

**FORM 2B
LISTING APPLICATION**

HIGH ARCTIC OVERSEAS HOLDINGS CORP.

**APPLICATION FOR THE LISTING OF THE COMMON SHARES IN THE CAPITAL OF HIGH ARCTIC
OVERSEAS HOLDINGS CORP. ON THE TSX VENTURE EXCHANGE**

August 12, 2024

No securities regulatory authority or the TSX Venture Exchange has expressed an opinion about the securities which are subject of this application.

TABLE OF CONTENTS

ITEM 2A: GLOSSARY OF TERMS.....	3
ITEM 2B: CAUTIONARY NOTE REGARDING FORWARD LOOKING INFORMATION	5
ITEM 3: SUMMARY	5
ITEM 4: CORPORATE STRUCTURE	9
ITEM 5: DESCRIPTION OF THE BUSINESS	11
ITEM 6: FINANCINGS	17
ITEM 7: DIVIDENDS AND OTHER DISTRIBUTIONS.....	17
ITEM 8: MANAGEMENT'S DISCUSSION AND ANALYSIS.....	17
ITEM 9: DISCLOSURE OF OUTSTANDING SECURITY DATA ON FULLY DILUTED BASIS.....	17
ITEM 10: DESCRIPTION OF SECURITIES TO BE LISTED.....	17
ITEM 11: CONSOLIDATED CAPITALIZATION.....	18
ITEM 12: EQUITY INCENTIVE PLAN	18
ITEM 13: PRIOR SALES.....	22
ITEM 14: ESCROWED SECURITIES AND SECURITIES SUBJECT TO RESTRICTION ON TRANSFER	23
ITEM 15: PRINCIPAL SECURITYHOLDERS.....	23
ITEM 16: DIRECTORS AND EXECUTIVE OFFICERS	23
ITEM 17: EXECUTIVE COMPENSATION.....	26
ITEM 18: INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS.....	29
ITEM 19: AUDIT COMMITTEES AND CORPORATE GOVERNANCE	29
ITEM 20: AGENT, SPONSOR OR ADVISOR	33
ITEM 21: RISK FACTORS	33
ITEM 22: PROMOTERS	47
ITEM 23: LEGAL PROCEEDINGS AND REGULATORY ACTIONS.....	47
ITEM 24: INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....	47
ITEM 25: INVESTOR RELATIONS ARRANGEMENTS	47
ITEM 26: AUDITORS, TRANSFER AGENTS AND REGISTRARS	47
ITEM 27: MATERIAL CONTRACTS	48
ITEM 28: EXPERTS.....	48
ITEM 29: OTHER MATERIAL FACTS	48
ITEM 30: ADDITIONAL INFORMATION - MINING OR OIL AND GAS APPLICANTS	48
ITEM 31: EXEMPTIONS.....	48
ITEM 32: FINANCIAL STATEMENT DISCLOSURE FOR ISSUERS.....	48
ITEM 33: SIGNIFICANT ACQUISITIONS.....	49
ITEM 34: CERTIFICATES.....	50
Appendices	
APPENDIX "A" FORM 2B PERSONAL INFORMATION COLLECTION POLICY	A-1
APPENDIX "B" ARRANGEMENT AGREEMENT	B-1
APPENDIX "C" BALANCE SHEET OF THE CORPORATION.....	C-1
APPENDIX "D" HAES CYPRUS ANNUAL FINANCIAL STATEMENTS	D-1
APPENDIX "E" HAES CYPRUS ANNUAL MD&A	E-1
APPENDIX "F" HAES CYPRUS INTERIM FINANCIAL STATEMENTS	F-1
APPENDIX "G" HAES CYPRUS INTERIM MD&A	G-1
APPENDIX "H" PRO FORMA FINANCIAL STATEMENTS OF THE CORPORATION	H-1
APPENDIX "I" AUDIT COMMITTEE CHARTER	I-1
APPENDIX "J" BOARD MANDATE	J-1

Item 2A: Glossary of Terms

In this listing application (the “**Listing Application**”), unless there is something in the subject matter inconsistent therewith, the following terms shall have the respective meanings set out below, words importing the singular number shall include the plural and vice versa and words importing any gender shall include all genders. Capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the policies of the TSX Venture Exchange and applicable securities laws. In the event of a conflict between a term defined in this Glossary and a term defined in the policies of the TSX Venture Exchange, the definition of the TSX Venture Exchange will govern.

“**ABCA**” means the *Business Corporations Act* (Alberta), and the regulations thereunder, as now in effect and as they may be promulgated or amended from time to time.

“**arm’s length**” has the meaning attributed to such term in Subsection 251(1) of the Tax Act.

“**Arrangement**” means the arrangement by way of statutory plan of arrangement involving the Corporation, its Shareholders and High Arctic completed pursuant to the provisions of Section 193 of the ABCA on the terms and conditions set out in the Plan of Arrangement and any amendments thereto or variations thereof made in accordance with its terms and the Arrangement Resolution.

“**Arrangement Agreement**” means the arrangement agreement dated May 9, 2024 between High Arctic and the Corporation, a copy of which is attached to this Listing Application as Appendix “B”.

“**Board**” means the Corporation’s board of directors, as constituted from time to time.

“**CEO**” means Chief Executive Officer.

“**CFO**” means Chief Financial Officer.

“**Common Shares**” or “**High Arctic Overseas Common Shares**” means the common shares in the share capital of the Corporation, as constituted from time to time.

“**Corporation**” or “**High Arctic Overseas**” means High Arctic Overseas Holdings Corp., together with its divisions and subsidiaries and its predecessor entities, and, unless the context requires otherwise or unless otherwise stated, terms such as “**we**”, “**our**”, or “**us**”, refer to the Corporation.

“**Court**” means the Court of King’s Bench of Alberta.

“**Dissenting Shareholder**” means a Shareholder who validly dissents from the Arrangement Resolution in compliance with the Dissent Rights and who has not withdrawn the exercise of such Dissent Rights and is ultimately determined to be paid fair value in respect of the High Arctic Common Shares held by such Shareholder.

“**Dissent Rights**” has the meaning ascribed thereto under “*Dissent Rights*”.

“**Effective Date**” means the date shown on the confirmation of filing to be issued under the ABCA giving effect to the Arrangement, which date shall be determined in accordance with the Arrangement Agreement.

“**Effective Time**” means the time at which the steps to complete the Arrangement will commence, which will be 12:01 a.m. (Calgary time) on the Effective Date, subject to any amendment or variation in accordance with the terms of the Arrangement Agreement.

“**Equity Incentive Plan**” means the omnibus equity compensation plan of the Corporation, substantially in the form attached as Appendix “A” to the Plan of Arrangement to come into force and effect pursuant to section 3.1(1)(f) of the Plan of Arrangement.

“Final Order” means the final order of the Court approving the Arrangement, as such order may be amended or varied at any time prior to the Effective Time or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or amended, with or without variation, on appeal.

“HAES Cyprus” means High Arctic Energy Services Cyprus Limited.

“HAES Cyprus Shares” means the outstanding ordinary shares in the share capital of HAES Cyprus.

“High Arctic” means High Arctic Energy Services Inc., a corporation incorporated under the ABCA.

“High Arctic Common Shares” means the common shares in the share capital of High Arctic.

“High Arctic DSU” means a deferred share unit issued pursuant to High Arctic’s Deferred Share Unit Plan.

“High Arctic PSU” means a performance share unit issued pursuant to the High Arctic Performance Share Unit Plan.

“High Arctic RSU” means a restricted share unit issued pursuant to the High Arctic Performance Share Unit Plan.

“IFRS” means International Financial Reporting Standards, as incorporated in the Handbook of the Canadian Institute of Chartered Accountants at the relevant time applied on a consistent basis.

“Meeting” means the Annual General and Special Meeting of the holders of High Arctic Common Shares held at Viking Room, Calgary Petroleum Club, 319 5 Avenue SW, Calgary, Alberta T2P 0L5 on Monday June 17, 2024 at 3:00 p.m. (Calgary time).

“Named Executive Officers” or **“NEOs”** means the CEO, CFO, and the three most highly compensated executive officers whose total compensation exceeded \$150,000 per annum in the relevant fiscal year.

“New High Arctic Common Shares” means the new class of common shares in the capital of the Corporation, which the Corporation will be authorized to issue upon the Arrangement becoming effective and which are to be issued under the Arrangement to holders of High Arctic Common Shares in exchange for such Common Shares.

“NI 52-110” has the meaning ascribed thereto under *“Item 19: Audit Committees and Corporate Governance”*.

“NI 58-101” has the meaning ascribed thereto under *“Item 19: Audit Committees and Corporate Governance”*.

“Odyssey” means Odyssey Trust Company.

“Person” means any individual, partnership, association, body corporate, trust, trustee, executor, administrator, legal representative, government, regulatory authority, or other entity.

“Plan of Arrangement” means the Plan of Arrangement attached to the Arrangement Agreement, which together are attached as Appendix “B” hereto, and any amendment thereto made in accordance with Section 6.1 of the Arrangement Agreement.

“PNG” or **“Papua New Guinea”** means the Independent State of Papua New Guinea.

“PNG Business” means the Corporation’s Papua New Guinea focused oil and gas services business.

“SEDAR+” means the System for Electronic Document Analysis and Retrieval Plus.

“**Shareholder**” means a holder of High Arctic Overseas Common Shares.

“**Tax Act**” means the *Income Tax Act* (Canada), as now in effect and as may be amended from time to time.

“**Transfer Agent**” means Odyssey, as registrar and transfer agent of High Arctic, or such other Person as may be designated by High Arctic to be the registrar and transfer agent.

“**TSXV**” means the TSX Venture Exchange.

Item 2B: Cautionary Note Regarding Forward Looking Information

This Listing Application contains “forward-looking statements” or “forward-looking information” within the meaning of applicable Canadian securities laws. Forward-looking information is provided as of the date of this Listing Application and the Corporation does not intend to, nor does it assume any obligation, to update this forward-looking information, except as required by law. Generally, forward-looking information can be identified by the use of forward-looking terminology such as “plans,” “expects,” “does not expect,” “is expected,” “budget,” “scheduled,” “estimates,” “forecasts,” “intends,” “anticipates,” “does not anticipate,” or “believes,” or variations of such words and phrases or statements that certain actions, events or results “may,” “could,” “would,” “might,” or “will be taken,” “occur” or “be achieved” and similar expressions.

Forward-looking information is based on reasonable assumptions that have been made by the Corporation as at the date of such information and is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Corporation to be materially different from those expressed or implied by such forward-looking information, including but not limited to, the following risks, uncertainties and factors: (i) changes in the market price of the Common Shares; (ii) the execution of the strategic growth plans of the Corporation; (iii) tax treatment of the Common Shares distributed pursuant to the Arrangement; (iv) requirements for additional capital; and such other factors discussed in the section entitled “*Item 21: Risk Factors*” herein.

Forward-looking information is based on certain assumptions that the Corporation believes are reasonable. Although the Corporation has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward looking information.

Item 3: Summary

The following is a summary of information relating to High Arctic Overseas Holdings Corp. and should be read together with the more detailed information and financial data and statements contained elsewhere in this Listing Application.

Unless otherwise specified, the information in this Listing Application has been prepared on a pro forma basis assuming completion of the Arrangement. Unless otherwise indicated, all currency amounts are stated in Canadian dollars. Capitalized terms used in this summary are defined in “*Glossary of Terms*”.

High Arctic Overseas

The Corporation was incorporated under the ABCA on April 1, 2024 as a wholly-owned subsidiary of High Arctic solely for the purposes of participating in the Arrangement and, upon completion of the Arrangement, to acquire and hold all of the shares in the capital stock of HAES Cyprus. On May 9, 2024, the Corporation and High Arctic entered into the Arrangement Agreement. Other than entering into the Arrangement Agreement and completing the Arrangement, the Corporation has not carried on any active business since its incorporation.

The Arrangement Agreement

Pursuant to the Arrangement Agreement, among other things, High Arctic distributed 12,448,166 High Arctic Overseas Common Shares to High Arctic Shareholders on a pro rata basis. In accordance with the Arrangement Agreement, the High Arctic Shareholders approved the Arrangement at the Meeting on June 17, 2024 and High Arctic obtained the Final Order with respect to the Arrangement from the Court on June 27, 2024. The Effective Date of the Arrangement was August 12, 2024. Commencing at the Effective Time, the following steps occurred:

1. The High Arctic Common Shares held by any Dissenting Shareholders, who duly exercise their Dissent Rights and who are ultimately entitled to be paid fair value for those High Arctic Common Shares, were deemed to have been transferred to High Arctic and cancelled and ceased to be outstanding at the Effective Time, and such Dissenting Shareholders ceased to have any rights as Shareholders other than the right to be paid the fair value for their High Arctic Common Shares by High Arctic;
2. The articles of High Arctic were amended to:
 - (a) rename and redesignate all of the issued and unissued High Arctic Common Shares as “Class A Common Shares” and amending the special rights and restrictions attached to those shares to provide the holders thereof with two (2) votes in respect of each share held, being the “High Arctic Class A Shares”; and
 - (b) create and authorize the issuance of (in addition to the shares it is authorized to issue immediately before such amendment) an unlimited number of New High Arctic Common Shares;
3. the Corporation purchased for cancellation the one Common Share owned by High Arctic for its issue price of one dollar (\$1.00);
4. High Arctic transferred all of the HAES Cyprus Shares to the Corporation in consideration for the issuance of that number of Common Shares as is equal to one-quarter (1/4) of the number of issued and outstanding High Arctic Common Shares immediately prior to the Effective Time, by the Corporation to High Arctic. In respect of such transfer, High Arctic has or will jointly elect with the Corporation, in prescribed form and within the time allowed by subsection 85(6) of the Tax Act to have provisions of sub-section 85(1) of the Tax Act apply to the transfer of the HAES Cyprus Shares. The amount added to the stated capital in respect of the Common Shares issued as consideration on the transfer of the HAES Cyprus Shares will equal the amount High Arctic and the Corporation agree to in their election form;
5. Each High Arctic shareholder exchanged one High Arctic Class A Share for one quarter (1/4) of one New High Arctic Common Share and one quarter (1/4) of one Common Share, such that: (a) the stated capital account of the New High Arctic Common Shares issued by High Arctic equals the stated capital of the former High Arctic Common Shares less the fair market value of the Common Shares on the Effective Date; (b) no other consideration was received by any holder of such Common Shares; and (c) the High Arctic Common Shares so exchanged were cancelled;
6. the articles of High Arctic were amended to eliminate the High Arctic Class A Shares such that, immediately following such alteration, High Arctic was authorized to issue an unlimited number of New High Arctic Common Shares and an unlimited number of High Arctic Preferred Shares, issuable in series;
7. the Equity Incentive Plan came into force and effect;

8. the directors of the Corporation are those persons listed in Appendix “C” to the Plan of Arrangement;
9. the directors of the Corporation have the authority to appoint one or more additional directors of the Corporation, who will hold office for a term expiring not later than the close of the next annual meeting of shareholders of the Corporation, but the total number of directors so appointed may not exceed one third of the number of Persons who become directors of the Corporation as contemplated by the paragraph above;
10. the by-laws of the Corporation are the by-laws set out in Appendix “D” of the Plan of Arrangement, and such by-laws are deemed to have been confirmed by the shareholders of the Corporation;
11. KPMG LLP are the auditors of the Corporation, holding office until the close of the first annual meeting of shareholders of the Corporation, or until KPMG LLP resigns as contemplated by Section 164 of the ABCA or are removed from office as contemplated by Section 165 of the ABCA, and the directors of the Corporation are authorized to fix their remuneration; and
12. the registered office of the Corporation is located at 1000, 250 - 2nd Street S.W., Calgary, Alberta, T2P 0C1.

Pursuant to the Arrangement, High Arctic Shareholders of record as at immediately prior to the Effective Date received one New High Arctic Common Share and one High Arctic Overseas Common Share for every four High Arctic Common Shares, and as a result, hold shares in both High Arctic and High Arctic Overseas.

Business of High Arctic Overseas

The Corporation has not carried on any active business since incorporation other than the entering into of the Arrangement Agreement. Following the Arrangement, the Corporation became a Canadian based company which provides services to exploration and production companies operating in PNG. The energy services business was created from High Arctic’s existing Papua New Guinea focused energy services business by spinning out all of the capital stock of HAES Cyprus through the Arrangement.

The list below provides the names of the directors and executive officers of the Corporation.

Name	Position
Michael R. Binnion	Director
Bruce Apana	Director
Michael J. Maguire	Director and CEO
Lonn Bate	Interim CFO
Stephen Lambert	COO
Matthew Cocks	VP – Finance and Corporate Secretary
Chris Fraser	VP - Strategy & Growth

For a full description of these individuals’ biographies and pro forma holdings of Common Shares, see “*Item 16: Directors and Executive Officers*”.

Description of Securities to be Listed

The authorized capital of the Corporation consists of an unlimited number of Common Shares. The holders of Common Shares will be entitled to receive dividends, if and when declared by the Board, to one vote per Common Share held at all meetings of shareholders and, upon liquidation, dissolution, winding up or other

distribution of assets of the Corporation, to participate rateably in any distribution of the assets of the Corporation. The Common Shares do not carry any pre-emptive, subscription, redemption, retraction, surrender or conversion or exchange rights, nor do they contain any sinking or purchase fund provisions.

See “*Item 9: Description of Securities to be Listed*”.

Principal Securityholders

Following the completion of the Arrangement, the principal securityholder of the Corporation is FBC Holdings Sàrl who owns approximately 44% of the Common Shares.

See “*Item 14: Principal Securityholders*”.

Risk Factors

There are risks associated with the business of the Corporation. For a comprehensive list, see “*Item 21: Risk Factors*”.

Pro-Forma Financial Information

The following table sets the pro forma capitalization of the Corporation as at December 31, 2023 and March 31, 2024 after giving effect to the Arrangement.

Designation	As at April 1, 2024⁽¹⁾	As at December 31, 2023 after giving effect to the Arrangement⁽²⁾	As at March 31, 2024 after giving effect to the Arrangement⁽²⁾
Shareholder Capital	\$1 (1 Common Share)	US\$31,892,000 (12,280,575 Common Shares)	US\$30,294,000 (12,448,166 Common Shares)

Notes:

- (1) The Corporation was incorporated under the ABCA on April 1, 2024. The Corporation had no operating history until completion of the Arrangement.
- (2) On a non-diluted basis.

Certain selected unaudited pro forma financial information of the Corporation as at December 31, 2023 and March 31, 2024, assuming completion of the Arrangement, is set forth in the following table. Such information should be read in conjunction with the audited financial statements of HAES Cyprus included as Appendix “D”, the related Management’s Discussion and Analysis included as Appendix “E”, the unaudited interim financial statements of HAES Cyprus included as Appendix “F”, the related Management’s Discussion and Analysis included as Appendix “G”, and the unaudited pro forma financial statements as at December 31, 2023, and March 31, 2024 included as Appendix “H” to this Listing Application.

Pro Forma Statements of Operations and Comprehensive Loss	December 31, 2023 (12 months)	March 31, 2024 (3 months)
Revenue	US\$43,380,000	US\$11,134,000
Expenses	US\$53,223,000	US\$8,938,000
Net (Loss)	US\$(9,843,000)	US\$2,196,000
(Loss) Income per Share - basic	\$(0.80)	\$0.18

Pro Forma Statement of Financial Position	March 31, 2024
Assets	US\$46,477,000
Liabilities	US\$11,183,000
Shareholder's Equity	US\$30,294,000

The pro forma adjustments are based upon the assumptions described in the notes to the unaudited pro forma financial statements. The unaudited pro forma financial statements are presented for illustrative purposes only and are not necessarily indicative of the operating or financial results that would have occurred had the Arrangement actually occurred at the times contemplated by the notes to the unaudited pro forma financial statements or of the results expected in future periods. Please refer to the notes to the unaudited pro forma financial statements which disclose the pro forma assumptions and adjustments.

Item 4: Corporate Structure

The Corporation was incorporated under the ABCA on April 1, 2024 and has not carried on any active business. The Corporation was created to acquire and hold all the capital stock of High Arctic Energy Services Cyprus Limited ("**HAES Cyprus**") which owns, through subsidiaries, 100% of the PNG Business. The Corporation's registered office address is 1000, 250 2nd Street SW., Calgary, Alberta. The Corporation's head office is located at 2350, 330 – 5th Avenue SW, Calgary, Alberta, Canada, T2P 0L4.

HAES Cyprus is a limited liability company organized under *The Companies Law* (Cyprus). Originally incorporated in November 2006 as Dunaji Holdings Limited, the name was changed in December 2006 to High Arctic Energy Services Cyprus Limited. Established as an investment company, HAES Cyprus has held the shares of High Arctic's fully owned international subsidiaries incorporated in countries outside North America.

Inter-Corporate Relationships

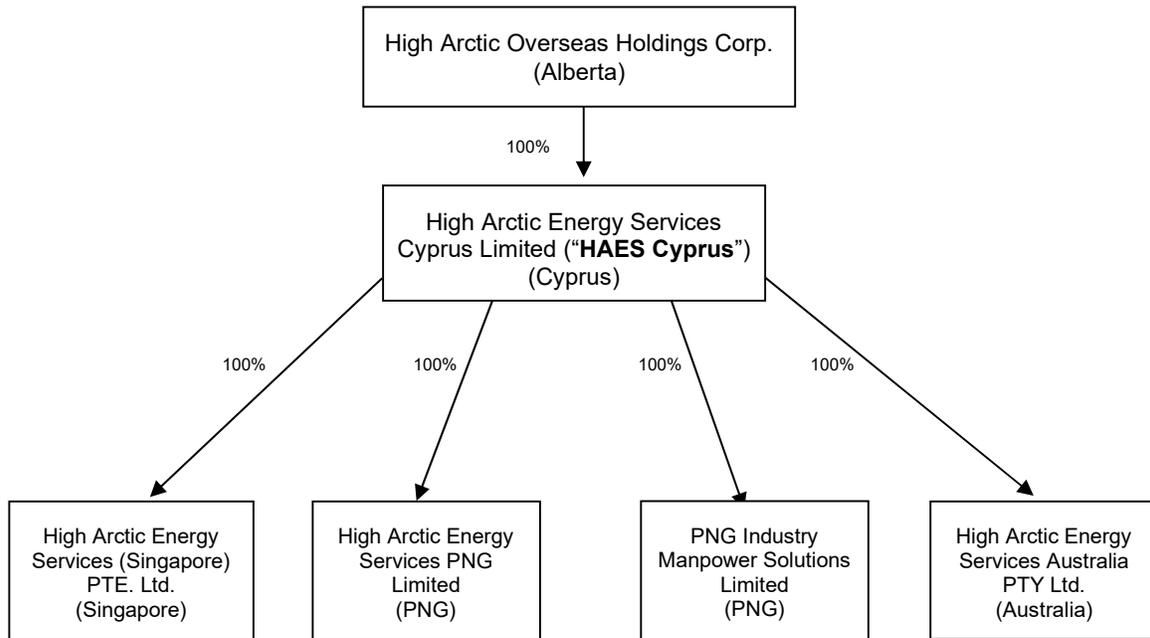
After giving effect to the Arrangement, the subsidiaries of the Corporation actively carrying out business activities are as set forth below:

- High Arctic Energy Services (Singapore) PTE. Ltd. is a private limited company organized under the laws of Singapore. Its primary business is conducted in Papua New Guinea as a branch of a foreign company. The nature of its business is in the ownership and lease out of plant and equipment, predominantly to exploration and production companies in the extractive industries and particularly natural gas extraction.
- High Arctic Energy Services PNG Limited is a limited company organized under the laws of Papua New Guinea. Its primary business is the provision of drilling services to exploration and production companies in the PNG energy sector and particularly for natural gas exploration and appraisal.
- PNG Industry Manpower Solutions Limited is a limited company organized under the laws of Papua New Guinea. Its primary business is the provision of unskilled, skilled, qualified and professional manpower to exploration and production companies in the extractive industries and particularly natural gas extraction companies. It also carries certain licenses for the provision of recognized training to its own and customers personnel on a fee for service basis.
- High Arctic Energy Services Australia PTY Ltd. is a proprietary limited company organized under the laws of Australia. Its primary business is the provision of management services to the Corporation and its subsidiaries. It was established for the recruitment and employment of personnel to conduct roles managing or supporting the PNG Business, and this remains its primary source of income.

Entity	Percentage of Voting Securities controlled (directly or indirectly) by the Corporation	Physical Location	Jurisdiction of Incorporation or Formation
High Arctic Energy Services Cyprus Limited	100%	Nicosia, Cyprus	Cyprus
High Arctic Energy Services PNG Limited	100%	Port Moresby, Papua New Guinea	Papua New Guinea
PNG Industry Manpower Solutions Limited	100%	Port Moresby, Papua New Guinea	Papua New Guinea
High Arctic Energy Services (Singapore) PTE. Ltd.	100%	Singapore	Singapore
High Arctic Energy Services Australia PTY Ltd.	100%	Brisbane, Australia	Australia

Organization Structure of High Arctic Overseas

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



Item 5: Description of the Business

Incorporation and History

The Corporation was incorporated for the purpose of entering into the Arrangement. Pursuant to the Arrangement, the Corporation acquired the PNG Business from High Arctic. The Corporation has not carried on any active business since incorporation other than the entering into of the Arrangement Agreement and completing the Arrangement.

Upon completion of the Arrangement, High Arctic was divided into two separate publicly traded companies and each Shareholder (other than a Dissenting Shareholder) received one (1) New High Arctic Common Share and one (1) Common Share in exchange for each four (4) High Arctic Common Shares previously held. Canadian tax counsel to High Arctic and the Corporation has opined that the Arrangement generally will occur on a tax-deferred basis for Shareholders resident in Canada who held their High Arctic Common Shares as capital property and who do not choose to recognize a capital gain or a capital loss.

The Common Shares will be listed on the TSXV under the trading symbol "HOH".

The PNG Business

As stated above, the Corporation was created to acquire and hold all of the capital stock of HAES Cyprus and therefore, the PNG Business. The PNG Business provides services to exploration and production companies operating in PNG, in two major operating segments: Drilling Services and Ancillary Services.

Drilling Services

The Drilling Services segment consists of drilling services in Papua New Guinea where HAES Cyprus has operated since 2007.

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

The next major project anticipated to commit to substantive investment is the Papua-LNG project joint venture, spearheaded by the supermajor energy company TotalEnergies. This joint venture is focused on the development of the Elk-Antelope gas field, a gas production facility, and the construction of pipelines and an LNG export plant to facilitate the transportation of resources from new drilling sites in the region.

The Corporation is strategically positioned to support these developments, given its dominant position in PNG, existing work relationships with the operating companies, and proximity to the proposed sites of operation. The Corporation owns a pair of drilling rigs (Rigs 115 and 116) that are portable by helicopter and have been maintained and preserved for use, but are not currently in operation or under contract. High Arctic declared on August 1, 2022 that HAES Cyprus had agreed to a three-year contract extension to oversee the operation of Rig 103, a heli-portable drilling rig owned by its principal customer involved in oil and gas exploration in PNG. Drilling activity on the final well of the Rig 103 campaign has concluded. Rig 103 and all of the associated plant and equipment has recently been stacked at the Customers forward base in the highlands. The Corporation remains engaged with its principal customer on planning for future drilling activity. Further, the PNG Government and Papua-LNG operator TotalEnergies released a joint

statement in April 2024 advising that a final investment decision of the Papua-LNG project is now expected in 2025.

HAES Cyprus has made a concerted effort to establish open communication channels with all active energy companies in PNG to ensure that its personnel, equipment and expertise are utilized optimally to advance the region's energy sector. Through such collaborations, the Corporation hopes to contribute to the continued growth and prosperity of Papua New Guinea and its people. These recent developments in the energy sector hold immense promise for the region's continued development and growth. With a commitment to open communication, innovation, and strategic partnerships, the Corporation is poised to play a crucial role in the future of the PNG energy sector.

Drilling Rig Fleet

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

Rigs 103 and 104 are owned by the Corporation's principal customer. These rigs have been operated and managed by HAES Cyprus on behalf of its customer since 2007. Although the contract for Rig 104 was not renewed in August 2022, the rig has been preserved and remains in operational condition. The Corporation holds a lease contract for Rig 104 and its camps as well as the associated rights to market the rig for services. The Corporation is optimistic for future contracts with third-party customers in the coming activity cycle. Rigs 103 and 104 are also heli-portable 1500 horsepower, AC electric rigs.

Supporting Rigs 103 and 104 are two partial rig packages which are referred to as "Leapfrog" Rigs. These Leapfrog Rigs consist of a center rig section which is identical to the center rig section utilized in the complete Rig 103 and 104 rig packages. Where appropriate, these Leapfrog Rigs are utilized to advance the setup time at the next drilling location while drilling is completed by the main Rig 103 or 104 at its existing location. While drilling operations are ongoing at the existing location, the Leapfrog Rig is setup at the new location. Upon completion of drilling at the original location, the remaining drilling rig components are moved to the new location which already has the center section of the Leapfrog Rig setup. The leapfrog has now become the main operating rig, and the remaining rig package on the original site becomes the leapfrog rig, which can be disassembled and moved to the next well while drilling is continuing.

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

Hydraulic Workover Rig

Hydraulic Workover Rigs ("HWRs") are capable of the majority of workovers, completions, re-entries, abandonments, and Snubbing operations that are otherwise conducted with conventional draw work type service rigs. The HWRs moves the tubular components in and out of the wellbore using hydraulic rams and slip assemblies. The Corporation owns one Heli-Portable Hydraulic Workover unit, Rig 102 in PNG which is not currently in operation or under contract.

Contract for Services

Drilling services are generally conducted under a daily rate contract where the Corporation charges a fixed rate per day depending on the activity being conducted. Such contracts generally have 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 but may include fixed fee or time-based compensation for the initial location of the drilling rig on the well site and its removal after release.

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

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

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

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

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

Given the nature of the contract for service model herein described for the Drilling Services business, revenue generated from these contracts is intermittent in nature and will fluctuate considerably depending on the number of drilling rigs operating under contract.

Competition

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

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

Certain areas with sufficient road infrastructure may be developed to support traditional land-based rigs. To the Corporation's knowledge, there are currently two land-based rigs located in PNG capable of drilling wells typically completed in PNG. Due to higher mobilization costs associated with heli-portable drilling operations, the Corporation's heli-portable rigs are typically utilized for remote access operations and as such do not compete in areas where traditional land-based rigs are more cost effective to utilize. To the Corporation's knowledge, during late 2022 one large land-based drilling rig commenced preparation for work in the primary PNG-LNG production field and is currently drilling. This is the first time land-based rigs other than heli-portable rigs have operated in PNG since 2015.

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

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

Economic Dependence

In 2023 and 2022, HAES Cyprus experienced a significant boost in revenue from its operations in Papua New Guinea compared to 2021 and 2020. This was largely due to HAES Cyprus providing services to two key multinational customers operating in PNG, whose revenues each accounted for more than 10 percent of HAES Cyprus' total revenues.

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

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

Ancillary Services

The Ancillary Services segment consists of the Corporation's oilfield rental equipment in PNG.

Equipment Rental Services

The Corporation has an extensive fleet of rental equipment in PNG. Its PNG rental fleet includes matting, cranes, forklifts, trucks, camps, pumps, generators, tanks, vehicles, and lighting towers. Rental of the equipment is typically charged on a day rate basis.

Work Site Mats

The Corporation's work site mats are an environmentally friendly mat made of a high-density polyethylene composite suitable for a wide range of applications where a solid base and / or ground protection is required for heavy equipment access. They are well suited for the difficult terrain in PNG where the conditions are often wet, boggy, and uneven. These mats are suitable for drilling, mining and civil activities including pipeline construction, plant construction and as a base for camp facilities. At December 31, 2023, HAES Cyprus had 491 work site mats under contract in PNG and an additional 3,599 on hand. HAES Cyprus has

been actively pursuing opportunities to diversify our customer base in PNG and international markets for any uncontracted mats.

Proposed Business Strategy for the PNG Business

Entrenching and protecting the Corporation's position in PNG is important to securing the Corporation's long-term ambition of being the pre-eminent provider of services in the natural resources sector there. This will require actions that include the ongoing development and expansion of local indigenous workforces, the inclusion of local landowner and other PNG companies in the Corporation's business activities, and working constructively with PNG regulators and the national energy company.

HAES Cyprus has invested in a pair of high-tech AC-electric computer controlled 1500 horse power drilling rigs (Rigs 115 and 116) that are portable by helicopter and have been maintained and preserved for use, but are not currently in operation or under contract. In recent years, these rigs and Rigs 103 and 104 that HAES Cyprus has operated and managed for its customer, have been under-utilized. Management had expected that following the COVID-19 pandemic a return to drilling activity would be faster than has been realized. This has seen the drilling rigs and other rental plant and equipment including camps and worksite matting remain under-utilized. The Corporation believes that these drilling rigs are ideally designed for PNG.

Papua New Guinea is on the precipice of a new round of large-scale projects in the natural resources sector. The New-Porgera gold mine has recently commenced mining activity, representing the first of the "4P's and 2W's" being promoted by the PNG Government as key international investment projects. The others include the Papua LNG project headed up by French super-major TotalEnergies, the Pasca offshore discovery in the gulf of PNG, the P'nyang gas field development touted as the next stage for the existing PNG-LNG joint venture headed up by ExxonMobil, the Wafi-Golpu advanced exploration gold & copper project located in the Morobe Province and the Wildebeest gas exploration prospect onshore in Gulf Province.

The Papua-LNG project is anticipated to be the next major project. It is progressing towards a final investment decision in 2025 and there is expectation for increased drilling activity through the latter half of this decade, not only to develop wells for the supply of gas to the Papua-LNG export facility, but also to explore for and appraise other discoveries.

There are a number of other substantive nation-building projects in the pipeline including infrastructure, electrification, telecommunications and defense projects planned for the development of Papua New Guinea. They collectively represent a period of nation building expected to extend well into the coming decades. These projects will require access to transport and material handling machinery, quality worksite mats and temporary road mats and a substantive amount of labor, skilled equipment operators, qualified tradespeople and engineers, geoscientists and other professionals.

The cornerstones of the Corporation's business strategy for the PNG Business include:

1. Leveraging the core PNG planning and logistics capability behind our success in PNG to diversify our service offerings there,
2. Deploying idle assets to profitable operations in the advancement of prominent natural resources and infrastructure projects,
3. Strengthening local content in the supply chain, in our service delivery, and in the value derived from our services,
4. Establishing an efficient corporate structure, that provides the opportunity to consider transactions which would create value for the Corporation's shareholders,

5. Increasing participation in the local and regional business, finance and investment communities, and
6. Seeking out opportunities to expand and root the business in the Australasian region.

Risks to the Business Strategy for the PNG Business

In addition to the Risks presented in “*Item 21: Risk Factors*”, there are certain specific risks to the Corporation being able to execute the PNG business strategy. These risks include:

- adequate access to sources of capital to pursue growth;
- the Bank of Papua New Guinea’s policies and regulations surrounding the local market currency, the Kina or PGK, its valuation control and enforcement of its use, as well as the availability of foreign currencies in PNG and the Corporation’s approval to maintain a US dollar bank account and transact in US dollars;
- competition from emerging local businesses, and movements to increase local participation in the PNG business community and in the nation building projects;
- market moves to incentivize the entry of other foreign contractors and create market competition for onshore drilling services;
- emergence of technologies that reduce the Corporation’s market for drilling services and rental equipment;
- security and political stability in a developing country with a rapidly growing population;
- ability to attract personnel of suitable qualifications, skill and experience, to work in remote PNG locations;
- ability to expand our training and development capability and obtain and retain necessary licenses to deliver accredited training that is relevant to, and desired by the PNG market; and
- the availability of regional expansion opportunities and the ability of the Corporation to exploit them, including financial resources, foreign investment rules, local content and other regulatory requirements.

Employees

The Corporation has one part time employee (including officers) and HAES Cyprus (including its subsidiaries) has 107 full time employees (including officers).

Competitive Conditions

In addition to the competitive environment previously outlined for Drilling Services, due to the size of the market and remote operations, the Corporation faces relatively low competition for its rental equipment in PNG. The factors that will allow the Corporation to remain competitive in the markets for its Ancillary Services are its ability to supply the necessary equipment and services in remote locations and when required at competitive prices. See “*Item 21: Risk Factors*”.

Item 6: Financings

The Corporation was incorporated on April 1, 2024 and has not undertaken any financings other than to issue 1 Common Share for \$1.00 in connection with its incorporation.

Item 7: Dividends and Other Distributions

The Corporation has not declared or paid any dividends since incorporation. Any decision to pay dividends on the Common Shares will be made by the Board on the basis of the Corporation's earnings, financial requirements and other conditions existing at the relevant time.

Item 8: Management's Discussion and Analysis

Included as Appendix E to this Listing Application is the Management Discussion and Analysis of HAES Cyprus for the financial years ended December 31, 2023, 2022, and 2021. It includes financial information from, and should be read in conjunction with, the audited financial statements of HAES Cyprus for the financial years ended December 31, 2023, 2022, and 2021 and the notes thereto, which are attached as Appendix D to this Listing Application, as well as the disclosure contained throughout this Listing Application.

Included as Appendix G to this Listing Application is the Management Discussion and Analysis of HAES Cyprus for the three months ended March 31, 2024. It includes financial information from, and should be read in conjunction with, the unaudited interim financial statements of HAES Cyprus for the three months ended March 31, 2024 and the notes thereto, which are attached as Appendix F to this Listing Application, as well as the disclosure contained throughout this Listing Application.

Item 9: Disclosure of Outstanding Security Data on Fully Diluted Basis

As of the date hereof, 12,448,166 Common Shares are issued and outstanding.

Item 10: Description of Securities to be Listed

The holders of Common Shares will be entitled to receive dividends if, as and when declared by the Board. The holders of Common Shares are entitled to receive notice of and to attend all meetings of shareholders and are entitled to one vote per Common Share held at all such meetings. Pursuant to the ABCA, the first annual general meeting of shareholders of the Corporation must be held not later than 18 months following the date of incorporation of the Corporation. In the event of the liquidation, dissolution or winding up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of Common Shares will be entitled to participate ratably in any distribution of the assets of the Corporation.

On August 1, 2024, the Corporation received conditional approval from the TSXV to list the Common Shares on the TSXV as a Tier 1 issuer under TSXV policies, under the trading symbol "HOH". There can be no assurances as to if, or when, the Common Shares will receive final approval and be listed on the TSXV, or any other stock exchange. This may affect the pricing of the Common Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Common Shares, and the extent of issuer regulation.

Item 11: Consolidated Capitalization

The following table sets out the capitalization of the Corporation as at April 1, 2024 prior to giving effect to the Arrangement and the pro forma capitalization of the Corporation as at December 31, 2023 after giving effect to the Arrangement. Other than as described below and pursuant to the Arrangement, there has not been any material change in the share and loan capital of the Corporation, on a consolidated basis, since incorporation. This table should be read in conjunction with the Corporation's audited balance sheet included as Appendix "C", HAES Cyprus' audited financial statements and Management's Discussion and Analysis included as Appendix "D" and Appendix "E", respectively, HAES Cyprus' unaudited interim financial statements and Management's Discussion and Analysis included as Appendix "F" and Appendix "G", respectively, the unaudited pro forma financial statements of the Corporation included as Appendix "H", and other supplemental financial information contained elsewhere in this Listing Application.

Designation	As at April 1, 2024 ⁽¹⁾	As at December 31, 2023 after giving effect to the Arrangement ⁽²⁾	As at March 31, 2024 after giving effect to the Arrangement ⁽²⁾
Shareholder Capital	\$1 (1 Common Share)	US\$31,892,000 (12,280,575 Common Shares)	US\$30,294,000 (12,448,166 Common Shares)

Notes:

- (1) The Corporation was incorporated under the ABCA on April 1, 2024. The Corporation had no operating history until after completion of the Arrangement.
- (2) On a non-diluted basis.

Item 12: Equity Incentive Plan

As part of the Corporation's compensation program, the Corporation has adopted the Equity Incentive Plan. The principal features of the Equity Incentive Plan, which provides for the issuance of stock options ("**Options**"), performance share units ("**PSUs**"), restricted share units ("**RSUs**") and deferred share units ("**DSUs**", and together with Options, PSUs, and RSUs are collectively referred to as "**Grants**" and each individually a "**Grant**"), are described below. This summary of the Equity Incentive Plan is qualified in its entirety by reference to the full text of the Equity Incentive Plan, a copy of which is attached as Schedule "A" to the Arrangement Agreement, which is attached as Appendix "B" to this Listing Application.

The Equity Incentive Plan is a long-term incentive plan that permits the award of Grants to directors, officers and employees of, and consultants to, the Corporation. The purpose of the Equity Incentive Plan is to promote share ownership of the eligible individuals to align the interests of such individuals with the interest of the Corporation's Shareholders. The Equity Incentive Plan streamlines the administration of long-term incentive Grants to eligible individuals as all Grants will be made under the Equity Incentive Plan (whether Options, RSUs, DSUs, or PSUs) and will be subject to the rules and restrictions of that plan.

As of the date of this Listing Statement, no Grants have been made under the Equity Incentive Plan and there are no Grants outstanding under the Equity Incentive Plan.

Limitations under the Equity Incentive Plan

The aggregate number of Common Shares that may be reserved for issuance at any time under the Equity Incentive Plan, together with any Common Shares reserved for issuance under any other security-based compensation plans of the Corporation, shall be equal to 10% of the outstanding Common Shares from time to time (on a non-diluted basis). Any Common Shares underlying Options under the Equity Incentive Plan that have been exercised, or disposed of or that have expired or been terminated for any reason (without being exercised), shall become available for subsequent issuance under the Equity Incentive Plan. Any Common Shares underlying DSUs, RSUs, or PSUs under the Equity Incentive Plan that have been settled, or disposed of or that have expired or been terminated for any reason (without being settled), shall become available for subsequent issuance under the Equity Incentive Plan. Accordingly, the Equity

Incentive Plan is a “rolling plan” and as a result, any and all increases in the number of outstanding Common Shares will result in an increase to the number of Grants available for Grant under the Equity Incentive Plan.

In addition, any Grants shall be subject to the following restrictions:

- (a) the aggregate number of Common Shares reserved for issuance pursuant to Grants, together with awards under any other security-based compensation plan of the Corporation, granted to insiders (as a group) may not exceed 10% of the outstanding Common Shares (on a non-diluted basis) at any point in time;
- (b) the aggregate number of Common Shares reserved for issuance pursuant to Grants, together with awards under any other security-based compensation plan of the Corporation, granted to insiders (as a group) in any twelve (12) month period shall not exceed 10% of the outstanding Common Shares (on a non-diluted basis) determined at the time of the Grant; and
- (c) the aggregate number of Common Shares reserved for issuance pursuant to Grants, together with awards granted under any other security-based compensation plan of the Corporation, granted to any one person in any twelve (12) month period may not exceed 10% of the outstanding Common Shares (on a non-diluted basis) determined at the time of grant, provided that if the Corporation is listed on the TSXV, this limit shall be 5% of the outstanding Common Shares.

Since the Common Shares will, subject to final approval of the TSXV, be listed on the TSXV, the following restrictions shall also apply:

- (d) the aggregate number of Common Shares issuable pursuant to Grants, together with awards under any other security-based compensation plan of the Corporation, granted to any consultant in any twelve (12) month period shall not exceed 2% of the outstanding Common Shares (on a non-diluted basis) determined at the time of grant;
- (e) Investor relations service providers shall only be entitled to Options under the Equity Incentive Plan and the aggregate number of Common Shares issuable pursuant to Options under the Equity Incentive Plan, together with Options under any other security-based compensation plan of the Corporation, granted to all such persons in any twelve (12) month period shall not exceed 2% of the outstanding Common Shares determined at the time of grant; and
- (f) if the Corporation issues Options to eligible charitable organizations, the aggregate number of Common Shares issuable pursuant to such Options must not at any time exceed 1% of the issued and outstanding Common Shares, calculated at the time of grant.

Except as permitted by the Board or a designated committee of the Board, and to the extent that certain rights may pass to a beneficiary or legal representative upon death of a participant by will or as required by applicable law, Grants are not assignable or transferable.

Description of Options issuable under the Equity Incentive Plan

All Options granted under the Equity Incentive Plan will have an exercise price fixed by the Board when the Option is granted. Such price shall not be less than the volume weighted average trading price per Common Share on the TSXV for the five (5) consecutive trading days (“**VWAP**”) ending on the last trading day preceding the date that the Option is granted.

Upon the Common Shares being listed on the TSXV: (i) the exercise price of Options shall be determined by the Board in accordance with the policies of the TSXV; (ii) Options can be exercisable for a maximum of 10 years from the Grant Date; and (iii) the Corporation must obtain disinterested shareholder approval when decreasing the exercise price or extending the term of Options granted to insiders.

Exercise of Options

Participants may exercise vested Options by providing payment in full of the exercise price for the Common Shares which are the subject of the exercise. Provided that the Common Shares are listed on a stock exchange, and that the Corporation is in compliance with applicable stock exchange requirements, the Corporation may permit a participant to elect that the Corporation satisfy any obligations to the participant in respect of any vested Options exercised by the participant by issuing such number of Common Shares that is equal in value to the difference between: (a) the VWAP of the Common Shares prior to the date of exercise; and (b) the aggregate exercise price of the vested Options being exercised (the “**Net Share Exercise Right**”). As the Corporation will be listed on the TSXV, the Net Share Exercise Right is not available to any Investor Relations Service Providers in accordance with the policies of the TSXV.

In addition, the Corporation may permit a broker-assisted cashless exercise whereby the participant elects to receive: (a) an amount in cash equal to the cash proceeds realized upon the sale in the capital markets of the Common Shares underlying the vested Options by a securities dealer designated by the Corporation, less the aggregate exercise price, any applicable withholding taxes, and any transfer costs charged by the securities dealer to sell the Common Shares; (b) an aggregate number of Common Shares that is equal to the number of Common Shares underlying the vested Options minus the number of Common Shares sold in the capital markets by a securities dealer designated by the Corporation as required to realize cash proceeds equal to the aggregate exercise price, any applicable withholding taxes and any transfer costs charged by the securities dealer to sell the Common Shares; or (c) a combination of (a) and (b).

Description of RSUs, PSUs and DSUs issuable under the Equity Incentive Plan

An RSU is a right to receive a Common Share issued from treasury upon settlement, subject to the terms of the Equity Incentive Plan and the applicable award agreement, which generally becomes vested, if at all, following a period of continuous employment or engagement. If the Corporation is listed on the TSXV, RSUs are expected to typically vest as to one third on each of the first, second and third anniversaries of the date of grant unless otherwise determined by the Board at the time of grant.

A PSU is a right to receive a Common Share issued from treasury upon settlement, subject to the terms of the Equity Incentive Plan and the applicable award agreement, which generally becomes vested, if at all, subject to the attainment of performance criteria established by the Board in its discretion at the time of grant. The vesting period and performance criteria for any PSUs granted will be determined at the time of the grant.

DSUs are the only type of share unit issuable under the Equity Incentive Plan that may be issued to non-employee directors of the Corporation. A DSU is a right to receive a Share issued from treasury upon settlement, subject to the terms of the Equity Incentive Plan and the applicable award agreement. The vesting period of any DSUs granted will be determined at the time of the grant and are expected to typically vest either as to one third on each of the first, second and third anniversaries of the date of grant or to cliff-vest on the third anniversary of the date of grant, provided that, vesting will typically accelerate on the date that the non-employee director ceases to be a director of the Corporation for any reason, including change of control, resignation, retirement, death or failure to obtain re-election as a director.

Settlement of RSUs, PSUs and DSUs

Vested RSUs, PSUs and DSUs may be settled by a participant at any time prior to their expiry date by the Corporation issuing to the participant such number of Common Shares that is equal to the number of vested RSUs, PSUs or DSUs (and related Dividend Equivalents, if any) being settled. Notwithstanding, the

Corporation may, in its discretion, permit applicable participants to elect to receive an amount in cash (net of applicable withholding taxes) equal to all or a portion of the vested RSUs, PSUs or DSUs (and related dividend equivalents, if any) being settled by the participant multiplied by the VWAP prior to the applicable settlement date.

Dividend Equivalents

On any date on which a cash dividend is paid on the Common Shares, a Participant's Account will be credited with a dividend equivalent in the form of a number of RSUs, PSUs or DSUs (including fractional Share Units, computed to three digits) calculated by multiplying the amount of the dividend per Share by the aggregate number of RSUs, PSUs or DSUs that were credited to the Participant's Account as of the record date for payment of the dividend, and dividing by the Fair Market Value on the date on which the dividend is paid.

The "**Fair Market Value**" of a Common Share for the purposes of the Equity Incentive Plan means, where the Common Shares are listed on the TSXV (or such other exchange on which the Common Shares are then listed and posted for trading), the volume weighted average trading price of the Common Shares on the TSXV for the five trading days immediately preceding a particular date. If the Common Shares are not listed on any stock exchange, the "Fair Market Value" of a Common Share on a particular date shall be determined by the Board in its sole discretion.

Expiry

The expiry date of Grants granted pursuant to the Equity Incentive Plan is set by the Board and must not be later than ten (10) years from the date of grant. The Equity Incentive Plan contains provisions that address expiring Grants during, or within nine (9) business days after, a self-imposed blackout period on trading securities of the Corporation. In such a case, the expiry date will be deemed to be extended to the tenth (10th) business day following the end of the blackout period.

Termination of Employment of Participant

Except in cases of termination of employment without cause as detailed in the paragraph below, upon the termination of the employment of a Participant (as a result of the Participant ceasing to be actively employed by, or provide services as a consultant to the Corporation), any Grants standing to the credit of such Participant which have not become vested on or before the date of the Participant's termination (the "**Termination Date**"), shall immediately terminate and become null and void as of such date. For greater certainty, no Grants shall vest during any reasonable notice period.

Subject to any provisions to the contrary in the employment or consulting agreement of any particular Participant, upon the termination of employment without cause of such Participant, unless otherwise determined by the Board in its sole discretion, those Grants awarded to such Participant that have not yet become vested Grants, but would be eligible for vesting and issuance during the notice period specified in such Participant's employment or consulting agreement, shall vest on the Termination Date.

Death of Participant

Where the Participant's Termination Date occurs as a result of the Participant's death, any Grants standing to the credit of such Participant shall continue to vest (and be paid out) in the normal course for a period of twelve (12) months extending from the Participant's Termination Date. Any Grants awarded to such Participant which have not become vested on or before the date that is the first anniversary of the Participant's Termination Date shall terminate and become null and void as of such date.

Change of Control

In the event of a Change of Control (as such term is defined in the Equity Incentive Plan) or a determination by the Board that a Change of Control is expected to occur, the Board shall have the authority to take all necessary steps so as to ensure the preservation of the economic interests of the Participants in, and to prevent the dilution or enlargement of any Grants, including, without limitation, adjusting: (i) the number of Common Shares issuable pursuant to the Grant Agreement; (ii) the securities into which the Common Shares are changed or are convertible or exchangeable; (iii) any Options then outstanding; (iv) the exercise price, as appropriate in respect of such Options; and/or (v) with respect to the number of RSUs, PSUs and/or DSUs outstanding under the Equity Incentive Plan, and any such adjustment shall be final, binding and conclusive for all purposes of the Equity Incentive Plan.

Amendment, Suspension and Termination

The Board may, without notice and without shareholder approval, amend, modify, change, suspend or terminate the Equity Incentive Plan or any Awards as it determines appropriate, provided, however, that no such amendment, modification, change, suspension or termination of the Equity Incentive Plan or any Awards may materially impair any outstanding rights of a participant without the consent of the participant, unless the Board determines such adjustment is required or desirable in order to comply with any applicable securities laws or the policies of the TSXV. Without limiting the generality of the foregoing, the Board may by resolution, without shareholder approval, at any time or from time to time, amend the Equity Incentive Plan or award agreements for the purposes of:

- (i) changing the termination provisions of a Grant, provided that the change does not entail an extension beyond the original expiry date;
- (ii) determining the adjustment provisions pursuant to the Equity Incentive Plan;
- (iii) altering, extending or accelerating the terms of vesting or the conditions to vesting applicable to any Grant;
- (iv) ensure that Grants awarded under the Equity Incentive Plan will comply with any provisions respecting share units or other security based compensation arrangements in the Tax Act or other Applicable Law in force in any country or jurisdiction of which a Participant to whom a Share Unit has been granted may from time to time perform services or be resident;
- (v) make amendments of a procedural or "housekeeping" nature;
- (vi) amending or modifying the mechanics of exercising an entitlement pursuant to a Grant; and
- (vii) suspending or terminating the Equity Incentive Plan.

Item 13: Prior Sales

One (1) Common Share was issued to High Arctic upon incorporation, such share was cancelled effective as of the Effective Time. As of the date hereof, there are 12,448,166 Common Shares issued and outstanding to Shareholders.

As of the date hereof, the Corporation has no securities posted or listed for trading on any Canadian or foreign market, however, the Corporation has applied to list the Common Shares on the TSXV. For more information, see "*Item 10: Description of Securities to be Listed*".

Item 14: Escrowed Securities and Securities Subject to Restriction on Transfer

To the knowledge of the Corporation, as of the date of this Listing Application, no securities of any class of securities of the Corporation are held in escrow.

Item 15: Principal Securityholders

To the knowledge of the Corporation as of the date of this Listing Application, there are no persons who beneficially own, or control or direct, directly or indirectly, voting securities of the Corporation carrying 10 percent or more of the voting rights attached to any class of voting securities of the Corporation, except as set forth below:

Name	Number of Common Shares Beneficially Owned or Controlled	Percentage of Total Common Shares ⁽¹⁾
FBC Holdings Sàrl ⁽²⁾	5,479,159	44.02%

Notes:

- (1) Based on 12,448,166 Common Shares issued and outstanding after the Arrangement.
 (2) FBC Holdings Sàrl, a société à responsabilité limitée incorporated under the laws of Luxembourg, is owned or controlled by Cyrus Capital Partners, L.P. for which Steve Freidheim acts as the ultimate control person.

Item 16: Directors and Executive Officers

The Board consist of the directors named below. The following table sets out the names and municipalities of residence of each director and executive officer of the Corporation and their principal occupation over the last five years. Each of the directors of the Corporation shall serve as a director for a term, if any, as may be specified in the resolution appointing such director or until his/her earlier death, resignation or removal.

Name and Residence	Position	Held Office Since	Principal Occupation for the Past Five Years	Holdings of Common Shares ⁽³⁾⁽⁴⁾
Michael R. Binnion ^{(1),(2)} Calgary, Alberta	Chairman and Director	Effective Date	Chairman of High Arctic Energy Services Inc. since September, 2007; President and Chief Executive Officer of Questerre Energy Corporation since November 2000; Director of Rupert's Crossing Capital Inc since March 2021; Director of Huntington Exploration Inc. from November, 2010 to January, 2021.	553,381 (4.5%)
Michael J. Maguire ^{(1),(2)} Brisbane, Australia	Director and CEO	Effective Date	Chief Executive Officer of High Arctic Energy Services Inc. since March, 2020; President of High Arctic Energy Services Inc.'s PNG business from 2015 to March, 2020.	198,729 (1.6%)
Bruce Apana ^{(1),(2)} Port Moresby, Papua New Guinea	Director	Effective Date	Chief Operating Officer at MRL Capital Limited since 2019; Director and Secretary for High Arctic's PNG incorporated subsidiaries since 2007.	Nil (0%)
Lonn Bate Calgary, Alberta	Interim CFO	Effective Date	Chief Financial Officer of High Arctic since August 2023, having initially joined High Arctic in March 2023; CFO of Varigate Technologies Inc. from October, 2019 to March 2023; President of Ventoux Ventures since August, 2010.	5,000 (0.04%)
Stephen Lambert Toowoomba, Australia	COO	Effective Date	Chief Operating Officer of High Arctic since 2021 having joined High Arctic in July 2014, and during his employment at	66,721 (0.5%)

			High Arctic has been engaged in several roles including People and Safety Manager PNG, General Manager PNG, and Director Quality and Risk.	
Matthew Cocks Brisbane, Australia	VP – Finance and Corporate Secretary	Effective Date	VP-Finance (PNG) of High Arctic since September 2023; Chief Financial Officer of M2P Engineering from January, 2022 to February, 2023; Commercial Finance Manager of M2P Engineering from February, 2019 to January, 2022.	Nil (0%)
Chris Fraser Sydney, Australia	VP – Strategy & Growth	Effective Date	VP-Strategy & Growth (PNG) of High Arctic since August, 2023; Senior Vice President of Santos Ltd. from June, 2019 to January, 2023.	Nil (0%)

Notes:

- (1) Member of the Audit Committee. Each member of the Audit Committee is considered financially literate, and Michael Binnion and Bruce Apana are considered independent.
- (2) Member of the Governance, Nominating and Remuneration Committee.
- (3) The information as to Common Shares beneficially owned, not being within the knowledge of the Corporation, has been furnished by the respective directors and assumes completion of the Arrangement.
- (4) Based on 12,448,166 Common Shares issued and outstanding after the Arrangement.

