



High Arctic Overseas Holdings Corp.

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High Arctic Overseas Announces 2024 Third Quarter Results

CALGARY, Alberta – November 29, 2024 – High Arctic Overseas Holdings Corp. (TSXV: HOH) ("High Arctic Overseas" or the "Corporation") has released its first quarterly financial and operating results following the completion of a Plan of Arrangement (the "Arrangement") that on August 12, 2024, resulted in the separation of the North American and Papua New Guinea ("PNG") energy services businesses of High Arctic Energy Services Inc. ("HWO"), with the North American business continuing to be operated by HWO, and the PNG business being operated by the Corporation. The Corporation's unaudited consolidated financial statements (the "Financial Statements") and management's discussion & analysis ("MD&A") for the three and nine months ended September 30, 2024, will be available on SEDAR+ at www.sedarplus.ca. All amounts are denominated in United States dollars ("USD"), unless otherwise indicated.

On August 12, 2024, in conjunction with the completion of the Arrangement transaction:

- HWO transferred all of the outstanding ordinary shares of High Arctic Energy Services Cyprus Limited ("HAES-Cyprus"), the subsidiary that owned and operated HWO's Papua New Guinea energy services business, to the Corporation;
- Each shareholder of HWO received as consideration, one quarter of one (1/4) common share of the Corporation and one quarter of one (1/4) post-Arrangement common share of HWO, for each pre-Arrangement common share of HWO held;
- The Corporation became a reporting issuer in Alberta, British Columbia, Manitoba, Ontario, and Saskatchewan and was listed on the TSX Venture Exchange ("TSXV"), and
- HWO retained its interest in the existing North American energy services business and remained listed on the Toronto Stock exchange and continued trading under the trading symbol HWO.

The common shares of the Corporation began trading on the TSXV on August 16, 2024 under the trading symbol HOH.

Mike Maguire, Chief Executive Officer commented on the Corporation's third quarter 2024 financial and operating results:

"I am very pleased to have completed the strategic re-organization of High Arctic Energy Services Inc. in quarter 3. Spinning out the PNG business to shareholders under this new reporting entity High Arctic Overseas Holdings Corp. listed on the TSX Venture Exchange, realizes a key 2024 objective for the benefit of both entities.

The Corporation is now well placed, with access to adequate working capital, ideal equipment for the challenging PNG environment, focused management and a dominant market position. We are heartened by the recent public statements of key LNG development participants of positive intentions to advance projects in PNG over the coming years. I am excited about our prospects to play a strategic role servicing the major projects anticipated in PNG over the second half of the decade.

In the meantime, we have curtailed non-essential expenditures and pursue growth and diversity in our core service offerings which currently includes equipment rentals and manpower services."

2024 THIRD QUARTER HIGHLIGHTS

- Completed the Arrangement transaction with the Corporation's common shares trading on the TSXV under the trading symbol HOH.
- Progressed post-reorganization transitional arrangements towards establishing dedicated stand-alone leadership of the Corporation.
- Exited the quarter with a strong liquidity position with a working capital balance of \$18.5 million which includes a cash balance of \$14.9 million and no debt.

2024 THIRD QUARTER RESULTS

- Drilling rig 103 remained suspended and drilling rigs 115 and 116 remained cold-stacked. Manpower services and rental services continued with other customers. Operating margins increased from 29.5% in Q3 2023 to 36.8% in Q3 2024, support and management workforces were resized to realign with the reduced drilling activities during the quarter. The net result was a substantial reduction to revenue and the generation of negative EBITDA in the quarter:
 - Revenue for the quarter of \$2,891, a decrease of \$9,629 or 77% compared to Q3 2023 at \$12,520, and
 - Adjusted EBITDA of (\$344), a decrease of \$3,259 or 112% compared to Q3 2023 at \$2,915.
- The reduced revenue generating activities in Q3 2024 combined with higher general and administrative expenses relating to the completion of the Arrangement transaction drove the following results for the Corporation:
 - Net loss of \$1,421 in Q3 2024 compared to a net loss of \$11,946 realized in Q3 2023 which included an impairment charge of \$15,200.

