High Arctic Overseas Holdings Corp.

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High Arctic Overseas Announces 2024 Fourth Quarter Results

CALGARY, Alberta – April 29, 2024 – High Arctic Overseas Holdings Corp. (TSXV: HOH) ("High Arctic Overseas" or the "Corporation") has released its financial and operating results for the quarter and year ended December 31, 2024. The Corporation's audited consolidated financial statements (the "Financial Statements") and management's discussion & analysis ("MD&A") for the three months and year ended December 31, 2024, will be available on SEDAR+ at www.sedarplus.ca. All amounts are denominated in United States dollars ("USD"), unless otherwise indicated.

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 fourth quarter 2024 financial and operating results:

> *"We have finished the spin-out transaction and have established High Arctic Overseas Holdings Corp. with dedicated Management and have trimmed our recurring G&A on a go forward basis. We have maintained the Corporation's cash balance thanks to solid contribution from our manpower services & equipment rentals.*
>
> *The Corporation is now well placed to participate meaningfully in anticipated future drilling activity, with a resilient core business. Our experience combined with ideal drilling equipment for the challenging PNG environment positions us well.*
>
> *We are heartened by announced LNG developments including key environmental approvals for Papua LNG and positive public statements by the PNG Prime Minister following meetings with senior executives from the major project participants in January.*
>
> *I remain excited about our prospects to play a strategic role servicing the major projects anticipated in PNG over the second half of the decade."*

HIGHLIGHTS

- Adjusted EBITDA for the Quarter and full year of ($482) and $4,290 as a result of low drilling activity and costs associated with the close out of the spin-out.
- Significant adjustments to inventory carrying value as a result of confirmation of the terms of contracts which resulted in a one-time positive non-cash impact to earnings of $3.4 million;
- Post the spin-out we have established independent management team and expect to see General and Administrative costs normalise moving forward; and
- Exited the quarter with a strong liquidity position with a working capital balance of $20.6 million which includes a cash balance of $14.9 million and no debt.

2024 FOURTH 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 decreased from 32.2% in Q4 2023 to 28.6% in Q4 2024. The net result was a substantial reduction to revenue and the generation of a significantly lower EBITDA in the quarter:
    - Revenue for the quarter of $2,421, a decrease of $10,112 or 81% compared to Q4 2023 at $12,533, and
    - Adjusted negative EBITDA of $482, decrease of $3,418 or 116% compared to Q4 2023 at $2,936.
- The reduced revenue generating activities in Q4 2024 were offset by the significant adjustments to inventory and reported obligations that were the result of renegotiated terms of contracts related to spares inventory, this resulted in:
    - Net income of $1,806 in Q4 2024 compared to net income of $1,907 realized in Q4 2023.

2024 YEAR TO DATE RESULTS

- Drilling Rig 103 operated through into 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 remainder of 2024. Operating margins improved from 2023 of 33.2% to 37.7% in 2024 as a result of reduced material and supply costs and higher proportional contribution from higher margin rentals.
    - Revenue for 2024 was $24,075, a reduction of $19,305 or 45% compared to 2023,
    - Adjusted EBITDA for 2024 was $4,290, a 60% reduction compared to 2023 as a result of general and administrative costs not reducing proportionally to revenue, and
    - General and administrative costs were impacted by additional expenses related to the Arrangement.
- The reduced operating activities combined with the Q4 2024 significant adjustments to inventory and reported obligations drove the following results for the Corporation:
    - Net income of $2,857 for 2024 compared to a net loss of $8,623 for the same period 2023 which included an impairment charge of $15,200.
- Improved liquidity with a working capital balance of $20.6 million, which includes a cash balance of $14.9 million.

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 twelve months ended December 31, 2024, including all comparative periods.

In the above results discussion, the three months ended December 31, 2024 may be referred to as the "quarter" or "Q4 2024" and the comparative three months ended December 31, 2023 may be referred to as "Q4 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 twelve months ended December 31, 2024 may be referred to as "YTD" or "YTD 2024". References to other twelve-month periods ended December 31 may be presented as "YTD 20XX" with XX being the year to which the twelve-month period ended December 31 commentary relates.

