No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of securities only in those jurisdictions where such securities may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws. Accordingly, except as permitted by the Agency Agreement and pursuant to an exemption from the registration requirements of the U.S. Securities Act and state securities laws, these securities may not be offered or sold in the United States or to U.S. persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See "Plan of Distribution".

PROSPECTUS

Initial Public Offering July 11, 2005

HIGH ARCTIC ENERGY SERVICES TRUST

$80,000,000

8,000,000 Trust Units

This prospectus qualifies the distribution of 8,000,000 trust units ("**Trust Units**") of High Arctic Energy Services Trust (the "**Trust**") at a price of $10.00 per Trust Unit. The price of the Trust Units was determined by negotiation between High Arctic Energy Services Inc., High Arctic Energy Corp., on behalf of the Trust, and Canaccord Capital Corporation, on behalf of itself and on behalf of Sprott Securities Inc., Lightyear Capital Inc., J.F. Mackie & Company Ltd., Haywood Securities Inc. and Wellington West Capital Markets Inc. (collectively, the "**Agents**"). Concurrent with the closing of this offering, an additional 996,572 Trust Units will be issued on a private placement basis to certain employees of a subsidiary of the Trust at the offering price hereunder. The Toronto Stock Exchange (the "**TSX**") has conditionally approved the listing of the Trust Units on the TSX. Listing is subject to the Trust fulfilling all of the listing requirements of the TSX on or before September 27, 2005.

Price: $10.00 per Trust Unit

	Price to the Public	**Agents' Commission**	**Net Proceeds to the Trust**
Per Trust Unit	$10.00	$0.60	$9.40
Total(1)	$80,000,000	$4,800,000	$75,200,000

Note:

(1) The Trust has granted to the Agents an option (the "Over-Allotment Option") to purchase up to an additional 400,000 Trust Units on the same terms as set forth above, exercisable, in whole or in part from time to time, for a period of 30 days following the date of closing solely to cover over-allotments, if any. This prospectus also qualifies the distribution of these additional Trust Units. If the Over-Allotment Option is exercised in full, the Price to the Public, Agents' Commission and Net Proceeds to the Trust (before deducting expenses of this offering) will be $84,000,000, $5,040,000 and $78,960,000, respectively. See "Plan of Distribution".

An investment in these securities should be considered speculative due to the nature of the Trust's business. There is currently no market through which the Trust Units may be sold and purchasers may not be able to resell the Trust Units purchased under this prospectus. See "Risk Factors".

The Agents, as agents, conditionally offer the Trust Units on a best efforts basis, if, as and when issued, sold and delivered by the Trust and accepted by the Agents in accordance with the conditions contained in the Agency Agreement referred to under "Plan of Distribution" and subject to prior sale and the approval of certain legal and tax matters on behalf of the Trust by Stikeman Elliott LLP and on behalf of the Agents by Macleod Dixon LLP.

A director of one of the Agents, Canaccord Capital Corporation, is a director of the General Partner. Accordingly, the Trust may be considered a "connected issuer" of Canaccord Capital Corporation. See "Relationship Among the Trust, the General Partner and a Certain Agent".

Subscriptions for the Trust Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of this offering will take place on or about July 21, 2005, and in any event not later than August 31, 2005.

Although the Trust intends to make distributions of its available cash to Unitholders (as herein defined), these cash distributions are not assured. The actual amount distributed will depend on numerous factors including the Trust's and its subsidiaries' financial performance, debt covenants and obligations, working capital requirements and future capital requirements. The market value of the Trust Units may deteriorate if the Trust is unable to meet its cash distribution targets in the future, and that deterioration may be material. The Trust does not have a stability rating.

The after-tax return from an investment in Trust Units to Unitholders subject to Canadian income tax will depend, in part, on the composition for tax purposes of distributions paid by the Trust (portions of which may be fully or partially taxable or may constitute non-taxable returns of capital). The composition for tax purposes of those distributions may change over time, thus affecting the after-tax return to Unitholders. The estimated portion of a subscriber's investment that will be taxed as a return on capital is 93% and the estimated portion that will be taxed as a return of capital is 7%. Returns on capital are generally taxed as ordinary income or as dividends in the hands of a Unitholder resident in Canada. Returns of capital are generally non-taxable to a Unitholder resident in Canada (but reduce the holder's adjusted cost base of the Trust Units for tax purposes). See "Canadian Federal Income Tax Considerations".

The Trust Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation. Furthermore, the Trust is not a trust company and, accordingly, it is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.


HIGH ARCTIC
ENERGY SERVICES TRUST
HIGH ARCTIC


HIGH ARCTIC
ENERGY SERVICES TRUST

TABLE OF CONTENTS

SUMMARY

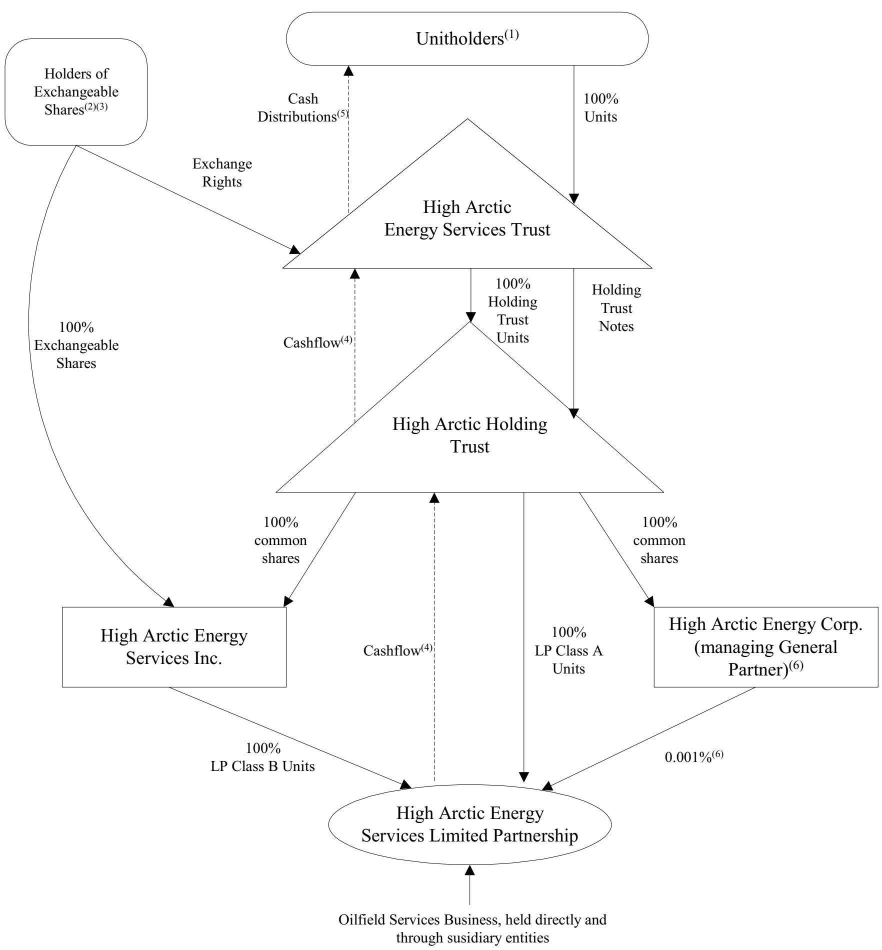
The following is a summary of the principal features of this offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Please refer to the Glossary for an explanation of certain terms used in this prospectus and in this summary.

High Arctic Energy Services Trust

The Trust is an open-end unincorporated investment trust governed by the laws of the Province of Alberta and created pursuant to the Declaration of Trust. The Trust was established to invest in various entities that will engage in the Canadian and International oilfield services business. The Trust is administered by the General Partner.

Prior to closing of this offering, the Reorganization will be completed pursuant to which all of the assets, liabilities and businesses of HAES will be transferred to High Arctic LP. High Arctic LP will carry on the business previously carried on by HAES.

The Declaration of Trust requires the General Partner, on behalf of the Trustee, on or before each Distribution Record Date, to declare payable to the Unitholders all or any part of the Distributable Cash for the Distribution Period which includes such Distribution Record Date. It is currently anticipated that the only income to be received by the Trust will be derived from securities of Holding Trust. See "Additional Information Concerning High Arctic Energy Services Trust – Cash Distributions". The following sets forth the flows of cash from High Arctic LP to Holding Trust, from Holding Trust to the Trust and from the Trust to Unitholders.



Notes:
(1) The Unitholders will own 100% of the Trust Units.

(2) Exchangeable Shares will be issued to holders of common shares of HAES and certain employees of HAES pursuant to the Reorganization. Each Exchangeable Share will be exchangeable, directly or indirectly, for Trust Units, initially on the basis of one Trust Unit for each Exchangeable Share. It is intended, subject to HAES having sufficient funds available for such purpose, that holders of Series A Exchangeable Shares receive a monthly cash amount equal to the distributions paid per Trust Unit in respect of the month, net of HAES' estimate of taxes payable in respect of income of HAES during such month. Holders of Series B Exchangeable Shares will be entitled to an adjustment of the number of Trust Units issuable upon the indirect exchange of Series B Exchangeable Shares for Trust Units in lieu of monthly cash dividends. In connection with the issue of Exchangeable Shares, the Trust will issue a Special Voting Right which will entitle the holders of Exchangeable Shares to one vote per Trust Unit issuable on exchange of the Exchangeable Shares. See "Additional Information Concerning High Arctic Energy Services Inc. – Share Capital of HAES – Exchangeable Shares".

(3) Following closing of this offering, holders of Exchangeable Shares and employees of High Arctic will own approximately 67.5% of the Trust Units (on a fully diluted basis) and subscribers for Trust Units pursuant to this offering will own approximately 32.5% of the Trust Units (on a fully diluted basis). See "Principal Unitholders."

(4) Cash flow represents payments made by High Arctic LP to Holding Trust on its limited partnership interest and by Holding Trust to the Trust in respect of principal and interest payments on the Holding Trust Notes. In addition to such payments, dividend income and distributions may also be paid to the Trust and Holding Trust by Holding Trust and High Arctic LP, respectively.

(5) Distributable Cash may not be the same as the cash flow of High Arctic LP.

(6) The General Partner will manage High Arctic LP pursuant to the Partnership Agreement and the officers and employees of High Arctic LP will provide administrative and support services to the Trust pursuant to the Declaration of Trust and the Administration Agreement. As managing general partner, the General Partner will own a 0.001% partnership interest in High Arctic LP. See "Management of the Trust".

Business of High Arctic

High Arctic's principal focus is to engage in the global oilfield services business by providing underbalanced drilling and production services, equipment, design and development, and technical support and training to the Canadian and International oil and gas industry. High Arctic's snubbing and underbalanced drilling services are primarily provided through the use of 250K CDWS Rigs, Hydraulic Workover Rigs, Stand Alone Snubbing Systems™, Snub Fracing™ equipment, Rotating Flow Diverters and Rig Assist Snubbing Units.

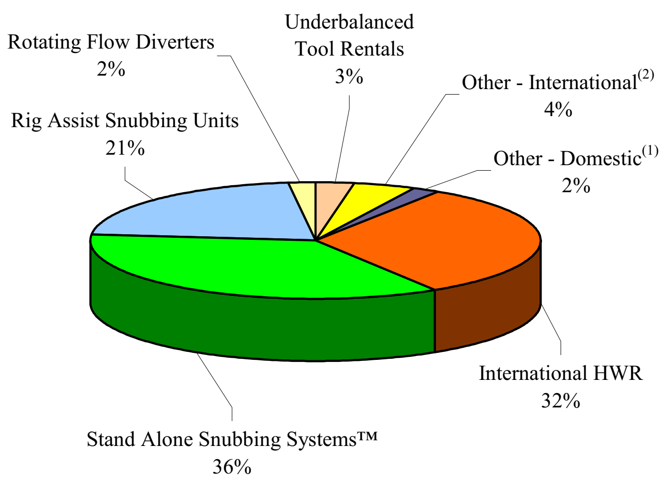
High Arctic's head office is located in Red Deer, Alberta with additional Alberta offices located in Brooks, Grande Prairie and Calgary. International offices are located in Dubai, United Arab Emirates and Bridgetown, Barbados.

High Arctic currently has two operating divisions, Domestic and International. Within these divisions, High Arctic has the following product lines:

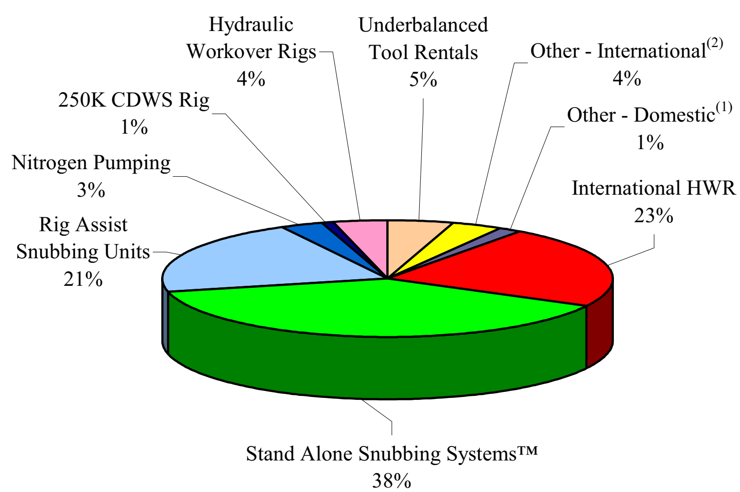
Domestic	International
250K Combination Drilling, Workover and Snubbing Rigs	Hydraulic Workover Rigs
Hydraulic Workover Rigs	Rig Assist Snubbing
Rig Assist Snubbing	Underbalanced Tool Rentals
Stand Alone Snubbing Systems™	International Safety Services
Snub Fracing™	Well Management
Nitrogen Pumping Services	
Underbalanced Tool Rentals	
Surface Recovery	
Rotating Flow Diverters	
Heating Packages	
Well Management	

High Arctic's Domestic and International divisions accounted for 73% and 27%, respectively, of High Arctic's consolidated revenue for the three months ended March 31, 2005. Consolidated revenue for the seven months ended December 31, 2004 and the three months ended March 31, 2005 was $29,053,164 and $18,069,387, respectively. The following charts set forth the percentage of consolidated revenue derived from each of High Arctic's product lines in its Domestic and International operating divisions for the seven months ended December 31, 2004 and the three months ended March 31, 2005.

Combined revenue for the seven months ended December 31, 2004



Combined revenue for the three months ended March 31, 2005



Notes:
(1) Includes Snub Fracing™, Surface Recovery, Heating Packages and Well Management.
(2) Includes Rig Assist Snubbing, Underbalanced Tool Rentals, International Safety Services and Well Management.

See "High Arctic Energy Services Inc."

Investment Opportunity

Upon completion of this offering, High Arctic expects to have the capital it requires to continue its expansion plans for its existing product lines and to develop new underbalanced drilling technology. Management believes that the income trust structure will in the future enable it to access cost-effective capital to continue such growth. The Trust intends to sustain and grow its cash flow and distributions through reinvestment in High Arctic's current business, increasing revenues both in Canada and Internationally.

The Trust will have the following attributes:

- solid investment base due to the attractive fundamentals of High Arctic's business;
- focused and experienced management team;
- alignment of management with Unitholder interests through retained ownership and subordination of distributions;
- proprietary underbalanced drilling equipment;
- existing international business units that provide attractive growth opportunities;
- tax effective trust structure to facilitate access to capital; and
- capital structure which facilitates financial flexibility.

Anticipated Business Strengths

The existing business of High Arctic is expected to provide a strong base for the Trust. Management anticipates High Arctic will be positioned to benefit from International market trends in underbalanced drilling and production in the global oil and gas industry due to its varied product lines, technical expertise and ability to respond to customer needs quickly and efficiently. See "Industry Conditions and Trends – Trends". Management believes that High Arctic's business will bring the following strengths to the Trust:

- **Varied services tied through a single source underbalanced service provider**. High Arctic offers a range of underbalanced oilfield services that provide customers with a single source for underbalanced drilling, workover and completion projects.
- **Strong brand recognition**. Management believes the past business success and good reputation enjoyed by High Arctic both domestically and Internationally contributes to corporate name recognition and goodwill and provides High Arctic with a competitive advantage.
- **High level of technical expertise**. Management's commitment to employee education and training has ensured that High Arctic has experienced field operations staff who are supported by highly qualified technical and management personnel.
- **Geographic range of services**. The Trust expects to leverage High Arctic's current facilities and contacts to further expand the geographic range of its services. High Arctic currently has contracts and representation in 10 different countries. Management's goal is to increase revenue in existing countries and to further expand into new markets.
- **Operational safety**. Management is committed to maintaining its equipment and conducting safe operations for employees and customers. High Arctic's management and employees operate under a quality assurance system developed within the ISO management system. As a result, High Arctic personnel can maintain consistently high standards of service delivery to customers.
- **Portfolio of proprietary technology and equipment**. High Arctic's portfolio of well maintained, proprietary and specialized technology and equipment will help to ensure High Arctic's ability to meet the demands of its of customers.
- **Customer service reputation**. High Arctic recognizes the importance of key relationships and is committed to maintaining a superior reputation for customer service. Management expects that by building upon these relationships and supporting them with high-quality service and equipment at competitive prices, High Arctic will be able to increase its customer base and its revenue.

Selected Financial Information

The following table presents a summary of the consolidated statements of income and retained earnings of HAES for the years ended May 31, 2003 and 2004, the seven months ended December 31, 2004 and the three months ended March 31, 2005 and the consolidated balance sheets of HAES as at March 31, 2005.

The following data should be read together with the consolidated financial statements and related notes of HAES included elsewhere in this prospectus.

	Three Months ended March 31, 2005	Seven Months ended December 31, 2004	Year ended May 31, 2004	Year ended May 31, 2003
Income Statement Data				
Revenues	$ 18,069,387	$ 29,053,164	$ 36,307,536	$ 21,229,757
Expenses	9,937,130	20,644,863	27,373,602	17,274,523
Income before interest, taxes, depreciation, management bonuses and RCA	8,132,257	8,408,301	8,933,934	3,955,234
Net income (loss) before income taxes	2,734,380	2,736,215	(1,135,848)	(85,849)
Income taxes	79,596	70,279	22,671	49,974
Net income (loss) before non-controlling interest	2,654,784	2,655,936	(1,158,519)	(135,823)
Non-controlling interest in loss (earnings) of variable interest entities	14,532	(17,536)	24,346	430,030
Net earnings (loss)	$ 2,669,316	$ 2,648,400	$ (1,134,173)	$ 294,207
Balance Sheet Data				
Current assets	$ 22,206,324			
Property and equipment	33,678,375			
Total assets	$ 55,884,699			
Current liabilities	$ 51,477,701			
Long term debt	3,779,509			
Future income taxes	209,553			
Non-controlling interest	(115,158)			
Total liabilities	$ 55,351,605			
Common shares	5			
Retained Earnings	533,089			
Total shareholders' equity	$ 533,094			
Total liabilities and shareholders' equity	$ 55,884,699			

Summary of Distributable Cash

The Trust currently intends to make cash distributions to Unitholders on each Distribution Payment Date of all of the Distributable Cash. The Distributable Cash will be determined giving consideration to the consolidated net income of the Trust, the consolidated growth and maintenance capital requirements and the consolidated debt repayment requirements of the Trust. Holding Trust intends to make monthly cash distributions to the Trust (as the sole unitholder of Holding Trust) to coincide with the making of distributions by the Trust to the Unitholders. High Arctic LP intends to make monthly cash distributions of all of its available cash flow to HAES and the General Partner, as general partners, and to Holding Trust, as the limited partner, of High Arctic LP, in accordance with the Partnership Agreement; provided that cash which the General Partner does not require for payment of its obligations and expenses will be retained by High Arctic LP. See "Additional Information Concerning High Arctic Energy Services Trust – Cash Distributions", "Information Concerning High Arctic Holding Trust – Cash Distributions" and "Information Concerning High Arctic Energy Services Limited Partnership – Cash Distributions".

The following analysis has been prepared by management on the basis of the information contained in this prospectus and management's estimate of the expenses and other expenditures of the Trust and the entities in which it is investing, directly and indirectly, including High Arctic LP. This analysis was prepared on the assumption that the Trust had been in existence and the Reorganization had been completed at December 31, 2004. Although firm commitments do not exist for all of the administrative expenses and, accordingly, the financial effect of the inclusion of all necessary administrative expenses is not at present determinable, management has, based on its review of the amounts of these expenses in similar circumstances, estimated that these expenses would not deviate materially from the amounts shown below.

The following analysis does not take into account the financial effect of recent capital expenditures by HAES to expand its equipment fleet to be employed in providing underbalanced drilling services nor does it take into account the financial effect of proposed capital expenditures to construct additional equipment which is required to meet HAES' objective of providing its customers with a single source supplier for their underbalanced drilling, workover and completion needs and which is to be financed using a portion of the proceeds of this offering. See "High Arctic Energy Services Inc. - Equipment and Expansion Plans" and "Use of Proceeds".

This summary is not a forecast or a projection of future results. The actual results of operations of High Arctic and the Trust for any period will likely vary from the amounts set forth in the following summary and those variations may be material. The actual results of High Arctic are subject to a number of risk factors and uncertainties. See "Risk Factors" and "Forward Looking Statements".

Income Statement Data	**Combined Ten Months Ended March 31, 2005 (000s)**	**Three Months Ended March 31, 2005 (000s)**	**Seven Months Ended December 31, 2004 (000s)**
Revenues	$ 47,122	$ 18,069	$ 29,053
Expenses	30,582	9,937	20,645
EBITDA-OBRCA	$ 16,540	$ 8,132	$ 8,408
Management considers that to determine the Trust's estimated distributable cash, the following items should be deducted:			
Maintenance capital expenditures	1,000	300	700
Additional general and administrative expenses and other costs(1)	417	125	292
Distribution Data			
Estimated Distributable Cash(2)	$ 12,852	$ 6,548	$ 6,304
Estimated per Trust Unit Distributable Cash(2)	$ 0.51	$ 0.26	$ 0.25

Notes:

(1) Management estimates that, subsequent to this offering, the Trust will incur additional general, administrative and other costs on a continuing basis, including relating to ongoing financial disclosure, investor relations, trustee fees, director and officer insurance and other related expenses.

(2) Based on a maximum 85% payout ratio and based on 11,460,571 Series A Exchangeable Shares and 4,152,381 Series B Exchangeable Shares and 9,396,572 Trust Units (assuming the Over-Allotment Option is exercised in full) being outstanding at the closing of this offering. Distributions by High Arctic LP will be made in respect of the LP Class A Units indirectly to the Trust and, subject to the operation of certain subordination provisions, in respect of the LP Class B Units to HAES. It is intended, subject to HAES having sufficient funds available for such purpose, that holders of Series A Exchangeable Shares receive a monthly cash amount equal to the distributions paid per Trust Unit in respect of the month, net of HAES' estimate of taxes payable in respect of income of HAES during such month. Monthly dividends will not be paid on the Series B Exchangeable Shares, and in lieu thereof, these shares will be entitled to an adjustment of the number of Trust Units issuable upon the indirect exchange of such Series B Exchangeable Shares for Trust Units based upon the monthly cash distributions paid on the LP Class B Units and the market value of the Trust Units.

THE OFFERING

Offering Price	$10.00 per Trust Unit.
Issue	8,000,000 Trust Units.
Over-Allotment Option	The Trust has granted to the Agents the Over-Allotment Option to purchase up to an additional 400,000 Trust Units. See "Plan of Distribution".
Attributes of Trust Units	Each Trust Unit represents an equal fractional undivided beneficial interest in any distribution from the Trust (whether of net income, net realized capital gains or other amounts) and in any net assets of the Trust in the event of termination or winding-up of the Trust. The Trust Units rank among themselves equally and ratably without discrimination, preference or priority. Each Trust Unit is transferable, is not subject to any conversion or pre-emptive rights and entitles the holder thereof, subject to the terms and conditions set forth in the Declaration of Trust, to require the Trust to redeem any or all of the Trust Units held by such holder and to one vote at all meetings of Unitholders for each Trust Unit held.
Closing	The closing of this offering is anticipated to occur on or about July 21, 2005, and in any event not later than August 31, 2005.
Use of Proceeds	The net proceeds from this offering are estimated to be $74,000,000 ($77,760,000 if the Over-Allotment Option is exercised in full), after deducting the Agents' commission of $4,800,000 ($5,040,000 if the Over-Allotment Option is exercised in full) and expenses of this offering, which are estimated by the Trust to be approximately $1,200,000. The gross proceeds of this offering will be used by the Trust to indirectly subscribe for securities of High Arctic LP. High Arctic LP: (i) will use a portion of the subscription proceeds to reimburse the Trust for the Agents' commission and the expenses of this offering; and (ii) is anticipated to use the net proceeds as follows: $32,378,475 to reduce indebtedness (including repayment of shareholder loans and RCA loans of $8,725,695 in aggregate to Jed Wood), $41,120,000 for the construction of underbalanced drilling equipment and $501,525 ($4,261,525 if the Over-Allotment Option is exercised in full) for working capital purposes. See "Use of Proceeds."
Distribution Policy	The Trust anticipates making monthly cash distributions of $0.0875 per Trust Unit to Unitholders of record on each Distribution Record Date on or about the 15th day of the month following the Distribution Record Date. The cash distribution in respect of the period from closing of this offering to August 31, 2005 is expected to be paid on September 15, 2005 to Unitholders of record on August 31, 2005 and is anticipated to be $0.1185 per Trust Unit. See "Additional Information Concerning High Arctic Energy Services Trust – Cash Distributions."
Retained Interest	The shareholders of HAES will hold, directly or indirectly, a 63.4% indirect interest in the Trust (62.4% if the Over-Allotment Option is exercised), consisting of Exchangeable Shares. Subject to certain limitations, the Exchangeable Shares will be indirectly exchangeable for Trust Units on a one for one basis, subject to adjustment in respect of Series B Exchangeable Shares for distributions paid to Unitholders. See "Additional Information Concerning High Arctic Energy Services Inc. – Share Capital of HAES – Exchangeable Shares".
Subordination	Distributions by High Arctic LP in respect of LP Class B Units will be subordinated in favour of LP Class A Units. For the term of the subordination, distributions will only be paid on LP Class B Units to the extent that:

(i) distributions of $0.0875 per LP Class A Unit have been paid in respect of the most recent month; and

(ii) any deficiency in the monthly average cash distributions on LP Class A Units in respect of the 12 month period then ended has been satisfied.

Deficiencies in respect of distributions on LP Class B Units after March 31, 2006 will accumulate and be paid after payment of the distributions referred to in (i) and (ii) above but prior to any additional distributions on LP Class A Units. Management expects that until the impact of additional underbalanced drilling equipment to be constructed with the proceeds of this offering begins to be realized in 2006, distributions to LP Class B Units will be restricted by the prioritization described above. Any deficiency in respect of distributions on LP Units not satisfied within 12 months of the date it arose, or before the date upon which the subordination provisions cease, will cease to be payable.

The subordination provisions of the LP Class B Units will only apply until the later of March 31, 2008 and the date on which:

(a) the Trust has earned EBITDA for the immediately preceding fiscal year (calculated from the audited consolidated financial statements of the Trust and the weighted average number of Trust Units outstanding during that year on a fully-diluted basis) of at least $1.24 per Trust Unit commencing with the financial year ended December 31, 2007; and

(b) monthly average cash distributions of at least $0.0875 per LP Class A Unit have been paid by High Arctic LP for the last 12 months.

For the purposes of the subordination provisions, EBITDA will be calculated and adjusted in a manner consistent with the definition of EBITDA as set forth in this prospectus.

The subordination provisions will also cease to apply in certain other specified circumstances.

During the operation of the subordination provisions of the LP Class B Units, High Arctic LP will be prohibited from distributing, with respect to any month, more than 85% of one twelfth ($^{1}/_{12}$) of EBITDA of the Trust for the fiscal year of the Trust in which such month occurs as estimated in good faith by the board of directors of the General Partner.

After the subordination provisions of the LP Class B Units cease, cash available for distribution shall be paid monthly to the holders of LP Class A Units and LP Class B Units, giving effect to an allocation of some of such cash otherwise attributable to distributions that would have been made in respect of Series B Exchangeable Shares. See "Information Concerning High Arctic Energy Services Limited Partnership – Cash Distributions".

Eligibility for Investment

In the opinion of Stikeman Elliott LLP, counsel to the Trust, and Macleod Dixon LLP, counsel to the Agents, subject to (i) the Trust satisfying the conditions for qualification as a mutual fund trust for the purposes of the Tax Act as described under "Canadian Federal Income Tax Considerations" before the 91st day after the end of its first taxation year; and (ii) the filing of the appropriate election under the Tax Act, the Trust Units will, on closing of this offering, be qualified investments within the meaning of the Tax Act for trusts governed by Exempt Plans and, based upon certain representations of the Trust and HAES as to certain factual matters will not, on closing of this offering, constitute "foreign property" under the Tax Act. See "Eligibility for Investment".

Tax Considerations

Each Unitholder will be required to include in computing income for tax purposes for a particular taxation year the Unitholder's pro rata share of the

Trust's income that becomes payable in that year by the Trust to the Unitholder and that is deducted by the Trust in computing its income. Generally, all other amounts received by a Unitholder will not be included in a Unitholder's income for income tax purposes, but will reduce the adjusted cost base of the Trust Units. The estimated portion of a subscriber's investment that will be taxed as a return on capital is 93% and the estimated portion that will be taxed as a return of capital is 7%. Prospective purchasers should consult their tax advisors regarding the tax implications of an investment in Trust Units. See "Canadian Federal Income Tax Considerations".

Risk Factors

An investment in these securities should be considered speculative due to the nature of High Arctic's business. There are additional risks associated with an investment in these securities relating to: volatility of industry conditions; seasonality; alternatives to and changing demand for petroleum products; sources, pricing and availability of equipment and equipment parts; government regulation; Kyoto Protocol; operating risks and insurance; the ability of High Arctic to maintain and protect its proprietary technology; risk of third party claims for infringement; agreements and contracts; key personnel; competition; credit risk; variations in foreign exchange rates; foreign operations; conflicts of interest; the ability of the Trust to maintain its distributable cash flow per Trust Unit given the increasing number of Trust Units issuable upon the indirect exchange of the Series B Exchangeable Shares; significant securityholder; investment eligibility; mutual fund trust status; redemption of Trust Units; nature of Trust Units; Unitholder limited liability; changes in income tax laws and policies; unanticipated tax and other expenses and liabilities of HAES; restrictions on non-resident ownership; dependence on operating entities; return of capital; changes in legislation; delay in cash distributions; additional financing and absence of prior public market. In assessing the risks of an investment in the Trust Units, subscribers must rely upon the ability and integrity of the management of High Arctic. **Subscribers should consult their own professional advisors to assess the income tax, legal and other aspects of an investment in the Trust Units. See "Risk Factors".**

Principal Unitholder

Upon closing, Mr. Jed Wood, President and Chief Executive Officer of HAES and High Arctic LP, will, directly and indirectly, hold 14,520,906 Exchangeable Shares, which will initially represent approximately 59.0% of the Trust Units on a fully-diluted basis. Mr. Wood is not disposing of any of his interests in HAES through this offering or receiving any of the proceeds from this offering, other than the repayment of outstanding shareholder loans in the amount of $8,725,695. Subject to the terms of subordination, each Exchangeable Share will be indirectly exchangeable for Trust Units, initially on the basis of one Trust Unit for each share and thereafter by reference to the Conversion Ratio and the Exchange Ratio. Through the Special Voting Right, Mr. Wood will be entitled to one vote at meetings of Unitholders for each Trust Unit issuable on exercise of the exchange right under the Exchangeable Shares. See "Use of Proceeds", "Additional Information Concerning High Arctic Energy Services Inc. – Exchangeable Shares", "Principal Unitholder" and "Risk Factors – Significant Securityholder."

GLOSSARY

In this prospectus, unless the context otherwise requires, the following words and phrases have the meanings set forth below:

"**250K CDWS Rig**" or "**250K Combination Drilling, Workover and Snubbing Rig**" means HAES' 250K Combination Underbalanced Drilling and Workover Rig;

"**ABCA**" means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, including the regulations promulgated thereunder;

"**Administration Agreement**" means the administration agreement between the Trust and the General Partner dated June 10, 2005, as amended, supplemented and restated from time to time;

"**Agency Agreement**" means the agency agreement to be entered among HAES, the General Partner, the Trust and the Agents with respect to this offering;

"**Agents**" means Canaccord Capital Corporation, Sprott Securities Inc., Lightyear Capital Inc., J.F. Mackie & Company Ltd., Haywood Securities Inc. and Wellington West Capital Markets Inc.;

"**API**" means American Petroleum Institute;

"**BOP**" means blowout preventer, the equipment installed at the wellhead to control pressures in the annular space between the casing and drill pipe or tubing during drilling, completion and workover operations;

"**CAODC**" means the Canadian Association of Oilwell Drilling Contractors;

"**Distributable Cash**" means for, or in respect of, any Distribution Period: (i) all cash amounts which are received by the Trust for, or in respect of, the Distribution Period, including, without limitation, interest, dividends, distributions, proceeds from the disposition of securities, returns of capital and repayments of indebtedness; plus (ii) the proceeds of any issuance of Trust Units or any other securities of the Trust, net of the expenses of issuance, and, if applicable, the use of proceeds of any such issuance for the intended purposes; less the sum of (iii) all amounts which relate to the redemption of Trust Units and which have become payable in cash by the Trust in the Distribution Period and any expenses of the Trust in the Distribution Period; and (iv) any other amounts (including taxes) required by law or the Declaration of Trust to be deducted, withheld or paid by or in respect of the Trust in such Distribution Period;

"**CBM**" means coal bed methane;

"**Conversion Ratio**" means the conversion ratio used to determine how many Series A Exchangeable Shares a holder of a Series B Exchangeable Share is entitled to receive upon conversion of a Series B Exchangeable Share into Series A Exchangeable Shares. The Conversion Ratio shall be equal to 1.00000 as at the date of first issue of the Exchangeable Shares and shall be cumulatively adjusted thereafter by: (a) increasing the Conversion Ratio on each Distribution Payment Date between the date of first issue of the Exchangeable Shares and the time at which the Conversion Ratio is calculated by an amount, rounded to the nearest five decimal places, equal to a fraction having as its numerator the distribution, expressed as an amount per LP Class B Unit (or, if the holder of LP Class B Units has exchanged all of its LP Class B Units for LP Class A Units, an amount per LP Class A Unit), paid on that Distribution Payment Date, multiplied by the Conversion Ratio immediately prior to the Distribution Record Date for such distribution and having as its denominator the Current Market Price of a Trust Unit on the first business day following the Distribution Record Date for such distribution; and (b) decreasing the Conversion Ratio on each dividend record date between the date of first issue of the Exchangeable Shares and the time as of which the Conversion Ratio is calculated by an amount, rounded to the nearest five decimal places, equal to a fraction having as its numerator the dividend declared on that dividend record date, expressed as an amount per Series B Exchangeable Share, and having as its denominator the Current Market Price of a Trust Unit on the date that is seven business days prior to that dividend record date;

"**Current Market Price of a Trust Unit**" means, in respect of a Trust Unit on any date, the weighted average trading price of the Trust Units on the TSX for the five (5) trading days preceding that date, or, if the Trust Units are not then listed on the TSX, on such other stock exchange or automated quotation system on which the Trust Units are listed or quoted, as the case may be, as may be selected by the board of directors of the General Partner for such purpose; provided, however, that if in the opinion of the board of directors of the General Partner the public distribution or trading activity of Trust Units for that period does not result in a weighted average trading price which reflects the fair market value of a Trust Unit, then the Current Market Price of a Trust Unit shall be determined by the board of directors of the General Partner, in good faith and in its sole discretion, and provided further that any such selection, opinion or determination by such board of directors shall be conclusive and binding;

"**Declaration of Trust**" means the declaration of trust establishing the Trust dated June 10, 2005, as amended, supplemented or restated from time to time;

"**Distribution Payment Date**" in respect of a Distribution Period means on or about the date that is 15 days immediately following the end of the Distribution Period or such other date determined from time to time by the General Partner on behalf of the Trustee;

"**Distribution Period**" means each calendar month, or such other periods as may be determined from time to time by the General Partner on behalf of the Trustee from and including the first day thereof and to and including the last day thereof;

"Distribution Record Date" means on or about the last business day of each Distribution Period, or, if that day is not a Business Day, the next following Business Day, or such other date determined from time to time by the General Partner on behalf of the Trustee;

"**DNV**" means Det Norske Veritas, an international provider of services for managing risk;

"**Exchange Ratio**" means the exchange ratio used to determine how many Trust Units a holder of a Series A Exchangeable Share is entitled to receive, directly or indirectly, upon the exchange of such share for Trust Units from time to time. The Exchange Ratio, at any time and in respect of each Series A Exchangeable Share, shall be equal to 1.00000 unless the holder of LP Class B Units has elected to exchange all of its LP Class B Units for LP Class A Units, in which case the Exchange Ratio shall thereupon forthwith be adjusted to the lesser of 0.95 and the amount determined by the formula

$$\frac{A}{B} \times C \times 0.95$$

where:

A = the average cash distributions per LP Class B Unit paid by High Arctic LP for the 12 month period ending on the last day of the month immediately preceding the exercise of the option;

B = the amount of $0.0875 per LP Class B Unit, being the target average monthly per unit distributions payable on the LP Units; and

C = the number of LP Class B Units exchanged for LP Class A Units;

"**Exchangeable Shares**" means, collectively, the Series A Exchangeable Shares and Series B Exchangeable Shares;

"**ExchangeCo**" means any wholly-owned subsidiary of Holding Trust, other than the General Partner, formed for the purpose of facilitating indirect exchanges of Exchangeable Shares for Trust Units;

"**Exempt Plans**" means, collectively, trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, each as defined in the Tax Act;

"**General Partner**" means the managing general partner of High Arctic LP, being High Arctic Energy;

"**H_2S**" means hydrogen sulphide;

"**HAES**" means High Arctic Energy Services Inc.;

"**High Arctic**" means, (i) in respect of the period prior to completion of the Reorganization, HAES and its subsidiaries and their predecessors and (ii) in respect of the period following completion of the Reorganization, High Arctic LP and its subsidiaries, which will acquire HAES' business as part of the Reorganization;

"**High Arctic Energy**" means High Arctic Energy Corp.;

"**High Arctic LP**" means High Arctic Energy Services Limited Partnership;

"**Holding Trust**" means High Arctic Holding Trust;

"**Holding Trust Declaration of Trust**" means the declaration of trust to be entered into prior to the closing of this offering establishing Holding Trust, as amended, supplemented or restated from time to time;

"**Holding Trust Notes**" means the unsecured, subordinated notes to be issued from time to time by Holding Trust to the Trust;

"**Holding Trust Trustee**" means High Arctic Holdings Ltd., the trustee of Holding Trust, all of the shares of which are owned by the Trust;

"**Holding Trust Units**" means trust units of Holding Trust;

"**HWR**" means Hydraulic Workover Rigs;

"**ISO**" means the International Organization for Standardization and ISO 9001:2000 refers to an international standard that provides requirements for an organization's Quality Management System, the only standard in the ISO 9000 family that can be used for the purpose of conformity assessment;

"**kill fluid**" means oil, gas, water or any combination thereof that enters the borehole from a permeable formation or surface pumping equipment;

"**LP Class A Units**" means the class A limited partnership units of High Arctic LP, all of which will be held by Holding Trust as the sole limited partner of High Arctic LP following completion of this offering;

"**LP Class B Units**" means the class B partnership units of High Arctic LP, all of which will be held by HAES as a general partner of High Arctic LP following completion of this offering;

"**LP Units**" means, collectively, the LP Class A Units and the LP Class B Units;

"**OPEC**" means the Organization of Petroleum Exporting Countries;

"**Partnership Agreement**" means the limited partnership agreement to be entered into prior to the closing of this offering forming High Arctic LP, as amended, supplemented or restated from time to time;

"**Person**" means any individual, partnership, association, body corporate, trust, trustee, executor, administrator, legal representative, government, regulatory authority or other entity;

"**proppant**" means granular particles mixed with fracturing fluid to hold open the formation cracks created by a fracture treatment;

"**PSAC**" means the Petroleum Services Association of Canada;

"**Reorganization**" means the reorganization of the business of HAES by the transfer of all of the assets of HAES and High Arctic Energy to High Arctic LP;

"**RFD**" means Rotating Flow Diverter;

"Seal Safety Services" means Seal Safety Services, an operating division of HAES;

"**Series A Exchangeable Shares**" means the Series A exchangeable shares in the capital of HAES;

"**Series B Exchangeable Shares**" means the Series B exchangeable shares in the capital of HAES;

"**Special Voting Right**" means a special voting right of the Trust to be deposited with the trustee under the Voting and Exchange Trust Agreement, which shall entitle the holders of Exchangeable Shares to such number of votes at meetings of Unitholders as is equal to the number of Trust Units (rounded down to the nearest whole number) into which the Exchangeable Shares (other than Exchangeable Shares owned by the Trust or any subsidiary of the Trust) are then, directly or indirectly, exchangeable;

"**Subsequent Investment**" means securities of Holding Trust, High Arctic LP, the General Partner or any other direct or indirect subsidiary of the Trust and securities of any other entity including, without limitation, bodies corporate, partnerships or trusts;

"**Tax Act**" means the *Income Tax Act* (Canada), including the regulations thereunder;

"**tripping**" refers to the process of removing and/or replacing pipe from the well when it is necessary to change the bit or other piece of the drill string, or when preparing to run certain tests in the wellbore;

"**Training Program**" means HAES' in-house competency based training program for employees;

"**Trust**" means High Arctic Energy Services Trust;

"**Trustee**" means Valiant Trust Company, the initial trustee of the Trust, or such other trustee, from time to time, of the Trust;

"**Trust Units**" means trust units of the Trust;

"**TSX**" means the Toronto Stock Exchange;

"**Unanimous Shareholders Agreement**" means the unanimous shareholders agreement with respect to HAES to be entered into at or before closing of this offering among Holding Trust, the holders of Exchangeable Shares and HAES;

"**Unitholder**" means a holder from time to time of the Trust Units;

"**Voting and Exchange Trust Agreement**" means the voting and exchange trust agreement to be entered into among the Trust, High Arctic LP and Valiant Trust Company as trustee prior to completion of this offering; and

"**WCSB**" means the Western Canadian Sedimentary Basin.