2024 YEAR TO DATE RESULTS

- Drilling Rig 103 operated through to Q2 2024 when drilling was suspended at which point it was cold stacked. Manpower services and rentals with other customers continued at similar run rates through the entirety of Q3 2024. Operating margins were improved from 2023 of 33.6% to 38.7% in 2024 as a result of reduced material and supply costs and proportional contribution from higher margin rentals.
 - Revenue for the first nine months of 2024 was \$21,654, a reduction of \$9,193 or 30% compared to the same period in 2023, and
 - Adjusted EBITDA for the first nine months of 2024 was \$4,846, a 41% reduction compared to the same period in 2023.
- The reduced operating activities combined with higher general and administrative expenses resulting from the Arrangement transaction, as noted above, drove the following results for the Corporation:
 - Net income of \$1,051 for the first nine months of 2024 compared to a net loss of \$10,530 for the same period 2023, which include an impairment charge of \$15,200.

Since the Corporation and HAES-Cyprus were both wholly-owned by HWO, the transfer of all of the outstanding ordinary shares of HAES-Cyprus to the Corporation was deemed a common control transaction. The Corporation's Financial Statements are presented under the continuity of interests basis. Financial and operational results contained within this press release present the historic financial position, results of operations and cash flows of HAES-Cyprus for all prior periods up to August 12, 2024, under HWO's control. The financial position, results of operations and cash flows from April 1, 2024 (the date of incorporation of the Corporation) to August 12, 2024, include both HAES-Cyprus and the Corporation on a combined basis and from August 12, 2024, forward include the results of the Corporation on a consolidated basis upon completion of the Arrangement.

For reporting purposes in the Financial Statements, the MD&A and this press release, it is assumed that the Corporation held the PNG business prior to August 12, 2024, and as such, information provided includes the financial and operating results for the three and nine months ended September 30, 2024, including all comparative periods.

In the above results discussion, the three months ended September 30, 2024 may be referred to as the "quarter" or "Q3 2024" and the comparative three months ended September 30, 2023 may be referred to as "Q3 2023". References to other quarters may be presented as "QX 20XX" with X/XX being the quarter/year to which the commentary relates. Additionally, the nine months ended September 30, 2024 may be referred to as "YTD" or "YTD 2024". References to other nine-month periods ended September 30 may be presented as "YTD 20XX" with XX being the year to which the nine-month period ended September 30 commentary relates

THIRD QUARTER 2024 SELECT FINANCIAL AND OPERATIONAL RESULTS OVERVIEW

(thousands of USD except per share amounts)	Three months ended Sept 30,		Nine months ended Sept 30,	
	2024	2023	2024	2023
Operating results				
Revenue	2,891	12,520	21,654	30,847
Net income (loss)	(1,421)	(11,946)	1,051	(10,530)
<i>Per share (basic and diluted) ⁽¹⁾</i>	(\$0.11)	(\$0.96)	\$0.08	(\$0.85)
Operating margin ⁽²⁾	1,064	3,693	8,376	10,379
<i>Operating margin as a % of revenue ⁽²⁾</i>	36.8%	29.5%	38.7%	33.6%
EBITDA ⁽²⁾	(365)	2,888	4,846	8,236
Adjusted EBITDA ⁽²⁾	(344)	2,915	4,862	8,281
<i>Adjusted EBITDA as a % of revenue ⁽²⁾</i>	(11.9%)	23.3%	22.5%	26.8%
Operating income (loss) ⁽²⁾	(1,036)	1,027	1,719	2,335
<i>Per share (basic and diluted) ⁽¹⁾</i>	(\$0.08)	\$0.08	\$0.14	\$0.19
Cash flow from operations:				
Cash flow from operating activities	1,219	1,926	9,864	2,775
<i>Per share (basic & diluted) ⁽¹⁾</i>	\$0.10	\$0.15	\$0.79	\$0.22
Funds flow from operating activities ⁽²⁾	(630)	2,428	4,103	7,344
<i>Per share (basic & diluted) ⁽¹⁾</i>	(\$0.05)	\$0.20	\$0.33	\$0.59
Capital expenditures	57	482	590	987

(thousands of USD)	As at	
	Sept 30, 2024	Dec 31, 2023
Financial position:		
Working capital ⁽²⁾	18,508	20,335
Cash and cash equivalents	14,858	10,958
Total assets	35,213	43,374
Shareholder's equity	29,175	33,112
<i>Per share (basic) ⁽¹⁾</i>	\$2.34	\$2.66
<i>Per share (fully diluted) ⁽¹⁾</i>	\$2.34	\$2.66
Weighted average common shares outstanding (000's) ⁽¹⁾	12,448	12,448
Weighted average diluted shares outstanding (000's) ⁽¹⁾	12,448	12,448