Senior Officers

A diverse and experienced management team has been assembled to lead the Corporation and will continue to assess the Corporation’s longer-term strategy and organizational needs. All senior officers of the Corporation will meet the high standards to be set by the Board which are expected to include, but not be limited to, strong business ethics, adherence to corporate governance and knowledge of public company compliance.

The directors and executive officers of the Corporation, as a group, beneficially own, directly or indirectly, or exercise control or direction over 823,831 Common Shares or approximately 6.62% of the number of Common Shares issued and outstanding.

Other Reporting Issuer Experience

The following table sets out the previous reporting issuer experiences of the directors and officers of the Corporation for the last five (5) years from the date of this Listing Application:

Name	Name and Jurisdiction of Reporting Issuer	Name of Trading Market	Position	From	To
Michael R. Binnion	Questerre Energy Corporation	TSX	President and CEO	July, 2003	Current
	Huntington Exploration Inc.	TSXV	Director	Nov, 2010	Jan, 2021
	High Arctic Energy Services Inc.	TSX	Chairman	Sept, 2007	Current
Michael J. Maguire	High Arctic Energy Services Inc.	TSX	Chief Executive Officer	2017	Current

Lonn Bate	High Arctic Energy Services Inc.	TSX	Interim Chief Financial Officer	Aug, 2023	June, 2024
	High Arctic Energy Services Inc.	TSX	Chief Financial Officer	July, 2024	Current
Stephen Lambert	High Arctic Energy Services Inc.	TSX	Chief Operating Officer	2020	Current
Chris Fraser	High Arctic Energy Services Inc.	TSX	VP – Strategy & Growth	2023	Current

Corporate Cease Trade Order and Bankruptcies

To the knowledge of management, no director or executive officer as at the date hereof, is or was within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Corporation), that (a) was subject to an order 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 an order that was issued after the director or executive officer ceased 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. For the purposes hereof, “order” means (a) a cease trade order, (b) an order similar to a cease trade order, or (c) 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.

To the knowledge of management, 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 company (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company (including the Corporation) that, while that person was acting in 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 hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become 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.

Personal Bankruptcies

To the knowledge of management, no director or executive officer of the Corporation has, within 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become 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 such director or executive officer.

Penalties or Sanctions

To the knowledge of management, no director, executive officer or Shareholder holding a sufficient number of securities of the Corporation to materially affect the control of the Corporation (i) has been subject to 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 (ii) any other penalties imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of the Corporation will be subject to in connection with the operations of the Corporation. In particular, certain of the directors and officers of the Corporation are involved in managerial or director positions with other oil and natural gas companies whose operations may, from time to time, be in direct competition with those of the Corporation or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of the Corporation.

In accordance with the applicable corporate and securities legislation, directors who have a material interest or any person who is a party to a material contract or a proposed material contract with the Corporation are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Corporation. Certain of the directors and each of the executive officers of the Corporation have either other employment or other business or time restrictions placed on them and accordingly, these directors of the Corporation will only be able to devote part of their time to the affairs of the Corporation. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the applicable corporate law.

Insurance Coverage and Indemnification

The Corporation has acquired liability insurance for its directors and officers with coverage and terms that are customary for a company of its size in the energy services industry. In addition, the Corporation has entered into indemnification agreements with its directors and officers. The indemnification agreements generally require that the Corporation indemnify and hold the indemnitees harmless to the greatest extent permitted by law for liabilities arising out of the indemnitees' service to the Corporation as directors and officers, so long as the indemnitees acted honestly and in good faith with a view to the best interests of the Corporation and, with respect to criminal or administrative actions or proceedings that are enforced by monetary penalty, if the indemnitee had no reasonable grounds to believe that his or her conduct was unlawful. The indemnification agreements also provide for the advancement of defence expenses to the indemnitees by the Corporation.

Item 17: Executive Compensation

Overview of Compensation Program, Compensation Philosophy and Objectives

The Governance, Nominating, and Remuneration Committee will be charged with reviewing and making recommendations to the Board in respect of the compensation matters relating to the Corporation's executive officers, employees, and directors pursuant to the Governance, Nominating, and Remuneration Committee Terms of Reference. The members of the Remuneration Committee are appointed by the Board. For additional details regarding the Governance, Nominating, and Remuneration Committee, see "*Item 19: Audit Committees and Corporate Governance – Disclosure of Corporate Governance Practices*".

To date, the Corporation has not carried on any active business other than entering into the Arrangement Agreement and completing the Arrangement. No compensation has been paid by the Corporation to its executive officers or directors to date. The Corporation intends that the executive officers of the Corporation will be paid salaries at a level that is comparable to companies of similar size in the industry.

Summary Compensation Table

The following table sets forth information concerning the expected compensation payable by the Corporation for services rendered for the 12-month period after giving effect to the Transaction to individuals who are expected to be the Chief Executive Officer, the Chief Financial Officer and to the three other individuals who are expected to be the most highly compensated executive officers during such period.

Name and Principal Position	Year Ended Dec	Salary (AUD \$)	Share-based Awards (AUD \$)	Option-based Awards (AUD \$)	Non-equity Incentive Plan Compensation		Pension Value (AUD \$)	All Other Compensation (AUD \$)	Total Compensation (AUD \$)
					Annual Incentive Plans (AUD \$)	Long-term Incentive Plans (AUD \$)			
Michael J. Maguire Chief Executive Officer	2024	402,500	-	-	-	-	27,500	-	430,000
Lonn Bate Interim Chief Financial Officer ⁽¹⁾	2024	-	-	-	-	-	N/A	-	-
Stephen Lambert Chief Operating Officer	2024	330,000	-	-	-	-	27,500	-	357,500
Matthew Cocks VP – Finance and Corporate Secretary	2024	280,000	-	-	-	-	27,500	-	307,500
Chris Fraser VP - Strategy & Growth and Corporate Secretary	2024	350,000	-	-	-	-	27,500	-	377,500

Note:

- (1) Mr. Bate's services for the Corporation will be provided via a reciprocal transitional services agreement between the Corporation and his employer High Arctic whereby Mr. Bate will act as Chief Financial Officer of both the Corporation and High Arctic but will only receive a salary from High Arctic. Mr. Bate will receive a salary of \$200,000 per annum from High Arctic for the year ended December 31, 2024.

Stock Options and Other Compensation Securities

As of the date hereof, the Corporation does not have any share-based awards or option-based awards outstanding.

Stock Option Plans and Other Incentive Plans

The Corporation has adopted the Equity Incentive Plan. For an overview of the material terms of each plan, please refer to "Item 12: Equity Incentive Plan".

Employment, Consulting and Management Agreements

As at the date of this Listing Application, there are employment contracts in place between the Corporation and the executive officers of the Corporation ("**Employment Agreements**"). Certain Employment Agreements have entitlements on termination and change of control as follows.

Termination Event	Provisions in Employment Agreements
Resignation	<ul style="list-style-type: none">• all salary and benefit programs end;• vested Options must be exercised within 90 days (per the Equity Incentive Plan); and• PSUs and RSUs that are vested will be released on their respective release date and PSUs and RSUs that are not vested, but would be eligible for vesting during the notice period specified in the employee's employment or consulting agreement, will vest on the termination date (per the Equity Incentive Plan).
Retirement	<ul style="list-style-type: none">• all salary and benefit programs end;• vested Options must be exercised within 90 days (per the Equity Incentive Plan); and• PSUs and RSUs that are vested will be released on their respective release date and PSUs and RSUs that are not vested, but would be eligible for vesting during the notice period specified in the employee's employment or consulting agreement, will vest on the termination date (per the Equity Incentive Plan).
Death	<ul style="list-style-type: none">• all salary and benefit programs end;• vested Options must be exercised within one year (per the Equity Incentive Plan); and• PSUs and RSUs that are vested will be released and PSUs and RSUs will continue to vest and be released for a period of twelve (12) months extending from the date of death (per the Equity Incentive Plan) and PSUs and RSUs that are not vested within the first anniversary of death will terminate.
Termination without cause	<ul style="list-style-type: none">• pay in lieu of notice equal to between one- and three-months' salary.• for Mr. Maguire, within the first three years of employment, pay in lieu of notice equal to four months' salary. Thereafter, the notice period will increase by one month per year of service to a maximum of twelve months;• vested Options must be exercised within 90 days (per the Equity Incentive Plan); and• PSUs and RSUs that are vested will be released on their respective release date and PSUs and RSUs that are not vested, but would be eligible for vesting during the notice period specified in the employee's employment or consulting agreement, will vest on the termination date (per the Equity Incentive Plan).
Termination for cause	<ul style="list-style-type: none">• all salary and benefit plans end on the date of termination;• all unvested and vested Options that have not been exercised are cancelled as of the Option holder's date of termination; and• PSUs and RSUs that are vested will be released on their respective release date and PSUs and RSUs that are not vested shall immediately terminate (per the Equity Incentive Plan).

Termination Event

Change of Control

Provisions in Employment Agreements

- For Mr. Maguire, payment equal to base salary and benefits for eighteen months;
- The Equity Incentive Plan provides the Board with the ability to make adjustments in the event of a change of control, including adjusting (i) the number of Common Shares issuable pursuant to a Grant Agreement; (ii) the securities into which the Common Shares are changed or are convertible or exchangeable; (iii) any Options then outstanding; (iv) the exercise price, as appropriate in respect of such Options; and/or (v) the number of RSUs, PSUs and/or DSUs outstanding under the Equity Incentive Plan.

Pensions

The Corporation does not currently have a pension plan, but intends to introduce one by the end of 2024.

Item 18: Indebtedness of Directors and Executive Officers

Since its incorporation and as of the date of the Listing Application, no director, officer or employee, or former director, officer or employee of the Corporation or its subsidiaries, or any of their associates, is indebted to the Corporation or its subsidiaries, nor have any such individuals been or are currently indebted to another entity where such indebtedness is or has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement provided by the Corporation or any of its subsidiaries, for indebtedness.

Item 19: Audit Committees and Corporate Governance

Audit Committee

The Audit Committee charter of the Corporation is attached hereto as Appendix "I" to this Listing Application.

Composition of the Audit Committee

The Audit Committee of the Corporation consists of Michael Binnion (Chair), Michael Maguire and Bruce Apana. The majority of the members of the Audit Committee are "independent" as defined in National Instrument 52-110 – Audit Committees ("**NI 52-110**"). Each member is financially literate in that each has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

Relevant Education and Experience

Michael Binnion

Mr. Binnion was, prior to completion of the Arrangement, the Chair of High Arctic (and remains as a director) and is the President and Chief Executive Officer of Questerre Energy Corporation. Mr. Binnion is a seasoned entrepreneur with a history of starting, financing and managing companies and not-for-profits. He has extensive experience as a board member for several high-tech companies in Canada. Additionally, he is the Executive Director of Rupert's Crossing Ltd., a private merchant banking firm. He is also Chairman of the Manning Foundation. Most recently he founded the Modern Miracle Network, an organization of Canadians wanting adult conversations about the benefits and impacts of energy use. Mr. Binnion holds Bachelor of Commerce degree in finance from the University of Alberta. He is a Fellow of the Chartered Accountants of Alberta.

Bruce Apana

Mr. Apana is the Chief Operating Officer at MRL Capital Limited, the trustee of the Lihir Island landowner Equity Trust. Mr. Apana has served in Executive, General Counsel and Advisory roles for various multinational energy companies in PNG. Mr. Apana has served as Director and Company Secretary for High Arctic's PNG incorporated subsidiaries since High Arctic's initial establishment there in 2007. Mr. Apana is a member of MRL's Audit, Risk and Remuneration Committee, Investment Committee and is the Company Secretary and General Counsel of MRL Funds Management limited, that has two Capital Markets Licenses and manages the Lihir Investment Fund.

Pre-Approval Policies and Procedures

The Audit Committee will pre-approve all non-audit services to be provided to the Corporation by the external auditors of the Corporation.

External Auditor Service Fees (By Category)

The approximate aggregate fees paid by the Corporation to the external auditors of the Corporation since incorporation are described below:

Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
Nil	Nil	Nil	Nil

Exemption

The Corporation is not relying on any exemptions in NI 52-110.

Disclosure of Corporate Governance Practices

The Corporation and the Board are committed to attaining the highest standards of corporate governance. The Corporation will maintain appropriate governance practices as fundamental to generating long-term shareholder value. The Corporation will continually assess and update its practices and believes it will employ a leading system of corporate governance to ensure the interests of its shareholders are well protected.

In Canada, the Canadian securities regulatory authorities in all of the provinces and territories of Canada (collectively, the "CSA") adopted National Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices ("NI 58-101"). Disclosure of governance practices is required in accordance with NI 58-101.

The following statement of the Corporation's corporate governance practices is made in accordance with Form 58-101F2 of NI 58-101.

Board of Directors

All directors of the Corporation, other than Michael Maguire, who acts as Chief Executive Officer of the Corporation, are independent directors of the Corporation. The Corporation has a majority of independent directors.

The following directors are presently directors of other issuers that are reporting issuers (or the equivalent):

<u>Name</u>	<u>Name of Reporting Issuer</u>
Michael R. Binnion	Questerre Energy Corporation Huntington Exploration Inc. High Arctic Energy Services Inc.
Michael J. Maguire	None
Bruce Apana	None

It is anticipated that the independent directors will hold regularly scheduled quarterly and additional meetings as determined necessary or desirable by the Board. It is expected that the Board will adopt the practice of following each meeting with an in-camera independent directors discussion.

Michael R. Binnion is the Chairman of the Board and an independent director. In accordance with the mandate of the Chairman, the Chairman presides at all meetings of the Board and, unless otherwise determined, at all meetings of shareholders. Among other things, the Chairman is to endeavour to fulfill his Board responsibilities in a manner that will ensure that the Board is able to function independently of management and is to consider, and allow for, when appropriate, a meeting of independent directors, so that the Board meetings can take place without management being present. The Chairman is responsible in ensuring that reasonable procedures are in place to allow directors to engage outside advisors at the expense of the Corporation in appropriate circumstances.

Board Mandate and Position Descriptions

The mandate of the Board is attached as Appendix “J”. It is expected that the Board will develop a written position description for the Chairman in due course.

It is currently anticipated that the Corporation will not have written description for its committee chair positions; however, it is anticipated that the Corporation will have a mandate for each committee and the roles and responsibilities of each committee chair position are referenced therein.

The Board, with the input of the CEO of the Corporation, will develop a written position description for the CEO.

Orientation and Continuing Education

While the Corporation does not currently have a formal orientation and education program for new recruits to the Board, the Corporation provides orientation and education on an informal basis. As new directors join the Board, it is expected that management will provide these individuals with corporate policies, historical information about the Corporation, as well as information on the Corporation’s performance and its strategic plan with an outline of the general duties and responsibilities entailed in carrying out their duties. The Board believes that these procedures have proved to be a practical and effective approach in light of the Corporation’s particular circumstances, including the size of the Corporation, limited turnover of the directors and the experience and expertise of the members of the Board.

Ethical Business Conduct

It is expected that the Corporation will have a Code of Business Conduct and Ethics (the “**Code**”) for directors, officers and employees, which will be available under the Corporation’s profile on SEDAR+ at www.sedarplus.com after completion of the Arrangement.

The Board is responsible for monitoring and ensuring compliance with the guidelines set out in the Code including compliance in all material respects, with all applicable financial reporting and accounting requirements applicable to the Corporation.

In accordance with the ABCA, directors who are a party to, or are a director or an officer of a person which is a party to, a material contract or material transaction or a proposed material contract or proposed material transaction are required to disclose the nature and extent of their interest and not to vote on any resolution to approve the contract or transaction.

The Board will adopt a “Whistleblower Policy” wherein employees and consultants of the Corporation are provided with the mechanics by which they may raise concerns with respect to falsification of financial records, unethical conduct, harassment and theft in a confidential, anonymous process.

Nomination of Directors

The Governance, Nominating, and Remuneration Committee is tasked with identifying qualified persons to serve as directors of the Corporation should the need or a vacancy arise. The Governance, Nominating, and Remuneration Committee may engage a candidate search firm in assisting with identifying potential nominees. In selecting a candidate for recommendation to the Board, the Governance, Nominating, and Remuneration Committee will consider the following attributes: high personal and professional ethics, integrity and values, commitment to representing the long-term interest of shareholders, the Board experience at the policy-making level in business, government, education, technology or public interest, and sufficient time to effectively fulfill duties as a Board member.

The Governance, Nominating, and Remuneration Committee operates under a written “Governance, Nominating and Remuneration Committee Terms of Reference” that details its composition, its duties and its reporting responsibilities which includes:

- (a) monitoring the appropriateness of the Corporation’s governance systems with regard to external governance standards, “best practices” guidelines and with an emphasis on “ongoing improvements”;
- (b) overseeing the Corporation’s environmental, social and governance (“**ESG**”) framework;
- (c) reviewing the makeup and needs of the Board and developing criteria for adding new directors to the Board; and
- (d) evaluating and assessing the effectiveness of the Board, and its committees in meeting governance objectives and each individual’s own contributions.

The Governance, Nominating, and Remuneration is comprised of Michael Binnion (Chair), Michael Maguire and Bruce Apana.

Compensation

The Board, through assistance and recommendations from the Governance, Nominating, and Remuneration Committee, will determine compensation for the Corporation’s directors and officers based on a number of factors.

The Governance, Nominating, and Remuneration Committee’s responsibility is to formulate and make recommendations to the Board in respect of compensation issues relating to directors and employees of the Corporation. Without limiting the generality of the foregoing, the Governance, Nominating, and Remuneration Committee is charged with reviewing and making recommendations to the Board in respect of the compensation matters relating to the Corporation’s executive officers, employees, and directors to review the compensation philosophy and remuneration policy for employees of the Corporation and to

recommend to the Board changes to improve the Corporation's ability to recruit, retain and motivate employees.

The Governance, Nominating, and Remuneration Committee shall be comprised of at least two directors, or such greater number as the Board may determine from time to time and a majority of the members of the Committee are required to be independent; as such term is defined for this purpose under applicable securities requirements. Pursuant to the mandate and terms of reference of the Governance, Nominating, and Remuneration Committee, meetings of the Committee are to take place at least one time per year and at such other times as the Chair of the Governance, Nominating, and Remuneration Committee may determine.

Other Board Committees

Other than the Audit Committee and the Governance, Nominating, and Remuneration Committee, the Corporation has established the Quality, Health, Safety, Environmental and Security Committee, to assist the Corporation and its subsidiaries in effectively carrying out its responsibilities.

The Quality, Health, Safety, Environmental and Security Committee is responsible for monitoring and making recommendations with respect to the quality, health, safety and environmental policies, practices and procedures of the Corporation and its subsidiaries. The Corporation's Quality, Health, Safety, Environmental and Security Committee operates under written terms of reference that detail its composition, its duties, and its reporting. The Quality, Health, Safety, Environmental and Security Committee is currently comprised of all of the directors. The Quality, Health, Safety, Environmental and Security Committee Terms of Reference will be published on the Corporation's website.

Assessments

Ensuring the effectiveness of the Board, its committees and individual directors will be assigned to the Governance, Nominating and Remuneration Committee. It is expected that the Governance, Nominating and Remuneration Committee will annually review the mandate of the Board and the fulfilment of such mandate.

Item 20: Agent, Sponsor or Advisor

There is currently no agent, sponsor or advisor retained by the Corporation in connection with the Listing Application.

The Corporation has made an application to the TSXV for a waiver from sponsorship requirements. No assurance can be given as of the date hereof that such waiver will be granted.

Item 21: Risk Factors

If any event arising from the risk factors set forth below occurs, the Corporation's business, prospects, financial condition, results of operation or cash flow and, in some cases, its reputation could be materially adversely affected. See "Risk Factors" in the Management's Discussion and Analysis in Appendix "E".

Risk Factors Related to the Corporation Specifically

Financing of the Corporation

The Corporation may need to raise financing on a stand-alone basis without reference to High Arctic. Following the Arrangement, the Corporation may not be able to secure adequate debt or equity financing on desirable terms or at all.

Historical Financial Information of PNG Business Not Indicative of Future Results

The PNG Business that the Corporation acquired pursuant to the Arrangement has been part of High Arctic for a number of years. In the past, the PNG Business operated in the context of High Arctic's business as a whole. Accordingly, employees who operated the PNG Business had access to High Arctic's resources, including High Arctic's systems, business contacts, financial resources, senior management and other expertise and resources. The Corporation will not have the same access to High Arctic's expertise and resources. There can be no assurance that the Corporation will have similar expertise or resources through internal sources or by contracting services with third parties, or if such expertise or resources can be obtained on the same basis, or at the same or lesser cost, as provided historically by High Arctic.

Although the Corporation expects to benefit from focusing its management on the PNG Business and leveraging the experience that management and employees have gained while working at High Arctic, the Corporation may be less successful in implementing its business strategy. As a result, the Corporation may experience significant fluctuations in its results, which may vary from those projected by management. No assurance can be given that the Corporation will be successful in implementing its business strategy or that it will achieve expected future results which could materially adversely affect the Corporation's business and financial condition.

Transition and Management of Growth

The Corporation may be subject to both transition and growth-related risks, including capacity constraints and pressure on its internal systems and controls. The Corporation did not carry on any operating business prior to completion of the Arrangement, and although it believes that it will have adequate staff and resources, it may lack sufficient resources to operate as a stand-alone company. The historical financial and operating results of the PNG Business while it was under the management of High Arctic may not be indicative of future results. The ability of the Corporation to manage both its transition to a stand-alone company and future growth effectively will require it to continue to implement and improve financial and land systems and to expand, train and manage its employee base. The inability of the Corporation to deal with this transition and growth may have a material adverse effect on the Corporation's business and financial condition.

Risks Relating to the Corporation's Business in General

Risks Applicable to the Oil and Gas Industry in General

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

- volatility in global supply and demand and market prices for oil and natural gas and the effect of these volatilities on the demand for oilfield services generally;
- the Russia-Ukraine conflict has had a significant impact on many aspects of the global economy. It has affected geopolitical relations between Russia and other countries, disrupted oil and gas supply chains, led to an increased focus on energy security and increased demand for energy services from other regions. This conflict could continue to cause disruption in the long term due to political tensions, policy change and economic factors;
- the emergence of conflict in the Middle East has increased risk to safe transportation and shipping via the Suez canal and threatens to impact global oil and gas trade;
- general economic and political conditions in jurisdictions in which the Corporation operates including variations in currency exchange rates, interest rates and income tax rates;

- macroeconomic events can have a wide-ranging effect on the global economy. This includes increasing prices of commodities, impacts of government fiscal policy, increased costs of doing business and higher borrowing costs due to rising interest rates;
- risks inherent in foreign operations, including political, economic risk and the risk of foreign currency controls that could restrict the transfer of funds in or out of countries in which the Corporation operates or result in the imposition of taxes on such transfers;
- lingering affects of the Covid-19 pandemic which resulted in cessation of travel to PNG for nearly 2 years and has caused widespread economic volatility, with effects ranging from restrictions on freedom of movement and disruptions to deployment of labour force, international trade, and tourism;
- suppliers and third-party vendors experiencing workforce disruption or being ordered to cease operations;
- the implications of changes to government and government policy in countries where the Corporation conducts business;
- government and regulatory approval of our customers' projects;
- changes in legislation and the regulatory environment, including uncertainties with respect to royalty regimes, environmental guidelines, climate change policy, and resource extraction or development agreements;
- alternatives to and changing demands for petroleum products;
- the worldwide demand for oilfield services in connection with the workover and completion of oil and natural gas wells;
- liabilities and risks inherent in oil and natural gas operations, including environmental liabilities and risks arising below ground surface;
- credit risks associated with customers in the oil and natural gas industry, including the inability of a significant customer to pay for goods and services that have been provided;
- natural disasters, including earthquakes, particularly in PNG which is a country with frequently measured seismic events; and
- uncertainties in weather affecting the ability to provide services and/or the duration of the service periods and the activities that can be completed.

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

Volatility of Industry Conditions

The demand, pricing and terms for the Corporation's services depend significantly upon the level of expenditures made by oil and gas companies on exploration, development, and production activities. Expenditures by oil and gas companies are typically directly related to the demand for, and price of, oil and gas. Generally, when commodity prices and demand are predicted to be, or are relatively high, demand for

the Corporation's services is high. The converse is also true. Historically, oilfield services companies are more sensitive to crude oil price volatility compared to companies doing exploration and production.

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

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

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

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

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

allow for the continuation and growth of quality service to our customers and appropriate returns to our shareholders.

Risks Applicable to the PNG Business

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

Furthermore, it is important for the Corporation to maintain good relationships with the governments in the countries in which it operates, particularly PNG. The Corporation may not be able to maintain such relationships if the governments of these countries change. Democracies, by their very nature, involve government change from time to time and changes to governing parties and the policies of governing parties can impact the Corporation at an industry, resource development and business level. PNG has been subject to political and economic instability. The Corporation's operations are subject to government legislation, policies and controls relating to environmental protection, taxes, and labour standards. To attempt to mitigate these risks, the Corporation employs personnel with extensive experience in the international marketplace, supplemented with qualified local staff. Management is unable to predict the extent or duration of these risks or quantify their potential impact.

Further, PNG held elections in July 2022. James Marape was returned as Prime Minister and he formed a new coalition government including the appointment of John Rosso as his deputy Prime Minister. Government terms are for fixed five-year periods and they enjoy an 18-month grace period when a vote of no-confidence is not permitted. It is common in PNG politics for governments to change by vote of no-confidence during a term, with only two Prime Ministers ever completing a full term. In early 2024 striking by members of the public service, looting and vandalism on a large scale in the Capital Port Moresby and tribal conflict in remote parts of the country have resulted in many members of the ruling government moving to the opposition citing failures of the Marape-Rosso government. It is expected that the opposition will bring a vote of no-confidence at some point in 2024 if the PNG Members of Parliament continue to leave the government.

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

In PNG, the Bank of PNG policy continues to encourage the use of the local market currency in PNG, the Kina. Due to the Corporation's requirement to transact with international suppliers and customers, the Corporation will need approval from the Bank of PNG to continue to maintain its USD bank account within the conditions imposed by the Bank of PNG. The Corporation will continue to use the Kina to settle local transactions in PNG when practical. Included in the Bank of PNG's conditions is for future contracts to be settled in Kina, unless otherwise approved by the Bank of PNG for the contracts to be settled in USD. High Arctic has historically received such approval for its drilling services contracts with its key customers in PNG and the Corporation will need to receive the same approvals. The Corporation will need to seek Bank of PNG approval for future customer drilling contracts to be settled in USD on a contract-by-contract basis,

however there is no assurance the Bank of PNG will continue to grant these approvals. If such approvals are not received, the Corporation's PNG drilling contracts will be settled in Kina which would expose the Corporation to exchange rate fluctuations related to the Kina. In addition, this may delay the Corporation's ability to receive USD which may impact the Corporation's ability to settle USD denominated liabilities and repatriate funds from PNG on a timely basis. In February 2023, High Arctic received advice from the PNG Central Bank instructing High Arctic to settle its contract for Rig 103 in PNG Kina. High Arctic engaged dialogue with the bank aimed at reinstating approval to settle the contract in USD, and the Corporation will continue this dialogue.

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

Dependence on Major Customers

The Corporation is expected to provide ongoing services to two large multinational/regional customers who accounted for approximately 98% of the revenue of the PNG Business in 2023. The PNG Business has historically had a stable relationship with these customers, however, there can be no assurance that the Corporation's relationship with the customers will continue. A significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, may have a material adverse effect on the Corporation's business, results of operations, financial conditions and cash flows. The Corporation constantly strives to win new business and commit to contracts to reduce its reliance on specific customers.

Excess Equipment Levels in the Industry

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

Safety Performance

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

Operational Risk and Insurance

The Corporation's operations are subject to operational risks inherent in the extractive industries. 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 the source formations, damage to facilities, business interruptions and damage to or destruction of property, equipment and the environment. These risks could expose the Corporation to substantial liability for personal injury, wrongful death, property damage, loss of oil and natural gas production, pollution, and other environmental damages. The frequency and severity of such incidents will affect operating costs, insurability and relationships with customers, employees, and regulators.

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

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

Government Regulation and Anti-Bribery Laws

The operations of the Corporation in 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. Such laws or regulations are subject to change and may have a material impact to the Corporation's operations or costs to comply with changes to such laws or regulations in the future. Accordingly, it is impossible to predict the cost or impact that such laws and regulations may have on the Corporation or its future operations.

The Corporation's obligation to comply with laws and regulations also includes those involving bribery and anti-corruption. The Corporation's main subsidiary operates PNG and may expand its operations to other international locations in the future. In the course of the Corporation's operations, the Corporation personnel may be required to interact with certain government and foreign officials from time to time. The Corporation has controls, policies, procedures, and training that mandate the compliance with these laws and regulations, however there can be no assurance that employees or consultants will not violate these controls, policies, and procedures. Any alleged violation of these laws and regulations could disrupt the business and cause the Corporation to incur significant costs to investigate any alleged breach. If the Corporation was found to be in contravention with these laws and regulations, severe civil and criminal penalties and other sanctions could materially harm their reputation, business, result of operations, financial conditions and liquidity.

Sources, Pricing and Availability of Equipment and Equipment Parts

The Corporation sources its equipment and equipment parts from a variety of suppliers which are located throughout the world. Failure of suppliers to deliver supplies and materials in a timely and efficient manner would be detrimental to the Corporation's ability to maintain levels of service to its customers. The Corporation is also dependent on the technical services of other parties for certain parts and services. The Corporation will attempt 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.

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 oil, natural gas and other hydrocarbons. The Corporation cannot predict the impact of changing demand for oil and natural gas products, and any major changes could materially adversely affect the Corporation's business and financial condition.

Climate Change, Natural Disasters and Environmental Regulations

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

The Paris Agreement, which was drafted at the United Nations Framework Convention on Climate Change in December 2015, has been signed by PNG. However, the effect of this agreement and other climate-related legislation, as well as the adoption of additional measures at the federal, state, provincial or local levels in PNG, is currently unpredictable. The growing concerns about climate change have led to opposition from environmental activists and the public towards the continued exploitation and development of fossil fuels. As a result, investors are becoming increasingly hesitant to invest in the oil and gas industry. Furthermore, there has been a movement to hold governments and oil and gas companies accountable for climate change through climate litigation. In November 2022, countries worldwide met in Egypt for the COP 27 global climate summit. During the summit, the governments committed to achieving net-zero emissions from national government operations no later than 2050 and discussed the impacts of climate change, reaffirming the goal to limit temperature rise to 1.5 degrees Celsius. Governments and non-governmental organizations continue to make efforts to reduce greenhouse gas emissions, which may ultimately reduce the growth in demand for oil and natural gas and, in time, reduce consumption. In addition, the implementation of policies by certain institutions that discourage investments in the industry could have adverse effects on financing costs, as well as the industry's access to liquidity and capital. COP 28 held in Dubai in 2023 saw an acknowledgment of the role petrochemicals play in the global economy through representation for the first time at a COP conference. The key takeaway from the conference was a commitment to transition away from fossil fuel energy, invest in carbon-reduction technologies and address methane leakage emissions.

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

Due to these foregoing climate change risks, we have been and continue to use our know-how to develop ways to assist our customers to reduce their greenhouse gas emissions through the provision of our services. High Arctic did not incur any material expenditure in the past year in respect of the PNG Business as a result of environmental protection requirements, nor does the Corporation anticipate environmental protection requirements to have a material financial or operational impact on the capital expenditures, earnings, or competitive position of the Corporation in 2024.

Environmental

All phases of the extractive industries present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations.

Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities.

Compliance with environmental legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Corporation to incur costs to remedy such discharge. Although the Corporation believes that the PNG Business is in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Pandemic Risk

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

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

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

Financing Risk

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

Global Financial Markets

Recent market events and conditions, including the sharp decline in crude prices, have created a climate of greater volatility, less liquidity, and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions have negatively impacted credit markets and caused stock markets to experience significant volatility.

Volatility in Market Price of Common Shares

Upon listing of the Common Shares on the TSXV, the market price for the 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 the Corporation'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 the Corporation; (iv) the loss or resignation of members of management or the Board and other key personnel of the Corporation; (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 the Corporation or its competitors where the Corporation 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 the Corporation'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. Certain institutional investors may base their investment decisions on consideration of the Corporation's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in the Common Shares by those institutions, which could adversely affect the trading price of the Common Shares.

Tax Compliance

The taxation of corporations is complex. In the ordinary course of business, the Corporation is subject to ongoing audits by tax authorities. While the Corporation will endeavour to ensure that its tax filing positions are appropriate and supportable, it is possible that tax matters, including the calculation and determination of revenue, expenditures, deductions, credits and other tax attributes, the calculation of taxable income, taxes payable and related tax filings may be reviewed and challenged by the tax authorities. If such challenge were to succeed, it could have a material adverse effect on the Corporation's tax position. Further, the interpretation of and changes in tax laws, whether by legislative or judicial action or decision, and the administrative policies and assessing practices of taxation authorities, could materially adversely affect the Corporation's tax position. As a consequence, the Corporation is unable to predict with certainty the effect of the foregoing on the Corporation's effective tax rate and earnings.

The Corporation will regularly review the adequacy of its tax provisions and believes that it has adequately provided for those matters. Should the ultimate outcomes materially differ from the provisions, the Corporation's effective tax rate and earnings may be affected positively or negatively in the period in which the matters are resolved. The Corporation intends to mitigate this risk through ensuring that tax filing positions are carefully scrutinized by management and external consultants, as appropriate.

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.

Reliance on Key Personnel

The Corporation's success depends in large measure on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on the Corporation's business and financial condition. The Corporation does not intend to have any key personnel insurance in effect. In addition, the competition for qualified personnel in PNG, and in particular, the oil and natural gas industry, is intense and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of the PNG Business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of management.

Capital and Additional Funding Requirements

The Corporation's cash flow from the PNG Business may not be sufficient to fund its ongoing activities at all times, and from time to time the Corporation may require additional financing in order to carry out its business activities. There is risk that if the economy and banking industry experienced unexpected and/or prolonged deterioration, the Corporation's access to additional financing may be affected. The inability of the Corporation to access sufficient capital for its operations could materially adversely affect the Corporation's financial condition.

The Corporation may, from time to time, have restricted access to capital and increased borrowing costs as a result of global economic volatility. Failure to obtain such financing on a timely basis could cause the Corporation to miss certain business opportunities and reduce or terminate the Corporation's operations. The Corporation's ability to make capital investments and maintain existing assets may be impaired, and the Corporation's assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result.

The PNG business is currently unleveraged and has adequate cash balances to provide working capital that combined with expected funds generated from operations, the Corporation believes it will have sufficient funds to sustain the existing business and fund its projected capital expenditures. However, if funds generated from operations are lower than expected or capital costs for these projects exceed current estimates, or if the Corporation incurs major unanticipated expenses related to development or maintenance of its existing assets, it may be required to seek additional capital to maintain its capital expenditures at planned levels.

Dilution

The Corporation may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Corporation, which may be dilutive to existing shareholders. There are no restrictions in the Corporation's articles or by-laws with respect to the number of shares of any class that may be issued by the Corporation.

Issuance of Debt

From time to time, the Corporation may finance its activities, including potential future acquisitions, in whole or in part with debt, which may increase the Corporation's debt levels above industry standards for peers of similar size. Depending on future exploration and development plans, the Corporation may require additional debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Corporation's articles nor its by-laws limit the amount of indebtedness that the Corporation may incur. The level of the Corporation's indebtedness from time to time could impair its ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Competition

Services to the extractive industries is highly competitive and the Corporation competes with a number of companies which may have more equipment and personnel as well as greater financial resources. The Corporation's ability to generate revenue and earnings depends primarily upon its ability to win bids in competitive bidding processes and to perform awarded projects within estimated times and costs. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of products and services that compete with those of the Corporation or that new or existing competitors will not enter the various markets in which the Corporation is active. In certain aspects of its business, the Corporation also competes with several small and medium-sized companies, which, like the Corporation, have certain competitive advantages such as low overhead costs and local strengths. In addition, reduced levels of activity in the extractive industries can intensify competition and may result in lower revenue for the Corporation.

Technology Risks

The extractive industries are characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. The ability of the Corporation to meet customer demands in respect of performance and cost will depend upon continuous improvements in operating equipment. Other companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Corporation. There can be no assurance that the Corporation will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently utilized by the Corporation or implemented in the future may become obsolete. In such case, the Corporation's business, financial condition and results of operations could be materially adversely affected. If the Corporation is unable to utilize the most advanced commercially available technology, its business, financial condition and results of operations could be materially adversely affected.

Further, we increasingly rely on information technology systems and other digital systems to operate our business. Threats to information technology systems associated with cybersecurity risks and cyber incidents or attacks continue to grow and are increased by the growing complexity of our information technology systems. Cybersecurity attacks could include, but are not limited to, malicious software, attempts to gain unauthorized access to data and the unauthorized release, corruption or loss of data and personal information, account takeovers, and other electronic security breaches that could lead to disruptions in our critical systems.

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

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

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

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

Conflicts of Interest

Certain directors or officers of the Corporation may also, or may in the future be, directors or officers of other oil and gas services companies, including High Arctic, that may compete or be counterparties to agreements with the Corporation, 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 the Corporation disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA. See "*Item 16: Directors and Executive Officers — Conflicts of Interest*".

Significant Shareholders

It is anticipated that the Corporation will have one shareholder that will directly or indirectly has the ability to control the votes to approximately 44% of the issued and outstanding Common Shares and, as such, is in a position to significantly influence the outcome of actions requiring shareholder approval.

Internal Control Deficiencies

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

Dividends

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

Forward-Looking Statements and Information May Prove Inaccurate

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

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, the Corporation 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 the Corporation at competitive risk and may cause significant damage to its business. The harm to the Corporation'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, the Corporation 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.

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 creditworthiness of its customers on an ongoing basis and monitors the amount and age of balances outstanding.

The Corporation views the credit risks on these amounts as normal for the industry. The carrying amount of accounts receivable represents the maximum credit exposure on this balance. During times of weak economic conditions, the risk of increased payment delays and default increases due to reductions in customers' cash flows. Failure to collect accounts receivable from customers could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. The

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

Item 22: Promoters

Under applicable Canadian securities laws, High Arctic may be considered a promoter of the Corporation in that it took the initiative in founding the Corporation for the purpose of implementing and completing the Arrangement. Subsequent to the completion of the Arrangement, High Arctic will not beneficially own, control or direct, directly or indirectly, any Common Shares.

Item 23: Legal Proceedings and Regulatory Actions

There are no legal proceedings to which the Corporation is a party to, or in respect of which, the PNG Business is the subject of, which is or will be material to the Corporation, and the Corporation is not aware of any such legal proceedings that are contemplated.

Since incorporation, there have not been any penalties or sanctions imposed against the Corporation or by a court relating to provincial and territorial securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Corporation, and the Corporation has not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority.

Item 24: Interests of Management and Others in Material Transactions

None of the directors or executive officers of the Corporation or any person or company that is the direct or indirect owner of, or who exercises control or direction of, more than 10 percent of any class or series of the Corporation's outstanding voting securities, or any associate or affiliate of any of the foregoing persons, has or has had any material interest, direct or indirect, in any past transaction or any proposed transaction that has materially affected or is reasonably expected to materially affect the Corporation.

Item 25: Investor Relations Arrangements

The Corporation has not entered into and does not currently intend to enter into, any written or oral agreement or understanding with any person or entity to provide promotional or investor relations services to either of them, or to engage in activities for the purposes of stabilizing the market, either now or in the future.

Item 26: Auditors, Transfer Agents and Registrars

The auditors of the Corporation are KPMG LLP with their offices at Suite 3100, 205 5th Avenue SW, Calgary, Alberta, T2P 4B9.

Odyssey Trust Company of Canada, at its principal offices in Calgary, Alberta, has been appointed as the transfer agent and registrar of the Common Shares.

Item 27: Material Contracts

The only contract entered into by the Corporation that materially affects or will materially affect the Corporation or the PNG Business during the past two years, that can reasonably be regarded as material to a proposed investor in the Common Shares, other than contracts entered into in the ordinary course of business, is the Arrangement Agreement attached hereto as Appendix "B".

Item 28: Experts

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

Item 29: Other Material Facts

There are no other material facts in respect of the securities to be listed that are not disclosed in this Listing Application, or the documents incorporated herein by reference.

Item 30: Additional Information - Mining or Oil and Gas Applicants

Not applicable.

Item 31: Exemptions

The Corporation has received an exemption from the TSXV from the escrow requirements located in TSXV Policy 5.4 - *Escrow, Vendor Consideration and Resale Restrictions*.

Item 32: Financial Statement Disclosure for Issuers

Financial Statements

Included as Appendix "C" to this Listing Application is the audited balance sheet of the Corporation as at June 30, 2024.

Included as Appendix "D" to this Listing Application are the audited financial statements of HAES Cyprus for the financial years ended December 31, 2023, December 31, 2022, and December 31, 2021 and the corresponding Management Discussion and Analysis are included as Appendix "E".

Included as Appendix "F" to this Listing Application are the unaudited interim financial statements of HAES Cyprus for the three-month period ended March 31, 2024, and the corresponding Management Discussion and Analysis, are included as Appendix "G".

Included as Appendix "H" to this Listing Application are the following pro forma financial statements in respect of the Corporation after giving effect to the Arrangement:

1. the unaudited pro-forma statement of financial position as at March 31, 2024;
2. the unaudited pro-forma statement of income and comprehensive income for the year ended December 31, 2023; and
3. the unaudited pro-forma statement of income and comprehensive income for the interim period ended March 31, 2024.

Selected Pro Forma Financial Information of the Corporation

Certain selected unaudited pro forma financial information of the Corporation as at December 31, 2023, and March 31, 2024, assuming completion of the Arrangement, is set forth in the following table. Such information should be read in conjunction with the audited financial statements of HAES Cyprus and the related Management's Discussion and Analysis included as Appendix "D" and Appendix "E", respectively, the unaudited interim financial statements of HAES Cyprus and the related Management's Discussion and Analysis included as Appendix "F" and Appendix "G", respectively, unaudited pro-forma statement of income and comprehensive income for the year ended December 31, 2023 and the unaudited pro forma financial statements as at March 31, 2024, included as Appendix "H" to this Listing Application.

Pro Forma Statements of Operations and Comprehensive Loss	December 31, 2023 (12 months)	March 31, 2024 (3 months)
Revenue	US\$43,380,000	US\$11,134,000
Expenses	US\$53,223,000	US\$8,938,000
Net (Loss)	US\$(9,843,000)	US\$2,196,000
Loss per Share - basic	\$(0.80)	\$0.18

Pro Forma Statement of Financial Position	March 31, 2024
Assets	US\$46,477,000
Liabilities	US\$11,183,000
Shareholder's Equity	US\$30,294,000

The pro forma adjustments are based upon the assumptions described in the notes to the unaudited pro forma financial statements. The unaudited pro forma financial statements are presented for illustrative purposes only and are not necessarily indicative of the operating or financial results that would have occurred had the Arrangement actually occurred at the times contemplated by the notes to the unaudited pro forma financial statements or of the results expected in future periods. Please refer to the notes to the unaudited pro forma financial statements which disclose the pro forma assumptions and adjustments.

Item 33: Significant Acquisitions

The Corporation has not completed any significant acquisitions requiring disclosure under this item.

Item 34: Certificates

34.1 CERTIFICATE OF APPLICANT

Each of the undersigned hereby certifies that the foregoing constitutes full, true and plain disclosure of all information required to be disclosed under each item of this Application and of any material fact not otherwise required to be disclosed under an item of this Application.

Dated August 12, 2024

(signed) "Michael J. Maguire"
Michael J. Maguire
Chief Executive Officer

(signed) "Lonn Bate"
Lonn Bate
Interim Chief Financial Officer

34.2 CERTIFICATE OF HIGH ARCTIC ENERGY SERVICES INC.

Each of the undersigned hereby certifies that the foregoing constitutes full, true and plain disclosure of all information required to be disclosed under each item of this Application and of any material fact not otherwise required to be disclosed under an item of this Application.

Dated August 12, 2024

(signed) "Michael J. Maguire"
Michael J. Maguire
Chief Executive Officer

(signed) "Lonn Bate"
Lonn Bate
Chief Financial Officer

34.3 CERTIFICATE OF SPONSOR

Not applicable.

34.3: ACKNOWLEDGEMENT – PERSONAL INFORMATION

“Personal Information” means any information about an identifiable individual.

The Applicant hereby represents and warrants that it has obtained all consents required under applicable law for the collection, use and disclosure by the Exchange of the Personal Information contained in or submitted pursuant to this Application for the purposes described in Appendix “A” to this Application.

Dated August 12, 2024

(signed) “Michael J. Maguire”
Michael J. Maguire
Chief Executive Officer

APPENDIX "A"
FORM 2B PERSONAL INFORMATION COLLECTION POLICY

Collection, Use and Disclosure

TSX Venture Exchange Inc. and its affiliates, authorized agents, subsidiaries and divisions, including TSX Venture Exchange and Toronto Stock Exchange, (collectively referred to as the “**Exchange**”) collect the information contained in or submitted pursuant to Form 2B (which may include personal, confidential, non-public or other information) and use it for the following purposes:

- to conduct background checks,
- to verify the Personal Information that has been provided about each individual,
- to consider the suitability of the individual to act as an officer, director, insider, promoter, investor relations provider or, as applicable, an employee or consultant, of the Applicant,
- to consider the eligibility of the Applicant to list on the Exchange,
- to provide disclosure to market participants as to the security holdings of directors, officers, other insiders and promoters of the Applicant, or its associates or affiliates, including information as to such individuals' involvement with any other reporting issuers
- to detect and prevent fraud, and
- to perform other investigations as required by and to ensure compliance with all applicable rules, policies, rulings and regulations of the Exchange, securities legislation and other legal and regulatory requirements governing the conduct and protection of the capital markets in Canada.

Personal Information the Exchange collects may also be disclosed:

- (a) to securities regulators and regulatory authorities in Canada or elsewhere, investigative, law enforcement or self-regulatory organizations, and each of their subsidiaries, affiliates, regulators and authorized agents, for the purposes described above, and these agencies and organizations may use the information in their own investigations;
- (b) on the Exchange's website or through printed materials published by or pursuant to the directions of the Exchange for the purposes described above; and
- (c) as otherwise permitted or required by law.

The Exchange may from time to time use third parties to process information or provide other administrative services. In this regard, the Exchange may share the information with such third party service providers for the purposes described above.

Questions

If you have any questions or enquiries regarding the policy outlined above or about our privacy practices, please send a written request to: Chief Privacy Officer, TMX Group, The Exchange Tower, 130 King Street West, Toronto, Ontario, M5X 1J2.

APPENDIX "B"
Arrangement Agreement

ARRANGEMENT AGREEMENT

HIGH ARCTIC ENERGY SERVICES INC.

and

HIGH ARCTIC OVERSEAS HOLDINGS CORP.

Dated as of May 9, 2024

TABLE OF CONTENTS

ARTICLE 1 INTERPRETATION	1
1.1 Definitions	1
1.2 Schedule	7
1.3 Construction	7
ARTICLE 2 THE ARRANGEMENT	8
2.1 Arrangement	8
2.2 Effective Date and Effective Time	8
2.3 Interim Order	8
2.4 Meeting Materials	9
2.5 High Arctic Approval	9
2.6 Court Proceedings	10
2.7 U.S. Securities Law Matters	10
ARTICLE 3 REPRESENTATIONS AND WARRANTIES	11
3.1 Mutual Representations and Warranties	11
3.2 Representations and Warranties of High Arctic	11
3.3 No Representations and Warranties	12
3.4 Representations and Warranties of SpinCo	12
3.5 Survival of Representations, Warranties and Covenants	13
ARTICLE 4 COVENANTS	13
4.1 General Covenant	13
4.2 Covenants of High Arctic	13
4.3 Covenants of SpinCo	15
4.4 Tax-Related Covenants	16
ARTICLE 5 CONDITIONS	17
5.1 Conditions Precedent	17
5.2 Conditions to Obligation of Each Party	18
5.3 Merger/Waiver of Conditions	18
ARTICLE 6 AMENDMENT AND TERMINATION	19
6.1 Amendment	19
6.2 Termination	19
ARTICLE 7 GENERAL	19
7.1 Notices	19
7.2 Time of Essence	20
7.3 Further Assurances	20
7.4 Assignment	20
7.5 Binding Effect	20
7.6 Waiver	20
7.7 No Personal Liability	20
7.8 Invalidity of Provisions	21
7.9 Entire Agreement	21

7.10	Governing Law	21
7.11	No Third Party Beneficiaries	21
7.12	Privacy.....	21
7.13	Confidentiality.....	22
7.14	Counterparts	23
SCHEDULE "A" - Plan of Arrangement		A-1

ARRANGEMENT AGREEMENT

THIS AGREEMENT is made as of the 9th day of May, 2024.

AMONG:

HIGH ARCTIC ENERGY SERVICES INC., a corporation amalgamated under the laws of the Province of Alberta (“**High Arctic**” or the “**Corporation**”)

- and -

HIGH ARCTIC OVERSEAS HOLDINGS CORP., a corporation incorporated under the laws of the Province of Alberta (“**SpinCo**”)

WHEREAS High Arctic and SpinCo have agreed to proceed with a proposed transaction by way of Plan of Arrangement (as hereinafter defined) whereby, among other things, High Arctic will transfer all of its shares in HAES Cyprus (as hereinafter defined) to SpinCo, High Arctic will create the New High Arctic Common Shares (as hereinafter defined) and amend the High Arctic Common Shares (as hereinafter defined), and each shareholder of High Arctic will exchange its High Arctic Common Shares for New High Arctic Common Shares and SpinCo Common Shares (as hereinafter defined) on the Effective Date (as hereinafter defined);

WHEREAS the High Arctic Board has unanimously determined, after consultation with its legal and financial advisors and having received the Fairness Opinion (as hereinafter defined), that the Arrangement (as hereinafter defined) is in the best interests of High Arctic and that the consideration to be received by the High Arctic Shareholders (as hereinafter defined) pursuant to the Arrangement is fair, from a financial point of view, to the High Arctic Shareholders;

WHEREAS the High Arctic Board has approved the transactions contemplated by this Agreement and unanimously determined to recommend approval of the Arrangement pursuant to the Plan of Arrangement to the High Arctic Shareholders;

WHEREAS in furtherance of the transactions contemplated by this Agreement and the Plan of Arrangement, the High Arctic Board has agreed to submit the Plan of Arrangement to the High Arctic Shareholders and the Court (as hereinafter defined) for approval in accordance with the terms and conditions of this Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSES that, in consideration of the premises and the respective covenants and agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by High Arctic and SpinCo, the parties hereto hereby covenant and agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement, including the recitals hereto:

“**ABCA**” means the *Business Corporations Act* (Alberta), as amended, including the regulations promulgated thereunder;

“**Affiliate**” means, in respect of any Person, another Person if:

- (a) one of them is the subsidiary of the other; or
- (b) each of them is Controlled by the same Person;

“Agreement” means this arrangement agreement, including its recitals and Schedule “A”, as the same may be amended, modified or supplemented from time to time in accordance with the terms hereof;

“Applicable Law” means: (i) any applicable domestic or foreign law including any statute, subordinate legislation or treaty; and (ii) any applicable guideline, directive, rule, standard, requirement, policy, order, judgment, injunction, award or decree of a Governmental Authority having the force of law;

“Arrangement” means the arrangement under Section 193 of the ABCA on the terms and subject to the conditions set forth in the Plan of Arrangement, subject to any amendments or variations thereto made in accordance with this Agreement or the Plan of Arrangement, or made at the direction of the Court in the Final Order;

“Arrangement Resolution” means the special resolution of the High Arctic Shareholders approving the Arrangement in accordance with the Interim Order;

“Articles of Arrangement” means the articles of arrangement in respect of the Arrangement required under subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order has been made to give effect to the Arrangement;

“Board” means the board of directors of the Corporation;

“Business Day” means any day other than a Saturday, Sunday or statutory holiday in Calgary, Alberta under the laws of the Province of Alberta or the federal laws of Canada;

“Canadian Business” means, except as specified below, all of the businesses carried on by High Arctic and its Affiliates, including its interests and business operations in western Canada, and further including all the assets and liabilities pertaining to the foregoing or otherwise held by any of them immediately prior to the Effective Time (including workforce and working capital); provided, however, that the term **“Canadian Business”** shall not include the PNG Business or any portion thereof;

“Certificate of Arrangement” means the certificate of arrangement or proof of filing to be issued by the Registrar, pursuant to subsection 193(11) or subsection 193(12) in respect of the Articles of Arrangement and giving effect to the Arrangement;

“Circular” means the management information circular of High Arctic, together with all appendices thereto, to be sent to High Arctic Shareholders in connection with the Meeting;

“Closing” means the completion of the transactions contemplated by this Agreement;

“Compensation Plan Resolution” means the ordinary resolution of High Arctic Shareholders approving the accelerated redemption of all outstanding units under the High Arctic DSU Plan;

“Confidential Information” means all data, documents and other information regarding the assets, liabilities, business or operations, or financial or tax affairs, of a Party (including information transmitted in written, electronic, magnetic or other form, information transmitted orally and information gathered by a Party through visual inspections or observation or by any other means) which information, by its nature, or by the nature of the circumstances surrounding its disclosure,

ought in good faith to be treated as confidential (including the confidential information of third parties), whether or not such information is explicitly designated as being confidential;

“Control” means, when applied to a relationship between two Persons, that a Person (the **“first Person”**) is considered to control another Person (the **“second Person”**) if:

- (a) the first Person, directly or indirectly, beneficially owns or exercises control or direction over securities, interests or contractual rights of the second Person carrying votes which, if exercised, would entitle the first Person to elect a majority of the directors of the second Person, or a majority of any other Persons who have the right to manage or supervise the management of the business and affairs of the second Person, unless that first Person holds the voting securities only to secure a debt or similar obligation;
- (b) the second Person is a partnership, other than a limited partnership, and the first Person, together with any Person Controlled by the first Person, holds more than 50% of the interests (measured by votes or by value) of the partnership; or
- (c) the second Person is a limited partnership and the general partner of the limited partnership is the first Person or any Person Controlled by the first Person,

and the term “Controlled” has a corresponding meaning;

“Court” means the Court of King’s Bench of Alberta;

“Dissent Rights” means the right of a High Arctic Shareholder to dissent in respect of the Arrangement pursuant to the procedures set forth in Section 191 of the ABCA, as modified by Article 3 of the Plan of Arrangement, the Interim Order and any other order of the Court;

“Distribution Securities” has the meaning attributed to such term in Section 2.7;

“Effective Date” means the date shown on the confirmation of filing to be issued under the ABCA giving effect to the Arrangement, which date shall be determined in accordance with the terms hereof;

“Effective Time” means the time at which the steps to complete the Arrangement will commence, which will be 12:01 a.m. (Calgary time) on the Effective Date, subject to any amendment or variation in accordance with the terms hereof;

“Encumbrance” means any mortgage, charge, pledge, lien, hypothec, security interest, encumbrance, adverse claim or right of any third party to acquire or restrict the use of property;

“Fairness Opinion” means the opinion of Lightyear Capital Inc. delivered to the Board to the effect that, as of the date of such opinion, and subject to the assumptions, limitations and qualifications contained therein, the consideration to be received by High Arctic Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the High Arctic Shareholders;

“Final Order” means the final order of the Court approving the Arrangement, as such order may be amended or varied at any time prior to the Effective Time or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or amended, with or without variation, on appeal;

“Governmental Authority” means any: (a) multinational, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, court, tribunal, commission, board or agency, domestic or foreign; or (b) regulatory authority, including any securities commission or stock exchange;

“HAES Cyprus” means High Arctic Energy Services Cyprus Limited;

“HAES Cyprus Shares” means the common shares in the capital of HAES Cyprus;

“HAES Information” means any Confidential Information that relates solely to the Canadian Business or High Arctic, or any other Person that operates a portion of such business, and prior to the Effective Date, the SpinCo Information.