Unless otherwise indicated, references herein to "$" or "dollars" are to Canadian dollars.

FORWARD LOOKING STATEMENTS

Certain statements contained in this prospectus constitute 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, as they relate to the Trust, High Arctic LP, the General Partner and HAES, are intended to identify forward-looking statements. Such statements reflect the Trust's and HAES' current views with respect to future events and are subject to certain risks, uncertainties and assumptions, including, without limitation, those described in this prospectus under the headings "Risk Factors", "High Arctic Energy Services Trust", "High Arctic Energy Services Inc." and "Management's Discussion and Analysis". Many factors could cause the Trust's actual results, performance or achievements to vary from those described in this prospectus. 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 prospectus as intended, planned, anticipated, believed, estimated or expected. None of the Trust, HAES, the General Partner or the Agents intend, and do not assume any obligation, to update these forward-looking statements, except as required by law.

In particular, this prospectus contains forward-looking statements pertaining to the following:

- the timing and amount of the payment of the initial and subsequent distributions of the Trust;
- the amount of Distributable Cash;
- capital expenditure programs;
- projections of market prices and costs;
- world-wide supply and demand for oilfield services;
- expectations regarding the Trust's ability to raise capital;
- amounts to be retained by High Arctic LP for capital expenditures;
- treatment under international governmental regulatory regimes; and
- commodity prices.

The Trust's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this prospectus:

- general economic conditions in Canada, the United States and the Middle East;
- the world-wide demand for oilfield services in connection with the underbalanced drilling, workover and completion of oil and gas wells;
- volatility in global market prices for oil and natural gas and the effect of this volatility on the demand for oilfield services generally;
- regional and international competition;
- risks inherent in foreign operations, including political and economic risk;
- liabilities and risks, including environmental liabilities and risks, global political stability and other risks, inherent in oil and gas operations;
- sourcing, pricing and availability of raw materials, component parts, equipment, suppliers, facilities, and skilled personnel;
- continual success in developing and integrating technological advances and the ability to match advances of competition;
- the availability of capital;
- uncertainties in weather and temperature affecting the duration of the service periods and the activities that can be completed;
- changes in legislation and the regulatory environment, including uncertainties with respect to implementing the Kyoto Protocol; and
- the other factors considered under "Risk Factors".

NON-GAAP MEASURES

Throughout this prospectus, the term "Distributable Cash" is used to refer to the amount of cash that is expected to be available for distributions to Unitholders; the term "EBITDA" is used to refer to earnings of High Arctic before interest, taxes, depreciation and amortization; and the term "EBITDA–OBRCA" is used to refer to earnings of High Arctic before interest, taxes, depreciation, amortization, non-controlling interest in loss (earnings) of variable interest entities, owners bonuses and retirement compensation arrangements. The terms Distributable Cash, EBITDA and EBITDA-OBRCA are not measures recognized by Canadian generally accepted accounting principles ("**GAAP**") and do not have standardized meanings prescribed by GAAP. Distributable Cash is an amount calculated in accordance with the terms of the Declaration of Trust. Distributable Cash, EBITDA and EBITDA-OBRCA may not be comparable to similar measures presented by other issuers, and investors are cautioned that Distributable Cash, EBITDA and EBITDA-OBRCA should not be considered as alternatives to net earnings, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP.

Further, management considers EBITDA-OBRCA to be a useful measure of operating performance since it adjusts EBITDA by adding back the bonuses paid to owner-managers of small businesses and amounts paid to retirement compensation arrangements ("**RCA**"). These bonuses and RCA amounts are sometimes recorded by small businesses once fiscal results for a small business are known in order to reduce their taxable income to the maximum allowable level for small Canadian private businesses. Canadian controlled private corporations ("**CCPCs**") in Canada have a preferential rate of corporate income tax to the extent their taxable income level is below $250,000 in 2004; $225,000 in 2003 and $200,000 in 2002. Above these amounts, taxable income is taxed at a higher rate. As a result, once annual fiscal results are known, many small business owners choose to accrue a bonus to reduce taxable income of the corporation and distribute the income to the owner or pay an amount into an account set up for a RCA. Since this bonus or RCA amount does not have a direct connection to the earnings process of the company, management believes adding these amounts back to EBITDA provides a useful method of measuring operating and financial performance.

The following table provides a quantitative reconciliation to net earnings for EBITDA and EBITDA-OBRCA. See "Distributable Cash" for further information in respect of Distributable Cash.

	Three Months ended March 31, 2005	Three Months ended March 31, 2004	Seven Months ended December 31, 2004	Year ended May 31, 2004	Year ended May 31, 2003
Net earnings (loss)	$ 2,669,316	$ 669,782	$ 2,648,400	$ (1,134,173)	$ 294,207
Add to the following:					
Interest	385,650	203,716	799,496	1,174,160	978,276
Income taxes	79,596	8,935	70,279	22,671	49,974
Amortization	1,278,480	1,023,129	2,950,717	3,402,622	2,712,807
EBITDA	4,413,042	1,905,562	6,468,892	3,465,280	4,035,264
Management bonuses and RCA	3,733,747	1,373,250	1,921,873	5,493,000	350,000
Non-controlling interest in loss (earnings) of variable interest entities	(14,532)	28,000	17,536	(24,346)	(430,030)
EBITDA-OBRCA	$ 8,132,257	$ 3,306,812	$ 8,408,301	$ 8,933,934	$ 3,955,234

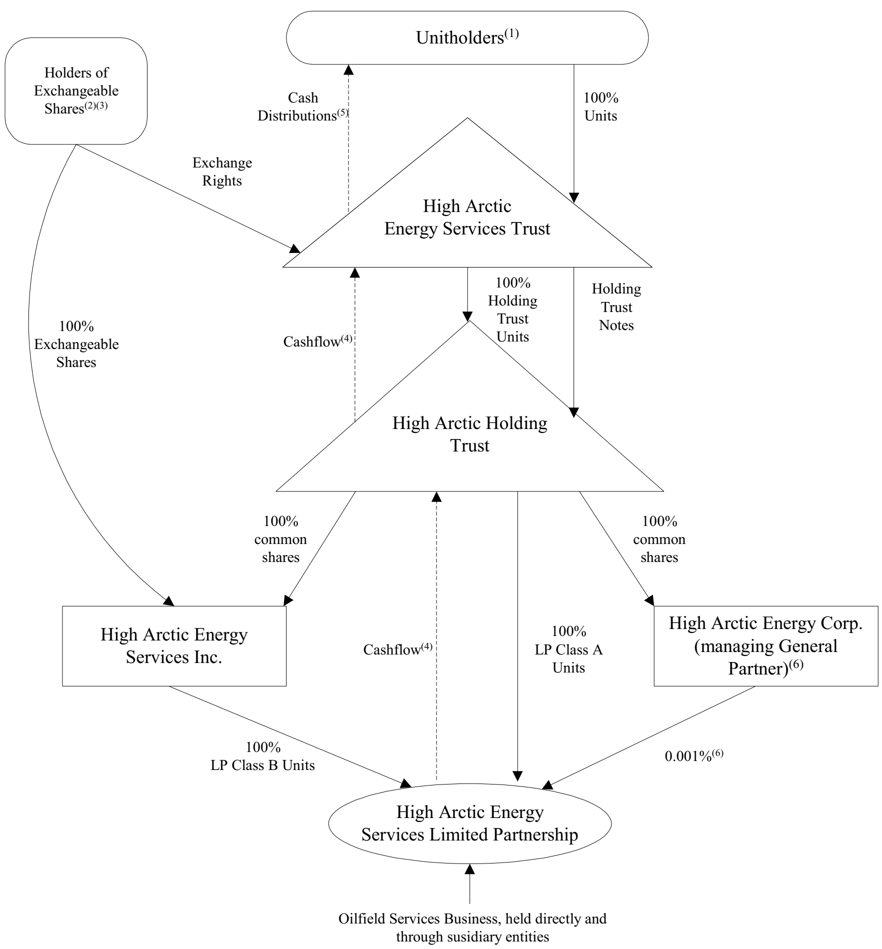
HIGH ARCTIC ENERGY SERVICES TRUST

General

The Trust is an open-end unincorporated investment trust governed by the laws of the Province of Alberta and created pursuant to the Declaration of Trust. The head and principal office of the Trust is located at 8133 Edgar Industrial Close, Red Deer, Alberta, T4P 3R4. The Trust was established to invest in various entities that will engage in the Canadian and International oilfield services business. The Trust is administered by the General Partner.

Prior to closing of this offering, the Reorganization will be completed pursuant to which all of the assets, liabilities and businesses of HAES will be transferred to High Arctic LP. High Arctic LP will carry on the business previously carried on by HAES.

The Declaration of Trust requires the General Partner, on behalf of the Trustee, on or before each Distribution Record Date, to declare payable to the Unitholders all or any part of the Distributable Cash for the Distribution Period which includes such Distribution Record Date. It is currently anticipated that the only income to be received by the Trust will be derived from securities of Holding Trust. See "Additional Information Concerning High Arctic Energy Services Trust – Cash Distributions". The following sets forth the flows of cash from High Arctic LP to Holding Trust, from Holding Trust to the Trust and from the Trust to Unitholders.



Notes:

(1) The Unitholders will own 100% of the Trust Units.

(2) Exchangeable Shares will be issued to holders of common shares of HAES and certain employees of HAES pursuant to the Reorganization. Each Exchangeable Share will be exchangeable, directly or indirectly, for Trust Units, initially on the basis of one Trust Unit for each Exchangeable Share. It is intended, subject to HAES having sufficient funds available for such purpose, that holders of Series A

Exchangeable Shares receive a monthly cash amount equal to the distributions paid per Trust Unit in respect of the month, net of HAES' estimate of taxes payable in respect of income of HAES during such month. The Series B Exchangeable Shares will be entitled to an adjustment of the number of Trust Units issuable upon the indirect exchange of Series B Exchangeable Shares for Trust Units in lieu of monthly cash dividends. In connection with the issue of Exchangeable Shares, the Trust will issue a Special Voting Right which will entitle the holders of Exchangeable Shares to one vote per Trust Unit issuable on exchange of the Exchangeable Shares. See "Additional Information Concerning High Arctic Energy Services Inc. – Share Capital of HAES – Exchangeable Shares."

(3) Following closing of this offering, holders of Exchangeable Shares and employees of High Arctic will own approximately 67.5% of the Trust Units (on a fully diluted basis) and subscribers for Trust Units pursuant to this offering will own approximately 32.5% of the Trust Units (on a fully diluted basis). See "Principal Unitholders."

(4) Cash flow represents payments made by High Arctic LP to Holding Trust on its limited partnership interest and by Holding Trust to the Trust in respect of principal and interest payments on the Holding Trust Notes. In addition to such payments, dividend income and distributions may also be paid to the Trust and Holding Trust by Holding Trust and High Arctic LP, respectively.

(5) Distributable Cash may not be the same as the cash flow of High Arctic LP.

(6) The General Partner will manage High Arctic LP pursuant to the Partnership Agreement and the officers and employees of High Arctic LP will provide administrative and support services to the Trust pursuant to the Declaration of Trust and the Administration Agreement. As managing general partner, the General Partner will own a 0.001% partnership interest in High Arctic LP. See "Management of the Trust".

In addition to the subsidiaries noted above, High Arctic will carry on certain of its international operations through one or more indirect wholly-owned subsidiaries. See "High Arctic Energy Services Inc. – Corporate Structure".

Summary Description of Business

Following completion of the Reorganization, High Arctic LP will carry on the business currently carried on by HAES. High Arctic's principal focus is to engage in the global oilfield services business by providing underbalanced drilling and production services, equipment, design and development, and technical support and training to the Canadian and International oil and gas industry. High Arctic's snubbing and underbalanced drilling services are primarily provided through the use of 250K Combination Drilling, Workover and Snubbing Rigs, Hydraulic Workover Rigs, Stand Alone Snubbing Systems™, Snub Fracing™ equipment, Rotating Flow Diverters and Rig Assist Snubbing Units.

See "High Arctic Energy Services Inc."

Investment Opportunity

Upon completion of this offering, High Arctic expects to have the capital it requires to continue its expansion plans for its existing product lines and to develop new underbalanced drilling technology. Management believes that the income trust structure will enable it to access cost-effective capital to continue such growth. The Trust intends to sustain and grow its cash flow and distributions through reinvestment in High Arctic's current business, increasing revenues both in Canada and Internationally.

The Trust will have the following attributes:

- solid investment base due to the attractive fundamentals of High Arctic's business;
- focused and experienced management team;
- alignment of management with Unitholder interests through retained ownership and subordination of distributions;
- proprietary underbalanced drilling equipment;
- existing international business units that provide attractive growth opportunities;
- tax effective trust structure to facilitate access to capital; and
- capital structure which facilitates financial flexibility.

Strategy

The Trust's strategy is to develop a long-term business model which delivers sustainable distributions with the potential to participate in the growth of High Arctic's business. High Arctic intends to achieve this by maintaining its Canadian and global reputation as an underbalanced drilling entity focused upon customer service, state of the art technology, high-quality training and high safety standards for its employees. High Arctic's strategy also includes pursuing an expansion of its International underbalanced drilling services.

The Trust's strategic plan is based on providing Unitholders with sustainable distributions generated through existing operations and expansion of High Arctic's business both in Canada and Internationally. Management intends to focus on the following strategic areas:

- **People.** High Arctic will continue to use its on-site training facility and Training Program to ensure consistent and quality services are provided to its customers. High Arctic will leverage the success and creativity of its management team and staff by aligning personal financial incentives with the performance of High Arctic. High Arctic's compensation program will include market competitive salaries and benefit programs and a variable incentive program.
- **Operational efficiency**. High Arctic will manage key performance criteria through a comprehensive quality assurance program based on ISO certification for each component of its business and, where possible, adjust controllable factors in response to changes in seasonal and industry conditions.
- **Customer relationships**. Part of the foundation of High Arctic's strategy is to maintain a continued focus on customer service and satisfaction. High Arctic's oilfield service business expects to build its global market position through high-quality service and the maintenance of a diversified client base. Long-term relationships and a diversified client base are expected to continue to provide a source of consistent demand for High Arctic's underbalanced equipment and services.
- **Capital investment**. High Arctic expects to provide competitively priced services with well maintained oilfield equipment that is geographically distributed to maximize utilization and efficiency of service delivery to customers. High Arctic will vary capital investment in both the short-term and the long-term, based on expectations of customer activity and maximizing return on capital. High Arctic's capital investments will be centrally managed with available funds going to the projects with the best risk adjusted returns, as determined by management.
- **Respond to market dynamics**. High Arctic expects to continue to maintain its philosophy of seeking out market opportunities to grow its business. This has been achieved in the past by leveraging High Arctic's existing asset base through debt financing followed by the deployment of capital into building new equipment that has traditionally demonstrated a strong return on capital. High Arctic's decision to expand into the public capital market to obtain new sources of financing is consistent with its philosophy of leveraging market conditions to expand its business. By using the deployment of new capital to finance new equipment, High Arctic expects to ensure the sustainability of cash distributions and to maximize growth opportunities. High Arctic will also monitor macro economic and industry indicators in order to respond to shifts in market dynamics, and will continue to maintain a strong financially disciplined structure centered on return on investment.

Anticipated Business Strengths

The existing business of High Arctic is expected to provide a strong base for the Trust. Management anticipates High Arctic will be positioned to benefit from International market trends in underbalanced drilling and production in the global oil and gas industry due to its varied product lines, technical expertise and ability to respond to customer needs quickly and efficiently. See "Industry Conditions and Trends – Trends". Management believes that High Arctic's business will bring the following strengths to the Trust:

- **Varied services tied through a single source underbalanced service provider**. High Arctic offers a range of underbalanced oilfield services that provide customers with a single source for underbalanced drilling, workover and completion projects.
- **Strong brand recognition**. Management believes the past business success and good reputation enjoyed by High Arctic both domestically and Internationally contributes to corporate name recognition and goodwill and provides High Arctic with a competitive advantage.

- **High level of technical expertise**. Management's commitment to employee education and training has ensured that High Arctic has experienced field operations staff who are supported by highly qualified technical and management personnel.
- **Geographic range of services**. The Trust expects to leverage High Arctic's current facilities and contacts to further expand the geographic range of its services. High Arctic currently has contracts and representation in 10 different countries. Management's goal is to increase revenue in existing countries and to further expand into new markets.
- **Operational safety**. Management is committed to maintaining its equipment and conducting safe operations for employees and customers. High Arctic's management and employees operate under a quality assurance system developed within the ISO management system. As a result, High Arctic personnel maintain consistently high standards of service delivery to customers.
- **Portfolio of proprietary technology and equipment**. High Arctic's portfolio of well maintained, proprietary and specialized technology and equipment will help to ensure High Arctic's ability to meet the demands of its of customers.
- **Customer service reputation**. High Arctic recognizes the importance of key relationships and is committed to maintaining a superior reputation for customer service. Management expects that by building upon these relationships and supporting them with high-quality service and equipment at competitive prices, High Arctic will be able to increase its customer base and its revenue.

Management

The Trust will be managed by the officers of High Arctic LP, who are currently officers of HAES. The Trust's management team has extensive experience in the oil and gas industry in the areas of:

- senior leadership in public and private oilfield service and oil and gas exploration and production organizations;
- diverse field and technical experience from underbalanced drilling and production, to well control techniques, to the design and construction of equipment;
- corporate acquisitions including negotiation and successful integration;
- recognizing and implementing organizational and operational efficiencies; and
- general corporate finance including negotiation of operating and term loan facilities.

HIGH ARCTIC ENERGY SERVICES INC.

Corporate Structure

HAES was incorporated under the ABCA as 589788 Alberta Ltd. on December 2, 1993. In 2003, HAES completed an internal reorganization of its operations pursuant to which it amalgamated with certain of its wholly-owned subsidiaries and on December 21, 1993 HAES filed Articles of Amendment, changing its name to "High Arctic Well Control Inc." On April 27, 2004 HAES filed Articles of Amendment changing its name to "High Arctic Energy Services Inc."

The head and principal domestic offices of High Arctic are located at 8133 Edgar Industrial Close, Red Deer, Alberta, T4P 3R4. The registered office of High Arctic is located at 600, 4911 – 51 Street, Red Deer, Alberta, T4N 6V4. Mr. Jed Wood is currently the sole holder, directly or indirectly, of all of the outstanding shares of HAES.

HAES currently has two wholly-owned subsidiaries, High Arctic Energy Services (Barbados) Inc., organized in Barbados, and High Arctic Energy Services LLC, organized in Dubai, United Arab Emirates. High Arctic's principal office in Dubai is located at Jadaf DY, Shed 121, Dubai, United Arab Emirates. This office manages High Arctic's fleet of Hydraulic Workover Rigs and Rig Assist Snubbing Units, Underbalanced Tool Rentals, international marketing and project management, as well as the international safety services division. The registered office in Barbados is located at Braemar Court, Suite 200, Deighton Road, St. Michael, Barbados, W. I. High Arctic also has an operating base in Cheleken, Turkmenistan.

In addition, High Arctic has operating relationships with High Arctic Energy and Victory Energy Services Inc., corporations incorporated under the ABCA and wholly-owned by Mr. Jed Wood. In connection with the Reorganization, the business of High Arctic Energy will be transferred to High Arctic LP.

General Development of the Business

Founded in 1993 with one snubbing unit and three employees, High Arctic experienced growth over the next seven years. The acquisitions of three private well control corporations from 1995 to 1999, combined with the development by High Arctic of the Stand Alone Snubbing System™ and the entry into International markets, provided for increased revenues, fleet size and services offered by High Arctic. During this period, the business of High Arctic was primarily focused on shallow gas and underbalanced drilling. In 2000, High Arctic acquired Hi-Tech Well Control (1995) Ltd., a private well control company, adding advanced well control equipment and becoming the largest privately-owned provider of snubbing services in Canada.

In 1997, High Arctic made a determination to pursue underbalanced drilling service opportunities in the International market. High Arctic's first International project involved the delivery of a Stand Alone Snubbing System™ to Argentina pursuant to a two-year term contract. The term of this first International contract expired at the time demand for drilling services declined in South America as the region experienced an economic slowdown. The snubbing unit was subsequently sold to a company in South America.

In 2001, High Arctic introduced its Snub Fracing™ technology to the International market and opened the High Arctic Training School for its employees to ensure consistent and quality services were provided by High Arctic. In 2002, High Arctic received a Certificate of Registration with the Quality Certification Bureau, making High Arctic IS0 9001:2000 certified. High Arctic has instituted a competency based training curriculum that requires each employee to spend a minimum of 12 days per year in the classroom. See "Business of High Arctic – Description of Services - Oilfield Technical Support and Training".

In 2003, High Arctic introduced and implemented use of "The Viking", the world's first Electric Hydraulic Workover Rig of its kind, designed for gas cavern workover programs. As well, High Arctic shifted its International market focus to the Middle East and Caspian Sea regions and hired an International representative, believing that International opportunities were available for Canadian companies that could supply new, state of the art underbalanced equipment and services. The Banff, High Arctic's largest HWR, was built in Alberta and transported to Dubai, United Arab Emirates, operating under a two-year contract. As additional equipment and manpower were required to satisfy its new International customer base, High Arctic set up a manufacturing facility in Dubai that has continued to grow. High Arctic's latest HWR was constructed entirely in its Dubai manufacturing facility. This HWR was designed to be modular in design, affording accessibility to small offshore platforms, and requiring substantially smaller marine support vessels. As High Arctic expanded its International presence, increased revenues attributable to International sales resulted. Competing against large multinational energy service providers, High Arctic has been awarded seven multi-year contracts with national and multinational oil and gas producers for Hydraulic Workover Rigs in the Middle East within the past two years.

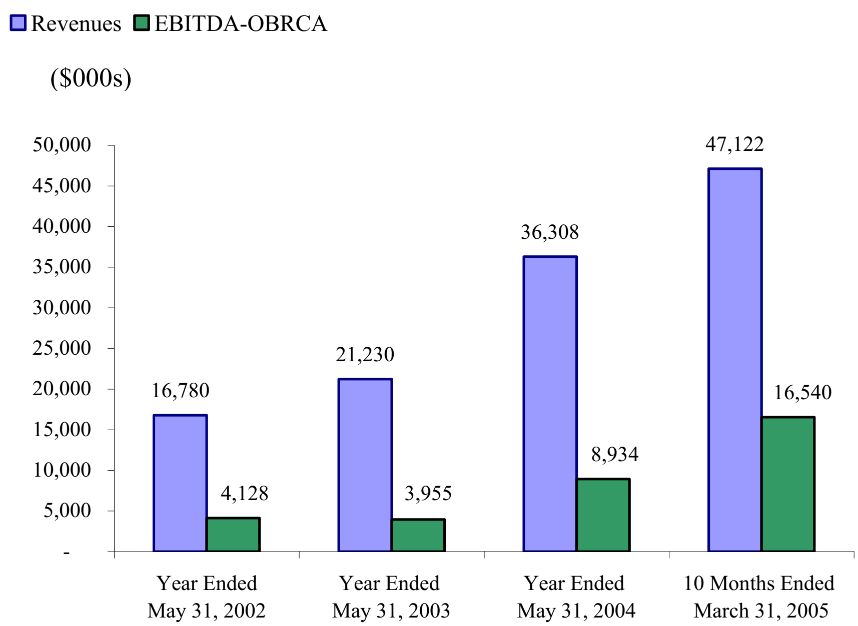
Nitrogen Pumping, Rotating Flow Diverter and 250K CDWS Rig services were added to High Arctic's product lines in the first quarter of 2005 completing High Arctic's transition from a well control company to an underbalanced service provider. A substantially larger corporate facility in Red Deer, Alberta was leased in 2004 to provide space for High Arctic's fleet, training facility and training wells used by the Training Program. See "Business of High Arctic – Description of Services".

Since its inception, High Arctic's focus has been on growth and development. In the early to mid 1990s, growth was achieved through the acquisition of smaller companies. More recently, High Arctic's expansion and increased market share have been directly related to the introduction of new and innovative technology. Management believes High Arctic is recognized by the oil and gas industry as one of the largest, privately owned underbalanced service providers in Canada. The current focus of High Arctic is on structured growth and the development of new underbalanced technology for its diversified product lines.

Some of High Arctic's prominent operating successes in Canada and Internationally include:

- Research, design and development of:
  - Stand Alone Snubbing Systems™;
  - Snub Fracing™;
  - the first electric Hydraulic Workover Rig of its kind;
  - the 250K CDWS Rig; and
  - the first Rotating Flow Diverter complete with DNV specifications for operations worldwide;
- Established Underbalanced Tool Rentals;
- Established Nitrogen Pumping Services;
- Established a manufacturing division in the United Arab Emirates for Hydraulic Workover Rigs; and
- Implemented the Training Program to develop and maintain competency levels for all employees.

In addition, High Arctic has experienced revenue growth from $250,000 in 1994 to $47 million for the 10 months ended March 31, 2005. The following chart illustrates High Arctic's revenues and EBITDA-OBRCA growth since 2002:



Business of High Arctic

General

High Arctic's principal focus is on providing underbalanced drilling, workover and completion services. High Arctic's underbalanced drilling and snubbing services are primarily provided through the use of 250K CDWS Rigs, Hydraulic Workover Rigs, Stand Alone Snubbing Systems™, Snub Fracing™ equipment, Rotating Flow Diverters, Rig Assist Snubbing Units, Nitrogen Pumping Services and Surface Recovery equipment.

Some of the first oil wells drilled during the early 1900s were drilled underbalanced; these wells were referred to as gushers instead of underbalanced drilled wells, as they are commonly known today. Underbalanced drilling refers to the practice of intentionally drilling a well with borehole pressure less than the formation pore pressure, thus allowing formation fluid to more freely flow into the wellbore. Unlike in the early 1900's, specialized well control equipment is now used by the energy services sector to induce and control the formation fluid influx at the surface during drilling or workover operations. A snubbing unit in conjunction with a Rotating Flow Diverter are the essential pieces of equipment making this process possible.

Underbalanced drilling has become an important technology in the Canadian oil and gas sector, especially in low pressure formations and shallow gas wells. By not introducing drilling fluids which typically invade the formation, underbalanced drilling reduces, if not eliminates, mechanical damage and chemical damage to the producing formation, both of which restrict oil or gas to flow into the wellbore. The dramatic reduction of formation damage, especially in low pressure reservoirs like CBM and shallow gas is the key advantage of underbalanced drilling. In addition, underbalanced drilling provides the ability to produce smaller reservoirs that were not economical to drill in a traditional overbalanced manner due to production losses and formation damage associated with this manner of drilling. Formation damage refers to a restriction which reduces the ability of the reservoir oil or gas fluids to flow into the wellbore. When formation damage occurs while drilling overbalanced, there are a number of stimulation techniques that are available for overcoming flow impairment into the wellbore. These stimulation techniques work well with vertical wells regardless of depth or shallow damage in horizontal wells, however, deeper matrix damage is often difficult to remove in long horizontal sections and stimulation techniques are prohibitively expensive.

Underbalanced well operations, drilling and/or workovers cannot successfully be conducted without the use of snubbing equipment. Snubbing is the process of moving tubing and drill pipe into and out of a wellbore under pressure. When the surface pressure and tubing/drill string are such that, if unrestrained, the pipe would be ejected from the well, moving the pipe is referred to as "snubbing". The ability for the producing formation to flow in a continuous pressure-controlled environment is a significant advantage in successfully addressing common production problems in fluid sensitive formations, low pressure reservoirs, naturally fractured reservoirs and low permeability sandstone reservoirs. In such formations and reservoirs, snubbing offers the proven ability to enhance operational and economic performance of low-pressure gas wells which may not be able to produce gas as a result of kill fluid over-pressurization or, deep gas well workovers where sandstone formation clays are susceptible to swelling.

Snubbing operations also offer the ability to maintain production during part or all of well service work, increase well production rates, reduce completion costs and eliminate fluid purchase, well remediation and disposal costs.

The use of a Rotating Flow Diverter during drilling operations in conjunction with a snubbing unit allows for the pulling of pipe safely while the well is flowing, permitting the replacement of a downhole motor or tool assemblies. Without the RFD/snubbing rig combination, the well would have to be killed with fluids to offset the formation pressure, which would risk contaminating the formation with mechanical and/or chemical damage.

Some of the benefits afforded to Canadian oil and gas producers as a result of underbalanced services include:

- Increased speed of drilling;
- Reduction in fluid invasion into the producing formation, minimizing damage;
- Rapid indication of hydrocarbons during drilling;
- Optimizing production in existing wellbores;
- Reduction or elimination of stimulation costs (i.e. fracing, acid stimulation);
- Reduced completion costs;
- Reduction of overall project costs; and

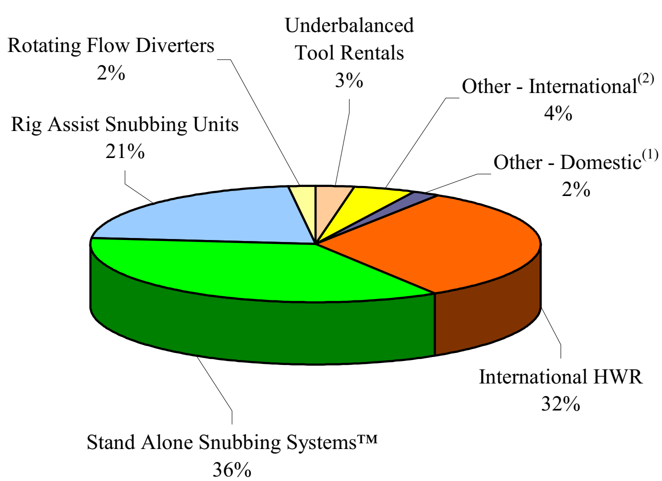
- Maximization of ultimate hydrocarbon recovery.

Today, underbalanced drilling is recognized worldwide as a viable technique in addressing difficult reservoir problems and improving overall production rates.

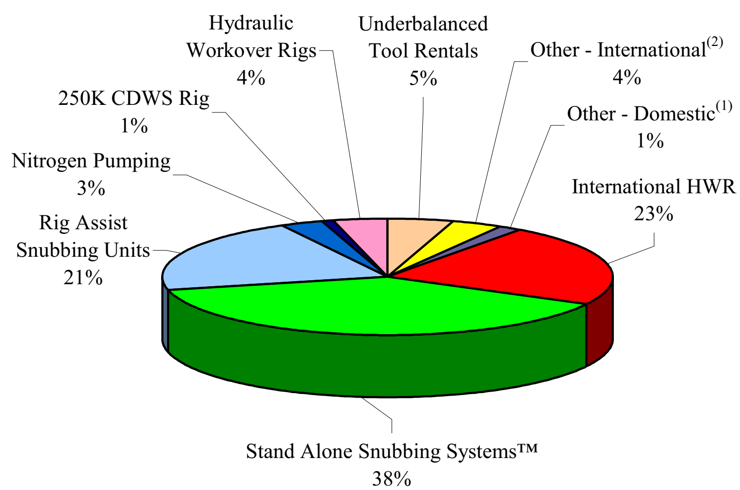
Services

High Arctic's Domestic and International divisions accounted for 73% and 27%, respectively, of consolidated revenue for the three months ended March 31, 2005. Consolidated revenue for the seven months ended December 31, 2004 and the three months ended March 31, 2005 was $29,053,164 and $18,069,387, respectively. The following charts set forth the percentage of consolidated revenue derived from each of High Arctic's product lines in its Domestic and International operating divisions for the seven months ended December 31, 2004 and the three months ended March 31, 2005.

Combined revenue for the seven months ended December 31, 2004



Combined revenue for the three months ended March 31, 2005



Notes:

(1) Includes Snub Fracing™, Surface Recovery, Heating Packages and Well Management.

(2) Includes Rig Assist Snubbing, Underbalanced Tool Rentals, International Safety Services and Well Management.