FOURTH QUARTER 2024 SELECT FINANCIAL AND OPERATIONAL RESULTS OVERVIEW

	Three months ended Dec 31,		Year ended Dec 31,	
(thousands of USD except per share amounts)	2024	2023	2024	2023
Operating results				
Revenue	**2,421**	12,533	**24,075**	43,380
Net income (loss)	**1,806**	1,907	**2,857**	(8,623)
Per share (basic and diluted) (1)	**$0.14**	$0.16	**$0.23**	($0.69)
Operating margin (2)	**693**	4,037	**9,069**	14,416
Operating margin as a % of revenue (2)	***28.6%***	*32.2%*	***37.7%***	*33.2%*
EBITDA (2)	**2,887**	2,975	**7,733**	11,211
Adjusted EBITDA (2)	**(482)**	2,936	**4,290**	10,797
Adjusted EBITDA as a % of revenue (2)	***(19.9%)***	*23.4%*	***17.8%***	*24.9%*
Operating income (loss) (2)	**(1,264)**	2,240	**455**	4,575
Per share (basic and diluted) (1)	**($0.10)**	$0.18	**$0.04**	$0.37
Cash flow from operations:				
Cash flow from operating activities	**248**	6,131	**10,112**	8,906
Per share (basic & diluted) (1)	**$0.02**	$0.49	**$0.81**	$0.71
Funds flow from operating activities (2)	**2,667**	2,929	**6,770**	10,273
Per share (basic & diluted) (1)	**$0.21**	$0.24	**$0.54**	$0.83
Capital expenditures	**62**	93	**652**	1,080

(thousands of USD)	As at Dec 31, 2024	As at Dec 31, 2023
Financial position:		
Working capital (2)	**20,602**	20,335
Cash and cash equivalents	**14,930**	10,958
Total assets	**35,287**	43,374
Shareholder's equity	**30,953**	33,112
Per share (basic) (1)	**$2.48**	$2.66
Per share (fully diluted) (1)	**$2.47**	$2.66
Weighted average common shares outstanding (000's) (1)	**12,448**	12,448
Weighted average diluted shares outstanding (000's) (1)	**12,539**	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 this MD&A and the Corporation's Financial Statements as at and for the years ended December 31, 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 this MD&A for calculations of these measures.

Operating Results

	Three months ended Dec 31,		Year ended Dec 31,	
(thousands of USD, unless otherwise noted)	2024	2023	2024	2023
Revenue	**2,421**	12,533	**24,075**	43,380
Operating expense	**(1,728)**	(8,496)	**(15,006)**	(28,964)
Operating margin(1)	**693**	4,037	**9,069**	14,416
Operating margin (%)	***28.6%***	*32.2%*	***37.7%***	*33.2%*

(1) See "Non-IFRS Measures"

Revenues totaled $2,421 and $24,075 for the three months and year ended December 31, 2024, respectively, compared to $12,533 and $43,880 for the comparative periods in 2023. Revenues for the year ended 2024 and Q4 2024, as compared to the prior year comparative periods, were negatively impacted as a result of reduced overall utilization of Rig 103. Customer-owned Rig 103 was utilized for 8 months during 2023 versus the first 5.5 months in 2024. Despite reduced drilling activity in 2024 compared to 2023, the Corporation was able to maintain a consistent level of activity related to the provision of skilled personnel for key customers in PNG.

Operating margin as a percentage of revenues increased from 2023 to 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 in 2024.