“High Arctic Class A Shares” means the amended and redesignated High Arctic Common Shares as described in Section 3.1(b)(i) of the Plan of Arrangement;

“High Arctic Common Shares” means the currently existing common shares in the capital of High Arctic which High Arctic is authorized to issue as the same are constituted on the date hereof;

“High Arctic DSU Plan” means the deferred share unit plan of High Arctic;

“High Arctic Equity Compensation Plans” means, collectively, the High Arctic Stock Option Plan, the High Arctic PSU Plan, and the High Arctic DSU Plan;

“High Arctic PSU Plan” means the performance share unit plan of High Arctic;

“High Arctic Shareholder” means a holder of High Arctic Common Shares;

“High Arctic Stock Option Plan” means the stock option plan of High Arctic;

“IFRS” means International Financial Reporting Standards, as incorporated in the Handbook of the Canadian Institute of Chartered Accountants at the relevant time applied on a consistent basis;

“Interim Order” means the interim order of the Court concerning the Arrangement and containing declarations and directions with respect to, among other things, the Arrangement and the holding of the Meeting, as such order may be amended or varied by the Court;

“Material Adverse Effect” means, with respect to a Party, any fact or state of facts, circumstance, change, occurrence, event or effect that individually or in the aggregate is, or would reasonably be expected to be, material and adverse to the business, operations, results of operations, prospects, assets, properties, capitalization, condition (financial or otherwise), liabilities (contingent or otherwise), cash flows or value of a Party, other than a fact or state of facts, circumstance, change, occurrence, event or effect relating to or resulting from: (a) any matter which has, prior to the date hereof, been publicly disclosed in a Party’s public disclosure record (if applicable); (b) conditions affecting the oil and gas services industry as a whole; (c) general economic, financial, currency exchange, securities, credit or commodity market conditions in Canada, United States of America or elsewhere; (d) the announcement of the execution of this Agreement or the transactions contemplated hereby; (e) any change in Applicable Laws or IFRS; (f) any action or inaction taken by a Party that is consented to by the other Party in this Agreement or expressly in writing; or (g) in the case of High Arctic, any changes in the trading price or trading volumes of High Arctic Common Shares (provided, in the case of (b) and (c), such effect relating to or resulting from the foregoing does not have a disproportionate Material Adverse Effect on the business, operations, results of operations, assets, properties, capitalization, condition (financial or otherwise), liabilities (contingent or otherwise) or cash flows of a Party, as compared to the corresponding effect on Persons engaged in the oil and gas services industry generally);

“Meeting” means the annual general and special meeting of High Arctic Shareholders (including any adjournment or postponement thereof) to be called and held in accordance with the Interim Order to consider and, if deemed advisable, among other items of business, to approve the

Arrangement Resolution, the SpinCo Equity Compensation Plan Resolution and the Return of Capital Resolution;

"Meeting Materials" means the Circular and the accompanying form of proxy and/or voting instruction form to be sent to the High Arctic Shareholders in respect of the Meeting;

"misrepresentation" has the meaning attributed to such term in the Securities Act;

"New High Arctic Common Shares" means the new class of common shares in the capital of High Arctic to be created pursuant to Section 3.1(b)(ii) of the Plan of Arrangement, and for which the High Arctic Class A Shares are, in part, to be exchanged under Section 3.1(e) of the Plan of Arrangement and which, immediately after the completion of the transactions comprising the Plan of Arrangement, will be identical in every relevant respect to the High Arctic Common Shares, and will have the rights, privileges, restrictions and conditions set out in Appendix "B" to the Plan of Arrangement;

"Party" means a party to this Agreement;

"Person" means and includes an individual, limited or general partnership, limited liability company, limited liability partnership, trust, joint venture, association, body corporate, unlimited liability corporation, trustee, executor, administrator, legal representative, government (including any governmental authority) or any other entity, whether or not having legal status, except that, where High Arctic Common Shares are held by a trustee under a bare trust arrangement, the beneficiary and not the trustee shall be regarded as the holder of such High Arctic Common Shares and any property substituted therefor;

"Plan of Arrangement" means the plan of arrangement, including its Appendices, as it may be amended, modified or supplemented from time to time in accordance with the terms thereof, in substantially the form set out as Schedule "A" to this Agreement;

"PNG Business" means all of the businesses carried on by High Arctic and its Affiliates in Papua New Guinea and includes all the assets and liabilities pertaining to the foregoing or otherwise held by any of them immediately prior to the Effective Time (including workforce and working capital).

"Registrar" means the Registrar of Corporations for the Province of Alberta duly appointed under the ABCA;

"Representatives" means, collectively, the current and future directors, officers, employees, agents and advisors of a Party and their respective heirs, executors, administrators, successors and assigns;

"Restricted Information" means, with respect to High Arctic, the HAES Information and, with respect to SpinCo, from and after the Effective Date, the SpinCo Information and, for greater certainty, shall include any Restricted Information of a Party provided to the other Party pursuant to this Agreement or the transactions or other agreements contemplated herein;

"Return of Capital" means the reduction of the stated capital account maintained by High Arctic in respect of the High Arctic Common Shares pursuant to paragraph 38(1)(b) of the ABCA by an amount to be determined by the High Arctic Board not exceeding \$0.76 multiplied by the number of High Arctic Common Shares issued and outstanding at the time the Board makes such

determination, for the purpose of permitting a special distribution to be made to High Arctic Shareholders of up to \$0.76 per High Arctic Common Share as a return of capital;

“Return of Capital Resolution” means the special resolution of High Arctic Shareholders approving the Return of Capital to be considered at the Meeting;

“Securities Act” means the *Securities Act* (Alberta), as amended, including the regulations promulgated thereunder;

“Shared Information” means any Confidential Information, except for HAES Information and SpinCo Information, that has been shared or has been exchanged between High Arctic and SpinCo (or their respective Affiliates) at or prior to the Effective Time;

“SpinCo” means High Arctic Overseas Holdings Corp., a corporation incorporated under the ABCA;

“SpinCo Common Shares” means the common shares in the capital of SpinCo;

“SpinCo Equity Incentive Plan” means the omnibus equity incentive plan of SpinCo, to be adopted prior to the Effective Date.

“SpinCo Equity Incentive Plan Resolution” means the ordinary resolution of High Arctic Shareholders approving the SpinCo Equity Incentive Plan to be considered at the Meeting;

“SpinCo Information” means any Confidential Information that relates solely to the PNG Business, or any other Person that operates a portion of such business;

“Subsidiary” means, at any particular time, a Person controlled, directly or indirectly, by High Arctic or SpinCo, as applicable;

“Tax” or **“Taxes”** includes all taxes, surtaxes, duties, levies, imposts, rates, fees, assessments, withholdings, dues and other charges of any nature imposed by any Governmental Authority (including, without limitation, income, capital (including large corporations), withholding, consumption, sales, use, transfer, goods and services or other value-added, excise, customs, net worth, stamp, registration, franchise, payroll, employment, Canada Pension Plan contributions, Employment Insurance premiums, health, education, business, school, property, local improvement, development, education, development and occupation taxes, surtaxes, duties, levies, imposts, rates, fees, assessments, withholdings, dues and charges), together with all fines, interest, penalties on or in respect of, or in lieu of or for non-collection or non-remittance of, those taxes, surtaxes, duties, levies, imposts, rates, fees, assessments, withholdings, dues and other charges;

“Tax Act” means the *Income Tax Act* (Canada), as amended, including the regulations promulgated thereunder;

“Transaction Personal Information” has the meaning attributed to such term in Section 7.12;

“TSX” means the Toronto Stock Exchange;

“TSXV” means the TSX Venture Exchange; and

“U.S. Securities Act” means the United States Securities Act of 1933.

1.2 Schedule

The following schedule is attached to this Agreement and forms part hereof:

Schedule "A" - Plan of Arrangement

1.3 Construction

In this Agreement, unless otherwise expressly stated or the context otherwise requires:

- (a) the division of this Agreement into Articles, Sections and Subsections and the use of headings are for convenience of reference only and do not affect the construction or interpretation hereof;
- (b) the words "hereunder", "hereof" and similar expressions refer to this Agreement and not to any particular Article, Section or Subsection and references to "Articles", "Sections" and "Subsections" are to Articles, Sections and Subsections of this Agreement;
- (c) words importing the singular include the plural and vice versa, and words importing any gender include all genders and the neuter;
- (d) the word "including", when following any general term or statement, is not to be construed as limiting the general term or statement to the specific items or matters set forth or to similar items or matters, but rather as referring to all other items or matters that could reasonably fall within the broadest possible scope of the general term or statement;
- (e) a reference to a statute or code includes every regulation made pursuant thereto, all amendments to the statute or code or to any such regulation in force from time to time, and any statute, code or regulation which supplements or supersedes such statute, code or regulation;
- (f) if any date on which any action is required to be taken under this Agreement is not a Business Day, such action will be required to be taken on the next succeeding Business Day;
- (g) a reference to the knowledge of a Party means to the best of the knowledge of any of the officers of such Party after due inquiry;
- (h) in this Agreement, unless something in the subject matter or context is inconsistent therewith or unless otherwise herein provided, a reference to any statute is to that statute as now enacted or as the same may from time to time be amended, re-enacted or replaced and includes any regulations made thereunder;
- (i) unless otherwise stated, all references in this Agreement to sums of money are expressed in lawful money of Canada and "\$" refers to Canadian dollars; and
- (j) unless otherwise stated, all accounting terms used in this Agreement shall have the meanings attributable thereto under IFRS and all determinations of an accounting nature required to be made hereunder shall be made in a manner consistent with IFRS for the applicable reporting period, consistently applied.

ARTICLE 2 THE ARRANGEMENT

2.1 Arrangement

At a time to be determined exclusively by High Arctic, High Arctic and SpinCo shall apply to the Court pursuant to Section 193 of the ABCA for an order approving the Arrangement and in connection with such application shall:

- (a) subject to obtaining all necessary approvals of the High Arctic Shareholders as contemplated in the Interim Order and as may be directed by the Court in the Interim Order, take all steps necessary, including without limitation convening and holding the Meeting for the purpose of considering, *inter alia*, the Arrangement Resolution, or desirable to submit the Arrangement to the Court and apply for the Final Order; and
- (b) subject to the satisfaction or waiver of the conditions set forth herein, at a time to be determined exclusively by High Arctic, deliver to the Registrar the Articles of Arrangement and such other documents as may be required to give effect to the Arrangement, whereupon the transactions comprising the Arrangement shall occur and shall be deemed to have occurred in the order set out in the Plan of Arrangement without any further act or formality, except as contemplated in the Plan of Arrangement.

2.2 Effective Date and Effective Time

The Arrangement will become effective on the Effective Date and the steps to be carried out pursuant to the Plan of Arrangement will become effective commencing as at the Effective Time and in the order set out therein or as otherwise specified in the Plan of Arrangement.

2.3 Interim Order

The petition for the application for the Interim Order will request that the Interim Order provide, among other things:

- (a) for the classes of Persons to whom notice is to be provided in respect of the Arrangement and the Meeting and for the manner in which such notice is to be provided;
- (b) confirmation of the record date for the purposes of determining the High Arctic Shareholders entitled to receive notice of and vote at the Meeting in accordance with the Interim Order;
- (c) for the calling and holding of the Meeting for the purpose of, among other things, considering the Arrangement Resolution;
- (d) that the requisite shareholder approval for the Arrangement Resolution will be at least two-thirds of the votes cast by the High Arctic Shareholders present in person or represented by proxy at the Meeting and entitled to vote at the Meeting (and, if required, minority approval pursuant to Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions*);
- (e) for the grant of Dissent Rights only as provided in Section 3.1(1)(a) and Article 4 of the Plan of Arrangement;

- (f) that the Meeting may be adjourned or postponed from time to time by High Arctic, in accordance with the terms of this Agreement, without the need for additional approval of the Court;
- (g) that the Parties intend to rely upon the exemption provided by section 3(a)(10) of the U.S. Securities Act, as contemplated under Section 2.7 hereof;
- (h) for the notice requirements with respect to the presentation of the application to the Court for the Final Order;
- (i) that each High Arctic Shareholder and any other affected Person will have the right to appear before the Court at the hearing of the Court to approve the application for the Final Order so long as they enter a response within the prescribed time and in accordance with the procedures set out in the Interim Order;
- (j) that, subject to the foregoing and in all other respects, other than as ordered by the Court, for the Meeting to be called, held and conducted in accordance with the provisions of the ABCA, the articles and bylaws of High Arctic and the Interim Order; and
- (k) for such other matters as High Arctic may reasonably require.

2.4 Meeting Materials

At a time to be determined exclusively by High Arctic, High Arctic will prepare and will print and make available, directly or indirectly, copies of the Meeting Materials (and any necessary amendments, modifications or supplements to the Circular), together with any other documents required by Applicable Law in connection with the Meeting, to all holders of High Arctic Common Shares, as required by the Interim Order and in accordance with Applicable Laws. High Arctic will cause the Meeting Materials and other documentation required in connection with the Meeting to be sent to each holder of High Arctic Common Shares and filed as required by the Interim Order and Applicable Laws. Each Party will cause the Circular to be prepared and delivered in compliance, in all material respects, with the Interim Order and Applicable Laws, and provide the High Arctic Shareholders with sufficient information to permit the High Arctic Shareholders to form a reasoned judgment concerning the matters to be placed before the Meeting. High Arctic may, in its sole discretion elect to send Meeting Materials in accordance with section 9.1 of National Instrument 51-102 Continuous Disclosure Obligations or alternatively use "Notice and Access" as contemplated by section 9.1.1 of such instrument.

2.5 High Arctic Approval

- (a) High Arctic represents to and in favour of SpinCo that its board of directors has determined unanimously that:
 - (i) the Arrangement is fair, from a financial point of view, to the High Arctic Shareholders and is in the best interests of High Arctic; and
 - (ii) they will recommend that the High Arctic Shareholders vote in favour of the Arrangement Resolution, the Return of Capital Resolution, the Compensation Plan Resolution and the SpinCo Equity Compensation Plan Resolution.
- (b) For greater certainty, nothing in the foregoing or elsewhere in this Agreement shall limit the ability of the Board to act in accordance with its view of its fiduciary duties, including withdrawing, modifying or changing any such determination, recommendation or intention to vote.

2.6 Court Proceedings

SpinCo will cooperate and assist High Arctic in, and hereby consents to High Arctic, seeking the Interim Order and the Final Order, including by providing High Arctic on a timely basis with any information as reasonably requested by High Arctic or as required by Applicable Law to be supplied by SpinCo in connection therewith. Without limiting the foregoing, unless otherwise required or requested by High Arctic, in its exclusive determination, the Parties shall: (i) ensure that all material filed with the Court in connection with the Arrangement is consistent with this Agreement and the Plan of Arrangement; (ii) oppose any proposal from any Person that the Final Order contain any provision inconsistent with this Agreement or the Plan of Arrangement; (iii) if at any time after the issuance of the Final Order and prior to the Effective Date, High Arctic is required by the terms of the Final Order or Applicable Law to return to Court with respect to the Final Order, to do so in cooperation with High Arctic; and (iv) not file any material with the Court in connection with the Arrangement or serve any such material, or agree to amend, modify or supplement any material so filed or served, except as contemplated by this Agreement or with High Arctic's prior written consent, in its exclusive determination.

2.7 U.S. Securities Law Matters

The Parties agree that the Arrangement will be carried out with the intention that the High Arctic Common Shares, the High Arctic Class A Shares, the New High Arctic Common Shares and the SpinCo Common Shares, and any other securities (if any) (collectively, the "Distribution Securities") issued as part or upon completion of the Arrangement to High Arctic Shareholders and other securityholders will be issued by High Arctic and SpinCo in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by section 3(a)(10) thereof; and in furtherance thereof, agree as follows, unless otherwise determined by High Arctic in its exclusive determination:

- (a) the Arrangement will be subject to the approval of the Court and the Court will hold a hearing required to approve the procedural and substantive fairness of the terms and conditions of the Arrangement to the Persons receiving Distribution Securities pursuant to the Arrangement;
- (b) prior to the hearing required to approve the Arrangement, the Court will be advised as to the intention of the Parties to rely on the exemption under section 3(a)(10) of the U.S. Securities Act;
- (c) High Arctic will use its reasonable efforts to ensure that each Person entitled to receive Distribution Securities as part or upon completion of the Arrangement will be given adequate notice advising them of their right to attend the hearing of the Court to give approval of the Arrangement and providing them with sufficient information necessary for them to exercise that right;
- (d) the Persons entitled to receive Distribution Securities as part or upon completion of the Arrangement will be advised in the Circular that the Distribution Securities issued in the Arrangement have not been registered under the U.S. Securities Act and will be issued in reliance on the exemption under section 3(a)(10) of the U.S. Securities Act; and
- (e) the hearing of the Court to give approval of the Arrangement will be open to any High Arctic securityholders entitled to receive Distribution Securities and there will not be any improper impediments to the appearance by those securityholders at the hearing.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES

3.1 Mutual Representations and Warranties

Each Party represents and warrants to and in favour of each other Party that:

- (a) it is duly incorporated, amalgamated or continued and is validly existing under the laws of its governing jurisdiction and has the corporate power and authority to enter into this Agreement and, subject to obtaining the requisite approvals contemplated hereby, to perform its obligations hereunder;
- (b) the execution and delivery of this Agreement by it and the completion by it of the transactions contemplated herein do not and will not:
 - (i) result in the breach of, or violate any term or provision of, its articles or by-laws;
 - (ii) conflict with, result in the breach of, constitute a default under, or accelerate or permit the acceleration of the performance required by, any agreement, instrument, license, permit or authority to which it is a party or by which it is bound, or to which any assets of such Party are subject, or result in the creation of any Encumbrance upon any of its assets under any such agreement or instrument, or give to others any interest or right, including rights of purchase, termination, cancellation or acceleration, under any such agreement, instrument, license, permit or authority, which in any case would have a Material Adverse Effect on it; or
 - (iii) violate any provisions of any Applicable Law or any judicial or administrative award, judgment, order or decree applicable and known to it, the violation of which would have a Material Adverse Effect on it;
- (c) no dissolution, winding-up, bankruptcy, liquidation or similar proceeding has been commenced or is pending or, to such Party's knowledge, is proposed in respect of it, except as contemplated by the Plan of Arrangement;
- (d) except as contemplated in this Agreement, the Interim Order or the Final Order, there is no requirement for such Party to make any filing with, give any notice to or obtain any licence, permit, certificate, registration, authorization, consent or approval of, any Governmental Authority as a condition to the lawful consummation of the Arrangement where failure to comply would reasonably be expected to have a Material Adverse Effect on such Party; and
- (e) the execution and delivery of this Agreement and the completion of the transactions contemplated herein have been duly approved by its board of directors, and this Agreement constitutes a valid and binding obligation of such Party enforceable against it in accordance with its terms, subject to bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights generally and to general principles of equity and limitations upon the enforcement of indemnification for fines or penalties imposed by law.

3.2 Representations and Warranties of High Arctic

High Arctic represents and warrants to and in favour of SpinCo that:

- (a) the authorized capital of High Arctic consists of an unlimited number of High Arctic Common Shares and an unlimited number of preferred shares, issuable in series and as of the date hereof, 49,122,203 High Arctic Common Shares and no other shares are issued and outstanding;
- (b) the High Arctic Common Shares are not "taxable Canadian property", as such term is defined in the Tax Act;
- (c) High Arctic (i) is a "reporting issuer" under the Applicable Law of the Provinces of Alberta, British Columbia, Manitoba, Ontario, and Saskatchewan; (ii) is not on the list of defaulting issuers maintained in such Provinces; and (iii) the High Arctic Common Shares are listed for trading on the TSX;
- (d) HAES Cyprus is validly existing and in good standing under the laws of its jurisdiction of incorporation, has all requisite power and authority to own, lease and operate its assets and properties and conduct its business as now owned, leased and conducted, and is duly registered or otherwise qualified to do business in each jurisdiction in which the nature of its business makes such qualification necessary and where the failure to be so qualified would have a Material Adverse Effect on HAES Cyprus;
- (e) the authorized share capital of HAES Cyprus consists of 2,000 Cypriot Pounds divided into 2,000 ordinary shares of one (1) Cypriot Pound each, all of which are owned by High Arctic;
- (f) all outstanding HAES Cyprus Shares have been duly authorized and validly issued, as fully paid and non-assessable shares of HAES Cyprus and all outstanding HAES Cyprus Shares have been issued or granted in material compliance with all Applicable Law;
- (g) no Person holds any securities convertible into HAES Cyprus Shares or any other shares of HAES Cyprus or has any agreement, warrant, option or any other right capable of becoming an agreement, warrant or option for the purchase or other acquisition of any unissued shares of HAES Cyprus, other than as contemplated by this Agreement; and
- (h) except as disclosed to SpinCo or as contemplated in this Agreement, the Interim Order or the Final Order, there is no requirement for HAES Cyprus to make any filing with, give any notice to or obtain any licence, permit, certificate, registration, authorization, consent or approval of, any Governmental Authority as a condition to the lawful consummation of the Arrangement where failure to comply would reasonably be expected to have a Material Adverse Effect on HAES Cyprus.

3.3 No Representations and Warranties

SpinCo agrees and acknowledges that, except as expressly set out in Sections 3.1 and 3.2, High Arctic is not making any representation and warranty to SpinCo as to any aspect of HAES Cyprus, the HAES Cyprus Shares, and the business owned by HAES Cyprus, it being understood and agreed that SpinCo shall take the assets pertaining to such business, and shall assume, perform and discharge the liabilities pertaining to such business, on an "as-is", "where-is" basis as they exist immediately prior to the Effective Time.

3.4 Representations and Warranties of SpinCo

SpinCo represents and warrants to and in favour of High Arctic that:

- (a) the authorized capital of SpinCo consists of an unlimited number of SpinCo Common Shares, and an unlimited number of preferred shares, of which, as of the date hereof, one SpinCo Common Share is issued and outstanding;
- (b) no Person holds any securities convertible into SpinCo Common Shares or any other shares of SpinCo or has any agreement, warrant, option or other right capable of becoming an agreement, warrant or option for the purchase or other acquisition of any unissued shares of SpinCo, other than as contemplated by this Agreement; and
- (c) it has no assets, no liabilities and it has carried on no business other than relating to, and contemplated by, this Agreement and the Plan of Arrangement.

3.5 Survival of Representations, Warranties and Covenants

- (a) Subject to Subsection 3.5(b), all representations, warranties and covenants made by the Parties contained in this Agreement will remain operative and in full force and effect and, notwithstanding any investigation made by or on behalf of any Party or any other Person, or any knowledge of the beneficiaries of such representations, warranties and covenants or the knowledge of any other Person, until the earlier of the termination of this Agreement in accordance with Section 6.2 or the Effective Date, whereupon such representations, warranties and covenants will expire and be of no further force or effect.
- (b) The covenants made by each Party contained in Section 4.4 of this Agreement will survive the Effective Date and the completion of the Arrangement and shall continue in full force and effect for the benefit of each other Party.

ARTICLE 4 COVENANTS

4.1 General Covenant

SpinCo will, and High Arctic will so long as its Board of Directors has not withdrawn its recommendation referred to in Subsection 2.5(a), use all commercially reasonable efforts and do all things reasonably required of it to cause the Arrangement to become effective on or before July 31, 2024, or such later date as High Arctic may determine in its sole discretion.

4.2 Covenants of High Arctic

High Arctic will:

- (a) not perform any act or enter into any transaction that could interfere or be inconsistent with or materially delay the completion of the Arrangement or the Return of Capital;
- (b) as soon as practicable, convene the Meeting;
- (c) in a timely and expeditious manner:
 - (i) forthwith carry out the terms of the Interim Order;
 - (ii) prepare the Circular and proxy solicitation materials and any amendments or supplements thereto, and file such materials in all jurisdictions where the same are required to be filed, and distribute the same as ordered by

the Interim Order and in accordance with all Applicable Laws, and solicit proxies to be voted at the Meeting in favour of the Arrangement Resolution, the Return of Capital Resolution, the SpinCo Equity Compensation Plan Resolutions, the Compensation Plan Resolution and related matters; and

- (iii) conduct the Meeting in accordance with the Interim Order, the by-laws of High Arctic, as applicable, and as otherwise required by Applicable Laws;
- (d) subject to obtaining all necessary approvals of the High Arctic Shareholders as contemplated in the Interim Order and as may be directed by the Court in the Interim Order, forthwith proceed with and diligently prosecute an application for the Final Order;
- (e) take all steps necessary to ensure that (i) the Final Order approves the Arrangement after a hearing upon the fairness of such terms and conditions at which all Persons to whom it is proposed to issue securities have the right to appear (and such Persons have received timely and adequate notice of the hearing), without any improper impediments to their appearance at the hearing, (ii) the Court is advised before the hearing that High Arctic will rely on the exemption from U.S. securities registration set forth in Section 3(a)(10) of the U.S. Securities Act of 1933, as amended, based on the Court's approval of the Arrangement, and (iii) the Court finds, before approving the Arrangement, that the terms and conditions of the Arrangement are fair (procedurally and substantively) to those to whom securities will be issued, and approves the fairness of the terms and conditions of the Arrangement;
- (f) subject to the receipt of the Final Order and the satisfaction or waiver of the conditions precedent in favour of High Arctic set out in Article 5, deliver to and file with the Registrar the Articles of Arrangement and the Final Order at such time as High Arctic deems appropriate in its sole discretion in order to give effect to the Arrangement;
- (g) on or before the Effective Date, assist and cooperate in the preparation and filing with all applicable securities commissions or similar securities regulatory authorities in Canada of all necessary applications to seek exemptions, if required, from the prospectus, registration and other requirements of the applicable securities laws of jurisdictions in Canada for the issue by High Arctic of New High Arctic Common Shares, and by SpinCo of SpinCo Common Shares, and other exemptions that are necessary or desirable in connection with the Arrangement;
- (h) prior to the Effective Date, obtain confirmation from the TSX or the TSXV of the continued listing or listing, as the case may be, of the New High Arctic Common Shares, and jointly with SpinCo, make application to list the SpinCo Common Shares, issuable pursuant to the Arrangement, on the TSXV;
- (i) on or before the Effective Date, perform the obligations required to be performed by High Arctic under the Plan of Arrangement and do all such other acts and things, and execute and deliver all such agreements, assurances, notices and other documents and instruments, as may be necessary or desirable and are within its power and control in order to carry out and give effect to the Arrangement and any transactions necessary for the effectiveness of the Arrangement, including using all commercially reasonable efforts to obtain:
 - (i) the approval of High Arctic Shareholders required for the implementation of the Arrangement;

- (ii) the approval of High Arctic Shareholders required for the implementation of the Return of Capital;
 - (iii) the approval of High Arctic Shareholders required for the adoption of the SpinCo Equity Incentive Plan;
 - (iv) the approval of the High Arctic Shareholders required for the adoption of the Compensation Plan Resolution;
 - (v) such other consents, orders, rulings or approvals and assurances as are necessary or desirable for the implementation of the Arrangement, including those referred to in Section 5.1; and
 - (vi) satisfaction of the other conditions precedent referred to in Sections 5.1 and 5.2;
- (j) use commercially reasonable efforts to secure directors' and officers' liability insurance for the directors and officers of High Arctic who cease to be directors and/or officers of High Arctic to become directors and/or officers of SpinCo in connection with the Arrangement on a seven year "trailing" (or "run-off") basis provided that such trailing policy is available at a reasonable cost. If a trailing policy is not available at a reasonable cost, High Arctic will maintain in effect without any reduction in scope or coverage for seven years from the Effective Date customary policies of directors' and officers' liability insurance providing protection no less favourable than the protection provided by the policies maintained by High Arctic which are in effect immediately before the Effective Date and providing protection in respect of claims arising from facts or events which occurred on or before the Effective Date; and
- (k) honour all rights to indemnification or exculpation now existing in favour of directors and officers of High Arctic who cease to be directors and/or officers of High Arctic to become directors and/or officers of SpinCo in connection with the Arrangement, and acknowledges that such rights will survive the completion of the Plan of Arrangement and will continue in full force and effect for a period of not less than seven years from the Effective Date. For the avoidance of doubt, nothing in this Section 4.2(k) shall be interpreted as reducing or shortening in any way the length or duration of indemnification obligations of High Arctic pursuant to any indemnification agreement or indemnification covenant pursuant to any written agreement that High Arctic and any of the foregoing directors and/or officer of High Arctic are parties to prior to the Effective Date or entered into thereafter.

4.3 Covenants of SpinCo

SpinCo will:

- (a) prior to the Effective Date, adopt the SpinCo Equity Incentive Plan;
- (b) not, on or before the Effective Date, except as specifically provided for hereunder or in connection with the Arrangement, alter or amend its constating documents, articles or by-laws as the same exist as at the date of this Agreement;
- (c) prior to the Effective Date, cooperate in agreeing to make such amendments to this Agreement and the Plan of Arrangement, as may be reasonably necessary to implement the Plan of Arrangement, or as may be determined by High Arctic, in its

sole discretion, to enable High Arctic to carry out any transactions deemed advantageous by High Arctic for the Arrangement;

- (d) not perform any act or enter into any transaction that could interfere or could be inconsistent with or materially delay the completion of the Arrangement; and
- (e) not issue shares in SpinCo's capital stock prior to the Effective Time and issue such shares only in accordance with and subject to the terms of the Plan of Arrangement;
- (f) on or before the Effective Date, perform the obligations required to be performed by it under the Plan of Arrangement and do all such other acts and things, and execute and deliver all such agreements, assurances, notices and other documents and instruments, as may be necessary or desirable and are within its power and control in order to carry out and give effect to the Arrangement, including co-operating with High Arctic to obtain:
 - (i) the Final Order;
 - (ii) the approval of the listing of the SpinCo Common Shares on the TSXV or another designated stock exchange (as defined in the Tax Act);
 - (iii) such other consents, rulings, orders, approvals and assurances as are necessary or desirable for the implementation of the Arrangement, including those referred to in Section 5.1; and
 - (iv) satisfaction of the other conditions precedent referred to in Sections 5.1 and 5.2.

4.4 Tax-Related Covenants

- (a) Each Party covenants and agrees with and in favour of each other Party that: (i) it and any successor thereto and subsidiaries will not, on or before the Effective Date, perform any act or enter into any transaction or permit any transaction within its control to occur that could reasonably be considered to interfere or be inconsistent with the tax planning in respect of the Arrangement;
- (b) Each Party covenants and agrees with and in favour of each other Party to file its tax returns and make all other filings, notifications, designations and elections pursuant to the Tax Act and to make adjustments to its stated capital accounts in accordance with the terms of the Plan of Arrangement following the Effective Date. Where an agreed amount is to be included in any such election, such amount will be within the range contemplated by the Tax Act (or applicable provincial or foreign legislation), the Plan of Arrangement and this Agreement;
- (c) Each Party covenants and agrees with and in favour of each other Party to cooperate in the preparation and filing, in the form and within the time limits prescribed or otherwise contemplated in the Tax Act, of all tax returns, filings, notifications, designations and elections under the Tax Act as contemplated in the Plan of Arrangement and this Agreement (and any similar tax returns, elections, notifications or designations that may be required under applicable provincial or foreign legislation); and
- (d) SpinCo covenants and agrees that it will, on or before its filing due date for its first taxation year, and pursuant to the post-amble of the definition of public corporation

in subsection 89(1) of the Tax Act, elect in its federal return of income for that taxation year to be a public corporation from the beginning of the year until the time it will become a public corporation.

ARTICLE 5 CONDITIONS

5.1 Conditions Precedent

The obligations of High Arctic to complete the transactions contemplated by this Agreement and to file Articles of Arrangement to give effect to the Arrangement are subject to the satisfaction of the following conditions (which may be waived by High Arctic without prejudice to its right to rely on any other condition in its favour):

- (a) the Interim Order shall not have been set aside, amended or varied in a manner unacceptable to High Arctic, in its sole discretion, whether on appeal or otherwise;
- (b) the Arrangement Resolution shall have been approved by the requisite number of votes cast by the High Arctic Shareholders at the Meeting in accordance with the provisions of the Interim Order and any applicable regulatory requirements;
- (c) the Return of Capital Resolution shall have been approved by the requisite number of votes cast by the High Arctic Shareholders at the Meeting in accordance with any applicable regulatory requirements;
- (d) the SpinCo Equity Incentive Plan Resolution shall have been approved by the requisite number of votes cast by the High Arctic Shareholders at the Meeting in accordance with any applicable regulatory requirements;
- (e) the Compensation Plan Resolution shall have been approved by the requisite number of votes cast by the High Arctic Shareholders at the Meeting in accordance with any applicable regulatory requirements;
- (f) the Final Order shall have been obtained in form and substance satisfactory to High Arctic, in its sole discretion, provided that the requirements of Section 4.2(e) have been met with respect to the Final Order;
- (g) the Articles of Arrangement and all necessary related documents, in form and substance satisfactory to High Arctic, in its sole discretion, shall have been accepted for filing by the Registrar together with the Final Order in accordance with Subsection 193(10) of the ABCA;
- (h) all material consents, orders, rulings, approvals, opinions and assurances, including regulatory, judicial, third party and advisor opinions, approvals and orders, required or necessary, in the sole discretion of High Arctic, for the completion of the transactions provided for in this Agreement, the Plan of Arrangement, shall have been obtained or received, and none of the consents, orders, rulings, approvals, opinions or assurances contemplated herein shall contain terms or conditions or require undertakings or security that are considered unsatisfactory or unacceptable by High Arctic, in its sole discretion;
- (i) no action shall have been instituted and be continuing on the Effective Date for an injunction to restrain, a declaratory judgment in respect of, or damages on account of or relating to, the Arrangement and there shall not be in force any order or decree restraining or enjoining the consummation of the transactions

contemplated by this Agreement, and no cease trading or similar order with respect to any securities of any of the Parties shall have been issued and remain outstanding;

- (j) no law, regulation or policy shall have been proposed, enacted, promulgated or applied that interferes or is inconsistent with the completion of the Arrangement, including any material change to the income tax laws of Canada or any province, state or territory thereof;
- (k) the New High Arctic Common Shares (including shares issuable under the High Arctic Equity Compensation Plans) shall continue to be listed on the TSX or shall be listed on the TSXV and the SpinCo Common Shares (including shares issuable under the SpinCo Equity Compensation Plan) to be issued pursuant to the Arrangement shall have been conditionally approved for listing on the TSXV, or other designated stock exchange (as defined in the Tax Act) subject to compliance with the normal listing requirements of such exchange;
- (l) there shall not have developed, occurred or come into effect or existence any event, action or occurrence of national or international consequences, any governmental law or regulation, state, condition or major financial occurrence, including any act of terrorism, war or like event, or other occurrence of any nature, which, in the sole discretion of High Arctic, materially adversely affects, or may materially adversely affect, the financial markets in Canada or the business, financial condition, operations or affairs of High Arctic or SpinCo (as defined in the Plan of Arrangement) going forward;
- (m) High Arctic Shareholders will not have validly exercised Dissent Rights in connection with the Arrangement with respect to more than 10% of the issued and outstanding High Arctic Common Shares;
- (n) the Fairness Opinion will have been received by the Board and will not have been withdrawn or modified; and
- (o) the Arrangement Agreement shall not have been terminated pursuant to the termination provisions contained in Section 6.2.

5.2 Conditions to Obligation of Each Party

The obligation of each Party to complete the transactions contemplated by this Agreement is further subject to the conditions (which may be waived by such Party without prejudice to its right to rely on any other condition in its favour) that: (i) the covenants of each other Party to be performed on or before the Effective Date pursuant to the terms of this Agreement will have been duly performed in all material respects; (ii) except as set forth in this Agreement, the Plan of Arrangement, the representations and warranties of each other Party will be true and correct in all material respects as at the Effective Date, with the same effect as if such representations and warranties had been made at, and as of, such date; and (iii) and each such Party will receive a certificate, dated the Effective Date, of a senior officer of each other Party confirming the matters in (i) and (ii) above.

5.3 Merger/Waiver of Conditions

The conditions set out in Sections 5.1 and 5.2 will be conclusively deemed to have been satisfied, waived or released on the filing by High Arctic of Articles of Arrangement under the ABCA to give effect to the Plan of Arrangement.

ARTICLE 6 AMENDMENT AND TERMINATION

6.1 Amendment

This Agreement may, at any time and from time to time before and after the holding of the Meeting, but not later than the Effective Date, be amended by written agreement of the Parties without, subject to Applicable Law, further notice to or authorization on the part of their respective shareholders. Without limiting the generality of the foregoing, any such amendment may:

- (a) change the time for performance of any of the obligations or acts of the Parties;
- (b) waive any inaccuracies or modify any representation contained herein or in any document to be delivered pursuant hereto;
- (c) except as otherwise provided herein, waive compliance with or modify any of the covenants contained herein or waive or modify performance of any of the obligations of the Parties; or
- (d) make such alterations, modifications or amendments to this Agreement as the Parties may consider necessary or desirable in connection with the Interim Order or the Final Order.

6.2 Termination

This Agreement may, at any time before or after the holding of the Meeting but prior to the issue of the Certificate of Arrangement, be terminated by High Arctic in its sole discretion at any time without the approval of the High Arctic Shareholders or SpinCo and nothing expressed or implied herein or in the Plan of Arrangement shall be construed as fettering the absolute discretion of High Arctic to elect to terminate this Agreement and discontinue efforts to effect the Plan of Arrangement for whatever reason it may consider appropriate. This Agreement will terminate without any further action by the Parties if the Effective Date has not occurred on or before July 31, 2024, or such later date as High Arctic may determine in its sole discretion.

ARTICLE 7 GENERAL

7.1 Notices

Any demand, notice or other communication to be given in connection with this Agreement must be given in writing and delivered personally or by courier or by email addressed to the recipient as follows:

To High Arctic:

330 - 5th Avenue SW, Suite 2350
Calgary, Alberta T2P 0L4
Attention: Michael J. Maguire

email: mike.maguire@haes.ca

To SpinCo:

330 - 5th Avenue SW, Suite 2350
Calgary, Alberta T2P 0L4

Attention: Michael J. Maguire
email: mike.maguire@haes.ca

in each case with a copy to:

DLA Piper (Canada) LLP
Suite 1000, 250 – 2nd Street S.W.
Calgary, AB T2P 0C1
Attention: Roy Hudson
email: roy.hudson@dlapiper.com

or such other address that a Party may, from time to time, advise the other Parties by notice in writing given in accordance with the foregoing. The date of receipt of any such notice will be deemed to be the date of actual delivery thereof or, if given by facsimile, on the day of transmittal thereof if given during the normal business hours of the recipient with written confirmation of receipt by fax and verbal confirmation of same and on the next Business Day, if not given during such hours.

7.2 Time of Essence

Time is of the essence of this Agreement.

7.3 Further Assurances

Each of the Parties will from time to time execute and deliver such further documents and instruments and do all acts and things as any other Party may before the Effective Date reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

7.4 Assignment

No Party may assign its rights or obligations under this Agreement or the Arrangement without the prior written consent of the other Parties (which consent will not be unreasonably withheld or delayed), provided that no such consent will be required for any Party to assign its rights and obligations under this Agreement and the Arrangement to a corporate successor to such Party or to a purchaser of all or substantially all of the assets of such Party.

7.5 Binding Effect

This Agreement will be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns, and specific references to “successors” elsewhere in this Agreement will not be construed to be in derogation of the foregoing.

7.6 Waiver

Any waiver or release of any of the provisions of this Agreement, to be effective, must be in writing executed by the Party granting the same.

7.7 No Personal Liability

- (a) No Representative of High Arctic shall have any personal liability whatsoever to any other Party on behalf of High Arctic under this Agreement, the Plan of

Arrangement, or any other document delivered in connection with any of the foregoing; and

- (b) No Representative of SpinCo shall have any personal liability whatsoever to any other Party on behalf of SpinCo under this Agreement, the Plan of Arrangement, or any other document delivered in connection with any of the foregoing.

7.8 Invalidity of Provisions

If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule or Applicable Law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

7.9 Entire Agreement

This Agreement, the Plan of Arrangement and the other agreements and instruments contemplated hereby and thereby or entered into or delivered in connection herewith or therewith, constitute the entire agreement between the Parties pertaining to the subject matter hereof and thereof. There are no warranties, conditions, or representations (including any that may be implied by statute), and there are no agreements, in connection with such subject matter except as specifically set forth or referred to in this Agreement, the Plan of Arrangement and such other agreements and instruments contemplated hereby and thereby or entered into or delivered in connection herewith or therewith including the Agreement, or as otherwise set out in writing and delivered at Closing.

7.10 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein without regard to conflicts of law principles. Each of the Parties agrees that any action or proceeding arising out of or relating to this Agreement may be instituted in the courts of Alberta, waives any objection which it may have now or later to the venue of that action or proceeding, irrevocably submits to the non-exclusive jurisdiction of those courts in that action or proceeding and agrees to be bound by any judgment of those courts.

7.11 No Third Party Beneficiaries

Except as otherwise provided in Sections 7.4, 7.5 and 7.7, this Agreement is not intended to confer on any Person other than the Parties any rights or remedies.

7.12 Privacy

- (a) Each Party agrees to comply with all privacy Applicable Law in the course of collecting, using and disclosing personal information about an identifiable individual (the "**Transaction Personal Information**"). Neither Party will disclose Transaction Personal Information to any Person other than to its Representatives. If the Arrangement is consummated, neither Party will, following the Effective Time, without the consent of the individuals to whom such Transaction Personal Information relates or as permitted or required by Applicable Law, use or disclose Transaction Personal Information:

- (i) for purposes other than those for which such Transaction Personal Information was collected or provided; and
 - (ii) which does not relate directly to the carrying on of the business of such Party or to the carrying out of the purposes for which the transactions contemplated by this Agreement were implemented.
- (b) Each Party will protect and safeguard the Transaction Personal Information against unauthorized collection, use or disclosure. Each Party will cause its Representatives to observe the terms of this Section 7.12 and to protect and safeguard the Transaction Personal Information in their possession. If this Agreement is terminated, each Party will promptly return to the other Party any Transaction Personal Information in its possession or in the possession of any of its Representatives, including all copies, reproductions, summaries or extracts thereof.

7.13 Confidentiality

- (a) Each Party hereby acknowledges and agrees that the other Party and its Affiliates have a proprietary (or will have following the Effective Date in respect to SpinCo) interest in the Restricted Information of such Party and the same is of value to such other Party and its Affiliates and that the use or disclosure of the Restricted Information of such other Party contrary to the terms of this Agreement would cause irreparable harm to such other Party and its Affiliates. Subject to the provisions of paragraph (c) of this Section 7.13, each of High Arctic, on the one hand, and SpinCo, on the other hand, agree to hold, and to cause its respective Affiliates and its respective Representatives to hold, in strict confidence, with at least the same degree of care that applies to High Arctic's Confidential Information pursuant to policies in effect as of the Effective Date, all Restricted Information of the other Party, and will not use, and will cause its respective Affiliates and its respective Representatives not to use, any such Restricted Information other than for such purposes as are expressly contemplated hereunder or under the transactions or other agreements contemplated hereby. Each such Party further agrees to, and to cause their respective Affiliates and Representatives to, only use the Shared Information in the normal course of their respective businesses for their own internal purposes and not divulge or communicate to any third party any Shared Information (except that the Parties will be permitted to disclose such information, to the extent necessary in connection with their normal business activities, on a confidential basis, to their consultants, contractors, customers, partners, suppliers and Representatives who have a need to know the information); provided, however, that where an obligation is owed to a third party in respect of such Shared Information, the Parties covenant and agree to use such information only in a manner consistent with such obligation.
- (b) For purposes of this Agreement, Confidential Information, Restricted Information and Shared Information will not include information that is now or subsequently becomes generally available to the public other than as a result of a breach of this Agreement or any other agreement relating to confidentiality between or among the Parties and/or their respective Affiliates or Representatives. In addition, information will not constitute Confidential Information of the second Party if such information was (i) lawfully acquired by the first Party and/or any of its Affiliates or Representatives from a third party not bound by a confidentiality obligation, or (ii) independently generated or developed by one or more Representatives of the first Party and/or any of its Affiliates without reference to Restricted Information of the second Party.

- (c) In the event that a Party and/or its Affiliates or Representatives determines that it is required to disclose any Confidential Information (the “**Disclosing Party**”) pursuant to Applicable Law or receives any demand under lawful process or from a Governmental Authority to disclose or provide Confidential Information, and such disclosure or provision of the Confidential Information would be in breach of this Section 7.13, the Disclosing Party will, to the extent permitted by Applicable Law promptly notify the other Party so that the other Party has a reasonable opportunity to seek a protective arrangement and/or waive compliance with the applicable provisions of this Section 7.13 prior to the Disclosing Party disclosing or providing such Confidential Information, and the Party that received such request will cooperate, at the expense of the requesting Party, in seeking any such protective arrangements requested by such requesting Party. Subject to the foregoing, the Disclosing Party may thereafter disclose or provide such Confidential Information to the extent required by such Applicable Law (as so advised by legal counsel) or by lawful process or by such Governmental Authority and will, to the extent permitted by Applicable Law, promptly provide the other Party with a copy of the Confidential Information so disclosed together with a list of all Persons to whom such Confidential Information was disclosed. In any such event, the Disclosing Party will also use reasonable commercial efforts to ensure that all Confidential Information that is so disclosed will be afforded confidential treatment by the recipient. In addition, notwithstanding the foregoing or any other provision of this Agreement, a Party may disclose any Confidential Information (x) to its Representatives, provided they are under obligations in respect of limited use, limited disclosure and confidentiality in respect of such Confidential Information no less stringent than the obligations set forth herein, on a “need-to-know” basis, in connection with disputes or litigation between the Parties that relates to such Confidential Information, provided that each Party will endeavour to limit disclosure for that purposes, or (y) in connection with the exercise of any rights granted hereunder.

7.14 Counterparts

This Agreement may be executed in any number of original, facsimile or “pdf” counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

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IN WITNESS WHEREOF the Parties have executed this Agreement.

HIGH ARCTIC ENERGY SERVICES INC.

Per: (signed) "M. Maguire"
Michael J. Maguire
Chief Executive Officer

Per: (signed) "L. Bate"
Lonn Bate
Chief Financial Officer

**HIGH ARCTIC OVERSEAS HOLDINGS
CORP.**

Per: (signed) "M. Maguire"
Michael J. Maguire
Chief Executive Officer

SCHEDULE "A"

PLAN OF ARRANGEMENT UNDER SECTION 193 OF THE BUSINESS CORPORATIONS ACT (ALBERTA)

ARTICLE 1 - INTERPRETATION

1.1 Definitions

In this Plan of Arrangement, other than the Appendices:

"**ABCA**" means the *Business Corporations Act* (Alberta), as amended, including the regulations promulgated thereunder;

"**Arrangement**" means the arrangement under Section 193 of the ABCA on the terms and subject to the conditions set forth in this Plan of Arrangement, subject to any amendments or variations thereto made in accordance with the Arrangement Agreement or this Plan of Arrangement, or made at the direction of the Court in the Final Order;

"**Arrangement Agreement**" means the arrangement agreement made as of May 9, 2024 among the Parties, as it may be amended, modified or supplemented from time to time in accordance with its terms;

"**Arrangement Resolution**" means the special resolution of the High Arctic Shareholders approving the Arrangement in accordance with the Interim Order;

"**Articles of Arrangement**" means the articles of arrangement in respect of the Arrangement required under subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order has been made to give effect to the Arrangement;

"**Board**" means the board of directors of the Corporation;

"**Business Day**" means any day other than a Saturday, Sunday or Statutory holiday in Calgary, Alberta under the laws of the Province of Alberta or the federal laws of Canada;

"**Certificate of Arrangement**" means the certificate of arrangement or proof of filing to be issued by the Registrar, pursuant to subsection 193(11) or subsection 193(12) in respect of the Articles of Arrangement and giving effect to the Arrangement;

"**Court**" means the Court of King's Bench of Alberta;

"**Depositary**" means Odyssey Trust Company, engaged for the purpose of, among other things, exchanging certificates representing High Arctic Common Shares for New High Arctic Common Shares and SpinCo Common Shares in connection with the Arrangement;

"**Dissent Rights**" means the right of a High Arctic Shareholder to dissent in respect of the Arrangement pursuant to the procedures set forth in Section 191 of the ABCA, as modified by Article 3 of this Plan of Arrangement, the Interim Order and any other order of the Court;

"**Dissenting Shareholder**" means a High Arctic Shareholder who validly dissents from the Arrangement Resolution in compliance with the Dissent Rights and who has not withdrawn the exercise of such Dissent Rights and is ultimately determined to be paid fair value in respect of the High Arctic Common Shares held by such High Arctic Shareholder;

"**DRS**" means the direct registration system;

"DRS Advice" means a DRS advice which details the shares held in a book position;

"Effective Date" means the date shown on the confirmation of filing to be issued under the ABCA giving effect to the Arrangement, which date shall be determined in accordance with the Arrangement Agreement;

"Effective Time" means the time at which the steps to complete the Arrangement will commence, which will be 12:01 a.m. (Calgary time) on the Effective Date, subject to any amendment or variation in accordance with the terms of the Arrangement Agreement;

"Encumbrance" means any mortgage, charge, pledge, lien, hypothec, security interest, encumbrance, adverse claim or right of any third party to acquire or restrict the use of property;

"Final Order" means the final order of the Court approving the Arrangement, as such order may be amended or varied at any time prior to the Effective Time or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or amended, with or without variation, on appeal;

"HAES Cyprus" means High Arctic Energy Services Cyprus Limited;

"HAES Cyprus Shares" means the common shares in the capital of HAES Cyprus;

"High Arctic" or the **"Corporation"** means High Arctic Energy Services Inc., a corporation amalgamated under the ABCA;

"High Arctic Class A Shares" means the amended and redesignated High Arctic Common Shares as described in Section 3.1(1)(b)(i) of this Plan of Arrangement;

"High Arctic Common Shares" means the currently existing common shares in the capital of High Arctic which High Arctic is authorized to issue as the same are constituted on the date hereof;

"High Arctic Preferred Shares" means the preferred shares in the capital of High Arctic and having the rights, privileges, restrictions and conditions as currently set forth in the articles of High Arctic;

"High Arctic Shareholder" means a holder of High Arctic Common Shares;

"Interim Order" means the interim order of the Court concerning the Arrangement and containing declarations and directions with respect to, among other things, the Arrangement and the holding of the Meeting, as such order may be amended or varied by the Court;

"Letter of Transmittal" means the letter of transmittal to be delivered by the High Arctic Shareholders to the Depository providing for the delivery of High Arctic Common Shares to the Depository;

"Meeting" means the annual general and special meeting of High Arctic Shareholders (including any adjournment or postponement thereof) to be called and held in accordance with the Interim Order to consider and, if deemed advisable, among other items of business, to approve the Arrangement Resolution, the Return of Capital Resolution, and the SpinCo Stock Option Plan Resolution;

"New High Arctic Common Shares" means the new class of common shares in the capital of High Arctic created pursuant to Section 3.1(1)(b)(ii) of this Plan of Arrangement, and for which the High Arctic Class A Shares are, in part, to be exchanged under section 3.1(f) of this Plan of Arrangement and which, immediately after the completion of the transactions comprising the Plan of Arrangement, will be identical in every relevant respect to the High Arctic Common Shares, and

will have the rights, privileges, restrictions and conditions set out in Appendix "B" to this Plan of Arrangement;

"Participating Shareholder" means a High Arctic Shareholder as at the Effective Time, other than a Dissenting Shareholder;

"Party" means a party to this Plan of Arrangement;

"Person" means and includes an individual, limited or general partnership, limited liability company, limited liability partnership, trust, joint venture, association, body corporate, unlimited liability corporation, trustee, executor, administrator, legal representative, government (including any governmental authority) or any other entity, whether or not having legal status, except that, where High Arctic Common Shares are held by a trustee under a bare trust arrangement, the beneficiary and not the trustee shall be regarded as the holder of such High Arctic Common Shares and any property substituted therefor;

"Plan of Arrangement" means this plan of arrangement, including its Appendices, as it may be amended, modified or supplemented from time to time in accordance with the terms hereof;

"PUC" means paid-up capital, and has the meaning attributed to such term in Subsection 89(1) of the Tax Act;

"Registrar" means the Registrar of Corporations for the Province of Alberta duly appointed under the ABCA;

"Return of Capital" means the reduction of the stated capital account maintained by High Arctic in respect of the High Arctic Common Shares pursuant to paragraph 38(1)(b) of the ABCA by an amount to be determined by the High Arctic Board not exceeding \$0.76 multiplied by the number of High Arctic Common Shares issued and outstanding at the time the High Arctic Board makes such determination, for the purpose of permitting a special distribution to be made to High Arctic Shareholders of up to \$0.76 per High Arctic Common Share as a return of capital;

"Return of Capital Resolution" means the special resolution of High Arctic Shareholders approving the Return of Capital to be considered at the Meeting;

"SpinCo" means High Arctic Overseas Holdings Corp., a corporation incorporated under the ABCA;

"SpinCo Common Shares" means the common shares in the capital of SpinCo and having the rights, privileges, restrictions and conditions as currently set forth in the Articles of SpinCo and as set out in Appendix "C" to this Plan of Arrangement;

"SpinCo Equity Incentive Plan" means the equity incentive plan of SpinCo adopted prior to the Effective Date;

"SpinCo Equity Incentive Plan Resolution" means the ordinary resolution of High Arctic Shareholders approving the SpinCo Equity Incentive Plan to be considered at the Meeting;

"SpinCo Preferred Shares" means the preferred shares in the capital of SpinCo and having the rights, privileges, restriction and conditions as currently set forth in the Articles of SpinCo and as set out in APPENDIX "C" to this Plan of Arrangement;

"**Subsidiary**" means, at any particular time, a Person controlled, directly or indirectly, by High Arctic or SpinCo, as applicable;

"**Tax Act**" means the *Income Tax Act* (Canada), as amended, including the regulations promulgated thereunder;

"**Transfer Agent**" means Odyssey Trust Company, as registrar and transfer agent of High Arctic, or such other Person as may be designated by High Arctic; and

"**TSX**" means the Toronto Stock Exchange.

1.2 Construction

In this Plan of Arrangement, unless otherwise expressly stated or the context otherwise requires:

- (a) the division of this Plan of Arrangement into Articles, Sections and Subsections and the use of headings are for convenience of reference only and do not affect the construction or interpretation hereof;
- (b) the words "hereunder", "hereof" and similar expressions refer to this Plan of Arrangement and not to any particular Article, Section or Subsection and references to "Articles", "Sections" and "Subsections" are to Articles, Sections and Subsections of this Plan of Arrangement;
- (c) words importing the singular include the plural and vice versa, and words importing any gender include all genders and the neuter;
- (d) the word "including", when following any general term or statement, is not to be construed as limiting the general term or statement to the specific items or matters set forth or to similar items or matters, but rather as referring to all other items or matters that could reasonably fall within the broadest possible scope of the general term or statement; and
- (e) a reference to a statute or code includes every regulation made pursuant thereto, all amendments to the statute or code or to any such regulation in force from time to time, and any statute, code or regulation which supplements or supersedes such statute, code or regulation.