Domestic Services

Within the Domestic division, High Arctic has the following product lines which it provides to its customers in the operating areas of Alberta, Northern British Columbia, the Northwest Territories and Yukon Territory as outlined below:

250K Combination Drilling, Workover and Snubbing Rigs

Hydraulic Workover Rigs

Rig Assist Snubbing

Stand Alone Snubbing Systems™

Snub Fracing™

Nitrogen Pumping Services

Underbalanced Tool Rentals

Surface Recovery

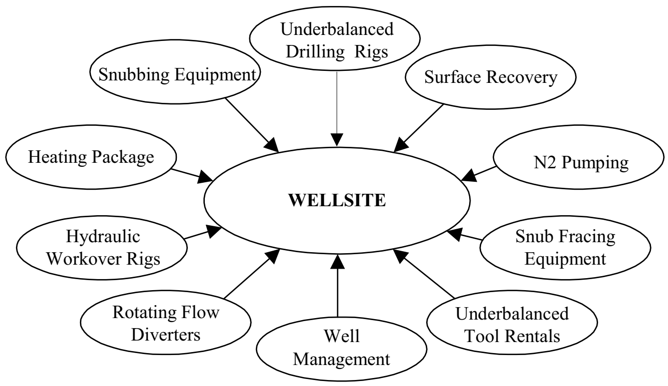
Rotating Flow Diverters

Heating Packages

Well Management

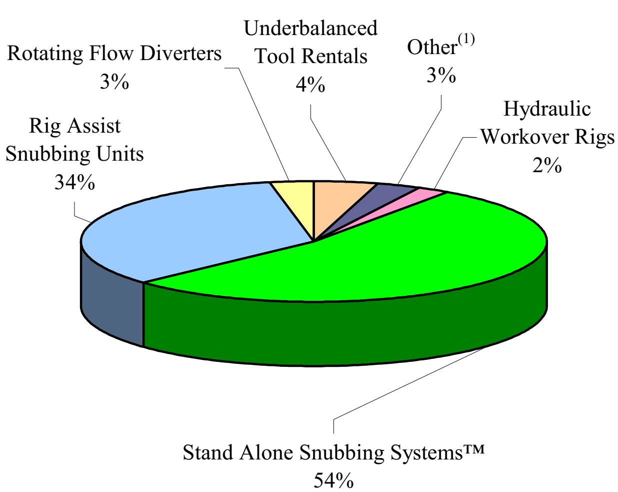
In 2004, representatives of High Arctic visited over 4,000 wellsites and recognized that numerous different product lines were provided to wellsites from many different service companies. Based on management's view of market conditions and as a result of customer feedback, High Arctic recognized an opportunity to consolidate some of these services within one service provider and has developed a number of new product lines that allow its Canadian customers to utilize High Arctic as a single source for underbalanced drilling, workover and completion services. Consolidating underbalanced services within a single service provider results in reduced overall well costs and greater consistency of performance. Currently, customer demand for underbalanced drilling, workover and completion services during peak activity levels exceeds High Arctic's fleet of equipment. When required to meet customer demand, High Arctic contracts for equipment from third party suppliers. However, High Arctic's expansion plans include the construction of additional equipment in order to position High Arctic to directly meet customer demand in the future. See "Equipment and Expansion Plans" and "Use of Proceeds".

The illustration below describes the product lines that High Arctic can provide on an underbalanced well as a single source for underbalanced drilling, workovers and well completions. A service company that operates in the same market segment would typically provide only one to three of these services. Management believes that this particular type of bundling of services in a single service provider is not currently offered by any other service provider worldwide.

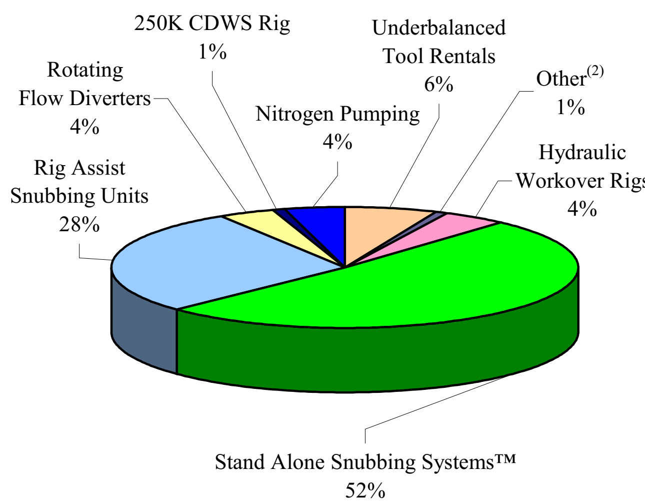


High Arctic's Domestic division accounted for 73% of consolidated revenue for the three months ended March 31, 2005. Domestic revenue for the seven months ended December 31, 2004 and the three months ended March 31, 2005 was $18,530,557 and $13,253,212, respectively. The following charts set forth the percentage of revenue derived from each of HAES' domestic services for the seven months ended December 31, 2004 and the three months ended March 31, 2005.

Domestic Revenue for the seven months ended December 31, 2004



Domestic Revenue for the three months ended March 31, 2005



Notes:

(1) Includes Snub Fracing™, Surface Recovery, Nitrogen Pumping Services, Heating Packages and Well Management.

(2) Includes Snub Fracing™, Surface Recovery, Heating Packages and Well Management.

International Services

Within the International division, High Arctic has the following product lines which it provides to its customers in the operating areas of Turkmenistan, Pakistan, Yemen, Iran, Saudi Arabia, Tanzania, United Arab Emirates, Thailand and Argentina as outlined below:

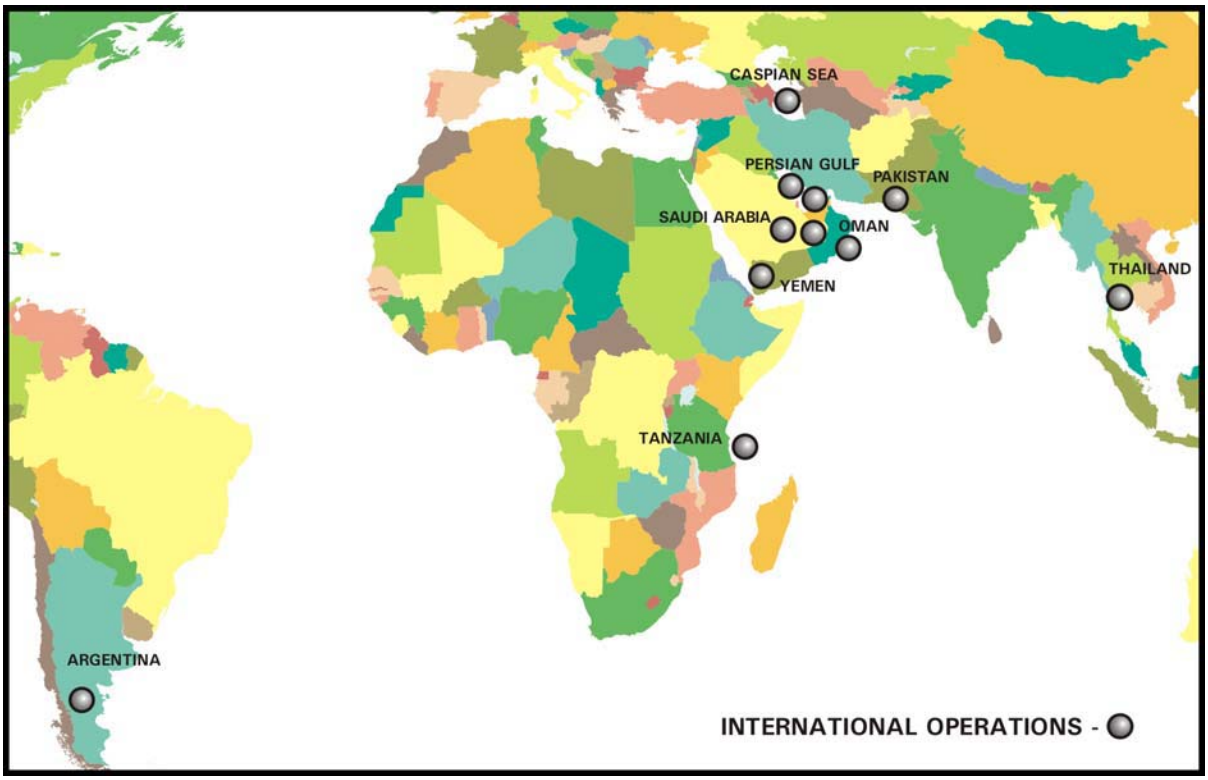
Hydraulic Workover Rigs

Rig Assist Snubbing Units

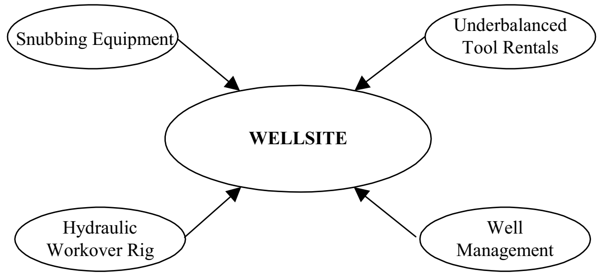
Underbalanced Tool Rentals

International Safety Services

Well Management

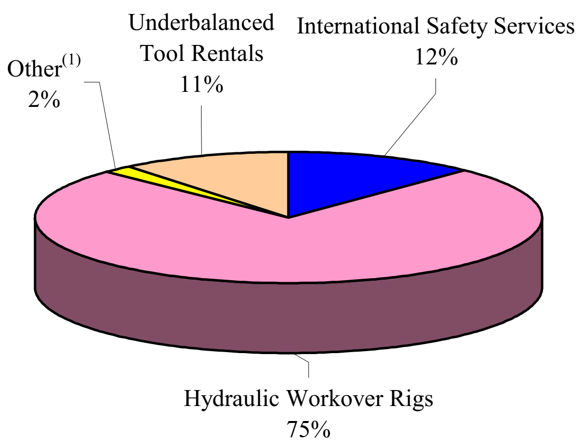


High Arctic has begun to replicate its domestic bundling of services in its operations in the Middle East. The illustration below describes the product lines that High Arctic currently provides in the Middle East on an underbalanced well as a single source for underbalanced drilling, workovers and well completions. The International market is an emerging market and the International division is a relatively new division for High Arctic, which accounts for the limited services being provided in the Middle East at this time. In the future, management anticipates providing additional product lines to its International operations.

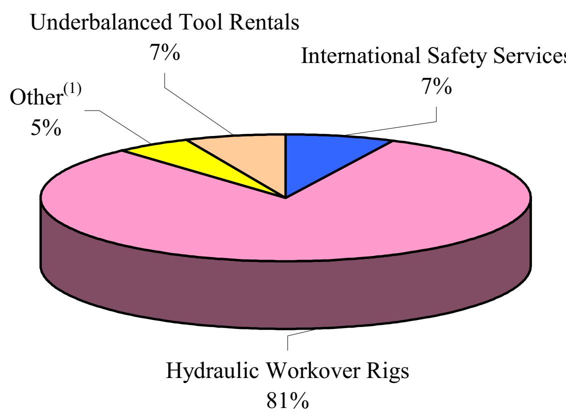


High Arctic's International division accounted for 27% of consolidated revenue for the three months ended March 31, 2005. International revenue for the seven months ended December 31, 2004 and the three months ended March 31, 2005 was $10,522,607 and $4,816,175, respectively. The following charts set forth the percentage of revenue derived from each of HAES' International services for the seven months ended December 31, 2004 and the three months ended March 31, 2005.

International revenue for the seven months ended December 31, 2004



International revenue for the three months ended March 31, 2005



Note:
(1) Includes Rig Assist Snubbing and Well Management.

Description of Services

250K Combination Drilling, Workover and Snubbing Rig

High Arctic's primary focus has been on using underbalanced technology as a production enhancement service. High Arctic has strived to bring new and more cost effective options to its customers, with the intention of becoming the "Stand Alone" leader in technology and services in the underbalanced services segment of the oil and gas industry. The 250K CDWS Rig is the second generation to the Stand Alone Snubbing System™ technology introduced by High Arctic in 1997. The 250K CDWS Rig was primarily designed to underbalance drill, workover, complete and snub new and existing wellbores to a depth of 3,500 metres. The 250K CDWS Rig is primarily a mobile, land-based rig that rigs up faster, trips faster and moves more efficiently than the HWR described below.

High Arctic's underbalanced drilling division is in its development phase and is intended to operate the specially adapted 250K CDWS Rig complete with surface components for underbalanced drilling. Management believes this is the next step in the evolution of underbalanced drilling and re-entry into existing wellbores. Initially, the underbalanced drilling division's primary focus will be to economically supply complete underbalanced drilling systems for the drilling of horizontal wells in Northern British Columbia. Three major operators in this area (presently with over 300 wells drilled underbalanced yearly (as reported by PSAC)) are currently investigating ways to optimize their underbalanced drilling procedures and High Arctic will strive to capitalize on this by marketing the advantages the 250K CDWS Rig can provide operators in the area. Cost savings are expected to be obtained through a combination of reduced manpower, optimization of drilling procedures, synergy of tasks, patent pending surface recovery system and rig up and down time savings. See also "– Surface Recovery".

The 250K CDWS Rig is a specialized "derrick-type" rig that can lift 250,000 pounds as a conventional workover rig but also acts as a conventional 120,000-pound snubbing unit. The 250K CDWS Rig is a self-contained unit capable of all underbalanced drilling, workover and snubbing operations that are currently being conducted with the conventional Stand Alone Snubbing System™, but operating at greater depths. The 250K CDWS Rig has automated controls that reduce the opportunity for human error, eliminate third party charges and allow for open hole drilling, side tracking or fishing operations. The unit has an automated tripping procedure, thus safely increasing the speed at which the drill string is inserted or removed. With a 24 metre mast, the 250K CDWS Rig allows for a number of BOP configurations to be added, while maintaining standard drilling and tripping capabilities. The simple and quick installation of BOPs reduces rig set-up time and its associated costs and increases safety for employees. The 250K CDWS Rig has a smaller footprint than conventional service rigs allowing drilling in tighter locations and providing minimal land disturbance. In addition, the 250K CDWS Rig is more mobile and has a faster rig set-up time than the larger Hydraulic Workover Rigs.

Hydraulic Workover Rigs

HWRs are capable of the majority of workovers, completions, re-entries, abandonment and snubbing operations that are currently being conducted with conventional drawwork type service rigs. The HWR moves the tubular components in and out of the wellbore using hydraulic rams and slip assemblies. The HWR is capable of working on deeper wells (up to 5,000 metres) with higher pressure than the 250K CDWS Rig.

The HWR is primarily used in remote locations, equipment areas with spacing limitations and offshore applications as its mobilization is efficient and cost effective compared to a conventional service rig. HWRs allow all workover and snubbing operations to be conducted within a small equipment footprint. These rigs are capable of independently lifting a pipe string of up to 460,000 pounds, with added snubbing capabilities of 230,000 pounds. The tripping time, while in an overbalanced state, is comparable to conventional drawwork type rigs. During underbalanced operations there is no need to mobilize additional well control support equipment.

HWRs can function efficiently on conventional well operations (typically used in the International market) as well as in all types of underbalanced scenarios (typically used in the Canadian market). Using HWRs in a snubbing operation eliminates the costs of kill fluid and reduces costs of pumping equipment. With less drilling fluid induced formation damage, cleaner, more enhanced production can be achieved.

Rig Assist Snubbing

The High Arctic Rig Assist Snubbing Unit is a truck mounted hydraulic system that can be used on most well servicing and drilling rigs. The Rig Assist Snubbing Unit works in conjunction with the other services on location to manage the well while it is underbalanced. The system function is to run and/or remove pipe with hydraulic rams at a reasonable rate during underbalanced well conditions. Since the Rig Assist Snubbing Unit is a modular unit, it can be rigged up in as little as one hour. The Rig Assist Snubbing Unit is typically contracted on a day-to-day call out basis to snub assist a workover rig in underbalanced operations as requested by a customer. Two employees drive the Rig Assist Snubbing Unit to the location and rig it on to the well to assist the workover rig in the movement of tubing under pressure (snubbing).

Stand Alone Snubbing Systems

The Stand Alone Snubbing System™ was designed and developed by High Arctic in 1998 primarily to provide an economical means of assisting in the completion of shallow gas wells. This unique system has continued to develop with the introduction of a larger capacity pump, Class III BOP systems and flow recovery equipment. This system is capable of tripping tubing in excess of 3,500 meters with an average trip time of one joint per minute and a lifting capability of 120,000 pounds. The equipment that accompanies this rigless snubbing system conforms to all government requirements regarding spacing, well kill and BOP regulations. The Stand Alone Snubbing System™ allows wells to be completed while eliminating the use of a conventional service rig and rig assist combination by providing all self-contained support equipment required for its operation. High Arctic recently developed a load management system that allows work to be conducted on the wellbore without the transfer of extra weight to the wellhead and also enables the Stand Along Snubbing System™ to be free standing.

Snub Fracing™

HAES' combined package of the Stand Along Snubbing System™ and specialized downhole tools, referred to as Snub Fracing™, eliminates (i) the requirement for well preparation with a service rig and (ii) the risk of introducing damaging kill fluid into a newly stimulated formation when installing final production string. Snub Fracing™ is the enhancement of economic efficiency in wells that require multi-stage fracture stimulation in conjunction with the Stand Along Snubbing System™.

Snub Fracing™ packages allow for selective proppant placement and stimulation of multi-marginal zones at nominal additional operating costs. This type of application is also used to treat single by-passed pay zones in a multi-zone wellbore. High Arctic has developed a set of selective Snub Fracing™ tools that are used in conjunction with a downhole shut in valve which can be mechanically opened and closed while consistently operating under adverse frac conditions.

Snub Fracing™ can provide significant cost savings where multiple zones are present, allowing for commingling of multiple-producing zones or where there is a need to develop a previously by-passed zone. These savings are realized by reducing the number of trips into the wellbore, decreasing mobilization and set up costs of fracturing equipment and reducing tubing preparation time. Stand Alone Snub Fracing™ also eliminates the need for additional tools, including a workover rig, bridge plugs, frac packers and wellhead isolation tools. Shorter well completion periods and accelerated production result in shortened payback periods for well operators.

Nitrogen Pumping Services

Nitrogen services are provided through the use of High Arctic's Nitrogen Pumping Services. The N2 Pumping Unit is a heat recovery nitrogen system used in land and offshore applications worldwide. Nitrogen is used in place of air whenever risk hazard assessment dictates. Nitrogen is an inert gas that is non-corrosive and non-explosive. It is ideal for industrial type applications for purging pipelines, pressure testing vessels and facilitating withdrawal of stored liquids from vessels. Nitrogen's uses in the oil and gas industry are vast, dealing with all service lines and used principally in applications supporting underbalanced operations. Nitrogen is added to acid blends to provide additional energy to assist in the clean out of unwanted materials and sediments in order to enhance well flow rates. Nitrogen is also added to water and hydrocarbons when fracing to assist formations in clean up with low bottom hole pressures. Nitrogen is particularly useful for what it does not do when used in underbalanced drilling, as it does not react negatively with most materials, making it a safe way to complete the job. Nitrogen is often pumped into the wellbore related to the underbalanced work to safely improve the recovery of introduced or produced fluids, while reducing the potential for damaging the formation.

The Nitrogen Bulker is a mounted storage tank on a trailer frame consisting of a rear enclosure for a transfer pump and all necessary manifold piping with valves. The tractor towing unit has a hydraulic wet kit to power the transfer pump and controls for normal operations.

Underbalanced Tool Rentals

High Arctic, through its Underbalanced Tool Rentals, supplies the oil and gas industry with specialty equipment including high pressure BOPs, drilling manifolds, accumulator units, flanges, adapters, spools and overhead handling equipment. High Arctic concentrates on specialized rental equipment that will be used in underbalanced operations. High Arctic certifies all of its equipment to recognized industry regulation and recommended practices, as applicable, including federal and provincial occupational health and safety codes, the API, Canadian Industry Recommended Practices of the Canadian Petroleum Safety Council, the National Association of Corrosion Engineers, Canadian Standards Association and the CAODC.

Surface Recovery

High Arctic expects to introduce in the third quarter of 2005, the first dual purpose separator for the separation of formation fluids; an underbalanced drilling separator and a managed control pressure drilling separator. High Arctic has a license agreement covering Canada and the Middle East with the patent applicant for both patents on the separator and the process. High Arctic believes that the dual purpose process will reduce separation costs from the current four phase horizontal underbalanced drilling separators. This new separator is also expected to increase demand for High Arctic's Rotating Flow Diverter.

High Arctic's vessel will be a vertical separator that can be utilized for all facets of underbalanced drilling and to manage control pressure drilling. The vessel is expected to be seven feet in diameter and over 18 feet tall, allowing larger gas and liquid handling capacities. The design calls for a pressure vessel rating of 125 pounds per square inch gauge (psig) and is expected to have capacity of handling up to 65 million standard cubic feet of gas per day and 32,000 barrels of fluid per day at atmospheric operating conditions. The system is also expected to improve hydrocarbon handling capabilities in standard drilling applications.

Rotating Flow Diverters

High Arctic's Rotating Flow Diverters provide a safe and economical means of diverting flow or pressured gas or fluid to a surface recovery system during underbalanced drilling applications. High Arctic's RFD offers an advantage not available from existing rotating flow diverters in the industry. The unique design eliminates the need for external cooling and lubrication, and is DNV certified to operate throughout the world. The body is cast ductile design, meets all API specifications and can be used in H_2S drilling applications.

Other Services

To enhance or assist in underbalanced operations, High Arctic also provides additional surface rental equipment to its customers such as heating packages, BOP accumulator systems, circulating kits and generating systems. High Arctic also provides well management and technical support to enhance or assist an underbalanced operation.

Operating under the name "SEAL Safety Services", High Arctic develops and implements safety management systems for oil and gas companies Internationally. High Arctic provides hands-on training and consulting for management and employees of companies to manage the health, safety and environmental risks inherent in the oil and gas industry. High Arctic currently has three long-term contracts to provide these services but does not plan to focus on this product line in the future.

Oilfield Technical Support and Training

Through its Training Program developed in 2001, High Arctic provides its employees with a wide range of in-house technical support and training relating to downhole operations and snubbing units. Existing staff members and new employees of all levels are given the opportunity to advance through continued education, both inside and outside High Arctic's training facility. Management believes the Training Program is the only one of its kind in the industry.

High Arctic has a fully-operational training well with derrick, snubbing unit and 120 metre wellbore at its facility in Red Deer, Alberta. The training well is pressurized and simulates an actual wellsite. Four full-time certified trainers administer the Training Program. The Training Program exceeds all government certification requirements, combines classroom work and practical experience and covers topics including packers, downhole tools, snubbing, slick line operations and procedures and fishing tool operations. There are six competency levels in the Training Program, all of which relate to different aspects of working with downhole operations and snubbing units.

An initial level for beginners (red hat) is an introduction to oilwork and must be achieved before moving on to the six level Training Program. All employees are encouraged to take as many courses as they can absorb each year. However, High Arctic has minimum yearly requirements for the Training Program which result in each employee participating in at least 12 days of training per year. The highest level of the program is Supervisor, which requires the employee to have mastered all underbalanced skills and tasks as well as basic marketing, customer service and management skills. This allows the Supervisor to mentor and train other staff while overseeing operations under his control. With each new level achieved, employees receive compensation incentives and rewards. Due to the continued desire for advancement of its employees, and High Arctic's ability to create effective training curriculum, management believes this system to be the best and most successful means for training its staff to align with its corporate goals.

High Arctic's formal investment in training began in 2001 with the implementation of the Training Program. With this investment, High Arctic has seen its safety record continuously improve. High Arctic's Workers' Compensation Board number of lost time claims per 100 workers has decreased to 1.07 in 2004 from 15.50 in 2000, a 93% decrease over the five year period. High Arctic's value of claims as a percentage of total wages has decreased from 2.8% in 2000 to 0.2% in 2004 and its Workers' Compensation Board rates have decreased by 35% in 2005 compared to 2004.

High Arctic believes its Training Program achieves the following benefits, which provide it with a competitive advantage:

- Competency level training which allows High Arctic to develop all employees with the same policies, procedures and disciplines;
- Consistent approach to all underbalanced tasks being undertaken;
- Consistent approach to procedures and customer relationships;
- Encourages development through compensation increases matching certification levels, not years of service. This encourages all employees to focus on their own personal development under the Training Program;
- Has resulted in a reduction in lost time accidents over the last three years;
- Allows the reinforcement and alignment of employee and corporate goals;
- Provides documented minimum training requirements for all operational employees;
- Secures a constant and skilled labour force for High Arctic in a relatively tight labour market; and
- Results in a consistent product and quality of service being delivered to customers.

One of High Arctic's trainers is presently working to obtain his certification by the International Well Control Forum ("**IWCF**"). The IWCF is an oil industry membership organization established in 1992 whose primary purpose is to develop and administer well control certification programmes for personnel employed in oil well drilling, workover and intervention operations. Once the trainer is certified, the IWCF will provide High Arctic with the IWCF manuals and procedures for its training standards. High Arctic intends to incorporate the IWCF procedures into the Training Program

Research and Development

High Arctic spends significant resources on research and development to create innovative new technology for its diversified product lines. In fiscal 2004, High Arctic invested over $5 million into research and development. High Arctic's research and development efforts are focused on providing specific solutions to the challenges experienced by oil and gas exploration and production companies when drilling for oil and gas. Its success in underbalanced drilling has been facilitated by High Arctic's technical expertise and innovative equipment that result in improved production for its customers. Management believes that through its research and development program it has achieved the following industry firsts:

- Development of Stand Alone Snubbing System™;
- Development of Snub Fracing™;
- Establishment of a competency based Training Program and actual on-site underbalanced training facilities;
- ISO Certification in the underbalanced service industry;
- Development of the 400K Diesel Electric Hydraulic Workover Unit – The Viking;

- Underbalanced drilling to 4,800 metres in February 2004, a record depth at that time;
- Automated pipe management system for Hydraulic Workover Rig;
- Rotating Flow Diverter certified to DNV Specifications; and
- Development of the 250K CDWS Rig.

High Arctic intends to protect the intellectual property which it develops through applications for patent and trademark protection. High Arctic presently holds, or is in the process of obtaining, five patents or licenses for equipment design relating to underbalanced drilling and has registered trademarks for its Snub Fracing™ and Stand Alone Snubbing System™. See "Risk Factors – Proprietary Technology".

Equipment and Expansion Plans

The following chart sets forth a list of High Arctic's existing major equipment, all of which is currently employed in providing underbalanced services to High Arctic's customers in its Domestic and International divisions, the historical utilization rates for such equipment and the average day rates charged by High Arctic to its customers in connection with the underbalanced services provided by such equipment.

Currently, customer demand for High Arctic's drilling, workover and completion services exceeds High Arctic's fleet of equipment. As a result, in certain circumstances, High Arctic is required to contract equipment from third party suppliers in order to meet its objective of providing its customers with a single source supplier for their underbalanced drilling, workover and completion needs. See "Business of High Arctic – Domestic Services." Recognizing this demand, management of High Arctic has determined to expand its equipment fleet by commissioning the construction of additional equipment. Set forth below is a list of High Arctic's current equipment, the additional equipment that High Arctic has contracts in place to build within the next nine months and the expected capital cost to build such equipment. Of the units to be built, one 250K CDWS Rig is expected to be used by High Arctic's International division while its domestic division will use the others. High Arctic intends to finance the construction of this additional equipment using a portion of the proceeds of this offering. See "Use of Proceeds."

Type of Equipment	Units Currently Owned	Historical Utilization Rate(1) (average days per year)	Average Day Rates	Units to be Built	Expected Capital Cost per Unit
250K CDWS Rig	1	260(2)	$ 12,000	4(3)	$ 5.0 million
HWR	4	260	$ 12,000	-	N/A
Rig Assist Snubbing Unit	11	226	$ 6,800	-	N/A
Stand Alone Snubbing System™	10	258	$ 8,500	2(4)	$ 2.0 million
N2 Pumping Unit	2	260(2)	$ 5,700	12(5)	$ 800,000
Nitrogen Bulker	1	260(2)	$ 3,000	2(6)	$ 260,000
Surface Recovery System	-	180(2)	$ 1,000(9)	10(7)	$ 400,000
RFD	6	180(2)	$ 1,000(9)	12(8)	$ 250,000

Notes:

(1) Historical utilization rates are based on average rates realized in the 2003 and 2004 calendar years, excluding units that were out of commission for repairs.

(2) The utilization rate is based on management's expectation, as this type of equipment is new.

(3) Management expects one unit to be delivered per month starting in November 2005.

(4) The two base units were purchased in May 2005. High Arctic is internally completing the system by building on the support equipment and expects the units to be completed in September 2005.

(5) Management expects eight units to be delivered between May and December 2005 and the remaining four units to be delivered in early 2006.
(6) Management expects one unit to be delivered in each of January and February 2006.
(7) Management expects delivery of two units per month starting in August 2005.
(8) Management expects all units to be delivered by September 2005.
(9) Management's expectation based on industry conditions.

High Arctic has maintained a high utilization of its fleet by offering well maintained, state of the art equipment operated by experienced and well-trained personnel. High Arctic's equipment utilization rates in 2004 and 2003 were 62% and 61%, respectively, compared to the CAODC reported industry average drilling rig utilization of 53.1% and 53.0%, respectively, for the same years.

Customers

High Arctic has over 400 customers comprised of small independent, intermediate and large multinational oil and gas producers. Notwithstanding its large customer base, High Arctic has one significant customer representing approximately 22% of its revenue. High Arctic's top 20 customers account for over 65% of its revenue. The services High Arctic provides to its most significant customer are distributed within this customer's diverse locations of operations, which management believes limits the risk of concentrating a significant portion of its revenue on one customer. See "Risk Factors – Agreements and Contracts".

There are three ways in which an oil and gas company typically contracts for High Arctic's services in the domestic market:

(a) High Arctic provides a bid for its services and the oil and gas company chooses the service provider, usually for a term of one year. A master service agreement is entered into between the chosen service provider and the oil and gas company for the agreed period of time. High Arctic currently has master service agreements with 10 customers.

(b) High Arctic has a dedicated sales force that maintains relationships with oil and gas company representatives in various sales territories. These relationships establish a "first call" arrangement with the oil and gas company representative. The "first call" arrangement ensures that High Arctic will be contacted first when underbalanced services are required.

(c) Various oil and gas companies operate on a project by project basis in a particular region. For a specific project, High Arctic would be contracted to be the sole service provider. This type of contract is common in the northern regions where winter drilling activity is concentrated in those project areas.

In providing services in the above circumstances, all charges are based on a standard price list that is updated by High Arctic's marketing department each year. The rates for manpower and equipment are based on an hourly operating charge. These charges are then calculated out for the day and represent what is often referred to as a "Day Rate".

In the International market, contracts for High Arctic's services are typically awarded through the following process:

(a) Submission by High Arctic of a pre-qualification application to an oil and gas company identifying the strengths of High Arctic's equipment, people, policies and procedures, financial capabilities and management team;

(b) The application is then approved or denied;

(c) If successful, High Arctic is invited to submit an application to tender for upcoming work. The oil and gas company will then announce the opportunity for approved service providers to bid for work through a tendering process. The tender document identifies an assigned scope of work within which the successful candidate will be evaluated. This evaluation includes the type of equipment or service to be provided and the cost of the services; and

(d) Once the successful candidate is identified, the contract is awarded. The contract is typically awarded for two to three years on a continuous work schedule, or on a call-out basis, depending on the amount of work available.

Employees

As at December 31, 2004, HAES had approximately 160 employees and contractors in Canada and approximately 100 employees and contractors Internationally located in nine countries. Each of High Arctic's product lines, both in its domestic and International divisions, has a manager that is responsible for the employees working in that product line. At times, employees work in more than one product line and one of the goals of the Training Program is to have employees trained in all of High Arctic's product lines.

High Arctic spends significant resources on employee development. As a result of a study conducted by outside consultants in 2004, High Arctic implemented changes to its employee development, compensation and recognition programs. Since implementing these changes, employee retention levels have risen. This has allowed High Arctic to focus on hiring individuals who complement its corporate culture. Management believes its employee development and compensation programs, as well as the Training Program, have allowed High Arctic to attract and retain quality people.

INDUSTRY CONDITIONS AND TRENDS

General Oil and Gas Industry Conditions

The success of High Arctic's business is tied, in large part, to the general health of the oil and natural gas industry in Canada and Internationally. Accordingly, in addition to the various federal, provincial, municipal and foreign laws which High Arctic will adhere to in its ongoing operations, the business will also be sensitive to the general industry conditions relating to the oil and natural gas industry, including land tenure, exploration, development, production, refining, transportation and marketing imposed by legislation enacted by various levels of government both in Canada and abroad. The business is also sensitive to pricing and taxation of oil and natural gas by agreements among the governments of Canada, Alberta, Saskatchewan and British Columbia.

High Arctic's Canadian operations are conducted primarily in the WCSB which includes portions of the provinces of British Columbia, Alberta and Saskatchewan, as well as portions of the Northwest Territories. The WCSB is one of the largest oil and gas exploration and producing regions in North America, with the majority of oil and natural gas production in Canada originating from this area. In addition to upstream oil and gas activities, other related industry activity occurs in this region, such as refining, processing and transportation of oil and gas.

International Conditions

There is significant uncertainty as to the future prospects for global oil and natural gas commodity prices. Global demand for the products produced by High Arctic's customers has been growing substantially, particularly outside North America as a result of growing world economies led by China and India. Crude oil production however, has not increased at the same level as the demand. In addition, international political risk, including the possibility of terrorism in Iraq and Saudi Arabia and political uncertainty in Russia as well as the countries constituting members of OPEC continuing to restrict supply have resulted in increased product pricing. While many are forecasting this growth in demand to continue, there is no certainty that these market factors will continue throughout 2005 and future years.

Well Completions

The WCSB is a maturing basin with estimates of annual decline rates for natural gas in the absence of additional production from new drilling of approximately 23% per year according to the National Energy Board. This decline rate coupled with the fact that the average production rates per well of oil and natural gas have been declining in western Canada for the past decade has resulted in an increase in drilling activity over the same period in order to maintain current production levels. In addition, there has been an increase in activity involving existing wells to preserve their productivity and to improve recovery rates.

The current commodity price environment has improved the underlying economics of many oil and gas prospects sufficiently to justify exploration and development in previously uneconomic areas. This ability to drill both deeper/higher cost wells and shallow/lower productivity rate wells at profitable levels has added to the current and anticipated higher activity levels in the WCSB.

The following two trends in development have contributed to the improved outlook for drilling and the services industry: (i) the emergence of CBM as a viable source of gas due to the low average productivity rates of CBM wells, large numbers of wells are required to economically develop a field and therefore more ancillary services will be required; and (ii) a shift to more remote areas in an attempt to capture new reserves such as in northeast British Columbia. These remote locations are often accessible only during the winter months and require service companies to provide services over extended time frames. High Arctic has a presence in both of these areas and has exposure to the anticipated growth in these trends.

Commodity Prices

The expected increase in drilling activity is primarily due to the prevalent strong oil and gas prices which exist. Fundamental supply and demand factors have been partially responsible for the strong oil and gas prices experienced over the last five years. With an increase in commodity prices, the exploration and production companies operating in the WCSB and Internationally tend to increase spending on drilling as the improved cash flow streams are channelled into increased amounts of available capital for oil and gas exploration and development. The prices of both crude oil and natural gas have remained above historical levels for several years with the general industry consensus that the prices are unlikely to decrease to historical levels in the near future.

The state of the financial markets is influenced by commodity prices and the ability to finance capital programs with cash flow, debt or new equity issues. Market forces, in combination with consumer demand for oil and gas, are key factors in determining the number of wells that will be drilled by oil and gas producing companies in Canada and abroad. According to the Canadian Association of Petroleum Producers, the Canadian oil and gas industry has recorded increased capital spending and revenue by oil and natural gas producers in three of the past five years.

Trends

The oil and gas industry has been subject to volatility in recent years because of significant changes in the demand for, supply, and pricing of natural gas and oil. The primary contributing factors associated with these price increases include the convergence of supply and demand for natural gas and oil brought about by secular global economic growth and the increasing difficulty, expense, and lead times involved in adding to domestic North American supplies. The factors that sustained the increase in the prices of natural gas and oil starting in late 2002 have carried on through 2004 and into early 2005, and have resulted in historically high drilling and completion activity throughout the Canadian basin and in many International locations.

High forecast commodity prices and historically low interest rates for 2005 have increased the projected cash flow forecast of producing companies which will in turn lead to increased capital spending budgets and increased drilling activities. The segments of the oil and gas services industry in which the Trust will operate are heavily reliant on the level of drilling activity in western Canada and in the Middle East. There is a direct correlation between drilling activity and utilization rates for the services of High Arctic. These trends are expected to increase the demand for High Arctic's services.

Internationally, activity levels are expected to remain strong. The demand for oil and gas remains high and many of the reserves in the Middle East are becoming mature and are expected to require optimization which fits well with High Arctic's service lines. An increase in drilling activity is also expected with 15,000 offshore wells anticipated to be drilled over the next five years with a total expected cost of $189 billion (Douglas-Westwood, The World Offshore Drilling Report 2004-2008). This includes development of new areas such as West Africa, Kazakhstan and Turkmenistan.

Management expects these factors to result in continued strong demand in Canadian and International drilling activity during 2005. However, any prolonged, substantial reduction in commodity prices will likely affect the activity levels of the exploration and production companies and the demand for High Arctic's services. A significant, prolonged decline in commodity prices could have a material adverse effect on the Trust's financial condition, results of operations and cash flows. See "Risk Factors – Volatility of Industry Conditions".

Environmental Regulations

The oil and gas industry is subject to environmental regulations pursuant to a variety of provincial and federal legislation. Such legislation provides for restrictions and prohibitions on the release or emission of various substances produced in association with certain oil and gas industry operations. In addition, such legislation requires that well and facility sites be abandoned and reclaimed to the satisfaction of provincial authorities. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in the imposition of material fines and penalties.

Seasonality

In Canada, the level of activity in the oilfield services industry is influenced by seasonal weather patterns. On a monthly basis, drilling activity varies greatly. The annual drilling cycle can generally be viewed in four components:

- Mid-March through mid-May – spring break-up; the northern drilling locations thaw and southern lands become impractical for travel due to wet road conditions. Drilling activity is generally low with companies planning the summer drilling season.
- Mid-May through mid-October – summer and fall drilling season; generally focused on non-northern areas that are accessible in the summer; summer drilling activity is medium to strong.
- Mid-October to mid-November – switchover to winter drilling season; characterized by lighter drilling activity when many companies are moving off summer drilling locations and preparing winter drilling leases for delivery of equipment.
- Mid-November through mid-March – winter drilling season; this is the period when the majority of rig activity takes place and exploration companies take advantage of the frozen landscape to access northern winter drilling locations.