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

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Liquidity and Capital Resources

(thousands of USD)	Three months ended Dec 31, 2024	2023	Year ended Dec 31, 2024	2023
Cash provided by (used in) operations:				
Operating activities	**248**	6,131	**10,112**	8,906
Investing activities	**(62)**	(93)	**(652)**	(1,080)
Financing activities	**(113)**	(179)	**(5,487)**	(714)
Effect of exchange rate changes	**(1)**	-	**(1)**	-
Increase (decrease) in cash	**72**	5,859	**3,972**	7,112

(thousands of USD, unless otherwise noted)	As at Dec 31, 2024	As at Dec 31, 2023
Current assets	**24,706**	30,090
Working capital[1]	**20,602**	20,335
Working capital ratio[1]	**6.0:1**	3.1:1
Cash and cash equivalents	**14,930**	10,958

(1) See "Non-IFRS Measures"

Liquidity and Capital Resources

Cashflows from Operating Activities

For the three months and year ended December 31, 2024, cash generated from operating activities was $248 (Q4 2023 $6,131) and $10,112 (YTD-2023 $8,906), respectively. The change in operating cash flow was largely driven by changes in working capital related to the timing of drilling activity in the respective years with a cash drawdown in 2023 as operations ramped up and a cash harvesting in 2024 as operations were ceased.

Cashflows from Investing Activities

For the three months and year ended December 31, 2024, the Corporation's cash used in investing activities was $62 (Q4 2023 $93) and $652 (YTD-2023 $1,080), respectively. Cash outflows associated with investing activities were directed towards capital expenditures on rental assets. 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

For the three months and year ended December 31, 2024, the Corporation's cash used in financing activities was $113 (Q4 2023 $179) and $5,487 (YTD-2023 $714) 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

Consistent with the outlook provided by the Corporation in the third quarter of 2024, the outlook for the Corporation's core business in PNG for 2025 remains subdued. The Corporation's 2024 fourth quarter and annual 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 for 2025. Quarterly revenues for 2025 are anticipated to be consistent with third and fourth quarters of 2024.

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.

Our rationale for a business strategy focussed on PNG is unchanged. 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, High Arctic believes PNG is on the precipice of a new round of large-scale projects in the natural resources sector. The next significant LNG project currently being planned is Papua-LNG a project lead by the French oil and gas super-major TotalEnergies, with a final investment decision anticipated in late 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 defence 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 business continues to position itself to be a meaningful supplier of services, equipment and manpower for this market.

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: future energy projects including drilling activity and LNG projects in PNG; the Corporation’s ability to participate in the energy industry in PNG; potential future contracts with existing or new customers of the Corporation; future infrastructure and defence projects in PNG and the ability of the Corporation to participate in same; the Corporation’s expectations related to financial and operational results in 2025, including the expectation that the equipment rental and manpower services portion of the Corporation’s business will be the primary revenue generating activity for fiscal 2025; the timing and ability of the Corporation to put its own administrative infrastructure in place; 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: general economic and business conditions; the role of the energy services industry in future phases of the energy industry; the outlook for energy services both globally and within PNG; the impact of conflict in the Middle East and Ukraine; the timing and impact on the Corporation’s business related to potential new large-scale natural resources projects and increased drilling activity in PNG; the impact, if any, related to existing or future changes to government regulations by the government of PNG; the impact, if any, on the Corporation’s future financial and operational results related to non-resource development opportunities in PNG; market fluctuations in commodity prices, and foreign currency exchange rates; restrictions on repatriation of funds held in PNG; 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 resource and non-resources based projects in PNG; the Corporation’s ability to invest in additional capital assets, including the impact on the Corporation’s future financial and operational results; the impact, if any, of geo-political events, changes in government, changes to tariff’s or related trade policies and the potential impact on the Corporation’s ability to execute on its 2025 business plan and strategic objectives; the Corporation’s 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 and manage liquidity related risks. While the Corporation considers these assumptions to be reasonable, the assumptions are inherently subject to significant uncertainties and contingencies.

A description of additional risk factors that may cause actual results to differ materially from forward-looking information can be found in the Corporation’s disclosure documents on the SEDAR+ website at www.sedarplus.ca. 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. Accordingly, readers should not place undue reliance on forward-looking information. 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. Accordingly, readers should not place undue reliance on forward-looking information.

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.