



# NEWS RELEASE

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## High Arctic Announces Quarterly Results

**Red Deer, Canada – November 13, 2009** – High Arctic Energy Services Inc. (TSX: HWO) (“High Arctic” or the “Corporation”) today announced its results for the quarter ended September 30, 2009.

### Financial Highlights

#### Nine months ended September 30, 2009 versus 2008

- Revenue from continuing operations decreased by 8% to \$95.9 million in the nine months ended September 30, 2009, as compared to revenue of \$104.2 million during the same period of 2008.
- The Corporation recorded a net loss of \$5.0 million (\$0.11 per share) in the nine months ended September 30, 2009, which was a \$9.7 million improvement over the 2008 net loss of \$14.7 million (\$0.35 per share). Continuing operations had a net loss of \$1.6 million (\$0.04 per share) during the nine months ended September 30, 2009 as compared to a net loss of \$5.4 million (\$0.13 per share) in the same period of 2008.
- For the nine months ended September 30, 2009, the Corporation had a net increase in cash of \$7.1 million as compared a use of cash of \$3.4 million during the same period of 2008. Cash generated from operating activities (before considering working capital balances) improved for the combined continuing and discontinued operations.
- EBITDA was \$16.2 million (\$0.36 per share) for the nine months ended September 30, 2009; a decrease of 21% from EBITDA of \$20.4 million (\$0.48 per share) for the same quarter of 2008. Continuing operations had EBITDA of \$16.2 million in the nine months ended September 30, 2009 compared to EBITDA of \$26.4 million during the same period of 2008.
- Continuing operations recorded operating earnings of \$8.8 million; a decrease of \$7.5 million from \$16.3 million of operating earnings in the nine months ending September 30, 2008.
- Interest expense for the nine months was \$8.5 million in 2009 compared to \$16.7 million in 2008.

#### Three months ended September 30, 2009 versus 2008

- During the quarter, the Corporation sold its 51% interest in the Optimal Pressure Drilling Services joint venture for proceeds of \$23.5 million and reported a gain of \$2.4 million.
- Revenue from continuing operations decreased by 37% to \$22.9 million in the third quarter of 2009, as compared to revenue of \$36.6 million during the same period of 2008. The substantial drop reflects the decreased oilfield activity in both Canada and Papua New Guinea.
- The Corporation recorded a net loss of \$4.3 million (\$0.09 per share) in the third quarter of 2009, as compared to a net loss of \$3.2 million (\$0.07 per share) in the same period of 2008. Continuing



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operations had a net loss of \$1.1 million (\$0.02 per share) during the third quarter of 2009 as compared to earnings of \$1.1 million (\$0.03 per share) for the same period of 2008.

- The Corporation had a net cash increase of \$7.2 million in the third quarter of 2009, resulting in a quarter ending cash balance of \$29.3 million.
- Continuing operations had EBITDA of \$1.3 million in the third quarter of 2009 compared to \$11.1 million in the third quarter of 2008. Including discontinued operations, EBITDA was a negative \$0.9 million (\$0.02 per share) for the three months ended September 30, 2009; compared to EBITDA of \$8.6 million (\$0.20 per share) for the same quarter in 2008.
- Continuing operations recorded an operating loss of \$1.0 million compared to \$7.4 million of operating earnings in the third quarter of 2008.
- Earnings and EBITDA for the third quarter were hurt by a foreign exchange loss of \$3.1 million related to the weakening US\$. The third quarter for 2008 saw a foreign exchange gain of \$2.1 million.

The Corporation continues to negotiate with its senior lenders to extend the credit facility that matured on June 12, 2009. The senior consolidated debt was reduced by \$23.6 million in the quarter ending September 30, 2009 to \$67.9 million but the Corporation remains substantially over leveraged. The Corporation does not have the capacity to repay the senior consolidated debt should the lenders demand payment.

In addition, the Corporation owes \$27.9 million in respect of Convertible Debentures that mature on December 31, 2012. As a result of the maturity of the senior credit facilities on June 12, 2009, the Corporation was prevented from paying the semi-annual interest amount of \$1.4 million to the debenture holders, which was due on June 30, 2009. The debenture holders are now in a position to accelerate the maturity date of the debentures though the subordination terms of the debentures generally prevent the holders from taking any action ahead of the senior creditors. The Corporation is permitted to settle the principal amount with shares under the terms of the debentures. The Corporation has been working with the debenture holders on alternatives to restructure the debentures as part of an overall plan to improve the Corporation's capital structure, though there is no assurance the holders will agree to any proposal put forward by High Arctic.

The former Chief Executive Officer, who is also the largest shareholder of High Arctic, continues to pursue legal actions to collect approximately \$6.6 million related to loans and unpaid amounts as described in Note 8 of the financial statements for the quarter ended September 30, 2009. The Corporation will need to settle those matters as part of any plan to restructure the balance sheet.

While the Corporation is focusing its best efforts on resolving these issues and balancing the interests of all of the creditors and the shareholders, the outcome cannot be predicted at this time. High Arctic had a cash balance of \$29.3 million at September 30, 2009, which it believes provides adequate liquidity for the foreseeable future, subject to meeting any requirements of the creditors.

The Financial Statements and Management Discussion and Analysis dated November 12, 2009 can be viewed on SEDAR at [www.sedar.com](http://www.sedar.com) under High Arctic Energy Services Inc.

## 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



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Corporation's Management Discussion and Analysis for the period ended September 30, 2009 and the Annual Information Form for the year ended December 31, 2008 found on SEDAR ([www.sedar.com](http://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 throughout Western Canada. International operations are currently active in Papua New Guinea.

## **Further Information**

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