High Arctic operates at high utilization rates relative to the majority of its competitors. See "Business of High Arctic – Equipment". As a result, High Arctic's inability to operate during any period has a higher impact on the results of its operations compared to some of its competitors who are in a position to deploy additional, potentially idle, equipment in the face of "catch-up" demand after the adverse operating conditions have subsided. High Arctic has spread some of this risk through its International operations. High Arctic's International operations are not as dependent on weather and do not have the same seasonality constraints as the Canadian market.

See "Risk Factors – Seasonality".

Competition

High Arctic provides oilfield services primarily to the field operation locations of oil and gas exploration and production companies that are located in western Canada and in various foreign countries. The oilfield service business in which High Arctic operates is highly competitive and in order to be successful, High Arctic must provide services that meet the specific needs of its clients at competitive prices. The principal competitive factors in the markets in which High Arctic operates are service quality and availability, reliability and performance of equipment used to perform its services, technical knowledge and experience and reputation for safety and price. Competitors offer similar services in all geographic regions in which High Arctic operates. See "Risk Factors – Competition".

SELECTED FINANCIAL INFORMATION

Selected Financial Information of HAES

The following table presents a summary of the consolidated statements of income and retained earnings of HAES for the years ended May 31, 2003 and 2004, the seven months ended December 31, 2004 and the three months ended March 31, 2005 and the consolidated balance sheet of HAES as at March 31, 2005.

The following data should be read together with the consolidated financial statements and related notes of HAES included elsewhere in this prospectus.

	Three Months ended March 31, 2005	Seven Months ended December 31, 2004	Year ended May 31, 2004	Year ended May 31, 2003
Income Statement Data				
Revenues	$ 18,069,387	$ 29,053,164	$ 36,307,536	$ 21,229,757
Expenses	9,937,130	20,644,863	27,373,602	17,274,523
Income before interest, taxes, depreciation, management bonuses and RCA	8,132,257	8,408,301	8,933,934	3,955,234
Net income (loss) before income taxes	2,734,380	2,736,215	(1,135,848)	(85,849)
Income taxes	79,596	70,279	22,671	49,974
Net income (loss) before non-controlling interest	2,654,784	2,655,936	(1,158,519)	(135,823)
Non-controlling interest in loss (earnings) of variable interest entities	14,532	(17,536)	24,346	430,030
Net earnings (loss)	$ 2,669,316	$ 2,648,400	$ (1,134,173)	$ 294,207
Balance Sheet Data				
Current assets	$ 22,206,324			
Property and equipment	33,678,375			
Total assets	$ 55,884,699			
Current liabilities	$ 51,477,701			
Long term debt	3,779,509			
Future income taxes	209,553			
Non-controlling interest	(115,158)			
Total liabilities	$ 55,351,605			
Common shares	5			
Retained Earnings	533,089			
Total shareholders' equity	$ 533,094			
Total liabilities and shareholders' equity	$ 55,884,699			

SUMMARY OF DISTRIBUTABLE CASH

The Trust currently intends to make cash distributions to Unitholders on each Distribution Payment Date of all of the Distributable Cash. The Distributable Cash will be determined giving consideration to the consolidated net income of the Trust, the consolidated growth and maintenance capital requirements and the consolidated debt repayment requirements of the Trust. Holding Trust intends to make monthly cash distributions to the Trust (as the sole unitholder of Holding Trust) to coincide with the making of distributions by the Trust to the Unitholders. High Arctic LP intends to make monthly cash distributions of all of its available cash flow to HAES and the General Partner, as general partners, and to Holding Trust, as the limited partner, of High Arctic LP, in accordance with the Partnership Agreement; provided that cash which the General Partner does not require for payment of its obligations and expenses and which HAES does not require for payment of dividends on Exchangeable Shares will be retained by High Arctic LP. See "Additional Information Concerning High Arctic Energy Services Trust – Cash Distributions", "Information Concerning High Arctic Holding Trust – Cash Distributions" and "Information Concerning High Arctic Energy Services Limited Partnership – Cash Distributions".

The following analysis has been prepared by management on the basis of the information contained in this prospectus and management's estimate of the expenses and other expenditures of the Trust and the entities in which it is investing, directly and indirectly, including High Arctic LP. This analysis was prepared on the assumption that the Trust had been in existence and the Reorganization had been completed at December 31, 2004. Although firm commitments do not exist for all of the administrative expenses and, accordingly, the financial effect of the inclusion of all necessary administrative expenses is not at present determinable, management has, based on its review of the amounts of these expenses in similar circumstances, estimated that these expenses would not deviate materially from the amounts shown below.

The following analysis does not take into account the financial effect of recent capital expenditures by HAES to expand its equipment fleet to be employed in providing underbalanced drilling services nor does it take into account the financial effect of proposed capital expenditures to construct additional equipment which is required to meet HAES' objective of providing its customers with a single source supplier for their underbalanced drilling, workover and completion needs and which is to be financed using a portion of the proceeds of this offering. See "High Arctic Energy Services Inc. - Equipment and Expansion Plans" and "Use of Proceeds".

This summary is not a forecast or a projection of future results. The actual results of operations of High Arctic and the Trust for any period will likely vary from the amounts set forth in the following summary and those variations may be material. The actual results of High Arctic are subject to a number of risk factors and uncertainties. See "Risk Factors" and "Forward-Looking Statements".

Income Statement Data	**Combined Ten Months Ended March 31, 2005 (000s)**	**Three Months Ended March 31, 2005 (000s)**	**Seven Months Ended December 31, 2004 (000s)**
Revenues	$ 47,122	$ 18,069	$ 29,053
Expenses	30,582	9,937	20,645
EBITDA-OBRCA	$ 16,540	$ 8,132	$ 8,408
Management considers that to determine the Trust's estimated distributable cash, the following items should be deducted:			
Maintenance capital expenditures	1,000	300	700
Additional general and administrative expenses and other costs(1)	417	125	292
Distribution Data			
Estimated Distributable Cash(2)	$ 12,852	$ 6,548	$ 6,304
Estimated per Trust Unit Distributable Cash(2)	$ 0.51	$ 0.26	$ 0.25

Notes:

(1) Management estimates that, subsequent to this offering, the Trust will incur additional general, administrative and other costs on a continuing basis, including relating to ongoing financial disclosure, investors relations, trustee fees, director and officer insurance and other related expenses.

(2) Based on a maximum 85% payout ratio and based on 11,460,571 Series A Exchangeable Shares and 4,152,381 Series B Exchangeable Shares and 9,396,572 Trust Units (assuming the Over-Allotment Option is exercised in full) being outstanding at the closing of this offering. Distributions by High Arctic LP will be made in respect of the LP Class A Units indirectly to the Trust and, subject to the operation of certain subordination provisions, in respect of the LP Class B Units to HAES. It is intended, subject to HAES having sufficient funds available for such purpose, that holders of Series A Exchangeable Shares receive a monthly cash amount equal to the distributions paid per Trust Unit in respect of the month, net of HAES' estimate of taxes payable in respect of income of HAES during such month. Monthly dividends will not be paid on the Series B Exchangeable Shares, and in lieu thereof, these shares will be entitled

to an adjustment of the number of Trust Units issuable upon the indirect exchange of such Series B Exchangeable Shares for Trust Units based upon the monthly cash distributions paid on the LP Class B Units and the market value of the Trust Units.

USE OF PROCEEDS

The net proceeds from this offering are estimated to be $74,000,000 ($77,760,000 if the Over-Allotment Option is exercised in full), after deducting the Agents' commission of $4,800,000 ($5,040,000 if the Over-Allotment Option is exercised in full) and expenses of this offering, which are estimated by the Trust to be approximately $1,200,000.

The gross proceeds of this offering will be used by the Trust to indirectly subscribe for securities of High Arctic LP. High Arctic LP: (i) will use a portion of the subscription proceeds to reimburse the Trust for the Agents' commission and the expenses of this offering; and (ii) is anticipated to use the net proceeds as follows: $32,378,475 to reduce indebtedness (including repayment of shareholder loans and RCA loans of $8,725,695 in aggregate to Jed Wood), $41,120,000 for the construction of underbalanced drilling equipment and $501,525 ($4,261,525 if the Over-Allotment Option is exercised in full) for working capital purposes. The shareholder loans and other indebtedness was incurred by High Arctic for capital equipment purchases and working capital. The RCA loans were incurred for the purpose of reducing High Arctic's taxable income to the maximum allowable level for small Canadian private business.

Specifically, High Arctic LP intends to deploy the capital derived from this offering for the construction of the following underbalanced drilling equipment within the next nine months:

Type of Equipment	Number of Units	Estimated Cost (000s)
250K CDWS Rigs	4	$ 20,000
N2 Pumping Units	12	9,600
Nitrogen Bulker	2	520
Stand Alone Snubbing Systems™	2	4,000
Surface Recovery System	10	4,000
Rotating Flow Diverters	12	3,000
Total		$ 41,120

In the event less than all of the Trust Units are sold pursuant to this offering, High Arctic LP intends to first apply the net proceeds for the construction of underbalanced drilling equipment, then to reduce indebtedness and any remaining amount for working capital purposes.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis of financial condition and results of operations should be read in conjunction with the unaudited interim financial statements as at and for the three months ended March 31, 2005 and the audited financial statements of High Arctic as at and for the years ended May 31, 2004, and 2003 and the seven months ended December 31, 2004 included elsewhere in this prospectus. All amounts are in thousands.

Comparison of the Three Months Ended March 31, 2005 to the Three Months Ended March 31, 2004

Activity increased significantly in the three-month period ended March 31, 2005 compared to the same period in 2004, primarily as a result of the addition of capital equipment and product lines to High Arctic's divisions and a large increase in activity in High Arctic's International operations.

Summary of Recent Financial Information

	Three Months Ended March 31, 2005 (000s)	Three Months Ended March 31, 2004 (000s)
Revenue	$ 18,069	$ 13,354
EBITDA-OBRCA	$ 8,132	$ 3,307

Revenue for the three months ended March 31, 2005 was $18.07 million, an increase of $4.72 million or 35% compared to the same period in 2004. EBITDA-OBRCA was $8.13 million, an increase of $4.83 million or 146% compared to the same period in 2004. The increase in operating results primarily resulted from the addition of the nitrogen pumping and 250K CDWS Rig product lines and the increase in operations of High Arctic's International division compared to 2004, coupled with a record drilling and completions market throughout the first quarter of 2005.

Nitrogen Pumping Services

Due to high market demand for nitrogen services and requests from High Arctic's existing customers, High Arctic added nitrogen pumping services to its product line at the end of January 2005. The addition of these services is consistent with High Arctic's goal to be a single source underbalanced service provider. Two nitrogen pumpers generated sales for the first two months of operations of $547,841 and produced an operating margin of $345,366 or 64%. The average revenue per month per nitrogen pumping unit was $136,960 and the corresponding operating margin per month was $86,341. High Arctic has a contract to build an additional 12 nitrogen pumping units. See "High Arctic Energy Services Inc. – Equipment and Expansion Plans".

250K CDWS Rig

High Arctic began construction of the 250K CDWS Rig in June 2004 and completed and commissioned the rig in March 2005. The 250K CDWS Rig earned revenue of $12,698 per day for the seven days worked in March 2005 following commissioning. The operating margin for these rigs is expected to exceed current margins as the 250K CDWS Rig requires less manpower to operate and is more efficient in performing workover and completion operations. High Arctic has a contract to build four additional rigs with two be completed by December 2005 and the remaining two to be completed by February 2006. See "High Arctic Energy Services Inc. – Equipment and Expansion Plans".

Working Capital and Cash Provided by Operations

For the quarter ended March 31, 2005, cash generated by operating activities was $4.0 million. At March 31, 2005, High Arctic had a working capital deficit of $29.27 million compared to a working capital deficit of $2.65 million at March 31, 2004. This increase to the working capital deficit primarily resulted from High Arctic's debts being classified as current and rapidly increasing accounts receivable for new product lines and customers. High Arctic's bank indebtedness increased from $2.95 million at March 31, 2004 to $9.53 million at March 31, 2005, primarily as a result of the additional financing required to finance increased accounts receivable and accounts payable associated with increased activity levels. High Arctic has recently replaced part of this bank indebtedness with term financing.

Investing Activities

For the quarter ended March 31, 2005, High Arctic had net capital additions of $7.00 million, a decrease of $0.50 million from the net additions of $7.50 million for the same period in 2004. The majority of the 2005 capital expenditures relate to the construction of the 250K CDWS Rig, nitrogen pumping units, additional rental equipment and an HWR in the International division.

Financing Activities

During the three months ended March 31, 2005, High Arctic repaid $1.43 million compared to $0.46 million in the same period in 2004 of its outstanding long-term debt. Excluding the current portion of long-term debt, at March 31, 2005, High Arctic had long-term debt outstanding of $3.78 million compared to $4.61 million at March 31, 2004.

In January 2005, High Arctic added a $5.3 million equipment loan to its operating and term credit facilities to fund the construction of additional equipment and increased its line of credit from $6.0 million to $9.0 million.

Comparison of the Seven Months Ended December 31, 2004 and the Fiscal Years Ended May 31, 2004 and May 31, 2003

Selected Annual Information

	Seven Months Ended December 31, 2004 (000s)	Year Ended May 31, 2004 (000s)	Year Ended May 31, 2003 (000s)
Revenue	$ 29,053	$ 36,308	$ 21,230
EBITDA-OBRCA	$ 8,408	$ 8,934	$ 3,955
Property and equipment (net of depreciation)	$ 27,951	$ 16,268	$ 11,402
Long term financial obligations	$ 24,641	$ 20,483	$ 12,027

Sales and Services Revenue

Revenue for the year ended May 31, 2004 was $36.31 million, an increase of $15.08 million or 71% compared to the year ended May 31, 2003. EBITDA-OBRCA for the year ended May 31, 2004 was $8.93 million, an increase of $4.98 million or 126% compared to the year ended May 31, 2003. Revenue for the seven months ended December 31, 2004 was $29.05 million or an average of $4.15 million per month compared to an average of $3.03 million per month for the year ended May 31, 2004 and $1.77 million per month for the year ended May 31, 2003.

The increase in High Arctic's operating results for the year ended May 31, 2004 primarily resulted from the introduction of additional capital equipment and enhanced market penetration by all of High Arctic's product lines, coupled with a strong drilling and completions market throughout 2004. Natural gas prices and, to a lesser extent oil prices, are the primary driver of High Arctic's activity levels. The AECO natural gas spot price averaged approximately $6.22 per million cubic feet ("**mcf**") in 2004, a slight decrease from the $6.30 per mcf average price in 2003. West Texas Intermediate oil prices averaged over $43.45 (U.S.) per barrel during 2004, compared to $31.00 (U.S.) per barrel during 2003. Countering positive commodity prices, Canadian exchange rates increased from an average of $0.714 per U.S. dollar during 2003 to $0.768 per U.S. dollar during 2004. The increase in the exchange rate, given that a substantial portion of High Arctic's customers' revenues are denominated in U.S. dollars, has reduced the Canadian dollar denominated cash flow of High Arctic's customers in 2004, excluding commodity price changes.

In 2003 and 2004, the majority of High Arctic's revenue came from its Stand Alone Snubbing System™ ("**Stand Alone**") and Rig Assist Snubbing Unit ("**Rig Assist**") product lines. Stand Alone revenue and operating margin (revenue less operating expenses) for the year ended May 31, 2004 were $19.32 million and $8.08 million respectively, representing increases of 162% and 159% respectively, compared to the year ended May 31, 2003. Stand Alone revenue and operating margin continued to increase during the seven-month period ended December 31, 2004. These substantial increases were primarily the result of the increased number of wells completed by High Arctic's customers. In the year ended May 31, 2003, High Arctic averaged a deployed fleet of seven systems, compared to an average of nine systems in the year ended May 31, 2004. High Arctic exited 2004 with 10 of these systems in operation compared to seven systems in 2003. Additionally, the continued strength in the North American gas market during 2004 resulted in stable utilization and day rates. High Arctic expects the strength in natural gas prices, which began in 2002 and continued in 2003 and 2004, to result in continued strong rig utilization and day rates throughout 2005.

Capital assets directed at Stand Alones at December 31, 2004 exceeded amounts at May 31, 2003 by $5.0 million. Operating margins for Stand Alones increased from 38% in 2003 to 42% in 2004, driven by economies of scale as more units were deployed by High Arctic and costs decreased.

Rig Assist revenue and operating margin for the year ended May 31, 2004 was $9.65 million and $3.75 million respectively, representing increases of 32% and 28% respectively, compared to the year ended May 31, 2003. The increase in revenue and operating margin resulted from a 5% increase in hourly rates for the Rig Assist fleet in 2004 compared to 2003. During 2003, High Arctic's fleet consisted of nine rigs; however two additional rigs were added in the latter part of the fourth quarter of 2004. Rig Assist days worked during 2004 totalled 1,923 days worked, an increase of 11% over the 1,733 days worked in 2003. Operating margins in 2004 increased to 39% from 28% in 2003.

Other Financial Information

Overall, operating margin percentages increased from 36.9% in the year ended May 31, 2003 to 39.9% in the year ended May 31, 2004. In the seven month period ended December 31, 2004, operating margins increased to 44.0%. Operating margin percentages are calculated by dividing operating margins by sales and service revenue. As noted previously, the increase in High Arctic's operating margin percentage is primarily due to increased capital asset levels, as well as increased utilization rates and higher pricing driven by a stronger market for High Arctic's services in 2004 compared to 2003. Operating costs include both fixed and variable costs and as revenue and activity increase, costs do not increase by the same proportion.

General and administrative expenses increased by $1.81 million or 48% in the year ended May 31, 2004, compared to the year ended May 31, 2003, primarily due to increases in the infrastructure required to support High Arctic's capital growth and the development of a Quality Assurance System under ISO 9001:2000 systems. As a percentage of revenue, general and administrative expenses decreased from 17.7% in the year ended May 31, 2003 to 15.3% in the year ended May 31, 2004 as these expenses were spread over a higher revenue base. General and administrative expenses were 15.7% of revenues in the seven-month period ended December 31, 2004.

Depreciation and amortization expense increased by $0.69 million or 25.4%, in the year ended May 31, 2004, compared to the year ended May 31, 2003, primarily due to significant capital expenditures for High Arctic's Stand Alones and Hydraulic Workover Rigs. This expense as a percentage of sales represents 9.4% and 12.8% for the respective years. Depreciation and amortization expense in the seven-month period ended December 31, 2004 was $2.95 million or 10.2% of sales.

Interest expense increased by $0.20 million during the year ended May 31, 2004, primarily due to the increase in debt required to fund the purchase and construction of capital equipment even though interest rates decreased in 2004 compared to 2003. Interest expense also increased in the seven-month period ended December 31, 2004 to $0.11 million per month versus $0.10 million per month in 2004 and $0.08 million per month in 2003. Interest expense represented 4.6%, 3.2% and 2.8% of revenue for the years ended May 31, 2003 and May 31, 2004 and the seven-month period ended December 31, 2004, respectively. Capital expenditures during 2004 were funded by a combination of cash flow from operations and long-term debt, most of which occurred in the fourth quarter of 2004.

Management bonuses and RCA payments during the year ended May 31, 2004 increased to $5.49 million from $0.35 million as a result of a $5.01 million funding of the RCA and changes in taxable income. For the seven-month period ended December 31, 2004, $1.92 million was accrued to reduce taxable income to the small business limit.

High Arctic's effective income tax rate remained steady at 17% during 2004 as High Arctic continued to declare bonuses to its shareholder and/or make payments to a retirement compensation arrangement to the extent the taxable income exceeded the small business limit.

Working Capital and Cash Provided by Operations

For the year ended May 31, 2004, cash generated by operating activities of $2.23 million was $0.40 million lower than the $2.63 million of cash provided by operating activities for the year ended May 31, 2003. The decrease in cash flow primarily resulted from reduced earnings, higher activity levels and increased accounts receivable for most of 2004 compared to 2003. For the seven-month period ended December 31, 2004, cash provided by operating activities was $5.66 million. This increase in cash resulted from increased cash flow from operations. At May 31, 2003, High Arctic had a working capital deficiency of $5.62 million compared to a working capital deficiency of $17.50 million at May 31, 2004. High Arctic's working capital deficiency for December 31, 2004 increased to $25.43 million as High Arctic's debt classified as current increased and accounts receivable increased. High Arctic's bank indebtedness increased from $1.83 million at May 31, 2003 to $3.29 million at May 31, 2004 and to $8.13 million at December 31, 2004. The increase in indebtedness is directly associated with the capital required for the construction of additional equipment, coupled with higher activity levels and financing increased accounts receivable.

Investing Activities

For the year ended May 31, 2004, High Arctic had net capital additions of $8.27 million, an increase of $6.98 million over the net additions of $1.29 million for the year ended May 31, 2003. The majority of the 2004 capital expenditures related to costs associated with the construction of additional Stand Alone systems along with the addition of a Hydraulic Workover Rig in the International market. During the year, two new Stand Alone systems, one HWR, and numerous downhole tools were added to High Arctic's fleet of oilfield equipment. For the seven month period ended December 31, 2004, High Arctic had net capital additions of $14.63 million from the construction of the 250K CDWS Rig, an additional Stand Alone, six RFDs and additional rental equipment.

Financing Activities

During the year ended May 31, 2004, High Arctic repaid $1.83 million, compared to $2.07 million during the year ended May 31, 2003 of its outstanding long-term debt. Excluding the current portion of long-term debt, at May 31, 2004, High Arctic had long-term debt outstanding of $3.58 million, compared to $9.41 million at May 31, 2003. In December 2004, High Arctic added a $3.0 million equipment loan to its operating and term credit facilities and had a balance outstanding of $4.61 million, excluding the current portion of $15.38 million.

International Operations

In 2003, High Arctic entered the International market in the Middle East and Caspian Sea regions based on the belief that these aging oil and gas production areas would benefit from the core services that High Arctic offered in the Canadian market. In 2004, High Arctic was awarded its first International contract to provide HWR underbalanced services, which currently accounts for 27% of High Arctic's consolidated revenue and 37% of its consolidated EBITDA-OBRCA. High Arctic has opened a manufacturing facility in Dubai, United Arab Emirates that has outfitted and built an HWR that was most recently deployed to the Persian Gulf to optimize production on offshore production platforms.

Summary of Financial Information - International

	March 31, 2005 (000s)	December 31, 2004 (000s)	May 31, 2004 (000s)
Revenue	$ 4,816	$ 10,523	$ 2,691
EBITDA-OBRCA	$ 2,983	$ 3,927	$ (662)
International sales as a percentage of consolidated sales	27%	36%	7%
International EBITDA-OBRCA as a percentage of consolidated EBITDA-OBRCA	37%	47%	(7%)
Property and equipment (net of depreciation)	$ 12,304	$ 9,865	$ 5,653

High Arctic's International sales and EBITDA-OBRCA have significantly increased due to increased customer demand and the addition of people and equipment to its International operations. Capital expenditures on equipment added to High Arctic's International division were $4.21 million and $2.44 million respectively, net of amortization, for the seven-month period ended December 31, 2004 and the three-month period ended March 31, 2005.

Financial Condition and Liquidity

High Arctic's ability to access its credit facilities is directly dependent upon, among other factors, its working capital position and trailing cash flows. The reorganization of High Arctic into an income trust is expected to permit High Arctic access to the capital required to execute its expansion plans. While High Arctic cannot anticipate all eventualities in this regard, High Arctic maintains what it believes to be a conservatively leveraged balance sheet, and attempts to ensure a balance between maximizing returns for shareholders over both the short and long term activity levels in the oil and gas services business.

Contractual Obligations

In the normal course of business High Arctic incurs contractual obligations, primarily related to short and long-term indebtedness. The following table sets forth High Arctic's contractual obligations as at March 31, 2005, December 31, 2004 and May 31, 2004.

	March 31, 2005 (000s)				
	Total	2006	2007	2008	2009 and subsequent years
Long-term debt obligations	$ 23,654	$ 8,401	$ 6,046	$ 2,916	$ 6,291
Operating lease and equipment purchase obligations	$ 4,650	$ 1,290	$ 1,290	$ 855	$ 1,215
Total obligations	$ 28,304	$ 9,691	$ 7,336	$ 3,771	$ 7,506

	December 31, 2004 (000s)					
	Total	2005	2006	2007	2008	2009 and subsequent years
Long-term debt obligations	$ 19,991	$ 7,082	$ 4,895	$ 2,284	$ 5,730	-
Operating lease and equipment purchase obligations	$ 4,650	$ 1,300	$ 1,291	$ 855	$ 711	$ 493
Total obligations	$ 24,641	$ 8,382	$ 6,186	$ 3,139	$ 6,441	$ 493

	May 31, 2004 (000s)					
	Total	2005	2006	2007	2008	2009 and subsequent years
Long-term debt obligations	$ 15,833	$ 9,684	$ 3,209	$ 2,798	$ 142	-
Operating lease and equipment purchase obligations	$ 4,650	$ 1,313	$ 1,290	$ 855	$ 700	$ 492
Total obligations	$ 20,483	$ 10,997	$ 4,499	$ 3,653	$ 842	$ 492

For 2005 and the foreseeable future, High Arctic expects cash flow from operations, credit facilities and equity markets to be sufficient to meet its debt repayments and future obligations, and to fund anticipated capital expenditures.

Recent Accounting Pronouncements and Significant Accounting Policies

Variable Interest Entities

High Arctic has adopted the recommendations of Accounting Guideline AcG15 resulting in the consolidation of two companies (High Arctic Energy and Tri-Equity Group Insurance Ltd.). These companies have been consolidated as if they were subsidiaries of High Arctic with the offsetting non-controlling interest being recorded.

Revenue Recognition

High Arctic's services are sold pursuant to contracts or purchase orders with customers and are based upon hourly rates that are charged daily. Revenue is recognized when services are rendered and is tracked and billed based on the daily charges. There are no significant estimates or judgements required in recognizing revenue for High Arctic.

Related Party Transactions

As at the dates set forth below, High Arctic owed the following net amounts to J.M. Wood Investment Ltd. and Victory Energy Services Inc., related parties to High Arctic as a result of common shareholders:

March 31, 2005 (000s)	**December 31, 2004 (000s)**	**May 31, 2004 (000s)**	**May 31, 2003 (000s)**
$ (1,038)	$ 231	$ 6,193	$ 755

The above-noted amounts related to advances to/from and transactions with these related companies.

In addition, High Arctic was involved in transactions representing the following payments of receipts to the related parties:

	Three Months Ended March 31, 2005 (000s)	**Seven Months Ended December 31, 2004 (000s)**	**Year Ended May 31, 2004 (000s)**	**Year Ended May 31, 2003 (000s)**
Equipment rental	$ 92	$ 34	$ 1,483	$ 516
Vehicle leases	$ 58	$ 158	$ 317	$ 454
Premises rent	$ 190	$ 175	$ 94	nil
Management fee revenue	-	$ 90	$ 372	$ 478

The related party transactions were all measured at exchange value, which approximates fair value in the opinion of management. High Arctic has also received the following advances from Mr. Jed Wood, the sole shareholder of High Arctic:

March 31, 2005 (000s)	**December 31, 2004 (000s)**	**May 31, 2004 (000s)**	**May 31, 2003 (000s)**
$ 8,726	$ 6,765	$ 2,874	$ 2,092

The amounts are non-interest bearing with no repayment terms. The amounts are expected to be repaid with the proceeds from this offering but are currently postponed by the Canadian Western Bank. See "Use of Proceeds".

Critical Accounting Estimates

A principal critical accounting estimates in respect of High Arctic relates to depreciation and amortization of capital assets, including asset and impairment write-downs, if any. All depreciation and amortization is carried out on the basis of the estimated useful lives of the related assets. Equipment under construction is not depreciated until it is put into use. Included in capital assets is equipment acquired under capital leases. All equipment is depreciated based on the declining balance method at rates between 20% and 100%.

Assessing the reasonableness of the estimated useful lives of properties requires judgment and is based on currently available information, including periodic depreciation studies conducted by High Arctic. Additionally, High Arctic canvasses its competitors to ensure it utilizes methodologies and rates consistent with the remainder of the sector in which High Arctic operates. Changes in circumstances, such as technological advances, changes to High Arctic's business strategy, changes in High Arctic's capital strategy or changes in regulations may result in the actual useful lives differing from High Arctic's estimates.

A change in the remaining useful life of a group of assets, or their expected residual value, will affect the depreciation rate used to amortize the group of assets and thus affect depreciation expense as reported in High Arctic's results of operations. These changes are reported prospectively when they occur.

In the year ended May 31, 2004, High Arctic recorded total depreciation expense of $3.40 million, an increase of $0.69 million or 25.4% over the year ended May 31, 2003. At May 31, 2004, High Arctic had capital assets of $28.13 million, net of accumulated depreciation of $11.87 million, an increase of $8.28 million or 21.4% over the year ended May 31, 2003.

For the year ended December 31, 2004, depreciation expense was $2.95 million with capital assets of $42.77 million, net of accumulated depreciation of $14.82 million. At March 31, 2005, depreciation expense was $1.28 million with capital assets of $49.77 million, net of accumulated depreciation of $16.09 million.

Another critical accounting estimate relates to the allowance for doubtful accounts. High Arctic's collection of accounts receivable has been very successful in the past and bad debts have represented less than 0.1%. Despite this recent success, the allowance for doubtful accounts is management's best estimate given current market conditions.

Outlook

Historically, demand for oilfield services has been directly correlated with oil and natural gas commodity prices. Increased levels of commodity pricing generally translate into increased cash flows for High Arctic's oil and natural gas producer customers. In addition to improved cash flows, higher oil and natural gas prices provide an incentive for High Arctic's customers to take advantage of strong commodity prices and improved levels of cash flow by increasing production and adding to reserves. The high commodity prices and related high activity levels have carried on through 2004 into the early portion of 2005, and indications are that they will continue throughout the remainder of 2005. See "Industry Conditions and Trends".

Without a substantial drop-off in demand for High Arctic's services, High Arctic anticipates financial results for 2005 to be significantly improved over the results for the 2004 fiscal year due to a larger fleet of equipment within each of its divisions and additional services lines.

Risks and Uncertainties

For information in respect of risks and uncertainties facing High Arctic, see "Risk Factors".

ADDITIONAL INFORMATION CONCERNING HIGH ARCTIC ENERGY SERVICES TRUST

General

The Trust was established to:

(a) acquire, invest in, hold, transfer, dispose of and otherwise deal with securities of whatever nature or kind of, or issued by, Holding Trust, Holding Trust Trustee, HAES, the General Partner, High Arctic LP, or any associate or affiliate of any thereof, or of, or issued by, any other corporation, partnership, trust or other person and such other investments as the Trustee may determine;

(b) borrow funds and issue debt securities for the purposes, directly or indirectly, set forth above;

(c) make loans or other advances to Holding Trust, HAES and/or High Arctic LP to finance future acquisitions and capital expenditures;

(d) temporarily hold cash and other short term investments in connection with and for the purposes of the Trust's activities and hold promissory notes or shares of ExchangeCos and HAES in connection with the indirect exchange of securities exchangeable for Trust Units such as the Exchangeable Shares, including paying administration and trust expenses, paying any amounts required in connection with the redemption of Trust Units, making distributions to holders of Trust Units;

(e) issue Trust Units, Special Voting Rights and other securities of the Trust (including exchangeable securities, or warrants, options, subscription receipts or other rights to acquire Trust Units or other securities of the Trust), for the purposes of:

  (i) obtaining funds to conduct the activities described above, including raising funds for further acquisitions;

  (ii) repaying any indebtedness or borrowings of the Trust;

  (iii) establishing and implementing Unitholder rights plans, distribution reinvestment plans, Trust Unit purchase plans, incentive option plans or other compensation plans, if any, established by the Trust; and

  (iv) making non-cash distributions to holders of Trust Units as contemplated by the Declaration of Trust including in specie redemptions and distributions pursuant to distribution reinvestment plans, if any, established by the Trust;

(f) guarantee the obligations of the Trust's affiliates pursuant to any good faith debt for borrowed money or any other obligation incurred by such entity in good faith for the purpose of carrying on its business, and pledge securities and other property owned by the Trust as security for any obligations of the Trust, including obligations under any such guarantee;

(g) grant security in any form, over any or all of the Trust's assets to secure any or all of the obligations of the Trust;

(h) repurchase or redeem securities of the Trust, including Trust Units and Special Voting Rights, subject to the provisions of the Declaration of Trust and applicable law;

(i) carry out any of the transactions, and enter into and perform any of the obligations of the Trust under any agreements contemplated by the Declaration of Trust;

(j) engage in all activities ancillary or incidental to any of those activities set forth above; and

(k) undertake such other activities or take such actions including investing in securities as shall be approved by the Trustee from time to time.

The Trust is prohibited from undertaking any activity, taking any action, or making any investment which would result in the Trust not being considered a "unit trust" or a "mutual fund trust" for purposes of the Tax Act or the Trust Units being considered "foreign property" for the purposes of the Tax Act or the Trust itself being liable for any tax under Part XI of the Tax Act.

Trust Units

An unlimited number of Trust Units may be created and issued pursuant to the Declaration of Trust. Each Trust Unit represents an equal undivided beneficial interest in any distribution from the Trust (whether of income of the Trust, net realized capital gains or other amounts) and in any net assets of the Trust in the event of termination or winding-up of the Trust. All Trust Units outstanding from time to time shall be entitled to equal shares of any distributions by the Trust, and in the event of termination or winding-up of the Trust, in any net assets of the Trust. All Trust Units of the Trust shall rank among themselves equally and ratably without discrimination, preference or priority. Each Trust Unit is transferable, is not subject to any conversion or pre-emptive rights and entitles the holder thereof to require the Trust to redeem any or all of the Trust Units held by such holder (see "Additional Information Concerning High Arctic Energy Services Trust – Redemption Right") and to one vote at all meetings of Unitholders for each Trust Unit held.

The Trust Units do not represent a traditional investment and should not be viewed by investors as "shares" in either the General Partner, High Arctic LP, Holding Trust or the Trust. As holders of Trust Units in the Trust, the Unitholders do not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The price per Trust Unit is a function of anticipated distributable income from Holding Trust and High Arctic LP and the ability of Holding Trust and High Arctic LP to affect long-term growth in the value of the Trust. The market price of the Trust Units will be sensitive to a variety of market conditions including, but not limited to, interest rates, commodity prices and the ability of the Trust to acquire additional assets. Changes in market conditions may adversely affect the trading price of the Trust Units. See "Risk Factors – Nature of Trust Units".

Special Voting Rights

In order to allow the Trust flexibility in pursuing corporate acquisitions, the Declaration of Trust allows for the creation of Special Voting Rights which will enable the Trust to provide voting rights to holders of Exchangeable Shares and, in the future, to holders of other exchangeable shares that may be issued by HAES or other direct or indirect subsidiaries of the Trust in connection with other exchangeable share transactions.

An unlimited number of Special Voting Rights may be created and issued pursuant to the Declaration of Trust. Holders of Special Voting Rights shall not be entitled to any distributions of any nature whatsoever from the Trust and shall be entitled to such number of votes at all meetings of Unitholders equal to the number of Trust Units into which the exchangeable shares to which the Special Voting Rights relate are, directly or indirectly, exchangeable or convertible. Except for the right to vote at meetings of the Unitholders, the Special Voting Rights shall not confer upon the holders thereof any other rights.

The Trust will issue a Special Voting Right to the trustee under the Voting and Exchange Trust Agreement for the benefit of the persons who receive Exchangeable Shares.

Issuance of Trust Units

The Declaration of Trust provides that Trust Units, including exchangeable securities, rights, warrants, options or other securities convertible into or exchangeable for Trust Units may be created, issued, sold and delivered on such terms and conditions and at such times as the General Partner, as administrator, on behalf of the Trustee, may determine.

Unitholder Limited Liability

The Declaration of Trust provides that no Unitholder, in its capacity as such, shall incur or be subject to any liability, direct or indirect, absolute or contingent, in contract or in tort or of any other kind to any person, and no resort shall be had to, nor shall recourse or satisfaction be sought from, the private property of any Unitholder for any liability whatsoever in connection with the Trust's assets, the obligations or activities or affairs of the Trust, any actual or alleged act or omission of the Trustee or the administrator, any transaction entered into by the Trustee or the administrator or any taxes, levies, imposts or charges or fines, penalties or interest in respect thereof payable by the Trust or by the Trustee or the administrator. In the event that a court determines Unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of the Unitholder's share of the Trust's assets represented by its Trust Units.

The Declaration of Trust provides that the Trustee or the General Partner, as administrator, must use reasonable efforts to ensure that all contracts signed by or on behalf of the Trust contain a provision to the effect that such obligation will not be binding upon Unitholders personally. Notwithstanding the terms of the Declaration of Trust, Unitholders may not be protected from liabilities of the Trust to the same extent as a shareholder is protected from the liabilities of a corporation. Personal liability may also arise in respect of claims against the Trust (to the extent that claims are not satisfied by the Trust) that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The possibility of any personal liability to Unitholders of this nature arising is considered unlikely in view of the fact that the sole business activity of the Trust is to hold securities, and all of the business operations are carried on, directly or indirectly, by High Arctic LP.

The business of the Trust will be conducted, upon the advice of counsel, in such a way and in such jurisdictions to avoid as far as possible any material risk of liability to the Unitholders for claims against the Trust including by obtaining appropriate insurance, where available and having contracts signed by or on behalf of the Trust include a provision that such obligations are not binding upon Unitholders personally.