1.3 Schedules

The following are the Schedules to this Plan of Arrangement:

- Appendix "A" - SpinCo Equity Incentive Plan
- Appendix "B" - Share Conditions attaching to High Arctic Common Shares, High Arctic Preferred Shares, and New High Arctic Common Shares
- APPENDIX "C" - Share Conditions attaching to SpinCo Common Shares and the SpinCo Preferred Shares
- APPENDIX "D" - Directors of SpinCo
- APPENDIX "E" - By-laws of SpinCo

ARTICLE 2 - ARRANGEMENT AGREEMENT

2.1 Arrangement Agreement

- (1) This Plan of Arrangement is made pursuant to, is subject to the provisions of and forms part of, the Arrangement Agreement.
- (2) This Plan of Arrangement, upon the filing of the Articles of Arrangement and the issuance of the Certificate of Arrangement, will become effective at, and be binding at and after, the Effective Time.
- (3) The Articles of Arrangement and the Certificate of Arrangement shall be filed and issued, respectively, with respect to the Arrangement in its entirety. The Certificate of Arrangement shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of Article 3 has become effective in the sequence and at the times set out therein.
- (4) Other than as expressly provided for herein, no portion of this Plan of Arrangement shall take effect with respect to any Party or Person until the Effective Time. Further, each of the events listed in Article 3 shall be, without affecting the timing set out in Article 3, mutually conditional, such that no event described in Article 3 may occur without all steps occurring, and those events shall effect the integrated transaction which constitutes the Arrangement.

ARTICLE 3 - THE ARRANGEMENT

3.1 Arrangement

- (1) Commencing at the Effective Time, the events and transactions set out in Subsections 3.1(1)(a) to 3.1(1)(m), inclusive, will occur and be deemed to occur, unless otherwise provided, in the order set out below, without any further act or formality, and with each event or transaction occurring and being deemed to occur immediately after the occurrence of the immediately preceding event or transaction:
 - (a) the High Arctic Common Shares held by any Dissenting Shareholders, who duly exercise their Dissent Rights and who are ultimately entitled to be paid fair value for those High Arctic Common Shares, will be deemed to have been transferred to High Arctic and cancelled and will cease to be outstanding at the Effective Time, and such Dissenting Shareholders will cease to have any rights as High Arctic Shareholders other than the right to be paid the fair value for their High Arctic Common Shares by High Arctic;
 - (b) the articles of High Arctic will be amended to:
 - (i) rename and redesignate all of the issued and unissued High Arctic Common Shares as "Class A Common Shares" and amending the special rights and restrictions attached to those shares to provide the holders thereof with two (2) votes in respect of each share held, being the "High Arctic Class A Shares"; and
 - (ii) create and authorize the issuance of (in addition to the shares it is authorized to issue immediately before such amendment) an unlimited number of New High Arctic Common Shares;
 - (c) SpinCo shall purchase for cancellation the one SpinCo Common Share owned by High Arctic for its issue price of one dollar (\$1.00), which SpinCo Common Share shall then be cancelled;
 - (d) High Arctic will assign and transfer to SpinCo all of the issued and outstanding HAES Cyprus Shares in consideration for SpinCo issuing to High Arctic that

number of SpinCo Common Shares equal to one quarter (1/4) of the number of High Arctic Common Shares issued and outstanding at the time of the foregoing assignment and transfer. In respect of such transfer, High Arctic will jointly elect with SpinCo, in prescribed form and within the time allowed by subsection 85(6) of the Tax Act to have provisions of subsection 85(1) of the Tax Act apply to the transfer of the HAES Cyprus Shares. The amount added to the stated capital in respect of the SpinCo Common Shares issued as consideration on the transfer of the HAES Cyprus Shares will equal the amount High Arctic and SpinCo agree to in their election form;

- (e) each Participating Shareholder will exchange one High Arctic Class A Share for one quarter (1/4) of one New High Arctic Common Share and one quarter (1/4) of one SpinCo Common Share, such that: (a) the stated capital account of the New High Arctic Common Shares issued by High Arctic will equal the PUC of the former High Arctic Class A Shares less the fair market value of the SpinCo Common Shares on the Effective Date; (b) no other consideration will be received by any holder of such High Arctic Common Shares; and (c) the High Arctic Class A Shares so exchanged will be cancelled;
- (f) the articles of High Arctic will be amended to eliminate the High Arctic Class A Shares such that, immediately following such alteration, High Arctic will be authorized to issue an unlimited number of New High Arctic Common Shares and an unlimited number of High Arctic Preferred Shares, issuable in series;
- (g) the Spinco Equity Incentive Plan will come into force and effect with the terms and conditions set out in Appendix "A" to this Plan of Arrangement;
- (h) the directors of SpinCo will be those persons listed in APPENDIX "D" to this Plan of Arrangement;
- (i) the directors of SpinCo will have the authority to appoint one or more additional directors of SpinCo, who will hold office for a term expiring not later than the close of the next annual meeting of shareholders of SpinCo, but the total number of directors so appointed may not exceed one third of the number of Persons who become directors of SpinCo as contemplated hereby;
- (j) the by-laws of SpinCo will be the by-laws set out in Appendix "D" to this Plan of Arrangement, and such by-laws are hereby deemed to have been confirmed by the shareholders of SpinCo;
- (k) KPMG LLP will be the initial auditors of SpinCo, to hold office until the close of the first annual meeting of shareholders of SpinCo, or until KPMG LLP resigns as contemplated by Section 164 of the ABCA or are removed from office as contemplated by Section 165 of the ABCA, and the directors of SpinCo will be authorized to fix their remuneration;
- (l) the registered office of SpinCo shall be located at 1000, 250 - 2nd Street S.W., Calgary, Alberta, T2P 0C1; and
- (m) while each Participating Shareholder's fractional New High Arctic Common Shares and SpinCo Common Shares will be combined, no fractional shares will be issued and Participating Shareholders will not receive any compensation in lieu thereof. The name of each Participating Shareholder who is so deemed to exchange his, her or its High Arctic Class A Shares, shall be removed from the central securities register of High Arctic Class A Shares with respect to the High Arctic Class A

Shares so exchanged and shall be added to the central securities registers of New High Arctic Common Shares and SpinCo Common Shares as the holder of the number of New High Arctic Common Shares and SpinCo Common Shares, deemed to have been received on the exchange. The aggregate PUC of the New High Arctic Common Shares will be equal to the PUC of the High Arctic Common Shares immediately prior to the completion of the Arrangement, less the fair market value of the SpinCo Common Shares on the Effective Date.

- (2) All amounts of stated capital for purposes of the ABCA to be determined under this Plan of Arrangement will be determined in accordance with the authorization of the board of directors of the applicable corporation, subject to the limitations in this Plan of Arrangement.

3.2 Deemed Fully Paid and Non-Assessable Shares

- (1) All New High Arctic Common Shares and SpinCo Common Shares issued pursuant hereto will be deemed to be or have been validly issued and outstanding as fully paid and non-assessable shares for all purposes of the ABCA.

3.3 Supplementary Action

- (1) Notwithstanding that the transaction and events set out in Section 3.1 hereof will occur, and shall be deemed to occur, in the order therein set out without any other authorization, act or formality, each of High Arctic and SpinCo will make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may be required to further document or evidence any of the transactions or events set out in Section 3.1 hereof, including any resolution of directors authorizing the issue, transfer or purchase for cancellation of shares, any share transfer powers evidencing the transfer of shares and any receipt therefor, and any necessary additions to, or deletions from, share registers.

ARTICLE 4 - RIGHTS OF DISSENT

4.1 Rights of Dissent

- (1) Registered holders of High Arctic Common Shares may exercise Dissent Rights in connection with the Arrangement; provided that, notwithstanding section 191(5)(a) of the ABCA, the written notice setting forth such a registered holder's objection to the Arrangement Resolution referred to in section 191(5)(a) of the ABCA must be received by High Arctic no later than 5:00 p.m. (Mountain Time) on the day that is two Business Days immediately preceding the date of the Meeting (as it may be adjourned or postponed from time to time). Dissenting Shareholders who duly exercise their Dissent Rights in accordance with this Section 4.1 and who:
- (a) are ultimately entitled to be paid fair value for their High Arctic Common Shares, (i) will be deemed to have transferred the High Arctic Common Shares held by them and in respect of which Dissent Rights have been validly exercised to High Arctic, free and clear of all liens, claims and encumbrances, as set out in Section 3.1(a), (ii) will be deemed not to have participated in the transactions in respect of such High Arctic Common Shares in Section 3.1 (other than Section 3.1(a)), (iii) will be entitled to be paid the fair value of such High Arctic Common Shares, which fair value will be determined as of the close of business on the day before the Arrangement Resolution was adopted, and (iv) will not be entitled to any other payment or consideration, including any payment that would be payable under the

Arrangement had such holders not exercised their Dissent Rights in respect of such High Arctic Common Shares; or

- (b) are ultimately not entitled, for any reason, to be paid fair value for such High Arctic Common Shares, will be deemed to have participated in the Arrangement as of and from the Effective Time on the same basis as a Participating Shareholder.

4.2 Recognition of Dissenting Shareholders

- (1) In no circumstances will the Parties or any other Person be required to recognize a Person exercising Dissent Rights unless such Person is the registered holder of High Arctic Common Shares in respect of which such Dissent Rights are purported to be exercised.
- (2) From and after the Effective Time, neither High Arctic nor SpinCo nor any other Person will be required to recognize a Dissenting Shareholder as a holder of High Arctic Common Shares or as a holder of any securities of any of High Arctic or SpinCo or any of their respective Subsidiaries and, subject to re-instatement pursuant to Section 4.1(1)(b) above, at the Effective Time, the names of the Dissenting Shareholders will be deleted from the register of holders of High Arctic Common Shares previously maintained or caused to be maintained by High Arctic. In addition to any other restrictions in the Interim Order and under section 191 of the ABCA, for greater certainty, none of the following Persons will be entitled to exercise Dissent Rights: (i) any Person who is not a registered holder of High Arctic Common Shares; and (ii) any holder of New High Arctic Common Shares or SpinCo Common Shares.

4.3 Dissent Right Availability

- (1) A registered holder of High Arctic Common Shares will not be entitled to exercise Dissent Rights with respect to High Arctic Common Shares if such registered holder votes (or instructs, or is deemed, by submission of any incomplete proxy, to have instructed his, her or its proxyholder to vote) in favour of the Arrangement Resolution.

4.4 Withholding Taxes

- (1) All payments made to a Dissenting Shareholder pursuant to this Article 4 will be subject to, and paid net of, all applicable withholding taxes pursuant to Section 5.4 of this Plan of Arrangement.

ARTICLE 5 - CERTIFICATES AND PAYMENTS

5.1 Entitlement to Share Certificates and Payments

- (1) Upon the Arrangement becoming effective, from and including the Effective Date, share certificates and/or DRS Advice(s) previously representing High Arctic Common Shares that were exchanged in accordance with the provisions of this Plan of Arrangement will represent the New High Arctic Common Shares and SpinCo Common Shares to be issued to High Arctic Shareholders under this Plan of Arrangement.
- (2) As soon as practicable following the later of the Effective Date and the surrender to the Depository for cancellation of a certificate and/or DRS Advice that immediately prior to the Effective Time represented outstanding High Arctic Common Shares, together with a duly completed Letter of Transmittal and such additional documents and instruments as the Depository may reasonably require and such other documents and instruments as would have been required to effect such transfer under the ABCA, the Securities Transfer Act (Alberta) and the articles of High Arctic, the former holder of such High Arctic Common

Shares shall be entitled to receive in exchange therefor, and the Depositary shall deliver to such holder following the Effective Time, or, if requested by such former holder in the Letter of Transmittal, make available for pick up at its offices during normal business hours, the DRS Advices representing the New High Arctic Common Shares and SpinCo Common Shares.

- (3) Subject to Section 5.3, until surrendered as contemplated by this Section, each certificate which immediately prior to the Effective Time represented High Arctic Common Shares will be deemed after the time described in Section 5.1(1) to represent only the right to receive from the Depositary upon such surrender the DRS Advices representing the New High Arctic Common Shares and SpinCo Common Shares.
- (4) High Arctic will cause the Depositary, as soon as practicable after the Effective Date, to:
 - (a) forward or cause to be forwarded by first class mail (postage paid) to such former holder at the address specified in the Letter of Transmittal;
 - (b) if requested by such former holder in the Letter of Transmittal make available at the offices of the Depositary specified in the Letter of Transmittal; or
 - (c) if the Letter of Transmittal neither specifies an address as described in 4.1(4)(a) nor contains a request as described in 4.1(4)(b), forward or cause to be forwarded by first class mail (postage paid) to such former holder at the address of such former holder as shown on the applicable securities register maintained by or on behalf of High Arctic immediately prior to the Effective Time;

a DRS Advice representing the New High Arctic Common Shares and a DRS Advice representing the SpinCo Common Shares in accordance with the provisions hereof.

5.2 Loss of Certificates

- (1) If any certificate which immediately prior to the Effective Time represented an interest in outstanding High Arctic Common Shares that were exchanged for New High Arctic Common Shares and SpinCo Common Shares pursuant to the provisions of this Plan of Arrangement has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to have been lost, stolen or destroyed, the Depositary will issue and deliver in exchange for such lost, stolen or destroyed certificate the consideration to which the holder is entitled pursuant to the Arrangement (and any dividends or distributions with respect thereto) as determined in accordance with the Arrangement. The Person who is entitled to receive such consideration shall, as a condition precedent to the receipt thereof, give a bond to each of High Arctic and SpinCo and the Depositary, which bond is in form and substance satisfactory to each of High Arctic and SpinCo and their respective transfer agents, or shall otherwise indemnify High Arctic and SpinCo and their respective transfer agents against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

5.3 Extinction of Rights

- (1) If any former High Arctic Shareholder fails to deliver to the Depositary the certificates, documents or instruments required to be delivered to the Depositary under Section 5.1 or Section 5.2 in order for such former High Arctic Shareholder to receive the New High Arctic Common Shares and SpinCo Common Shares which such former holder is entitled to receive pursuant to Section 3.1, on or before the sixth anniversary of the Effective Date, on the sixth anniversary of the Effective Date (i) such former holder will be deemed to have donated and forfeited to High Arctic and SpinCo or their respective successors any New

High Arctic Common Share and SpinCo Common Share held by the Depositary in trust for such former holder to which such former holder is entitled and (ii) any certificate representing High Arctic Common Shares formerly held by such former holder will cease to represent a claim of any nature whatsoever and will be deemed to have been surrendered to High Arctic and SpinCo and will be cancelled. Neither High Arctic nor SpinCo, or any of their respective successors, will be liable to any person in respect of any New High Arctic Common Share or SpinCo Common Share which is forfeited to High Arctic or SpinCo or delivered to any public official pursuant to any applicable abandoned property, escheat or similar Applicable Law.

5.4 Withholding Rights

- (1) Each of High Arctic and SpinCo (and the Depositary and their Transfer Agents on their behalf) will be entitled to deduct and withhold (or cause to be deducted or withheld) from any amounts payable under this Plan of Arrangement to any Person, including High Arctic Shareholders exercising Dissent Rights, such Taxes or other amounts as each of High Arctic and SpinCo is required or permitted to deduct and withhold with respect to such payment. To the extent that Taxes or other amounts are so withheld, such withheld amounts will be treated for all purposes hereof as having been paid to the Person, in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority.

ARTICLE 6 - GENERAL

6.1 Amendments

- (1) Subject to compliance with the terms of this Article 6, High Arctic and SpinCo may amend, modify or supplement this Plan of Arrangement at any time provided that each such amendment must be: (i) set out in writing; (ii) approved by the other parties; and (iii) filed with the Court.
- (2) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by High Arctic and SpinCo at any time prior to or at the Meeting (provided that the other parties to the Arrangement Agreement shall have consented thereto) with or without any other prior notice or communication to High Arctic Shareholders, and if so proposed and accepted by the Persons voting at the Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.
- (3) High Arctic and SpinCo may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time after the Meeting but prior to the Effective Time with the approval of the Court and, if and as required by the Court, after communication to High Arctic Shareholders.
- (4) Any amendment, modification or supplement to this Plan of Arrangement may be made at any time following the Effective Time, but prior to the restatement of the articles of High Arctic and SpinCo, by High Arctic and SpinCo without the approval of the Court, the High Arctic Shareholders or the shareholders of SpinCo, provided that it concerns a matter which, in the reasonable opinion of High Arctic and SpinCo, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement or is not adverse to the financial or economic interests of any holder or former holder of High Arctic Common Shares or any holder of SpinCo Common Shares.

6.2 Further Assurances

- (1) Notwithstanding that the transactions and events set out herein will occur and will be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the Parties to the Arrangement Agreement will make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order further to document or evidence any of the transactions or events set out herein.

6.3 Paramountcy

- (1) From and after the Effective Time: (a) this Plan of Arrangement will take precedence and priority over all High Arctic Common Shares outstanding prior to the Effective Time, (b) the rights and obligations of the High Arctic Shareholders, High Arctic, SpinCo, the Depositary, the Transfer Agent and any other registrar or transfer agent or other depositary therefor in relation thereto, will be solely as provided for in this Plan of Arrangement, and (c) all actions, causes of action, claims or proceedings (actual or contingent and whether or not previously asserted) based on or in any way relating to any High Arctic Common Shares will be deemed to have been settled, compromised, released and determined without liability except as set out in this Plan of Arrangement.

6.4 Termination

- (1) Notwithstanding any prior approvals by the Court or by High Arctic Shareholders, the Board may decide not to proceed with the Arrangement and to revoke the Arrangement Resolution at any time prior to the Effective Date, without further approval of the Court or the High Arctic Shareholders. Upon termination of this Plan of Arrangement, no Party will have any liability or further obligation to any other Party or Person hereunder other than as set out in the Arrangement Agreement.

APPENDIX "A"

SpinCo Equity Incentive Plan

(see attached)

**HIGH ARCTIC OVERSEAS HOLDINGS CORP.
OMNIBUS INCENTIVE PLAN**

TABLE OF CONTENTS

PART I - GENERAL PROVISIONS	1
1. PREAMBLE AND DEFINITIONS	1
2. CONSTRUCTION AND INTERPRETATION	6
3. ADMINISTRATION	7
4. SHARE RESERVE.....	9
5. LIMITATION ON GRANTS.....	9
6. ALTERATION OF CAPITAL AND CHANGE IN CONTROL	10
7. MISCELLANEOUS.....	11
8. EFFECTIVE DATE	14
PART II - OPTIONS	14
9. OPTION GRANTS AND PROVISIONS	14
10. CEASING TO BE A DIRECTOR, OFFICER, EMPLOYEE OR CONSULTANT	16
11. DEATH OF A PARTICIPANT	16
PART III - SHARE UNITS.....	16
12. GRANT OF SHARE UNITS	16
13. VESTING AND SETTLEMENT OF SHARE UNITS	17
14. DIVIDEND EQUIVALENTS.....	18
15. TERMINATION	19
PART IV - DEFERRED SHARE UNITS	19
16. DEFINITIONS USED IN PART IV.....	19
17. GRANT OF DEFERRED SHARE UNITS	20
18. DIVIDENDS.....	21
19. TERMINATION OF SERVICE AND PAYOUT OF DEFERRED SHARE UNITS.....	21
PART V – TSXV REQUIREMENTS	22
20. RULES APPLICABLE IF SHARES ARE LISTED ON TSXV	22

PART I - GENERAL PROVISIONS

1. PREAMBLE AND DEFINITIONS

1.1 The Plan described in this document shall be called the "High Arctic Overseas Holdings Corp. Omnibus Incentive Plan".

1.2 The purposes of the Plan are:

- (a) to develop the interest of directors, officers, employees and other eligible service providers in the growth and development of the Corporation by providing them with the opportunity to acquire an increased proprietary interest in the Corporation;
- (b) to promote greater alignment of interests between directors, officers, employees and other eligible service providers and the shareholders of the Corporation;
- (c) to associate a portion of the compensation payable to officers, directors, employees and other eligible service providers with the returns achieved by shareholders of the Corporation; and
- (d) to attract and retain officers, directors, employees and other eligible service providers with the knowledge, experience and expertise required by the Corporation.

1.3 Definitions Used Throughout this Plan.

- (a) "**ABCA**" means the Business Corporations Act (Alberta).
- (b) "**Affiliate**" has the meaning set forth in the ABCA.
- (c) "**Applicable Law**" means any applicable provision of law, domestic or foreign, including, without limitation, applicable securities legislation, together with all regulations, rules, policy statements, rulings, notices, orders or other instruments promulgated thereunder, and Stock Exchange Rules.
- (d) "**Beneficiary**" means, subject to Applicable Law, an individual who has been designated by a Participant, in such form and manner as the Board may determine, to receive benefits payable under the Plan upon the death of the Participant, or, where no such designation is validly in effect at the time of death, the Participant's legal representative.
- (e) "**Blackout Period**" means a period of time when, pursuant to any policies of the Corporation, any securities of the Corporation may not be traded by certain persons as designated by the Corporation, including any holder of a Grant.
- (f) "**Board**" means the Board of Directors of the Corporation.
- (g) "**Business Day**" means a day on which there is trading on the Stock Exchange (or, if the Shares are not then listed and posted for trading on the Stock Exchange, such other stock exchange on which the Shares are then listed and posted for trading, and if none, a day that is not a Saturday or Sunday or a national legal holiday in Canada);
- (h) "**Cause**" shall mean, unless the applicable Grant Agreement states otherwise,
 - (i) if the Participant is a party to an employment or service agreement with the Corporation or its Affiliates and such agreement provides for a definition of cause, the definition contained therein; or

- (ii) if no such agreement exists, or such agreement exists but does not contain a definition of cause, then anything which constitutes just cause for termination of employment at common law including, without limitation: (A) the wilful failure of the Participant to carry out the Participant's duties properly or to comply with the Corporation's rules, policies and practices; (B) improper conduct of the Participant which is materially detrimental to the financial interests of the Corporation; or (C) the conviction of the Participant for fraud, embezzlement or theft.
- (i) **"Change in Control"** means:
 - (i) the acquisition by any "offeror" (as defined in the *Securities Act (Alberta)*) of beneficial ownership of more than 50% of the outstanding voting securities of the Corporation, by means of a take-over bid or otherwise;
 - (ii) any consolidation, reorganization, merger, amalgamation or statutory amalgamation or arrangement of the Corporation with or into another corporation, a separation of the business of the Corporation into two or more entities, or pursuant to which Shares would be converted into cash, securities or other property, other than a merger of the Corporation in which shareholders immediately prior to the merger have the same proportionate ownership of stock of the surviving corporation immediately after the merger;
 - (iii) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Corporation;
 - (iv) the approval by the Shareholders of any plan of liquidation or dissolution of the Corporation; or
 - (v) the replacement by way of election or appointment at any time of 50% or more of the total number of the then incumbent members of the Board, unless such election or appointment is approved by 50% or more of the Board in office immediately preceding such election or appointment in circumstances where such election or appointment is to be made other than as a result of a dissident public proxy solicitation, whether actual or threatened.
- (j) **"Consultant"** means an individual or corporation, other than an Executive Officer of the Corporation or an Affiliate, that is engaged to provide consulting, technical, management or other services to the Corporation or an Affiliate under a written consulting agreement;
- (k) **"Corporation"** means High Arctic Overseas Holdings Corp., and includes any successor corporation thereof.
- (l) **"Deferred Share Unit"** or **"DSU"** means a unit credited by the Corporation to an Eligible Director (as defined herein) by way of a bookkeeping entry in the books of the Corporation, as determined by the Board, pursuant to the Plan.
- (m) **"Director"** means a director of the Corporation from time to time.
- (n) **"Disability"** means:
 - (i) where a Participant has a written employment agreement with the Corporation or an Affiliate and such agreement provides for a definition of disability, the definition contained therein; or

- (ii) if no such agreement exists, or such agreement exists but does not contain a definition of disability, then a Participant's physical or mental incapacity that prevents him/her from substantially fulfilling his or her duties and responsibilities on behalf of the Corporation or, if applicable, an Affiliate, as determined by the Board and, in the case of a Participant who is an employee of the Corporation or an Affiliate, in respect of which the Participant commences receiving, or is eligible to receive, disability benefits under the Corporation's or Affiliate's long-term disability plan.
- (o) **"Eligible Person"** means any Director, Executive Officer, Employee or Consultant of the Corporation or any Affiliate, including a Service Provider.
- (p) **"Employed"** means, with respect to a Participant, that:
 - (i) the Participant is rendering services to the Corporation or an Affiliate (excluding services as a Director) including as a Service Provider (referred to in Section (oo) as "active Employment"); or
 - (ii) the Participant is not actively rendering services to the Corporation or an Affiliate due to an approved leave of absence, maternity or parental leave or leave on account of Disability.
 - (iii) For greater certainty, any determination of whether a Participant is Employed on a Vesting Date shall be made without regard to any period of notice, pay in lieu of notice (paid by way of lump sum or salary continuance), benefits continuance or other termination-related payments or benefits to which the Participant may be entitled pursuant to the common law or otherwise, subject only to the express minimum requirements of applicable employment standards legislation.

and **"Employment"** has the corresponding meaning.

- (q) **"Employee"** means any individual who is an employee of the Corporation or any Affiliate;
- (r) **"Executive Officer"** means an Employee who is:
 - (i) the president and/or chief executive officer of the Corporation,
 - (ii) a vice-president of the Corporation, orany other Employee which the Board determines, in its sole discretion, is an executive officer or whom the Board believes may have the ability to impact the long-term goals and objectives of the Corporation or its Affiliates, as applicable;
- (s) **"Exercise Price"** means the price payable by a Participant to purchase one Share on exercise of an Option, which shall not be less than the Market Price.
- (t) **"Fair Market Value"** of a Share means:
 - (i) where the Shares are not listed on a Stock Exchange, the fair market value of a Share on a particular date shall be the value as determined by the Board in its sole discretion and in good faith; and
 - (ii) where the Shares are listed on a Stock Exchange, the Market Price.

- (u) **"Governmental Authorities"** means governments, regulatory authorities, governmental departments, agencies, commissions, bureaus, officials, ministers, Crown corporations, courts, bodies, boards, tribunals or dispute settlement panels or other law, rule or regulation-making organizations or entities:
 - (i) having or purporting to have jurisdiction on behalf of any nation, province, territory or state or any other geographic or political subdivision of any of them; or
 - (ii) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power.
- (v) **"Grant"** means a grant or right granted under the Plan consisting of one or more Options, RSUs, PSUs or DSUs or such other award as may be permitted hereunder.
- (w) **"Grant Agreement"** means an agreement between the Corporation and a Participant evidencing a Grant and setting out the terms under which such Grant is made, together with such schedules, amendments, deletions or changes thereto as are permitted under the Plan.
- (x) **"Grant Date"** means the effective date of a Grant.
- (y) **"Insider"** has the meaning set out in the TSX Company Manual.
- (z) **"Market Price"** means the volume weighted average trading price per share for the Shares on the Stock Exchange for the five (5) consecutive trading days ending on the last trading day preceding the applicable day.
- (aa) **"Misconduct"** means
 - (i) serious misconduct, including conduct which has a significant negative impact on the reputation or operations of the Corporation or its Affiliates;
 - (ii) fraud;
 - (iii) a material breach of the terms of employment or engagement, including wilful breach of the provisions of applicable Corporation policies in effect from time to time; or
 - (iv) failure or wilful refusal to substantially perform the employee's duties and responsibilities or, if a director, act in accordance with a director's fiduciary obligations;
- (bb) **"Option"** means an option to purchase a Share granted by the Board to an Eligible Person in accordance with Section 3 and Section 9.1.
- (cc) **"Participant"** means an Eligible Person to whom a Grant is made and which Grant or a portion thereof remains outstanding.
- (dd) **"Performance Conditions"** means such financial, personal, operational or transaction-based performance criteria as may be determined by the Board in respect of a Grant to any Participant or Participants and set out in a Grant Agreement. Performance Conditions may apply to the Corporation, an Affiliate, the Corporation and its Affiliates as a whole, a business unit of the Corporation or group comprised of the Corporation and some Affiliates or a group of Affiliates, either individually, alternatively or in any combination, and measured either in total, incrementally or cumulatively over a specified performance period,

on an absolute basis or relative to a pre-established target or milestone, to previous years' results or to a designated comparator group, or otherwise, and may incorporate multipliers or adjustments based on the achievement of any such performance criteria.

- (ee) **"Performance Share Unit" or "PSU"** means a right granted to an Eligible Person in accordance with Section 3.1(c) and (d) and Section 12.1 to receive a Share or the Market Price, as determined by the Board, that generally becomes Vested, if at all, subject to the attainment of certain Performance Conditions and satisfaction of such other conditions to Vesting, if any, as may be determined by the Board.
- (ff) **"Person"** means any individual, sole proprietorship, partnership, firm, entity, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, Governmental Authority, and where the context requires any of the foregoing when they are acting as trustee, executor, administrator or other legal representative.
- (gg) **"Plan"** means this High Arctic Overseas Holdings Corp. Omnibus Incentive Plan, including any schedules or appendices hereto, as may be amended from time to time.
- (hh) **"Restricted Share Unit" or "RSU"** means a right granted to an Eligible Person in accordance with Section 3.1(c) and (d) and Section 12.1 to receive a Share or the Market Price, as determined by the Board, that generally becomes Vested, if at all, following a period of continuous Employment of the Participant.
- (ii) **"Service Provider"** means a person or company, other than an employee, officer or director of the Corporation or an Affiliate, that:
 - (i) is engaged to provide, on a bona fide basis, for an initial, renewable or extended period of twelve (12) months or more, services to the Corporation or an Affiliate;
 - (ii) provides the services under a written contract between the Corporation or an Affiliate and the person or company; and
 - (iii) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or an Affiliate.
- (jj) **"Share"** means a common share in the capital of the Corporation or, in the event of an adjustment contemplated by Section 6.1, such other security to which a Participant may be entitled upon the exercise or settlement of a Grant as a result of such adjustment.
- (kk) **"Share Unit"** means either an RSU or a PSU, as the context requires.
- (ll) **"Shareholder"** means a holder of one or more Shares.
- (mm) **"Stock Exchange"** means the Toronto Stock Exchange or such other stock exchange on which the Shares are listed, or if the Shares are not listed on any stock exchange, then on the over-the-counter market.
- (nn) **"Stock Exchange Rules"** means the applicable rules of any Stock Exchange upon which Shares are listed, which, for certainty, includes the TSX Venture Exchange's *Corporate Finance Manual* if the Shares are listed on the TSX Venture Exchange.
- (oo) **"Tax Act"** means the *Income Tax Act* (Canada) and the regulations thereto, as amended from time to time.

- (pp) **"Termination"** means (i) the termination of a Participant's Employment with the Corporation or an Affiliate (other than in connection with the Participant's transfer to Employment with the Corporation or another Affiliate), which shall occur on the earlier of the date on which the Participant ceases to render services to the Corporation or Affiliate, as applicable, and the date on which the Corporation or an Affiliate, as applicable, delivers notice of the termination of the Participant's employment or contract for services, whether such termination is lawful or otherwise, without giving effect to any period of notice or pay in lieu of notice (paid by way of lump sum or salary continuance), benefits continuance or other termination-related payments or benefits to which the Participant may be entitled pursuant to the common law or otherwise (except as expressly required by applicable employment standards legislation), but, for greater certainty, a Participant's absence from active work during a period of vacation, temporary illness, authorized leave of absence, maternity or parental leave or leave on account of Disability shall not be considered to be a "Termination", and (ii) in the case of a Participant who does not return to active Employment with the Corporation or an Affiliate immediately following a period of absence due to vacation, temporary illness, authorized leave of absence, maternity or parental leave or leave on account of Disability, such cessation shall be deemed to occur on the last day of such period of absence, and **"Terminated"** and **"Terminates"** shall be construed accordingly.
- (qq) **"Termination Date"** means, in relation to a Participant, that date on which the Participant is Terminated.
- (rr) **"Time Vesting"** means any conditions relating to the passage of time or continued service with the Corporation or an Affiliate for a period of time in respect of a Grant, as may be determined by the Board.
- (ss) **"Trading Day"** means a day on which the Stock Exchange is open for trading and on which the Shares actually traded.
- (tt) **"TSX"** means the Toronto Stock Exchange.
- (uu) **"Vested"** means, with respect to any Option, Share Unit or other award included in a Grant, that the applicable conditions with respect to Time Vesting, achievement of Performance Conditions and/or any other conditions established by the Board have been satisfied or, to the extent permitted under the Plan, waived (and **"Vesting"** and any other applicable derivative term shall be construed accordingly).
- (vv) **"Vesting Date"** means the date on which the applicable Time Vesting, Performance Conditions and/or any other conditions for an Option, Share Unit or other award included in a Grant becoming Vested are met, deemed to have been met or waived as contemplated in Section (uu).

2. CONSTRUCTION AND INTERPRETATION

2.1 As used in this Plan, words importing the masculine gender shall include the feminine and neuter genders and words importing the singular shall include the plural and vice versa, unless the context otherwise requires and references to a person includes any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation (with or without share capital), unincorporated association, trust, trustee, executor, administrator or other legal representative.

2.2 If any provision or part of the Plan is determined to be void or unenforceable in whole or in part, such determination shall not affect the validity or enforcement of any other provision or part thereof.

2.3 The headings of the articles, sections and clauses are inserted herein for convenience of reference only and shall not affect the meaning of construction thereof. A reference to a section or schedule shall, except where expressly stated otherwise, mean a section or schedule of the Plan, as applicable.

2.4 Unless otherwise specified, time periods wherein, or following which, any payment (whether in cash or Shares) is to be made or any act is to be done, shall be calculated by excluding the day on which the period begins, including the day on which the period ends, and abridging the period to the immediately preceding Business Day in the event that the last day of the period is not a Business Day. In the event an action is required to be taken or a payment (whether in cash or Shares) is required to be made on a day which is not a Business Day, such action shall be taken or such payment shall be made on the immediately preceding Business Day.

3. ADMINISTRATION

3.1 The Plan shall be administered by the Board, or any committee established by the Board for the purpose of administering the Plan, in accordance with its terms and subject to Applicable Law. Subject to and consistent with the terms of the Plan, in addition to any authority of the Board specified under any other terms of the Plan, the Board shall have full and complete discretionary authority to:

- (a) interpret the Plan and Grant Agreements;
- (b) prescribe, amend and rescind such rules and regulations and make all determinations necessary or desirable for the administration and interpretation of the Plan and instruments of grant evidencing Grants;
- (c) determine those Eligible Persons who may receive Grants as Participants, grant one or more Grants to such Participants and approve or authorize the applicable form and terms of the related Grant Agreement;
- (d) determine the terms and conditions of Grants granted to any Participant, including, without limitation, as applicable (i) the value of a Grant and the number of Shares subject to a Grant, (ii) the Exercise Price for Shares subject to an Option, (iii) the conditions of Vesting of a Grant or any portion thereof, including, as applicable, the period for achievement of any applicable Performance Conditions as a condition to Vesting, and the conditions, if any, upon which Vesting of any Grant or any portion thereof will be waived or accelerated without any further action by the Board, (iv) the circumstances upon which a Grant or any portion thereof shall be forfeited, cancelled or expire, (v) the consequences of a Termination with respect to a Grant, (vi) the manner of exercise or settlement of the Vested portion of a Grant, (vii) whether, and the terms upon which, a Grant may be settled in cash, Shares or a combination thereof, and (viii) whether, and the terms upon which, any Shares delivered upon exercise or settlement of a Grant must be held by a Participant for any specified period of time;
- (e) determine whether, and the extent to which, any Performance Conditions or other conditions applicable to the Vesting of a Grant have been satisfied or shall be waived or modified;
- (f) make such rules, regulations and determinations as it deems appropriate under the Plan in respect of any leave of absence or Disability of any Participant. Without limiting the generality of the foregoing, the Board shall be entitled to determine:
 - (i) whether or not any such leave of absence shall constitute a Termination within the meaning of the Plan;

- (ii) the impact, if any, of any such leave of absence on Grants issued under the Plan made to any Participant who takes such leave of absence (including, without limitation, whether or not such leave of absence shall cause any Grants to expire and the impact upon the time or times such Grants shall be exercisable);
- (g) amend the terms of any Grant Agreement or other documents evidencing Grants;
- (h) determine whether, and the extent to which, adjustments shall be made pursuant to Section 6 and the terms of such adjustments;
- (i) correct any defect or supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent it considers necessary or advisable for the proper implementation and administration of the Plan; and
- (j) make all other determinations and take all other actions as it considers necessary or advisable for the implementation and administration of the Plan.

3.2 All determinations, interpretations, rules, regulations, or other acts of the Board respecting the Plan or any Grant shall be made in its sole discretion and are final, conclusive and binding on the Corporation, the Participants, any Beneficiary and all other persons.

3.3 Each Participant shall provide the Corporation and the Board with all information (including "personal information" as defined in the *Personal Information Protection and Electronic Documents Act* (Canada) or any applicable provincial privacy legislation) they require in order to administer the Plan or to permit the Participant to participate in the Plan (the "**Participant Information**"). The Corporation and the Board may from time to time transfer or provide access to the Participant Information to a third party service provider for purposes of the administration of the Plan provided that such service providers will be provided with such information for the sole purpose of providing services to the Corporation in connection with the operation and administration of the Plan and provided further that such service provider agrees to take appropriate measures to protect the Participant Information and not to use it for any purpose except to administer or operate the Plan. The Corporation may also transfer and provide access to Participant Information to its Affiliates for purposes of preparing financial statements or other necessary reports and facilitating payment or reimbursement of Plan expenses. In addition, Participant Information may be disclosed or transferred to another party during the course of, or completion of, a change in ownership of, or the grant of a security interest in, all or a part of the Corporation or its Affiliates, provided that such party is bound by appropriate agreements or obligations and required to use or disclose the Participant Information in a manner consistent with this Section 3.3. The Corporation shall not disclose Participant Information except as contemplated in this Section 3.3 or in response to regulatory filings or other requirements for the information by a Governmental Authority or regulatory body or a self-regulatory body in which the Corporation participates in order to comply with Applicable Law or for the purpose of complying with a subpoena, warrant or other order by a court, person or body having jurisdiction over the Corporation to compel production of the information. By participating in the Plan, each Participant acknowledges that Participant Information may be so provided as set forth above and agrees and consents to its provision on the terms set forth herein.

3.4 The Board may prescribe terms for Grant Agreements in respect of Eligible Persons who are subject to the laws of a jurisdiction other than Canada in connection with their participation in the Plan that are different than the terms of the Grant Agreements for Eligible Persons who are subject to the laws of Canada in connection with their participation in the Plan, and/or deviate from the terms of the Plan set out herein, for purposes of compliance with Applicable Law in such other jurisdiction or where, in the Board's opinion, such terms or deviations are necessary or desirable to obtain more advantageous treatment for the Corporation, an Affiliate or the Eligible Person in respect of the Plan under the Applicable Law of the other jurisdiction.

3.5 Notwithstanding the foregoing, the terms of any Grant Agreement authorized pursuant to this Article 3 shall be consistent with the Plan to the extent practicable having regard to the Applicable Law of the

jurisdiction in which such Grant Agreement is applicable and in no event shall contravene the Applicable Law of Canada.

3.6 The Board may, in its discretion, subject to Applicable Law, delegate any or all of its administrative responsibilities under the Plan and powers related thereto to one or more persons including, without limitation, an officer of the Corporation or a committee of the Board (the "**Administrator**"), and all actions taken and decisions made by such Administrator in this regard shall be final, conclusive, and binding on all parties concerned, including but not limited to, the Corporation, the Participants, and any Beneficiary. Should the Board delegate its administrative responsibilities under the Plan to an Administrator, all references to "Board" throughout this Plan shall be read as "Administrator", as applicable.

4. SHARE RESERVE

4.1 Subject to Section 5 and any adjustment pursuant to Section 6.1, the aggregate number of Shares that may be issued pursuant to Grants made under the Plan together with all other security-based compensation arrangements of the Corporation shall be a number equal to 10% of the aggregate number of issued and outstanding Shares from time to time.

4.2 For purposes of computing the total number of Shares available for grant under the Plan or any other security based compensation arrangement of the Corporation, Shares subject to any Grant (or any portion thereof) that is forfeited, surrendered, cancelled or otherwise terminated, prior to the issuance of such Shares shall again be available for grant under the Plan.

4.3 For greater certainty, any increase in the issued and outstanding Shares (whether it is a result of exercise of Options or settlement of Share Units or otherwise) will result in an increase in the number of Shares that may be issued pursuant to Share Units outstanding at any time and any increase in the number of Share Units granted will, upon the issue of Shares pursuant thereto, make new grants available under this Plan.

4.4 The Corporation shall at all times during the term of the Plan reserve and keep available such numbers of Shares as will be sufficient to satisfy the requirements of the Plan.

5. LIMITATION ON GRANTS

5.1 To Insiders as a group at any point in time. The aggregate number of Shares that are issuable pursuant to Grants to Insiders as a group pursuant to the Plan and any other security-based compensation arrangement of the Corporation at any point in time must not exceed 10% of the total number of issued and outstanding Shares.

5.2 To Insiders as a group within a 12-month period. The aggregate number of Shares that are issuable pursuant to all Grants to Insiders as a group pursuant to the Plan and any other security-based compensation arrangement of the Corporation in a twelve (12) month period must not exceed 10% of the total number of issued and outstanding Shares, calculated on the date of Grant to any Insider.

5.3 To any one Person. The aggregate number of Shares that are issuable pursuant to all Grants to any one Person (and companies wholly owned by that Person) pursuant to the Plan and any other security-based compensation arrangement of the Corporation in a twelve (12) month period must not exceed 10% of the issued and outstanding Shares, calculated on the date of Grant to the Person.

5.4 The Corporation's right to elect to satisfy the settlement of Grants by the issuance of Shares from treasury will be effective only upon receipt of all necessary shareholder approvals of the Plan, as amended from time to time, as required by the rules, regulations and policies of the Stock Exchange and any other stock exchange on which the Shares are listed or traded.

6. ALTERATION OF CAPITAL AND CHANGE IN CONTROL

6.1 Notwithstanding any other provision of the Plan, and subject to Applicable Law, in the event of any subdivision, consolidation, stock dividend, capital reorganization, reclassification, exchange, or other change with respect to the Shares, or a consolidation, amalgamation, merger, spin-off, sale, lease or exchange of all or substantially all of the property of the Corporation or other distribution of the Corporation's assets to shareholders of the Corporation (other than the payment of ordinary course cash or stock dividends in respect of the Shares), if the Board shall determine that an equitable adjustment should be made, such adjustment shall, subject to Applicable Law (for certainty, including approval of the Stock Exchange if required), be made by the Board to (i) the number of Shares issuable pursuant to the Grant Agreement; (ii) the securities into which the Shares are changed or are convertible or exchangeable; (iii) any Options then outstanding; (iv) the Exercise Price, as appropriate in respect of such Options; and/or (v) with respect to the number of Share Units and/or DSUs outstanding under the Plan, and any such adjustment shall be final, binding and conclusive for all purposes of the Plan.

Notwithstanding the foregoing, should changes be required to the Plan by any securities commission, the Stock Exchange or any other Governmental Authority of any jurisdiction to which the Plan or the Corporation now is or hereafter becomes subject, such changes shall be made to the Plan as are necessary to conform with such requirements and, if such changes are approved by the Board, the Plan, as amended, shall be filed with the records of the Corporation and shall remain in full force and effect in its amended form as of and from the date of its adoption by the Board.

No adjustment provided for pursuant to this Section 6.1 shall require the Corporation to issue fractional Shares in satisfaction of its obligations under the Plan. Any fractional interest in a Share that would, except for the provisions of this Section 6.1, be deliverable upon the exercise of any Grant shall be cancelled and not deliverable by the Corporation.

6.2 In the event of a Change in Control, or a determination by the Board that a Change in Control is expected to occur, prior to the Vesting of a Grant, and subject to the terms of a Participant's written employment agreement or contract for services with the Corporation or an Affiliate and the applicable Grant Agreement, the Board shall have the authority and sole discretion to take all necessary steps so as to ensure the preservation of the economic interests of the Participants in, and to prevent the dilution or enlargement of, any Grant including, without limitation and subject to Applicable Law:

- (a) provide for the acceleration of any Vesting or exercisability of a Grant;
- (b) provide for the deemed attainment of Performance Conditions relating to a Grant;
- (c) provide for the lapse of restrictions relating to a Grant;
- (d) provide for the assumption, substitution, replacement or continuation of any Grant by a successor or surviving corporation (or a parent or subsidiary thereof) with cash, securities, rights or other property to be paid or issued, as the case may be, by the successor or surviving corporation (or a parent or subsidiary thereof);
- (e) provide that a Grant shall terminate or expire unless exercised or settled in full on or before a date fixed by the Board; or
- (f) terminate or cancel any outstanding Grant in exchange for a cash payment (provided that, if as of the date of the Change in Control, the Board determines that no amount would have been realized upon the exercise or settlement of the Grant, then the Grant may be cancelled by the Corporation without payment of consideration).

7. MISCELLANEOUS

7.1 Withholdings. So as to ensure that the Corporation or an Affiliate, as applicable, will be able to comply with the applicable obligations under any federal, provincial, state or local law relating to the withholding of tax or other required deductions (“**Withholding Taxes**”), the Corporation or the Affiliate may withhold or cause to be withheld from any amount payable to a Participant, either under the Plan, or otherwise, such amount as may be necessary to permit the Corporation or the Affiliate, as applicable, to so comply and may take such other action that the Corporation deems necessary to satisfy all obligations for the payment of such statutory withholdings. Without limiting the generality of the foregoing, the Corporation and any Affiliate may satisfy any liability for any such withholding obligations, on such terms and conditions as the Corporation may determine in its sole discretion, by:

- (a) deducting and withholding additional amounts from other amounts payable to a Participant;
- (b) selling on such Participant's behalf, or requiring such Participant to sell, any Shares, and retaining any amount payable which would otherwise be provided or paid to such Participant in connection with any such sale, or
- (c) requiring, as a condition to the delivery of Shares hereunder, that such Participant make such arrangements as the Corporation may require so that the Corporation and its Affiliates can satisfy such withholding obligations, including requiring such Participant to remit an amount to the Corporation or an Affiliate in advance, or reimburse the Corporation or any Affiliate for, any such withholding obligations, subject to the policies of the Stock Exchange.

7.2 No Right to Continued Employment. Nothing in the Plan or in any Grant Agreement entered into pursuant hereto shall confer upon any Participant the right to continue in the employ or service of the Corporation or any Affiliate, to be entitled to any remuneration or benefits not set forth in the Plan or a Grant Agreement or to interfere with or limit in any way the right of the Corporation or any Affiliate to terminate Participant's employment or service arrangement with the Corporation or any Affiliate without liability for the effect which such dismissal or termination might have upon a Participant other than as expressly provided for herein. No reasonable notice or payment in lieu thereof will extend the period of employment or engagement as a Consultant for purposes of the Plan.

7.3 No Shareholder Rights. Grants of Options, Share Units or DSUs are not Shares and under no circumstances shall such Grants entitle any Participant to any shareholder rights, including, without limitation, voting rights, dividend entitlement or rights on liquidation, nor shall any Participant be considered the owner of Shares by virtue of a Grant of Options, Share Units or DSUs. The Plan shall be unfunded (including for tax purposes) and the Corporation will not secure its obligations under the Plan. To the extent any Participant or his Beneficiary holds any rights by virtue of a Grant under the Plan, such rights (unless otherwise determined by the Board) shall be no greater than the rights of an unsecured creditor of the Corporation.

7.4 No Additional Rights. Neither the designation of an individual as a Participant nor the Grant of any Options, Share Units, DSUs or other award to any Participant entitles any person to the Grant, or any additional Grant, as the case may be, of any Options, Share Units, DSUs or other award under the Plan. For greater certainty, the Board's decision to approve a Grant in any period shall not require the Board to approve a Grant to any Participant in any other period; nor shall the Board's decision with respect to the size or terms and conditions of a Grant in any period require it to approve a Grant of the same or similar size or with the same or similar terms and conditions to any Participant in any other period. The Board shall not be precluded from approving a Grant to any Participant solely because such Participant may have previously received a Grant under the Plan or any other similar compensation arrangement of the Corporation or an Affiliate. No Eligible Person has any claim or right to receive a Grant except as may be provided in a written employment or services agreement between an Eligible Person and the Corporation or an Affiliate.

7.5 Liability. None of the Corporation, the Board, the Administrator or any person acting on their direction or authority shall be liable for anything done or omitted to be done by such person with respect to the price, time, quantity or other conditions and circumstances of the issuance or purchase of Shares under the Plan or with respect to any fluctuations in the Market Price of the Shares or in any other connection under the Plan. To the fullest extent permitted by law, the Corporation shall indemnify and save harmless each person made, or threatened to be made, a party to any action or proceeding in respect of the Plan by reason of the fact that such person is or was a member of the Board (or otherwise an officer or member of a committee of the Board where the Board has designated such person as an Administrator hereunder).

No amount will be paid to, or in respect of, a Participant under the Plan to compensate for a downward fluctuation in the price of Shares which impacts any Grants, nor will any other form of benefit be conferred upon, or in respect of, a Participant for such purpose. The Corporation makes no representations or warranties to a Participant with respect to the Plan or the Grants granted whatsoever. In seeking the benefits of participation in the Plan, a Participant agrees to exclusively accept all risks associated with a decline in the Market Price of Shares and all other risks associated with the holding of Grants.

7.6 Voluntary Participation. Participation in the Plan is entirely voluntary and is not obligatory and shall not be interpreted as conferring on such Participant any rights or privileges other than those expressly provided for herein.

7.7 Amendment, Suspension, Termination.

- (a) The Board may terminate or discontinue the Plan at any time without the consent of the Participants provided that such termination or discontinuance shall not alter or impair any Grants previously granted under the Plan or which would cause the Plan, or any Share Units granted hereunder, to cease to comply with paragraph (k) of the definition of "salary deferral arrangement" in subsection 248(1) of the Tax Act or any successor provision thereto.
- (b) No amendment of the Plan may contravene the requirements of the Stock Exchange or any securities commission or regulatory body to which the Plan or the Corporation is now or may hereafter be subject to or cause the Plan, or any Grants hereunder, to cease to comply with Applicable Law.
- (c) The Board may by resolution amend this Plan and Grants issued thereunder without shareholder approval to the extent that such amendments relate to among other things:
 - (i) changing the termination provisions of a Grant, provided that the change does not entail an extension beyond the original expiry date;
 - (ii) determining the adjustment provisions pursuant to the Plan;
 - (iii) altering, extending or accelerating the terms of vesting or the conditions to vesting applicable to any Grant;
 - (iv) ensure that Share Units granted under the Plan will comply with any provisions respecting share units or other security based compensation arrangements in the Tax Act or other Applicable Law in force in any country or jurisdiction of which a Participant to whom a Share Unit has been granted may from time to time perform services or be resident;
 - (v) make amendments of a procedural or "housekeeping" nature;
 - (vi) amending or modifying the mechanics of exercising an entitlement pursuant to a Grant; and

- (vii) suspending or terminating the Plan.
- (d) The Board may amend any particular Grant with the consent of the affected Participant and the Stock Exchange, if required, including any shareholder approval required by the Stock Exchange. If the amendment of a Grant requires shareholder approval under Applicable Law, such amendment may be made prior to such approvals being given, but no such amended Grant may be exercised or settled unless and until such approvals are given.

7.8 Misconduct. Subject to the terms of the relevant Grant Agreement and any other binding agreement between the Participant and the Corporation, and unless otherwise determined by the Board, if it is determined that there has been Misconduct by a Participant:

- (a) any Share Units which remain unvested prior to the determination date of such Misconduct, including dividend equivalents in respect of such Share Units, shall not vest and all such Share Units shall be forfeited and cancelled immediately; and
- (b) any Deferred Share Units accumulated and remaining on a Participant's Account as at the determination date of such Misconduct, including dividend equivalents in respect of such Deferred Share Units, shall be forfeited and cancelled immediately.

This Plan and any actions hereunder will be subject to application of any clawback or similar policies of the Corporation in effect at the applicable time and from time to time.

7.9 Compliance with Applicable Law.

- (a) The Plan, any Grants, and the exercise or settlement of any Grants and the Corporation's obligation to sell, issue and deliver any Shares upon exercise or settlement of any Grants shall be subject to all Applicable Law and to such approvals by any Governmental Authority as may be required. The Corporation shall not be obligated by the existence of the Plan or any provision of the Plan or the grant, settlement or exercise of Grants hereunder to sell, issue or deliver Shares upon exercise or settlement of Grants in violation of such laws, policies, rules and regulations or any condition or requirement of such approvals.
- (b) No Grants shall be granted and no Shares sold, issued or delivered hereunder where such grant, sale, issue or delivery would require registration or other qualification of the Plan or of the Shares under Applicable Law, and any purported Grant or any sale, issue and delivery of Shares hereunder in violation of this provision shall be void. In addition, the Corporation shall have no obligation to sell, issue or deliver any Shares hereunder unless such Shares shall have been duly listed, upon official notice of issuance, with all stock exchanges on which the Shares are listed for trading.
- (c) Any Shares sold, issued and delivered to Participants pursuant to the exercise or settlement of Grants shall be subject to restrictions on resale and transfer under Applicable Law (including any required hold periods imposed in relation to grants to Insiders or promoters) or other markets on which the Shares are listed or quoted for trading, and any certificates representing such Shares shall bear, as required, a restrictive legend in respect thereof.
- (d) To the extent that applicable Stock Exchange requirements require shareholder approval, any Grants hereunder will be subject to obtaining such shareholder approval as required by applicable Stock Exchange requirements. If any Shares cannot be issued to any Participant for any reason, including, without limitation, the failure to obtain any such approval, then the obligation of the Corporation to issue such Shares shall terminate and

any Exercise Price paid by Participant to the Corporation shall be immediately refunded to the Participant by the Corporation.

7.10 Currency. Except where the context otherwise requires, all references in the Plan to currency refer to lawful Canadian currency. All payments and benefits under the Plan shall be determined and paid in the lawful currency of Canada. Any amounts required to be determined under the Plan that are denominated in a currency other than Canadian dollars shall be converted to Canadian dollars at the applicable Bank of Canada noon rate of exchange on the date as of which the amount is required to be determined.

7.11 Administration Costs. The Corporation will be responsible for all costs relating to the administration of the Plan.

7.12 Designation of Beneficiary. Subject to the requirements of Applicable Law, a Participant may designate in writing a Beneficiary to receive any benefits that are payable under the Plan upon the death of such Participant. The Participant may, subject to Applicable Law, alter or revise such designation from time to time. The original designation or any change thereto shall be in the form as the Board may, from time to time, determine. A Beneficiary designation under this Section 7.12 and any subsequent changes thereto shall be filed with the Chief Executive Officer of the Corporation or the Administrator.

7.13 Governing Law. The Plan and any Grants pursuant to the Plan shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein. Any reference in the Plan, in any Grant Agreement issued pursuant to the Plan or in any other agreement or document relating to the Plan to a provision of law or rule or regulation shall be deemed to include any successor law, rule or regulation of similar effect or applicability.

7.14 Assignability. The Plan shall inure to the benefit of and be binding upon the Corporation, its successors and assigns.

7.15 Non-Transferability. Unless otherwise provided in the Plan or in the applicable Grant Agreement, no Grant, and no rights or interests therein, shall or may be assigned, transferred, sold, exchanged, encumbered, pledged or otherwise hypothecated or disposed of by a Participant other than by testamentary disposition by the Participant or the laws of intestate succession, subject to the policies of the Stock Exchange. No such interest shall be subject to execution, attachment or similar legal process including without limitation seizure for the payment of the Participant's debts, judgments, alimony or separate maintenance.

8. EFFECTIVE DATE

8.1 This Plan shall take effect on the Effective Date as such term is defined in the Arrangement Agreement dated May 9, 2024 entered into between the Corporation and High Arctic Energy Services Inc. The issuance of Grants under the Plan is subject to acceptance of the Plan by the Stock Exchange, if required, and any other relevant regulatory authorities and approval of the Shareholders.

