under the Stock Option Plan. At December 31, 2015, a total of 3,532,200 options were outstanding and expire at various dates up to 2020, at amounts that range from \$1.05 to \$5.32 per share. A total of 113,444 Common Shares remain available to be issued under the Share Incentive Plan.

Common Shares

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.

Preferred Shares

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.

Executive and Director Share Incentive Plan

On June 29, 2010, the shareholders approved an Executive and Director Share Incentive Plan (the "Share Incentive Plan"). The purpose of the Share Incentive Plan is to provide an incentive to the directors and executive officers of the Corporation to achieve and support the strategic growth objectives of the Corporation, to give suitable recognition of the contribution of those individuals to the overall success of the Corporation and to attract, motivate and retain managerial talent at both the director and executive levels, by providing them with the opportunity to acquire an increased proprietary interest in the Corporation. The Share Incentive Plan provides that Common Shares (the "Incentive Shares") may be issued to executive officers and directors of the Corporation who are determined by the Committee to be eligible to participate.

The maximum number of Incentive Shares initially available for issuance by the Corporation under the Share Incentive Plan was 7,578,444. No cash consideration is payable for the Incentive Shares with the consideration being wholly the future services of management. These shares are issued in trust for the benefit of designated beneficiaries and vest to each designated beneficiary over a 3 year period. The designated beneficiaries of the restricted Common Shares held in trust have full voting, liquidity, dividend and other related rights similar to the holders of the unrestricted issued Common Shares. The shares are not freely tradable prior to vesting and any shares that do meet the vesting conditions are returned by the trustee to the Corporation for cancellation. The number of Incentive Shares granted is reflected under the total issued and outstanding Common Shares while the value of these shares will be included in the Common Share capital amount as they vest over the 3 year vesting period and an equivalent share based compensation amount is recorded.

A total of 7,465,000 Incentive Shares have been issued to date of which 6,527,700 had vested, 58,800 had not yet vested and 878,500 had been forfeited and cancelled as at December 31, 2015. A total of 113,444 Incentive Shares were available to be issued at December 31, 2015.

PRIOR SALES

The following table summarizes the issuances of securities convertible into Common Shares for the year ended December 31, 2015.

Date of Issuance	Securities⁽¹⁾	Number of Securities	Exercise Price	Expiration Date	Price per Security
March 16, 2015	Stock Options	150,000	\$3.64	March 16, 2020	Not Applicable
November 20, 2015	Stock Options	389,000	\$3.76	November 20, 2020	Not Applicable
December 17, 2015	Stock Options	75,000	\$3.24	December 17, 2020	Not Applicable

Note:

(1) The stock options were issued in accordance with High Arctic's Stock Option Plan.

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 2015:

MONTH	HIGH	LOW	VOLUME
JANUARY	\$ 3.98	\$ 3.52	1,624,920
FEBRUARY	\$ 3.95	\$ 3.55	1,424,338
MARCH	\$ 3.85	\$ 3.54	1,581,755
APRIL	\$ 4.50	\$ 3.70	969,662
MAY	\$ 4.43	\$ 3.74	1,835,585
JUNE	\$ 4.05	\$ 3.71	2,232,674
JULY	\$ 3.92	\$ 3.59	1,545,519
AUGUST	\$ 3.85	\$ 3.14	1,560,760
SEPTEMBER	\$ 3.81	\$ 3.26	1,530,965
OCTOBER	\$ 3.89	\$ 3.31	1,219,965
NOVEMBER	\$ 4.11	\$ 3.61	1,017,323
DECEMBER	\$ 3.66	\$ 3.12	1,106,984

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, 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
Michael Rupert Binnion ^(2,4) <i>Calgary, Alberta</i>	Director and Chairman of the Board	May, 2007	President and Chief Executive Officer of Questerre Energy Corporation since November 2000.
Daniel John Bordessa ^(2,6) <i>Cayman Islands</i>	Director	April, 2011	Partner, Cyrus Capital Partners, L.P. and Managing Director Cyrus Capital Partners Europe, LLP between March 2005 and September 2010.