On July 1, 2004, the *Income Trusts Liability Act* (Alberta) came into force. This Act creates a statutory limitation on the liability of unitholders of Alberta income trusts such as the Trust. The legislation provides that a unitholder will not be, as a beneficiary, liable for any act, default, obligation or liability of the trustee that arises after the legislation comes into effect.

Cash Distributions

The Trust currently intends to make cash distributions to Unitholders on each Distribution Payment Date of all of the Distributable Cash. The Distributable Cash will be determined giving consideration to the consolidated net income of the Trust, the consolidated growth and maintenance capital requirements and the consolidated debt repayment requirements of the Trust. The intent is to maximize the Distributable Cash giving consideration to these consolidated financial requirements and long-term Unitholder value.

Distributions in respect of a month will be paid to Unitholders of record as at the close of business on each Distribution Record Date. The distribution for any month will be paid on the Distribution Payment Date. In addition, the Declaration of Trust provides that, if necessary, on December 31 of each year, the Trust will distribute an additional amount such that the Trust will not be liable for ordinary income taxes for such year.

The cash distribution in respect of the period from closing of this offering to August 31, 2005 is expected to be paid on September 15, 2005 to Unitholders of record on August 31, 2005 and is expected to be $0.1185 per Trust Unit. Thereafter, subject to availability, it is expected that cash distributions of $0.0875 per Trust Unit will be made on or about the 15th day of each month to Unitholders of record on the immediately preceding Distribution Record Date.

Redemption Right

Trust Units are redeemable at any time on demand by the holders thereof upon delivery to the transfer agent of the Trust Units of a duly completed and properly executed notice requesting the Trust to redeem Trust Units. Upon receipt of the notice to redeem Trust Units by the Trust, the holder thereof shall thereafter cease to have any rights with respect to the Trust Units tendered for redemption (other than to receive the redemption payment therefor unless the redemption payment is not made as required) including the right to receive any distributions thereon which are declared payable on a date subsequent to the day of receipt by the Trust of the notice requesting redemption.

Upon receipt of the notice to redeem Trust Units by the Trust, the holder thereof shall only be entitled to receive a price per Trust Unit (the "**Market Redemption Price**") equal to the lesser of: (i) 90% of the "market price" of the Trust Units on the principal stock exchange on which the Trust Units are listed (or, if the Trust Units are not listed on any such exchange, on the principal market on which the Trust Units are quoted for trading) during the period of the last 10 trading days immediately prior to the date on which the Trust Units were tendered to the Trust for redemption; and (ii) 100% of the "closing market price" on the principal stock exchange on which the Trust Units are listed (or, if the Trust Units are not listed on any such exchange, on the principal market on which the Trust Units are quoted for trading) on the date that the Trust Units were so tendered for redemption.

For the purposes of this calculation, "market price" shall be an amount equal to the simple average of the closing price of the Trust Units for each of the trading days on which there was a closing price; provided that, if the applicable exchange or market does not provide a closing price but only provides the highest and lowest prices of the Trust Units traded on a particular day, the market price shall be an amount equal to the simple average of the average of the highest and lowest prices for that trading day if there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than five of the 10 trading days, the market price shall be the simple average of the following prices established for each of the 10 trading days: the average of the bid and ask prices for each day on which there was no trading; the weighted average trading price of the Trust Units for each day that there was trading if the exchange or market provides a weighted average trading price; and the average of the highest and lowest prices of the Trust Units for each day that there was trading, if the market provides only the highest and lowest prices of Trust Units traded on a particular day. The "closing market price" shall be: an amount equal to the closing price of the Trust Units if there was a trade on the date on which the Trust Units were tendered for redemption and the exchange or market provides a closing price; an amount equal to the average of the highest and lowest prices of the Trust Units on the date on which the Trust Units were tendered for redemption if there was trading and the exchange or other market provides only the highest and lowest prices of Trust Units traded on a particular day; and the average of the last bid and ask prices if there was no trading on the date.

The aggregate Market Redemption Price payable by the Trust in respect of any Trust Units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment within five business days after the end of the calendar month in which the Trust Units were tendered for redemption. Unitholders will not receive cash upon the redemption of their Trust Units if:

(a) the total amount payable by the Trust in respect of such Trust Units and all other Trust Units tendered for redemption in the same calendar month exceeds $50,000; provided that the General Partner, as administrator, may, in its sole discretion, waive such limitation in respect of all Trust Units tendered for redemption in any calendar month. If this limitation is not so waived, the Trust Units tendered for redemption in such calendar month shall be redeemed for cash based on the Market Redemption Price and, unless any applicable regulatory approvals are required, by a distribution *in specie* of the Trust's assets, based on the "in specie Redemption Price" (as defined below), which may include Holding Trust Notes or other assets held by the Trust, on a *pro rata* basis;

(b) at the time such Trust Units are tendered for redemption, the outstanding Trust Units are not listed for trading on the TSX or traded or quoted on any stock exchange or market which the General Partner, as administrator, considers, in its sole opinion, provides representative fair market value prices for the Trust Units;

(c) the normal trading of the Trust Units is suspended or halted on any stock exchange on which the Trust Units are listed for trading or, if not so listed, on any market on which the Trust Units are quoted for trading, on the date that such Trust Units tendered for redemption were tendered to the Trust for redemption or for more than five trading days during the 10-day trading period prior to the date on which such Trust Units were tendered for redemption; or

(d) the redemption of Trust Units will result in the delisting of the Trust Units on the principal stock exchange on which the Trust Units are listed.

If a cash redemption is not available for Trust Units tendered for redemption by a Unitholder, then such Unitholder will, instead of the Market Redemption Price per Trust Unit, be entitled to receive a price per Trust Unit (the "**in specie Redemption Price**") equal to the fair market value of a Trust Unit as determined by the General Partner, as administrator, in its sole discretion. The in specie Redemption Price will, subject to all necessary regulatory approvals, be paid and satisfied by way of a distribution *in specie* of Trust assets, which may include Holding Trust Notes or other assets held by the Trust (other than Holding Trust Units), as determined in the sole discretion of the General Partner, as administrator.

The aggregate in specie Redemption Price payable by the Trust in respect of the Trust Units surrendered for redemption during any calendar month shall be paid by the transfer, to or to the order of the Unitholder who exercised the right of redemption, within five Business Days after the end of the calendar month in which the Trust Units were tendered for redemption, of Trust assets.

It is anticipated that this redemption right will not be the primary mechanism for holders of Trust Units to dispose of their Trust Units. Holding Trust Notes which may be distributed *in specie* to Unitholders in connection with a redemption will not be listed on any stock exchange and no market is expected to develop in such Holding Trust Notes. Holding Trust Notes will not be, and other assets of the Trust that may be distributed on an in specie redemption of Trust Units may not be, qualified investments for trusts governed by Exempt Plans.

Non-Resident Unitholders

It is in the best interest of Unitholders that the Trust qualify as a "mutual fund trust" under the Tax Act and in order to ensure the maintenance of such status the Declaration of Trust provides, in part, that:

(a) the General Partner, as administrator, shall: (i) prior to the consummation of any transaction involving the acquisition by the Trust of any properties or assets other than securities of High Arctic LP, the General Partner or Holding Trust; (ii) prior to any material modification to the Trust other than as contemplated by (i); (iii) promptly following any proposed amendment to subsection 132(7) of the Tax Act or the publication of any administrative bulletin or other notice of interpretation relating to the interpretation or application of such section; (iv) promptly following the enactment or amendment of any other provision of the Tax Act the effect of which is or may be to limit the extent to which Trust Units or other securities of the Trust, High Arctic LP or the General Partner may be held by Non-Residents; or (v) otherwise at any time when requested by the Trustee, obtain an opinion of counsel confirming whether the Trust is, at the date thereof and following such transaction or event (which in the case of (iii) or (iv) shall mean the coming into effect of the enactment, amendment or change of interpretation), required to limit the number of Trust Units or other securities of the Trust that may be held by Non-Residents, as the case may be, for purposes of qualifying as a "mutual fund trust" under the Tax Act;

(b) if at any time the board of directors of the General Partner determines, in its sole discretion, or becomes aware, pursuant to (a) above or otherwise, that the Trust's ability to continue to rely on paragraph 132(7)(a) of the Tax Act (or any successor provision thereto) for purposes of qualifying as a "mutual fund trust" thereunder is in jeopardy, then forthwith after such determination:

    (i) it shall be the sole responsibility of the General Partner, as administrator, to monitor the holdings by Non-Residents; and

    (ii) the General Partner, as administrator, shall take such steps as are necessary or desirable to limit or reduce the holdings by Non-Residents to ensure that the Trust will qualify as a "mutual fund trust" for purposes of the Tax Act;

(c) the General Partner, as administrator, may, at any time and from time to time, in its sole discretion, request that the Trustee make reasonable efforts, as practicable in the circumstances, to obtain declarations as to beneficial ownership of Trust Units, perform residency searches of holders of Trust Units and exchangeable securities and beneficial holders of Trust Units and exchangeable securities mailing address lists and take such other steps specified by the General Partner, as administrator, at the cost of the Trust, to determine or estimate as best possible the residence of the beneficial owners of Trust Units; and

(d) if at any time the board of directors of the General Partner, in its sole discretion, determines that it is in the best interest of the Trust, the General Partner, as administrator, notwithstanding the ability of the Trust to continue to rely on subsection 132(7)(a) of the Tax Act for the purpose of qualifying as a "mutual fund trust" under the Tax Act or otherwise, may:

    (i) require the Trustee to refuse to accept a subscription for Trust Units from, or issue or register a transfer of Trust Units to, a person unless the person provides a declaration to the Trust that the Trust Units to be issued or transferred to such person will not when issued or transferred be beneficially owned by a Non-Resident;

    (ii) to the extent practicable in the circumstances, send a notice to registered holders of Trust Units which are beneficially owned by Non-Residents, chosen in inverse order to the order of acquisition or registration of such Trust Units beneficially owned by Non-Residents or in such other manner as the General Partner, as administrator, may consider equitable and practicable, requiring them to sell their Trust Units which are beneficially owned by Non-Residents or a specified portion thereof within a specified period of not less than 60 days. If the Unitholders receiving such notice have not sold the specified number of such Trust Units or provided the General Partner, as administrator, with satisfactory evidence that such Trust Units are not beneficially owned by Non-Residents within such period, the General Partner, as administrator, may, on behalf of such registered Unitholder, sell such Trust Units and, in the interim, suspend the voting and distribution rights attached to such Trust Units and make any distribution in respect of such Trust Units by depositing such amount in a separate bank account in a Canadian chartered bank (net of any applicable taxes). Any sale shall be made on any stock exchange on which the Trust Units are then listed and, upon such sale, the affected holders shall cease to be holders of Trust Units so deposited of and their rights shall be limited to receiving the net proceeds of sale, and any distribution in respect thereof deposited as aforesaid, net of applicable taxes and costs of sale, upon surrender of the certificates representing such Trust Units;

(iii) delist the Trust Units from non-Canadian stock exchanges; and/or

(iv) take such other actions as the board of directors of the General Partner, in its sole discretion, may determine to be appropriate in the circumstances that will or may reasonably be expected to reduce or limit the number of Trust Units held by Non-Resident Unitholders.

See "Canadian Federal Income Tax Considerations."

Meetings of Unitholders

The Declaration of Trust provides that meetings of Unitholders must be called and held for, among other matters, the election of directors of the General Partner, the appointment or removal of the auditors of the Trust, the approval of amendments to the Declaration of Trust (except as described under "Amendments to the Declaration of Trust"), the sale of all or substantially all of the Trust's assets, and the dissolution or termination of the Trust. Meetings of Unitholders will be called and held annually for, among other things, the election of the directors of the General Partner and the appointment of the auditors of the Trust.

A meeting of Unitholders may be convened at any time and for any purpose by the Trustee and must be convened, except in certain circumstances, if requisitioned by the holders of not less than 5% of all votes entitled to be voted at a meeting of Unitholders (including the votes attached to exchangeable securities by virtue of a Special Voting Right) by a written requisition. A requisition must, among other things, state in reasonable detail the business purpose for which the meeting is to be called.

Unitholders may attend and vote at all meetings of Unitholders either in person or by proxy and a proxy holder need not be a Unitholder. Two persons present in person or represented by proxy and representing in the aggregate at least 5% of the votes attaching to all outstanding Trust Units shall constitute a quorum for the transaction of business at all such meetings. For the purposes of determining such quorum, the holders of any issued Special Voting Rights who are present at the meeting shall be regarded as representing outstanding Trust Units equivalent in number to the votes attaching to such Special Voting Rights.

The Declaration of Trust contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Unitholders in accordance with the requirements of applicable laws.

Exercise of Voting Rights Attached to Holding Trust Units and Securities of the General Partner and High Arctic LP

The Declaration of Trust prohibits the Trustee from voting, or causing to be voted, as the case may be, the Holding Trust Units or, where applicable, the Holding Trust Notes; or voting the Trust's securities of Holding Trust Trustee or causing Holding Trust or the General Partner to vote securities of the General Partner, HAES or High Arctic LP, as applicable, to authorize:

(a) any sale, lease or other disposition of, or any interest in, all or substantially all of the assets of Holding Trust, Holding Trust Trustee, HAES, High Arctic LP or the General Partner, except in conjunction with an internal reorganization, of the direct or indirect assets of the Trust as a result of which the Trust has the same interest, whether direct or indirect, in the assets as the interest, whether direct or indirect, that it had prior the reorganization, or a pledge in accordance with the Declaration of Trust;

(b) any merger, amalgamation, arrangement, reorganization, recapitalization, business combination or similar transaction involving Holding Trust, Holding Trust Trustee, HAES, the General Partner or High Arctic LP, except in conjunction with an internal reorganization, of the direct or indirect assets of the Trust as a result of which the Trust has the same interest, whether direct or indirect, in the assets as the interest, whether direct or indirect, that it had prior the reorganization;

(c) any material amendment to the Holding Trust Note Indenture, other than an amendment which is not prejudicial to the Trust;

(d) the winding-up, liquidation or dissolution of Holding Trust, Holding Trust Trustee, HAES, the General Partner or (unless all of such limited partnership interests therein are owned directly or indirectly by the Trust) High Arctic LP prior to the end of the term of the Trust; or

(e) any material amendment to the declaration of trust by which Holding Trust will be created, the constating documents of the General Partner, Holding Trust Trustee, HAES, the Partnership Agreement or the Unanimous Shareholders Agreement, in a manner prejudicial to the Trust,

without the approval of the Unitholders by special resolution ($66^{2/3}$% of the votes cast) at a meeting of Unitholders called for that purpose.

The Trustee

Valiant Trust Company is the initial trustee of the Trust. The Trustee is responsible for, among other things, maintaining records of the Trust and providing reports to Unitholders. The Declaration of Trust provides that the Trustee shall act honestly and in good faith with a view to the best interests of the Trust and in connection therewith shall exercise that degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances.

The initial term of the Trustee's appointment is until the third annual meeting of Unitholders. A decision to reappoint, or to appoint a successor to, the Trustee shall be made at the third annual meeting of Unitholders and thereafter at each third annual meeting of Unitholders following the meeting at which any reappointment or appointment is made. Any such reappointment or appointment shall be made by ordinary resolution. The Trustee may resign upon 60 days' notice to the General Partner. The Trustee may also be removed by ordinary resolution at a meeting of Unitholders duly called for that purpose. Such resignation or removal becomes effective upon the acceptance or appointment of a successor trustee.

Liability of the Trustee

Except in the event of a breach of the standard of care, diligence and skill set forth in the Declaration of Trust, the Trustee, its directors, officers, employees, shareholders and agents shall not be liable to any Unitholder for any action taken in good faith in reliance on any documents that are, prima facie, properly executed; for any depreciation of, or loss to, the Trust incurred by reason of the sale of any security; for the loss or disposition of monies or securities; or for any other action or failure to act by the Trustee or the administrator including, without limitation, the failure to compel in any way any former trustee to redress any breach of trust or any failure by Holding Trust to perform obligations or pay monies owed to the Trust. If the Trustee has retained an appropriate expert or advisor with respect to any matter connected with its duties under the Declaration of Trust, the Trustee may act or refuse to act based on the advice of such expert or advisor and, notwithstanding any provision of the Declaration of Trust, including, without limitation, the standard of care, diligence and skill set out in the Declaration of Trust, the Trustee shall not be liable for any action or refusal to act based on the advice of any such expert or advisor which it is reasonable to conclude is within the expertise of such expert or advisor to give.

Subject to the standard of care set forth in the Declaration of Trust, none of the Trustee nor any officer, director, employee, shareholder or agent thereof shall be subject to any liability whatsoever in tort, contract or otherwise, in connection with assets of the Trust or the affairs of the Trust, including, without limitation, in respect of any loss or diminution in value of any assets of the Trust to the Trust or to the Unitholders or to any other person for anything done or permitted to be done by the Trustee or the administrator. The Trustee shall not be subject to any personal liability for any debts, liabilities, obligations, claims, demands, judgments, costs, charges or expenses against or with respect to the Trust arising out of anything done or permitted or omitted to be done in respect of the execution of the duties of the office of Trustee for or in respect of the affairs of the Trust. No property or assets of the Trustee, owned in its personal capacity or otherwise, will be subject to any levy, execution or other enforcement procedure with regard to any obligations under the Declaration of Trust or under any other related agreements. No recourse may be had or taken, directly or indirectly, against the Trustee in its personal capacity. The Trust shall be solely liable therefor and resort shall be had solely to the assets of the Trust for payment or performance thereof. The Declaration of Trust also contains certain provisions providing for the indemnification of the Trustee.

Amendments to the Declaration of Trust

The Declaration of Trust may be amended or altered from time to time by special resolution.

The Trustee may, without the consent, approval or ratification of the Unitholders, make certain amendments to the Declaration of Trust, including amendments:

(a) for the purpose of ensuring the Trust's continuing compliance with applicable laws;

(b) in a manner which, in the opinion of the Trustee, provide additional protection for the Unitholders;

(c) to remove or cure any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which are, in the opinion of the Trustee, necessary or desirable and not prejudicial to the Unitholders;

(d) for the purpose of ensuring the Trust will maintain its status as a "unit trust" and a "mutual fund trust" for the purposes of the Tax Act, including satisfying the provisions of each of subsections 108(2) and 132(6) of the Tax Act, as from time to time amended or replaced;

(e) which, in the opinion of the Trustee, are necessary or desirable as a result of changes in Canadian taxation laws or the administration or enforcement thereof, including for the purpose of maintaining the Trust's status as a "mutual fund trust" for the purposes of the Tax Act; or

(f) to make a change in the *situs* of, or the laws governing, the Trust which, in the opinion of the Trustee is desirable in order to provide Unitholders with the benefit of any legislation limiting their liability.

Take-over Bid

The Declaration of Trust contains provisions to the effect that if a takeover bid is made for the Trust Units and not less than 90% of the Trust Units (including Trust Units issuable upon the conversion, exercise or exchange of any securities exchangeable into Trust Units but not including any Trust Units held at the date of the take-over bid by or on behalf of, or issuable to, the offeror or an affiliate or associate of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Trust Units held by Unitholders who did not accept the takeover bid on the terms offered by the offeror.

Termination of the Trust

The Unitholders may vote by special resolution to terminate the Trust at any meeting of the Unitholders duly called for such purpose, following which the Trustee shall commence to wind-up the affairs of the Trust (and shall thereafter be restricted to only such activities).

Subject to the other provisions of the Declaration of Trust, the Trust shall continue for a term ending on the earlier of December 31, 2105 and the date which is one day prior to the date, if any, the Trust would otherwise be void by virtue of any applicable rule against perpetuities then in force in Alberta. For the purpose of terminating the Trust by such date, the Trustee shall commence to wind-up the affairs of the Trust on such date as may be determined by the Trustee, being not more than two years prior to the end of the term of the Trust.

Reporting to Unitholders

The consolidated financial statements of the Trust will be audited annually by an independent recognized firm of chartered accountants. In accordance with applicable securities law, the audited consolidated financial statements of the Trust, together with the report of such chartered accountants, will be mailed by the Trustee to Unitholders and the unaudited interim consolidated financial statements of the Trust will be mailed to Unitholders within the periods prescribed by securities legislation. The year end of the Trust shall be December 31.

The Trust will be subject to the continuous disclosure obligations under all applicable securities legislation.

Management of the Trust

The Trust will not be managed by a third party manager. The Trust and High Arctic LP will be managed by the board of directors of the General Partner and the officers of High Arctic LP. See "Management of the Trust – Officers and Directors".

The Trustee, on behalf of the Trust, and High Arctic LP, have entered into the Administration Agreement pursuant to which the General Partner will provide certain administrative services and facilities to the Trust, including, without limitation:

(a) the retention and monitoring, on behalf of the Trust, of the transfer agent and other organizations serving the Trust;

(b) the authorization and payment on behalf of the Trust of operation expenses incurred on behalf of the Trust, the negotiation of contracts with third party providers of services (including, but not limited to transfer agents, legal counsel, auditors and printers);

(c) the provision of office space, telephone, office equipment, facilities, supplies and executive, secretarial and clerical services;

(d) the preparation of accounting, management and other reports (including quarterly and annual reports to Unitholders, financial statements, tax reporting to Unitholders and income tax returns);

(e) keeping and maintaining the books and records of the Trust and the supervision of compliance by the Trust with record keeping requirements under applicable regulatory regimes;

(f) the calculation of the amount, and the determination of the frequency, of distributions by the Trust;

(g) the handling of communications and correspondence with Unitholders and the preparation of notices of distributions to Unitholders;

(h) responding to investors' enquiries and general investor relations in respect of the Trust;

(i) dealing with banks and other institutional lenders, including in respect of the maintenance of bank records and the negotiation and securing of bank financing or refinancing of one or more credit or debt facilities, hedging or swap facilities or other ancillary facilities;

(j) reviewing fees and expenses charged to the Trust and ensuring the timely payment thereof;

(k) providing assistance to the Trustee with respect to:

    (i) the preparation of the Trust's reports to relevant securities regulatory authorities and any similar organization of any government or the committee of any stock exchange to which the Trust is obligated to report and to otherwise assist the Trustee in dealing with any such regulatory authorities; and

(ii) the organization of meetings of Unitholders; and

(l) the provision of such other administrative services as may be reasonably required for the ongoing business and administration of the Trust.

HIGH ARCTIC HOLDING TRUST

Holding Trust will be an open-end unincorporated investment trust governed by the laws of the Province of Alberta and created pursuant to the Holding Trust Declaration of Trust. The head and principal office of Holding Trust will be located at 8133 Edgar Industrial Close, Red Deer, Alberta, T4P 3R4.

Holding Trust will be established for the purpose of investing in the securities of the General Partner, High Arctic LP, HAES or any other subsidiary of Holding Trust and, in connection with the exchange of Exchangeable Shares, securities of ExchangeCos, and will not conduct any business activities. Holding Trust Trustee will be the trustee of Holding Trust. Holding Trust will be managed by management of the General Partner. The Trust will be the sole unitholder of Holding Trust.

Trust Units of Holding Trust

The Holding Trust Declaration of Trust will provide that an unlimited number of Holding Trust Units may be created and issued pursuant to the Holding Trust Declaration of Trust. Holders of Holding Trust Units will be entitled to receive distributions on the Holding Trust Units in accordance with the terms of the Holding Trust Declaration of Trust and such other distributions as may be made pursuant to the Holding Trust Declaration of Trust. In the event of the liquidation, dissolution or winding up of Holding Trust or other distribution of assets of Holding Trust among its unitholders for the purpose of winding up its affairs, unitholders of Holding Trust will be entitled to participate in the distribution in equal amounts per Holding Trust Unit on all of the Holding Trust Units at the time outstanding without preference or distinction. Unitholders of Holding Trust will be entitled to receive notice of and to attend all annual and special meetings of Holding Trust unitholders and to one vote in respect of each Holding Trust Unit held. The Holding Trust Units will be redeemable at the demand of the unitholder and Holding Trust may call for redemption all or any part of the outstanding Holding Trust Units.

Cash Distributions

Holding Trust intends to make monthly cash distributions to the Trust (as the sole unitholder of Holding Trust) to coincide with the making of distributions by the Trust to the Unitholders. High Arctic LP will have discretion as to the amount of income of Holding Trust which will be paid or declared payable to the unitholders of Holding Trust and a portion of such income may be retained by Holding Trust and used for capital expenditures and such other matters as Holding Trust may deem necessary.

Holding Trust Notes

Holding Trust Notes will be issued to the Trust from time to time pursuant to a note indenture between Holding Trust and a note trustee. The Holding Trust Notes will be unsecured. Interest will be payable for each month during the term on or about the tenth day of the month following such month.

Holding Trust Notes may also be distributed to Unitholders upon the redemption of their Trust Units. The note indenture will provide that if persons other than the Trust (the "**Non-Trust Holders**") own Holding Trust Notes having an aggregate principal amount in excess of $1,000,000, either the Trust or the Non-Trust Holders shall be entitled, among other things, to require the note trustee to exercise the powers and remedies available under the note indenture upon an event of default and, with the Trust, the Non-Trust Holders may provide consents, waivers or directions relating generally to the variance of the note indenture and the rights of noteholders. The note indenture will allow the Trust flexibility to delay payments of interest or principal otherwise due to it while payment is made to other noteholders, and to allow other noteholders to be paid out before the Trust. Any delayed payments will be due five days after demand.

INFORMATION CONCERNING HIGH ARCTIC ENERGY SERVICES LIMITED PARTNERSHIP

High Arctic LP will be a limited partnership formed under the laws of Alberta. Following completion of the Reorganization, High Arctic LP will hold all of the assets, liabilities and businesses currently held by HAES and High Arctic Energy. HAES and the General Partner will be the general partners and Holding Trust will be the sole limited partner of High Arctic LP.

The registered office and principal place of business of High Arctic LP will be 8133 Edgar Industrial Close, Red Deer, Alberta, T4P 3R4.

LP Units

High Arctic LP will be authorized to issue, in addition to the 0.001% managing general partner's interest held by the General Partner, an unlimited number of LP Class A Units and an unlimited number of LP Class B Units, and, subject to certain restrictions, such other classes of partnership interests as the General Partner may decide from time to time. All of the LP Class A Units will be held by Holding Trust and all of the LP Class B Units will be held by HAES. Each LP Unit will rank equally with each other unit of the same class or series and no partner is entitled to any privilege, priority or preference in relation to any other partner holding units of the same class or series.

Initially, (i) the number of issued LP Class A Units will be equal to the number of issued Trust Units and (ii) the number of issued LP Class B Units will be equal to the number of issued Series A Exchangeable Shares. The terms and conditions of the Partnership Agreement will adjust the numbers of LP Class A Units and LP Class B Units from time to time to maintain such equalities until such time as all of the LP Units are owned directly or indirectly by the Trust.

Cash Distributions

High Arctic LP will distribute to limited partners of record on each Distribution Record Date holding LP Class A Units and, subject to the subordination provisions with respect to LP Class B Units, to general partners of record on each Distribution Record Date holding LP Class B Units, their portions of distributable cash as set out below. Distributions will be made on or prior to the applicable Distribution Payment Date. Distributions on the LP Units are intended to be received by Holding Trust prior to its related distributions to the Trust. High Arctic LP may, in addition, make a distribution at any other time, subject to the subordination provisions described below. High Arctic LP will make nominal distributions to the General Partner each year.

Cash available for distribution by High Arctic LP will represent EBITDA, as adjusted for:

(a) satisfaction of its debt service obligations (principal and interest) under credit facilities or other agreements with third parties;

(b) retaining reasonable working capital reserves, maintenance capital expenditure reserves or other reserves, including reserves for income and capital taxes and to stabilize distributions to the partners, as may be considered appropriate by the General Partner;

(c) maintenance capital expenditures in excess of reserves; and

(d) satisfaction of capital taxes in Holding Trust, General Partner and HAES due to their ownership of High Arctic LP.

Until the subordination provisions of the LP Class B Units cease, cash distributions on the LP Units will be made monthly in the following priority:

(a) to the holders of LP Class A Units, in the amount of $0.0875 per unit or, if there is insufficient cash to make distributions in such amount, such lesser amount as is available;

(b) to the holders of LP Class A Units, to the extent that the monthly average cash distributions per LP Class A Unit in respect of the 12 month period then ended (or such lesser period as exists since the closing of this offering) were not made or were made in amounts less than $0.0875 per LP Class A

Unit, the amount of any deficiency or, if there is insufficient cash to make distributions in such amount, such lesser amount as is available;

(c) to the holders of LP Class B Units in an amount per unit equal to the cash available for distribution under this paragraph divided by the sum of the number of issued and outstanding LP Class B Units on the Distribution Record Date and the number of Trust Units issuable, indirectly, as of the Distribution Record Date pursuant to issued and outstanding Series B Exchangeable Shares issued and outstanding as of such date, up to $0.0875 per LP Class B Unit, and there shall be deducted from the cash available for distribution hereinafter an amount equal to the product obtained by multiplying the amount distributed per LP Class B Unit under this paragraph (c) by the number of Trust Units issuable, indirectly, as of the Distribution Record Date, pursuant to Series B Exchangeable Shares issued and outstanding as of such date, which amount, for greater certainty, shall not be distributed;

(d) after March 31, 2006 and if the monthly average cash distributions per LP Class B Unit in respect of the 12 month period then ended (or such lesser period as exists since March 31, 2006) were not made or were made in amounts less than $0.0875 per LP Class B Unit, to the holders of LP Class B Units in an amount per unit equal to the cash available for distribution under this paragraph divided by the sum of the number of issued and outstanding LP Class B Units on the Distribution Record Date and the number of Trust Units issuable as of the Distribution Record Date pursuant to issued and outstanding Series B Exchangeable Shares issued and outstanding as of such date, up to the amount of such deficiency, and there shall be deducted from the cash available for distribution hereinafter an amount equal to the product obtained by multiplying the amount distributed per LP Class B Unit under this paragraph (d) by the number of Trust Units issuable, indirectly, as of the Distribution Record Date, pursuant to Series B Exchangeable Shares issued and outstanding as of such date, which amount, for greater certainty, shall not be distributed; and

(e) to the holders of LP Class A Units and LP Class B Units in an amount per unit equal to the remaining cash available for distribution divided by the sum of the number of issued and outstanding LP Class A Units and LP Class B Units on the Distribution Record Date and the number of Trust Units issuable, indirectly, as of the Distribution Record Date, pursuant to Series B Exchangeable Shares issued and outstanding as of such date.

Any deficiency in respect of distributions of LP Class A Units or LP Class B Units not satisfied within 12 months of the date it arose, or before the date upon which the subordination provisions of the LP Class B Units cease, will cease to be payable. Management expects that until the impact of additional underbalanced drilling equipment to be constructed with the proceeds of this offering begins to be realized in 2006, distributions to LP Class B Units will be restricted by the prioritization described above.

The subordination provisions of the LP Class B Units will only apply until the later of March 31, 2008 and the date on which:

(a) the Trust has earned EBITDA for the immediately preceding fiscal year (calculated from the audited consolidated financial statements of the Trust and the weighted average number of Trust Units outstanding during that year on a fully-diluted basis) of at least $1.24 per Trust Unit commencing with the financial year ended December 31, 2007; and

(b) monthly average cash distributions of at least $0.0875 per LP Class A Unit have been paid by High Arctic LP in respect of the 12 month period then ended

(the "**Subordination End Date**").

For the purposes of the subordination provisions, EBITDA will be calculated and adjusted in a manner consistent with the definition of EBITDA as set forth in this prospectus and a number of Trust Units on “fully-diluted basis” will be determined on the basis of adding to the number of issued and outstanding Trust Units the number of Trust Units issuable pursuant to all issued and outstanding convertible securities of the Trust and all issued and outstanding Series A Exchangeable Shares and Series B Exchangeable Shares, based on their respective then prevailing Exchange Ratios. See "Non-GAAP Measures".

If the Subordination End Date does not occur by March 31, 2008, the holders of LP Class B Units will have the option, at any time from and after such date, to exchange all of the LP Class B Units for that number of LP Class A Units calculated in accordance with the following formula:

$$\frac{A}{B} \times C \times 0.95$$

where:

A = the average cash distributions per LP Class B Unit paid by High Arctic LP for the 12 month period ending on the last day of the month immediately preceding the exercise of the option;

B = the amount of $0.0875 per LP Class B Unit, being the target average monthly per unit distributions payable on the LP Units; and

C = the number of LP Class B Units being exchanged for LP Class A Units at that time;

provided that the number of LP Class A Units into which an LP Class B Unit may be exchanged shall not exceed 0.95. On any such exchange, the number of Trust Units into which the issued and outstanding Series A Exchangeable Shares are exchangeable shall be adjusted commensurately.

Notwithstanding the foregoing, until December 31, 2007, the board of directors of the General Partner will have the right, if they determine, based on trends or developments in the business or operations of the business of High Arctic LP then in effect or reasonably foreseeable, that there is a reasonable likelihood that there will be insufficient available cash in a month within the next 12 month period to make distributions on the LP Class A Units of at least $0.0875 per unit, to suspend distributions to holders of LP Class B Units to the extent determined necessary.

During the operation of the subordination provisions of the LP Class B Units, High Arctic LP will be prohibited from distributing, with respect to any month, more than 85% of one twelfth ($^{1}/_{12}$) of EBITDA of the Trust for the fiscal year of the Trust in which such month occurs as estimated in good faith by the board of directors of the General Partner. After the subordination provisions of the LP Class B Units cease, cash available for distribution shall be paid monthly to the holders of LP Class A Units and LP Class B Units in an amount per unit equal to the cash available for distribution divided by the sum of the number of issued and outstanding LP Class A Units and LP Class B Units on the Distribution Record Date and the number of Trust Units issuable, indirectly, as of the Distribution Record Date pursuant to Series B Exchangeable Shares issued and outstanding as of such date.

Capital and other expenditures, including amounts required to enable High Arctic LP to pay equal monthly distributions based on expected annual cash distributions, may be financed with drawings under one or more credit facilities to be established on behalf of High Arctic LP.

Allocation of Income and Loss for Income Tax Purposes

The Partnership Agreement will provide that the income of High Arctic LP for income tax purposes for each fiscal year will be allocated to the General Partner and the holders of LP Units as follows:

(a) to the General Partner to the extent of the cash distributions made payable to it in respect of such fiscal year;

(b) to the holders of LP Class A Units to the extent of the cash distributions made payable to them in respect of such fiscal year;

(c) to the holders of LP Class B Units to the extent of the cash distributions made payable to them in respect of such fiscal year; and

(d) as to the balance, to the General Partner.

It is anticipated that taxable income will be allocated to Holding Trust equal to cash distributions made payable by High Arctic LP to Holding Trust in respect of the year.

If, with respect to a given fiscal year, High Arctic LP has a loss for tax purposes, the Partnership Agreement will provide that such loss will be allocated to the General Partner, to HAES, as a general partner, and to Holding Trust, as the limited partner, in such proportions as the General Partner shall, in its sole discretion, determine.

Functions and Powers of the General Partner

The General Partner will be the managing general partner of High Arctic LP. The General Partner will be wholly-owned by Holding Trust. Following completion of the Reorganization, Holding Trust will also own all of the outstanding common shares of HAES. The registered office and principal place of business of the General Partner is 8133 Edgar Industrial Close, Red Deer, Alberta, T4P 3R4.

The General Partner, as managing general partner of High Arctic LP, will have exclusive authority, subject to the provisions of the Partnership Agreement, to manage the business and affairs of High Arctic LP, to make all decisions regarding the business of High Arctic LP and to bind High Arctic LP. The General Partner is to exercise its powers and discharge its duties honestly, in good faith and in the best interests of High Arctic LP and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances. The General Partner is entitled to a 0.001% partnership interest in High Arctic LP as consideration for acting as managing general partner.

The authority and power vested in the General Partner to manage the business and affairs of High Arctic LP will include all authority necessary or incidental to carry out the objects, purposes and business of High Arctic LP, including, without limitation, the ability to engage agents to assist the General Partner to carry out its management obligations and administrative functions.

The Partnership Agreement will provide that all material transactions and agreements involving High Arctic LP must be approved by the board of directors of the General Partner. In addition, the Partnership Agreement will provide that, so long as there are Exchangeable Shares outstanding, High Arctic LP cannot, and will not permit any of its subsidiaries to, without the approval of the board of directors of the General Partner and the Unitholders:

- merge, consolidate or otherwise combine with any other entity (other than as part of an internal reorganization);
- sell all or substantially all of its assets (other than as part of an internal reorganization);
- liquidate or wind-up the partnership (other than as part of an internal reorganization);
- acquire assets or sell assets, in each case out of the ordinary course of business (other than an internal reorganization), or make any material change in the type of business conducted by High Arctic LP and its subsidiaries;
- issue units, shares or other securities (other than the issue of units, shares or other securities of subsidiaries of High Arctic LP to the Trust or to wholly-owned subsidiaries of the Trust), borrow money or guarantee any indebtedness of third parties (other than borrowings under approved lines of credit, borrowings from the General Partner and guarantees of the General Partner indebtedness and inter-corporate borrowings and guarantees among High Arctic LP and its wholly-owned subsidiaries), or repurchase outstanding units or securities of High Arctic LP;
- change the managing general partner of High Arctic LP;
- modify the Partnership Agreement; or
- agree to do any of the foregoing.

Reimbursement of General Partner

High Arctic LP will reimburse the General Partner for all costs and expenses incurred by the General Partner in the performance of its duties as general partner under the Partnership Agreement on behalf of High Arctic LP, in connection with maintaining its corporate status.