PART II - OPTIONS

9. OPTION GRANTS AND PROVISIONS

9.1 The Corporation may, from time to time, make one or more Grants of Options to Eligible Persons on such terms and conditions, consistent with the Plan, as the Board shall determine. In granting such Options, subject to the provisions of the Plan, the Board shall specify,

- (a) the maximum number of Shares which the Participant may purchase under the Options;
- (b) the Exercise Price at which the Participant may purchase his or her Shares under the Options; and

- (c) the term of the Options, to the maximum term permitted by the Stock Exchange from the Grant Date of the Options, the Vesting period or periods within this period during which the Options or a portion thereof may be exercised by a Participant and any other Vesting conditions.

9.2 The Exercise Price for each Share subject to an Option shall be determined by the Board, subject to Stock Exchange approval as required, but under no circumstances shall any Exercise Price be less than the Market Price for the Shares at the date of grant.

9.3 The Board shall determine the manner in which an Option shall vest and become exercisable as set forth in the applicable Grant Agreement as well as the expiry date, subject to the condition that the expiry of any Option shall not exceed the maximum term permitted by the Stock Exchange. Should the expiry date of an option fall within a Blackout Period or within nine Business Days following the expiration of a Blackout Period, such expiry date of the option shall be automatically extended without any further act or formality to that date which is the tenth Business Day after the end of the Blackout Period, such tenth Business Day to be considered the expiry date for such Option for all purposes under the Plan. The ten Business Day period referred to in this section may not be extended by the Board.

9.4 Subject to the provisions of the Plan and the terms governing the granting of the Option, and subject to payment or other satisfaction of all related withholding obligations in accordance with Section 7.1, Vested Options or a portion thereof may be exercised from time to time by delivery to the Corporation at its registered office of a notice in writing signed by the Participant or the Participant's legal personal representative, as the case may be, and addressed to the Corporation ("**Exercise Notice**"). The Exercise Notice shall state the intention of the Participant or the Participant's legal personal representative to exercise the said Options and the number of Shares in respect of which the Options are then being exercised and must be accompanied by payment in full of the Exercise Price under the Options which are the subject of the exercise.

9.5 The Board may from time to time, in its sole discretion, permit Options to be surrendered, unexercised, to the Corporation in consideration of the receipt by the Participant of an amount equal to the difference, if any, between the aggregate Fair Market Value of the Shares purchasable pursuant to the exercisable portion of such option on the date of the surrender and the aggregate exercise price with respect to such Shares pursuant to such option (the "**Net Share Exercise Right**").

9.6 If permitted by the Corporation, the Exercise Notice may also be accompanied by the Participant's election to provide payment in full of the aggregate Exercise Price and any Applicable Withholding Taxes in respect of the vested Options being exercised pursuant to a broker-assisted cashless exercise whereby the Participant or his or her legal representative shall elect on the Exercise Notice to receive: (i) an amount in cash equal to the cash proceeds realized upon the sale in the capital markets of the Shares underlying the vested Options by a securities dealer designated by the Corporation, less the aggregate Exercise Price, any Applicable Withholding Taxes, and any transfer costs charged by the securities dealer to sell the Shares; (ii) an aggregate number of Shares that is equal to the number of Shares underlying the vested Options minus the number of Shares sold in the capital markets by a securities dealer designated by the Corporation as required to realize cash proceeds equal to the aggregate Exercise Price, any Applicable Withholding Taxes and any transfer costs charged by the securities dealer to sell the Shares; or (iii) a combination of (i) and (ii).

9.7 No person entitled to exercise any option granted under the Plan shall have any of the rights or privileges of a shareholder of the Corporation in respect of any Shares issuable upon exercise of such option until certificates representing such Shares shall have been issued and delivered.

9.8 The ability of a Participant to exercise Options and the obligation of the Corporation to issue and deliver Shares in accordance with the Plan is subject to any approvals which may be required from shareholders of the Corporation and any Governmental Authority or Stock Exchange having jurisdiction over the securities of the Corporation. If any Shares cannot be issued to any Participant for whatever

reason, the obligation of the Corporation to issue such Shares shall terminate and any Exercise Price paid to the Corporation will be returned to the Participant.

10. CEASING TO BE A DIRECTOR, OFFICER, EMPLOYEE OR CONSULTANT

10.1 Subject to the applicable Grant Agreement, if a Participant shall cease to be a Director, Officer, Employee, Consultant or Service Provider of the Corporation or its Affiliates, for any reason (other than Termination for Cause or death, or Disability), such Participant may exercise his Option to the extent that the Participant was entitled to exercise it at the date of such cessation, provided that such exercise must occur by the close of business on the date which is 90 days after the Termination Date.

10.2 Notwithstanding Section 11.1, but subject to the applicable Grant Agreement, in the event that a Participant who is an Employee is terminated by the Corporation for Cause (as defined below), all unvested Options and any Options that have not yet been exercised, shall be cancelled and of no further effect as of the Participant's Termination Date (as defined below).

10.3 Unless otherwise provided in a Grant Agreement, in the event that an Option holder's service terminates as a result of Disability, any Option held by the Option holder shall continue to vest in accordance with its terms and may be exercised or surrendered in accordance with Section 10 at any time until the Option's expiry date.

10.4 For greater certainty, a Participant shall have no right to receive Shares or a cash payment, as compensation, damages or otherwise, with respect to any Options that do not become Vested or that are not exercised before the date on which the Options expire.

11. DEATH OF A PARTICIPANT

11.1 In the event of the death of a Participant, the Option previously granted to such Participant shall be exercisable only within the one (1) year after the date of death, and then only:

- (a) by the Person or Persons to whom the Participant's rights under the Option shall pass by the Participant's will or the laws of descent and distribution; and
- (b) if and to the extent the Participant was entitled to exercise the Option at the date of the Participant's death.

PART III - SHARE UNITS

12. GRANT OF SHARE UNITS

12.1 The Board may from time to time grant Share Units, which upon issuance shall be designated as either Performance Share Units or Restricted Share Units, to a Participant in such numbers, at such times and on such terms and conditions, consistent with the Plan, as the Board may in its sole discretion determine; provided, however, that no Share Units will be granted after December 15 of a given calendar year.

For greater certainty, the Board shall, in its sole discretion, determine any and all conditions of Vesting of any Share Units granted to a Participant, which vesting conditions may be based on either or both of:

- (a) the Participant's continued employment with, or provision of consulting services to, the Corporation or an Affiliate; and
- (b) such other terms and conditions as the Board may determine in accordance with Section 12.2, including, without limitation, the satisfaction of certain Performance Conditions,

provided that no vesting condition for a Share Unit granted to a Participant shall extend beyond December 15 of the third calendar year following the service year in respect of which the Share Units were granted, and all vesting conditions for a Share Unit granted to an Executive Officer shall be such that the Share Unit complies at all times with the exception in paragraph (k) of the definition of "salary deferral arrangement" in subsection 248(1) of the Tax Act.

12.2 Subject to the terms of the Plan, the Board may stipulate additional terms and conditions applicable to a particular grant of Share Units, which shall be specified in the applicable Grant Agreement. The additional terms and conditions may apply to all or a portion of the Share Units granted to a particular Participant, and may provide for graduated vesting contingent upon the satisfaction of certain conditions (where such graduated vesting may be in the form of different percentages which may be greater or lesser than 100%). The Board may, in its discretion, subsequent to the Grant Date of a Share Unit, waive any such term or condition included in a Grant Agreement, or determine that such terms and conditions have been satisfied, subject to Applicable Law. For greater certainty, no term or condition imposed under a Grant Agreement may have the effect of causing settlement and payout of a Share Unit to occur after December 31 of the third calendar year.

12.3 No certificates shall be issued with respect to Share Units.

12.4 The Board shall keep or cause to be kept such records and accounts as may be necessary or appropriate in connection with the administration of the Plan and the discharge of its duties, which records shall, absent manifest error, be considered conclusively determinative of all information contained therein.

12.5 The Corporation shall maintain in its books an Account for each Participant recording at all times the number of Share Units standing to the credit of such Participant. Share Units that (i) fail to vest in a Participant pursuant to the provisions of the Plan or Grant Agreement, or (ii) that are paid out to the Participant or his Beneficiary, shall be cancelled and shall cease to be recorded in the Participant's Account as of the date on which such Share Units are forfeited or cancelled under the Plan or are paid out, as the case may be.

12.6 No Executive Officer or Consultant has any claim or right to be granted a Share Unit under the Plan.

13. VESTING AND SETTLEMENT OF SHARE UNITS

13.1 Except as otherwise provided herein, the number of Share Units subject to each grant, the expiry date of each Share Unit, the Vesting Dates with respect to each grant of Share Units and other terms and conditions relating to each such Share Unit shall be determined by the Board. The Board may, in its discretion, subsequent to the time of granting Share Units, permit the vesting of all or any portion of unvested Share Units then outstanding and granted to the Participant under this Plan, in which event all such unvested Share Units then outstanding and granted to the Participant shall be deemed to be immediately vested.

13.2 Settlement.

- (a) On a date (a "**Unit Release Date**") to be selected by the Board following the date a Share Unit has become a Vested Share Unit, which date shall not, in any event, extend beyond December 15 of the third calendar year following the service year in respect of which the particular Share Units were granted, the Corporation shall either (i) make a cash payment to the Participant equal to the product of the number of Vested Share Units recorded in the Participant's Account multiplied by the Fair Market Value of the Shares on the Unit Release Date, less Applicable Withholding Taxes, or (ii) issue from treasury of the Corporation that number of Shares in exchange for the Vested Share Units, less Applicable Withholding Taxes.

- (b) Subject to the receipt of all necessary Shareholder approvals as required under the rules, regulations and policies of the Stock Exchange and any other stock exchange on which Shares are listed or traded, the Corporation may, in lieu of the cash payment or issuance of Shares from treasury as contemplated in Section 13.2(a) above, on the Unit Release Date, elect to, through a broker designated by the Corporation who is independent from the Corporation and any Affiliate (the "**Designated Broker**"), acquire on behalf of such Participant, the number of whole Shares that is equal to the number of whole Vested Share Units recorded in the Participant's Account on the Unit Release Date (less any amounts in respect of Withholding Taxes). If the Corporation elects to arrange for the purchase of Shares by a Designated Broker on behalf of the Participant, the Corporation shall contribute to the Designated Broker an amount of cash sufficient, together with any reasonable brokerage fees or commission fees related thereto, to purchase the whole number of Shares to which the Participant is entitled and the Designated Broker shall, as soon as practicable thereafter, purchase those Shares on behalf of such Participant on the Stock Exchange.
- (c) Notwithstanding Sections 13.2(a) and 13.2(b), if on the Unit Release Date a Blackout Period has been imposed upon a Participant which is still in effect, then the Unit Release Date shall occur within ten Business Days following the expiry of the Blackout Period.
- (d) Notwithstanding any other provision of the Plan, but applying Section 13.2(c), if applicable, all amounts payable to, or in respect of, a Participant under this Section 13.2, including, without limitation, the issuance or delivery of Shares or a lump sum cash payment, shall be paid or delivered on or before December 31 of the third calendar year commencing immediately following the service year in which the particular Share Units were granted.
- (e) Upon payment of any amount pursuant to this Section 13.2 in cash or Shares, as the case may be, the particular Share Units in respect of which such payment was made shall be cancelled in the Participant's Account and on the register maintained by the Corporation and no further payments (whether in Shares or cash or otherwise) shall be made in relation to such Share Units.

13.3 Prior to the Unit Release Date in respect of any Share Units, or prior to the Unit Release Date in the case of a Change in Control or otherwise to the extent that the performance determination has not yet been made, the Board shall assess the performance of the Corporation for the applicable period. The individual measures considered by the Board in assessing the Performance Conditions, including the comparative weighting of such measures, shall be determined by the Board in its sole discretion having regard to the principal purposes of the Plan and, upon the assessment of the Performance Conditions, the Board shall determine the Corporation's ranking. The applicable payout multiplier in respect of this ranking ("**Payout Multiplier**") shall be as determined by the Board in its sole discretion.

13.4 Immediately prior to each Unit Release Date, the notional number of Vested Share Units shall be adjusted by multiplying such number by the Payout Multiplier applicable to such Share

14. DIVIDEND EQUIVALENTS

14.1 On any date on which a cash dividend is paid on the Shares, a Participant's Account will be credited with a dividend equivalent in the form of a number of Share Units (including fractional Share Units) calculated by:

- (a) multiplying the amount of the dividend per Share by the aggregate number of Share Units that were credited to the Participant's Account as of the record date for payment of the dividend, and

- (b) dividing the amount obtained in (a) above by the Fair Market Value on the date on which the dividend is paid.

14.2 A written confirmation of the balance in each Participant's Account will be sent by the Corporation to the Participant upon request of the Participant.

15. TERMINATION

15.1 Resignation. Subject to the applicable Grant Agreement, in the event a Participant's employment is Terminated as a result of the Participant's resignation (which is not in connection with a constructive dismissal by the Corporation or an Affiliate), no Share Units that have not Vested prior to the date on which the Participant submits his or her resignation, including dividend equivalent Share Units in respect of such Share Units, shall vest and all such Share Units shall be forfeited immediately.

15.2 Termination With Cause. Notwithstanding the provisions of Article 13 and subject to the remaining provisions of this Article 15 and to any express resolution passed by the Board, on a Participant's Termination Date, any Share Units standing to the credit of such Participant which have not become Vested Share Units on or before the Participant's Termination Date, shall immediately terminate and become null and void as of such Termination Date. For greater certainty, no Share Units shall vest during any reasonable notice period.

15.3 Termination Without Cause - Subject to any provisions to the contrary in the employment or consulting agreement of any particular Participant, upon the Termination without Cause of such Participant, unless otherwise determined by the Board in its sole discretion, those Share Units awarded to such Participant that have not yet become Vested Share Units, but would be eligible for vesting and issuance during the notice period specified in such Participant's employment or consulting agreement, shall vest on the Termination Date. For greater certainty, unless otherwise determined by the Board in its sole discretion, in the circumstances provided for in this Section 15.3 the Performance Conditions applicable to any Shares that are subject to the accelerated vesting pursuant to this Section 15.3 shall be determined in accordance with the terms of such Participant's employment or consulting agreement or the Grant Agreement.

15.4 Termination Upon Death or Disability - Where the Participant's Termination Date occurs as a result of the Participant's death or Disability, any Share Units standing to the credit of such Participant shall continue to vest (and be paid out) in the normal course for a period of twelve (12) months extending from the Participant's Termination Date. Any Share Units granted to such Participant which have not become Vested Share Units on or before the date that is the first anniversary of the Participant's Termination Date shall terminate and become null and void as of such date.

PART IV - DEFERRED SHARE UNITS

16. DEFINITIONS USED IN PART IV

16.1 "Annual Remuneration" means all amounts payable to an Eligible Director by the Corporation in respect of the services provided by the Eligible Director to the Corporation in connection with such Eligible Director's service on the Board in a fiscal year, including without limitation (i) the annual base retainer fee for serving as a director, (ii) the annual retainer fee for serving as a member of a Board committee; (iii) the annual retainer fee for chairing a Board committee; and (iv) the fee for attendance at Board meetings and Board committee meetings, which amounts shall, unless otherwise determined by the Board, be payable Quarterly in arrears; provided that "Annual Remuneration" shall not include any amounts received by an Eligible Director as a reimbursement for expenses incurred in attending meetings or any DSUs awarded.

16.2 "DSU Account" means the book-entry notional account maintained by the Corporation in its books for an Eligible Director to record the DSUs credited to such Eligible Director, respectively.

16.3 "Election Notice" means the written election under Section 17.2 to receive Deferred Share Units, in such form as may be prescribed by the Board from time to time.

16.4 "Eligible Director" means a member of the Board who is not an Employee of the Corporation or an Affiliate and including any non-executive Chair of the Board.

16.5 "Purchase Date" means, in the case of Deferred Share Units granted to a Participant for a particular Financial Quarter based on the Elected Amount in respect of the portion of the Participant's Annual Remuneration to be earned in such Financial Quarter, the last day of such Financial Quarter, on which date Deferred Share Units representing the Elected Amount are payable to the Participant and shall be deemed to be awarded and credited to the Participant's Account.

16.6 "Quarter" means a fiscal quarter of the Corporation, which, until changed by the Corporation, shall be the three-month period ending March 31, June 30 September 30 and December 31 in any year and "Quarterly" means each Quarter time to time.

16.7 "Redemption Date" means, in respect of a Participant, the later of:

- (a) The third Business Day after the Separation Date; and
- (b) Provided the Participant is not a U.S. Director, such later date, if any, as may be agreed in writing between the Corporation and the Participant before the Separation Date, provided that such date shall not be permitted to be later than December 15th of the calendar year commencing immediately after the Separation Date.

16.8 "Separation Date" means, with respect to an Eligible Director, the earliest date on which both of the following conditions are met: (i) the Eligible Director has ceased to be Employed by the Corporation or any Affiliate thereof for any reason whatsoever; and (ii) the Eligible Director is not a member of the Board nor a director of an Affiliate.

16.9 "Terminated Service" means, with respect to a Participant, that the Participant has ceased to be a Director, other than as a result of death, and has ceased to act in any other capacity with the Corporation (including as an Employee or officer of the Corporation);

16.10 "U.S. Director" means a Director who is a United States citizen or a United States resident as defined under the taxation laws of the United States.

17. GRANT OF DEFERRED SHARE UNITS

17.1 The Board may from time to time grant Deferred Share Units to Participants, in its sole discretion. Deferred Share Units issued pursuant to this Plan will be credited to an Account maintained for each Participant by the Corporation on the first Business Day of each Financial Quarter or as otherwise determined by the Corporation. The number of Deferred Share Units (including fractional Deferred Share Units) to be credited to a Participant will be determined in accordance with Section 17.3.

17.2 A Eligible Director may elect, in the manner set out in this Section 17.2, to receive all or a portion of the Eligible Director's Annual Remuneration (the "**Elected Amount**") in the form of Deferred Share Units:

- (a) Each Eligible Director may elect, with respect to a Quarter, to be paid a percentage (from zero to 100% in 25% increments) of the Eligible Director's Annual Remuneration payable to the Director in such Quarter, in Deferred Share Units, with the balance, if any, being paid in cash, or a combination thereof.
- (b) To be effective, an election with respect to Annual Remuneration for services must be given to the Corporation not less than five Business Days before the beginning of the Quarter to

which the election relates, and in all events before the relevant Annual Remuneration is otherwise payable. The form of notice to be provided by the Eligible Director to the Corporation in respect of an election shall be determined by the Board, from time to time.

- (c) If no election is made in respect of a particular Quarter, the new or existing Eligible Director will receive the Annual Remuneration for such Quarter in cash.
- (d) An election made under this section is irrevocable.
- (e) For greater certainty, no election may be made during a Blackout Period that applies to an Eligible Director.

17.3 The number of Deferred Share Units (including fractional Deferred Share Units, computed to three digits) to be credited to a Eligible Director for services in a Quarter will be determined by dividing the sum of the portion of the Annual Remuneration for the Quarter and the Elected Amount (in respect of the Eligible Director's Annual Remuneration to be earned in such Quarter), which is payable on the Purchase Date, by the Fair Market Value as at the Purchase Date, or such other date as otherwise determined by the Board in its discretion.

17.4 Deferred Share Units granted under this Plan shall be fully vested upon being credited to a Participant's Account and the Participant's entitlement to payment of such Deferred Share Units at the Redemption Date shall not thereafter be subject to satisfaction of any requirements as to any minimum period of membership on the Board.

18. DIVIDEND EQUIVALENTS

18.1 On any date on which a cash dividend is paid on the Shares, a Participant's Account will be credited with a dividend equivalent in the form of a number of Deferred Share Units (including fractional Deferred Share Units, computed to three digits) calculated by:

- (a) multiplying the amount of the dividend per Share by the aggregate number of Deferred Share Units that were credited to the Participant's Account as of the record date for payment of the dividend, and
- (b) dividing the amount obtained in (i) above by the Fair Market Value on the date on which the dividend is paid.

18.2 A written confirmation of the balance in each Participant's Account will be sent by the Corporation to the Participant upon request of the Participant.

19. TERMINATION OF SERVICE AND PAYOUT OF DEFERRED SHARE UNITS

19.1 The Corporation shall, on the Redemption Date, at the Corporation's discretion, pay or issue, as applicable:

- (a) at the Corporation's discretion, to a Participant who is not a U.S. Director and who has Terminated Service, (1) cash payment to the Participant equal to the Fair Market Value of the Shares on the Separation Date multiplied by the number of Deferred Share Units recorded to the Participant, less any Applicable Withholding Tax, or (2) that number of Shares from treasury of the Corporation in exchange for Deferred Share Units, less Applicable Withholding Taxes; or
- (b) for a Participant who is a U.S. Director and who has Terminated Service, cash equal to the Fair Market Value of the Shares on the Separation Date multiplied by the number of Deferred Share Units recorded to the Participant, net of any Applicable Withholding Tax,

provided that the Corporation may defer the Redemption Date to any other date if such deferral is, in the sole opinion of the Corporation, desirable to ensure compliance with the terms under this Plan, provided that in no event shall the Redemption Date be deferred to a date that is later than December 15th of the calendar year commencing immediately after the Termination Date.

19.2 Subject to the receipt of all necessary Shareholder approvals as required under the rules, regulations and policies of the Stock Exchange and any other stock exchange on which Shares are listed or traded, the Corporation may, in lieu of the cash payment or issuance of Shares from treasury as contemplated in Section 19.1 above, on the Redemption Date, elect to, through a broker designated by the Corporation who is independent from the Corporation and any Affiliate (the "Designated Broker"), acquire on behalf of such Participant, the number of whole Shares that is equal to the number of whole Deferred Share Units recorded in the Participant's Account on the Redemption Date (less any amounts in respect of Withholding Taxes). If the Corporation elects to arrange for the purchase of Shares by a Designated Broker on behalf of the Participant, the Corporation shall contribute to the Designated Broker an amount of cash sufficient, together with any reasonable brokerage fees or commission fees related thereto, to purchase the whole number of Shares to which the Participant is entitled and the Designated Broker shall, as soon as practicable thereafter, purchase those Shares, on behalf of such Participant on the Stock Exchange.

19.3 Notwithstanding Section 19.1, if on the Redemption Date a Blackout Period has been imposed upon a Participant which is still in effect, then the Redemption Date shall occur within ten Business Days following the expiry of the Blackout Period.

19.4 In the event of the death of a Participant, the Corporation will, within two months of the Participant's death, pay cash equal to the Fair Market Value of the Shares multiplied by the number of Deferred Share Units recorded on the Participant's Account which would be deliverable to the Participant if the Participant had Terminated Service in respect of the Deferred Share Units credited to the deceased Participant's Account (net of any applicable Withholding Tax) to or for the benefit of the Beneficiary. The Fair Market Value will be calculated on the date of death of the Participant.

PART V – TSXV REQUIREMENTS

20. RULES APPLICABLE IF SHARES ARE LISTED ON TSXV

20.1 In the event that the Stock Exchange on which the Shares of the Corporation are listed is the TSX Venture Exchange (the "**TSXV**"), the provisions in this Article 20 shall apply, and the other provisions of this Plan shall be interpreted so as not to conflict with this Article 20 or the rules and policies of the TSXV.

20.2 Definitions used in this Part V:

- (a) "**Charitable Stock Option**" means any Option granted by the Corporation to an Eligible Charitable Organization.
- (b) "**Consultant**" means, in relation to the Corporation or a Subsidiary, an individual (other than a Director or Employee) or other Person that: (i) is engaged to provide on an ongoing bona fide basis, consulting, technical, management or other services to the Corporation or to a Subsidiary, other than services provided in relation to a Distribution; (ii) provides the services under a written contract between the Corporation or a Subsidiary and the individual, as the case may be; and (iii) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or a Subsidiary;
- (c) "**Distribution**" shall have the meaning ascribed thereto in the TSXV Corporate Finance Manual;

- (d) **"Eligible Charitable Organizations"** shall have the meaning ascribed thereto in Policy 4.4 — *Security Based Compensation* of the TSXV Corporate Finance Manual.
- (e) **"Exchange Hold Period"** shall have the meaning ascribed thereto in Policy 1.1 — Interpretation of the TSXV Corporate Finance Manual.
- (f) **"Insider"** shall instead have the meaning ascribed thereto in Policy 1.1 — *Interpretation* of the TSXV Corporate Finance Manual.
- (g) **"Investor Relations Activities"** shall have the meaning ascribed thereto in Policy 1.1 — *Interpretation* of the TSXV Corporate Finance Manual.
- (h) **"Investor Relations Service Provider"** shall have the meaning ascribed thereto in Policy 4.4 — *Security Based Compensation* of the TSXV Corporate Finance Manual.
- (i) **"Security Based Compensation Plan"** shall have the meaning ascribed thereto in Policy 4.4 — *Security Based Compensation* of the TSXV Corporate Finance Manual.
- (j) **"Subsidiary"** means any corporation that is a subsidiary of the corporation, as such term is defined in the Business Corporations Act (Alberta).

20.3 The Corporation and the Participant must ensure and confirm that the Participant is a bona fide Employee, Consultant or management company employee.

20.4 The limitations on Grants set forth in Article 5 shall be replaced with the following limitations (in each case, unless the Corporation shall have obtained the requisite disinterested shareholder approval, if any, in accordance with the Stock Exchange Rules):

- (a) **To any one Individual.** The aggregate number of Shares that are issuable pursuant to all Grants to any one individual (and companies wholly owned by that individual) pursuant to the Plan and any other Security Based Compensation Plan of the Corporation in a twelve (12) month period must not exceed 5% of the issued and outstanding Shares, calculated on the date of Grant to the individual.
- (b) **To Insiders as a group at any point in time.** The aggregate number of Shares that are issuable pursuant to Grants to Insiders as a group pursuant to the Plan and any other Security Based Compensation Plan of the Corporation at any point in time must not exceed 10% of the total number of issued and outstanding Shares.
- (c) **To Insiders as a group within a 12-month period.** The aggregate number of Shares that are issuable pursuant to all Grants to Insiders as a group pursuant to the Plan and any other Security Based Compensation Plan of the Corporation in a twelve (12) month period must not exceed 10% of the total number of issued and outstanding Shares, calculated on the date of Grant to any Insider.
- (d) **To any one Consultant.** The aggregate number of Shares that are issuable pursuant to all Grants to any one Consultant in a twelve (12) month period pursuant to the Plan and any other security-based compensation arrangement of the Corporation must not exceed 2% of the issued and outstanding Shares, calculated at the date of Grant to the Consultant.
- (e) **To Persons conducting Investor Relations Activities.** Investor Relations Service Providers may not receive any Grants other than Options. The aggregate number of Options granted to all Investor Relations Service Providers pursuant to the Plan and any other security-based compensation arrangement of the Corporation must not exceed 2%

of the issued and outstanding Shares in any twelve (12) month period, calculated at the date an Option is granted to any such Investor Relations Service Provider.

- (f) **To Eligible Charitable Organizations.** Eligible Charitable Organizations may not receive any Grants other than Charitable Stock Options. The aggregate number of Options granted and outstanding to Eligible Charitable Organizations pursuant to the Plan and any other security-based compensation arrangement of the Corporation must not at any time exceed 1% of the issued and outstanding Shares, calculated as at the date the Charitable Stock Option is granted to the Eligible Charitable Organization. Options granted to Eligible Charitable Organizations must expire on or before the earlier of: (i) the date that is 10 years from the date of grant of the Charitable Stock Option; and (ii) the 90th day following the date that the holder of the Charitable Stock Option ceases to be an Eligible Charitable Organization.

20.5 For the purposes of Section 9.2, the definition of "Market Price" shall instead mean the greater of:

- (a) the volume weighted average trading price per share of the Shares on the TSXV for the five (5) consecutive trading days ending on the last trading day preceding the applicable day; and
- (b) Either:
- (i) if the Shares are listed on only the TSXV, the closing price per Share on the TSXV on the last Trading Day immediately prior to such date; or
- (ii) if the Shares are listed on more than one Stock Exchange, the closing price per Share on the Stock Exchange on the last Trading Day immediately prior to such date for the primary Stock Exchange on which the greatest volume of trading of the Shares occurred during the immediately preceding twenty (20) Trading Days;

less the maximum discount, if any, permitted under the TSXV's policies applicable to incentive stock options.

20.6 Any Options granted pursuant to Part II to Persons performing Investor Relations Activities shall vest over a minimum of twelve (12) months with no more than one quarter (1/4) of such Options vesting in any three (3) month period or otherwise in accordance with the policies of the TSXV.

20.7 The Net Share Exercise Right pursuant to Section Part II9.5 shall not be available to Investor Relations Service Providers.

20.8 Notwithstanding Section Part II9, Stock Options granted under this Plan can be exercisable for a maximum of 10 years from the Grant Date.

20.9 Notwithstanding Section 12, but subject to Section 15, no Share Unit granted pursuant to Part III shall vest before the date that is one year following the Grant Date of such Share Units.

20.10 Notwithstanding Section 17, but subject to Section 19, no Deferred Share Unit granted pursuant to Part IV shall vest before the date that is one year following the Grant Date of such Deferred Share Units.

20.11 If, in accordance with the Stock Exchange Rules, the Exchange Hold Period applies, all Options and any Shares issued under Options prior to the expiry of the Exchange Hold Period shall be legended with the Exchange Hold Period commencing on the date the Options were granted.

20.12 The Corporation must obtain disinterested shareholder approval when decreasing the exercise price or extending the term of Stock Options granted to Insiders.

APPENDIX "B"

Share Conditions attaching to High Arctic Class A Shares, High Arctic Preferred Shares, and New High Arctic Common Shares at the time of the amendment contemplated in Subsection 3.1(1)(b)

1. The rights, privileges, restrictions and conditions attaching to the High Arctic Class A Shares shall be as follows:
 - (a) **Voting:** Holders of High Arctic Class A Shares shall be entitled to receive notice of and to attend and vote at all meetings of shareholders of the Corporation, except meetings of holders of another class of shares. Each High Arctic Class A Share shall entitle the holder thereof to two (2) votes.
 - (b) **Dividends:** Subject to the preferences accorded to holders of High Arctic Preferred Shares and any other shares of the Corporation ranking senior to the High Arctic Class A Shares from time to time with respect to the payment of dividends, holders of High Arctic Class A Shares shall be entitled to receive, if, as and when declared by the Board of Directors, such dividends as may be declared thereon by the Board of Directors from time to time.
 - (c) **Liquidation, Dissolution or Winding-Up:** In the event of the voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs (such event referred to herein as a "**Distribution**"), holders of High Arctic Class A Shares shall be entitled, subject to the preferences accorded to holders of High Arctic Preferred Shares and any other shares of the Corporation ranking senior to the High Arctic Class A Shares from time to time with respect to payment on a Distribution, to share equally, share for share, in the remaining property of the Corporation.
 - (d) **Restriction on Subdivision, Consolidation:** Neither the High Arctic Class A Shares nor the New High Arctic Common Shares shall be subdivided, consolidated, reclassified or otherwise changed unless, contemporaneously therewith, the other class of shares is subdivided, consolidated, reclassified or otherwise changed in the same proportion or in the same manner.
 - (e) **Equality:** With the exception of voting privileges, the High Arctic Class A Shares and the New High Arctic Common Shares shall have the same rights and attributes and be the same in all respects.

2. The rights, privileges, restrictions and conditions attaching to the High Arctic Preferred Shares, as a class, shall be as follows:
 - (a) **Issuance in Series:**
 - (i) Subject to the filing of Articles of Amendment in accordance with the Business Corporations Act (Alberta) (the "**Act**"), the Board of Directors may at any time and from time to time issue the High Arctic Preferred Shares in one or more series, each series to consist of such number of shares as may, before the issuance thereof, be determined by the Board of Directors.
 - (ii) Subject to the filing of Articles of Amendment in accordance with the Act, the Board of Directors may from time to time fix, before issuance, the designation, rights, privileges, restrictions and conditions attaching to each series of High Arctic Preferred Shares including, without limiting the generality of the foregoing, the

amount, if any, specified as being payable preferentially to such series on a Distribution; the extent, if any, of further participation on a Distribution; voting rights, if any; and dividend rights (including whether such dividends be preferential, or cumulative or non-cumulative), if any.

- (b) **Liquidation:** In the event of the voluntary or involuntary liquidation, dissolution, winding-up of the Corporation or Distribution, holders of each series of High Arctic Preferred Shares shall be entitled, in priority to holders of High Arctic Class A Shares, the New High Arctic Common Shares and any other shares of the Corporation ranking junior to the High Arctic Preferred Shares from time to time with respect to payment on a Distribution, to be paid rateably with holders of each other series of High Arctic Preferred Shares the amount, if any, specified as being payable preferentially to the holders of such series on a Distribution.
 - (c) **Dividends:** The holders of each series of High Arctic Preferred Shares shall be entitled, in priority to holders of High Arctic Class A Shares, the New High Arctic Common Shares and any other shares of the Corporation ranking junior to the High Arctic Preferred Shares from time to time with respect to the payment of dividends, to be paid rateably with holders of each other series of High Arctic Preferred Shares, the amount of accumulated dividends, if any, specified as being payable preferentially to the holders of such series.
3. The rights, privileges, restrictions and conditions attaching to the New High Arctic Common Shares shall be as follows:
- (a) **Voting:** Holders of New High Arctic Common Shares shall be entitled to receive notice of and to attend and vote at all meetings of shareholders of the Corporation, except meetings of holders of another class of shares. Each New High Arctic Common Share shall entitle the holder thereof to one vote.
 - (b) **Dividends:** Subject to the preferences accorded to holders of High Arctic Preferred Shares and any other shares of the Corporation ranking senior to the New High Arctic Common Shares or the High Arctic Class A Shares from time to time with respect to the payment of dividends, holders of New High Arctic Common Shares shall be entitled to receive, if, as and when declared by the Board of Directors, such dividends as may be declared thereon by the Board of Directors from time to time.
 - (c) **Liquidation, Dissolution or Winding-Up:** In the event of a Distribution, holders of New High Arctic Common Shares shall be entitled, subject to the preferences accorded to holders of High Arctic Preferred Shares and any other shares of the Corporation ranking senior to the New High Arctic Common Shares or the High Arctic Class A Shares from time to time with respect to payment on a Distribution, to share equally, share for share, in the remaining property of the Corporation.
 - (d) **Restriction on Subdivision, Consolidation:** Neither the New High Arctic Common Shares nor the High Arctic Class A Shares shall be subdivided, consolidated, reclassified or otherwise changed unless, contemporaneously therewith, the other class of shares is subdivided, consolidated, reclassified or otherwise changed in the same proportion or in the same manner.
 - (e) **Equality:** With the exception of voting privileges, the New High Arctic Common Shares and the High Arctic Class A Shares shall have the same rights and attributes and be the same in all respects.

APPENDIX "C"**Share Conditions attaching to the SpinCo Common Shares and SpinCo Preferred Shares**

1. The rights, privileges, restrictions and conditions attaching to the SpinCo Common Shares shall be as follows:
 - (a) **Voting:** Holders of SpinCo Common Shares shall be entitled to receive notice of and to attend and vote at all meetings of shareholders of the Corporation, except meetings of holders of another class of shares. Each SpinCo Common Share shall entitle the holder thereof to one vote.
 - (b) **Dividends:** Subject to the preferences accorded to holders of SpinCo Preferred Shares and any other shares of the Corporation ranking senior to the SpinCo Common Shares from time to time with respect to the payment of dividends, holders of SpinCo Common Shares shall be entitled to receive, if, as and when declared by the Board of Directors, such dividends as may be declared thereon by the Board of Directors from time to time.
 - (c) **Liquidation, Dissolution or Winding-Up:** In the event of the voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs (such event referred to herein as a "**Distribution**"), holders of SpinCo Common Shares shall be entitled, subject to the preferences accorded to holders of SpinCo Preferred Shares and any other shares of the Corporation ranking senior to the SpinCo Common Shares from time to time with respect to payment on a Distribution, to share equally, share for share, in the remaining property of the Corporation.

2. The rights, privileges, restrictions and conditions attaching to the SpinCo Preferred Shares, as a class, shall be as follows:
 - (a) **Issuance in Series:**
 - (i) Subject to the filing of Articles of Amendment in accordance with the Business Corporations Act (Alberta) (the "**Act**"), the Board of Directors may at any time and from time to time issue the SpinCo Preferred Shares in one or more series, each series to consist of such number of shares as may, before the issuance thereof, be determined by the Board of Directors.
 - (ii) Subject to the filing of Articles of Amendment in accordance with the Act, the Board of Directors may from time to time fix, before issuance, the designation, rights, privileges, restrictions and conditions attaching to each series of SpinCo Preferred Shares including, without limiting the generality of the foregoing, the amount, if any, specified as being payable preferentially to such series on a Distribution; the extent, if any, of further participation on a Distribution; voting rights, if any; and dividend rights (including whether such dividends be preferential, or cumulative or non-cumulative), if any.
 - (b) **Liquidation:** In the event of the voluntary or involuntary liquidation, dissolution, winding-up of the Corporation or Distribution, holders of each series of SpinCo Preferred Shares shall be entitled, in priority to holders of SpinCo Common Shares and any other shares of the Corporation ranking junior to the SpinCo Preferred Shares from time to time with respect to payment on a Distribution, to be paid rateably with holders of each other series of SpinCo Preferred Shares the amount, if any, specified as being payable preferentially to the holders of such series on a Distribution.

- (c) **Dividends:** The holders of each series of SpinCo Preferred Shares shall be entitled, in priority to holders of SpinCo Common Shares and any other shares of the Corporation ranking junior to the SpinCo Preferred Shares from time to time with respect to the payment of dividends, to be paid rateably with holders of each other series of SpinCo Preferred Shares, the amount of accumulated dividends, if any, specified as being payable preferentially to the holders of such series.

APPENDIX "D"

Directors of SpinCo

Name

Michael Maguire

Michael Binnion

Bruce Apana

APPENDIX "E"

By-Laws of SpinCo

BY-LAW NO. 1

A by-law relating generally to the conduct of the business and affairs of High Arctic Overseas Holdings Corp.

DIRECTORS AND OFFICERS

1. **Calling of and Notice of Meetings** - Meetings of the board shall be held at such place and time and on such day as the chairman of the board, president, chief executive officer or a vice-president, if any, or any two directors may determine. Notice of meetings of the board shall be given to each director not less than 48 hours before the time when the meeting is to be held. Each newly elected board may without notice hold its first meeting for the purposes of organization and the appointment of officers immediately following the meeting of shareholders at which such board was elected.
2. **Quorum** - Subject to the residency requirements contained in the Business Corporations Act, the quorum for the transaction of business at any meeting of the board shall consist of a majority of the number of directors then elected or appointed or such greater or lesser number of directors as the board may from time to time determine.
3. **Place of Meeting** - Meetings of the board may be held in or outside Canada.
4. **Votes to Govern** - At all meetings of the board every question shall be decided by a majority of the votes cast on the question; and in case of an equality of votes the chairman of the meeting shall not be entitled to a second or casting vote.
5. **Interest of Directors and Officers Generally in Contracts** - No director or officer shall be disqualified by his office from contracting with the Corporation nor shall any contract or arrangement entered into by or on behalf of the Corporation with any director or officer or in which any director or officer is in any way interested be liable to be voided nor shall any director or officer so contracting or being so interested be liable to account to the Corporation for any profit realized by any such contract or arrangement by reason of such director or officer holding that office or of the fiduciary relationship thereby established; provided that the director or officer shall have complied with the provisions of the Business Corporations Act.
6. **Appointment of Officers** - Subject to the articles and any unanimous shareholder agreement, the board may from time to time appoint a president, chief executive officer, chief financial officer, one or more vice-presidents (to which title may be added words indicating seniority or function), a secretary, a treasurer and such other officers as the board may determine, including one or more assistants to any of the officers so appointed. The board may specify the duties of and, in accordance with this by-law and subject to the provisions of the Business Corporations Act, delegate to such officers powers to manage the business and affairs of the Corporation. Subject to the provisions of this by-law, an officer may but need not be a director and one person may hold more than one office.
7. **Chairman of the Board** - The board may from time to time also appoint a chairman of the board who shall be a director. If appointed, the board may assign to him any of the powers and duties that are by any provisions of this by-law assigned to the managing director or to the president; and he shall, subject to the provisions of the Business Corporations Act, have such other powers and duties as the board may specify. During the absence or disability of the chairman of the board, his duties shall be performed and his powers exercised by the managing director, if any, or by the president.

8. **Managing Director** - The board may from time to time appoint a managing director who shall be a director. If appointed, he shall have such powers and duties as the board may specify.
9. **President** - If appointed, the president shall be the chief operating officer and, subject to the authority of the board, shall have general supervision of the business of the Corporation; and he shall have such other powers and duties as the board may specify. During the absence or disability of the president, or if no president has been appointed, the managing director shall also have the powers and duties of that office.
10. **Vice-President** - A vice-president shall have such powers and duties as the board or the chief executive officer may specify.
11. **Secretary** - The secretary shall attend and be the secretary of all meetings of the board, shareholders and committees of the board and shall enter or cause to be entered in records kept for that purpose minutes of all proceedings thereat; he shall give or cause to be given, as and when instructed, all notices to shareholders, directors, officers, auditors and members of committees of the board; he shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation and of all books, papers, records, documents and instruments belonging to the Corporation, except when some other officer or agent has been appointed for that purpose; and he shall have such other powers and duties as the board or the chief executive officer may specify.
12. **Treasurer** - The treasurer shall keep proper accounting records in compliance with the Business Corporations Act and shall be responsible for the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation; he shall render to the board whenever required an account of all his transactions as treasurer and of the financial position of the Corporation; and he shall have such other powers and duties as the board or the chief executive officer may specify.
13. **Agents and Attorneys** - The board shall have the power from time to time to appoint agents and attorneys for the Corporation in or outside Canada with such powers as the board sees fit.

SHAREHOLDERS' MEETINGS

14. **Quorum** - Subject to the requirements of the Business Corporations Act, a quorum for the transaction of business at any meeting of the shareholders, irrespective of the number of persons actually present at the meeting, shall be one person present in person being a shareholder entitled to vote thereat or a duly appointed representative or proxyholder for an absent shareholder so entitled, and holding or representing in the aggregate not less than a majority of the outstanding shares of the Corporation entitled to vote at the meeting.

At such time as shares of the Corporation have been sold to the public, the quorum for the transaction of business at any meeting of the shareholders shall consist of at least two persons holding or representing by proxy not less than five percent (5%) of the outstanding shares of the Corporation entitled to vote at the meeting.

15. **Votes to Govern** - At any meeting of shareholders every question shall, unless otherwise required by the Business Corporations Act, be determined by the majority of votes cast on the question. In case of an equality of votes either upon a show of hands or upon a poll, the chairman of the meeting shall not be entitled a second or casting vote.
16. **Show of Hands** - Subject to the provisions of the Business Corporations Act, any question at a meeting of shareholders shall be decided by a show of hands unless a ballot thereon is required or demanded as hereinafter provided. Upon a show of hands every person who is present and entitled to vote shall have one vote per share. Whenever a vote by show of hands shall have been taken

upon a question, unless a ballot thereon is so required or demanded, a declaration by the chairman of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of the shareholders upon the said question.

17. **Ballots** - On any question proposed for consideration at a meeting of shareholders, and whether or not a show of hands has been taken thereon, any shareholder or proxyholder entitled to vote at the meeting may require or demand a ballot. A ballot so required or demanded shall be taken in such manner as the chairman shall direct. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken each person present shall be entitled, in respect of the shares which he is entitled to vote at the meeting upon the question, to that number of votes provided by the Business Corporations Act or the articles, and the result of the ballot so taken shall be the decision of the shareholders upon the said question.

ADVANCE NOTICE OF NOMINATION OF DIRECTORS

18. **Nomination of Directors** – Subject only to the Act, the articles of the Corporation and applicable securities laws, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the Board may be made at any annual general meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which a special meeting was called was the election of directors, (a) by or at the direction of the Board or an authorized officer of the Corporation, including pursuant to a notice of meeting of shareholders, (b) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the Act or a requisition of the shareholders made in accordance with the provisions of the Act or (c) by any person (a “Nominating Shareholder”) (i) who, at the close of business on the date of the giving of the notice provided for below in this Section 18 and on the record date for the receipt of notice of such meeting, is entered in the securities register as a holder of one or more shares carrying the right to vote at such meeting, or who beneficially owns shares that are entitled to be voted at such meeting and (ii) who complies with the notice procedures set forth below in this Section 18:

(a) In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, such person must have given timely notice thereof in proper written form (the “Notice”) to the Chief Executive Officer of the Corporation at the principal executive offices of the Corporation, in accordance with this Section 18.

(b) To be timely, a Notice to the Chief Executive Officer of the Corporation must be given:

- (i) in the case of an annual general meeting (including an annual and special meeting) of shareholders, not less than 30 nor more than 65 days prior to the date of the annual general meeting of shareholders; provided, however, that in the event that the annual general meeting of shareholders is called for at a date that is less than 50 days after the date (the “Notice Date”) on which the first public announcement of the date of the annual general meeting was made, the Notice must be given by the Nominating Shareholder not later than the close of business on the tenth (10th) day following the Notice Date;
- (ii) in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the fifteenth (15th) day following the date on which the first public announcement of the date of the special meeting of shareholders was made; and

- (iii) in no event shall any adjournment or postponement of a meeting of shareholders, or the public announcement thereof, commence a new time period for the giving of the Notice.
- (c) To be in proper written form, the Notice to the Chief Executive Officer of the Corporation must set forth:
 - (i) as to each person who the Nominating Shareholder proposes to nominate for election as a director: (a) the name, age, business address and residence address of the person, (b) the principal occupation or employment of the person, (c) whether the person is a resident Canadian with the meaning of the Act, (d) the class or series and number of shares in the capital of the Corporation which are controlled or which are owned beneficially or of record by the person; (I) as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred), and (II) as of the date of such Notice and (e) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and applicable securities laws; and
 - (ii) as to the Nominating Shareholder, any proxy, contract, arrangement, understanding, relationship or any other information relating to such Nominating Shareholder that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and applicable securities laws.
- (d) In addition, to be considered timely and in proper written form, a Nominating Shareholder's Notice shall be promptly updated and supplemented, if necessary, so that the information provided or required to be provided in such Notice shall be true and correct as of the record date for the meeting.
- (e) The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that would reasonably be expected to be material to a reasonable shareholder's understanding of the independence and/or qualifications, or lack thereof, of such proposed nominee.
- (f) No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of this Section 18; provided, however, that nothing herein shall be deemed to preclude discussions by a shareholder (as distinct from seeking to nominate directors) at a meeting of shareholders, on any matter in respect of which such shareholder would have been entitled to submit a proposal pursuant to the provisions of the Act. The chairman of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such nomination is invalid due to its non-compliance with this Section 18.
- (g) For purposes of this Section 18:
 - (i) "**public announcement**" shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its profile on the System of Electronic Document Analysis and Retrieval at www.sedarplus.ca; and

- (ii) **“applicable securities laws”** means the securities legislation in those provinces and territories of Canada to which the Corporation is subject, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commissions and similar regulatory authorities of each of the relevant provinces and territories of Canada.
- (h) Notwithstanding any other provisions of the by-laws of the Corporation, Notice given to the Chief Executive Officer of the Corporation pursuant to this Section 18 may only be given by personal delivery, facsimile transmission or by email (at such email address as stipulated from time to time by the Chief Executive Officer of the Corporation for the purposes of such Notice), and shall be deemed to have been given and made only at the time it is served by personal delivery, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received) to the Chief Executive Officer at the address of the principal executive offices of the Corporation; provided that if such delivery or electronic communication is made on a day which is not a business day, or later than 5:00 pm (Calgary time) on a day which is a business day, then such a delivery or electronic communication shall be deemed to have been made on the next following business day.
- (i) Notwithstanding any of the foregoing, the Board may, in its sole discretion, waive any requirement in this Section 18.

MEETING BY ELECTRONIC MEANS OR TELEPHONE

- 19. **Directors** - A director may participate in a meeting of the board or of a committee of the board by electronic means, telephone or other communication facilities (“Communication Facilities”), or entirely by Communication Facilities, if such Communication Facilities permit all persons participating in such meeting to hear each other.
- 20. **Shareholders** - A shareholder or any other person entitled to attend a meeting of shareholders may participate in a meeting of shareholders by Communication Facilities if such Communications Facilities permit all persons participating in such meeting to hear or otherwise communicate with each other (collectively, “Hybrid Communications”).
- 21. **Virtual Meeting** - If the directors or the shareholders of the Corporation call a meeting of shareholders, those directors or shareholders, as the case may be, may determine that the meeting shall be held, entirely by Communication Facilities if such Communication Facilities permit all participants in such meeting to communicate adequately with each other during the meeting (collectively, “Virtual Communications”).

For the purposes of this section:

- (a) any shareholder or other person entitled to attend the meeting and participating by Communication Facilities or establishing a communications link through the Communications Facilities to the meeting shall be deemed to be present in person at the meeting;
- (b) any and all communications or participation to the meeting through Hybrid Communications, including through a moderator, electronic interface or establishing a communications link via Hybrid Communications, shall be deemed to allow for participants to hear or otherwise communicate with each other;
- (c) any and all communications or participation in the meeting through Virtual Communications, including through a moderator, electronic interface or establishing a

communications link via Virtual Communications, shall be deemed to allow for participants to “communicate adequately with each other”; and

- (d) if the notice of meeting does not specify a location for the meeting and provides for participation by Electronic Means, the meeting shall be deemed to be held at the registered office of the Corporation.

INDEMNIFICATION

22. **Indemnification of Directors and Officers** - The Corporation shall indemnify a director or officer of the Corporation, a former director or officer of the Corporation or a person who acts or acted at the Corporation’s request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor, and his heirs and legal representatives to the extent permitted by the Business Corporations Act.
23. **Indemnity of Others** - Except as otherwise required by the Business Corporations Act and subject to paragraph 22, the Corporation may from time to time indemnify and save harmless any person who was or is a party or is threatened to be made a party to any threatened, pending or contemplated action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was an employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, agent of or participant in another body corporate, partnership, joint venture, trust or other enterprise, against expenses (including legal fees), judgments, fines and any amount actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted honestly and in good faith with a view to the best interests of the Corporation and, with respect to any criminal or administrative action or proceeding that is enforced by a monetary penalty, had reasonable grounds for believing that his conduct was lawful. The termination of any action, suit or proceeding by judgment, order, settlement or conviction shall not, of itself, create a presumption that the person did not act honestly and in good faith with a view to the best interests of the Corporation and, with respect to any criminal or administrative action or proceeding that is enforced by a monetary penalty, had no reasonable grounds for believing that his conduct was lawful.
24. **Right of Indemnity Not Exclusive** - The provisions for indemnification contained in the by-laws of the Corporation shall not be deemed exclusive of any other rights to which any person seeking indemnification may be entitled under any agreement, vote of shareholders or directors or otherwise, both as to action in his official capacity and as to action in another capacity, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs and legal representatives of such a person.
25. **No liability of Directors or Officers for Certain Matters** - To the extent permitted by law, no director or officer of the Corporation shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee or for joining in any receipt or act for conformity or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired by the Corporation or for or on behalf of the Corporation or for the insufficiency or deficiency of any security in or upon which any of the moneys of or belonging to the Corporation shall be placed out or invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, firm or body corporate with whom or which any moneys, securities or other assets belonging to the Corporation shall be lodged or deposited or for any loss, conversion, misapplication or misappropriation of or any damage resulting from any dealings with any moneys, securities or other assets belonging to the Corporation or for any other loss, damage or misfortune whatever which may happen in the execution of the duties of his respective office or trust or in relation thereto unless the same shall happen by or through his failure to act honestly and in good faith with a view to the best interests of the Corporation and in connection therewith to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. If any director or officer of the Corporation shall be employed by or

shall perform services for the Corporation otherwise than as a director or officer or shall be a member of a firm or a shareholder, director or officer of a body corporate which is employed by or performs services for the Corporation, the fact of his being a director or officer of the Corporation shall not disentitle such director or officer or such firm or body corporate, as the case may be, from receiving proper remuneration for such services.

DIVIDENDS

26. **Dividends** - Subject to the provisions of the Business Corporations Act, the board may from time to time declare dividends payable to the shareholders according to their respective rights and interests in the Corporation. Dividends may be paid in money or property or by issuing fully paid shares of the Corporation.
27. **Dividend Cheques** - A dividend payable in cash shall be paid by cheque drawn on the Corporation's bankers or one of them to the order of each registered holder of shares of the class or series in respect of which it has been declared and mailed by prepaid ordinary mail to such registered holder at his recorded address, unless such holder otherwise directs. In the case of joint holders the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all such joint holders and mailed to them at their recorded address. The mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold.
28. **Non-Receipt of Cheques** - In the event of non-receipt of any dividend cheque by the person to whom it is sent as aforesaid, the Corporation shall issue to such person a replacement cheque for a like amount on such terms as to indemnify, reimbursement of expenses and evidence of non-receipt and of title as the board may from time to time prescribe, whether generally or in any particular case.
29. **Unclaimed Dividends** - Any dividend unclaimed after a period of 6 years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

BANKING ARRANGEMENTS, CONTRACTS, DIVISIONS ETC.

30. **Banking Arrangements** - The banking business of the Corporation, or any part thereof, shall be transacted with such banks, trust companies or other financial institutions as the board may designate, appoint or authorize from time to time by resolution and all such banking business, or any part thereof, shall be transacted on the Corporation's behalf by such one or more officers and/or other persons as the board may designate, direct or authorize from time to time by resolution and to the extent therein provided.
31. **Execution of Instruments** - Contracts, documents or instruments in writing requiring execution by the Corporation may be signed by any one officer or director and all contracts, documents or instruments in writing so signed shall be binding upon the Corporation without any further authorization or formality. The board is authorized from time to time by resolution to appoint any officer or officers or any other person or persons on behalf of the Corporation to sign and deliver either contracts, documents or instruments in writing generally or to sign either manually or by facsimile signature and/or counterpart signature and deliver specific contracts, documents or instruments in writing. The term "contracts, documents or instruments in writing" as used in this by-law shall include deeds, mortgages, charges, conveyances, powers of attorney, transfers and assignments of property of all kinds (including specifically, but without limitation, transfers and assignments of shares, warrants, bonds, debentures or other securities), share certificates, warrants, bonds, debentures and other securities or security instruments of the Corporation and all paper writings.

32. **Voting Rights in Other Bodies Corporate** - The signing officers of the Corporation may execute and deliver proxies and arrange for the issuance of voting certificates or other evidence of the right to exercise the voting rights attaching to any securities held by the Corporation. Such instruments shall be in favour of such persons as may be determined by the officers executing or arranging for the same. In addition, the board may from time to time direct the manner in which and the persons by whom any particular voting rights or class of voting rights may or shall be exercised.
33. **Creation and Consolidation of Divisions** - The board may cause the business and operations of the Corporation or any part thereof to be divided or to be segregated into one or more divisions upon such basis, including without limitation, character or type of operation, geographical territory, product manufactured or service rendered, as the board may consider appropriate in each case. The board may also cause the business and operations of any such division to be further divided into sub-units and the business and operations of any such divisions or sub-units to be consolidated upon such basis as the board may consider appropriate in each case.
34. **Name of Division** - Any division or its sub-units may be designated by such name as the board may from time to time determine and may transact business, enter into contracts, sign cheques and other documents of any kind and do all acts and things under such name. Any such contracts, cheque or document shall be binding upon the Corporation as if it had been entered into or signed in the name of the Corporation.
35. **Officers of Divisions** - From time to time the board or a person designated by the board, may appoint one or more officers for any division, prescribe their powers and duties and settle their terms of employment and remuneration. The board or a person designated by the board, may remove at its or his pleasure any officer so appointed, without prejudice to such officers rights under any employment contract. Officers of divisions or their sub-units shall not, as such be officers of the Corporation.

