James T. Vanasek & Patrick Donnell Noone
VN Capital Management, LLC
1250 Revolution Mill Drive, Suite 181
Greensboro, NC 27405

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Michael Binnion
Chairman
High Arctic Energy Services
Calgary Place I, Suite 2350, 330 – 5th Avenue
SW Calgary, AB, Canada T2P 0L4

Dear Michael,

We write because of our concern regarding the recently announced proposed spinoff of High Arctic's Papua New Guinea business. We ask that you please forward this letter to the other directors.

As holder of 5.6% of High Arctic's common shares, we strongly believe that to protect all minority shareholders any transaction involving the company's Crown Jewel PNG assets should be the result of a robust and independently overseen process, particularly when, at the end of the day, effective ownership of the PNG business is likely to be transferred over to Cyrus Capital, High Arctic's controlling 45% shareholder.

Unfortunately, the announced spinoff falls short on many accounts:

1. Despite all the legal fancy footwork to suggest that all Cyrus is not getting special treatment, transfer of control of the PNG business to Cyrus Capital would clearly be a related party transaction and should be subjected to all the conditions and safeguards proscribed under relevant Canadian corporate and securities law that protects minority investors against abuses that controlling shareholders can perpetrate in such transactions.
2. The board's goal of obtaining subscriptions from holders owning 60% of High Arctic's shares falls woefully short of what is legally required – namely, approval of a majority of the non-Cyrus Capital shareholders.
3. Granting subscription rights to buy into the spun-out PNG business to all shareholders as a safeguard would be illusory since many individuals and institutional shareholders who invest in the Canadian public markets are unable to own stock in a private company and/or a company domiciled in Cyprus, a jurisdiction with far fewer investor protections than in Canada. Even

those who are able to own such investments are unlikely to decide to accept an investment in an illiquid foreign entity which has a controlling shareholder.

4. Unlike a normal rights offering, High Arctic shareholders who are unable to participate in the contemplated transaction have no ability to sell their subscription rights on the TSX, thereby receiving no value.
5. Even if the Board obtains an independent appraisal from Deloitte of High Arctic's PNG operations, that would not absolve the Board from seeking a true test of the assets' valuation by conducting a proper arms-length sales process to see if another third party (particularly one that might see significant strategic value and potential synergies in the PNG operations) would pay more for the business than a private equity firm. The Board should also be evaluating the potential enhancement to value if the Papua-LNG project goes forward (see below). We understand that the Board has not tested the market for a potential sale in recent years.
6. Finally, the timing of the transaction is completely wrong. It is expected that Total, Exxon and the PNG government will be making a final decision to go ahead with the Papua-LNG project by year-end which would dramatically increase demand for High Arctic's PNG drilling rigs and related services. Such a development would clearly make the PNG business much more valuable. Thus, a divestiture should only take place after this is announced so that shareholders receive full value for the assets. Waiting until year-end would still give High Arctic plenty of time to return shareholder capital from the Canadian well servicing business sale on a tax advantaged basis prior to the July 2024 deadline.

While Daniel Bordessa's recent resignation from the High Arctic board is an acknowledgment of his and Cyrus Capital's conflict of interest, it does not remove its taint on the proposed deal since the company's direction was established when he was on the board. After all, even if the architect resigns from a construction project right before it breaks ground, but the house is still built according to his or her plans by the contractors they previously selected, it ultimately is their structure that is erected.

As I'm sure that you are aware, in addition to the rules governing related party transactions, under Canadian law minority shareholders can sue corporate directors if they exercise their powers in a way that is oppressive to or unfairly disregards the reasonable expectations of the minority. Minority shareholders clearly have a "reasonable expectation" that directors would not (i.) passively accept a sweet-heart transaction which benefits the controlling shareholder at the expense of the minority who can't reasonably be expected to participate, and (ii.) deny those shareholders appropriate protections that are required for related party transactions by hanging their hat on an illusory right to participate that few shareholders would ever exercise.

I think you can see how that description would apply to the recently announced spinoff.

Although the proposed transaction structure is fatally flawed, we share the board's goal of trying to remove the discount of High Arctic's share price to the intrinsic value of its business. We hope that we

can work with the board to come up with a solution that benefits all High Arctic's shareholders and not just Cyrus Capital.

Sincerely,

James T. Vanasek	Patrick Donnell Noone
Principal	Principal