⁽¹⁾ For the purposes of computing per share amounts, the number of common shares outstanding for the periods prior to the Arrangement is deemed to be the number of shares issued by the Corporation to the shareholders of HWO upon completion of the Arrangement. For the period after the Arrangement, the number of shares outstanding in the computation of per share amounts is the total issued shares of the Corporation on August 12, 2024, and any common shares issued subsequent to August 12, 2024. See the "Overview" section of the Corporation's Q3 2024 MD&A and the Corporation's Financial Statements as at September 30, 2024, and for the three and nine months ended September 30, 2024 and 2023 for additional details.

⁽²⁾ Operating margin, EBITDA (Earnings before interest, tax, depreciation, and amortization), Adjusted EBITDA, Operating income (loss), Funds flow from operating activities and Working capital do not have a standardized meanings prescribed by IFRS. See "Non IFRS Measures" in the Corporation's Q3 2024 MD&A for calculations of these measures.

Operating Results

(thousands of USD, unless otherwise noted)	Three months ended Sept 30,		Nine months ended Sept 30,	
	2024	2023	2024	2023
Revenue	2,891	12,520	21,654	30,847
Operating expense	(1,827)	(8,827)	(13,278)	(20,468)
Operating margin ⁽¹⁾	1,064	3,693	8,376	10,379
Operating margin (%)	36.8%	29.5%	38.7%	33.6%

⁽¹⁾ See "Non-IFRS Measures" in the Q3 2024 MD&A for calculations of these measures.

Revenues for Q3 2024 were \$2,891 compared to \$12,520 for Q3 2023. Revenues in the nine months of 2024 decreased by \$9,193 or 30% compared to 2023. Revenues for both the three and nine months ended September 30, 2024, were impacted as a result of reduced overall utilization of Rig 103. Customer-owned Rig 103 was utilized for 8 months of 2023 versus 5.5 months in 2024. 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 2024, largely as a result of reduced material and supply costs associated with the recommencement of Rig 103 during fiscal 2023 and a higher proportional contribution by higher margin rentals.

The Corporation owns two heli-portable drilling rigs (Rigs 115 and 116) which remain preserved and maintained ready for deployment.

Liquidity and Capital Resources

(thousands of USD)	Three months ended Sept 30,		Nine months ended Sept 30,	
	2024	2023	2024	2023
<u>Cash provided by (used in) operations:</u>				
Operating activities	1,219	1,926	9,864	2,775
Investing activities	(57)	(482)	(590)	(987)
Financing activities	(5,128)	(178)	(5,374)	(535)
Increase (decrease) in cash	(3,966)	1,266	3,900	1,253

(thousands of USD, unless otherwise noted)	As at	As at
	Sept 30, 2024	Dec 31, 2023
Current assets	24,399	30,090
Working capital ⁽¹⁾	18,508	20,335
Working capital ratio ⁽¹⁾	4.1:1	3.1:1
Cash and cash equivalents	14,858	10,958

⁽¹⁾ See "Non-IFRS Measures" in the Q3 2024 MD&A for calculations of these measures.

Liquidity and Capital Resources

Cashflows from Operating Activities

For the three and nine months ended September 30, 2024, cash generated from operating activities was \$1,219 (Q3 2023 \$1,926) and \$9,864 (YTD-2023 \$2,775), respectively. The change in operating cash flow was largely driven by a net cash inflow from changes in working capital.

Cashflows from Investing Activities

During the three and nine months ended September 30, 2024, the Corporation's cash used in investing activities was \$57 (Q3 2023 \$482) and \$590 (YTD-2023 \$987) respectively. Cash outflows associated with investing activities were directed towards capital expenditure on rental equipment. The reduction in capital expenditures in 2024 is due to reduced customer activity. The Corporation will continue to seek opportunities to invest in additional capital assets, in particular where it can do so under take-or-pay agreements.

Cash flows from Financing Activities

During the three and nine months ended September 30, 2024, the Corporation's cash used in financing activities was \$5,128 (Q3 2023 \$178) and \$5,374 (YTD-2023 \$535) respectively. Excluding the impact of a \$5,000 dividend paid by HAES-Cyprus to HWO prior to the completion of the Arrangement transaction, cash outflows associated with finance activities were directed towards lease obligation payments.