MISCELLANEOUS

36. **Invalidity of Any Provisions of This By-Law** - The invalidity or unenforceability of any provision of this by-law shall not affect the validity or enforceability of the remaining provisions of this by-law.
37. **Share Certificates, Acknowledgements and Direct Registration System** - Every shareholder of one or more shares of the Corporation shall be entitled, at the shareholder's option, to a share certificate that complies with the Business Corporations Act (Alberta) or a non-transferable written acknowledgment that complies with the Business Corporations Act (Alberta) of the shareholder's right to obtain a share certificate from the Corporation in respect of the shares of the Corporation held by such shareholder in an amount as shown on the securities register of the Corporation. Any share certificate issued pursuant to this paragraph 37 shall be in such form as the board may from time to time approve, shall be signed by the Corporation in accordance with paragraph 31 and need not be under the corporate seal.

For greater certainty, but subject to the first paragraph of this paragraph 37, a registered shareholder may have his holdings of shares of the Corporation evidenced by an electronic, book-based, direct registration system or other non-certificated entry or position on the register of shareholders to be kept by the Corporation in place of a physical share certificate pursuant to such a registration system that may be adopted by the Corporation, in conjunction with its transfer agent. This by-law shall be read such that a registered holder of shares of the Corporation pursuant to any such electronic, book-based, direct registration service or other non-certificated entry or position shall be entitled to all of the same benefits, rights, entitlements and shall incur the same duties and obligations as a registered holder of shares evidenced by a physical share certificate. The Corporation and its transfer agent may adopt such policies and procedures and require such documents and evidence as they may determine necessary or desirable in order to facilitate the adoption and maintenance of a share registration system by electronic, book-based, direct registration system or other non-certificated means.

38. **Omissions and Errors** - The accidental omission to give any notice to any shareholder, director, officer or auditor or the non-receipt of any notice by any shareholder, director, officer or auditor or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

INTERPRETATION

39. **Interpretation** - In this by-law and all other by-laws of the Corporation words importing the singular number only shall include the plural and vice versa; words importing the masculine gender shall include the feminine and neuter genders; words importing persons shall include an individual, partnership, association, body corporate, executor, administrator or legal representative and any number or aggregate of persons; "articles" include the original or restated articles of incorporation, articles of amendment, articles of amalgamation, articles of continuance, articles of reorganization, articles of arrangement and articles of revival; "board" shall mean the board of directors of the Corporation; "Business Corporations Act" shall mean the *Business Corporations Act (Alberta)*, R.S.A. 2000, c. B 9, as amended from time to time, or any Act that may hereafter be substituted therefor; "meeting of shareholders" shall mean and include an annual meeting of shareholders and a special meeting of shareholders of the Corporation; and "signing officers" means any person authorized to sign on behalf of the Corporation pursuant to paragraph 31.

APPENDIX "C"
Balance Sheet of The Corporation

HIGH ARCTIC OVERSEAS HOLDINGS CORP.

FINANCIAL STATEMENT

JUNE 30, 2024



KPMG LLP
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www.kpmg.ca

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of High Arctic Overseas Holdings Corp.

Opinion

We have audited the financial statements of High Arctic Overseas Holdings Corp. (the Entity), which comprise:

- the statement of financial position as at June 30, 2024
- and notes to the financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at June 30, 2024 in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statement***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
August 12, 2024

HIGH ARCTIC OVERSEAS HOLDINGS CORP.

STATEMENT OF FINANCIAL POSITION

<i>(Canadian Dollars)</i>	As at June 30, 2024
Assets	
Current assets	
Cash	1
	1
Total assets	1
Shareholder's Equity	
Share capital (Note 4)	1
	1
Total shareholder's equity	1

The accompanying notes are an integral part of this financial statement.

Approved on behalf of the Board,

(Signed) "Mike Maguire"

Mike Maguire

Director

NOTES TO THE HIGH ARCTIC OVERSEAS HOLDINGS CORP. FINANCIAL STATEMENT

1. Nature of business

High Arctic Overseas Holdings Corp. ("SpinCo" or the "Corporation") was incorporated under the Business Corporations Act (Alberta) on April 1, 2024. The Corporation is a wholly owned subsidiary of High Arctic Energy Services Inc. ("High Arctic").

The Corporation has not yet commenced commercial operations. SpinCo was incorporated for the sole purpose of participating in the plan of arrangement of High Arctic (the "Arrangement") which was approved by Shareholders on June 17, 2024. Under the Arrangement, it was proposed that, among other things, (i) High Arctic will reduce its stated capital account for the purpose of permitting a special distribution to High Arctic's shareholders of up to \$0.76 per High Arctic common share; (ii) High Arctic will transfer all of its shares in High Arctic Energy Services Cyprus Limited, a wholly-owned subsidiary of High Arctic, which holds High Arctic's entire Papua New Guinea ("PNG") business, to SpinCo, and (iii) each common share of High Arctic will be exchanged for 0.25 new common share of High Arctic and 0.25 common share of SpinCo. Upon completion of the Arrangement, all of SpinCo's Common Shares will be owned by High Arctic's current shareholders on a pro rata basis, and High Arctic's PNG business will be owned by SpinCo.

The Corporation's principal office is located at Suite 2350, 330 5th Avenue SW Calgary Alberta and the registered office of SpinCo is Suite 1000, 250 2nd Street SW Calgary Alberta.

2. Basis of presentation

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and were authorized for issue by the Board of Directors of SpinCo on August 12, 2024. The financial statements are presented in Canadian dollars, which is the Corporation's functional currency. As there has been no operating activity from the date of incorporation to June 30, 2024, a Statement of Operations and Comprehensive Income and a Statement of Cash Flows have not been included in these financial statements. Further, the Statement of Changes in Shareholder's Equity have not been included as the only activity during the period was the issuance of common stock as described in Note 4.

3. Material accounting policies

a) Cash

Cash is comprised of cash on hand.

b) Share capital

Costs directly attributable to the issue of common shares are recognized as a reduction of equity, net of deferred income taxes.

4. Share capital

The authorized share capital of the Corporation includes an unlimited number of common shares and an unlimited number of preferred shares. The common shares entitle the holders to one vote at meetings of shareholders. The preferred shares are issuable in series and have such rights, privileges, restrictions and conditions as the Board of Directors may determine from time to time.

On the date of incorporation on April 1, 2024, the Corporation issued one common share to High Arctic at \$1 per share.

APPENDIX "D"
HAES Cyprus Annual Financial Statements

HIGH ARCTIC ENERGY SERVICES CYPRUS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
December 31, 2023, 2022 and 2021**



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Tel 403-691-8000
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www.kpmg.ca

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of High Arctic Energy Services Cyprus Limited

Opinion

We have audited the consolidated financial statements of High Arctic Energy Services Cyprus Limited (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2023, December 31, 2022 and January 1, 2022
- the consolidated statements of comprehensive loss for the years ended December 31, 2023, December 31, 2022 and December 31, 2021
- the consolidated statements of changes in shareholders' equity for the years ended December 31, 2023 and December 31, 2022
- the consolidated statements of cash flows for the years ended December 31, 2023, December 31, 2022 and December 31, 2021
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023, December 31, 2022 and January 1, 2022, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2023, December 31, 2022 and December 31, 2021 in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's report.



We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

May 9, 2024

HIGH ARCTIC ENERGY SERVICES CYPRUS LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(thousands of United States Dollars)	As at December 31, 2023	As at December 31, 2022	As at January 1, 2022
Assets			
Current assets			
Cash and cash equivalents	10,958	3,846	1,886
Accounts receivable (Note 4)	10,990	6,544	6,986
Inventory (Note 5)	7,009	6,704	7,196
Prepaid expenses and other assets	420	455	221
Due from related party (Note 16)	210	-	27
Income tax receivable (Note 13(e))	503	356	2,371
	30,090	17,905	18,687
Non-current assets			
Property and equipment (Note 6)	12,371	32,207	39,623
Right of use assets (Note 7(a))	913	458	152
Loan to related party (Note 16)	-	-	10,000
Total assets	43,374	50,570	68,462
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (Note 8)	9,007	5,004	5,560
Due to related party (Note 16)	-	329	-
Current portion of lease liabilities (Note 7(b))	466	231	161
Income tax payable (Note 13)	282	168	524
	9,755	5,732	6,245
Non-current liabilities			
Lease liabilities (Note 7(b))	507	232	-
Deferred tax liabilities (Note 13(b))	-	2,872	4,772
Total liabilities	10,262	8,836	11,017
Shareholder's Equity			
Share capital (Note 9)	5	5	5
Accumulated and other comprehensive income	34	33	36
Retained earnings	33,073	41,696	57,404
	33,112	41,734	57,445
Total liabilities and shareholder's equity	43,374	50,570	68,462

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

Commitments and contingencies (Note 18)

Approved on behalf of the Board,

(Signed) [“Yianna Alexandrou”]
[Yianna Alexandrou]
Director

(Signed) [“Christakis Georgiou”]
[Christakis Georgiou]
Director

HIGH ARCTIC ENERGY SERVICES CYPRUS LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(thousands of United States Dollars)	Years ended December 31		
	2023	2022	2021
Revenue (Note 10)	43,380	29,929	11,750
Oilfield services expenses (Note 11(a))	28,964	24,331	8,020
General and administrative expenses (Note 11(b))	3,619	3,657	2,420
Depreciation and amortization expenses (Notes 6 and 7)	6,222	7,694	8,343
Operating income (loss)	4,575	(5,753)	(7,033)
Interest income (Note 16)	-	586	389
Management fee income (Note 16)	557	718	665
Bank fees and finance expense (Note 11(c))	(243)	(107)	(20)
Foreign exchange loss	(143)	(10)	(10)
Gain (loss) on sale of property and equipment (Note 6)	(13)	416	39
Asset impairment loss (Note 6)	(15,200)	-	-
Loss before income tax	(10,467)	(4,150)	(5,970)
Income tax expense (Note 13)	(1,028)	(2,708)	(675)
Deferred income tax recovery (Note 13)	2,872	1,900	1,624
Income tax recovery (expense)	1,844	(808)	949
Net loss	(8,623)	(4,958)	(5,021)

	Years ended December 31		
	2023	2022	2021
Net loss	(8,623)	(4,958)	(5,021)
Other comprehensive income:			
Items that may be reclassified subsequently to net income (loss):			
Foreign currency translation gain (loss) for foreign operations	1	(3)	3
Comprehensive loss for the year	(8,622)	(4,961)	(5,018)

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

HIGH ARCTIC ENERGY SERVICES CYPRUS LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

(thousands of United States Dollars)	Share capital	Accumulated other comprehensive income	Retained earnings	Total Shareholder's equity
Balance, January 1, 2022	5	36	57,404	57,445
Dividends paid (Note 16)	-	-	(10,750)	(10,750)
Other comprehensive loss – foreign currency translation loss	-	(3)	-	(3)
Net loss for the year	-	-	(4,958)	(4,958)
Balance, December 31, 2022	5	33	41,696	41,734
Other comprehensive income – foreign currency translation gain	-	1	-	1
Net loss for the year	-	-	(8,623)	(8,623)
Balance, December 31, 2023	5	34	33,073	33,112

HIGH ARCTIC ENERGY SERVICES CYPRUS LIMITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands of United States Dollars)	Years ended December 31		
	2023	2022	2021
Cash flows from operating activities:			
Net loss	(8,623)	(4,958)	(5,021)
Adjustments for:			
Depreciation and amortization expenses	6,222	7,694	8,343
Deferred income tax recovery	(2,872)	(1,900)	(1,624)
Unrealized foreign exchange loss	82	4	15
Non-cash finance expense	251	88	8
Asset impairment loss	15,200	-	-
Loss (gain) on sale of property and equipment	13	(416)	(39)
Funds from operating activities	10,273	512	1,682
Change in non-cash working capital (Note 12)	(1,367)	2,120	(3,580)
Net cash from (used in) operating activities	8,906	2,632	(1,898)
Cash flows from investing activities:			
Property and equipment expenditures	(1,080)	(401)	(1,870)
Proceeds from asset sales, net of costs	-	725	45
Net cash from (used in) investing activities	(1,080)	324	(1,825)
Cash flows from financing activities:			
Dividend payment	-	(750)	(4,675)
Lease obligation payments	(714)	(243)	(292)
Net cash used in financing activities	(714)	(993)	(4,967)
Effect of foreign exchange rate changes	-	(3)	12
Change in cash and cash equivalents	7,112	1,960	(8,678)
Cash and cash equivalents, beginning of year	3,846	1,886	10,564
Cash and cash equivalents, end of year	10,958	3,846	1,886
Supplementary cash flow disclosure			
Interest paid	-	-	-
Income and withholding taxes paid	1,114	3,364	151

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

NOTES TO THE HIGH ARCTIC ENERGY SERVICES CYPRUS LIMITED CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of business

High Arctic Energy Services Cyprus Limited (“HAES Cyprus” or the “Corporation”) is incorporated under the laws of Cyprus on 04 November 2006 and is a private limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. HAES Cyprus is engaged in contract drilling, equipment rentals and other oilfield services to the oil and natural gas industry in Papua New Guinea (“PNG”) through a subsidiary in Singapore, two subsidiaries in PNG and a subsidiary in Australia. The Corporation’s registered office address is located at 16 Kyriakou Matsi Street, Eagle House, 10th Floor, Agjoi Omologites, 1082 Nicosia, Cyprus.

The Corporation is a wholly owned subsidiary of High Arctic Energy Services Inc. (“HAES Inc.”) which is a corporation incorporated in Canada and listed on the Toronto Stock Exchange.

The following table lists the Corporation’s principal subsidiaries, the jurisdiction of formation or incorporation of such subsidiaries and the percentage of share owned, directly or indirectly, by the Corporation as at December 31, 2023:

Name of Subsidiary	Jurisdiction of formation or incorporation	Percentage ownership of shares beneficially owned or controlled (in) directly by the Corporation
High Arctic Energy Services PNG Limited	PNG	100%
PNG Industry Manpower Solutions Limited	PNG	100%
High Arctic Energy Services (Singapore) PTE Ltd.	Singapore	100%
High Arctic Energy Services Australia PTY Ltd.	Australia	100%

2. Basis of presentation

(a) Statement of compliance and approval

These consolidated financial statements (“Financial Statements”) have been prepared in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board. These Financial Statements were authorized for issuance by the Corporation’s Board of Directors on May 9, 2024.

Basis of preparation

These Financial Statements have been prepared on a going concern basis using the historical cost convention except as disclosed in Note 3.

(b) Functional and presentation currency

The financial statements are presented in United States Dollars “USD” which is also the functional currency of the Corporation.

The USD is the functional currency of the Corporation’s subsidiaries, with the exception of one subsidiary utilizing the Australian dollar as its functional currency.

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

(c) Judgments, estimates and assumptions

The preparation of the Corporation’s Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities as at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. The accounting policies and practices that involve the use of estimates and judgements that have a significant impact on the Corporation’s financial results

include expected credit loss ("ECL"), functional currency, identification of cash generating units ("CGUs"), impairment of property and equipment, inventory obsolescence provision, depreciation and deferred income taxes.

Critical and other significant accounting judgements and estimates:

Significant judgements and estimates are used in the application of accounting policies that have been identified as being complex and involving subjective judgements and assessments. They include:

i) *ECL*

The Corporation estimates the amount of ECL for trade receivables with no financing component using a provision matrix. The provision matrix is based on historical loss experience and is adjusted for forward looking estimates based on current and future economic conditions using internal and externally sourced data. Judgement is required when applying this information to the ECL and any adjustments as a result of this new information.

The Corporation uses the simplified approach of the ECL model for trade receivables with no significant financing component which requires measuring the loss allowance at an amount equal to the lifetime ECL at initial recognition and throughout its life.

ii) *Functional currency*

The determination of functional currency is based on the primary economic environment (including monetary policy) in which an entity operates. The functional currency of an entity reflects the underlying transactions, events and conditions that are relevant to the entity.

Factors that the Corporation considers when determining the functional currency of its subsidiaries include:

- (a) the currency that the delivery of goods and services are contracted in,
- (b) the currency used to conduct business in the region,
- (c) the currency that mainly influences labour, material, and other costs of providing goods or services, and
- (d) the currency in which receipts from operating activities are usually retained in.

When the indicators are mixed and the functional currency of an entity is not obvious, management uses its judgement to determine the functional currency that most appropriately represents the economic effects of the underlying transactions, events and conditions. Judgement was applied in determining the functional currency of the operations in PNG to be USD due to a history of drilling services contracts being negotiated and settled in USD, as well as most of the expenses quoted and paid in USD.

iii) *Identification of CGUs and impairment of property and equipment*

Property and equipment are tested for impairment when events and or changes in circumstances indicate that the carrying amount may not be recoverable which involves both judgement and estimation. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, defined as CGUs.

The classification of assets and allocation of corporate assets in CGUs requires significant judgement and interpretation. Further, the factors considered in CGU classification include the integration between assets, shared infrastructures, the existence of common sales points, geography and the way Management monitors and makes decisions about its operations. As such, the determination of a CGU involves considerable judgement and could have a significant impact on impairment losses and reversals.

The assessment of impairment or impairment reversal indicators is based on significant judgment regarding whether there are internal and external factors that would indicate that a cash generating unit, and specifically the non-financial assets within the cash generating unit, either are impaired or are no longer impaired. These factors include revenue and earnings before interest, taxes, depreciation, and amortization ("EBITDA") forecasts, expected industry activity levels, commodity price developments and market capitalization.

The recoverable amount is the higher of a CGU's fair value less costs of disposal and value in use (being the present value of the expected future cash flows of the relevant CGU). Estimates of revenue and EBITDA forecasts used in the evaluation of impairment of assets are made using management's current operating forecasts, expected utilization, rates and costs of

available equipment (margin), terminal values and discount rates. An impairment loss is recognized for the amount by which the CGU's carrying amount exceeds its expected recoverable amount.

iv) *Inventory obsolescence provision*

The Corporation measures inventories at the lower of the cost and net realizable value. The cost of inventories may not be recoverable if inventories are damaged or can no longer be used in the field and therefore obsolete. Judgement is required when determining which inventory requires a provision for obsolescence.

The Corporation inspects inventory throughout the year and adjusts provisions for obsolete inventory each reporting period. An inventory that is identified as damaged or obsolete is eventually scrapped and removed from the inventory listing.

v) *Depreciation*

Depreciation of the Corporation's property and equipment incorporates estimates of useful lives, salvage values and depreciation methodology that is estimated to best reflect usage. Equipment under construction is not depreciated until it is available for use. All equipment is depreciated based on the straight-line method over the asset's useful life in years. Estimate details are presented in Note 3.

vi) *Deferred income taxes*

Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement amounts of existing assets and liabilities and their respective tax bases. The Corporation's calculation of income taxes involves many complex factors as well as the Corporation's interpretation of relevant tax legislation and regulations and estimations of future taxable profits. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the existing estimated temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are increased or reduced depending on the probability that the related tax benefit will be realized in the future.

Geo-political, economic and environmental developments and impact on estimation uncertainty

The conflict between Russia and Ukraine, which began in early 2022, has created significant political uncertainty globally. The war has contributed to global oil and gas price volatility, making it even more challenging for companies operating in the industry to accurately forecast future trends and plan accordingly. The imposition of international sanctions on Russia has created additional political uncertainty and tension. The ongoing conflict has also created challenges for energy demand in Europe, as the region has relied heavily on energy imports from Russia in the past. The uncertainty created by the continuation of the Russia-Ukraine war has far-reaching consequences for the global oil and gas industry and continues to create uncertainty on prices and future investments.

In 2022, inflation emerged as a major challenge for economies worldwide, leading to a significant increase in prices and reducing purchasing power. This uncertainty in the marketplace created a host of difficulties for consumers, businesses, and governments. In response to inflation, central banks around the world implemented monetary policy measures aimed at controlling inflation and maintaining price stability. Most central banks increased interest rates in 2022 aimed at slowing the rate of inflation, which made borrowing more expensive. The impact of inflation on the economy has been felt by all participants, as rising prices over the past two years have made it more difficult to afford goods and services, leading to a decrease in real income. The uncertainty created by inflation has also made it more challenging for businesses to make long-term plans and investments, and for consumers to budget effectively. Inflation continues to create significant challenges for economies worldwide, highlighting the need for policymakers to closely monitor their economies and implement measures aimed at maintaining price stability. Toward the end of 2023 and into 2024 the effects of inflation have abated to a degree, and some economies have slowed and entered technical recessions. It is expected that the impacts of inflation will remain a key concern for economies worldwide and policymakers into the future.

Environmental, Social, and Governance ("ESG") refers to a set of non-financial factors that businesses consider in their operations and investments. ESG has gained significant importance to investors and other stakeholders in recent years, especially in the extractive energy industries, due to the carbon-intensive nature of activities and products. Companies are facing increased pressure from stakeholders to reduce their carbon footprint, improve their environmental performance, and promote good governance. ESG is also attracting the attention of lawmakers, as governments across the world implement legislation aimed at reducing carbon emissions. In the coming years, it is expected that ESG will play an increasingly important role and companies that fail to integrate ESG considerations into their operations and investments will face significant challenges. The global focus to address climate change has created a rotation of investment capital away from the extractive energy industries in certain markets with the potential to increase HAES Cyprus's cost of capital and reduce access to growth funding.

3. Material accounting policies

(a) Basis of consolidation

The Financial Statements include the accounts of HAES Cyprus and its subsidiaries. Intercompany balances and transactions, including unrealized gains or losses between subsidiaries are eliminated upon consolidation. Subsidiaries are entities controlled by the Corporation. Control exists when HAES Cyprus has the ability to govern the financial and operating policies of an entity to enable the receipt of the benefits from its activities. In assessing control, potential voting rights currently exercisable are considered.

The financial statements of subsidiaries are included in the Financial Statements from the date that control commences until the date that control ceases.

(b) Business combinations

Acquisitions of subsidiaries and assets that meet the definition of a business under IFRS are accounted for using the acquisition method. The consideration paid for each acquisition is measured at the date of exchange as the aggregate of the fair value of assets given up, equity instruments issued by the Corporation and liabilities assumed. Any contingent consideration payable is also measured at fair value. Contingent consideration payable that is classified as equity is not re-measured and settlement is accounted for as equity. Otherwise, substantive changes in the fair value of contingent consideration payable is recognized in profit and loss.

The identifiable assets acquired and liabilities assumed are recognized at their fair value except for deferred income taxes which are measured in accordance with their applicable IFRS. Any shortfall of the fair value of the identifiable net assets below the consideration paid is recognized as goodwill and any surplus of the fair value of the identifiable net assets relative to the consideration paid is recorded as gain on acquisition. Transaction costs associated with an acquisition, other than those relating to the issuance of debt and equity instruments are expensed as incurred.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Corporation reports preliminary amounts for the items for which the accounting is incomplete. Those preliminary amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date, that if known, would have materially affected the amounts recognized as of that date. The measurement period can be up to a maximum of one year and is the period from the date of acquisition to the date the Corporation obtains complete information about facts and circumstances that existed as of the acquisition date.

(c) Foreign currency

i. Functional currency:

Items included in the financial statements of each subsidiary of the Corporation are measured using their functional currencies, as dictated by their operating environment.

ii. Foreign operations:

The financial statements of subsidiaries that have a functional currency different from that of the Corporation ("foreign operations") are translated into USD as follows:

- assets and liabilities – at the closing rate at the date of the statement of financial position, and
- income and expenses – at the rate on the date of the transaction and/or the average rate during the period (where it approximates the rate at the date of the transaction).

All changes resulting from applying the closing rate to the assets and liabilities of foreign operations are recognized as gains or losses as part of other comprehensive income.

iii. Transactions and balances:

Transactions that take place within an entity that are denominated in a different currency are translated into that entity's functional currency using the exchange rates prevailing at the date the transactions take place. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency, are recognized in the consolidated statement of loss and comprehensive loss as foreign exchange gains or losses.

(d) Joint arrangements

When joint arrangements are entered, the Corporation determines whether it constitutes a joint venture or joint operation. Joint ventures are accounted for using the equity method of accounting, with income recorded in earnings (loss). Joint operations are recorded using proportionate consolidation.

(e) Revenue recognition

Revenue is recognized from a variety of sources. In general, revenue is measured based on the consideration specified in a contract with a customer based upon an agreed transaction price. The Corporation's revenue is generated from short-term or spot market contracts and long-term arrangements. As referenced in Note 14 regarding economic dependence, large customers often have contract durations greater than one year.

Long-term contracts are those with a term greater than one year. Revenue from the rendering of services is recognized as the Corporation satisfies its performance obligations, which is generally over time, as the Corporation provides its services on a per billable day basis.

Contract drilling services include contracts for individual drilling rig packages that include crews and contracts for specialist drilling related services.

Revenue is recognized over time from spud to rig release on a daily basis, using day rates based on contract specified amounts, and may include fixed fee or time-based compensation for the initial location of the drilling rig on the well site and its removal after release.

Revenue from well completion and production services including well workover is typically recognized based on daily or hourly rates as stipulated in the contracts with the customer.

Revenue for oilfield equipment rentals, including mats, is recognized using daily or monthly rates determined within the contracts.

A portion of the Corporation's revenue is lease revenue and not within the scope of IFRS 15 – "Revenue from Contracts with Customers", as such portions of revenue received represent the customers' ability to direct the use of an asset belonging to the Corporation. The Corporation has applied judgement to determine the amount of revenue that relates to lease revenue when lease rates were not specifically identified.

The Corporation recognizes the incremental costs of obtaining a contract as an expense when incurred if the related contract is one year or less.

The Corporation's revenue transactions do not contain significant financing components and the Corporation does not adjust transaction prices for the effects of a significant financing component when the period between the transfer of the promised service to the customer and the payment by the customer is less than one year. The Corporation does not disclose information related to performance obligations that have an original duration of one year or less.

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

(g) Financial instruments

Financial assets and liabilities are classified and measured at amortized cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit and loss ("FVTPL"), depending on the nature of the instrument. The classification is generally based on the contractual cash flow characteristics of the asset or liability. Financial assets held to collect principal and interest cash flows on specified dates are measured at amortized cost.

Investments in share equity of other third parties are initially recognized at fair value and classified as FVTPL or FVTOCI. If designated as FVTOCI, all changes in fair value are recorded in Other comprehensive income ("OCI"). Upon disposal of such investment, the cumulative OCI recorded is reclassified to retained earnings. Dividends from such investments are recognized in profit or loss as other income when the Corporation's right to receive payments is established.

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The fair value hierarchy establishes three levels to classify the inputs for valuation techniques used to measure fair value as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities;
- Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means; and
- Level 3 inputs are unobservable (supported by little or no market activity).

The fair value hierarchy gives highest priority to level 1 inputs and lowest priority to level 3 inputs. The Corporation has level 1 inputs, such as cash and cash equivalents, and level 2 inputs such as accounts receivable and accounts payable. The Corporation has no level 3 inputs.

The following table provides a summary of the classification and measurement basis applicable for the Corporation's non-derivative financial instruments.

Instrument	Initial measurement	Subsequent measurement
Financial assets		
Cash (and equivalents if applicable)	Fair value	Amortized cost ⁽¹⁾
Accounts receivable	Fair value	Amortized cost ⁽²⁾
Financial liabilities ⁽³⁾		
Accounts payable and accrued liabilities	Fair value	Amortized cost ⁽¹⁾

(1) Amortized cost using an effective interest rate.

(2) Upon initial recognition of a non-derivative financial asset, a loss allowance is recorded for ECL. Loss allowances for accounts receivable are measured based on lifetime ECL that incorporates historical loss information and is adjusted for current economic and credit conditions. Losses are recorded as a charge in earnings (loss) as part of general and administrative expenses.

(3) All financial liabilities are recognized initially at fair value and loans and borrowings are recorded net of directly attributable transaction costs.

HAES Cyprus currently does not have any derivative financial instruments.

(h) Property and equipment

Property and equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits through increased capability or performance associated with the item will flow to the Corporation, and the cost can be measured reliably. Repair and maintenance costs are charged to earnings (loss) during the period in which they are incurred.

Gains and losses on disposal of property and equipment are the result of the difference between proceeds obtained compared to the carrying amount of the asset disposed of and are included as part of gains and losses on sale of property and equipment in earnings (loss).

Depreciation is calculated on the depreciable amount which is the carrying cost of an asset less its salvage value and recognized in earnings (loss) over the estimated useful life of the asset. The Corporation allocates the amount initially recognized in respect of an item of property and equipment to its significant components and depreciates separately each such component. The calculation of depreciation includes assumptions related to useful lives and residual values and is reviewed annually and adjusted if appropriate, on a prospective basis. The assumptions are based on experience with similar assets and are subject to change as new information becomes available.

Property and equipment are depreciated as follows:

Asset type	Expected life	Salvage value	Basis of depreciation
<u>Oilfield equipment:</u>			
Drilling rigs	5-15 years	Up to 10%	Straight line
Service rigs	5-20 years	Up to 10%	Straight line
Support and shop	7-10 years	Up to 5%	Straight line
Drilling support equipment	7-10 years	Up to 5%	Straight line
Hydraulic workover	7-10 years	Up to 5%	Straight line
Rentals and matting	5-10 years	Up to 5%	Straight line
Light vehicles	5-10 years	Up to 5%	Straight line
Heavy trucks	7-10 years	Up to 5%	Straight line
Buildings	20-25 years	Up to 10%	Straight line
Office equipment and computer hardware	3-5 years	Up to 5%	Straight line
Computer software	3-5 years	Nil	Straight line
<u>Right of use assets:</u>			
Real estate	1-12 years	Nil	Straight line

(i) Inventory

Inventory consists primarily of operating supplies and spare parts not held for sale and are valued at the lower of average cost and net realizable value. Inventory is charged to oilfield services expense as items are consumed at the weighted average cost of the item.

Net realizable value is the estimated selling price less estimated selling costs. A regular review is undertaken to determine the extent of any obsolescence for which a provision is required.

(j) Impairment of assets

- Impairment of financial assets

The Corporation's accounts receivable is recorded net of ECL, using the simplified approach in estimating the lifetime ECL, taking into consideration historical industry default rates as well as credit ratings and the current financial condition of specific customers.

- Impairment of non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets called CGUs and judgement is required to aggregate assets into their appropriate CGU. If indicators exist, impairment is recognized for the amount by which the CGUs carrying amount exceeds its recoverable amount. The recoverable amount for a CGU is determined as the higher of its fair value less costs of disposal, and its value in use.

Recoverable amounts are typically calculated using a discounted cash flow model. Value in use calculations estimate future cash flows, discounted to their present value, using a before-tax discount rate reflecting current market conditions specific to the risk inherent in the assets in the CGU. If the carrying amount of the CGU exceeds its recoverable amount, an impairment loss is charged to earnings (loss) such that the recorded value of the CGU is no greater than its recoverable amount.

A previously recognized impairment loss is required to be reversed if there has been a change in circumstances and/or estimates used to determine the CGU's recoverable amount. If the recoverable amount has increased since the time that the impairment loss was recorded, the carrying amount of the CGU is increased, but only up to its recoverable amount. Further, the amount of impairment reversal cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the CGU while impaired. Such impairment reversal is recognized in the consolidated statements of loss and comprehensive loss.

(k) Bonus plan compensation

The Corporation recognizes a liability and an expense for bonuses expected to be paid to employees based on various formulae that take into consideration operating earnings and other factors attributable to the financial and operational performance of the Corporation. The Corporation recognizes a provision where contractually obligated or where there is a past practice that has created a constructive obligation.

(l) Share capital

Incremental costs directly attributable to the issuance of shares are recognized as a reduction from equity.

(m) Dividends

Dividends on common shares, if declared, are recognized in the Corporation's Financial Statements in the period in which the dividends are approved by the Board of Directors.

(n) Provisions

Provisions for legal claims and other obligations, where applicable, are recognized when the Corporation has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material.

The Corporation is involved in legal claims through the normal course of operations, and these are recorded and/or disclosed as any other provision. The Corporation believes that any liabilities that may arise from such matters to the extent not provided for, are not likely to have a material effect on the Financial Statements.

(o) Income tax

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in earnings (loss) except to the extent that it relates to the items recognized directly in equity or in other comprehensive income (loss).

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the reporting date in the jurisdictions where the Corporation operates.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(p) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

The Corporation determines its operating segments based on internal information regularly reviewed by the Corporation's chief operating decision makers to allocate resources and assess performance. The Corporation has determined that it has three operating segments; namely, Drilling services, Ancillary services and Production services, supported by a Corporate segment each of which has been presented as a reportable segment.

(q) Leases

At the inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation considers whether it has the right to substantially all the economic benefits from the use of the identified asset, and the right to direct the use of the asset.

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate.

The lease payments included in the present value calculation include fixed payments (and in substance fixed payments); variable lease payments that depend on an index or rate; amounts expected to be payable under a residual value guarantee; the exercise price of purchase options if the lessee is reasonably certain to exercise that option; and early termination penalties.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension, or termination option. When the lease liability is re-measured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation recognizes the lease payments associated with short-term leases of less than a one-year duration as an expense on a straight-line basis over the lease term.

(r) Future accounting policy changes

In October 2022, the International Accounting Standards Board amended IAS 1 Presentation of Financial Statements to address the classification of liabilities with covenants as current or non-current in the Statements of Financial Position. The amendment is applicable to periods beginning on or after January 1, 2024. The Corporation does not expect that this amendment will have a significant impact on its consolidated financial statements.

4. Accounts receivable

The aging and ECL associated with accounts receivable was as follows:

(thousands of United States Dollars)	As at Dec 31, 2023	As at Dec 31, 2022	As at Jan 1, 2022
Less than 31 days	3,856	1,940	3,519
31 days to 60 days	4,754	1,615	2,507
61 days to 90 days	1,908	1,434	1,004
Greater than 90 days	488	1,563	1
Expected credit loss	(16)	(8)	(45)
	10,990	6,544	6,986

The Corporation's accounts receivable is denominated in the following currencies:

(thousands of United States Dollars)	As at Dec 31, 2023	As at Dec 31, 2022	As at Jan 1, 2022
PNG Kina ("PGK")	1,280	4,051	5,492
US dollars ("USD")	9,710	2,493	1,494
	10,990	6,544	6,986

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

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

(thousands of USD)	Less than 31 days	31- 60 days	61 – 90 days	Over 90 days	Total
Investment grade receivables	3,798	4,697	1,908	409	10,812
Non-investment grade receivables	58	57	-	79	194
Total receivables	3,856	4,754	1,908	488	11,006
<i>ECL for investment grade (%)</i>	<i>0.04</i>	<i>0.06</i>	<i>0.10</i>	<i>0.30</i>	
<i>ECL for non-investment grade (%)</i>	<i>0.25</i>	<i>0.75</i>	<i>2.00</i>	<i>4.00</i>	
ECL provision – investment grade	(2)	(3)	(2)	(1)	(8)
ECL provision – non-investment grade	-	-	-	(3)	(3)
Specifically provided for amounts	-	-	-	(5)	(5)
Total provision for ECL	(2)	(3)	(2)	(9)	(16)

The details of this approach as at December 31, 2022 was as follows:

(thousands of USD)	Less than 31 days	31- 60 days	61 – 90 days	Over 90 days	Total
Investment grade receivables	1,207	1,606	1,434	1,560	5,807
Non-investment grade receivables	733	9	-	3	745
Total receivables	1,940	1,615	1,434	1,563	6,552
<i>ECL for investment grade (%)</i>	<i>0.04</i>	<i>0.06</i>	<i>0.10</i>	<i>0.30</i>	
<i>ECL for non-investment grade (%)</i>	<i>0.25</i>	<i>0.75</i>	<i>5.00</i>	<i>10.00</i>	
ECL provision – investment grade	-	(1)	(1)	(4)	(6)
ECL provision – non-investment grade	(2)	-	-	-	(2)
Total provision for ECL	(2)	(1)	(1)	(4)	(8)

The details of this approach as at January 1, 2022 was as follows:

(thousands of USD)	Less than 31 days	31- 60 days	61 – 90 days	Over 90 days	Total
Investment grade receivables	2,179	2,507	1,004	1	5,691
Non-investment grade receivables	1,340	-	-	-	1,340
Total receivables	3,519	2,507	1,004	1	7,031
<i>ECL for investment grade (%)</i>	<i>0.04</i>	<i>0.06</i>	<i>0.10</i>	<i>0.30</i>	
<i>ECL for non-investment grade (%)</i>	<i>0.25</i>	<i>0.75</i>	<i>5.00</i>	<i>10.00</i>	
ECL provision – investment grade	(1)	(2)	(1)	-	(4)
ECL provision – non-investment grade	(3)	-	-	-	(3)
Specifically provided for amounts	-	-	(38)	-	(38)
Total provision for ECL	(4)	(2)	(39)	-	(45)

5. Inventory

As at December 31, 2023, the Corporation had inventory of \$7,009 (December 31, 2022 - \$6,704; January 1, 2022 - \$7,196), which is primarily comprised of parts and materials related to maintenance, recertification and refurbishment of rigs and rig-related equipment in the Corporation's drilling segment. In 2023, consumed parts and materials for equipment, which are included in oilfield services expense, amounted to \$884 (2022 - \$190; 2021 - \$188). In 2022, the Corporation completed inventory counts and obsolescence reviews of its inventory located at all locations throughout PNG which led to an inventory adjustment of \$3,286 and a reduction in the obsolescence provision of \$428. As at December 31, 2023, a cumulative provision of \$162 (December 31, 2022 - \$189; January 1, 2022 - \$659) remains for inventory held in PNG.

6. Property and equipment

(thousands of USD)	Vehicles	Oilfield equipment	Office and computer equipment	Work-in progress	Total
Cost					
Balance, Jan 1, 2022	64	125,958	660	4,543	131,225
Additions	-	-	-	401	401
Dispositions	-	(3,551)	-	(29)	(3,580)
Transfers	-	4,915	-	(4,915)	-
Balance, Dec 31, 2022	64	127,322	660	-	128,046
Additions	-	754	-	326	1,080
Dispositions	-	(519)	(492)	-	(1,011)
Transfers	36	40	16	(92)	-
Impairment	-	(15,200)	-	-	(15,200)
Balance, Dec 31, 2023	100	112,397	184	234	112,915
Accumulated depreciation					
Balance, Jan 1, 2022	53	90,911	638	-	91,602
Depreciation	10	7,459	7	-	7,476
Dispositions	-	(3,239)	-	-	(3,239)
Balance, Dec 31, 2022	63	95,131	645	-	95,839
Depreciation	4	5,697	7	-	5,708
Dispositions	-	(517)	(486)	-	(1,003)
Balance, Dec 31, 2023	67	100,311	166	-	100,544
Net book value, Jan 1, 2022	11	35,047	22	4,543	39,623
Net book value, Dec 31, 2022	1	32,191	15	-	32,207
Net book value, Dec 31, 2023	33	12,086	18	234	12,371

Impairment – 2023

As at September 30, 2023, the Corporation identified indicators of potential impairment. Indicators included the Corporation's primary customer planning to conclude drilling after completing its minimum well commitment on their drilling schedule under a long-term contract and the lack of outstanding customer contract tenders or open bid submissions for the Corporation's rigs 115 and 116. The Corporation performed an impairment test and it was determined that the recoverable amount was below the carrying value of \$38,500 resulting in an impairment of \$15,200 at September 30, 2023.

The recoverable amount of the PNG Operations CGU was determined using a value in use calculation. Revenue and EBITDA forecasts were performed up to and including the year 2027 and were based on management's current assessment of future combined drilling, rental and workover activity and were based on management's P50 forecast case (P50 being a case that can be exceeded with 50% probability i.e., the most probable case) using both external and internal sources, contracts currently in place as well as historical activity levels.

Cash flows used in the calculation were discounted using a discount rate specific to the PNG Operations. The after-tax discount rate derived from the Corporation's weighted average cost of capital, adjusted for risk factors specific to the PNG Operations CGU and used in determining the recoverable amount was 25.2%.

The Corporation determined that there were no indicators of impairment at December 31, 2023.

2023 Dispositions

In 2023, HAES Cyprus disposed of other property and equipment and received cash proceeds of \$Nil (2022 - \$725, 2021 - \$45) resulting in a loss on sale of \$13 (2022 - \$416 gain, 2021 - \$39 gain).

7. Right of use assets and lease liabilities

(a) Right of use assets:

(thousands of USD)	As at Dec 31, 2023	As at Dec 31, 2022
Costs:		
Opening balance	543	469
Additions	1,124	551
Dispositions	(219)	(514)
Effect of foreign exchange	1	37
Closing balance	1,449	543

(thousands of USD)	As at Dec 31, 2023	As at Dec 31, 2022
Accumulated amortization:		
Opening balance	85	317
Additions	514	218
Dispositions	(67)	(456)
Effect of foreign exchange	4	6
Closing balance	536	85
Net closing balance	913	458

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

(b) Lease liabilities:

(thousands of USD)	As at Dec 31, 2023	As at Dec 31, 2022
Opening balance	463	161
Lease additions	1,124	551
Lease dispositions	(147)	(90)
Lease payments	(714)	(243)
Lease finance expense (Note 11)	251	88
Effect of foreign exchange rate changes	(4)	(4)
Closing balance	973	463
Current	466	231
Non-current	507	232

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

The undiscounted cash flows relating to the lease liabilities at December 31, 2023, December 31, 2022 and January 1, 2022 are as follows:

(thousands of USD)	As at Dec 31, 2023	As at Dec 31, 2022	As at Jan 1, 2022
Less than one year	525	259	161
One year to five years	524	374	-
More than five years	-	-	-
Total undiscounted liabilities	1,049	633	161

8. Accounts payable and accrued liabilities

The nature of the Corporation's accounts payable and accrued liabilities for the years ended December 31, 2023 and 2022, respectively, are as follows:

(thousands of USD)	As at Dec 31, 2023	As at Dec 31, 2022	As at Jan 1, 2022
Trade accounts payable	3,470	840	1,415
Accrued liabilities	4,689	3,725	3,787
Wages and payroll taxes payable	705	439	347
Other accounts payable	143	-	11
Total accounts payable and accrued liabilities	9,007	5,004	5,560

9. Shareholder's equity

The total authorized number of ordinary shares is 2,000 (2022 & 2021: 2,000 shares) with a par value of 1.71 euros per share. All issued shares are fully paid.

10. Revenue

The following tables include a reconciliation of disaggregated revenue by type of service provided.

Year ended December 31, 2023 (thousands of USD)	2023	2022	2021
Service revenue	35,494	23,600	8,456
Equipment rental revenue	7,886	6,329	3,294
Total revenue	43,380	29,929	11,750

The Corporation's revenue originates geographically in PNG.

11. Supplementary expense disclosures

(a) Oilfield services expenses by nature

(thousands of USD)	2023	Year ended December 31,	
		2022	2021
Personnel	12,199	10,568	2,333
Equipment operating and maintenance	1,035	1,242	646
Material and supplies	8,669	8,668	764
Drilling rig rental	6,400	2,888	3,427
Other	661	965	850
Total oilfield services expense	28,964	24,331	8,020

(b) General and administrative expenses by nature:

(thousands of USD)	2023	Year ended December 31,	
		2022	2021
Personnel	2,460	2,832	1,724
Professional, legal, and advisory fees	397	311	260
Information technology services	225	219	205
Corporate	226	174	103
Office and warehouse	255	78	23
Expense (recovery) of ECL	9	(38)	45
Vehicle, supplies and other	47	81	60
Total general and administrative expense	3,619	3,657	2,420

(c) Bank fees and finance expense:

(thousands of USD)	Year ended December 31,		
	2023	2022	2021
Bank fees	24	17	12
Lease finance expense (Note 7)	251	88	8
Other	(32)	2	-
Total bank fees and finance expense	243	107	20

12. Supplementary cash flow information

Changes in non-cash working capital balances:

(thousands of USD)	Year ended December 31,		
	2023	2022	2021
Source (use) of cash:			
Accounts receivable	(4,446)	442	(5,935)
Inventory, prepaid expense, and other assets	(352)	219	(395)
Accounts payable and accrued liabilities	4,003	(556)	2,957
Income taxes receivable	(147)	2,015	334
Income taxes payable	114	(356)	-
Due to / from related party	(539)	356	(541)
	(1,367)	2,120	(3,580)
Attributable to:			
Operating activities	(1,367)	2,120	(3,580)
Investing activities	-	-	-
Financing activities	-	-	-
	(1,367)	2,120	(3,580)

13. Income tax

(a) Income tax expense

	Year ended December 31, 2023	Year ended December 31, 2022	Year ended December 31, 2021
(thousands of USD)			
Current income tax expense	1,028	2,708	675
Deferred income tax expense (recovery)	(2,872)	(1,900)	(1,624)
Total tax expense (recovery)	(1,844)	808	(949)
	Year ended December 31, 2023	Year ended December 31, 2022	Year ended December 31, 2021
(thousands of USD)			
Net loss before income tax	(10,467)	(4,150)	(5,970)
Cypriot statutory tax rate	12.50%	12.50%	12.50%
Expected income tax expense (recovery)	(1,308)	(519)	(746)
Increase (decrease) resulting from:			
Effect of foreign tax and rates	(2,474)	541	(789)
Change in unrecognized deferred tax asset	945	-	-
Withholding taxes	955	661	573
Other	38	125	13
Total income tax expense (recovery)	(1,844)	808	(949)
Effective tax rate	17.60%	(19.50%)	15.90%

The provision for income tax differs from the result that would be obtained by applying the expected Cypriot tax rate of 12.50% (2022 – 12.50%) against the net loss before income taxes. The Corporation's effective tax rate was impacted mainly by unrecognized deferred tax assets related to deductible temporary differences in PNG and the effective rate and deductible differences in the Corporation's other international jurisdictions.

(b) Deferred tax assets (liabilities)

Differences between the accounting and tax bases of assets and liabilities at expected tax rates upon anticipated reversal of such differences create deferred tax assets and liabilities on the statement of financial position.

The following table summarizes the deferred income tax assets and liabilities by jurisdiction:

	As at December 31, 2023	As at December 31, 2022	As at January 1, 2022
Deferred income tax assets (liabilities):			
Property and equipment and inventory	(1,305)	(6,401)	(7,084)
Non-capital losses	2,250	3,504	1,967
Unrecognized deferred tax asset	(945)	-	-
Other	-	25	345
Net deferred income tax assets (liabilities)	-	(2,872)	4,772

The following tables summarize the movements of the deferred income tax assets and liabilities during the year:

	December 31, 2022	Recognized in net loss	December 31, 2023
Deferred income tax liabilities:			
Property and equipment and Inventory	(6,401)	5,096	(1,305)
Non-capital losses	3,504	(1,254)	2,250
Unrecognized deferred tax asset	-	(945)	(945)
Other	25	(25)	-
Net deferred income tax (liabilities) assets	(2,872)	2,872	-

	January 1, 2022	Recognized in net loss	December 31, 2022
Deferred income tax liabilities:			
Property and equipment and Inventory	(7,084)	683	(6,401)
Non-capital losses	1,967	1,537	3,504
Other	345	(320)	25
Net deferred income tax (liabilities) assets	(4,772)	1,900	(2,872)

(c) Unrecognized non-capital losses

Total non-capital losses carried forward for income tax purposes was \$9,006 at December 31, 2023 (December 31, 2022 - \$11,363; January 1, 2022 - \$8,589) which expire in years 2026 through 2030.

(d) Withholding taxes

The government of PNG levies withholding taxes when funds are repatriated out of the country, which includes intercompany dividends. For the year ended December 31, 2023, withholding tax levied associated with such charges amounted to a credit of \$200 for overpayment of 2022 taxes (2022 - an expense of \$1,900, 2021 - \$nil) and are recorded as part of current income tax expense. The average dividend withholding rate is 15% (2022 - 15%, 2021 - 15%).

The government of PNG levies foreign contractor withholding tax at 15% on all PNG revenue earned by companies incorporated outside of PNG, which includes the Corporation's Singaporean entity. Customers deduct this tax and remit it directly to the government in PNG. For the year ended December 31, 2023, this amounted to \$1,183 (2022 - \$923, 2021 - \$494) and is recorded as part of current income tax expense.

(e) Income tax receivable

Income tax receivable totaled \$503 at December 31, 2023 for installment payments made to the PNG government (2022 - \$356, 2021 - \$2,371). The Corporation can apply the prepayments to future income tax payments on earnings.

14. Financial Instruments and risk management

Financial instrument measurement and classification:

The Corporation's financial assets and liabilities consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, income tax receivable/payable and lease liabilities. The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and income tax receivable/payable approximate fair value due to the short-term nature of these instruments. The carrying value of lease liabilities where interest is charged at a fixed rate is not significantly different than fair value.

Financial and other risks:

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

Market risks:

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

a) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The Corporation currently has no financing or risk management contracts that would be affected by interest rates in place at December 31, 2023 and 2022.

b) Commodity price risk

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

These prices are sensitive to local, regional and world economic and geopolitical events. This includes implications from changing oil demand and supply, policy direction by OPEC, the ongoing effect of the conflicts between Russia & Ukraine and Israel & Palestine, climate-change-driven transitions to lower emission energy sources, the impact of future pandemics upon economic activity, the implications of changes to government and government policy and investment decisions in PNG to expand its LNG export capacity.

The Corporation had no risk management contracts that would be affected by commodity prices in place at December 31, 2023 and 2022.

c) Foreign currency risk

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

Most of the Corporation's revenue and expenses are effectively transacted in USD and the Corporation does not actively engage in foreign currency hedging.

d) PNG foreign currency restrictions

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

As at December 31, 2023, \$5,635 (December 31, 2022 - \$564) was on deposit with a large international bank in PNG. The Bank of PNG ("BPNG") has provided approval for the Corporation to maintain a USD bank account in accordance with the BPNG currency regulations. Historically, the Corporation has received approval from BPNG for drilling services contracts with its key customers in PNG to be denominated and settled in USD. The Corporation will continue to seek BPNG approval for our contracts to be settled in USD on a contract-by-contract basis, however, there is no assurance the BPNG will grant these approvals.

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

Credit risk, customers, and economic dependence:

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

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

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

The net carrying amount of accounts receivable represents the estimated maximum credit exposure on the accounts receivable balance. The Corporation customers are predominantly made up of large multinational customers in PNG.

The Corporation provided services to two large multinational customers who individually accounted for greater than 10% of its consolidated revenues during the year ended December 31, 2023 with total sales of \$42,799 (2022 – three large multinational customers with total sales of \$29,929, 2021 – three large multinational customers with total sales of \$9,906).

As at December 31, 2023, two customers represented a total of \$10,791 or 98% of outstanding accounts receivable (2022 – two customers representing \$5,807 or 89% of outstanding accounts receivable).

Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

The Corporation's processes for managing liquidity risk include preparing and monitoring capital and operating budgets, working capital management, coordinating, and authorizing project expenditures, authorization of contractual agreements, and managing compliance to debt finance agreements.

The following table details the remaining contractual maturities of the Corporation's financial liabilities as of December 31, 2023:

Payments due by period						
(thousands of USD)	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	Total
Accounts payable and accrued liabilities	9,007	-	-	-	-	9,007
Lease liabilities (including current)	75	391	394	113	-	973
Income tax payable	282	-	-	-	-	282
Total	9,364	391	394	113	-	10,262

15. Capital management

The Corporation's primary objective of capital management is to maintain a strong capital base, in conjunction with conservative long-term debt levels so as to maintain investor, creditor and market confidence, and to sustain future development of the business. The Corporation seeks to maintain a balance between higher returns on equity that might be possible with higher levels of borrowings and the advantages and security created by a well-capitalized equity position.

The Corporation has no long-term debt and therefore, its capital structure consists of Shareholder's equity of \$33,112 at December 31, 2023 (December 31, 2022 - \$41,734; January 1, 2022 \$57,445).

The Corporation prepares annual and quarterly operating and capital expenditure budgets, and forecasts to assist with the management of its capital. The Corporation intends to maintain a flexible capital structure and it may alter its dividend levels, raise new equity or issue new debt in response to a change in economic conditions.

There were no significant changes to the Corporation's approach to capital management during the years ended December 31, 2023, December 31, 2022 and December 31, 2021.

16. Related party transactions**Intercompany balances**

The table below summarizes the intercompany current asset and liability balances as at December 31, 2023 and 2022 and at January 1, 2022:

	As at December 31, 2023	As at December 31, 2022	As at January 1, 2022
Due from (to) HAES Inc.	210	(329)	27

Loan balance with HAES Inc.

As at January 1, 2022 the Corporation was owed \$10,000 by its parent company High Arctic Energy Services Inc. The loan was settled in 2022 with the Corporation forgiving the loan with High Arctic Energy Services Inc. and in return issuing a non-cash dividend in exchange. The loan earned interest at US\$ prime rate plus 0.5% calculated monthly. Interest income earned in 2022 was \$586 (2021 - \$389).

Dividends

The table below summarizes the dividends paid and the form of consideration used to settle the dividends to the Corporation's parent company High Arctic Energy Services Inc. for the years ended December 31, 2023, 2022 and 2021:

	Year ended December 31, 2023	Year ended December 31, 2022	Year ended December 31, 2021
Dividends paid in cash to HAES Inc.	-	750	4,675
Dividends settled by forgiving intercompany loan balance due from HAES Inc.	-	10,000	-
Dividends settled by forgiving intercompany balance due from HAES Inc.	-	-	500
Total dividends to HAES Inc.	-	10,750	5,175

Management fees

Management fees represent recoveries from High Arctic Energy Services Inc. of general and administrative costs incurred by the Corporation and its subsidiaries in the respective period. The table below summarizes the management fee earned by the Corporation from the Corporation's parent company High Arctic Energy Services Inc. for the years ended December 31, 2023, 2022 and 2021:

	Year ended December 31, 2023	Year ended December 31, 2022	Year ended December 31, 2021
Total	557	718	665

Executive personnel

The table below summarizes the executive compensation paid for the respective years:

	Year ended December 31, 2023	Year ended December 31, 2022	Year ended December 31, 2021
Total	630	928	782

One executive officer has a change of control clause (2022 – one executive officer) that would result in additional wages and benefit expenses being accrued if executed, as well as immediate vesting of outstanding share-based compensation plans.

17. Segmented Information

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

- a) *Drilling services*
This segment currently consists of the Corporation's drilling services provided in PNG, including the provision of drilling personnel to assist our customer's operations.
- b) *Ancillary services*
Ancillary services segment consists of the Corporation's oilfield rental equipment in PNG.
- c) *Production services*
Production services assets include the Corporation's hydraulic workover rig in PNG.