Name and Municipality of Residence	Position	Director / Officer Since	Principal Occupation During The Preceding Five Years
Christopher Randall Warren Q.C. ⁽³⁾ <i>Red Deer, Alberta</i>	Director	May, 2007	Mr. Warren is a partner in the law firm, Warren Sinclair LLP since its formation in 1981.
Simon Paul David Batcup ⁽⁷⁾ <i>Calgary, Alberta</i>	Director	May, 2007	Mr. Batcup is an independent businessman. He was Vice President, Operations for Sylogist Ltd. (a public consulting company) from October, 2010 to March, 2013, prior thereto a business consultant from October, 2009 to September 2010 and Managing Director of Optimal Joint Venture from Jan 1, 2008 to September, 2009.
Thomas M. Alford ^(1,6) <i>Calgary, Alberta</i>	Director	January, 2014	Mr. Alford is an independent businessman. He was the President & CEO of IROC Energy Services Corporation from 2001 until April, 2013.
Steven Ray Vasey ^(4,8) <i>Calgary, Alberta</i>	Director	May, 2009	Mr. Vasey is currently an independent consultant working throughout North America. He has been actively involved in the executive management of public seismic service companies operating on land and offshore in North America, Europe, Africa and the Middle East throughout his 30 year career.
Dennis Frank Sykora ⁽⁵⁾ <i>Calgary, Alberta</i>	Director	Director June, 2011 Officer 2007 to September 2014	Held executive positions with the Corporation from April 2007 to September 2014 including Executive Vice President, General Counsel and interim Chief Executive Officer from November 2013 to June 2014.
John Timothy Braun <i>Calgary, Alberta</i>	Chief Executive Officer	July, 2014	Joined the Corporation as Chief Executive Officer in July 2014. Prior to that, he spent eight years as a senior executive with Saxon Energy Services, most recently as Chief Operating Officer.
Brian Bruno Peters <i>Calgary, Alberta</i>	Chief Financial Officer	November, 2015	Joined the Corporation as Chief Financial Officer in November 2015. Prior to that, Vice President Integrated Fluid Solutions at Secure Energy Services Inc. from February 2014. Prior to that he provided financial and management consulting services and held Chief Financial Officer roles with EnerMax Services Inc. and IROC Energy

Name and Municipality of Residence	Position	Director / Officer Since	Principal Occupation During The Preceding Five Years
			Services Corp.
Daniel Benoit Beaulieu <i>Red Deer, Alberta</i>	Chief Operating Officer - Canada	January, 2012	Appointed as Chief Operating Officer in November 2013. Joined the Corporation as Vice President, Canadian Operations in January 2012. Prior to that, Canadian Region Business Unit Manager at Weatherford International where he managed various integrated product lines throughout Canada.
Darren John Greer <i>Brisbane Australia</i>	President, International Operations	October, 2014	Joined the Corporation as President, International Operations in October, 2014. Prior to that, he was the Chief Operating Officer for five years of Easternwell Group.
Michael Joseph Maguire <i>Brisbane, Australia</i>	Vice-President, International Operations	December, 2013	Joined the Corporation as Vice-President, International Operations in December 2013. Prior to that, he spent seven years with Easternwell Group in various positions of increasing seniority.
Shannon Jean Matthyssen <i>Calgary, Alberta</i>	Corporate Secretary and Corporate Controller	December, 2012	Joined the Corporation as Corporate Secretary and Corporate Controller in December 2012. Prior to that, Vice-President Finance & CFO of Magnum Energy Inc. since June 2008.

Notes:

- (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

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, 2015, the directors and executive officers of the Corporation, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 4,730,467 Common Shares of the Corporation, or approximately 8.7% of the 54,388,969 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 40.3% of the issued and outstanding shares of High Arctic as of December 31, 2015. Daniel Bordessa, a Director of the Corporation, is a partner of Cyrus Capital Partners, L.P., which is the investment manager of FBC.

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 one 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

Except as noted below, to the knowledge of eh 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.

Daniel Bordessa was a director of Angel Mining plc between August 21, 2009 and October 22, 2012 and was appointed to the director seat as a representative of Cyrus Capital Partners, L.P. Cyrus Capital Partners, L.P., is the investment manager for certain funds that are the senior secured debt providers and largest shareholder (on a fully diluted basis) of Angel Mining plc. On March 1, 2013 Angel Mining plc, with the agreement of Cyrus Capital Partners, L.P., appointed the administrators Cork Gully LLP in the United Kingdom as a result of liquidity issues at its subsidiaries.

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 securities 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

Pursuant to National Instrument 52-110 Audit Committees (“NI 52-110”) the Corporation is required to disclose its audit committee practices, as summarized below.

Audit Committee Charter

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: Tom Alford, Michael Binnion and Daniel Bordessa. 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 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.

Thomas M. Alford - Chairman

Mr. Alford is an independent businessman. Mr. Alford was the President and CEO of IROC Energy Services Corp. from 2001 until its acquisition by Western Energy Services Corp. on April 22, 2013. Prior thereto Mr. Alford was the President and CEO of Bonus Resource Services Corp. from December 1997 to October 2000. Mr. Alford has over 34 years of experience in the oil and natural gas services industry. Mr. Alford received a Bachelor of Commerce degree from the University of Alberta.

Michael R. Binnion

Mr. Binnion has been actively involved in the financing, executive management and directorship of numerous private and public companies through his investment company, Rupert’s Crossing Inc. Mr. Binnion is founder and Chief Executive Officer of Questerre Energy Corporation; a Calgary based independent energy company listed on the TSX. Mr. Binnion also holds board positions on four other private companies. Mr. Binnion is a Chartered Accountant and holds a Bachelor of Commerce degree from the University of Alberta.