Outlook

Papua New Guinea possesses substantial deposits of natural resources including significant reserves of oil and natural gas and has emerged as a reliable low-cost energy exporter to Asian markets, particularly for liquefied natural gas ("LNG"). A significant investment in the country's oil and gas industry was evidenced by the successful construction of the PNG-LNG project in 2014, with the primary partners in the venture being customers of the Corporation. In the period following, the Corporation's predecessor company committed to the purchase and upgrade of drilling rigs 115 and 116 and expansion of the Corporation's fleet of rentable equipment including camps, material handling equipment and worksite matting. These investments contributed to a substantive lift in revenues and earnings as PNG enjoyed its highest period of exploration and development activity.

Since the onset of COVID-19 in early 2020, there has been a substantive reduction in drilling services in PNG. This follows some consolidation among the active exploration and production companies and evolving political and economic influences. In the longer term, HOH 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 an 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 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 expansionary project to follow Papua-LNG.

The Corporation is strategically positioned to support these developments, given its dominant position for drilling and associated services in PNG, existing work relationships with the operating companies, and proximity to the proposed sites of operation. The Corporation's drilling rigs 115 and 116 are portable by helicopter and have been maintained and preserved for future use.

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. HOH's business continues to position itself to be a meaningful supplier of services, equipment and manpower for this market.

The outlook for the Corporation's core business in PNG for the remainder 2024 and into 2025 remains subdued. As previously disclosed, results were impacted by the completion of customer drilling activity during the second quarter of 2024, with Rig 103 being relocated to the customer's forward base location and cold-stacked. With no near-term drilling activity currently anticipated, the Corporation expects equipment rental and manpower to be the primary revenue generating activity with revenues consistent with Q3 2024 for the fourth quarter of 2024 and into 2025.

The Corporation remains engaged with its principal customer on planning for future drilling activity, and continues to focus on enhancing and optimizing its existing rental fleet deployment and manpower solutions offerings.

The Corporation also continues to pursue business expansion opportunities in PNG, actively engaging with potential customers for its services in PNG and the wider region while also taking actions to protect its capability to realize the future potential of the business.

NON-IFRS MEASURES

This press release contains references to certain financial measures that do not have a standardized meaning prescribed by International Financial Reporting Standards ("IFRS") and may not be comparable to the same or similar measures used by other companies. High Arctic Overseas 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 Oilfield services operating margin, EBITDA (Earnings before interest, tax, depreciation and amortization), Adjusted EBITDA, Operating loss, Funds flow from operating activities, Working capital and Net cash. These do not have standardized meanings.

These financial measures should not be considered as an alternative to, or more meaningful than, net income (loss), cash from operating activities, current assets or current liabilities, cash and/or other measures of financial performance as determined in accordance with IFRS.

For additional information regarding non-IFRS measures, including their use to management and investors and reconciliations to measures recognized by IFRS, please refer to the Corporation's Q3 2024 MD&A, which is available online at www.sedarplus.ca.

About High Arctic Overseas Holdings Corp.

High Arctic Overseas is a market leader in Papua New Guinea providing drilling and specialized well completion services, manpower solutions and supplies rental equipment including rig matting, camps, material handling and drilling support equipment.

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Forward-Looking Statements

This Press Release 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 Press Release.

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 Press Release as intended, planned, anticipated, believed, estimated or expected. Specific forward-looking statements in this Press Release include, among others, statements pertaining to the following: general economic and business conditions which will include, among other things: the role of the energy services industry in future phases of the energy industry; the outlook for energy services; the timing and impact on the Corporation’s business related to potential new large-scale natural resources projects and increased drilling activity in PNG; market fluctuations in commodity prices, and foreign currency exchange rates; expectations regarding the Corporation’s ability to manage its liquidity risk; raise capital and manage its debt finance agreements; 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; the expectation that the equipment rental and manpower services portion of the Corporation’s business will be the primary revenue generating activity for the remainder of 2024 and for fiscal 2025; the ability of the Corporation to expand its geographic customer base outside of PNG, and the 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 Press Release, 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 in this Press Release and in the Corporation’s Listing Application dated August 12, 2024, which is available on SEDAR+.

The forward-looking statements contained in this Press Release are expressly qualified in their entirety by this cautionary statement. These statements are given only as of the date of this Press Release. 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.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.