Details associated with each geographic and operating segment are provided as at and for the years ended December 31, 2023, 2022 and 2021 in the tables which follow.

i. Assets by geographic location

(thousands of USD)	As at December 31, 2023		As at December 31, 2022		As at January 1, 2022	
Segment	Non-current assets	Total Assets	Non-current assets	Total Assets	Non-current assets	Total Assets
PNG	13,116	42,156	32,439	49,242	39,702	57,579
Australia	168	1,109	226	1,111	73	792
Cyprus	-	109	-	217	10,000	10,091
	13,284	43,374	32,665	50,570	49,775	68,462

ii. Income (loss) from reportable segments

Year ended December 31, 2023					
(thousands of USD)	Drilling services	Ancillary services	Production services	Corporate	Total
Revenue	35,494	7,886	-	-	43,380
Oilfield services expenses	(26,980)	(1,937)	(47)	-	(28,964)
General and administrative expenses	(2,242)	(140)	-	(1,237)	(3,619)
Depreciation and amortization expenses	(4,006)	(1,578)	(582)	(56)	(6,222)
Management fee income	-	-	-	557	557
Bank fees and finance expenses	(224)	(7)	-	(12)	(243)
Foreign exchange gain (loss)	(148)	6	-	(1)	(143)
Gain (loss) on sale of property and equipment	5	(18)	-	-	(13)
Asset impairment loss	(13,870)	-	(1,330)	-	(15,200)
Net segment earnings (loss) before income tax	(11,971)	4,212	(1,959)	(749)	(10,467)
Year ended December 31, 2022					
(thousands of USD)	Drilling services	Ancillary services	Production services	Corporate	Total
Revenue	23,600	6,329	-	-	29,929
Oilfield services expenses	(22,399)	(1,866)	(66)	-	(24,331)
General and administrative expenses	(1,964)	(67)	-	(1,626)	(3,657)
Depreciation and amortization expenses	(5,165)	(1,998)	(474)	(57)	(7,694)
Interest income	-	-	-	586	586
Management fee income	-	-	-	718	718
Bank fees and finance expenses	(95)	(7)	-	(5)	(107)
Foreign exchange gain (loss)	1	-	-	(11)	(10)
Gain (loss) on sale of property and equipment	(105)	521	-	-	416
Net segment earnings (loss) before income tax	(6,127)	2,912	(540)	(395)	(4,150)

Year ended December 31, 2021

(thousands of USD)	Drilling services	Ancillary services	Production services	Corporate	Total
Revenue	8,456	3,294	-	-	11,750
Oilfield services expenses	(7,139)	(806)	(75)	-	(8,020)
General and administrative expenses	(1,055)	(97)	-	(1,268)	(2,420)
Depreciation and amortization expenses	(5,656)	(2,591)	(36)	(60)	(8,343)
Interest income	-	-	-	389	389
Management fee income	-	-	-	665	665
Bank fees and finance expenses	(10)	(3)	-	(7)	(20)
Foreign exchange gain (loss)	(7)	(10)	-	7	(10)
Gain on sale of property and equipment	4	35	-	-	39
Net segment loss before income tax	(5,407)	(178)	(111)	(274)	(5,970)

iii. Asset breakdown by reportable segments

(thousands of USD)	As at December 31, 2023				
	Drilling services	Ancillary services	Production services	Corporate	Total
Property and equipment	6,269	5,586	516	-	12,371
Right of use assets	745	-	-	168	913
Total assets	29,350	12,399	516	1,109	43,374

(thousands of USD)	As at December 31, 2022				
	Drilling services	Ancillary services	Production services	Corporate	Total
Property and equipment	23,469	6,310	2,428	-	32,207
Right of use assets	232	-	-	226	458
Total assets	37,890	9,454	2,645	581	50,570

(thousands of USD)	As at January 1, 2022				
	Drilling services	Ancillary services	Production services	Corporate	Total
Property and equipment	28,297	11,268	58	-	39,623
Right of use assets	79	-	-	73	152
Total assets	56,823	10,789	58	792	68,462

18. Commitments and contingencies

As part of the Corporation's contractual rig management and operations, the Corporation has been supplied with equipment and an inventory of spare parts with a total value of \$6,135 at December 31, 2023 (December 31, 2022 - \$6,135, January 1, 2022 - \$6,135) by a customer for the Corporation's operations in PNG. The capital equipment and inventory are owned by this party and have not been recorded on the books of HAES Cyprus. Written notice is required to end the contract. When the notice to terminate is communicated, the Corporation must return the balance of capital equipment and inventory and make a payment to the customer equivalent to any shortfall. As at, December 31, 2023, the Corporation has recorded a current obligation of \$2,589 (December 31, 2022 - \$2,414, January 1, 2022 - Nil) as a result of consuming third-party owned inventory in operations which it is required to replenish on or prior to the termination of the contractual arrangement.

APPENDIX "E"
HAES Cyprus Annual MD&A

HIGH ARCTIC ENERGY SERVICES CYPRUS LIMITED

MANAGEMENT'S DISCUSSION & ANALYSIS

**FOR THE YEARS ENDED
December 31, 2023, 2022 and 2021**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis ("MD&A") is a summary review of risks, the results of operations, liquidity, and capital resources of High Arctic Energy Services Cyprus Limited and its subsidiaries ("HAES Cyprus" or the "Corporation") and should be read in conjunction with the audited consolidated financial statements and notes of the Corporation for the years ended December 31, 2023, 2022 and 2021 (the "Financial Statements").

The Financial Statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

This MD&A complements and supplements the Financial Statements as at December 31, 2023, and 2022 and for the years ended December 31, 2023, 2022, and 2021 of HAES Cyprus. For a full understanding of the financial position and results of operations of the PNG Business, this MD&A should be read in conjunction with the Financial Statements of the Corporation and the historical annual and interim consolidated financial statements, and annual information forms of its parent company High Arctic Energy Services Inc. ("High Arctic") for the years ended December 31, 2023, 2022 and 2021. High Arctic's historical annual and interim consolidated financial statements are available at www.sedarplus.ca under High Arctic's profile.

Management is responsible for the integrity of the information contained in this MD&A and for consistency between the MD&A and the Financial Statements. In preparing these statements, estimates, judgments and allocations were necessary and management believes these have been based on careful judgements and are properly presented. The Financial Statements have been prepared using policies and procedures established by management and fairly reflect the Corporation's financial position, statements of comprehensive loss, changes in shareholder's equity and cash flows.

Readers are cautioned that this MD&A contains certain forward-looking information. Please refer to the "Forward-Looking Statements" section of this MD&A for the Corporation's discussion on forward looking information including risk factors that could cause actual results to differ materially from such forward-looking information and certain assumptions used to underlie the forward-looking information. Definitions of certain non-IFRS financial measures are included under the "Non-IFRS Measures" section of this MD&A. Please refer to abbreviations listed on the last page of this MD&A. All amounts are expressed in thousands of US Dollars ("USD") unless otherwise noted. USD is the functional and reporting currency of the Corporation.

In the following discussion, the year ended December 31, 2023 may be referred to as "FY 2023". The comparative years ended December 31, 2022 and 2021 may be referred to as "FY 2022" and "FY 2021" respectively.

CORPORATE PROFILE

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

Drilling Services

The Drilling Services segment consists of the Corporation's drilling services with its drilling assets in PNG including the provision of personnel to assist our customer's drilling related operations. The Corporation has operated in PNG since 2007 and controls the largest fleet of tier-one heli-portable drilling rigs in the country, with two owned rigs and one rig managed by the Corporation under operating and maintenance contracts for one of the Corporation's customers.

Ancillary Services

The Ancillary Services segment consists of a fleet of rental equipment that includes matting, cranes, forklifts, trucks, camps, tanks, and vehicles and primarily services the oil and gas exploration and production companies operating in PNG.

Production Services

The Production Services segment in PNG comprises the Corporation's hydraulic workover rig, the only dedicated workover rig in PNG.

Select Comparative Financial Information

The following is a summary of select financial information of the Corporation:

(thousands of USD)	2023	Years ended Dec 31,	
		2022	2021
Operating results			
Revenue	43,380	29,929	11,750
Net loss ⁽²⁾	(8,623)	(4,958)	(5,021)
Oilfield services operating margin ⁽¹⁾	14,416	5,598	3,730
<i>Oilfield services operating margin as a % of revenue ⁽¹⁾</i>	33.2%	18.7%	31.7%
EBITDA ^{(1) (2)}	(4,002)	3,065	2,004
Adjusted EBITDA ⁽¹⁾	11,354	5,517	1,975
<i>Adjusted EBITDA as a % of revenue ⁽¹⁾</i>	26.2%	18.4%	16.8%
Operating income (loss) ⁽¹⁾	4,575	(5,753)	(7,033)
Cash flow from operations:			
Cash flow from (used in) operating activities	8,906	2,632	(1,898)
Funds flow from operating activities ⁽¹⁾	10,273	512	1,682
Capital expenditures	1,080	401	1,870
		As at December 31	
(thousands of USD)	2023	2022	2021
Financial position:			
Working capital ⁽¹⁾	20,335	12,173	12,442
Cash and cash equivalents	10,958	3,846	1,886
Total assets	43,374	50,570	68,462
Shareholder's equity	33,112	41,734	57,445

(1) Oilfield services operating margin, EBITDA (Earnings before interest, tax, depreciation, and amortization), Adjusted EBITDA, Operating loss, Funds flow from operating activities and Working capital do not have a standardized meanings prescribed by IFRS – see “Non IFRS Measures” on page 11 for calculations of these measures.

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

Operating Results

Drilling services segment

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

(1) See “Non-IFRS Measures”

Revenues for FY 2023 increased over the comparable period in 2022 and 2021 primarily as revenues generated from the reactivation of Rig 103 in mid-March of 2023 far exceeded revenues earned in 2022 from the short-term contract awarded to Rig 115, and the lack of any meaningful drilling activity in 2021. Slightly offsetting the increased revenue from the higher drilling rig utilization in FY 2023 was a reduced level of revenue from the provision of manpower as personnel were allocated to roles in or supporting the increased drilling operations. In 2021 and 2022, significant revenue was provided by the deployment of personnel with two main customers while drilling services were suspended, predominantly due to restrictions associated with the COVID-19 pandemic. The Corporation continues to develop its labour resourcing capabilities for its customers.

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

The Corporation owns two heli-portable drilling rigs (Rigs 115 and 116) which remain preserved and maintained ready for deployment. Rig 115 last worked in the first half of 2022, conducting a complex well abandonment. Rig 116 has not been contracted for work since its initial contract expired in 2017 and accordingly will require certain capital refurbishment before going back to work.

Ancillary services segment

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

(1) See "Non-IFRS Measures"

The Ancillary services segment consists of the Corporation's oilfield rental equipment in PNG. In 2023, rental services revenue increased over FY 2022 as additional rental equipment was deployed with the Rig 103 drilling operations in PNG. Revenue in 2021 was considerably lower than FY 2023 and FY 2022 due to lower activity in PNG predominantly due to restrictions associated with the COVID-19 pandemic.

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

Production services segment

There has been no revenue generating activity in the Corporation's Production services segment in 2021, 2022 or 2023. The Corporation continues to market its hydraulic workover rig package, Rig 102, in PNG and across the region. Oilfield services expenses for the Production services segment totalled \$47, \$66 and \$75 for FY 2023, 2022 and 2021 respectively.

General and Administrative ("G&A")

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

G&A expenses totalled \$3,619 for FY 2023, consistent with the \$3,657 incurred in 2022 which itself was up 51% from 2021 as PNG exited the deepest restrictions imposed to attempt to control the spread of COVID-19 and the Corporation returned personnel to full time employment. When compared to 2022 G&A, costs were relatively flat as headcount remained consistent throughout the two years. As a percentage of revenue, G&A decreased from 20.6% in 2021 to 12.2% in 2022 to 8.3% in 2023 primarily as a result of the increasing revenue base from year to year.

Interest income

Interest income earned in 2023 was nil (2022 - \$586 and 2021 - \$389). Interest was earned on a \$10 million loan owing to the Corporation's parent High Arctic Energy Services Inc. The loan was settled in 2022 with the Corporation forgiving the loan with High Arctic Energy Services Inc. and in return issuing a non-cash dividend in exchange.

Bank fee and finance expense

Bank fees and finance expenses incurred in 2023 totalled \$243 (2022 - \$107 and 2021 - \$20). The increase in these expenses is primarily due to the first full year of finance expenses related to the lease agreement for its Port Moresby yard and office facility in PNG.

Management fees

Management fees earned in 2023 were \$557 (2022 - \$718 and 2021 - \$665). These fees represent recoveries from High Arctic Energy Services Inc. of general and administrative costs incurred by the Corporation and its subsidiaries in the respective period.

Depreciation

Full year 2023 depreciation expense of \$6,222 was lower than the FY 2022 depreciation expense of \$7,694 primarily as a result of the reduced cost base of the Corporation's property and equipment and right-of-use assets following the impairment recorded in 2023.

Impairment

During FY 2023, the Corporation identified indicators of potential impairment in its PNG Operations CGU. The indicators noted have created uncertainty around future drilling activity levels in PNG for the Corporation. The Corporation performed an impairment test to determine the recoverable amount of the PNG Operations CGU and it was determined that the recoverable amount of the PNG Operations CGU was below its carrying value resulting in an impairment of \$15,200 in 2023, reducing the net carrying value of oilfield property and equipment.

Income taxes

(thousands of USD, unless otherwise noted)	Years ended Dec 31,		
	2023	2022	2021
Net loss before income tax	(10,467)	(4,150)	(5,970)
Current income tax expense	(1,028)	(2,708)	(675)
Deferred income tax recovery (expense)	2,872	1,900	1,624
Total income tax recovery (expense)	1,844	(808)	949
Effective tax rate	17.6%	(19.5%)	15.9%

The Corporation's current income tax expense comprises withholding taxes incurred in foreign jurisdictions where the Corporation has its operations. These withholding taxes are based on revenues earned or dividends paid and not on pre-tax income and as a result makes comparing effective tax rates from one period to another difficult. The reduction in current income tax expense in 2023 is due primarily to taxes levied on a dividend paid by PNG to the Corporation. The income tax recovery for 2023 relates primarily to a deferred income tax recovery of \$2,880 due to the impairment recorded in 2023.

Total non-capital losses carried forward for income tax purposes was \$2,250 at December 31, 2023 (2022 - \$3,504).

Liquidity and capital resources

(thousands of USD)	Years ended Dec 31,		
	2023	2022	2021
<u>Cash provided by (used in) operations:</u>			
Operating activities	8,906	2,632	(1,898)
Investing activities	(1,080)	324	(1,825)
Financing activities	(714)	(993)	(4,967)
Effect of exchange rate changes on cash	-	(3)	12
Increase (decrease) in cash	7,112	1,960	(8,678)

(thousands of USD, unless otherwise noted)	As at	As at	As at
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2021
Current assets	30,090	17,905	18,687
Working capital ⁽¹⁾	20,335	12,173	12,442
Working capital ratio ⁽¹⁾	3.1:1	3.1:1	3.0:1
Cash and cash equivalents	10,958	3,846	1,886

(1) See "Non-IFRS Measures"

The Bank of PNG ("BPNG") continues to encourage the use of the local market currency, Kina, or PGK. Due to the PNG Business requirement to transact with international suppliers and customers, it has received approval from the BPNG to maintain its onshore PNG USD account within the conditions of the BPNG currency regulations. The Corporation continues to use PGK for local transactions when practical. Included in the BPNG's conditions is for PNG drilling contracts to be settled in PGK, unless otherwise approved by the BPNG for the contracts to be settled in USD. The Corporation has historically received such approval for its contracts with its key customers in PNG. The Corporation will continue to seek BPNG of PNG approval for contracts to be settled in USD on a contract-by-contract basis, however, there is no assurance the BPNG will grant these approvals.

If such approvals are not received, the Corporation's PNG drilling contracts will be settled in PGK which would expose the Corporation to exchange rate fluctuations related to the PGK. In addition, this may delay the Corporation's ability to receive USD which may impact the Corporation's ability to settle USD denominated liabilities and repatriate funds from PNG on a timely basis. The Corporation also requires the approval from the PNG Internal Revenue Commission ("IRC") to repatriate funds from PNG and make payments to non-resident PNG suppliers and service providers. While delays can be experienced for the IRC approvals, all such approvals have eventually been received in the past.

Operating Activities

For the year ended December 31, 2023, cash generated from operating activities was \$8,906, up from \$2,632 in 2022. Funds flow from operations totaled \$10,273 in the year ended December 31, 2023 compared to \$512 in 2022 (see "Non-IFRS Measures"). In 2023, there was a \$1,367 cash outflow from working capital changes compared to an inflow of \$2,120 in 2022. Cash outflows in 2021 were a result of lower activity in PNG predominantly due to restrictions associated with the COVID-19 pandemic.

Investing Activities

During the year ended December 31, 2023, the Corporation's cash used in investing activities was \$1,080 (2022: \$324 inflow) reflecting capital expenditures whereas in 2022, capital expenditures were \$401 offset by proceeds on disposal of \$725. The investments were predominantly spent on rental equipment for opportunistic deployment under take-or-pay customer contracts. In 2021 cash used in investing activities totaled \$1,825 primarily as a result of the Corporation investing in its hydraulic workover rig package, Rig 102 in anticipation of new contracts for services.

Financing Activities

During the year ended December 31, 2023, the Corporation's cash used in financing activities was \$714 compared to the \$993 used in 2022. FY 2022 includes a dividend payment to High Arctic of \$750. The remaining amounts relate to the financing component of PNG's lease obligation payments. 2023 was higher in this regard compared to 2022 as it was the first full year of the three-year lease agreement for its Port Moresby yard and office facility in PNG. Cash used in financing activities was \$4,967 in 2021 primarily driven by a large cash dividend of \$4,675 paid to High Arctic.

Commitments and Contingencies

As part of the Corporation's contractual rig management and operations, the Corporation has been supplied with equipment and an inventory of spare parts with a total value of \$6,135 at December 31, 2023 (December 31, 2022 - \$6,135, January 1, 2022 - \$6,135) by a customer for the Corporation's operations in PNG. The capital equipment and inventory are owned by this party and have not been recorded on the books of HAES Cyprus. Written notice is required to end the contract. When the notice to terminate is communicated, the Corporation must return the balance of capital equipment and inventory and make a payment to the customer equivalent to any shortfall. As at, December 31, 2023, the Corporation has recorded a current obligation of \$2,589 (December 31, 2022 - \$2,414, January 1, 2022 - Nil) as a result of consuming third-party owned inventory in operations which it is required to replenish on or prior to the termination of the contractual arrangement.

Industry Indicators and Market Trends

The following table provides information for the last three years to assist with the understanding of the PNG oilfield services industry and the effect that commodity prices have on industry activity levels.

	2023	2022	2021
Oil and LNG prices –			
Average for each period:			
Brent crude oil (US\$/bbl) ⁽¹⁾	82	99	71
Japan LNG (US\$/mmbtu) ⁽²⁾	14.39	18.43	10.76

(1) Source: Sproule

(2) Source: YCharts

Pricing for oil and natural gas production in PNG is generally tied to world prices such as Brent crude oil and Japan LNG, which rebounded strongly from lows experienced in 2020 and early 2021 when global demand was negatively impacted by COVID-19. Current commodity price levels provide a sustainable environment in which to invest in exploring for and developing new oil and gas reserves.

In 2023 Brent crude oil pricing has retreated from the high pricing environment experienced in 2022, with periods of trading below \$80/bbl. Trading was similar for international LNG sales, as European sales volumes pulled back from the levels observed in 2022 as a consequence of the conflict in Ukraine and the explosion of the Nord Stream II pipelines, in 2023 US LNG output increased and milder winters were encountered. The Corporation's PNG activity has historically been based on longer term, USD denominated contracts and therefore is less affected over the short-term volatility in oil and gas prices.

Activity levels for the Corporation's major customers in PNG are less dependent on short-term fluctuations in oil and gas prices and instead are based on medium and long-term decisions, particularly with their significant interest in large scale LNG projects both on-stream and in-development.

Financial Risk Management

Financial and other risks

The Corporation is exposed to financial risks arising from its financial assets and liabilities. This includes pandemic and/or endemic disease risk or the risk that operations and/or administration are forced to run at less than full capacity due to an absence or reduction of members of the workforce, either through forced closures by government both within countries and across national borders, by internally imposed rotational schedules and/or quarantine or illness of the workforce. This risk was significant in 2021 in relation to COVID-19. Further, geopolitical risks are the potential risks that a business may face due to changes in global events, policies, or regulations. These could impact the Corporation's workforce and operations by limiting market access and increasing costs. Also, cyber-security risks increase as the Corporation outsources its IT servers to cloud providers and employees work remotely. Such restrictions could significantly impact the ability of the Corporation to operate, and therefore impact financial results.

Market and other related risk

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

a) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The Corporation currently has no financing arrangements. The Corporation is therefore only exposed to interest rate risk on any future borrowing as rates fluctuate in response to changes in monetary policy and the applicable interest rates. The Corporation had no risk management contracts that would be affected by interest rates in place at December 31, 2023.

b) Commodity price risk

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

These prices are sensitive to local, regional and world economic and geopolitical events. This includes implications from changing oil demand and supply, policy direction taken by OPEC including the role taken by Russia, climate change driven transitions to lower emission energy sources, the implications of changes to government and government policy and ongoing negotiations in PNG to build LNG expansion with industry.

While the Corporation recognizes it will be impacted by these risks, the Corporation also strongly believes that there is a significant role for the energy services industry in the current, transitional, and future phases of energy industry changes.

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

Foreign currency risk and PNG foreign currency restrictions

Foreign currency risk is the risk that a variation in the exchange rate between the USD and foreign currencies will affect the Corporation's results. The Corporation has exposure to PNG Kina ("PGK") fluctuations and other currencies such as the Australian dollar ("AUD") through its international operations. As a result, the Corporation is exposed to foreign exchange gains and losses through the settlement of foreign currency denominated transactions, which is recorded in net earnings (loss), as well as the conversion of the Corporation's subsidiaries with functional currencies other than USD, into USD for financial reporting presentation purposes, which is recorded as part of other comprehensive income (loss) within shareholder's equity.

The Corporation hedges its exposure to the PGK somewhat by denominating all of its major service contracts in USD regardless of whether they are settled in USD or in PGK. It does have some exposure via minor service contracts denominated and settled in PGK, local supplier and payroll expenses incurred in PGK and through bank balances carried in PGK. The impact of exchange rates for FY 2023 resulted in \$143 in foreign exchange losses (FY 2022 - \$10) primarily as a result of the depreciation of the PGK in 2023.

The Corporation has a subsidiary domiciled in Australia which is the Corporation's only entity with a functional currency that is not USD. Accordingly, the Corporation is also exposed to costs in AUD related primarily for the provision of management and administrative services. For the years ended December 31, 2023 and December 31, 2022 a \$0.10 change in the exchange rate of the USD relative to the AUD would have resulted in an immaterial change to the net loss of the Corporation as the Australia subsidiary had nil income after receiving management fee income from High Arctic.

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

As at December 31, 2023, \$5,635 (December 31, 2022 - \$564) was on deposit with a large international bank in PNG. BPNG has provided approval for the PNG Business to maintain a USD bank account in accordance with the BPNG currency regulations.

Historically, the Corporation has received approval from BPNG for most of its drilling services contracts with its key customers in PNG to be denominated and settled in USD. However, if such approval is withdrawn in the future, or new contracts do not receive BPNG approval, funds may be converted into PGK and the Corporation would be required to access the foreign currency market in PNG to meet its foreign currency obligations, thus exposing the Corporation to greater foreign exchange exposure for the PGK.

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

The Corporation's financial instruments have the following foreign exchange exposure as at December 31, 2023:

(in thousands)	PGK ⁽¹⁾	Aus Dollar (AUD) ⁽²⁾
Cash	4,621	373
Accounts receivable	4,823	10
Accounts payable and accrued liabilities	(29)	(20)
Total	9,415	363

(1) As at Dec 31, 2023, one PGK was equivalent to 0.2655 USD.

(2) As at Dec 31, 2023, one AUD was equivalent to 0.6806 USD.

PNG restrictions on distributions

As at December 31, 2023, the Corporation's cash balances in PNG totaled \$6,563. Dividends paid out of PNG are subject to a dividend withholding tax of 15% and are held at source. As a result of this PNG tax legislation, a restriction therefore exists on the total amount of funds the Corporation could repatriate if a dividend were declared and paid. Assuming the Corporation declared a dividend for the full amount of its cash balances held at December 31, 2023, the dividend would attract a withholding tax in PNG of approximately \$985 and the funds repatriated from PNG would be reduced accordingly.

Credit risk, customers, and economic dependence

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

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

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

The net carrying amount of accounts receivable represents the estimated maximum credit exposure on the accounts receivable balance. The Corporation has a range of customers comprised of predominantly large global customers in PNG.

The Corporation provided services to two large multinational customers who individually accounted for greater than 10% of its consolidated revenues during the year ended December 31, 2023 with total sales of \$42,799 (2022 – three large multinational customers with total sales of \$29,929, 2021 – three large multinational customers with total sales of \$9,906).

As at December 31, 2023, two customers represented a total of \$10,791 or 98% of outstanding accounts receivable (2022 – two customers representing \$5,807 or 89% of outstanding accounts receivable).

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

Liquidity risk is currently being impacted by uncertainty within capital markets given the increase in inflation across global economies, economic recession possibilities, contraction of available capital and monetary tightening policies implemented by governments around the world.

The Corporation's processes for managing liquidity risk include preparing and monitoring capital and operating budgets, working capital management, coordinating, and authorizing project expenditures, authorization of contractual agreements and remaining attentive to the relationship with the Corporation's bankers and other creditors. The Corporation seeks to manage its financing based on the results of these processes.

Critical Accounting and other Significant Judgements and Estimates

As a routine element of the financial statement preparation process, management is required to make estimates and assumptions based on information available as at the financial statement date. These estimates and assumptions affect the reported amounts of assets and liabilities, and the possible disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenue and expenses for the period.

Information on the Corporation's critical accounting judgements and estimates can be found in Note 2 Basis of Presentation – Critical Accounting Judgements and Estimates in the audited annual consolidated financial statements for the year ended December 31, 2023. Although estimates and assumptions must be made during the financial statement preparation process, it is management's opinion that none of the estimates or assumptions were Highly uncertain at the time they were made. The most significant estimates in the Corporation's Financial Statements relate to, but are not limited to, the following:

Accounts receivable – Expected credit loss

The Corporation estimates the amount of expected credit losses for trade receivables with no financing component using a provision matrix. The provision matrix is based on historical loss experience and is adjusted for forward-looking estimates based on current and future economic conditions using internal and externally sourced data. Judgement is required when applying this information to the expected credit loss and any adjustments as a result of new information.

The Corporation uses the simplified approach of the expected credit loss model for trade receivables with no significant financing component which requires measuring the loss allowance at an amount equal to the lifetime expected credit losses at initial recognition and throughout its life.

Inventory obsolescence provision

The Corporation measures inventories at the lower of the cost and net realizable value. The cost of inventories may not be recoverable if inventories are damaged or can no longer be used in the field and are therefore obsolete. Judgement is required when determining which inventory requires a provision for obsolescence.

The Corporation inspects inventory throughout the year and adjusts provisions for obsolete inventory each reporting period. Inventory that is identified as damaged or obsolete is eventually scrapped and removed from the inventory listing.

Identification of CGUs & impairment of property and equipment

Property and equipment are tested for impairment when events and/or changes in circumstances indicate that the carrying amount may not be recoverable which involves both judgement and estimation. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, defined as CGUs.

The classification of assets and allocation of corporate assets in CGUs requires significant judgement and interpretation. Further, the factors considered in CGU classification include the integration between assets, shared infrastructures, the existence of common sales points, geography and the way management monitors and makes decisions about its operations. As such, the determination of a CGU involves considerable judgement and could have a significant impact on impairment losses and reversals.

The assessment of impairment or impairment reversal indicators is based on significant judgment of whether there are internal and external factors that would indicate that a CGU and specifically the non-financial assets within the CGU, either are impaired or are no longer impaired. These factors include revenue and earnings before interest, taxes, depreciation and amortization ("EBITDA") forecasts, expected industry activity levels, commodity price developments and market capitalization.

The recoverable amount is the higher of a CGU's fair value less costs of disposal and value in use (being the present value of the expected future cash flows of the CGU). Estimates of revenues and EBITDA forecasts used in the evaluation of impairment of assets are made using management's current operating forecasts, expected utilization, rates and costs of available equipment (margin), terminal values and discount rates. An impairment loss is recognized for the amount by which the CGU's carrying amount exceeds its expected recoverable amount.

At December 31, 2023, the Corporation determined that no indicators of impairment existed within the Corporation's CGU.

Business Risks and Uncertainties

In addition to the financial risks discussed above under "Financial Risk Management", below under "Forward Looking Statements" and elsewhere in this MD&A, the Corporation is exposed to a number of business risks and uncertainties that could have a material impact. They include, but are not limited to:

Risks Applicable to the Oil and Gas Industry in General

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

- volatility in global supply and demand and market prices for oil and natural gas and the effect of these volatilities on the demand for oilfield services generally;
- the Russia-Ukraine conflict has had a significant impact on many aspects of the global economy. It has affected geopolitical relations between Russia and other countries, disrupted oil and gas supply chains, led to an increased focus on energy security and increased demand for energy services from other regions. This conflict could continue to cause disruption in the long term due to political tensions, policy change and economic factors;
- the emergence of conflict in the Middle East has increased risk to safe transportation and shipping via the Suez Canal and threatens to impact global oil and gas trade;
- general economic and political conditions in jurisdictions in which the Corporation operates including variations in currency exchange rates, interest rates and income tax rates;
- macroeconomic events can have a wide-ranging effect on the global economy. This includes increasing prices of commodities, impacts of government fiscal policy, increased costs of doing business and higher borrowing costs due to rising interest rates;
- risks inherent in foreign operations, including political, economic risk and the risk of foreign currency controls that could restrict the transfer of funds in or out of countries in which the Corporation operates or result in the imposition of taxes on such transfers;
- lingering effects of the Covid-19 pandemic which resulted in cessation of travel to PNG for nearly 2 years and has caused widespread economic volatility, with effects ranging from restrictions on freedom of movement and disruptions to deployment of labour force, international trade, and tourism;
- suppliers and third-party vendors experiencing workforce disruption or being ordered to cease operations;
- the implications of changes to government and government policy in countries where the Corporation conducts business;
- government and regulatory approval of our customers' projects;
- changes in legislation and the regulatory environment, including uncertainties with respect to royalty regimes, environmental guidelines, climate change policy, and resource extraction or development agreements;
- alternatives to and changing demands for petroleum products;
- the worldwide demand for oilfield services in connection with the workover and completion of oil and natural gas wells;

- liabilities and risks inherent in oil and natural gas operations, including environmental liabilities and risks arising below ground surface;
- credit risks associated with customers in the oil and natural gas industry, including the inability of a significant customer to pay for goods and services that have been provided;
- natural disasters, including earthquakes, particularly in PNG which is a country with frequently measured seismic events; and
- uncertainties in weather affecting the ability to provide services and/or the duration of the service periods and the activities that can be completed.

These factors may have an impact upon the Corporation and its customer base which, in turn, would impact the Corporation's business prospects. Readers of this MD&A should carefully consider the risks described under the heading "Risk Factors" in the accompanying Management Information Circular Appendix 'E', which are specifically incorporated by reference herein. The Management Information Circular is available on SEDAR+ at www.sedarplus.ca, copies of which can be obtained on request, from the Corporation.

Non-IFRS Measures

This MD&A contains references to certain financial measures that do not have a standardized meaning prescribed by IFRS and may not be comparable to the same or similar measures used by other companies. The Corporation uses these financial measures to assess performance and believes these measures provide useful supplemental information to shareholders and investors. These financial measures are computed on a consistent basis for each reporting period and include the following:

Earnings from operations before interest, taxes, depreciation, and amortization ("EBITDA")

EBITDA is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. EBITDA is defined as net loss adjusted for income taxes, interest, bank charges and finance expense, and depreciation. Management believes that, in addition to net loss reported in the consolidated statements of loss and comprehensive loss, EBITDA is a useful supplemental measure of the Corporation's performance prior to consideration of how operations are financed or how results are taxed or how depreciation and amortization affects results. EBITDA is not intended to represent or be construed as an alternative to net earnings (loss) calculated in accordance with IFRS. Refer to table in Adjusted EBITDA below that provides a reconciliation of net earnings (loss), as disclosed in the consolidated statements of loss and comprehensive loss, to EBITDA.

Adjusted EBITDA

Adjusted EBITDA is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Adjusted EBITDA is defined based on EBITDA (as defined above) prior to the effect of gains or losses on sales of property and equipment, impairment charges, non-recurring and inventory adjustments, excess of insurance proceeds over costs and foreign exchange gains or losses.

Management believes the addback for these items provides a more comparable measure of the Corporation's operational financial performance between periods. Adjusted EBITDA as presented is not intended to represent or be construed as an alternative to net loss in accordance with IFRS.

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

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

Oilfield services operating margin

Oilfield services operating margin is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Oilfield services operating margin is used by management to analyze overall operating performance. Management believes this non-IFRS financial measure provides useful information to investors and others in understanding the Corporation's operating performance. Oilfield services operating margin is not intended to represent revenue, net earnings (loss), or other measures of financial performance calculated in accordance with IFRS. Oilfield services operating margin is calculated as revenue less oilfield services expense. Oilfield services operating margin as presented is not intended to represent or be construed as an alternative to revenue or net earnings (loss) in accordance with IFRS. The table disclosed under "Oilfield services operating margin %" below provides a quantitative reconciliation of revenue, as disclosed in the consolidated statements of loss and comprehensive loss, to oilfield services operating margin and oilfield operating margin % for the years ended December 31, 2023, 2022 and 2021.

Oilfield services operating margin %

Oilfield services operating margin % is a non-IFRS measure in line with oilfield services operating margin discussed above. Oilfield services operating margin % is used by management to analyze overall operating performance. Oilfield services operating margin % is calculated as oilfield services operating margin divided by revenue.

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

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

Operating income (loss)

Operating income (loss) is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Operating income (loss) is used by management to analyze overall operating performance. Management believes this non-IFRS financial measure provides useful information to investors and others in understating the Corporation's operating performance. Operating income (loss) is not intended to represent revenue, net earnings (loss), or other measures of financial performance calculated in accordance with IFRS. Operating income (loss) is calculated as revenue less oilfield services expense, general and administrative expense and depreciation. Operating income (loss) as presented is not intended to represent or be construed as an alternative to revenue or net earnings (loss) or other measures of financial performance calculated in accordance with IFRS.

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

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

Percentage of revenue

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

Funds flow from operations

Funds flow from operations is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Funds flow from operations is defined as net cash generated (used in) from operating activities adjusted for changes in non-cash working capital. Management believes that, in addition to net cash generated from operating activities as reported in the consolidated statements of cash flows, cash generated from operating activities before changes in non-cash working capital adjustments is a useful supplemental measure as it provides an indication of the funds generated by the Corporation's principal business activities prior to consideration of changes in items of working capital.

This measure is not intended to represent or be construed as an alternative to net cash generated from operating activities as calculated in accordance with IFRS.

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

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

Working capital

Working capital is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Working capital is used by management as another measure to analyze the operating liquidity available to the Corporation. It is defined as current assets less current liabilities. Working capital ratio is defined as current assets divided by current liabilities. This measure is not intended to represent or be construed as an alternative to current assets as calculated in accordance with IFRS.

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

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

Forward-Looking Statements

This MD&A contains forward-looking statements. When used in this document, the words “may”, “would”, “could”, “will”, “intend”, “plan”, “anticipate”, “believe”, “seek”, “propose”, “estimate”, “expect”, and similar expressions are intended to identify forward-looking statements. Such statements reflect the Corporation’s current views with respect to future events and are subject to certain risks, uncertainties, and assumptions. Many factors could cause the Corporation’s actual results, performance, or achievements to vary from those described in this MD&A.

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 MD&A as intended, planned, anticipated, believed, estimated or expected. Specific forward-looking statements in this MD&A include, among others, statements pertaining to the following: general economic and business conditions which will include, among other things, the outlook for energy services; continued impact of Russia-Ukraine conflict; the impact of conflict in the middle east; the Corporation’s ability to maintain a USD bank account and conduct its business in USD in PNG; market fluctuations in commodity prices, and foreign currency exchange rates; restrictions to repatriate funds held in PGK; expectations regarding the Corporation’s ability to manage its liquidity risk; raise capital and manage its debt finance agreements; 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; the Corporation’s ongoing relationship with its major customers; customers drilling intentions; the Corporation’s ability to position itself to be a significant supplier of services, equipment and manpower for other projects in PNG; deploying idle heli-portable drilling rigs 115 and 116 and securing future work with other exploration companies in PNG.

With respect to forward-looking statements contained in this MD&A, the Corporation has made assumptions regarding, among other things, its ability to: maintain its ongoing relationship with major customers; successfully market its services to current and new customers; devise methods for, and achieve its primary objectives; source and obtain equipment from suppliers; successfully manage, operate, and thrive in an environment which is facing much uncertainty; remain competitive in all its operations; attract and retain skilled employees; and obtain equity and debt financing on satisfactory terms.

The Corporation’s actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth above and elsewhere in this MD&A.

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

Abbreviations

The following is a summary of abbreviations used in this Management Discussion and Analysis:

AUD	- Australian dollars
bbl	- Barrel
BPNG	- Bank of PNG
EBITDA	- Earnings before interest, tax, depreciation and amortization
FY	- Financial Year
ESG	- Environmental, Social and Corporate Governance
IFRS	- International Financial Reporting Standards
IRC	- Internal Revenue Commission of PNG
LNG	- Liquefied natural gas
MD&A	- Management discussion and analysis
mmbtu	- Million British thermal units
OPEC	- Organization of Petroleum Exporting Countries
PGK	- Papua New Guinea kina
PNG	- Papua New Guinea
US	- United States of America
USD	- United States dollars

APPENDIX "F"
HAES Cyprus Interim Financial Statements

HIGH ARCTIC ENERGY SERVICES CYPRUS LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE THREE MONTHS ENDED
March 31, 2024 and 2023
(Unaudited)**

HIGH ARCTIC ENERGY SERVICES CYPRUS LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited) (thousands of United States Dollars)	As at March 31, 2024	As at December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	15,632	10,958
Accounts receivable (Note 3)	10,565	10,990
Inventory (Note 4)	6,339	7,009
Prepaid expenses and other assets	447	420
Due from related party (Note 14)	289	210
Income tax receivable	494	503
	33,766	30,090
Non-current assets		
Property and equipment (Note 5)	12,222	12,371
Right of use assets (Note 6(a))	794	913
Total assets	46,782	43,374
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	9,971	9,007
Current portion of lease liabilities (Note 6(b))	486	466
Income tax payable	354	282
	10,811	9,755
Non-current liabilities		
Lease liabilities (Note 6(b))	372	507
Total liabilities	11,183	10,262
Shareholder's Equity		
Share capital (Note 8)	5	5
Accumulated and other comprehensive income	20	34
Retained earnings	35,574	33,073
	35,599	33,112
Total liabilities and shareholder's equity	46,782	43,374

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

Commitments and contingencies (Note 16)

Subsequent events (Note 17)

Approved on behalf of the Board,

(Signed) ["Yianna Alexandrou"]

[Yianna Alexandrou]

Director

(Signed) ["Christakis Georgiou"]

[Christakis Georgiou]

Director

HIGH ARCTIC ENERGY SERVICES CYPRUS LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(LOSS)

(unaudited) (thousands of United States Dollars)	Three months ended March 31	
	2024	2023
Revenue (Note 9)	11,134	5,980
Oilfield services expenses (Note 10(a))	6,819	4,182
General and administrative expenses (Note 10(b))	785	913
Depreciation and amortization expenses (Notes 5 and 6(a))	810	1,719
Operating income (loss)	2,720	(834)
Interest income	37	-
Management fee income (Note 14)	117	140
Bank fees and finance expense (Note 10(c))	(22)	(12)
Foreign exchange gain (loss)	(59)	7
Income (loss) before income tax	2,793	(699)
Income tax expense (recovery)	292	(25)
Deferred income tax recovery	-	(325)
Net income (loss)	2,501	(349)
Three months ended March 31		
	2024	2023
Net income (loss)	2,501	(349)
Other comprehensive income:		
Items that may be reclassified subsequently to net income (loss):		
Foreign currency translation loss for foreign operations	(14)	(5)
Comprehensive income (loss) for the period	2,487	(354)
Income (loss) per share (Note 8)		
Basic and diluted – in United States Dollars	\$1,251	(\$175)

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

HIGH ARCTIC ENERGY SERVICES CYPRUS LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

(unaudited) (thousands of United States Dollars)	Share capital	Accumulated other comprehensive income	Retained earnings	Total Shareholder's equity
Balance, December 31, 2022	5	33	41,696	41,734
Other comprehensive loss – foreign currency translation loss	-	(5)	-	(5)
Net loss for the period	-	-	(349)	(349)
Balance, March 31, 2023	5	28	41,347	41,380
Balance, December 31, 2023	5	34	33,073	33,112
Other comprehensive loss – foreign currency translation loss	-	(14)	-	(14)
Net income for the period	-	-	2,501	2,501
Balance, March 31, 2024	5	20	35,574	35,599

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

HIGH ARCTIC ENERGY SERVICES CYPRUS LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (thousands of United States Dollars)	Three months ended March 31	
	2024	2023
Cash flows from operating activities:		
Net income (loss)	2,501	(349)
Adjustments for:		
Depreciation and amortization expenses	810	1,719
Deferred income tax recovery	-	(325)
Unrealized foreign exchange loss (gain)	(14)	3
Non-cash finance expense (Note 10(c))	17	8
Funds from operating activities	3,314	1,056
Change in non-cash working capital (Note 11)	2,034	(536)
Net cash from operating activities	5,348	520
Cash flows from investing activities:		
Property and equipment expenditures	(550)	(33)
Net cash used in investing activities	(550)	(33)
Cash flows from financing activities:		
Lease obligation payments	(124)	(73)
Net cash used in financing activities	(124)	(73)
Effect of foreign exchange rate changes	-	-
Change in cash and cash equivalents	4,674	414
Cash and cash equivalents, beginning of year	10,958	3,846
Cash and cash equivalents, end of period	15,632	4,260
Supplementary cash flow disclosure		
Interest paid	-	-
Income and withholding taxes paid	220	169

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

NOTES TO THE HIGH ARCTIC ENERGY SERVICES CYPRUS LIMITED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. Nature of business

High Arctic Energy Services Cyprus Limited (“HAES Cyprus” or the “Corporation”) is incorporated under the laws of Cyprus on 04 November 2006 and is a private limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. HAES Cyprus is engaged in contract drilling, equipment rentals and other oilfield services to the oil and natural gas industry in Papua New Guinea (“PNG”) through a subsidiary in Singapore, two subsidiaries in PNG and a subsidiary in Australia. The Corporation’s registered office address is located at 16 Kyriakou Matsi Street, Eagle House, 10th Floor, Agioi Omologites, 1082 Nicosia, Cyprus.

The Corporation is a wholly owned subsidiary of High Arctic Energy Services Inc. (“HAES Inc.”) which is a corporation incorporated in Canada and listed on the Toronto Stock Exchange.

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

Name of Subsidiary	Jurisdiction of formation or incorporation	Percentage ownership of shares beneficially owned or controlled (in directly by the Corporation
High Arctic Energy Services PNG Limited	PNG	100%
PNG Industry Manpower Solutions Limited	PNG	100%
High Arctic Energy Services (Singapore) PTE Ltd.	Singapore	100%
High Arctic Energy Services Australia PTY Ltd.	Australia	100%

2. Basis of presentation

(a) Statement of compliance and approval

These unaudited condensed interim consolidated financial statements (“Financial Statements”) have been prepared in accordance with International Accounting Standards 34 – Interim Financial Reporting. These Financial Statements were authorized for issuance by the Board of Directors on August 12, 2024.

(b) Basis of preparation

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

(c) Functional and presentation currency

The financial statements are presented in United States Dollars (“USD”), which is also the functional currency of the Corporation.

The US dollar is the functional currency of the Corporation’s subsidiaries with the exception of one subsidiary utilizing the Australian dollar as its functional currency.

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

(d) Judgments, estimates and assumptions

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

3. Accounts receivable

The aging and ECL associated with accounts receivable was as follows:

(thousands of United States Dollars)	As at March 31, 2024	As at Dec 31, 2023
Less than 31 days	4,265	3,856
31 days to 60 days	4,910	4,754
61 days to 90 days	746	1,908
Greater than 90 days	657	488
Expected credit loss	(13)	(16)
	10,565	10,990

The Corporation's accounts receivable is denominated in the following currencies:

(thousands of United States Dollars)	As at March 31, 2024	As at Dec 31, 2023
PNG Kina ("PGK")	825	1,280
US dollars ('USD')	9,740	9,710
	10,565	10,990

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

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

(thousands of USD)	Less than 31 days	31- 60 days	61 – 90 days	Over 90 days	Total
Investment grade receivables	4,242	4,873	746	649	10,510
Non-investment grade receivables	23	37	-	8	68
Total receivables	4,265	4,910	746	657	10,578
<i>ECL for investment grade (%)</i>	<i>0.04</i>	<i>0.06</i>	<i>0.10</i>	<i>0.30</i>	
<i>ECL for non-investment grade (%)</i>	<i>0.25</i>	<i>0.75</i>	<i>2.00</i>	<i>4.00</i>	
ECL provision – investment grade	(2)	(3)	(1)	(2)	(8)
ECL provision – non-investment grade	-	-	-	-	-
Specifically provided for amounts	-	-	-	(5)	(5)
Total provision for ECL	(2)	(3)	(1)	(7)	(13)

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

(thousands of USD)	Less than 31 days	31- 60 days	61 – 90 days	Over 90 days	Total
Investment grade receivables	3,798	4,697	1,908	409	10,812
Non-investment grade receivables	58	57	-	79	194
Total receivables	3,856	4,754	1,908	488	11,006
<i>ECL for investment grade (%)</i>	<i>0.04</i>	<i>0.06</i>	<i>0.10</i>	<i>0.30</i>	
<i>ECL for non-investment grade (%)</i>	<i>0.25</i>	<i>0.75</i>	<i>2.00</i>	<i>4.00</i>	
ECL provision – investment grade	(2)	(3)	(2)	(1)	(8)
ECL provision – non-investment grade	-	-	-	(3)	(3)
Specifically provided for amounts	-	-	-	(5)	(5)
Total provision for ECL	(2)	(3)	(2)	(9)	(16)

4. Inventory

As at March 31, 2024, the Corporation had inventory of \$6,339 (December 31, 2023 - \$7,009), which is primarily comprised of parts and materials related to maintenance, recertification and refurbishment of rigs and rig-related equipment in the Corporation's drilling segment. In the first three months of 2024, consumed parts and materials for equipment, which are included in oilfield services expense, amounted to \$93 in the (first three months of 2023 - \$87). As at March 31, 2024, a cumulative provision of \$162 (December 31, 2023 - \$162) remains for inventory held in PNG.

5. Property and equipment

(thousands of USD)	Vehicles	Oilfield equipment	Office and computer equipment	Work-in progress	Total
Cost					
Balance, Dec 31, 2022	64	127,322	660	-	128,046
Additions	-	754	-	326	1,080
Dispositions	-	(519)	(492)	-	(1,011)
Transfers	36	40	16	(92)	-
Impairment	-	(15,200)	-	-	(15,200)
Balance, Dec 31, 2023	100	112,397	184	234	112,915
Additions	-	-	-	550	550
Balance, March 31, 2024	100	112,397	184	784	113,465
Accumulated depreciation					
Balance, Dec 31, 2022	63	95,131	645	-	95,839
Depreciation	4	5,697	7	-	5,708
Dispositions	-	(517)	(486)	-	(1,003)
Balance, Dec 31, 2023	67	100,311	166	-	100,544
Depreciation	2	696	1	-	699
Balance, March 31, 2024	69	101,007	167	-	101,243
Net book value, Dec 31, 2023	33	12,086	18	234	12,371
Net book value, March 31, 2024	31	11,390	17	784	12,222

The Corporation determined that there were no indicators of impairment at March 31, 2024.

6. Right of use assets and lease liabilities

(a) Right of use assets:

(thousands of USD)	As at March 31, 2024	As at Dec 31, 2023
Costs:		
Opening balance	1,449	543
Additions	-	1,124
Dispositions	-	(219)
Effect of foreign exchange	(10)	1
Closing balance	1,439	1,449

(thousands of USD)	As at March 31, 2024	As at Dec 31, 2023
Accumulated amortization:		
Opening balance	536	85
Additions	111	514
Dispositions	-	(67)
Effect of foreign exchange	(2)	4
Closing balance	645	536
Net closing balance	794	913

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

(b) Lease liabilities:

(thousands of USD)	As at March 31, 2024	As at Dec 31, 2023
Opening balance	973	463
Lease additions	-	1,124

Lease dispositions	-	(147)
Lease payments	(124)	(714)
Lease finance expense (Note 10)	17	251
Effect of foreign exchange rate changes	(8)	(4)
Closing balance	858	973
Current	486	466
Non-current	372	507

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

The undiscounted cash flows relating to the lease liabilities at March 31, 2024, and December 31, 2023 are as follows:

(thousands of USD)	As at March 31, 2024	As at Dec 31, 2023
Less than one year	535	525
One year to five years	395	524
More than five years	-	-
Total undiscounted liabilities	930	1,049

7. Accounts payable and accrued liabilities

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

(thousands of USD)	As at Mar 31, 2024	As at Dec 31, 2023
Trade accounts payable	4,565	3,470
Accrued liabilities	4,138	4,689
Wages and payroll taxes payable	1,062	705
Other accounts payable	206	143
Total accounts payable and accrued liabilities	9,971	9,007

8. Shareholder's equity

The total authorized number of ordinary shares at March 31, 2024 is 2,000 (December 31, 2023: 2,000 shares) with a par value of 1.71 euros per share. All issued shares are fully paid.

Per share amounts

(thousands of United States Dollars) (except number of common shares and per share amounts)	Three months ended March 31, 2024	2023
Net income (loss)	\$2,501	(\$349)
Basic and Diluted - weighted average number of common shares	2,000	2,000
Basic and Diluted net income (loss) per share	\$1,251	(\$175)

9. Revenue

The following tables include a reconciliation of disaggregated revenue by type of service provided.

(thousands of USD)	Three months ended March 31 2024	2023
Service revenue	9,186	4,629
Equipment rental revenue	1,948	1,351
Total revenue	11,134	5,980

The Corporation's revenue originates geographically in PNG.

10. Supplementary expense disclosures

(a) Oilfield services expenses by nature

(thousands of USD)	Three months ended Mar 31	
	2024	2023
Personnel	3,221	2,528
Equipment operating and maintenance	114	247
Material and supplies	1,316	619
Drilling rig rental	1,964	458
Other	204	330
Total oilfield services expense	6,819	4,182

(b) General and administrative expenses by nature:

(thousands of USD)	Three months ended March 31	
	2024	2023
Personnel	578	693
Professional, legal, and advisory fees	65	75
Information technology services	72	82
Corporate	58	32
Office and warehouse	11	21
Expense (recovery) of ECL	(4)	(2)
Vehicle, supplies and other	5	12
Total general and administrative expense	785	913

(c) Bank fees and finance expense:

(thousands of USD)	Three months ended March 31	
	2024	2023
Bank fees	6	5
Lease finance expense (Note 6)	17	8
Other	(1)	(1)
Total bank fees and finance expense	22	12

11. Supplementary cash flow information

Changes in non-cash working capital balances:

(thousands of USD)	Three months ended March 31	
	2024	2023
<u>Source (use) of cash:</u>		
Accounts receivable	425	(714)
Inventory, prepaid expense, and other assets	643	(554)
Accounts payable and accrued liabilities	964	660
Income taxes receivable	9	356
Income taxes payable	72	(552)
Due from related party	(79)	268
	2,034	(536)
<u>Attributable to:</u>		
Operating activities	2,034	(536)
Investing activities	-	-
Financing activities	-	-
	2,034	(536)

12. Financial Instruments and risk management

Financial instrument measurement and classification:

The Corporation's financial assets and liabilities consist of cash and cash equivalents, accounts receivable, due from related party, accounts payable and accrued liabilities, income tax receivable/payable and lease liabilities. The carrying values of these assets and liabilities approximate fair value due to the short-term nature of these instruments. The carrying value of lease liabilities where interest is charged at a fixed rate is not significantly different than fair value.

Financial and other risks:

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

Market risks:

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

a) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The Corporation had no financing or risk management contracts that would be affected by interest rates in place at March 31, 2024 or December 31, 2023.

b) Commodity price risk

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

These prices are sensitive to local, regional and world economic and geopolitical events. This includes implications from changing oil demand and supply, policy direction by OPEC, the ongoing effect of the conflicts between Russia & Ukraine and Israel & Palestine, climate-change-driven transitions to lower emission energy sources, the impact of future pandemics upon economic activity, the implications of changes to government and government policy and investment decisions in PNG to expand its LNG export capacity.

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

c) Foreign currency risk

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

Most of the Corporation's revenue and expenses are effectively transacted in USD and the Corporation does not actively engage in foreign currency hedging.

d) *PNG foreign currency restrictions*

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

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

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

Credit risk, customers, and economic dependence:

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

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

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

The net carrying amount of accounts receivable represents the estimated maximum credit exposure on the accounts receivable balance. The Corporation customers are predominantly made up of large multinational customers in PNG.

The Corporation provided services to one large multinational customer who individually accounted for greater than 10% of its consolidated revenues during the three months ended March 31, 2024 with total sales of \$10,016 (2023 – two large multinational customers with total sales of \$5,494).

As at March 31, 2024, two customers represented a total of \$10,358 or 98% of outstanding accounts receivable (December 31, 2023 – two customers representing \$10,791 or 98% of outstanding accounts receivable).

Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

The Corporation's processes for managing liquidity risk include preparing and monitoring capital and operating budgets, working capital management, coordinating, and authorizing project expenditures, authorization of contractual agreements, and managing compliance to debt finance agreements.

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

<u>Payments due by period</u>						
(thousands of USD)	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	Total
Accounts payable and accrued liabilities	9,971	-	-	-	-	9,971
Lease liabilities	78	408	275	97	-	858
Income tax payable	354	-	-	-	-	354
Total	10,403	408	275	97	-	11,183

13. Capital management

The Corporation's primary objective of capital management is to maintain a strong capital base, in conjunction with conservative long-term debt levels so as to maintain investor, creditor and market confidence, and to sustain future development of the business. The Corporation seeks to maintain a balance between higher returns on equity that might be possible with higher levels of borrowings and the advantages and security created by a well-capitalized equity position.

The Corporation has no long-term debt and therefore, its capital structure consists of shareholder's equity of \$35,599 at March 31, 2024 (December 31, 2023 - \$33,112).

The Corporation prepares annual and quarterly operating and capital expenditure budgets, and forecasts to assist with the management of its capital. The Corporation intends to maintain a flexible capital structure and it may alter its dividend levels, raise new equity or issue new debt in response to a change in economic conditions.

There were no significant changes to the Corporation's approach to capital management in 2023 or 2024.

14. Related party transactions

Intercompany balances

The table below summarizes the intercompany current asset and liability balances as at March 31, 2024 and December 31, 2023:

	As at	
	March 31, 2024	Dec 31, 2023
Due from HAES Inc.	289	210

Management fees

Management fees represent recoveries from High Arctic Energy Services Inc. of general and administrative costs incurred by the Corporation and its subsidiaries in the respective period. The table below summarizes the management fee earned by the Corporation from the Corporation's parent company High Arctic Energy Services Inc. for the three months ended March 31, 2024 and 2023:

	Three months ended March 31	
	2024	2023
Total	117	140

15. Segmented Information

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

- a) *Drilling services*
This segment currently consists of the Corporation's drilling services provided in PNG, including the provision of drilling personnel to assist our customer's operations.
- b) *Ancillary services*
Ancillary services segment consists of the Corporation's oilfield rental equipment in PNG.
- c) *Production services*
Production services assets include the Corporation's hydraulic workover rig in PNG.