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 Masters of Business Administration from the Schulich School of Business at York University and an Honours Bachelor of Commerce from Carleton University.

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 included in Schedule A of this AIF.

External Auditor Services Fees

The table below provides information about the fees billed to the Corporation by PricewaterhouseCoopers LLP in fiscal 2015 and 2014 dividing the services into the categories of work performed:

Type of Work	2015 Fees	2014 Fees
Audit Fees(1) – Canada	\$300,000	\$258,500
Audit Fees(1) – Foreign Subsidiaries	220,000	193,700
Audit Related Fees(2)	29,700	30,000
Valuation services	15,750	-
Tax planning and compliance fees	62,700	60,900
Total	\$628,150	\$543,100

Note:

- (1) Audit fees consist of fees for the audit of the Corporation's annual financial statements, 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 are disclosed to and pre-approved by the Audit Committee.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Except as noted below, the Corporation is not party to any legal proceeding, nor was it a party to any legal proceedings during the 2015 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.

A lawsuit and additional third party notices have been filed in the Court of Queen's Bench of Alberta against High Arctic, alleging that a group of defendants including the Corporation breached their contract for the provision of well planning, drilling, completion, snubbing and/or testing services. The plaintiff and third parties claim damages in the amount of \$22 million. It is not possible at this time to estimate the outcome of the lawsuit and related third party notices. High Arctic denies the allegations and will vigorously defend itself in this matter. The Corporation filed a statement of defence in March, 2015 relating to the lawsuit as well as three related statements of defence in February 2016 pertaining to the third party notices. The Corporation believes that any liability arising from these matters is not likely to

have a material effect on the Corporation and no amounts have been recorded for any related potential liability.

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, 2015.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Cyrus Capital Partners L.P., as investment manager to FBC Holdings Sàrl, owns 40.3% of the issued and outstanding shares of High Arctic as of December 31, 2015. 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, 2015, 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 are PricewaterhouseCoopers LLP, Chartered Professional Accountants, 3100, 111 – 5th Avenue S.W., Calgary, Alberta T2P 5L3.

Computershare Investor Services is the registrar and transfer agent for the Common Shares of the Corporation at its offices in Calgary, Alberta and Toronto, Ontario.

MATERIAL CONTRACTS

Other than contracts entered into in the ordinary course of business, the only contracts entered into within the most recently completed financial year, or before the most recently completed financial year but still in effect by the Corporation, which may reasonably be regarded as presently material are:

Credit Facility

Effective May 22, 2014, the Corporation completed an extension and amendment of its long-term debt facility. The main components consist of a \$40.0 million revolving loan and a \$5.0 million revolving operating loan. On June 25, 2015 the maturity date of both main components was further extended to August 31, 2017 and no principal payments are required prior to that date. The long-term debt facility continues to be secured by all of the assets of the Canadian parent and by guarantees given by its material foreign subsidiaries.

The Credit Facility permits borrowing in Canadian or US dollars and contains an interest rate grid whereby the interest rate applicable to borrowings will vary according to the currency of the borrowings and a prescribed leverage ratio. The Corporation's borrowings have all been denominated in Canadian dollars and carried an annual interest rate equal to the lender's prime interest rate plus 1.0%. The effective interest rate on the any outstanding long-term debt was 3.5% throughout 2015. As at December 31, 2015 the Corporation had drawn on \$4.0 million of the facility. In January, 2016 the loan was fully repaid and as of March 10, 2016 there was no amount owed on the facility. An annual standby fee of 0.35% is charged on any undrawn portion of the facilities.

INTEREST OF EXPERTS

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 PricewaterhouseCoopers LLP, the Corporation's auditors. To the knowledge of the Corporation: (i) PricewaterhouseCoopers LLP did not have any registered or beneficial interests, direct or indirect, in any securities or other property of the Corporation or of the Corporation's associates or affiliates either at the time they prepared the statements, report or valuation prepared by them, at any time thereafter or received by them, and (ii) neither PricewaterhouseCoopers LLP nor any director, officer or employee of PricewaterhouseCoopers LLP is or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or any associate affiliate of the Corporation. PricewaterhouseCoopers LLP are independent pursuant to the rules of professional conduct of the Institute of Chartered Professional Accountants of Alberta.

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, 2015, 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.

3. Organization and Operation

- (1) The Committee shall be comprised of a minimum of three (3) members of 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 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 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.

- (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.
- (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) 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, obtain and review a report by the auditors of the Corporation's internal quality control procedures and systems;
- (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) Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by High Arctic's external auditors and consider the impact on the independence of the auditors. 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; and
- (46) Ascertain compliance with covenants under loan agreements.

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.