Disclosure Obligations

The Partnership Agreement will require the General Partner to provide to the partners of High Arctic LP and to the Trust a report of any material change in the affairs of High Arctic LP as well as quarterly and annual financial statements of High Arctic LP and other documents and certificates legally required in connection with the preparation and release of quarterly and annual financial statements by public issuers in Canada. In addition, the General Partner shall ensure that the Trust is promptly provided with such other information regarding High Arctic LP in form and content as may reasonably be required by the Trust in connection with its public issuer disclosure obligations as if High Arctic LP were a reporting issuer.

The Partnership Agreement will require the General Partner to provide the partners of High Arctic LP with reasonable access to, and copies of, its books and records.

Limited Liability

High Arctic LP will operate in a manner as to ensure to the greatest extent possible the limited liability of the limited partners. Limited partners may lose their limited liability in certain circumstances. The Partnership Agreement will provide that, if limited liability is lost by reason of the negligence of the General Partner in performing its duties and obligations as managing general partner under the Partnership Agreement, the General Partner will indemnify the limited partners against all claims arising from assertions that their respective liabilities are not limited as intended by the Partnership Agreement. However, as the General Partner is expected to have no significant assets or financial resources, other than its interests in High Arctic LP and any assets it may have in its capacity as managing general partner of High Arctic LP, this indemnity may have nominal value.

MANAGEMENT OF THE TRUST

The board of directors of the General Partner will manage the Trust and High Arctic LP and the officers and employees of High Arctic LP will provide administrative and support services to the Trust.

Directors and Officers

The following table sets out the names and municipalities of residence of those individuals who are, or will prior to closing of this offering be directors of the General Partner and executive officers of High Arctic LP, together with their current or proposed positions and offices with the General Partner or High Arctic LP, as the case may be, and their principal occupations and positions held during the last five years. All of the officers of High Arctic LP are currently officers of HAES. In addition, the board of directors of the General Partner intends to add an additional independent director prior to closing of this offering. The independent directors will, prior to closing of this offering, appoint a lead director.

Name and Municipality of Residence	Position	Director or Officer Since	Present Occupation and Positions Held During the Last Five Years
Jed Morgan Wood *Red Deer, Alberta*	President, Chief Executive Officer, Director and Chairman of the Board	2005	President and Chief Executive Officer of High Arctic since 1993
Ken Hemmerich *Dubai, United Arab Emirates*	Vice President, International Operations	2005	Vice President, International Operations of High Arctic since August 2002. Prior thereto, drilling supervisor with Dragon Oil LLC in the Middle East from June 2001 to August 2002 and Chief Operating Officer of Omax Resources Ltd. from February 1997 to June 2001

Name and Municipality of Residence	Position	Director or Officer Since	Present Occupation and Positions Held During the Last Five Years
Shaun Marvin Peesker *Red Deer, Alberta*	Chief Financial Officer	2005	Chief Financial Officer of High Arctic since January 2004. Prior thereto, manager and senior manager at PricewaterhouseCoopers LLP since September 1998
Matthew Kurt Swartout *Red Deer, Alberta*	Vice President, Drilling	2005	Vice President, Drilling of High Arctic since March 2005. Prior thereto, a consulting drilling engineer for KISS Technologies Inc. since August 2003 and Engineering and Business Development Manager for Weatherford Underbalanced Drilling Systems in Dubai, United Arab Emirates from July 2002 to June 2003
Bruce Allan Thiessen *Red Deer, Alberta*	Vice President, Marketing	2005	Vice President, Marketing of High Arctic since 1993
Alan Douglas Archibald(1)(3) *Calgary, Alberta*	Director	2005	Chief Executive Officer of Tripoint Energy Ltd. since September 2003. President and Chief Operating Officer of Westpoint Energy Inc. from September 1999 until May 2000. From July 2000 until December, 2003, President and Chief Operating Officer of Pointwest Energy Inc.
Michael Rupert Binnion(1)(2)(4) *Calgary, Alberta*	Director	2005	President and Chief Executive Officer of Questerre Energy Corporation since November 2000
Christopher Randall Warren(3) Q.C. *Red Deer, Alberta*	Corporate Secretary and Director	2005	Partner of the law firm Sisson Warren Sinclair
John Brian Zaozirny(2)(3) Q.C. *Calgary, Alberta*	Director	2005	Counsel to McCarthy Tétrault LLP and Vice-Chairman of Canaccord Capital Corporation

Notes:

(1) Proposed member of Audit Committee.

(2) Proposed member of Governance and Compensation Committee.

(3) Proposed member of Environmental, Health and Safety Committee.

(4) On June 22, 2004, Questerre Energy Corporation applied for and was granted an order by the Court of Queen's Bench of Alberta providing for creditor protection under the *Companies' Creditors Arrangement Act*. On September 9, 2004 Plans of Compromise or Arrangement were sanctioned by the Court of Queen's Bench of Alberta and implemented shortly thereafter.

Mr. Wood is currently the sole holder, directly and indirectly, of all of the common shares of HAES. Upon completion of the Reorganization, Mr. Wood will hold, directly and indirectly, 14,520,906 Exchangeable Shares, which will initially be exchangeable, directly or indirectly, for 14,520,906 Trust Units. See "Principal Unitholder". At closing of this offering, the executive officers of High Arctic LP and the directors of the General Partner (or members of their immediate families) other than Mr. Wood, as a group, will beneficially own, directly or indirectly, 498,286 Trust Units and 880,476 Exchangeable Shares, which will initially be exchangeable, directly or indirectly, into an aggregate of 880,476 Trust Units, subject to adjustment for distributions, and assuming that they do not subscribe for any of the Trust Units pursuant to this offering, the officers and directors, as a group, will own or exercise control over approximately 5.6% of the outstanding Trust Units (on a fully diluted basis) upon completion of this offering.

Unitholders are entitled to elect the board of directors of the General Partner. The term of office of each of the directors will expire at the next annual meeting of the Unitholders.

Biographies of Directors and Officers

The following is a brief description of the directors of the General Partner and the executive officers of High Arctic LP.

Jed Morgan Wood, President, Chief Executive Officer and Director. Mr. Wood is the sole founder of High Arctic, growing High Arctic from a three-employee corporation into the largest privately owned well control company in Canada. Mr. Wood has four decades of experience in the oil and gas industry including as a consultant for a major oil company where he developed the groundwork for the implementation of underbalanced drilling technology in the early 1980's. He has served as a trustee of Gamehost Income Trust, from which he has recently resigned in order to focus on developing the Trust. Mr. Wood sits on the board of directors for PSAC, Questerre Energy Corporation and Magnus Energy Inc.

Ken Hemmerich, Vice President, International Operations. Mr. Hemmerich has been Vice President, International Operations since 2002. He has spent a significant amount of his career in the International oil and gas sector, specifically from 1980 to 1997 at various levels including Drilling Supervisor on both land and offshore platform applications. Mr. Hemmerich was also Chief Operating Officer for Omax Resources Ltd., a domestic oil and gas company supervising and programming drilling, completion and single well facilities. Mr. Hemmerich is also responsible for Marketing, Business Development, and Project Management out of Dubai, United Arab Emirates for High Arctic.

Shaun Marvin Peesker, Chief Financial Officer. Mr. Peesker has been Chief Financial Officer of HAES since January 2004. Prior thereto, Mr. Peesker spent five years with PricewaterhouseCoopers LLP in Calgary, Alberta as a manager and senior manager and prior thereto he was a partner in the regional Chartered Accounting firm of White Kennedy in Penticton, British Columbia. Mr. Peesker's career has been focused on providing advice to management on various financial matters including financing, taxes and operational efficiencies. Mr. Peesker is a Chartered Accountant and holds a Bachelor of Management degree from the University of Lethbridge.

Matthew Kurt Swartout, Vice President, Drilling. Mr. Swartout has been Vice President, Drilling since March 2005. Prior thereto, Mr. Swartout spent two years as a consulting drilling engineer for KISS Technologies Inc. and before that was the Engineering and Business Development Manager for Weatherford Underbalanced Drilling Systems in Dubai, United Arab Emirates. Mr. Swartout has been involved with various other companies since 1982 in a diverse number of roles from field engineer to more recently, Chief Operating Officer of ICE Drilling Systems Inc. Mr Swartout's career has included the provision of underbalanced drilling technical expertise and management guidance to these various companies. Mr. Swartout is a Professional Engineer with a Diploma of Petroleum Technology from the Southern Alberta Institute of Technology and a Bachelor of Science in Petroleum Engineering from the Montana College of Mineral Science and Technology.

Bruce Allan Thiessen, Vice President, Marketing. Mr. Thiessen has been Vice President, Marketing since 2000. He has been with High Arctic leading the marketing department since 1993. Prior thereto he was marketing manager at Terroco Oilfield Services. Mr. Thiessen works closely with the management team to ensure customer relationships are maintained and utilization targets are met. Prior to entering the oil and gas industry, Mr. Thiessen held marketing roles in both the real estate and agricultural industries.

Alan Douglas Archibald, Director. Mr. Archibald was President and Chief Operating Officer with Westpoint Energy Inc. (formerly Slade Energy) from September 1999 until it was sold in May 2000. In July 2000, he was a co-founder of Pointwest Energy Inc. and served as the President and Chief Operating Officer until the sale of the company in December 2003. In September 2003, Mr. Archibald was the co-founder of Point Energy Group which created two private exploration and production companies, Northpoint Energy Ltd. and Tripoint Energy Ltd. Mr.

Archibald currently serves as the Chief Executive Officer of Tripoint Energy Ltd. and serves on the Board of the following companies: Tripoint Energy Ltd., Northpoint Energy Ltd., Kerogen Petroleum Ltd., MEG Energy Corp., Mullen Transportation Inc., and Stratagem Energy Corp. Mr. Archibald is a Professional Engineer with a Mining Engineering degree from the Technical University of Nova Scotia (1982) and a Bachelor of Science degree from Dalhousie University (1980).

Michael Rupert Binnion, Director. Mr. Binnion has been actively involved in the financing and executive management of numerous private and public companies through his investment company, Rupert's Crossing Inc. Mr. Binnion is founder and Chief Executive Officer of Questerre Energy Corporation, a Calgary based independent energy company listed on the TSX. He has also been a Director of Terrenex Acquisition Corporation, a public investment company listed on the TSX Venture Exchange since 1995 and a Director of Sylogist Ltd., an information technology solution service provider listed on the TSX Venture Exchange since 1997. Mr. Binnion also holds board positions on four other private companies. Mr. Binnion was a founding shareholder and Chief Executive Officer of Flowing Energy Corporation, a junior oil and gas company, from 1996 until 2001 and was founding shareholder, President, Chief Financial Officer and a Director of CanArgo Energy Corporation, an integrated energy company operating in the Republic of Georgia from 1996 to 2000. Mr. Binnion is a Chartered Accountant and holds a Bachelor's degree in Commerce from the University of Alberta.

Christopher Randall Warren Q.C., Corporate Secretary and Director. In 1981 Mr. Warren was one of the three founding partners in the law firm, Sisson Warren Sinclair. He practices in the areas of Corporate and Commercial Law, Estate Planning and Real Estate. In 1998 Mr. Warren was appointed as Queen's Counsel. Mr. Warren is currently past president of the Progressive Conservative Association of Alberta; legal adviser and honorary member of the David Thompson Regional Health Foundation Board; a member of the Law Society of Alberta Conveyancing Advisory Committee; a member of the Red Deer Rotary Club; and a member of the Central Alberta Bar Association. Mr. Warren has a Bachelor of Arts degree with Distinction from the University of Alberta and a Bachelor of Law degree from the University of Alberta.

John Brian Zaozirny Q.C., Director. Mr. Zaozirny is Counsel to the law firm of McCarthy Tétrault LLP and Vice-Chairman of Canaccord Capital Corporation. Mr. Zaozirny is a Director and a strategic advisor to a number of public and private corporations, and a Governor of the Business Council of British Columbia. Mr. Zaozirny served as Alberta's Minister of Energy and Natural Resources from 1982 to 1986, having first been elected as a Member of the Alberta Legislature in 1979. Mr. Zaozirny also served as Chairman of the Cabinet Committee on Economic Development and Chairman of the Private Bills Committee. As Alberta's Energy Minister, Mr. Zaozirny negotiated the end of the National Energy Program. Mr. Zaozirny was named Resource Man of the Year by the Alberta Chamber of Resources in 1985 and received the Distinguished Alumni Award from the University of Calgary in 1987. Mr. Zaozirny is a director of Acetex Corporation, Alberta Newsprint Company, Bankers Petroleum Ltd., Canadian Oil Sands Limited, Computer Modelling Group Ltd., Fording Canadian Coal Trust, IPSCO Inc., Matrikon Inc., Middlefield Resources Funds, Pengrowth Corporation, Provident Energy Ltd., TerraVest Income Fund and Titanium Corporation Inc. Mr. Zaozirny has a Bachelor of Commerce degree from the University of Calgary, a Bachelor of Law degree from the University of British Columbia and a Master of Law degree from the University of London (London School of Economics and Political Science). He was admitted to The Law Society of Alberta in 1974 and the Law Society of British Columbia in 1986. Mr. Zaozirny was appointed Queen's Counsel in Alberta in 1984.

Committees

Prior to closing the board of directors of the General Partner will establish the following committees:

Audit Committee

The Audit Committee will be comprised of three independent directors. The Audit Committee will review the annual and interim financial statements of the Trust and make recommendations to the board of directors with respect to such statements and documents. The Audit Committee will also review the nature and scope of the annual audit as proposed by the auditors and management, and the adequacy of the internal accounting control procedures and systems within the Trust. The Audit Committee will meet once per financial quarter to fulfill its mandate. The

Audit Committee will be comprised of Messrs. Archibald, Binnion and the additional independent director that will be added to the board of directors prior to the closing of this offering.

Governance and Compensation Committee

The Governance and Compensation Committee will be comprised of three directors, two of whom will be independent. The Governance and Compensation Committee's mandate will include: (i) monitoring the appropriateness of the General Partner's governance systems with regard to external governance standards, "best practices" guidelines and with an emphasis on ongoing improvements; (ii) reviewing the makeup and needs of the board of directors and developing criteria for adding new directors to the board; (iii) evaluating and assessing the effectiveness of the board, its committees in meeting governance objectives and each individual's own contribution; and (iv) developing appropriate compensation policies for the senior management and directors of the General Partner, including the General Partner's stock option plan, and evaluating senior management. These responsibilities include reporting and making recommendations to the board of directors for their consideration and approval. The Governance and Compensation Committee will meet at least annually to fulfill its mandate. The Governance and Compensation Committee will be comprised of Messrs. Binnion, Zaozirny and the additional independent director that will be added to the board of directors prior to the closing of this offering.

Environmental, Health and Safety Committee

The Environmental, Health and Safety Committee will be comprised of three directors, two of whom are independent. The Environmental, Health and Safety Committee will monitor and make recommendations with respect to the environmental, health and safety policies, practices and procedures of the General Partner. The committee will establish an environmental risk management system and monitor its operation through regular reports. The Environmental, Health and Safety Committee will initially be comprised of Messrs. Archibald, Warren and Zaozirny.

Annual Incentive Plan

The executive officers of High Arctic LP will be eligible to participate in an annual cash incentive plan based on the degree to which financial and non-financial objectives of High Arctic LP have been met. The Governance and Compensation Committee will determine eligibility and set objectives and maximum incentive opportunities and will approve proposed payments.

Restricted Share Grant

Pursuant to agreements with three employees of High Arctic and its subsidiaries, 996,572 Trust Units will be issued and options to purchase 830,476 Exchangeable Shares will be granted to such individuals concurrent with the closing of this offering. Full entitlement to the Trust Units and Exchangeable Shares will vest over a two year period from the date of issuance, provided that the holders of such Trust Units and Exchangeable Shares remain employees of High Arctic LP or its subsidiaries, as the case may be. In the event the vesting terms are not met by the individual, the agreements provide that Mr. Jed Wood, President and Chief Executive Officer of High Arctic LP, will acquire the Trust Units or Exchangeable Shares, as the case may be, from such individual for nominal consideration.

In addition, concurrent with the closing of this offering, 261,570 Exchangeable Shares will be granted to certain employees of High Arctic to compensate such employees for past service. Full entitlement to the Exchangeable Shares will vest over a three year period from the date of issuance, provided that the holders of such shares remain employees of High Arctic LP or its subsidiaries, as the case may be. The Exchangeable Shares will be held, on behalf of such employees, by a corporation (the "**Employee Holdco**"). Mr. Wood will own all of the common shares of Employee Holdco and the employees will own preferred shares of Employee Holdco. In the event the vesting terms are not met by an employee, the preferred shares of such employee will be cancelled by Employee Holdco. At the end of the three year vesting period, Employee Holdco and HAES will merge and the preferred shares and common shares will be exchanged for Exchangeable Shares.

Compensation of Directors

It is the intention of the General Partner to compensate its independent directors with an annual retainer of $25,000 per year, an additional $2,000 per year for the lead director and an additional $1,000 per year for each committee chairman. In addition, independent directors will be paid $1,000 for each board meeting and each committee meeting attended in person or by telephone. Independent directors will be entitled to participate in the Trust's trust unit option plan and the Trust intends to grant options to acquire 25,000 Trust Units to each of the independent directors following completion of this offering.

Insurance Coverage and Indemnification

The directors and officers of the General Partner will be covered under a directors' and officers' insurance policy. In addition, the General Partner and the Trust will indemnify the directors and officers of the General Partner against liability and costs in respect of any action or suit against them in connection with the execution of their duties of office, subject to certain usual limitations.

Trust Unit Option Plan

The Trust intends to adopt a trust unit option plan (the "**Plan**") for the directors, officers, employees and consultants of the Trust and its subsidiaries. The purpose of the Plan will be to develop the interest of directors, officers, and employees of and persons or companies who provide management or consulting services to the Trust and its subsidiaries in the growth and development of the Trust by providing them with the opportunity, through options, to acquire an increased proprietary interest in the Trust. The Plan will be administered by the General Partner.

The Plan will provide that the maximum number of Trust Units issuable upon the exercise of all options granted under the Plan, together with Trust Units as may be subject to options pursuant to other unit compensation arrangements, shall not exceed 10% of the outstanding Trust Units and Trust Units issuable pursuant to outstanding Exchangeable Shares. Subject to certain limitations set forth below, pursuant to the Plan, the number of options and the exercise price thereof will be set by the board of directors of the General Partner at the time of grant provided that the exercise price shall not be less than the weighted average trading price of the Trust Units on the TSX for the five trading days immediately prior to the date of grant, unless otherwise permitted by the TSX. The Plan will include a feature to reduce the exercise price of an option by the amount in which the cash distributions per Trust Unit exceeds 8% of the original grant price of the option. The 8% return, or performance threshold, will be calculated on an annual basis and must be achieved prior to triggering a reduction in the option exercise price.

Pursuant to the Plan, no options shall be granted to any optionee if such grant, together with any other compensation or incentive mechanism involving the issuance of Trust Units, could result, at any time, in (i) the number of Trust Units reserved for issuance pursuant to options granted to insiders of the Trust exceeding 10% of the outstanding Trust Units and Exchangeable Shares; or (ii) the issuance to insiders, within a one-year period, of a number of shares exceeding 10% of the outstanding Trust Units and Exchangeable Shares.

Following closing of this offering, the Trust intends to issue options to acquire an aggregate of approximately 738,000 Trust Units to directors, executive officers and employees of High Arctic, each option having an exercise price equal to the offering price of the Trust Units pursuant to this prospectus.

ADDITIONAL INFORMATION CONCERNING HIGH ARCTIC ENERGY SERVICES INC.

Directors and Officers

The following table sets out the names and municipalities of residence of those individuals who are the current directors and officers of HAES, together with their positions and offices with HAES.

Name and Municipality of Residence	Position with HAES	Director or Officer Since
Jed Morgan Wood *Red Deer, Alberta*	President, Chief Executive Officer and a director	1993
Ken Hemmerich *Dubai, United Arab Emirates*	Vice President, International Operations	2002
Shaun Marvin Peesker *Red Deer, Alberta*	Chief Financial Officer	2004
Matthew Kurt Swartout *Red Deer, Alberta*	Vice President, Drilling	2005
Bruce Allan Thiessen *Red Deer, Alberta*	Vice President, Marketing	1993

For additional information on the directors and officers see "Management of the Trust –Directors and Officers".

Executive Compensation

Summary Compensation Table

The following table provides a summary of compensation earned for each of the last three fiscal years by the Chief Executive Officer, Chief Financial Officer and the three other most highly compensated executive officers of HAES (collectively the "**Named Executive Officers**").

	Annual Compensation				Long-Term Compensation			
					Awards		Payouts	
Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation	Securities Under Options/ SARs Granted	Shares Subject to Resale Restrictions	LTIP Payouts	All Other Compensation
		($)	($)	($)	(#)	($)	($)	($)
Jed Wood	2004	300,000	[2]	[1]	-	-	-	-
President and Chief	2003	240,000	[2]	[1]	-	-	-	-
Executive Officer	2002	120,000	[2]	[1]	-	-	-	-
Ken Hemmerich	2004	191,880	-	[1]	-	-	-	-
Vice President,	2003	156,000	-	[1]	-	-	-	-
International Operations	2002	139,200	-	[1]	-	-	-	-
Shaun Peesker[3]	2004	110,000	-	[1]	-	-	-	-
Chief Financial Officer								
Bruce Thiessen	2004	250,000	78,273	[1]	-	-	-	-
Vice President,	2003	250,000	35,542	[1]	-	-	-	-
Marketing	2002	250,000	38,764	[1]	-	-	-	-

Notes:

(1) Perquisites and other personal benefits, securities or property do not exceed the lesser of $50,000 or 10% of the total of the annual salary and bonus for the Named Executive Officers.

(2) Mr. Wood received bonuses as an owner-manager of HAES. These bonuses are sometimes recorded by CCPCs in Canada once fiscal results for the CCPC are known in order to reduce their taxable income to the maximum allowable level for Canadian small businesses. CCPCs in Canada have a preferential rate of corporate income tax to the extent their taxable income level is below $250,000 in 2004; $225,000 in 2003 and $200,000 in 2002. Above these amounts, taxable income is taxed at a higher rate. Mr.

Wood received bonuses of $350,000 and $488,000, respectively, in each of the fiscal years ended May 31, 2003 and 2004 and an RCA loan of $5,005,000 in the fiscal year ended May 31, 2004.

(3) Mr. Peesker's employment with High Arctic commenced January 2004.

HAES does not have an equity compensation plan.

Directors Compensation

Mr. Jed Wood, the sole director, is not paid any compensation in his capacity as a director of HAES.

Employment Agreements

HAES has not entered into employment agreements with any of the Named Executive Officers which provide for the payment of amounts in excess of $100,000 in the event of the resignation, retirement or termination of the officer or upon a change of control of High Arctic.

Share Capital of HAES

Upon completion of the Reorganization, the authorized capital of HAES will consist of an unlimited number of common shares and an unlimited number of exchangeable shares, issuable in series.

The following is a general description of the material rights, privileges, restrictions and conditions attaching to each class of shares.

Common Shares

Each common share entitles its holder to receive notice of and to attend all meetings of the shareholders of HAES and to one vote at such meetings. The holders of common shares are, at the discretion of the board of directors of HAES and subject to applicable legal restrictions, and subject to certain preferences of holders of exchangeable shares, entitled to receive any dividends declared by the board of directors on the common shares to the exclusion of the holders of exchangeable shares, subject to the proviso that no dividends shall be paid on the common shares unless all declared dividends on the outstanding exchangeable shares have been paid in full. The holders of common shares are entitled to share equally in any distribution of the assets of HAES upon the liquidation, dissolution, bankruptcy or winding-up of HAES or other distribution of its assets among its shareholders for the purpose of winding-up its affairs. Such participation is subject to the rights, privileges, restrictions and conditions attaching to the exchangeable shares and any other shares having priority over the common shares. Holding Trust will own all of the issued and outstanding common shares.

Exchangeable Shares

The holders of exchangeable shares of each series will have the right to receive Trust Units at any time (subject to the agreement referred to below) in exchange for their exchangeable shares, on the basis of the exchange ratio in effect at the time of the exchange and voting attributes (through the benefit of the Special Voting Right granted to the trustee pursuant to the Voting and Exchange Trust Agreement) equivalent to those of the Trust Units into which they are exchangeable from time to time. Fractional Trust Units will not be delivered on any exchange of exchangeable shares. In the event that the exchange ratio in effect at the time of an exchange would otherwise entitle a holder of exchangeable shares to a fractional Trust Unit, the number of Trust Units to be delivered will be rounded down to the nearest whole number of Trust Units. The exchangeable shares of each series will rank rateably with shares of any other series of exchangeable shares and prior to any common shares and any other shares ranking junior to the exchangeable shares with respect to the payment of dividends, if any, that have been declared and the distribution of assets in the event of the liquidation, dissolution or winding-up of HAES.

Two series of exchangeable shares of HAES, each in unlimited number, will initially be authorized, designated as the Series A Exchangeable Shares and the Series B Exchangeable Shares. It is expected that 11,460,571 Series A Exchangeable Shares and 4,152,381 Series B Exchangeable Shares will initially be outstanding.

The holders of the Series A and Series B Exchangeable Shares (other than the Trust or ExchangeCos) will be entitled, as long as Mr. Wood or the Wood Family Trust hold greater than 5,000,000 Exchangeable Shares, to receive notice of and to attend all meetings of the shareholders of HAES and to a number of votes equal to 50.1% of all votes attached to all shares which have a right to vote at such meeting. Otherwise, except as required by applicable law, the holders of the Series A and Series B Exchangeable Shares will not be entitled as such to receive notice of or attend any meeting of the shareholders of HAES or to vote at any such meeting.

Pursuant to the rules of the TSX, Mr. Wood will enter into an agreement with HAES, the Trust and a trust company, pursuant to which Mr. Wood will agree not to tender any Exchangeable Shares to a takeover bid that is not also made to the Unitholders for purposes of ensuring that Unitholders from time to time will not be deprived of any rights under applicable takeover bid legislation to which they would have been entitled in the event of a takeover bid if the Exchangeable Shares and the Trust Units were a single class of security.

Series A Exchangeable Shares

It is intended, subject to HAES having sufficient funds available for such purpose, that holders of Series A Exchangeable Shares receive a monthly cash amount equal to the distributions paid per Trust Unit in respect of the month, net of HAES' estimate of taxes payable in respect of income of HAES during such month. Series A Exchangeable Shares will initially, subject to certain anti-dilution adjustments, be exchangeable for Trust Units on a one for one basis.

Series B Exchangeable Shares

Monthly dividends will not be paid on the Series B Exchangeable Shares, and in lieu thereof, these shares will be entitled to an adjustment to the Conversion Ratio for the exchange of such Series B Exchangeable Shares for Series A Exchangeable Shares, which in turn will be exchangeable for Trust Units, based upon the monthly cash distributions paid on the LP Class B Units and the market value of the Trust Units. Series B Exchangeable Shares will initially, subject to certain anti-dilution adjustments, be indirectly exchangeable for Trust Units on a one for one basis with the Conversion Ratio in respect of the Series B Exchangeable Shares adjusting to account for distributions paid to Unitholders. Series B Exchangeable Shares will be convertible into Series A Exchangeable Shares at a conversion ratio in proportion to the number of Trust Units which the shares of each series are exchangeable for at the time of the conversion.

The holders of the Series A Exchangeable Shares and the Series B Exchangeable Shares will agree not to exchange Series A Exchangeable Shares for Trust Units prior to the subordination provisions of the LP Class B Units ceasing to apply. However, if a takeover bid is made for the Trust Units and not less than 50% of the Trust Units (other than Trust Units held at the date of the takeover bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for pursuant to the takeover bid, the Exchangeable Shares shall be immediately exchangeable into Trust Units.

Unanimous Shareholders Agreement

Pursuant to the terms of the Unanimous Shareholders Agreement, the holders of the Series A and Series B Exchangeable Shares (other than the Trust or ExchangeCos) will be entitled, as long as Mr. Wood or the Wood Family Trust hold greater than 5,000,000 Exchangeable Shares, to receive notice of and to attend all meetings of the shareholders of HAES and to a number of votes equal to 50.1% of all votes attached to all shares which have a right to vote at such meeting. Otherwise, except as required by applicable law, the holders of the Series A and Series B Exchangeable Shares will not be entitled as such to receive notice of or attend any meeting of the shareholders of HAES or to vote at any such meeting. The board of directors of HAES will have authority to manage its business and affairs, subject to applicable law and to the terms of the Unanimous Shareholders Agreement. The Unanimous Shareholders Agreement will provide that HAES' activities will be restricted to holding LP Units and distributing distributions received in respect thereof.

PRINCIPAL UNITHOLDER

To the best of the knowledge of the directors and officers of HAES and the Trust, no Person has or will beneficially own, directly or indirectly, or exercise control or direction over 10% or more of the Trust Units as at the date hereof and after giving effect to the Reorganization and this offering other than as set forth below:

Holder	Designation of Class	Type of Ownership	Number of Trust Units	% of Class	Number of Trust Units After Giving Effect to this Offering and the Reorganization(3)	% of Class After Giving Effect to this Offering and the Reorganization(3)
Jed Wood	Trust Units(1)(2)	Beneficial	-	-	14,520,906(4)(5)	59.0%

Notes:

(1) Mr. Wood currently holds, directly and indirectly, shares of HAES which will be exchanged for Exchangeable Shares pursuant to the Reorganization.

(2) Mr. Wood will hold, directly and indirectly, 14,520,906 Exchangeable Shares exchangeable, directly or indirectly, for Trust Units upon completion of the Reorganization.

(3) Assuming Mr. Wood does not acquire additional Trust Units pursuant to this offering and before giving effect to the Over-Allotment Option.

(4) Includes 9,316,465 Exchangeable Shares to be held indirectly by the Wood Family Trust.

(5) Mr. Wood may, in certain circumstances, acquire up to an additional 1,092,046 Exchangeable Shares and 996,572 Trust Units from certain officers and employees of High Arctic pursuant to the terms of an agreement between Mr. Wood and such employees and the terms of the grant of such Trust Units and Exchangeable Shares, as the case may be. See "Management of the Trust – Restricted Share Grant".

Upon closing, Mr. Jed Wood, President and Chief Executive Officer of HAES and High Arctic LP, will, directly and indirectly, hold 14,520,906 Exchangeable Shares, which will initially represent approximately 59.0% of the Trust Units on a fully-diluted basis. Mr. Wood is not disposing of any of his interests in HAES through this offering or receiving any of the proceeds from this offering, other than the repayment of outstanding shareholder loans. Subject to the terms of subordination, each Exchangeable Share will be indirectly exchangeable for Trust Units, initially on the basis of one Trust Unit for each share and thereafter by reference to the Conversion Ratio and the Exchange Ratio. Through the Special Voting Right, Mr. Wood will be entitled to one vote at meetings of Unitholders for each Trust Unit issuable on exercise of the exchange right under the Exchangeable Shares. See "Use of Proceeds", "Additional Information Concerning High Arctic Energy Services Inc. – Exchangeable Shares" and "Risk Factors – Significant Securityholder".

PLAN OF DISTRIBUTION

Pursuant to an agreement dated July 11, 2005 (the "**Agency Agreement**") among HAES, the General Partner, the Trust and each of the Agents, the Agents have agreed to act as, and HAES has appointed the Agents as the sole and exclusive agents of HAES to offer the Trust Units for sale, on a best efforts basis, subject to the terms and conditions contained therein, at a price of $10.00 per Trust Unit. The price of the Trust Units was determined by negotiation among HAES, the General Partner, on behalf of the Trust, and Canaccord Capital Corporation, on behalf of the Agents. The Agents may form a sub-agency group including other qualified investment dealers and determine the fees payable to members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell the Trust Units offered hereby, the Agents will not be obligated to purchase any Trust Units which are not sold.

Pursuant to the Agency Agreement, closing of this offering is to occur on or about July 21, 2005, but in any event not later than August 31, 2005. The purchase price of $10.00 per Trust Unit is payable by the Agents to the Trust against delivery of the Trust Units offered hereunder. The Trust has agreed to pay the Agents a commission of 6.0% of the gross proceeds of this offering or $0.60 per Trust Unit. The obligations of the Agents under the Agency Agreement are several and not joint and may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events.

The Trust has granted to the Agents the Over-Allotment Option. The Agents will be paid a commission of $0.60 per Trust Unit in respect of Trust Units purchased pursuant to the Over-Allotment Option.

The Toronto Stock Exchange (the "**TSX**") has conditionally approved the listing of the Trust Units on the TSX. Listing is subject to the Trust fulfilling all of the listing requirements of the TSX on or before September 27, 2005.

Concurrent with the closing of this offering, 996,572 Trust Units will be issued on a private placement basis to certain employees of a subsidiary of the Trust at a price of $10.00 per Trust Unit for aggregate consideration of $9,965,720. No fee will be payable to the Agents in connection with the acquisition of the Trust Units by such employees and the Agents will have no liability to the Trust or the employees in respect of such Trust Units. Full entitlement to the Trust Units issued pursuant to the private placement will vest over a two year period. See "Management of the Trust – Restricted Share Grant".

Pursuant to policy statements of certain Canadian securities authorities, the Agents may not, throughout the period of distribution, bid for or purchase Trust Units. The foregoing restriction is subject to certain exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Trust Units. Such exceptions include a bid or purchase permitted under the by-laws and rules of the relevant self-regulatory authorities relating to market stabilization and passive market-making activities and a bid or purchase made for or on behalf of a customer where the order was not solicited during the period of distribution. In connection with this offering, and subject to the foregoing, the Agents may effect transactions which stabilize or maintain the market price for the Trust Units at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Trust has agreed that it will not, without the prior consent of the Agents pursuant to the Agency Agreement, which consent may not be unreasonably withheld, authorize, issue or sell any Trust Units or any securities giving the right to acquire Trust Units (other than the Trust Units and Exchangeable Shares to be issued pursuant to the Reorganization), or agree or announce any intention to do so, at any time prior to 180 days after the closing of this offering, other than options to acquire Trust Units pursuant to the Plan.

The Trust Units have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or any securities or "blue sky" laws of any of the states of the United States. Accordingly, the Trust Units may not be offered or sold within the United States or to U.S. persons unless an exemption from registration is available. The Agency Agreement permits the Agents to offer and resell the Trust Units that they have acquired pursuant to the Agency Agreement to certain institutional accredited investors in the United States in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. Moreover, the Agency Agreement provides that the Agents will offer and sell the Trust Units outside the United States only in accordance with Regulation S under the U.S. Securities Act.

In addition, until 40 days after the announcement of this offering, an offer or sale of the Trust Units within the United States by any dealer, whether or not participating in the offering, may violate the registration requirement of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the U.S. Securities Act.

RELATIONSHIP AMONG THE TRUST, THE GENERAL PARTNER AND A CERTAIN AGENT

A director of Canaccord Capital Corporation, Mr. John Zaozirny, is a member of the board of directors of the General Partner. Accordingly, the Trust may be considered a "connected issuer" of this Agent under applicable Canadian securities legislation.

The decision to distribute the Trust Units offered hereby and the determination of the terms of the offering were made through negotiations between the General Partner, on behalf of the Trust, and Canaccord Capital Corporation, on its own behalf and on behalf of the other Agents. Mr. Zaozirny did not have any personal involvement, in his capacity as a director of Canaccord Capital Corporation, in such negotiations, decision or determination, but has been advised of the issuance and terms thereof. In addition, Mr. Zaozirny has disclosed this conflict to the board of directors of the General Partner and excused himself from the board of directors deliberations and approval regarding the agency syndicate and related matters. As a consequence of the offering, Canaccord Capital Corporation will receive its share of the agency fee payable by the Trust to the Agents.

CAPITALIZATION OF THE TRUST

The following table sets forth the consolidated capitalization of the Trust as at July 11, 2005 both before and after giving effect to the Reorganization and this offering:

	Authorized	**Outstanding as at July 11, 2005 before giving effect to the Reorganization and this offering**(6)	**Outstanding as at July 11, 2005 after giving effect to the Reorganization and this Offering**(5)(6)(7)
Long-term debt(1)		$31,236,426	Nil
Trust Units(2)	unlimited	$10 (1 unit)	$83,965,720 (8,996,572 units)
Series A Exchangeable Shares(3)	unlimited	Nil	$36,665,421 (11,460,571 shares)
Series B Exchangeable Shares(3)	unlimited	Nil	$13,284,574 (4,152,381 shares)
Special Voting Rights(4)	unlimited	Nil	1 (15,612,952 votes)

Notes:

(1) High Arctic has financing commitments with two Canadian banks for demand operating and demand non-revolving loans for an aggregate of approximately $18.7 million. The amounts available under the two facilities are subject to borrowing base tests. The facilities bear interest at various fixed and floating rates ranging from fixed at 6.875% to prime plus 0.75% and are secured by general security agreements. Mr. Jed Wood has guaranteed all of the indebtedness of High Arctic to the banks. The facilities are both subject to an annual review. In addition, High Arctic has two private demand loans for an aggregate of approximately $5.0 million at fixed rates ranging from 8% to 12%.

(2) In addition, approximately 2,461,000 Trust Units will be reserved for issuance under the Trust's trust unit option plan following completion of this offering.

(3) See "Additional Information Concerning High Arctic Energy Services Inc. – Share Capital of HAES" for a description of the Exchangeable Shares.

(4) See "Additional Information Concerning High Arctic Energy Services Trust – Special Voting Rights" for a description of the Special Voting Rights.

(5) Based on the issuance of 8,000,000 Trust Units pursuant to this offering for aggregate gross proceeds of $80,000,000 less the Agents' commission of $4,800,000 and expenses of the issue estimated to be $1,200,000, and the issuance of 996,572 Trust Units for aggregate gross proceeds of $9,965,720 pursuant to a concurrent private placement to two employees of High Arctic.

