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High Arctic Announces 2008 Year End Results

Red Deer, Canada – March 25, 2009 – High Arctic Energy Services Inc. (TSX: HWO) (“High Arctic” or the “Corporation”) today announced its results for the year ended December 31, 2008.

Commenting on the results, Michael Binnion, Chairman of the Board, said, “We are very pleased with the progress made during 2008 in terms of the financial restructuring process and in restoring the operating profitability. We were fortunate to have started the process early in 2008 while the market for equipment was still buoyant. The industry is facing significant headwinds for 2009 and High Arctic is taking proactive steps to reduce its costs to remain competitive. I remain confident that we can continue to reduce our debt levels during 2009 through further sales of underperforming assets, positioning us well for an eventual upturn in the industry.”

2008 Financial Highlights

- The Corporation generated \$168.5 million in revenue during 2008; an increase of \$38.4 million (30%) in revenue over the 2007 revenue of \$130.1 million. The revenue increase is attributable to the increased activities in Papua New Guinea and the start-up of Optimal Pressure Drilling Services in Mexico, offset by a reduction in Canada and international operations related to the discontinued operations.
- Canadian revenue declined by \$10.8 million in 2008, which is primarily attributable to a non-recurring drilling project in the first quarter of 2007. Revenue of \$53.8 million in 2008 from the ongoing Canadian business was consistent with 2007 revenue.
- The year 2008 was the first full year of operations in Papua New Guinea, where revenue increased to \$91.7 million from \$32.1 million (in 2007) as three rigs were operating for most of the year.
- Optimal Pressure Drilling Services, a 51% owned joint venture, commenced business operations on January 1, 2008. Over 90% of the joint venture’s revenue for 2008 was earned in Mexico. High Arctic’s share of the loss for 2008 was \$4.8 million, excluding the impact of a foreign exchange loss primarily related to a loan owing to High Arctic. The joint venture’s results were below the initial expectations, as actual work available in Mexico proved to be less than anticipated.
- EBITDA (as defined herein) was \$26.9 million (\$0.63 per share) for 2008; an increase of \$28.7 million from the negative \$1.8 million for 2007. However, the 2007 amount reflects the write-down of a long term receivable of \$20.7 million compared to \$2.7 million in 2008. Excluding the impact of the write-down and the discontinued operations, the EBITDA for 2008 was \$32.9 million compared to \$21.9 million for 2007.



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- The net loss for 2008 was \$39.6 million (\$0.93 per share) compared to a net loss of \$69.6 million (\$1.83 per share) during 2007. The loss for 2008 included a \$21.7 million charge for the impairment of certain equipment, while the 2007 loss included an impairment charge of \$31.4 million related to assets reclassified for sale, in addition to the \$20.7 million as a write down of a long term receivable.
- The Corporation continues to focus on debt reduction through the disposition of underutilized assets. During 2008, the Corporation sold in excess of \$29 million of equipment targeted for sale and reduced its debt by \$32.5 million.
- The Corporation also took steps during 2008 to reduce unprofitable business operations in the Middle East region to reduce the drain on financial resources.

Fourth Quarter Financial Highlights

- Revenue for the quarter was \$45.0 million in 2008 compared to \$39.3 million for the same period in 2007.
- High Arctic's overall Canadian equipment utilization rates were up for the quarter at 47% for 2008 as compared to 41% for 2007. Overall, with the increased utilization for the Corporation's equipment and downward pricing pressure on the day rates, Canadian revenue was flat in the 4th quarter of 2008 at \$12.6 million as compared to \$12.5 million in the 4th quarter of 2007.
- Revenue in the international operating areas increased by \$9.4 million to \$31.3 million in the 4th quarter of 2008 as compared to \$21.9 million in the 4th quarter of 2007. The increase in revenue was a result of the Corporation's operations in Papua New Guinea.
- The Corporation continued to wind down operations in the Middle East and India during the 4th quarter of 2008. High Arctic completed drilling its final well in India and began demobilizing its rig in December 2008. As a result, the Corporation had no equipment or rigs operating in the region at December 31, 2008.
- Optimal Pressure Drilling Services had its highest quarterly revenue of \$6.7 million, with \$3.4 million being the Corporation's 51% share. Most of the work being performed by Optimal Pressure Drilling Services is in Mexico, where it provides equipment and personnel in support of a drilling operation of the joint venture partner.
- Oilfield service expenses as a percentage of total revenue was 69% in the 4th quarter of 2008 as compared to 75% in 2007. Higher revenues, the winding up of the Middle East operations, a stronger U.S. dollar and a continued emphasis by management to reduce expenses were all factors in the oilfield services margins improvement.
- The net loss for the 4th quarter of 2008 was \$24.9 million (\$0.58 per share) compared to a net loss of \$55.2 million (\$1.30 per share) during same quarter of 2007, primarily due to the write-downs described above.

The impact of the financial crisis and worldwide economic recession has reduced demand for oil and natural gas, resulting in considerably lower current and forecast oil and gas prices. The fall in commodity prices has reduced our customers' 2009 cash flow expectations and impacted their ability to access debt and equity financing. The Corporation therefore expects a significant reduction in demand for our services in 2009,



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particularly in Canada. The Corporation anticipates the reduction in demand for our services to increase industry competitiveness and put downward pressure on equipment utilization and pricing in the Canadian market. As a result, the Corporation expects a significant reduction in revenue and operating earnings during 2009.

The audited Financial Statements for the year ended December 31, 2008 and the Management Discussion and Analysis dated March 23, 2009 can be viewed on SEDAR at www.sedar.com under High Arctic Energy Services Inc.

Non-GAAP Measure

EBITDA (being earnings before the deduction of depreciation, amortization, interest expense and income taxes) is not a recognized measure under GAAP. Management believes that, in addition to net earnings, EBITDA is a useful supplemental measure of the Corporation's performance prior to consideration of how operations are financed or how results are taxed. Investors are cautioned that this should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of the Corporation's performance. The Corporation's method of calculating EBITDA may differ from the methods used by other issuers and, accordingly, it may not be comparable to similarly titled measures used by other issuers.

Forward-Looking Statements

This news release may contain forward-looking statements relating to expected future events and financial and operating results of the Corporation that involve risks and uncertainties. Actual results may differ materially from management expectations, as projected in such forward-looking statements for a variety of reasons, including market and general economic conditions and the risks and uncertainties detailed in both the Corporation's Management Discussion and Analysis and Annual Information Form for the year ended December 31, 2008 found on SEDAR (www.sedar.com). Due to the potential impact of these factors, the Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

About High Arctic

The Corporation, through its subsidiaries, is a global provider of specialized oilfield equipment and services, including drilling, completion and workover operations. Based in Red Deer, Alberta, High Arctic has domestic operations in Alberta, British Columbia and the Northwest Territories. International operations are currently active in Asia and Mexico.

Further Information

Morley Myden

Chief Financial Officer
(403) 340-9825
morley.myden@haes.ca