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

i. *Assets by geographic location*

(thousands of USD)	As at March 31, 2024		As at December 31, 2023	
Segment	Non-current assets	Total assets	Non-current assets	Total assets
PNG	12,867	45,293	13,116	42,156
Australia	149	1,397	168	1,109
Cyprus	-	92	-	109
	13,016	46,782	13,284	43,374

ii. *Income (loss) from reportable segments*

Three months ended March 31, 2024					
(thousands of USD)	Drilling services	Ancillary services	Production services	Corporate	Total
Revenue	9,186	1,948	-	-	11,134
Oilfield services expenses	(6,484)	(320)	(15)	-	(6,819)
General and administrative expenses	(384)	(12)	-	(389)	(785)
Depreciation and amortization expenses	(392)	(357)	(49)	(12)	(810)
Interest income	-	-	-	37	37
Management fee income	-	-	-	117	117
Bank fees and finance expenses	(18)	(2)	-	(2)	(22)
Foreign exchange gain (loss)	(62)	3	-	-	(59)
Net segment earnings (loss) before income tax	1,846	1,260	(64)	(249)	2,793

Three months ended March 31, 2023					
(thousands of USD)	Drilling services	Ancillary services	Production services	Corporate	Total
Revenue	4,629	1,351	-	-	5,980
Oilfield services expenses	(3,741)	(426)	(15)	-	(4,182)
General and administrative expenses	(427)	(26)	-	(460)	(913)
Depreciation and amortization expenses	(1,121)	(403)	(178)	(17)	(1,719)
Management fee income	-	-	-	140	140
Bank fees and finance expenses	(6)	(2)	-	(4)	(12)
Foreign exchange gain (loss)	-	-	-	7	7
Net segment earnings (loss) before income tax	(666)	494	(193)	(334)	(699)

iii. *Asset breakdown by reportable segments*

(thousands of USD)					
As at March 31, 2024					
	Drilling services	Ancillary services	Production services	Corporate	Total
Property and equipment	6,265	5,935	22	-	12,222
Right of use assets	645	-	-	149	794
Total assets	31,471	13,892	22	1,397	46,782

(thousands of USD)					
As at December 31, 2023					
	Drilling services	Ancillary services	Production services	Corporate	Total
Property and equipment	6,269	5,586	516	-	12,371
Right of use assets	745	-	-	168	913
Total assets	29,350	12,399	516	1,109	43,374

16. Commitments and contingencies

As part of the Corporation's contractual rig management and operations, the Corporation has been supplied with equipment and an inventory of spare parts with a total value of \$6,135 at March 31, 2024 (December 31, 2023 - \$6,135) by a customer for the Corporation's operations in PNG. The capital equipment and inventory are owned by this party and have not been recorded on the books of HAES Cyprus. Written notice is required to end the contract. When the notice to terminate is communicated, the Corporation must return the balance of capital equipment and inventory and make a payment to the customer equivalent to any shortfall. As at March 31, 2024, the Corporation has recorded a current obligation of \$2,589 (December 31, 2023 - \$2,589) as a result of consuming third-party owned inventory in operations which it is required to replenish on or prior to the termination of the contractual arrangement.

17. Subsequent events

Subsequent to March 31, 2024, HAES Inc.'s Board of Directors and Management advanced its plans surrounding its intended reorganization by resolving previously outstanding matters such that on May 11, 2024, High Arctic announced its plans to proceed with a corporate reorganization. The corporate reorganization involves a spin out of HAES Cyprus to a separate public company by way of a statutory plan of arrangement. On June 17, 2024, the statutory plan of arrangement and other documents related to the spin out of HAES Cyprus were approved by the Corporation's shareholders at an annual general and special meeting. The formal closing of the reorganization occurred on August 12, 2024.

Subsequent to March 31, 2024, and prior to the completion of the reorganization, the Corporation paid a dividend to HAES Inc. of \$5.0 million.

APPENDIX "G"
HAES Cyprus Interim MD&A

HIGH ARCTIC ENERGY SERVICES CYPRUS LIMITED

MANAGEMENT'S DISCUSSION & ANALYSIS

**FOR THE THREE MONTHS ENDED
March 31, 2024 and 2023**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis ("MD&A") is a summary review of risks, the results of operations, liquidity, and capital resources of High Arctic Energy Services Cyprus Limited and its subsidiaries ("HAES Cyprus" or the "Corporation") and should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes for the three months ended March 31, 2024 and 2023 (the "Financial Statements") and the audited consolidated financial statements and notes of the Corporation for the years ended December 31, 2023, 2022 and 2021.

The Financial Statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting.

This MD&A complements and supplements the Financial Statements as at March 31, 2024 and for the three months ended March 31, 2024 and 2023 of HAES Cyprus. For a full understanding of the financial position and results of operations of the PNG Business, this MD&A should be read in conjunction with the Financial Statements of the Corporation and the historical annual and interim consolidated financial statements, and annual information forms of its parent company High Arctic Energy Services Inc. ("High Arctic") for the years ended December 31, 2023, 2022 and 2021. High Arctic's historical annual and interim consolidated financial statements are available at www.sedarplus.ca under High Arctic's profile.

Readers are cautioned that this MD&A contains certain forward-looking information. Please refer to the "Forward-Looking Statements" section of this MD&A for the Corporation's discussion on forward looking information including risk factors that could cause actual results to differ materially from such forward-looking information and certain assumptions used to underlie the forward-looking information. Definitions of certain non-IFRS financial measures are included under the "Non-IFRS Measures" section of this MD&A. Please refer to abbreviations listed on the last page of this MD&A. All amounts are expressed in thousands of US Dollars ("USD") unless otherwise noted. USD is the functional and reporting currency of the Corporation.

In the following discussion, the three months ended March 31, 2024 may be referred to as the "quarter" or "Q1 2024" and the comparative three months ended March 31, 2023 may be referred to as "Q1 2023". References to other quarters may be presented as "QX 20XX" with X/XX being the quarter/year to which the commentary relates.

CORPORATE PROFILE

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

Drilling Services

The Drilling Services segment consists of the Corporation's drilling services with its drilling assets in PNG including the provision of personnel to assist our customer's drilling related operations. The Corporation has operated in PNG since 2007 and controls the largest fleet of tier-one heli-portable drilling rigs in the country, with two owned rigs and one rig managed by the Corporation under operating and maintenance contracts for one of the Corporation's customers.

Ancillary Services

The Ancillary Services segment consists of a fleet of rental equipment that includes matting, cranes, forklifts, trucks, camps, tanks, and vehicles and primarily services the oil and gas exploration and production companies operating in PNG.

Production Services

The Production Services segment comprises the Corporation's hydraulic workover rig, the only dedicated workover rig in PNG.

2024 FIRST QUARTER HIGHLIGHTS

- Drilling Rig 103 operated continuously through Q1 2024, driving substantive increases in both the Drilling Services and Ancillary Services segments including pull through rentals associated with drilling activity when compared to the Q1 2023 results.
 - Revenue for the quarter of \$11,134, an increase of \$5,154 or 86% compared to Q1 2023 at \$5,980, and
 - Adjusted EBITDA of \$3,647 in Q1 2024, more than tripling the \$1,025 generated in Q1 2023.
- The strong operational performance in Q1 2024 combined with lower depreciation and general and administrative expenses drove the following results for the Corporation:
 - Net income of \$2,501 in Q1 2024 compared to a net loss of \$349 realized in Q1 2023, and
 - Increased oilfield services operating margins from 30.1% in Q1 2023 to 38.8% in Q1 2024.
- Improved liquidity with a working capital balance of \$23.0 million, which includes a cash balance of \$15.6 million.

Outlook

Consistent with the end of 2023, the outlook for the Corporation's PNG business in 2024 remains subdued. In the Drilling Services segment, Rig 103 realized full utilisation in Q1 2024 and will finish drilling activity during the second quarter, with relocation to suspend and cold-stack Rig 103 expected to be completed by the end of Q2 2024. The Ancillary Services segment's rental fleet of equipment continues to generate strong utilization and pricing and our manpower solutions continues to build momentum as we enhance service offerings and capabilities. With no additional wells for Rig 103, the Corporation expects associated PNG rental revenues to scale back in the second half of 2024.

In the longer term, High Arctic believes PNG is on the precipice of a new round of large-scale projects in the natural resources sector. The Papua LNG project headed up by French super-major TotalEnergies is anticipated to be the next major project and is now targeting a final investment decision in 2025. There is expectation for increased drilling activity through the latter half of this decade, not only to develop wells for the supply of gas to the Papua-LNG export facility, but also to explore for and appraise other discoveries. The recent signing of a fiscal stability agreement between the P'nyang gas field joint venture and the government of PNG is another positive signal for that project to follow Papua-LNG.

There are a number of other petroleum projects and substantive nation-building projects including infrastructure, electrification, telecommunications and defense projects planned for the development of PNG. These projects will require access to transport and material handling machinery, quality worksite and temporary road mats and a substantive amount of labour including skilled equipment operators, qualified tradespeople and engineers, geoscientists and other professionals. High Arctic's PNG business continues to position itself to be a meaningful supplier of services, equipment and manpower for this market.

The Corporation continues to pursue business opportunities in PNG, engage with potential customers for its services there and in the wider region and take actions to protect its capability to realize the future potential of the PNG business.

Select Comparative Financial Information

The following is a summary of select financial information of the Corporation:

(thousands of USD)	Three months ended Mar 31	
	2024	2023
Operating results		
Revenue	11,134	5,980
Net income (loss)	2,501	(349)
Oilfield services operating margin ⁽¹⁾	4,315	1,798
<i>Oilfield services operating margin as a % of revenue ⁽¹⁾</i>	<i>38.8%</i>	<i>30.1%</i>
EBITDA ⁽¹⁾⁽²⁾	3,588	1,032
Adjusted EBITDA ⁽¹⁾	3,647	1,025
<i>Adjusted EBITDA as a % of revenue ⁽¹⁾</i>	<i>32.8%</i>	<i>17.1%</i>
Operating income (loss) ⁽¹⁾	2,720	(834)
Cash flow from operations:		
Cash flow from operating activities	5,348	520
Funds flow from operating activities ⁽¹⁾	3,314	1,056
Capital expenditures	550	33
	As at	
	Mar 31,	Dec 31,
(thousands of USD)	2024	2023
Financial position:		
Working capital ⁽¹⁾	22,955	20,335
Cash and cash equivalents	15,632	10,958
Total assets ⁽²⁾	46,782	43,374
Shareholder's equity	35,599	33,112

(1) Oilfield services operating margin, EBITDA (Earnings before interest, tax, depreciation, and amortization), Adjusted EBITDA, Operating loss, Funds flow from operating activities and Working capital do not have a standardized meanings prescribed by IFRS – see “Non IFRS Measures” on page 9 for calculations of these measures.

Operating Results

Drilling services segment

(thousands of USD, unless otherwise noted)	Three months ended Mar 31,	
	2024	2023
Revenue	9,186	4,629
Oilfield services expense	(6,484)	(3,741)
Oilfield services operating margin ⁽¹⁾	2,702	888
Operating margin (%)	29.4%	19.2%

(1) See “Non-IFRS Measures”

Revenues in the quarter increased by \$4,557 or 98% over Q1 2023 with full utilization of PNG Rig 103. Customer-owned Rig 103 was fully active in Q1 2024 whereas in Q1 2023 revenue was earned from only one partial month of active drilling and work performed preparing Rig 103 for operations. In both periods, a consistent level of activity was contributed from the provision of skilled personnel for key customers in PNG. Operating margin as a percentage of revenues increased significantly in Q1 2024 for the same reasons.

The Corporation owns two heli-portable drilling rigs (Rigs 115 and 116) which remain preserved and maintained ready for deployment.

Ancillary services segment

(thousands of USD, unless otherwise noted)	Three months ended Mar 31,	
	2024	2023
Revenue	1,948	1,351
Oilfield services expense	(320)	(426)
Oilfield services operating margin ⁽¹⁾	1,628	925
Operating margin (%)	83.6%	68.5%

(1) See "Non-IFRS Measures"

The Ancillary services segment consists of the Corporation's oilfield rental equipment in PNG. Revenues increased \$597 or 44% in the quarter when compared to Q1 2023 due to increased deployment of rental equipment in PNG. Margins also improved from 68.5% in Q1 2023 to 83.6% Q1 2024 primarily a result of the higher equipment utilization levels and lower operating costs incurred in 2024.

Production services segment

There has been no revenue generating activity in the Corporation's Production services segment in 2024 or 2023. The Corporation continues to market its hydraulic workover rig package, Rig 102, in PNG and across the region. Oilfield services expenses for the Production services segment totalled \$15 for the three months ended 2024 (2023 Q1 - \$15).

General and Administrative ("G&A")

(thousands of USD, unless otherwise noted)	Three months ended Mar 31,	
	2024	2023
G&A	785	913
Percent of revenue (%)	7.1%	15.3%

G&A expenses totaled \$785 for 2024 Q1 which is \$128 lower than the \$913 incurred in 2023 Q1. Q1 2023 G&A levels were slightly elevated as HAES Cyprus incurred additional G&A costs performing detailed inventory counts and completing a thorough obsolescence review. As a percentage of revenue, G&A decreased from 15.3% in 2023 to 7.1% in 2024 primarily as a result of the increasing revenue base from year to year.

Interest income

Interest income earned in 2024 Q1 was \$37 (2023 Q1 - \$Nil) as a result of having surplus cash balances in 2024 that we able to be invested.

Bank fee and finance expense

Bank fees and finance expenses incurred in the first quarter of 2024 totaled \$22 (2023 Q1 - \$12). The increase in these expenses is primarily due to the first full year of finance expenses related to the lease agreement for its Port Moresby yard and office facility in PNG.

Management fees

Management fees earned in 2024 Q1 were \$117 (2023 Q1 - \$140). These fees represent recoveries from High Arctic Energy Services Inc. of general and administrative costs incurred by the Corporation and its subsidiaries in the respective period.

Impairment

During the year ended 2023, the Corporation identified indicators of potential impairment in its PNG Operations CGU. The indicators noted have created uncertainty around future drilling activity levels in PNG for the Corporation. The Corporation performed an impairment test to determine the recoverable amount of the PNG Operations CGU and it was determined that the recoverable amount of the PNG Operations CGU was below its carrying value resulting in an impairment of \$15,200 in Q3 2023, reducing the net carrying value of oilfield property and equipment.

The Corporation determined there were no indicators of impairment at March 31, 2024.

Depreciation

Q1 2024 depreciation expense of \$810 was lower than Q1 2023 depreciation expense of \$1,719 primarily as a result of the reduced cost base of the Corporation's property and equipment following the impairment recorded in Q3 2023.

Liquidity and capital resources

(thousands of USD)	Three months ended Mar 31,	
	2024	2023
Cash provided by (used in) operations:		
Operating activities	5,348	520
Investing activities	(550)	(33)
Financing activities	(124)	(73)
Effect of exchange rate changes on cash	-	-
Increase in cash	4,674	414

(thousands of USD, unless otherwise noted)	As at	As at
	Mar 31, 2024	Dec 31, 2023
Current assets	33,766	30,090
Working capital ⁽¹⁾	22,955	20,335
Working capital ratio ⁽¹⁾	3.1:1	3.1:1
Cash and cash equivalents	15,632	10,958

(1) See "Non-IFRS Measures"

The Bank of PNG ("BPNG") continues to encourage the use of the local market currency, Kina, or PGK. Due to the PNG Business requirement to transact with international suppliers and customers, it has received approval from the BPNG to maintain its onshore PNG USD account within the conditions of the BPNG currency regulations. The Corporation continues to use PGK for local transactions when practical. Included in the BPNG's conditions is for PNG drilling contracts to be settled in PGK, unless otherwise approved by the BPNG for the contracts to be settled in USD. The Corporation has historically received such approval for its contracts with its key customers in PNG. The Corporation will continue to seek BPNG of PNG approval for contracts to be settled in USD on a contract-by-contract basis, however, there is no assurance the BPNG will grant these approvals.

If such approvals are not received, the Corporation's PNG drilling contracts will be settled in PGK which would expose the Corporation to exchange rate fluctuations related to the PGK. In addition, this may delay the Corporation's ability to receive USD which may impact the Corporation's ability to settle USD denominated liabilities and repatriate funds from PNG on a timely basis. The Corporation also requires the approval from the PNG Internal Revenue Commission ("IRC") to repatriate funds from PNG and make payments to non-resident PNG suppliers and service providers. While delays can be experienced for the IRC approvals, all such approvals have eventually been received in the past.

Operating Activities

For the three months ended March 31, 2024, cash generated from operating activities was \$5,348, up from \$520 in the same period in 2023. Funds flow from operations totaled \$3,314 in the three months ended March 31, 2024 compared to \$1,056 in 2023 Q1 (see "Non-IFRS Measures"). In 2024, there was a \$2,034 cash inflow from working capital changes compared to an outflow of \$536 in 2023 Q1.

Investing Activities

During the three months ended March 31, 2024 and 2023, the Corporation's cash used in investing activities was related only to capital expenditures which were \$550 and \$33 respectively. The investments were predominantly spent on rental equipment for opportunistic deployment under take-or-pay customer contracts.

Financing Activities

During the three months ended March 31, 2024 and 2023, the Corporation's cash used in financing activities was related only to lease obligation payments of \$124 and \$73 respectively.

Commitments and Contingencies

As part of the Corporation's contractual rig management and operations, the Corporation has been supplied with equipment and an inventory of spare parts with a total value of \$6,135 at March 31, 2024 (December 31, 2023 - \$6,135) by a customer for the Corporation's operations in PNG. The capital equipment and inventory are owned by this party and have not been recorded on the books of HAES Cyprus. Written notice is required to end the contract. When the notice to terminate is communicated, the Corporation must return the balance of capital equipment and inventory and make a payment to the customer equivalent to any shortfall. As at March 31, 2024, the Corporation has recorded a current obligation of \$2,589 (December 31, 2023 - \$2,589) as a result of consuming third-party owned inventory in operations which it is required to replenish on or prior to the termination of the contractual arrangement.

Industry Indicators and Market Trends

The following table provides information for the last eight quarters to assist with the understanding of the PNG oilfield services industry and the effect that commodity prices have on industry activity levels. In addition, the Corporation's international financial results are impacted by fluctuations in the USD to CAD exchange rate.

	Three months ended							
	Mar 31, 2024	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022
Oil and LNG prices –								
Average for each period:								
Brent crude oil (US\$/bbl) ⁽¹⁾	82	83	86	78	82	89	98	112
Japan LNG (US\$/mmbtu) ⁽²⁾	13.72	13.26	12.58	13.49	18.21	20.67	20.60	17.07
USD/CAD exchange rate ⁽¹⁾	1.35	1.36	1.34	1.34	1.35	1.35	1.37	1.29

(1) Source: Sproule

(2) Source: YCharts

Pricing for oil and natural gas production in PNG is generally tied to world prices such as Brent Crude and Japan LNG, which rebounded strongly from lows experienced in 2020 and early 2021 when global demand was negatively impacted by COVID-19. Current commodity price levels provide a sustainable environment in which to invest in exploring for and developing new oil and gas reserves.

More recently global commodity prices have stabilized in the high 70's to low 80's down from their 2022 highs. In the quarter, Brent Crude Oil price average remained relatively stable at USD 82/bbl with modest demand growth being forecasted over the short to medium term. The conflict in the Middle East that began early in Q4 2023 has created significant volatility in oil pricing since October 2023 but a significant risk premium has not yet been witnessed in Brent pricing to date. OPEC has confirmed its plans to maintain their current production cuts which continue to provide firm price support for the commodity. Japanese LNG prices increased a modest 3% to USD 13.72/mmbtu in the quarter as this LNG market has stayed in relative balance in recent quarters.

The Corporation's PNG activity has historically been based on longer term, USD denominated contracts and therefore is less affected over the short-term volatility in oil and gas prices. The USD strengthened against the CAD in Q1 2024 from an year-end 2023 USDCAD of 1.3226 to USDCAD of 1.3550 as at March 31, 2024. This positively impacted the Corporation's financial results from its PNG operations for the quarter.

Activity levels for the Corporation's major customers are less dependent on short-term fluctuations in oil and gas prices and instead are based on medium and long-term decisions, particularly with their significant interest in large scale LNG projects both on-stream and in-development.

Financial Risk Management

Financial and other risks

The Corporation is exposed to financial risks arising from its financial assets and liabilities. This includes pandemic and/or endemic disease risk or the risk that operations and/or administration are forced to run at less than full capacity due to an absence or reduction of members of the workforce, either through forced closures by government both within countries and across national borders, by internally imposed rotational schedules and/or quarantine or illness of the workforce. This risk was significant in 2021 in relation to COVID-19. Further, geopolitical risks are the potential risks that a business may face due to changes in global events, policies, or regulations. These could impact the Corporation's workforce and operations by limiting market access and increasing costs. Also, cyber-security risks increase as the Corporation outsources its IT servers to cloud providers and employees work remotely. Such restrictions could significantly impact the ability of the Corporation to operate, and therefore impact financial results.

Market and other related risk

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

a) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The Corporation currently has no financing arrangements. The Corporation is therefore only exposed to interest rate risk on any future borrowing as rates fluctuate in response to changes in monetary policy and the applicable interest rates. The Corporation had no risk management contracts that would be affected by interest rates in place at March 31, 2024 or December 31, 2023.

b) Commodity price risk

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

These prices are sensitive to local, regional and world economic and geopolitical events. This includes implications from changing oil demand and supply, policy direction taken by OPEC including the role taken by Russia, climate change driven transitions to lower emission energy sources, the implications of changes to government and government policy and ongoing negotiations in PNG to build LNG expansion with industry.

While the Corporation recognizes it will be impacted by these risks, the Corporation also strongly believes that there is a significant role for the energy services industry in the current, transitional, and future phases of energy industry changes.

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

Foreign currency risk and PNG foreign currency restrictions

Foreign currency risk is the risk that a variation in the exchange rate between the USD and foreign currencies will affect the Corporation's results. The Corporation has exposure to PNG Kina ("PGK") fluctuations and other currencies such as the Australian dollar ("AUD") through its international operations. As a result, the Corporation is exposed to foreign exchange gains and losses through the settlement of foreign currency denominated transactions, which is recorded in net earnings (loss), as well as the conversion of the Corporation's subsidiaries with functional currencies other than USD, into USD for financial reporting presentation purposes, which is recorded as part of other comprehensive income (loss) within shareholder's equity.

The Corporation hedges its exposure to the PGK somewhat by denominating all of its major service contracts in USD regardless of whether they are settled in USD or in PGK. It does have some exposure via minor service contracts denominated and settled in PGK, local supplier and payroll expenses incurred in PGK and through bank balances carried in PGK. The impact of exchange rates for the three months ended March 31, 2024 resulted in \$59 in foreign exchange losses (2023 Q1 - \$7 gain) primarily as a result of the depreciation of the PGK in 2023.

The Corporation has a subsidiary domiciled in Australia which is the Corporation's only entity with a functional currency that is not USD. Accordingly, the Corporation is also exposed to costs in AUD related primarily for the provision of management and administrative services. For the three months ended March 31, 2024 and 2023, a \$0.10 change in the exchange rate of the USD relative to the AUD would have resulted in an immaterial change to the net loss of the Corporation as the Australia subsidiary had nil income after receiving management fee income from High Arctic.

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

As at March 31, 2024, \$8,283 (December 31, 2023 - \$5,635) was on deposit with a large international bank in PNG. BPNG has provided approval for the PNG Business to maintain a USD bank account in accordance with the BPNG currency regulations.

Historically, the Corporation has received approval from BPNG for most of its drilling services contracts with its key customers in PNG to be denominated and settled in USD. However, if such approval is withdrawn in the future, or new contracts do not receive BPNG approval, funds may be converted into PGK and the Corporation would be required to access the foreign currency market in PNG to meet its foreign currency obligations, thus exposing the Corporation to greater foreign exchange exposure for the PGK.

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

The Corporation's financial instruments have the following foreign exchange exposure as at March 31, 2024:

(in thousands)	PGK ⁽¹⁾	Aus Dollar (AUD) ⁽²⁾
Cash	3,267	787
Accounts receivable	3,590	20
Accounts payable and accrued liabilities	(28)	(1,291)
Total	6,829	(484)

(1) As at March 31, 2024, one PGK was equivalent to 0.2616 USD.

(2) As at March 31, 2024, one AUD was equivalent to 0.6527 USD.

PNG restrictions on distributions

As at March 31, 2024, the Corporation's total cash balances (including USD and PGK) in PNG totaled \$9,112 (Dec 31, 2023 - \$6,563). Dividends paid out of PNG are subject to a dividend withholding tax of 15% and are held at source. As a result of this PNG tax legislation, a restriction therefore exists on the total amount of funds the Corporation could repatriate if a dividend were declared and paid. Assuming the Corporation declared a dividend for the full amount of its cash balances held at March 31, 2024, the dividend would attract a withholding tax in PNG of approximately \$1,367 (Dec 31, 2023 - \$985) and the funds repatriated from PNG would be reduced accordingly.

Credit risk, customers, and economic dependence

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

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

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

The net carrying amount of accounts receivable represents the estimated maximum credit exposure on the accounts receivable balance. The Corporation has a range of customers comprised of predominantly large global customers in PNG.

The Corporation provided services to one large multinational customers who individually accounted for greater than 10% of its consolidated revenues during the three months ended March 31, 2024 with total sales of \$10,016 (2023 – two large multinational customers with total sales of \$5,494).

As at March 31, 2024, two customers represented a total of \$10,358 or 98% of outstanding accounts receivable (December 31, 2023 – two customers representing \$10,791 or 98% of outstanding accounts receivable).

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

Liquidity risk is currently being impacted by uncertainty within capital markets given the increase in inflation across global economies, economic recession possibilities, contraction of available capital and monetary tightening policies implemented by governments around the world.

The Corporation's processes for managing liquidity risk include preparing and monitoring capital and operating budgets, working capital management, coordinating, and authorizing project expenditures, authorization of contractual agreements and remaining attentive to the relationship with the Corporation's bankers and other creditors. The Corporation seeks to manage its financing based on the results of these processes.

Critical Accounting and other Significant Judgements and Estimates

Information on the Corporation's critical accounting judgements and estimates can be found in Note 2 Basis of Presentation – Critical Accounting Judgements and Estimates in the audited annual consolidated financial statements for the year ended December 31, 2023. Although estimates and assumptions must be made during the financial statement preparation process, it is management's opinion that none of the estimates or assumptions were highly uncertain at the time they were made.

Business Risks and Uncertainties

In addition to the financial risks discussed above under "Financial Risk Management", below under "Forward Looking Statements" and elsewhere in this MD&A, HAES Cyprus is exposed to a number of business risks and uncertainties that could have a material impact on the Corporation. Readers of this MD&A should carefully consider the risks described under the heading "Risk Factors" in High Arctic's Management Information Circular dated May 9, 2024, Appendix 'E', which are specifically incorporated by reference herein. The Management Information Circular is available on SEDAR+ at www.sedarplus.ca, copies of which can be obtained on request, from the Corporation.

Non-IFRS Measures

This MD&A contains references to certain financial measures that do not have a standardized meaning prescribed by IFRS and may not be comparable to the same or similar measures used by other companies. The Corporation uses these financial measures to assess performance and believes these measures provide useful supplemental information to shareholders and investors. These financial measures are computed on a consistent basis for each reporting period and include the following:

Earnings from operations before interest, taxes, depreciation, and amortization (“EBITDA”)

EBITDA is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. EBITDA is defined as net loss adjusted for income taxes, interest, bank charges and finance expense, and depreciation. Management believes that, in addition to net loss reported in the consolidated statements of loss and comprehensive loss, EBITDA is a useful supplemental measure of the Corporation’s performance prior to consideration of how operations are financed or how results are taxed or how depreciation and amortization affects results. EBITDA is not intended to represent or be construed as an alternative to net earnings (loss) calculated in accordance with IFRS. Refer to table in Adjusted EBITDA below that provides a reconciliation of net earnings (loss), as disclosed in the consolidated statements of loss and comprehensive loss, to EBITDA.

Adjusted EBITDA

Adjusted EBITDA is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Adjusted EBITDA is defined based on EBITDA (as defined above) prior to the effect of gains or losses on sales of property and equipment, impairment charges, non-recurring and inventory adjustments, excess of insurance proceeds over costs and foreign exchange gains or losses.

Management believes the addback for these items provides a more comparable measure of the Corporation’s operational financial performance between periods. Adjusted EBITDA as presented is not intended to represent or be construed as an alternative to net loss in accordance with IFRS.

The following table provides a quantitative reconciliation of consolidated net loss, as disclosed in the consolidated statements of loss and comprehensive loss, to EBITDA and Adjusted EBITDA for the three months ended March 31, 2024 and 2023:

(thousands of USD)	Three months ended Mar 31,	
	2024	2023
Net income (loss)	2,501	(349)
<u>Adjustments to net income (loss):</u>		
Interest income	(37)	-
Bank charges and finance expenses	22	12
Income tax expense (recovery)	292	(350)
Depreciation	810	1,719
EBITDA	3,588	1,032
<u>Adjustments to EBITDA:</u>		
Foreign exchange loss (gain)	59	(7)
Adjusted EBITDA	3,647	1,025

Oilfield services operating margin

Oilfield services operating margin is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Oilfield services operating margin is used by management to analyze overall operating performance. Management believes this non-IFRS financial measure provides useful information to investors and others in understanding the Corporation’s operating performance. Oilfield services operating margin is not intended to represent revenue, net earnings (loss), or other measures of financial performance calculated in accordance with IFRS. Oilfield services operating margin is calculated as revenue less oilfield services expense. Oilfield services operating margin as presented is not intended to represent or be construed as an alternative to revenue or net earnings (loss) in accordance with IFRS. The table disclosed under “Oilfield services operating margin %” below provides a quantitative reconciliation of revenue, as disclosed in the consolidated statements of loss and comprehensive loss, to oilfield services operating margin and oilfield operating margin % for the three months ended March 31, 2024 and 2023.

Oilfield services operating margin %

Oilfield services operating margin % is a non-IFRS measure in line with oilfield services operating margin discussed above. Oilfield services operating margin % is used by management to analyze overall operating performance. Oilfield services operating margin % is calculated as oilfield services operating margin divided by revenue.

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

(thousands of USD, unless otherwise noted)	Three months ended Mar 31,	
	2024	2023
Revenue	11,134	5,980
Oilfield services expenses	(6,819)	(4,182)
Oilfield services operating margin	4,315	1,798
Oilfield services operating margin %	38.8%	30.1%

Operating income (loss)

Operating income (loss) is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Operating income (loss) is used by management to analyze overall operating performance. Management believes this non-IFRS financial measure provides useful information to investors and others in understating the Corporation's operating performance. Operating income (loss) is not intended to represent revenue, net earnings (loss), or other measures of financial performance calculated in accordance with IFRS. Operating income (loss) is calculated as revenue less oilfield services expense, general and administrative expense and depreciation. Operating income (loss) as presented is not intended to represent or be construed as an alternative to revenue or net earnings (loss) or other measures of financial performance calculated in accordance with IFRS.

The table disclosed below provides a quantitative reconciliation of revenue, as disclosed in the consolidated statements of comprehensive loss to operating income (loss) for the three months ended March 31, 2024 and 2023:

(thousands of USD)	Three months ended Mar 31	
	2024	2023
Revenue	11,134	5,980
Oilfield services expenses	(6,819)	(4,182)
G&A expenses	(785)	(913)
Depreciation	(810)	(1,719)
Operating income (loss)	2,720	(834)

Percentage of revenue

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

Funds flow from operations

Funds flow from operations is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Funds flow from operations is defined as net cash generated (used in) from operating activities adjusted for changes in non-cash working capital. Management believes that, in addition to net cash generated from operating activities as reported in the consolidated statements of cash flows, cash generated from operating activities before changes in non-cash working capital adjustments is a useful supplemental measure as it provides an indication of the funds generated by the Corporation's principal business activities prior to consideration of changes in items of working capital.

This measure is not intended to represent or be construed as an alternative to net cash generated from operating activities as calculated in accordance with IFRS.

The following tables provide a quantitative reconciliation of net cash generated from operating activities, as disclosed in the consolidated statements of cash flows, to funds flow from operations for three months ended March 31, 2024 and 2023:

(thousands of USD)	Three months ended Mar 31	
	2024	2023
Net cash generated from operating activities	5,348	520
Less:		
Changes in non-cash working capital balances - operating	2,034	(536)
Funds flow from operations	3,314	1,056

Working capital

Working capital is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Working capital is used by management as another measure to analyze the operating liquidity available to the Corporation. It is defined as current assets less current liabilities. Working capital ratio is defined as current assets divided by current liabilities. This measure is not intended to represent or be construed as an alternative to current assets as calculated in accordance with IFRS.

The following tables provide a quantitative reconciliation of current assets, as disclosed in the consolidated statements of financial position, to working capital as at March 31, 2024 and December 31, 2023:

(thousands of USD)	As at Mar 31, 2024	As at Dec 31, 2023
Current assets	33,766	30,090
Current liabilities	(10,811)	(9,755)
Working capital	22,955	20,335
Working capital ratio	3.1:1	3.1:1

Forward-Looking Statements

This MD&A contains forward-looking statements. When used in this document, the words “may”, “would”, “could”, “will”, “intend”, “plan”, “anticipate”, “believe”, “seek”, “propose”, “estimate”, “expect”, and similar expressions are intended to identify forward-looking statements. Such statements reflect the Corporation’s current views with respect to future events and are subject to certain risks, uncertainties, and assumptions. Many factors could cause the Corporation’s actual results, performance, or achievements to vary from those described in this MD&A.

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 MD&A as intended, planned, anticipated, believed, estimated or expected. Specific forward-looking statements in this MD&A include, among others, statements pertaining to the following: general economic and business conditions which will include, among other things, the outlook for energy services; continued impact of Russia-Ukraine conflict; the impact of conflict in the middle east; the Corporation’s ability to maintain a USD bank account and conduct its business in USD in PNG; market fluctuations in commodity prices, and foreign currency exchange rates; restrictions to repatriate funds held in PGK; expectations regarding the Corporation’s ability to manage its liquidity risk; raise capital and manage its debt finance agreements; 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; the Corporation’s ongoing relationship with its major customers; customers drilling intentions; the Corporation’s ability to position itself to be a significant supplier of services, equipment and manpower for other projects in PNG; deploying idle heli-portable drilling rigs 115 and 116 and securing future work with other exploration companies in PNG.

With respect to forward-looking statements contained in this MD&A, the Corporation has made assumptions regarding, among other things, its ability to: maintain its ongoing relationship with major customers; successfully market its services to current and new customers; devise methods for, and achieve its primary objectives; source and obtain equipment from suppliers; successfully manage, operate, and thrive in an environment which is facing much uncertainty; remain competitive in all its operations; attract and retain skilled employees; and obtain equity and debt financing on satisfactory terms.

The Corporation’s actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth above and elsewhere in this MD&A.

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

Abbreviations

The following is a summary of abbreviations used in this Management Discussion and Analysis:

AUD	- Australian dollars
bbl	- Barrel
BPNG	- Bank of PNG
EBITDA	- Earnings before interest, tax, depreciation and amortization
FY	- Financial Year
ESG	- Environmental, Social and Corporate Governance
IFRS	- International Financial Reporting Standards
IRC	- Internal Revenue Commission of PNG
LNG	- Liquefied natural gas
MD&A	- Management discussion and analysis
mmbtu	- Million British thermal units
OPEC	- Organization of Petroleum Exporting Countries
PGK	- Papua New Guinea kina
PNG	- Papua New Guinea
US	- United States of America
USD	- United States dollars

APPENDIX "H"
Pro Forma Financial Statements of The Corporation

HIGH ARCTIC OVERSEAS HOLDINGS CORP.

PROFORMA FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2024

HIGH ARCTIC OVERSEAS HOLDINGS CORP.
PRO-FORMA STATEMENT OF FINANCIAL POSITION

(thousands of United States Dollars)	High Arctic Overseas Holdings Corp. June 30, 2024	High Arctic Energy Services Cyprus Limited March 31, 2024	Pro-Forma Adjustments (Note 4)	Pro-Forma
Assets				
Current assets				
Cash and cash equivalents	-	15,632	(5,305)	10,327
Accounts receivable	-	10,565	-	10,565
Inventories	-	6,339	-	6,339
Prepaid expenses and other assets	-	447	-	447
Due from related party	-	289	-	289
Income tax receivable	-	494	-	494
	-	33,766	(5,305)	28,461
Non-current assets				
Property and equipment	-	12,222	-	12,222
Right of use assets	-	794	-	794
Total assets	-	46,782	(5,305)	41,477
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	-	9,971	-	9,971
Current portion of lease liabilities	-	486	-	486
Income tax payable	-	354	-	354
	-	10,811	-	10,811
Non-current liabilities				
Lease liabilities	-	372	-	372
Total liabilities	-	11,183	-	11,183
Shareholders' Equity				
Share capital	-	5	-	5
Accumulated and other comprehensive income	-	20	-	20
Retained earnings	-	35,574	(5,305)	30,269
	-	35,599	(5,305)	30,294
Total liabilities and shareholders' equity	-	46,782	(5,305)	41,477

The notes are an integral part of these pro-forma financial statements.

HIGH ARCTIC OVERSEAS HOLDINGS CORP.
PRO-FORMA STATEMENT OF NET INCOME

	High Arctic Overseas Holdings Corp. June 30, 2024	High Arctic Energy Services Cyprus Limited Three Months Ended March 31, 2024	Pro-Forma Adjustments (Note 4)	Pro-Forma
<i>(thousands of United States Dollars)</i>				
Revenue	-	11,134	-	11,134
Oilfield services expenses	-	6,819	-	6,819
General and administrative expenses	-	785	305	1,090
Depreciation and amortization expenses	-	810	-	810
	-	2,720	(305)	2,415
Management fee income	-	117	-	117
Interest and finance expense	-	(22)	-	(22)
Foreign exchange loss	-	(59)	-	(59)
Interest income	-	37	-	37
Income before income tax	-	2,793	(305)	2,488
Income tax expense	-	(292)	-	(292)
Deferred income tax recovery	-	-	-	-
Income tax expense	-	(292)	-	(292)
Total net income	-	2,501	(305)	2,196

The notes are an integral part of these pro-forma financial statements.

HIGH ARCTIC OVERSEAS HOLDINGS CORP.
PRO-FORMA STATEMENT OF NET LOSS

(thousands of United States Dollars)	High Arctic Overseas Holdings Corp. June 30, 2024	High Arctic Energy Services Cyprus Limited Year Ended December 31, 2023	Pro-Forma Adjustments (Note 5)	Pro-Forma
Revenue	-	43,380	-	43,380
Oilfield services expenses	-	28,964	-	28,964
General and administrative expenses	-	3,619	1,220	4,839
Depreciation and amortization expenses	-	6,222	-	6,222
	-	4,575	1,220	3,355
Management fee income	-	557	-	557
Interest and finance expense	-	(243)	-	(243)
Foreign exchange loss	-	(143)	-	(143)
Loss on sale of property and equipment	-	(13)	-	(13)
Asset impairment loss	-	(15,200)	-	(15,200)
Loss before income tax	-	(10,467)	(1,220)	(11,687)
Income tax expense	-	(1,028)	-	(1,028)
Deferred income tax recovery	-	2,872	-	2,872
Income tax recovery	-	1,844	-	1,844
Total net loss	-	(8,623)	(1,220)	(9,843)

The notes are an integral part of these pro-forma financial statements.

NOTES TO THE HIGH ARCTIC OVERSEAS HOLDINGS CORP. PRO-FORMA FINANCIAL STATEMENTS

1. Reporting Entity

High Arctic Overseas Holdings Corp. ("SpinCo" or the "Corporation") was incorporated under the Business Corporations Act (Alberta) on April 1, 2024. The Company is a wholly owned subsidiary of High Arctic Energy Services Inc. ("High Arctic").

The Corporation has not yet commenced commercial operations. SpinCo was incorporated for the sole purpose of participating in the plan of arrangement described in the Management Information Circular of High Arctic to which these pro-forma financial statements are attached ("Arrangement"). Under the Arrangement it is proposed that, among other things, (i) High Arctic will transfer all of its shares in High Arctic Energy Services Cyprus Limited, which holds High Arctic's entire Papua New Guinea ("PNG") business, to SpinCo, and (ii) each common share of High Arctic will be exchanged for 0.25 new common share of High Arctic and 0.25 common share of SpinCo.

These pro-forma financial statements have been prepared specifically for inclusion in SpinCo's application to list on the TSX Venture Exchange in Canada.

The Corporation's principal office is located at Suite 2350 330 5th Avenue SW Calgary Alberta and the registered office of SpinCo is Suite 1000 250 2nd Street SW Calgary Alberta.

2. Basis of presentation

The line items in the pro-forma financial statements have been prepared in all material respects using the accounting policies that are described in notes 2 and 3 of the audited consolidated financial statements of High Arctic Energy Services Cyprus Limited.

The pro-forma Statement of Financial Position as at March 31 2024 and the pro-forma Statement of Net Income (Loss) for the three-month period ended March 31, 2024 and the year ended December 31, 2023 give effect to the Arrangement and assumptions described in note 4 as if they had occurred January 1 2023.

The pro-forma financial statements have been prepared using the following information:

- audited financial statements of SpinCo as at June 30, 2024;
- audited consolidated financial statements of High Arctic Energy Services Cyprus Limited as at December 31 2023, December 31, 2022 and January 1, 2022 and for the years ended December 31 2023, 2022 and 2021;
- unaudited consolidated financial statements of High Arctic Energy Services Cyprus Limited as at March 31, 2024, and for the three-month periods ended March 31 2024 and 2023; and
- the Arrangement Agreement between High Arctic and SpinCo.

The pro-forma financial statements are not necessarily indicative of the results of operations or the financial position that would have resulted had the Arrangement been effected on the dates indicated or the results that may be obtained in the future.

The pro-forma financial statements have been prepared for illustrative purposes only.

3. Material accounting policies

These pro-forma financial statements have been prepared following the same accounting policies and methods of computation as the audited consolidated financial statements of High Arctic Energy Services Cyprus Limited as at December 31 2023, December 31, 2022 and January 1, 2022 and for the years ended December 31 2023, 2022 and 2021 (the "Financial Statements"). Significant accounting policies are described in notes 2 and 3 of the Financial Statements.

Business combinations involving entities under common control are outside the scope of IFRS 3 Business Combinations. IFRS provides limited guidance on the accounting for these types of transactions and an entity is required to develop an accounting policy. A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party both before and after the business combination and control is not transitory. Management has determined the predecessor values method to be most appropriate. The predecessor method requires the financial statements to be prepared using the predecessor carrying values without any step up to fair value.

4. Pro-forma adjustments as at and for the three-month period ended March 31, 2024 – General and administrative expenses

The Corporation will incur additional general and administrative expenses as a result of being listed on a public exchange and as a result of having an additional Canadian entity as part of the organization's corporate structure. Additional pro-forma expenses that are not included in the pro-forma financial statements include higher audit and director fees, listing and registration fees, and additional insurance premiums. Under the proposed Arrangement and as determined by management by reviewing High Arctic's non-recurring general and administrative costs incurred in 2023 on a quarterly basis additional general and administrative costs of \$165,000 was added to the pro-forma financial statements.

Included in the pro-forma financial statements are recoveries from High Arctic of general and administrative costs incurred by High Arctic Energy Services Cyprus Limited and its subsidiaries. Following the Arrangement these recoveries will cease. In 2023 these recoveries totaled \$140,000 on a quarterly basis and this amount has therefore been added to the pro-forma statements as additional general and administrative costs.

Also included in the pro-forma financial statements is a dividend of \$5,000,000 that was paid by High Arctic Energy Services Cyprus Limited to High Arctic subsequent to March 31, 2024 which will reduce SpinCo's retained earnings and the amount of available cash and cash equivalents available to SpinCo after completion of the Arrangement.

The above adjustments have been made assuming that SpinCo settled the transactions for cash during the three-month period ended March 31, 2024. In addition, the Corporation's subsidiaries are either not subject to income tax or have significant unrecorded deferred tax assets. As a result, the additional \$305,000 in pro-forma general and administrative expenses or the payment of the dividend to High Arctic will not result in a recovery of income tax for any of the Corporation's subsidiaries and therefore no tax affect for these pro-forma adjustments has been made to the pro-forma statements.

5. Pro-forma adjustments as at and for the year ended December 31, 2023 – General and administrative expenses

The Corporation will incur additional general and administrative expenses as a result of being listed on a public exchange and as a result of having an additional Canadian entity as part of the organization's corporate structure. Additional pro-forma expenses that are not included in the Financial Statements include higher audit and director fees, listing and registration fees, and additional insurance premiums. Under the proposed Arrangement and as determined by management by reviewing High Arctic's non-recurring general and administrative costs incurred in 2023 additional general and administrative costs of \$665,000 was added to the pro-forma statements.

Included in the pro-forma financial statements are recoveries from High Arctic of general and administrative costs incurred by High Arctic Energy Services Cyprus Limited and its subsidiaries. Following the Arrangement these recoveries will cease. In 2023 these recoveries totaled \$555,000 and this amount has therefore been added to the pro-forma statements as additional general and administrative costs.

The above adjustments have been made assuming that SpinCo settled the transactions for cash in 2023. In addition, the Corporation's subsidiaries are either not subject to income tax or have significant unrecorded deferred tax assets. As a result, the additional \$1,220,000 in pro-forma general and administrative expenses will not result in a recovery of income tax for any of the Corporation's subsidiaries and therefore no tax affect for these pro-forma adjustments has been made to the pro-forma statements.

APPENDIX "I"
Audit Committee Charter

HIGH ARCTIC OVERSEAS HOLDINGS CORP. AUDIT COMMITTEE TERMS OF REFERENCE

1. Constitution

Pursuant to the *Business Corporations Act* (Alberta), the bylaws of High Arctic Overseas Holdings Corp. (the “**Corporation**” or “**High Arctic Overseas**”) 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 Overseas**”) 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 Overseas, 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 Overseas.

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

3. Organization and Operation

- (a) The Committee shall be comprised of a minimum of three (3) members of the Board. Committee members shall be appointed by the Board provided that any member may be removed or replaced at any time by the Board.
- (b) 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.
- (c) A majority of the members of the Committee shall be residents of Canada.
- (d) The Committee shall have the power to appoint its chairman.
- (e) Any member of the Committee, the President and Chief Executive Officer or the auditors of the Corporation (the “**auditors**”) may call a meeting of the Committee upon not less than 48 hours’ notice to the other members of the Committee. The Committee shall have the right to determine who shall, and who shall not, be present at any time during a meeting of the Committee.

- (f) 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.
- (g) 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.
- (h) The Committee shall meet at least four times annually.
- (i) A quorum for meetings of the Committee shall be a majority of its members present in person, by video conference, by telephone, or a combination thereof.
- (j) Questions arising at any meeting of the Committee shall be decided by a majority of the votes cast.
- (k) 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.
- (l) The Corporate Secretary, or such other person as the Corporate Secretary of the Corporation shall designate, shall keep minutes of the meetings of the Committee. Minutes of each Committee meeting should be concise in describing substantive issues discussed by the Committee and clearly identify Committee responsibilities discharged and those outstanding.
- (m) 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

- (a) 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;
- (b) Review and make recommendations with respect to information and control systems of High Arctic Overseas;
- (c) Review and approve all major changes to information and control systems of High Arctic Overseas;
- (d) Review and approve spending authorities and expenditure approval limits of officers of High Arctic Overseas;
- (e) Review and approve all determinations made in respect of significant accounting and tax compliance issues;
- (f) Review all significant financial, accounting and tax issues in connection with proposed non-recurring events such as mergers, acquisitions, or divestitures;
- (g) Review and approve all press releases or other publicly circulated documents containing financial information;

- (h) In consultation with the auditors, review and monitor the integrity of the financial statements of High Arctic Overseas and any formal announcements relating to High Arctic Overseas' financial performance, and review significant financial reporting judgments contained therein;
- (i) Review and monitor the effectiveness of High Arctic Overseas' internal control monitoring function;
- (j) Review and monitor the effectiveness of the audit process, taking into consideration applicable professional and regulatory requirements;

Auditors

- (k) 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 Overseas, 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);
- (l) Review the terms of the auditors' engagement and make recommendations to the Board as to the compensation of the auditors;
- (m) Require the auditors to report directly to the Committee;
- (n) 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 Overseas, including the resolution of disagreements between management and the auditors regarding financial reporting;
- (o) Annually consider any comments raised by the auditors of the Corporation regarding internal controls and procedures;
- (p) Review and make recommendations in respect of any material issues raised by any internal quality control review (or peer review) of High Arctic Overseas or by any inquiry or investigation by governmental or professional authorities;
- (q) Annually, evaluate the auditors' qualifications, performance, and independence;
- (r) Review and discuss with the auditors any disclosed relationships or services that may impact the objectivity and independence of the auditors;
- (s) Annually, to ensure continuing auditor independence, consider the rotation of the lead audit partner or the auditor itself;
- (t) 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;
- (u) 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;

- (v) 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;
- (w) At each meeting, consult with external auditors, without the presence of management, about the quality of High Arctic Overseas' accounting principles, internal controls and completeness and accuracy of High Arctic Overseas' financial reports;
- (x) Pre-approve engagements for non-audit services provided by the auditors or their affiliates, together with estimated fees and potential issues of independence. The pre-approval requirement is waived with respect to the provision of non-audit services if:
 - (i) the aggregate amount of all such non-audit services provided to High Arctic Overseas constitutes not more than five percent of the total amount of revenues paid by High Arctic Overseas to the auditors during the fiscal year in which the non-audit services are provided;
 - (ii) such services were not recognized by High Arctic Overseas 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 Overseas 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;

- (y) Set hiring policies for partners, employees and former partners and employees of the present and former auditors;
- (z) 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 Overseas;
- (aa) Establish procedures for:
 - (bb) the receipt, retention and treatment of complaints received by High Arctic Overseas regarding accounting, internal accounting controls, or auditing matters;
 - (cc) the confidential, anonymous submission by employees of High Arctic Overseas of concerns regarding questionable accounting and auditing matters; and
 - (dd) the proportionate and independent investigation of any matters raised by employees of High Arctic Overseas, including the appropriate follow-up action (if any);
 - (ee) Monitor changes to applicable laws, regulations and rules and industry standards and practices with respect to financial reporting;

Audit

- (ff) Review with management and the auditors the audit plan for the coming year;

- (gg) 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;
- (hh) Separately interview management and the auditors regarding significant financial reporting issues during the fiscal period and the method of resolution;
- (ii) 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;
- (jj) 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;
- (kk) Review the certification process under National Instrument 52-109 adopted by the CSA;
- (ll) 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

- (mm) 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;
- (nn) Review and make recommendations as to hedging strategies, policies, objectives, and controls;
- (oo) Review, not less than quarterly, a mark to market assessment of High Arctic Overseas' hedge positions and counter party credit risk and exposure;
- (pp) Review High Arctic Overseas' risk retention philosophy and resulting exposure to the Corporation;
- (qq) Review the adequacy of insurance coverage;
- (rr) Review loss prevention policies and programs in the context of competitive and operational considerations;
- (ss) Review and recommend for approval the annual operating and capital budgets of High Arctic Overseas and any amendments thereto;
- (tt) Annually review authority limits for capital expenditures;
- (uu) Review all pending litigation involving High Arctic Overseas and assess the prospective exposure to High Arctic Overseas;
- (vv) Obtain explanations of significant variances with comparative reporting periods;
- (ww) Ascertain compliance with covenants under loan agreements; and
- (xx) Review, not less than annually, High Arctic Overseas' cyber-security risk management programs and effectiveness of monitoring function.

Other Duties and Responsibilities

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

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

5. Authority

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

- (a) 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 Overseas, the auditors and all other advisors to High Arctic Overseas and, from time to time, may require the Chief Financial Officer to report to the Committee;
- (b) 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 Overseas and/or the shareholders; and
- (c) Engage and obtain the advice of outside advisors, if necessary, to properly discharge its functions, duties and responsibilities including, without limitation:
 - (i) to engage independent counsel and other advisors as it determines necessary to carry out its duties;
 - (ii) to set and pay the compensation for any advisor employed by the Committee; and
 - (iii) to communicate directly with the auditors.

6. Limitation

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

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

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

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

APPENDIX "J"
Board Mandate

MANDATE OF THE BOARD OF DIRECTORS

The Board of Directors (the “**Board**”) of High Arctic Overseas Holdings Corp. (the “**Corporation**”) is responsible under corporate law to supervise the management of the business and affairs of the Corporation and its subsidiaries (collectively, “**High Arctic Overseas**”). The Board has the statutory authority and obligation to protect and enhance the assets of High Arctic Overseas.

The principal mandate of the Board is to oversee the management of the business and affairs of High Arctic Overseas, and monitor the performance of management.

In keeping with generally accepted corporate governance practices and the recommendations of the Dey Committee Report to the Toronto Stock Exchange in respect of “Guidelines for Improved Corporate Governance in Canada”, recommendations contained in National Policy 58-201 and recommendations and guidelines from the SEC and in connection with *the Sarbanes Oxley Act*, the Board assumes responsibility for the stewardship of High Arctic Overseas and, as part of the overall stewardship responsibility, explicitly assumes responsibility for the following:

1. Independence

The Board retains the responsibility for managing its own affairs including planning its composition, selecting its Chairman, appointing Board committees and determining directors’ compensation. While it is appropriate to confer with the management on the selection of candidates to be nominated as members of the Board, the ultimate selection shall be determined by the existing independent members of the Board.

In that, the Board must develop and voice objective judgment on corporate affairs, independently of the management, practices promoting Board independence will be pursued. This includes constituting the Board with a majority of independent and unrelated directors. Certain tasks suited to independent judgments will be delegated to specialized committees of the Board that are comprised exclusively of outside directors and at least a majority of unrelated directors.

The Board will evaluate its own performance in a continuing effort to improve. For this purpose, the Board will establish criteria for Board and Board member performance, and pursue a self-evaluation process for evaluating both overall Board performance and contributions of individual directors.

2. Leadership in Corporate Strategy

The Board ultimately has the responsibility to oversee the development and approval of the mission of High Arctic Overseas, its goals and objectives, and the strategy by which these objectives will be reached. In guiding the strategic choices of High Arctic Overseas, the Board must understand the inherent prospects and risks of such strategic choices.

While the leadership for the strategic planning process comes from the management of High Arctic Overseas, the Board shall bring objectivity and a breadth of judgment to the strategic planning process and will ultimately approve the strategy developed by management as it evolves.

The Board is responsible for monitoring management’s success in implementing the strategy and monitoring High Arctic Overseas’ progress to achieving its goals; revising and altering direction in light of changing circumstances.

The Board has the responsibility to ensure congruence between the strategic plan and management’s performance.

3. Management of Risk

The Board shall identify the principal risks of the business in which High Arctic Overseas is engaged, recognizing that business decisions require the incurrence of risk. The Board is responsible for providing a balance between risks incurred and the potential returns to shareholders of the Corporation. This requires that the Board ensure that systems are in place to effectively monitor and manage risks with a view to the long-term viability of High Arctic Overseas and its assets, and conduct an annual review of the associated risks.

4. Oversight of Senior Officers

As the Board functions, the Board must ensure the execution of plans and operations are of the highest caliber. The key to the effective discharge of this responsibility is succession planning, the approval of the appointment of the senior officers of the Corporation and the assessment of each senior officer's contribution to the achievement of the Corporation's strategy. In this respect, performance against objectives established by the Board is important, as is a formal process for determining the senior officers' compensation, in part, by using established criteria and objectives for measuring performance.

The Board understands that a culture of integrity in its officers and employees is important to the success of the company and its shareholders. The Board will set and review the Policies and Standards of the company to support a culture of integrity.

5. Shareholder Communications and Disclosure

The Board is responsible to ensure that the Corporation has policies in place to ensure effective and timely communication and disclosure to the shareholders of the Corporation, other stakeholders and the public in general. This communication and disclosure policy must effectively and fairly present the operations of High Arctic Overseas to shareholders and should accommodate feedback from shareholders, which should be considered into future business decisions.

The Board has the responsibility for ensuring that the financial performance of High Arctic Overseas is reported to shareholders on a timely and regular basis and for ensuring that such financing results are reported fairly, in accordance with generally accepted accounting principles.

The Board has the responsibility for ensuring that procedures are in place to effect the timely reporting of any developments that have a significant and material impact on the value of shareholder assets.

The Board has the responsibility for reporting annually to shareholders on its stewardship for the preceding year.

6. Integrity of Corporate Control and Management Information Systems

To effectively discharge its duties, the Board shall ensure that High Arctic Overseas has in place effective control and information systems so that it can track those criteria needed to monitor the implementation of the High Arctic Overseas' strategy.

Similarly, in reviewing and approving financial information, the Board shall ensure that High Arctic Overseas has an audit system, which can inform the Board of the integrity of the data and compliance of the financial information with generally accepted accounting principles.

The Board's management of the important areas of corporate conduct, such as the commitment of High Arctic Overseas' assets to different businesses or material acquisitions, shall also be supported by effective control and information systems.

7. Legal Requirements

The Board is responsible for ensuring that routine legal requirements, documents, and records have been properly prepared, approved and maintained by High Arctic Overseas.

8. Board Delegation to Committees

The Board can delegate specific responsibilities to committees of the Board in order to effectively manage the affairs of High Arctic Overseas.

9. Limitation

The foregoing is 1. 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 2. 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.