(6) Based on the issuance of 15,612,952 Exchangeable Shares to the shareholders and employees of HAES.

(7) Does not include exercise of the Over-Allotment Option.

DETAILS OF THE OFFERING

This offering consists of 8,000,000 Trust Units at a price of $10.00 per Trust Unit. The Trust has also granted to the Agents the Over-Allotment Option. A description of the material attributes and characteristics of the Trust Units is included under the heading "Additional Information Concerning High Arctic Energy Services Trust – Trust Units".

PRIOR SALES

The only issuance of securities by the Trust since its formation was the issuance of one Trust Unit to Alyson Goldman, as settlor of the Trust, which was issued at a price of $10.00 on June 10, 2005. Such Trust Unit will be redeemed by the Trust upon closing of this offering.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Stikeman Elliott LLP and Macleod Dixon LLP (collectively, "**Counsel**"), the following summary describes the principal Canadian federal income tax considerations generally applicable under the Tax Act to a subscriber who acquires Trust Units pursuant to the offering and who, for purposes of the Tax Act and at all relevant times, holds the Trust Units as capital property and deals at arm's length with, and is not affiliated with, the Trust and the Agents. Generally, Trust Units will be considered to be capital property to a holder provided the holder does not hold the Trust Units in the course of carrying on a business of buying or selling securities and does not acquire them in one or more transactions considered to be an adventure in the nature of trade. Certain holders who might not otherwise be considered to hold their Trust Units as capital property may, in certain circumstances, be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have them, and any other "Canadian securities" (as defined in the Tax Act), be deemed to be capital property. Holders contemplating making such an election should first consult their own tax advisors.

This summary is not applicable to a Unitholder (i) that is a "specified financial institution" as defined in the Tax Act, (ii) that is a "financial institution" as defined in the Tax Act for purposes of the "mark-to-market rules", or (iii) an interest in which would be a "tax shelter investment" under the Tax Act.

This summary is based upon the provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act publicly announced by the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**"), and Counsel's understanding of the current published administrative practices of the Canada Revenue Agency. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account or anticipate any changes in law or administrative practice, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations which may differ significantly from the Canadian federal income tax considerations discussed herein. No assurance can be given that the Proposed Amendments will be enacted as currently proposed or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Trust Units. Prospective investors should consult their own tax advisors with respect to the income tax consequences of investing in Trust Units, based upon the investor's particular circumstances.

Status of the Trust

This summary is premised on the assumption that the Trust will qualify at all times as a "mutual fund trust" within the meaning of the Tax Act. In order to so qualify, there must be at least 150 Unitholders, each of whom owns not less than one "block" of Trust Units having a fair market value of not less than $500. A "block" of Trust Units means 100 Trust Units if the fair market value of one Trust Unit is less than $25. In order to qualify as a mutual fund trust either (a) the Trust cannot at any time reasonably be considered to have been established or to be maintained primarily for the benefit of non-resident persons, or (b) the fair market value of property of the Trust that is "taxable Canadian property" (as defined in the Tax Act) cannot at any time exceed 10% of the fair market value of all of the Trust's property. In a published so-called "comfort letter" dated November 26, 2004 the Tax Legislation Division of the Tax Policy Branch of the Department of Finance stated that they were prepared to recommend to the Minister of Finance that the Tax Act be amended, effective January 1, 2004, so that the requirement in (b) that not more than 10% of a trust's property be "taxable Canadian property" would not have to be satisfied at all times during the trust's existence, but only at the time (if any) after January 1, 2004 that a trust was considered to have been established or to be maintained primarily for the benefit of non-residents. There can be no assurance that such recommendation would be accepted by the Minister of Finance or by Parliament. In addition, the undertaking of the Trust must be restricted to the investing of its funds in property (other than real property or an interest in real property). HAES has advised counsel that it intends to ensure that the Trust will meet these requirements at all times. HAES has also advised counsel that the Trust intends to make an election so that it will qualify under the Tax Act as a mutual fund trust from the commencement of its first taxation year. In the event the Trust were not to qualify at all times as a "mutual fund trust", the income tax consequences described below would in some respects be materially different.

Taxation of the Trust

The Trust is subject to tax in each taxation year on its taxable income for the year, including net realized taxable capital gains, less the portion thereof that is paid or becomes payable in the year to Unitholders and that is deducted by the Trust in computing its income for purposes of the Tax Act. An amount will be considered to become payable in a taxation year to a Unitholder if the Unitholder is entitled in the year to enforce payment of the amount. The taxation year of the Trust is the calendar year.

All or substantially all of the income of the Trust will consist of the income of Holding Trust (including net realized taxable capital gains) that is paid or becomes payable in the year by Holding Trust to the Trust and that is deducted by Holding Trust in computing its income for purposes of the Tax Act, and interest on the Holding Trust Notes.

In computing its income, the Trust may deduct reasonable administrative, interest and other expenses incurred to earn income (provided such amounts are not reimbursed to it).

Under the Declaration of Trust, an amount equal to all of the income of the Trust for each year, including net realized capital gains, but excluding income which is designated by the Trust to a redeeming Unitholder and capital gains the tax on which may be offset by capital losses carried forward from prior years or is recoverable by the Trust, generally will be payable in the year to Unitholders by way of cash distributions, subject to the following exceptions. Income of the Trust which is applied to finance cash redemptions of Trust Units or is otherwise unavailable for cash distributions will be distributed to Unitholders in the form of additional Trust Units.

Capital gains of the Trust realized in connection with an *in specie* redemption of Trust Units and certain income of the Trust may be designated to the redeeming Unitholder, with the result that the taxable portion of such gains and such income generally should be taxable to the redeeming Unitholder and not to the Trust.

Counsel has been advised that the Trust intends to make sufficient distributions in each year (in cash or by way of additional Trust Units) of its income for tax purposes and any net realized taxable capital gains so that the Trust generally will not be liable for income tax under the Tax Act. The Trust generally is expected to designate to the Unitholders any taxable dividends or net taxable capital gains received or realized by it or designated to it by Holding Trust so that such amounts retain their character as such when received by Unitholders.

Taxation of Holding Trust

Holding Trust is subject to tax in each taxation year on its taxable income for the year, including net realized taxable capital gains, less the portion thereof that is paid or becomes payable in the year to the Trust and that is deducted by Holding Trust in computing its income for purposes of the Tax Act. The taxation year of Holding Trust is the calendar year.

All or substantially all of the income of Holding Trust initially will consist of its allocated share of the income of High Arctic LP. Holding Trust, as a partner of High Arctic LP, will be required to include in its income the taxable portion of any capital gain on the disposition of its interest in High Arctic LP. In general, a partner's adjusted cost base in a partnership at a particular time is equal to its initial cost of the partnership interest, plus income allocated to it for fiscal periods ending before that time, minus deductible losses allocated to it for fiscal periods ending before that time and minus amounts received by it as distributions of partnership income or capital. To the extent that the adjusted cost base to Holding Trust in High Arctic LP is less than zero at the end of a fiscal period of High Arctic LP, the negative amount will be deemed to be a capital gain of Holding Trust from the disposition of the partnership interest in the year in which the negative amount arises and the adjusted cost base to Holding Trust of the partnership will be nil immediately thereafter.

In computing its income for tax purposes, Holding Trust may deduct reasonable administrative, interest and other expenses incurred to earn income (provided such amounts are not reimbursed to it).

Under the Holding Trust Declaration of Trust, an amount equal to all of the income of Holding Trust, including net realized capital gains, generally will be payable to the Trust and, therefore, deductible in computing Holding Trust's income for tax purposes. Accordingly, Holding Trust generally will not be liable for income tax under the Tax Act. Holding Trust generally is expected to designate to the Trust its share of any taxable dividends and net taxable capital gains realized by High Arctic LP, as well as any taxable dividends and net taxable capital gains directly received or realized by Holding Trust, so that such amounts retain their character as such when received by the Trust.

Taxation of High Arctic LP

High Arctic LP is not subject to tax under the Tax Act. Each partner of High Arctic LP (including Holding Trust) is required to include in computing the partner's income the partner's share of the income or loss of High Arctic LP for its fiscal year ending in or coincidentally with the partner's taxation year, whether or not any such income is distributed to the partner in the taxation year. For this purpose, the income or loss of High Arctic LP will be computed for each fiscal year as if it were a separate person resident in Canada. In computing such income or loss, deductions may be claimed for reasonable amounts in respect of administrative and other expenses incurred for the purpose of earning income from business or property. The income or loss of High Arctic LP for a fiscal year will be allocated to each partner on the basis of the partner's share of such income or loss subject to the detailed rules in the Tax Act in that regard, including, in the case of allocation of losses to limited partners, the at-risk rules, and in accordance with the Partnership Agreement.

Taxation of Canadian Resident Unitholders

This portion of the summary applies to a Unitholder who, for the purposes of the Tax Act and at all relevant times, is resident in Canada or is deemed to be resident in Canada.

Trust Distributions

A Unitholder generally will be required to include in computing income for a particular taxation year of the Unitholder such portion of the net income of the Trust for a taxation year, including net realized taxable capital gains, as is paid or becomes payable to the Unitholder in that particular taxation year, whether received in cash, additional Trust Units or otherwise. Provided that appropriate designations are made by the Trust and Holding Trust, such portion of any taxable dividends received from taxable Canadian corporations and net taxable capital gains as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. All other income of the Trust that is paid or becomes payable to a Unitholder generally will be considered income from property, irrespective of its source. Any loss of the Trust or Holding Trust for the purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, a Unitholder.

To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the normal gross-up and dividend tax credit provisions will be applicable in respect of Unitholders who are individuals, the refundable tax under Part IV of the Tax Act will be payable by Unitholders that are private corporations and certain other corporations, and the deduction in computing taxable income will generally be available to Unitholders that are corporations.

A holder of Trust Units that throughout the relevant taxation year is a "Canadian controlled private corporation", as defined in the Tax Act, may be liable to pay an additional refundable tax of $6^2/_3$% on certain investment income, including such portion of the income of the Trust and net taxable capital gains of the Trust that is paid or become payable to the Unitholder.

The non-taxable portion of any net realized capital gains of the Trust that is paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder's income for the year and will not reduce the adjusted cost base ("**ACB**") of the Trust Units held by the Unitholder. Any other amount in excess of the income of the Trust that is paid or payable to a Unitholder in a taxation year (otherwise than as proceeds of disposition on a redemption of Trust Units) generally will not be included in the Unitholder's income for the year but will reduce the ACB of the Trust Units held by the Unitholder. To the extent that the ACB of a Trust Unit to a Unitholder would otherwise be a negative amount, that negative amount will be deemed to be a capital gain of the Unitholder from the disposition of the Trust Unit in the year in which the negative amount arises, and the ACB of the Trust Unit to the Unitholder will be reset to nil.

The cost to a Unitholder of a Trust Unit will include all amounts paid or payable by the Unitholder for the Trust Unit with certain adjustments. The cost to a Unitholder of additional Trust Units received in lieu of a cash distribution of income (including net capital gains) will be the amount of such income paid in additional Trust Units. The cost to a Unitholder of all Trust Units held as capital property will be averaged to determine the ACB of each such Trust Unit.

Acquisition of Trust Units

The ACB of a Trust Unit acquired by a Unitholder pursuant to the offering will include all amounts paid or payable by the Unitholder for the Trust Unit with certain adjustments. The cost of such Trust Units will generally be averaged with the adjusted cost base of all other Trust Units held by the Unitholder as capital property in order to determine the adjusted cost base of each Trust Unit held by the Unitholder.

Disposition of Trust Units

The disposition or deemed disposition by a Unitholder of a Trust Unit, whether on redemption or otherwise, generally will result in the Unitholder realizing a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition exceed (or are less than) the aggregate of the Unitholder's ACB of the Trust Unit and any reasonable costs of disposition. Proceeds of disposition will not include an amount payable by the Trust that is otherwise required to be included in the Unitholder's income. The treatment of capital gains and losses is described below under "Taxation of Unitholders – Taxation of Capital Gains and Capital Losses".

Where a Unitholder receives Holding Trust Notes on a redemption of Trust Units, the proceeds of disposition to the Unitholder of the Trust Units will be equal to the fair market value ("**FMV**") of the Holding Trust Notes so distributed less any amount designated by the Trust to be a distribution of income or capital gains from the Trust. The Declaration of Trust provides that the Trustee has the discretion to designate certain income and any capital gain realized by the Trust as a result of the redemption of Trust Units to the Unitholder redeeming Trust Units, as is reasonable in the circumstances. The Unitholder will be required to include in income any such income so designated.

The cost of any Holding Trust Notes distributed by the Trust to a Unitholder upon a redemption of Trust Units will be equal to the FMV of the Holding Trust Notes at the time of the distribution less any accrued interest thereon. For this purpose, the Unitholder will be required to determine the FMV of the Holding Trust Notes on a reasonable basis. Such a Unitholder will be required to include in income interest on the Holding Trust Notes (including interest that had accrued to the date of the acquisition of the Holding Trust Notes by a Unitholder) in accordance with the provisions of the Tax Act. To the extent that a Unitholder is required to include in income any interest that has accrued to the date of the acquisition of the Holding Trust Notes, an offsetting deduction will be available. A Unitholder will thereafter be required to include in income, in accordance with the provisions of the Tax Act, interest received, receivable or accruing on such Holding Trust Notes.

Taxation of Capital Gains and Capital Losses

Under the Tax Act, one-half of any capital gain realized by a Unitholder, and the amount of any net taxable capital gains designated by the Trust in respect of a Unitholder, will be included in such holder's income as a taxable capital gain. Subject to certain specific rules in the Tax Act, one-half of any capital loss (an "allowable capital loss") realized by a Unitholder must be deducted from taxable capital gains realized by, or designated to, the Unitholder in the year of disposition, and allowable capital losses in excess of taxable capital gains in the year of disposition may be deducted against taxable capital gains realized in any of the three preceding taxation years or any subsequent taxation year.

A Unitholder that throughout the relevant taxation year is a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay an additional refundable tax of $6^2/_3$% on certain investment income, including taxable capital gains.

A capital loss realized on the disposition of a Trust Unit by a Unitholder that is a corporation or trust (other than a mutual fund trust), whether directly or as a member of a partnership, may be reduced in respect of certain distributions to the Unitholder out of dividends received by the Trust directly or through Holding Trust and designated by the Trust in respect of the Unitholder, to the extent and under the circumstances described in the Tax Act.

Minimum Tax

Net income of the Trust that is paid or payable to a Unitholder that is designated as taxable dividends or as net taxable capital gains, and capital gains realized on the disposition of Trust Units may increase the Unitholder's liability for minimum tax if the Unitholder is an individual.

Qualified Investment Status

Trust Units will be qualified investments for Exempt Plans (subject to the specific provisions of any particular Exempt Plan) provided that the Trust qualifies as a mutual fund trust for purposes of the Tax Act.

Holding Trust Notes received as a result of an *in specie* redemption of Trust Units by the Trust will not be, and other assets of the Trust that may be distributed on an in specie redemption of Trust Units may not be, qualified investments for an Exempt Plan, which could give rise to adverse consequences to the Exempt Plan or the annuitant thereunder. Accordingly, Exempt Plans that own Trust Units should consult their own tax advisors before deciding to exercise the redemption right attached to the Trust Units.

Registered Pension Plans

Under certain Proposed Amendments announced by the Minister of Finance (Canada) in the 2004 federal Budget, certain investors, including registered pension funds or plans and pension corporations, but not Exempt Plans, were to be liable to a penalty tax commencing in 2005 in respect of their holdings of "restricted investment property" and units of "business income trusts" in excess of the limits described in those Proposed Amendments. On May 18, 2004, the Minister of Finance (Canada) announced that those Proposed Amendments will be suspended pending further consultation and review.

Foreign Property

Based in part on representations of the Trust, Holding Trust and High Arctic as to certain factual matters, the Trust Units will not, on closing of this offering, constitute foreign property for purposes of the Tax Act. On February 23, 2005, the Minister proposed that the limit in respect of foreign property that may be held by Exempt Plans (other than registered education savings plans, which are not subject to the foreign property limit), registered pension plans and other deferred plans be eliminated for 2005 and subsequent years.

Taxation of Non-Resident Unitholders

This portion of the summary applies to a Unitholder who, for the purposes of the Tax Act and at all relevant times, is not resident in Canada and is not deemed to be resident in Canada, does not use or hold, and is not deemed to use or holder, Units in, or in the course of, carrying on a business in Canada, and is not an issuer who carries on an insurance business in Canada and elsewhere (a "**Non-Resident**").

Where the Trust pays or credits, or is deemed to pay or credit, an amount to a Non-Resident Unitholder out of the income of the Trust, the Non-Resident Unitholder will be subject to Canadian withholding tax on such amount at the rate of 25%, unless such rate is reduced under the provisions of an applicable tax treaty. The rate of withholding is reduced to 15% for distributions to Non-Resident Unitholders who are residents of the United States for purposes of the Canada-United States Tax Convention.

Distributions to a Non-Resident Unitholder that are considered to have been made out of taxable capital gains from dispositions of “taxable Canadian property” (as defined in the Tax Act) also will be subject to Canadian withholding tax at the rate of 25%, unless such rate is reduced under the provisions of an applicable tax treaty. The rate of withholding is reduced to 15% for distributions to Non-Resident Unitholders who are residents of the United States for purposes of the Canada-United States Tax Convention.

Any other distributions by the Trust to Non-Resident Unitholders generally will not be subject to Canadian tax but will reduce the adjusted cost base of the Non-Resident Unitholder’s Units, unless more than 50% of the value of the Units is attributable to real property situated in Canada or Canadian resource property in which case such distributions will be subject to a 15% withholding tax. Counsel have been advised that not more than 50% of the value of the Units will be attributable to real property situated in Canada or Canadian resource property.

A disposition (whether on redemption, by virtue of capital distributions in excess of adjusted cost base or otherwise) of a Non-Resident Unitholder’s Units will not give rise to any capital gain that is subject to tax under the Tax Act unless the Units disposed of constitute “taxable Canadian property” of the Non-Resident Unitholder and the Non-Resident Unitholder is not entitled to relief under an applicable income tax convention. Units of a Non-Resident Unitholder generally will not constitute “taxable Canadian property” under the Tax Act unless (i) at any time during the 60-month period immediately preceding the disposition of Units by such Non-Resident Unitholder, not less than 25% of the issued Units were owned by the Non-Resident Unitholder, by persons with whom the Non-Resident Unitholder did not deal at arm’s length or by any combination thereof; (ii) the Non-Resident Unitholder’s Units are otherwise deemed to be taxable Canadian property; or (iii) the Trust does not qualify as a mutual fund trust at the time the Units are disposed of.

Interest paid or credited on Holding Trust Notes to a Non-Resident Unitholder who receives such notes on a redemption of Units will be subject to Canadian withholding tax at the rate of 25%, unless such rate is reduced under the provisions of an applicable tax treaty. The rate of withholding generally is reduced to 10% for interest paid to a Non-Resident Unitholder who is a resident of the United States for purposes of the Canada-United States Tax Convention.

If the Trust ceases to qualify as a mutual fund trust, it will be required to pay a tax under Part XII.2 of the Tax Act. The payment of Part XII.2 tax by the Trust may have adverse income tax consequences for Non-Resident Unitholders.

RISK FACTORS

An investment in the securities offered hereby should be considered speculative due to the nature of High Arctic's business. A prospective investor should consider carefully the risk factors set out below. In addition, prospective investors should carefully review and consider all other information contained in this prospectus before making an investment decision and consult their own experts where necessary. An investment in Trust Units should only be made by Persons who can afford a significant or total loss of their investment.

Risks Relating to the Business

Volatility of Industry Conditions

The demand, pricing and terms for oilfield services largely depend upon the level of industry activity for oil and natural gas exploration and development. Industry conditions are influenced by numerous factors over which High Arctic has no control, including: the level of oil and gas prices; expectations about future oil and gas prices; the cost of exploring for, producing and delivering oil and gas; the expected rates of declining current production; the discovery rates of new oil and gas reserves; available pipeline and other oil and gas transportation capacity; worldwide weather conditions; global political, military, regulatory and economic conditions; and the ability of oil and gas companies to raise equity capital or debt financing.

The level of activity in the oil and gas exploration and production industry is volatile. No assurance can be given that expected trends in oil and gas production activities will continue or that demand for oilfield services will reflect the level of activity in the industry. Any prolonged substantial reduction in oil and natural gas prices would likely affect oil and gas production levels and therefore affect the demand for services to oil and gas customers. A material decline in oil or gas prices or industry activity in any of the areas in which High Arctic operates could have a material adverse effect on High Arctic's business, financial condition, results of operations and cash flows and therefore on the distributable income to be distributed to Unitholders.

Seasonality

In Canada, the level of activity in the oilfield services industry is influenced by seasonal weather patterns. Spring break-up during the second quarter leaves many secondary roads temporarily incapable of supporting the weight of heavy equipment, which results in severe restrictions in the level of oilfield services. The duration of this period will have a direct impact on the level of High Arctic's activities. Spring breakup occurs earlier in the year in southeastern Alberta than it does in northern Alberta and British Columbia. The timing and duration of spring breakup is dependant on weather patterns but it generally occurs in April and May. Additionally, if an unseasonably warm winter prevents sufficient freezing, High Arctic may not be able to access well sites and its operating results and financial condition may therefore be adversely affected. The demand for oilfield services may also be affected by the severity of the Canadian winters. In addition, during excessively rainy periods, equipment moves may be delayed, thereby adversely affecting revenues. The volatility in the weather and temperature can therefore create unpredictability in activity and utilization rates, which can have a material adverse effect on High Arctic's business, financial condition, results of operations and cash flows and therefore on the distributable income to be distributed to Unitholders.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. High Arctic cannot predict the impact of changing demand for oil and gas products, and any major changes may have a material adverse effect on High Arctic's business, financial condition, results of operations and cash flows and therefore on the distributable income to be distributed to Unitholders.

Sources, Pricing and Availability of Equipment and Equipment Parts

High Arctic sources its equipment and equipment parts from a variety of suppliers, most of whom are located in Canada, the United States and Norway. Should any suppliers of High Arctic be unable to provide the necessary equipment or parts or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of services or in the time required to find new suppliers could have a material adverse effect on High Arctic's business, financial condition, results of operations and cash flows and therefore on the distributable income to be distributed to Unitholders.

Government Regulation

The operations of High Arctic are subject to a variety of federal, provincial and local laws of Canada and foreign laws, regulations, and guidelines, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment, the operation of equipment used in its operations and the transportation of materials and equipment it provides for its customers. High Arctic invests financial and managerial resources to ensure such compliance and will continue to do so in the future. Although such expenditures historically have not been material to High Arctic, such laws or regulations are subject to change. Accordingly, it is impossible for High Arctic to predict the cost or impact of such laws and regulations on its future operations.

Kyoto Protocol

Canada is a signatory to the United Nations Framework Convention on Climate Change and has ratified the Kyoto Protocol established thereunder to set legally binding targets to reduce nation-wide emissions of carbon dioxide, methane, nitrous oxide and other so-called "greenhouse gases". The Government of Canada has put forward a Climate Change Plan for Canada which suggests further legislation will set greenhouse gases emission reduction requirements for various industrial activities, including oil and gas exploration and production. Future federal legislation, together with provincial emission reduction requirements, such as those proposed in Alberta's Bill 32: *Climate Change and Emissions Management Act*, may require the reduction of emissions or emissions intensity from the Trust's operations and facilities. Mandatory emissions reductions may result in increased operating costs and capital expenditures for oil and gas producers, thereby decreasing the demand for High Arctic's services. The mandatory emissions reductions may also impair High Arctic's ability to provide its services economically. Management is unable to predict the impact of the Kyoto Protocol on High Arctic and it is possible that it will adversely affect High Arctic's business, financial condition, results of operations and cash flows and therefore on the distributable income to be distributed to Unitholders.

Operating Risks and Insurance

High Arctic's operations are subject to hazards inherent in the oil and gas industry, such as equipment defects, malfunction and failures, and natural disasters which result in fires, vehicle accidents, explosions and uncontrollable flows of natural gas or well fluids that can cause personal injury, loss of life, suspension of operations, damage to formations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment. These risks could expose High Arctic to substantial liability for personal injury, wrongful death, property damage, loss of oil and gas production, pollution, and other environmental damages. The frequency and severity of such incidents will affect operating costs, insurability and relationships with customers, employees and regulators.

High Arctic continuously monitors its activities for quality control and safety. However, there are no assurances that High Arctic's safety procedures will always prevent such damages. Although High Arctic maintains insurance coverage that it believes to be adequate and customary in the industry, there can be no assurance that such insurance will be adequate to cover High Arctic's liabilities. In addition, there can be no assurance that High Arctic will be able to maintain adequate insurance in the future at rates it considers reasonable and commercially justifiable. The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits maintained by High Arctic, or a claim at a time when it is not able to obtain liability insurance, could have a material adverse effect on High Arctic's ability to conduct normal business operations and on its financial condition, results of operations and cash flows and therefore on the distributable income to be distributed to Unitholders.

Proprietary Technology

The success and ability of High Arctic to compete depends in part on the proprietary technology of High Arctic and its subsidiaries, proprietary technology of third parties that has been, or is required to be, licensed by High Arctic and its subsidiaries and the ability of High Arctic and such third parties to prevent others from copying such proprietary technologies. High Arctic currently relies on intellectual property rights and other contractual or proprietary rights, including (without limitation) copyright, trademark laws, trade secrets, confidentiality procedures, contractual provisions, licenses and patents, to protect its proprietary technology; and on third parties from whom licenses have been received to protect their proprietary technology. High Arctic may have to engage in litigation in order to protect its patents or other intellectual property rights, or to determine the validity or scope of the proprietary rights of others. This kind of litigation can be time-consuming and expensive, regardless of whether or not High Arctic is successful. The process of seeking patent protection can itself be long and expensive, and there can be no assurance that any patent applications of High Arctic and its subsidiaries or such third parties will actually result in issued patents, or that, even if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to High Arctic. Furthermore, others may develop technologies that are similar or superior to the technology of the Trust or such third parties or design around the patents owned by High Arctic, its subsidiaries and/or such third parties.

Despite the efforts of High Arctic or such third parties, the intellectual property rights, particularly existing or future patents, of High Arctic or such third parties may be invalidated, circumvented, challenged, infringed or required to be licensed to others. It cannot be assured that any steps High Arctic or such third parties may take to protect its intellectual property rights and other rights to such proprietary technologies that are central to High Arctic's operations will prevent misappropriation or infringement or the termination of licenses from third parties.

Risk of Third Party Claims for Infringement

A third party may claim that High Arctic has infringed such third party's rights or may challenge the right of High Arctic in their intellectual property. In such event, High Arctic will undertake a review to determine what, if any, actions High Arctic should take with respect to such claim. Any claim, whether or not with merit, could be time consuming to evaluate, result in costly litigation, cause delays in the operations of High Arctic or require High Arctic to enter into licensing agreements that may require the payment of a license fee or royalties to the owner of the intellectual property. Such royalty or licensing agreements, if required, may not be available on terms acceptable to High Arctic.

Agreements and Contracts

The business operations of High Arctic will depend on verbal, performance based agreements with its customer base that are cancellable at any time by either High Arctic or its customers. The key factors which determine whether a client continues to use High Arctic are service quality and availability, reliability and performance of equipment used to perform its services, technical knowledge and experience, reputation for safety and competitive price. There can be no assurance that High Arctic's relationship with its customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, could have a material adverse effect on High Arctic's business, financial condition, results of operations and cash flows and therefore on the distributable income to be distributed to Unitholders.

Key Personnel

The successful operation of High Arctic's business depends upon the abilities, expertise, judgment, discretion, integrity and good faith of its executive officers, general managers, employees and consultants. In addition, the ability of High Arctic to expand its services will depend upon the ability to attract qualified personnel as needed. The demand for skilled oilfield employees is high, and the supply is limited. The unexpected loss of High Arctic's key personnel or the inability to retain or recruit skilled personnel could have a material adverse effect on the Trust's business, financial condition, results of operations and cash flows and therefore on the distributable income to be distributed to Unitholders.

Competition

High Arctic provides oilfield services primarily to the field operation locations of oil and gas exploration and production companies. The oilfield service business in which High Arctic operates is highly competitive. To be successful, High Arctic must provide services that meet the specific needs of its clients at competitive prices. The principal competitive factors in the markets in which High Arctic operates are service quality and availability, reliability and performance of equipment used to perform its services, technical knowledge and experience and reputation for safety and price. High Arctic competes with several regional and international competitors that are both smaller and larger than it is. These competitors offer similar services in all geographic regions in which High Arctic operates. As a result of competition, High Arctic may be unable to continue to provide its present services or to acquire additional business opportunities, which may affect High Arctic's business, financial condition, results of operations and cash flows and therefore on the distributable income to be distributed to Unitholders.

Reduced levels of activity in the oil and natural gas industry can intensify competition and result in lower revenue to High Arctic. Variations in the exploration and development budgets of oil and natural gas companies which are directly affected by fluctuations in energy prices, the cyclical nature and competitiveness of the oil and natural gas industry and governmental regulation, will have an effect upon High Arctic's ability to generate revenue and earnings.

Credit Risk

A substantial portion of High Arctic's accounts receivable are with customers involved in the oil and gas industry, whose revenues may be impacted by fluctuations in commodity prices. Collection of these receivables could be influenced by economic factors affecting the oil and gas industry.

Variations in Foreign Exchange Rates

High Arctic's expenditures for equipment manufactured in Dubai are denominated in Arab Emirates Dirham ("**AED**") dollars and certain other expenditures for equipment are denominated in United States dollars. These expenditures are therefore directly affected by the Canadian/AED dollar and Canadian/United States dollar exchange rates, which fluctuate over time. A material decrease in the value of the Canadian dollar may negatively impact High Arctic's net revenue.

Foreign Operations

High Arctic's international operations are subject to special risks inherent in doing business outside of Canada. These risks can involve matters arising out of the policies of foreign governments, imposition of special taxes or similar charges by government bodies, foreign exchange fluctuations and controls, civil disturbances and deprivation or unenforceability of contract rights or the taking of property without fair compensation. Foreign properties, operations and investments may be adversely affected by local political and economic developments, including nationalization, laws affecting foreign ownership, government participation, royalties, duties, rates of exchange, exchange controls, currency fluctuation, taxation and new laws or policies as well as by laws and policies of Canada affecting foreign trade, investment and taxation. Furthermore, it is important that High Arctic maintain good relationships with the governments in certain of the countries in which it operates. High Arctic may not be able to maintain such relationships if the governments of these countries change. Certain regions in which High Arctic may conduct operations have been subject to political and economic instability. High Arctic's operations are subject to government legislation, policies and controls relating to environmental protection, taxes and labour standards.

Since High Arctic derives a portion of its revenues from its subsidiaries outside Canada, the payment of dividends or the making of other cash payments or advances by these subsidiaries to High Arctic may be subject to restrictions or controls on the transfer of funds in or out of these countries or result in the imposition of taxes on such payments or advances. In addition, since High Arctic's foreign operations are governed by foreign laws, in the event of a dispute, High Arctic may be subject to the exclusive jurisdiction of foreign courts and the application of foreign laws, or may not be successful in subjecting foreign persons to the jurisdiction of Canadian courts.

Conflicts of Interest

Certain of the proposed directors and officers of High Arctic are also directors and officers of other oil and gas and oil and gas service companies, and conflicts of interest may arise between their duties as officers and directors of High Arctic and as officers and directors of such other companies. Such conflicts must be disclosed in accordance with, and are subject to such other procedures and remedies as apply under, the ABCA.

There may be situations in which the interests of the proposed directors and management of, and consultants to, High Arctic may conflict with those of the Trust and High Arctic. Furthermore, some such conflicts may result in the individual being in a direct conflict of interest position in relation to the Trust and High Arctic. Any conflicts will be resolved in accordance with the provisions of the ABCA and other applicable laws.

Increasing Number of Trust Units Issuable on the Exchange of Series B Exchangeable Shares

The number of Trust Units issuable upon the indirect exchange of the Series B Exchangeable Shares for Trust Units will increase on each Distribution Payment Date. Accordingly, the ability of the Trust to maintain its distributable cash flow per Trust Unit is dependent upon the Trust reinvesting the cash retained as a result of not paying distributions on the Series B Exchangeable Shares and, in order to compensate for the cash income taxes paid, if any, on such taxable income allocations, obtaining a rate of return on the reinvested cash in excess of the rate at which the number of Trust Units issuable indirectly under the Series B Exchangeable Shares increases pursuant to the Conversion Ratio and the Exchange Ratio.

Significant Securityholder

Upon the closing of this offering, Mr. Jed Wood will, directly or indirectly, own Exchangeable Shares initially exchangeable directly or indirectly for, and (through the benefit of the Special Voting Right) entitled to votes attributable to, approximately 59% of the issued and outstanding Trust Units (on a diluted basis). Consequently, Mr. Wood will be in a position to significantly influence the outcome of actions requiring Unitholder approval, including electing members of the board of directors of the General Partner; adopting amendments to the Declaration of Trust; and approving a merger or consolidation, liquidation or sale of all or substantially all of the Trust's assets.

Risks Relating to an Investment in the Trust

Investment Eligibility; Mutual Fund Trust Status

If the Trust ceases to qualify as a mutual fund trust, the Trust Units may cease to be qualified investments for Exempt Plans. Where at the end of any month an Exempt Plan holds Trust Units that are not qualified investments, the Exempt Plan must, in respect of that month, pay a tax under Part XI.1 of the Tax Act equal to 1% of the fair market value of the Trust Units at the time such Trust Units were acquired by the Exempt Plan. In addition, where a trust governed by a registered retirement savings plan or registered retirement income fund holds Trust Units that are not qualified investments, the trust will become taxable on its income attributable to the Trust Units while they are not qualified investments, including the full amount of any capital gain realized on a disposition of Trust Units while they are not qualified investments. Where a trust governed by a registered education savings plan holds Trust Units that are not qualified investments, the plan's registration may be revoked. In addition, if the Trust were to cease to qualify as a mutual fund trust:

- Trust Units may become foreign property for Exempt Plans and registered pension plans (subject to the repeal of the foreign property limits in accordance with the 2005 federal Budget announcement); and

- Trust Units held by Unitholders that are not residents of Canada would become taxable Canadian property. These non-resident holders would be subject to Canadian income tax on any gains realized on a disposition of Trust Units held by them unless exempt under an income tax convention, and to certain notification and withholding requirements on a disposition of their Trust Units.

Redemption of Trust Units

It is anticipated that the redemption right associated with Trust Units will not be the primary mechanism for holders of Trust Units to dispose of their Trust Units. Holding Trust Notes, which may be distributed in specie to Unitholders in connection with a redemption, will not be listed on any stock exchange and no market is expected to develop in such Holding Trust Notes. Holding Trust Notes will not be qualified investments for trusts governed by Exempt Plans.

Nature of Trust Units

The Trust Units do not represent a traditional investment in the oilfield services sector and should not be viewed by investors as shares in HAES or as a direct investment in HAES' business or assets. The Trust Units represent a fractional interest in the Trust. As holders of Trust Units, Unitholders do not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions.

The Trust's primary assets are the Holding Trust Units and the Holding Trust Notes. The price per Trust Unit is a function of the anticipated distributable income, the underlying assets of the Trust and High Arctic LP's ability to effect long-term growth in the value of the Trust. The market price of Trust Units will be sensitive to a variety of market conditions including, but not limited to, interest rates, commodity prices and the ability of the Trust to acquire additional assets. Changes in market conditions may adversely affect the trading price of Trust Units.

The Trust Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation. Furthermore, the Trust is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Unitholder Limited Liability

The Declaration of Trust provides that no Unitholder will be subject to any liability in connection with the Trust or its obligations or affairs and, in the event that a court determines that Unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of, the Unitholder's share of the Trust's assets.

The Declaration of Trust provides that the Trustee or the General Partner, as administrator, must make reasonable efforts to ensure that all written instruments signed by or on behalf of the Trust contain a provision to the effect that such obligation will not be binding upon Unitholders personally. Personal liability may also arise in respect of claims against the Trust that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The possibility of any personal liability of this nature arising is considered unlikely by the Trust.

The operations of the Trust will be conducted, upon the advice of counsel, in such a way and in such jurisdiction as to avoid as far as possible any material risk of liability on Unitholders for claims against the Trust.

Income Tax Matters

There can be no assurance that Canadian federal income tax laws and administrative policies respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects Unitholders. If the Trust ceases to qualify as a "mutual fund trust" under the Tax Act, the income tax considerations described herein under the heading "Canadian Federal Income Tax Considerations" would be materially and adversely different in certain respects.

Interest on the Holding Trust Notes accrues at the Trust level for Canadian federal income tax purposes, whether or not actually paid. The Declaration of Trust provides that a sufficient amount of the Trust's net income will be distributed each year to Unitholders in order to eliminate the Trust's liability for tax under Part I of the Tax Act. Where such amount of net income (including interest on the Holding Trust Notes) of the Trust in a taxation year exceeds the cash available for distribution in the year, such excess net income will be distributed to Unitholders in the form of additional Trust Units. Unitholders will generally be required to include an amount equal to the fair market value of those additional Trust Units in their taxable income, in circumstances when they do not directly receive a cash distribution.

In addition, elections may be made under the Tax Act to transfer the assets of the business of HAES to High Arctic LP on a fully or partially tax deferred basis. The adjusted cost base to High Arctic LP of the assets so transferred where such elections are made may be less than fair market value, such that High Arctic LP may realize additional income and/or gains on a future disposition of those assets.

The Department of Finance has indicated that it will continue to monitor and evaluate the development of the business income trust market as part of its ongoing monitoring and assessment of Canadian financial markets and the Canadian tax system. Any legislative changes in this area could result in the federal income tax considerations described under the heading "Canadian Federal Income Tax Considerations" being materially different in certain respects.

Unanticipated Tax and Other Expenses and Liabilities of HAES

All of HAES' cash flow is to be paid by HAES as bonuses or other employment income, income tax and dividends on the Series A Exchangeable Shares. HAES does not anticipate that it will be liable to pay taxes other than the foregoing income tax, and capital tax in respect of which it will be reimbursed by High Arctic LP as the capital tax will effectively relate to High Arctic LP's capital. HAES also does not anticipate that it will have other ongoing expenses or liabilities or past liabilities which have not been assumed or indemnified by High Arctic LP. However, in the event that HAES becomes liable to pay any additional income or other taxes or other expenses or liabilities, as HAES has no other effective source of funds the economic risk of such additional taxes or other expenses or liabilities will effectively be borne by the Unitholders, including the holders of Exchangeable Shares, on a fully diluted basis.

Restrictions on Non-Resident Ownership

The Declaration of Trust contains a number of provisions designed to protect the status of the Trust as a "mutual fund trust" under the Tax Act which, *inter alia*, requires that a mutual fund trust cannot be established or maintained primarily for the benefit of persons who are not resident in Canada for purposes of the Tax Act. If, in the future, HAES determines that a risk of losing its mutual fund trust status exists, it is entitled to take a number of actions under the Declaration of Trust, including to require Unitholders that it believes are Non-Residents to sell their Trust Units, which action may have an adverse effect on the market price of the Trust Units. In addition, there can be no assurances that the Tax Act will not be amended in the future in a manner that would have a material adverse impact on the mutual fund trust status of the Trust.

Dependence on Operating Entities

The Trust is an open-end unincorporated investment trust that is entirely dependent upon the operations and assets of High Arctic LP through the direct and indirect ownership of the Holding Trust Units, the Holding Trust Notes, the High Arctic LP Notes and LP Units, respectively. Accordingly, the cash distributions to Unitholders will be dependent upon the ability of High Arctic LP and Holding Trust to pay their interest obligations under the Holding Trust Notes and High Arctic LP Notes, respectively.

Return of Capital

Cash distributions do not represent a "yield" in the traditional sense as they may represent both return of capital and return on investment.

Changes in Legislation

There can be no assurance that income tax laws and other governmental programs relating to the oil and gas industry and the energy services industry, such as the status of mutual fund trusts, will not be changed in a manner which adversely affects Unitholders.

Delay in Cash Distributions

In addition to the usual delays in payment by purchasers of the Trust's services, payments between any of such parties may also be delayed by restriction imposed by lenders, delay in the sale of services or other delays. Such delays may have an impact on distributable income to be distributed to Unitholders.

Additional Financing

There is no guarantee that the Trust will be able to secure additional financing for future costs of operations or expansion. Additional financing may not be available, or may not be available on favourable terms. Where additional financing is raised by the issuance of Trust Units or securities convertible into Trust Units, control of the Trust may change and Unitholders may suffer dilution to their investment. The Trust's activities may also be financed partially or wholly with debt, which may increase the Trust's debt levels above industry standards. The level of the Trust's indebtedness from time to time could impair the Trust's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Absence of Prior Public Market

Prior to this offering there has been no public market for the Trust Units. The offering price has been determined by negotiation between the General Partner, on behalf of the Trust and the Agents and may bear no relationship to the price at which the Trust Units will trade in the public market subsequent to this offering.

ELIGIBILITY FOR INVESTMENT

In the opinion of Stikeman Elliott LLP, counsel to the Trust, and Macleod Dixon LLP, counsel to the Agents, subject to (i) the Trust satisfying the conditions for qualification as a mutual fund trust for the purposes of the Tax Act as described under "Canadian Federal Income Tax Considerations" before the 91st day after the end of its first taxation year; and (ii) the filing of the appropriate election under the Tax Act, the Trust Units will, on closing of this offering, be qualified investments within the meaning of the Tax Act for trusts governed by Exempt Plans and, based upon certain representations of the Trust and HAES as to certain factual matters will not, on closing of this offering, constitute "foreign property" under the Tax Act. Under certain Proposed Amendments announced by the Minister of Finance (Canada) in the 2004 Budget, amendments to the Tax Act were proposed to restrict direct and indirect holdings by registered pension plans and tax exempt registered pension plan corporations in certain "restricted investment property" and "business income trusts" (as defined in the proposals). On May 18, 2004, the Minister announced that the implementation of those Proposed Amendments was suspended pending further consultation and review. On February 23, 2005, the Minister proposed that the limit in respect of foreign property that may be held by Exempt Plans (except registered education savings plans, which are not subject to the foreign property limit), registered pension plans and other deferred plans be eliminated for 2005 and subsequent years.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the following are the only contracts entered into or to be entered into on or before closing of this offering by HAES, High Arctic LP or the Trust which may reasonably be regarded as presently material:

1. the Declaration of Trust (see "Additional Information Concerning High Arctic Energy Services Trust");

2. the Agency Agreement (see "Plan of Distribution");

3. a support agreement to be entered into on or before the Closing Date between HAES and the Trust creating certain support obligations of the Trust with respect to the Exchangeable Shares;

4. the Voting and Exchange Trust Agreement (see "Additional Information Concerning High Arctic Energy Services Trust – Special Voting Rights" and "Additional Information Concerning High Arctic Energy Services Inc. – Share Capital of HAES – Exchangeable Shares");

5. the Administration Agreement (see "Additional Information Concerning High Arctic Energy Services Trust – Management of the Trust");

6. the Partnership Agreement (see "Information Concerning High Arctic Energy Services Limited Partnership"); and

7. the Unanimous Shareholders Agreement (see "Additional Information Concerning High Arctic Energy Service Inc. – Unanimous Shareholders Agreement").

Following execution, copies of these agreements may be inspected at the Trust's head office during normal business hours during the period of distribution of the Trust Units.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed elsewhere in this prospectus, none of the directors, executive officers or principal securityholders of the Trust or HAES and no associate or affiliate of any of them, has had any material interest, direct or indirect, in any transaction within the three years prior to the date of this prospectus or in any proposed transaction, that has materially affected or will materially affect the Trust or HAES.

PROMOTER

HAES may be considered a promoter of the Trust by reason of its initiative in forming and establishing the Trust and taking the steps necessary for the public distribution of the Trust Units. Other than as disclosed elsewhere in this prospectus, the promoter will not receive any benefits, directly or indirectly, from the issuance of Trust Units offered hereunder.

LEGAL PROCEEDINGS

There are currently no outstanding legal proceedings material to the Trust to which the Trust, any subsidiary of the Trust or HAES is a party or of which any of their respective property is the subject matter nor are any such proceedings known to the Trust to be contemplated.

LEGAL MATTERS

Certain legal matters relating to the securities offered hereby have been passed upon on behalf of the Trust by Stikeman Elliott LLP and on behalf of the Agents by Macleod Dixon LLP.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of the Trust are PricewaterhouseCoopers LLP, Chartered Accountants, 3100, 111 – 5th Avenue S.W., Calgary, Alberta T2P 5L3.

Valiant Trust Company is the registrar and transfer agent for the Trust Units at its principal offices in Calgary, Alberta and, through its agent, Equity Transfer Services Inc., in Toronto, Ontario.

INTEREST OF EXPERTS

None of Stikeman Elliott LLP, Macleod Dixon LLP or any associate or partner thereof has received or will receive a direct or indirect interest in the property of the Trust or HAES or of any associate or affiliate thereof. Stikeman Elliott LLP and the associates and partners thereof as a group, and Macleod Dixon LLP and the associates and partners thereof as a group, beneficially own, directly or indirectly, less than 1% of the securities of the Trust, HAES and their respective associates and affiliates.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

AUDITORS' CONSENT

We have read the prospectus of High Arctic Energy Services Trust (the "**Trust**") dated July 11, 2005 relating to the sale and issuance of 8,000,000 trust units of the Trust. We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to the use in the above-mentioned prospectus of the report dated June 10, 2005 (except for note 3, which is as of July 11, 2005) to the board of directors of High Arctic Energy Corp., on behalf of the Trust, on the balance sheet of the Trust as at June 10, 2005.

We also consent to the use in the above-mentioned prospectus of the report dated June 3, 2005 (except for note 15, which is as of July 11, 2005) to the board of directors of High Arctic Energy Services Inc. (the "**Corporation**"), on the consolidated balance sheets of the Corporation as at December 31, 2004 and May 31, 2004 and 2003 and the statements of income, retained earnings and cash flows for the seven months ended December 31, 2004 and the years ended May 31, 2004 and 2003.

"PricewaterhouseCoopers LLP"

Calgary, Alberta
July 11, 2005

Chartered Accountants

FINANCIAL STATEMENTS

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
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Telephone +1 (403) 509 7500
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June 10, 2005
(except for note 3 which is as of July 11, 2005)

Auditors' Report

To the Board of Directors of
High Arctic Energy Corp.

We have audited the balance sheet of **High Arctic Energy Services Trust** as at June 10, 2005. This financial statement is the responsibility of the Trust's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the balance sheet presents fairly, in all material respects, the financial position of the Trust as at June 10, 2005 in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants

Calgary, Alberta

High Arctic Energy Services Trust

Balance Sheet

As at June 10, 2005

	$
Assets	
Cash	10
Unitholder's Equity	10

Approved on behalf of the Trust by its administrator, High Arctic Energy Corp.

(signed) "Jed Wood" Director (signed) "Christopher Warren" Director

1 The Trust

High Arctic Energy Services Trust (the "Trust") is an open-end unincorporated investment trust established under the laws of the Province of Alberta pursuant to the Declaration of Trust dated June 10, 2005. The Trust has been created to invest indirectly in High Arctic Energy Services Inc. ("HAES"), through an acquisition of a minority participating interest in High Arctic Energy Services Limited Partnership ("partnership"), High Arctic Holding Trust ("Holding Trust"), High Arctic Energy Corp. ("Energy") and such other investments as the Trustee may determine. Each unitholder participates pro rata in any distribution from the Trust. Income tax obligations related to the distributions of the Trust are the obligations of the unitholder.

2 Unitholder's Equity

An unlimited number of Units and Special Voting Rights may be created and issued pursuant to the Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Trust, whether of net income, net realized capital gains or other amounts and in the net assets of the Trust in the event of termination or winding up of the Trust. Units and Special Voting Rights entitle the holders thereof to one vote for each whole Unit or Unit issuable on exchange of Exchangeable Shares held at all meetings of Unitholders.

HAES will issue Series A and Series B Exchangeable shares (the "Exchangeable Shares") in connection with the proposed transactions described in note 3. Exchangeable Shares will be entitled to distributions economically equivalent to those for Units of the Trust.

The Trust will issue a Special Voting Right, which will entitle the holders of the Exchangeable Shares to one vote per Unit issuable on exchange of the Exchangeable Shares in all meetings of Unitholders.

3 Subsequent events

The Trust filed a prospectus dated July 11, 2005 relating to the initial public offering of Units of the Trust (the "Offering").

Concurrent with the closing of the Offering, the following transactions occur:

- The partnership will be formed with High Arctic Energy Corp. ("Energy") as the managing general partner and HAES as the non-controlling general partner. A holding trust will be created to hold the partnership interest for the Trust.

- HAES will transfer its operating assets to the partnership in exchange for its general partnership interest and assumption of its various obligations.

- Energy will transfer its assets to the partnership in exchange for its managing general partnership interest and assumption of its various obligations.

- HAES will amend its share capital to create the Exchangeable Shares that are indirectly exchangeable into Units of the Trust and the holders of common shares of HAES will exchange their shares for Exchangeable Shares. New common shares will be issued.

- The Offering will be completed for gross proceeds of $80 million. The expected expenses and agent commission, relating to the offering, are estimated to be $6 million which will be paid by the Trust and reimbursed by the partnership.

- The Trust will use the proceeds from the issuance of the Units to indirectly subscribe for 8 million limited partnership units of the partnership.

- The Trust will indirectly purchase all the newly issued common shares of HAES for a nominal amount. HAES will continue to be controlled by the original shareholder of HAES, through the voting rights attached to the Exchangeable Shares, and as such the Trust will account for its investment in HAES using the cost method.

- The partnership will use the cash received indirectly from the Trust to pay existing debts and the residual amount will be used to fund future capital projects.

High Arctic Energy Services Inc.
(formerly High Arctic Well Control Inc.)

Consolidated Financial Statements
March 31, 2005, December 31, 2004 and May 31, 2004

PRICEWATERHOUSECOOPERS

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June 3, 2005
(except for note 15, which is as of July 11, 2005)

Auditors' Report

To the Board of Directors of
High Arctic Energy Services Inc.

We have audited the consolidated balance sheets of **High Arctic Energy Services Inc.** as at December 31, 2004 and May 31, 2004 and the consolidated statements of income (loss) and retained earnings (deficit) and cash flows for the seven month period ended December 31, 2004 and the years ended May 31, 2004 and 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and May 31, 2004 and the results of its operations and its cash flows for the seven month period ended December 31, 2004 and the years ended May 31, 2004 and 2003 in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants

Calgary, Alberta

High Arctic Energy Services Inc.

Consolidated Balance Sheet

	March 31, 2005 $ (unaudited)	December 31, 2004 $	May 31, 2004 $
Assets			
Current assets			
Accounts receivable	20,427,354	13,766,412	9,161,343
Inventory	719,326	666,379	481,186
Prepaid expenses	21,659	285,996	373,524
Due from related parties (note 3)	1,037,985	-	-
	22,206,324	14,718,787	10,016,053
Property and equipment (note 4)	33,678,375	27,950,508	16,268,263
	55,884,699	42,669,295	26,284,316
Liabilities			
Current liabilities			
Bank indebtedness (note 5)	9,534,863	8,127,098	3,293,842
Accounts payable and accrued liabilities	7,652,481	7,704,718	2,896,676
Bonuses payable	5,655,620	1,921,873	-
Income taxes payable	35,771	24,891	242
Due to related parties (note 3)	-	231,288	6,192,677
Due to shareholder (note 6)	8,725,695	6,764,555	2,874,304
Short-term portion of long-term debt (note 7)	19,873,271	15,377,595	12,258,311
	51,477,701	40,152,018	27,516,052
Long-term debt (note 7)	3,779,509	4,613,288	3,575,363
Non-controlling interest in variable interest entities	(115,158)	(100,626)	(118,162)
Future income taxes	209,553	140,837	95,685
	55,351,605	44,805,517	31,068,938
Shareholder's Equity (Deficiency)			
Share capital (note 8)	5	5	5
Retained earnings (deficit)	533,089	(2,136,227)	(4,784,627)
	533,094	(2,136,222)	(4,784,622)
	55,884,699	42,669,295	26,284,316

Commitments (note 10)

The accompanying notes form an integral part of the financial statements.

Approved by the Board of Directors

(signed) "Jed Wood" Director

High Arctic Energy Services Inc.

Consolidated Statement of Income (Loss) and Retained Earnings (Deficit)

	Three months ended March 31,		Seven months ended December 31,	Years ended May 31,	
	2005	**2004**	**2004**	**2004**	**2003**
	$	**$**	**$**	**$**	**$**
	(unaudited)	(unaudited)			
Revenue	18,069,387	13,353,765	29,053,164	36,307,536	21,229,757
Expenses					
Oilfield services	8,588,427	7,744,375	16,259,160	21,815,619	13,397,293
General and administration	2,010,454	2,136,457	4,558,860	5,562,036	3,754,932
Amortization	1,278,480	1,023,129	2,950,717	3,402,622	2,712,807
Foreign exchange (gain) loss	(661,751)	166,121	(173,157)	(4,053)	122,298
Interest (note 7)	385,650	203,716	799,496	1,174,160	978,276
Management bonuses and RCA payments (note 13)	3,733,747	1,373,250	1,921,873	5,493,000	350,000
	15,335,007	12,647,048	26,316,949	37,443,384	21,315,606
Net income (loss) before income taxes	2,734,380	706,717	2,736,215	(1,135,848)	(85,849)
Income taxes					
Current	10,880	8,935	25,127	40,069	-
Future	68,716	-	45,152	(17,398)	49,974
	79,596	8,935	70,279	22,671	49,974
Net income (loss) for the period before non-controlling interest	2,654,784	697,782	2,665,936	(1,158,519)	(135,823)
Non-controlling interest in loss (earnings) of variable interest entities	14,532	(28,000)	(17,536)	24,346	430,030
Net earnings (loss) for the period	2,669,316	669,782	2,648,400	(1,134,173)	294,207
(Deficit) retained earnings – Beginning of period	(2,136,227)	(3,856,703)	(4,784,627)	(3,650,454)	(3,944,661)
Retained earnings (deficit) – End of period	533,089	(3,186,921)	(2,136,227)	(4,784,627)	(3,650,454)

The accompanying notes form an integral part of the financial statements.

High Arctic Energy Services Inc.

Consolidated Statement of Cash Flows

	Three months ended March 31, 2005 $ (unaudited)	Three months ended March 31, 2004 $ (unaudited)	Seven months Ended December 31, 2004 $	Years ended May 31, 2004 $	Years ended May 31, 2003 $
Cash provided by (used in)					
Operating activities					
Net income (loss) for the period	2,669,316	669,782	2,648,400	(1,134,173)	294,207
Add (deduct) non-cash items					
Future taxes	68,716	-	45,152	(17,398)	49,974
Amortization	1,278,480	1,023,129	2,950,717	3,402,622	2,712,807
Non-controlling interest	(14,532)	28,000	17,536	(24,346)	(430,030)
	4,001,980	1,720,911	5,661,805	2,226,705	2,626,958
Change in non-cash working capital balances	(3,519,743)	(2,646,262)	1,228,421	(5,438,046)	(800,131)
	482,237	(925,351)	6,890,226	(3,211,341)	1,826,827
Investing activities					
Purchase of property and equipment	(7,006,347)	(7,502,620)	(14,632,962)	(8,268,026)	(1,635,019)
Proceeds on disposal of equipment	-	-	-	-	348,775
Change in non-cash working capital balances	762,581	-	823,409	-	-
	(6,243,766)	(7,502,620)	(13,809,553)	(8,268,026)	(1,286,244)
Financing activities					
Advances from (to) related parties	(1,269,273)	6,150,558	(5,961,389)	5,438,170	(882,995)
Advances from (to) shareholders	1,961,140	258,915	3,890,251	782,402	1,122,965
Proceeds from long-term debt	5,091,274	3,897,899	5,794,130	5,634,739	2,182,961
Repayment of long-term debt	(1,429,377)	(456,932)	(1,636,921)	(1,827,729)	(2,067,611)
Change in bank indebtedness	1,407,765	(1,422,469)	4,833,256	1,451,785	(895,903)
	5,761,529	8,427,971	6,919,327	11,479,367	(540,583)
Net change in cash	-	-	-	-	-
Cash – Beginning of period	-	-	-	-	-
Cash – End of period	-	-	-	-	-
Supplemental information					
Interest paid	385,650	203,716	799,496	1,174,130	978,266

The accompanying notes form an integral part of the financial statements.

1 Nature of operations

High Arctic Energy Services Inc. (the “Company”) was incorporated under the Business Corporations Act (Alberta) on December 2, 1993. Its principal focus is to engage in the global oilfield services business by providing underbalanced drilling and production services, equipment, design and development and technical support and training to the Canadian and International oil and gas industry.

On April 27, 2004, the Company changed its name from High Arctic Well Control Inc. to High Arctic Energy Services Inc.

2 Summary of significant accounting policies

These financial statements are stated in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles.

Principles of consolidation

These financial statements represent the accounts of the Company and its wholly owned subsidiaries, High Arctic Energy Services (Barbados) Inc. and High Arctic Energy Services LLC.

Consolidation of variable interest entities

The Company has adopted the recommendations of Accounting Guideline AcG 15 resulting in the consolidation of the Company’s financial statements with those of High Arctic Energy Corp. and Tri-Equity Group Insurance Ltd., the variable interest entities (“VIEs”). Historically, entities have generally been consolidated by an enterprise when it has a controlling financial interest through ownership of a majority voting interest in the entity. The objectives of AcG 15 is to provide guidance on the identification of VIEs for which control is achieved through means other than ownership of a majority of the voting interest of an entity and to determine which enterprise should consolidate the VIEs.

The Company has guaranteed certain loans for the VIEs and would absorb all of their potential losses. As a result, the Company is considered the primary beneficiary and has consolidated the VIEs. AcG-15 was applied as though it was effective when the Company met the conditions to be primary beneficiary of the VIEs.

Inventory

Inventory consists primarily of spare parts and supplies and is valued at the lower of cost and replacement cost with the cost being determined on an average cost basis.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Equipment is amortized using the declining balance method over their estimated useful lives at the following rates:

Automotive	30%
Computer hardware	30%
Computer software	100%
Equipment – field	20%
Equipment – hydraulic workover rigs	25%
Equipment – office	20%
Equipment – snubbing units	25%
Leasehold improvements	Lease term or five years

Management assesses the carrying amount of property and equipment for impairment annually and an impairment loss is recognized when the carrying amount is not recoverable and exceeds future cash flows. No impairment loss has been recorded to date.

Future income taxes

The Company uses the liability method of tax allocation in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when the temporary differences are expected to reverse.

Research and development

Research and development expenditures (with the exception of those which are capital in nature) are expensed as incurred unless a development project meets the criteria for deferral under Canadian generally accepted accounting principles. No development costs have been deferred to date.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include providing amortization of capital assets. Actual results could differ from these estimates.

Foreign currency translation

Transactions denominated in foreign currencies and the financial statements of the integrated foreign operations are translated into the functional currency using the temporal method. Under this method, monetary assets and liabilities are translated using the rate of exchange in effect at the balance sheet date, whereas other non-monetary assets and liabilities are translated at the rate of exchange in effect on the date of the transaction. Revenues and expenses are measured at monthly average rates prevailing throughout the period, except for amortization which is measured at exchange rates prevailing when the related assets were acquired. Exchange gains and losses resulting from translation are included in the statement of income (loss).

Revenue recognition

The Company's services are generally sold based upon purchase orders or contracts with the customer that include fixed or determinable prices based upon daily, hourly or job rates. Customer contract terms do not include provisions for significant post-service delivery obligations. Revenue is recognized when services are rendered or over the equipment rentals period and when collectability is reasonably assured.

3 Due to/from related parties

The amounts due to/from companies related through common control, are non-interest bearing, are due on demand, and have no specific terms of repayment.

4 Property and equipment

			March 31, 2005 (unaudited)
	Cost $	**Accumulated amortization $**	**Net $**
Automotive	6,162,827	3,919,127	2,243,700
Computer hardware	123,319	48,483	74,836
Computer software	145,152	113,934	31,218
Equipment – field	12,651,263	2,329,289	10,321,974
Equipment – hydraulic workover rigs	18,709,199	2,953,751	15,755,448
Equipment – office	151,016	29,999	121,017
Equipment – snubbing	10,892,732	6,697,958	4,194,774
Leasehold improvements	935,408	-	935,408
	49,770,916	16,092,541	33,678,375

			December 31, 2004
	Cost **$**	**Accumulated amortization** **$**	**Net** **$**
Automotive	7,140,294	3,919,127	3,221,167
Computer hardware	136,729	113,313	23,416
Computer software	123,319	48,483	74,836
Equipment – field	8,951,342	1,458,458	7,492,884
Equipment – hydraulic workover rigs	15,271,927	2,550,505	12,721,422
Equipment – office	122,433	28,838	93,595
Equipment – snubbing	10,679,597	6,697,958	3,981,639
Leasehold improvements	341,549	-	341,549
	42,767,190	14,816,682	27,950,508

			May 31, 2004
	Cost **$**	**Accumulated amortization** **$**	**Net** **$**
Automotive	5,856,494	3,475,682	2,380,812
Computer hardware	95,938	34,810	61,128
Computer software	110,156	108,077	2,079
Equipment – field	3,419,624	1,047,392	2,372,232
Equipment – hydraulic workover rigs	9,356,899	815,745	8,541,154
Equipment – office	86,757	19,113	67,644
Equipment – snubbing	9,208,360	6,365,146	2,843,214
	28,134,228	11,865,965	16,268,263

5 Bank indebtedness

The bank indebtedness is comprised of a revolving line of credit to a maximum of the lesser of $9,000,000 and 75% of accounts receivable aged less than 90 days. The line of credit bears interest at the Canadian Western Bank prime rate plus 0.75% (effective rate of 5.0% at March 31, 2005, 5.0% at December 31, 2004 and 4.5% at May 31, 2004) and is secured by general security agreement, postponement of claim and unlimited guarantee of the shareholder, assignment of life insurance and assignment of all risk insurance. See also note 7 concerning violation of certain covenants.

6 Due to shareholder

The amount due to the shareholder is non-interest bearing, unsecured and due on demand.

7 Long-term debt

	March 31, 2005 $ (unaudited)	December 31, 2004 $	May 31, 2004 $
Canadian Western Bank loan, repayable in monthly instalments of $115,000, including interest at 6.875% per annum. Matures April 2007.	2,865,451	3,158,494	3,820,689
Canadian Western Bank loan, repayable in monthly instalments of $99,000, including interest at 5.75% per annum (effective rate of 4.75% at May 31, 2004). Matures September 2006.	2,483,883	2,743,165	3,343,578
Canadian Western Bank loan, repayable in monthly instalments of $19,000, including interest at 5.75% per annum (effective rate 4.75% at May 31, 2004). Matures August 2006.	826,535	890,356	976,000
Canadian Western Bank loan, repayable in monthly instalments of $56,500 principal only. The loan bears interest at Canadian Western Bank prime rate plus 1% per annum (effective rate 4.75% at May 31, 2004). Matures August 2006.	2,658,436	2,925,159	-
Canadian Western Bank loans, repayable in monthly instalments of $104,166 principal only. The loans bear interest at Canadian Western Bank prime rate plus 0.75% per annum (effective rate 4.5% at May 31, 2004). Matures December 2008.	4,687,498	-	-
Middlemarch Partners Ltd., equipment loan, repayable in quarterly payments of $49,825 including interest at 8% per annum. Matures September 2008.	586,636	623,194	-
Alberta Treasury Branches, equipment loan, repayable in monthly instalments of $48,612, including interest at Alberta Treasury Branches prime rate plus 1% per annum. Matures August 2007.	634,567	829,015	1,118,044
975774 Alberta Ltd., repayable in interest only at Manulife Bank prime plus 0.75% per annum. Matures April 2009 (note 13).	4,500,000	4,500,000	-
Private demand loan issued to High Arctic Energy Services LLC, (US $1,000,000) bearing interest at 12% per annum. Matures September 2005 with no repayment terms	1,171,960	1,160,421	-
Private demand loan issued to High Arctic Energy Services LLC, (US $2,250,000) bearing interest at 8% per annum. Matures February 2006 with no repayment terms.	3,237,814	3,161,079	3,575,363
Canadian Western Bank loan, repaid upon completion of a Retirement Compensation Arrangement financing which was in process at May 31, 2004. The loan bears interest at the Canadian Western Bank prime rate plus 1% per annum (effective rate of 4.75% at May 31, 2004). The loan was paid in full on August 24, 2004 (note 13).	-	-	3,000,000
	23,652,780	19,990,883	15,833,674
Amounts payable within one year under repayment terms	(8,400,891)	(7,082,365)	(9,684,206)
Amounts repayable in one year as a result of being due on demand	(11,472,380)	(8,295,230)	(2,574,105)
	(19,873,271)	(15,377,595)	(12,258,311)
	3,779,509	4,613,288	3,575,363

Certain of the above loans are due on demand and the lender has the right to call the loans. All of these loans have been classified as current.

Approximate principal repayment terms are as follows:

	March 31, 2005 $ (unaudited)	December 31, 2004 $	May 31, 2004 $
2005	-	7,082,365	9,684,206
2006	8,400,891	4,894,489	3,208,707
2007	6,045,615	2,283,886	2,798,445
2008	2,915,780	5,730,143	142,316
2009	6,290,494	-	-
	23,652,780	19,990,883	15,833,674

Certain loans are secured by a general security agreement, postponement of claim and unlimited guarantee of the shareholder, assignment of life insurance, assignment of all risk business insurance and postponement of claim by related companies and subsidiaries.

As at March 31, 2005, December 31, 2004 and May 31, 2004, the Company was in violation of certain covenants to its bank facility. This matter has been brought to the banks' attention and the banks have issued forbearance agreements, agreeing to forebear on the covenant breaches. All amounts outstanding have been classified as current liabilities.

Included in interest expense is interest on long-term debt of $281,837 for the period ended March 31, 2005 ($153,527, March 31, 2004; $661,107, December 31, 2004; $995,671, May 31, 2004; $579,756, May 31, 2003)

8 Share capital

Authorized

Unlimited number of Classes "A", "B", "C" and "D" common voting shares
Unlimited number of Classes "E" and "F" common non-voting shares
Unlimited number of Classes "G" and "H" preferred redeemable shares

Issued

	$
500 Class "A" shares – Balance March 31, 2005, December 31, 2004 and May 31, 2004	5

Options

The Company has granted an option to a Canadian employee to purchase from the Company's treasury, 10% of the issued shares of the Company for $1.00 per common share. The option is subject to certain conditions including repayment of Company debt specified in the agreement on or before July 1, 2007, subject to change by the shareholder.

On September 14, 2004, the Company granted an option to two employees of High Arctic Energy Services LLC ("HAES"), whereby each employee has an option to purchase 10% of HAES for $1.00 per common share. The option is subject to certain conditions including repayment of HAES debt specified in the agreement and the employee must be an employee of HAES as at September 14, 2007.

As the options are only exercisable once the debt has been repaid, which is at the option of the sole shareholder, no stock based compensation has been recorded to date. Stock based compensation will be recorded, based upon the fair value at the date of grant, when the debt repayment condition has been met.

9 Related party transactions

During the period and in the normal course of business, the Company:

a) Paid equipment rental of $92,346 (December 31, 2004 – $33,950; May 31, 2004 – $1,483,348; May 31, 2003 – $516,558), vehicle leases of $57,679 (December 31, 2004 – $157,881; May 31, 2004 – $317,131; May 31, 2003 – $453,696) and premises rent of $190,238 (December 31, 2004 – $175,277; May 31, 2004 – $94,458; May 31, 2003 – $nil) to companies related through common control; and

b) received management fee revenue of $nil (December 31, 2004 – $89,798; May 31, 2004 – $371,946; May 31, 2003 – $478,123) from companies related through common control.

These transactions are measured at exchange values, which in the opinion of management, approximate fair value.

The Company received $4,500,000 from 975774 Alberta Ltd., a company controlled by the Chief Executive Officer and shareholder. Repayment terms are disclosed in note 7 of these financial statements.

10 Commitments

Lease commitment

The Company has long-term leases with respect to its premises. The lease contains one option to renew for a further five years. Future minimum lease payments as at December 31, 2004 are as follows:

	$
2005	1,299,760
2006	1,290,641
2007	855,503
2008	711,348
2009	492,837
	4,650,089

Loan guarantee

The Company has guaranteed a $3,500,000 loan made to a related company, by a third party. The related company to which the guarantee relates is controlled by the shareholder and the loan is current and secured by assets of that company.

11 Financial instruments

Fair value

The carrying value of cash, accounts receivable, cheques issued in excess of bank balance, bank indebtedness, accounts payable and accrued liabilities and bonus payable, approximate their fair value due to the relatively short period to maturity of the instruments and interest rates attached to the instruments. The fair value of amounts due to related parties, amounts due to shareholder, and long-term debt is not practicably determinable.

Credit risk

The Company is exposed to credit risk on the accounts receivable from its customers. In order to reduce its credit risk, the Company has adopted credit policies which include the analysis of the financial position of its customers and the regular review of their credit limits. An allowance for doubtful accounts has been established, if necessary, based upon factors surrounding the credit risk of specific customers, historical trends and other information.

During the period ended March 31, 2005, the Company had sales of 22% (March 31, 2004 – 31%; December 31, 2004 – 16%; May 31, 2004 – 31%; May 31, 2003 – 23%) to one customer. As at March 31, 2005, the Company had accounts receivable of 14% (December 31, 2004 – 16%; May 31, 2004 – 35%) from one customer.

Interest rate risk

Interest rate risk refers to the potential impact of changes in interest rates on the Company's operations. The Company currently has $12,480,501 of loans as at March 31, 2005 for which interest is based on the bank's prime lending rate. A 1% increase in the prime lending rate would decrease the Company's earnings by $124,805.

The Company is exposed to interest rate price risk in respect of the long-term debt which bears a fixed rate of interest.

Foreign exchange risk

Foreign exchange risk is the risk that variations in exchange rates between the Canadian dollar and foreign currencies will affect the Company's operating and financial results. The Company earns a portion of revenue and pays a portion of expenses in foreign currencies and does not use derivative instruments to reduce its exposure to foreign exchange risk resulting from transactions arising in the Middle East.

12 Income taxes

The Company's income tax provision has been determined as follows:

	March 31,		December 31,	May 31,	
	2005 **$** (unaudited)	**2004** **$** (unaudited)	**2004** **$**	**2004** **$**	**2003** **$**
Income (loss) for the period before income taxes	2,734,380	706,717	2,736,215	(1,135,848)	(85,849)
Foreign income not subject to tax	(2,299,413)	(682,011)	(2,388,707) `	1,298,837	322,566
Permanent non-deductible expenses	33,248	27,856	65,902	(29,630)	57,250
Income subject to income taxes	468,215	52,562	413,410	133,359	293,967
Combined basic federal and provincial income taxes	79,596	8,935	70,279	22,671	49,974

The Company's future income tax liabilities are a result of timing differences between book and tax values for property and equipment.

13 Retirement compensation arrangement

During the year ended May 31, 2004, the Company established a retirement compensation arrangement ("RCA"). The RCA allows the Company to contribute funds at a level determined by management to fund the retirement of the Chief Executive Officer ("CEO"). The RCA must pay 50% of all contributions to the Canada Revenue Agency and the remaining amount is used to purchase life insurance on the life of the CEO. A company controlled by the Company's shareholder and CEO then borrows up to 90% of the contributed funds from a financial institution and advances these funds to the Company as an advance from a related party.

For the year ended May 31, 2004, the Company contributed $5,005,000 to the RCA.

On August 24, 2004, the Company received $4,500,000 from 975774 Alberta Ltd. (the company controlled by the CEO) which was used to repay the $3,000,000 loan from the Canadian Western Bank as disclosed in note 7 of these financial statements.

14 Segmented information

The Company is focused on providing oilfield services and in the opinion of management, the Company has only one business segment.

Revenues from external customers are attributable to the following geographical regions:

	Three months ended March 31,	Seven months ended December 31,	Years ended May 31,	
	2005 $ (unaudited)	2004 $	2004 $	2003 $
Revenue				
Canada	13,253,212	18,530,557	33,617,027	21,229,757
Middle East	4,816,175	10,522,607	2,690,509	-
	18,069,387	29,053,164	36,307,536	21,229,757
Property and equipment				
Canada	21,374,492	18,085,163	10,615,630	
Middle East	12,303,883	9,865,345	5,652,633	
	33,678,375	27,950,508	16,268,263	

15 Subsequent events

Initial public offering

On July 11, 2005, High Arctic Energy Services Trust (“the Trust”) filed a prospectus relating to the initial public offering of up to 8 million Trust units for $10 per unit (“the offering”). Costs of the offering are estimated to be $6 million, resulting in net proceeds of $74 million.

Prior to close of the offering, a reorganization will be completed pursuant to which all of the assets and liabilities and business of the Company will be transferred to High Arctic Energy Services Limited Partnership (the “partnership”). The Trust will invest in the partnership by acquiring 8 million partnership units for $74 million.

Retirement compensation arrangement

At May 31, 2005, the Company contributed $5,000,000 to the RCA.

Stock options

Upon closing, all options will be cancelled (note 8). In exchange for the option cancellation, the Canadian employee received 500,000 units of exchangeable shares that can be exchanged for units of the Trust. The Dubai employees received a payment of $9,965,720 which will be used to acquire units of the Trust.

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July 11, 2005

Compilation Report

To the Board of Directors of
High Arctic Energy Corp.

We have read the accompanying unaudited pro-forma consolidated balance sheet of **High Arctic Energy Services Trust** (the "Trust") as at March 31, 2005, the unaudited pro-forma statement of income (loss) for the three month period ended March 31, 2005 and the seven month period ended December 31, 2004, and have performed the following procedures:

1. Compared the figures in the column in the unaudited pro-forma consolidated balance sheet captioned "Trust Historical" to the audited balance sheet of the Trust as at June 10, 2005 (date of formation of the Trust) and found them to be in agreement.

2. Compared the figures in the column in the unaudited pro-forma consolidated balance sheet captioned "HAES" to the unaudited balance sheet of High Arctic Energy Services Inc. as at March 31, 2005 and found amounts to be in agreement.

3. Ensured that the figures in the columns captioned "Trust Historical" in the unaudited pro-forma consolidated statements of income for the three month period ended March 31, 2005 and the seven month period ended December 31, 2004 were $nil.

4. Compared the figures in the column captioned "HAES" in the unaudited pro-forma statement of income for the three month period ended March 31, 2005 to the unaudited statement of income of High Arctic Energy Services Inc. for the three month period ended March 31, 2005. Compared the figures in the column captioned "HAES" in the unaudited pro-forma statement of income for the seven month period ended December 31, 2004 to the audited statement of income of High Arctic Energy Services Inc. for the seven month period ended December 31, 2004 and found the amounts to be in agreement.

5. Made enquiries of certain officials of the Trust who have responsibility for financial and accounting matters about:

   (a) the basis for determination of the unaudited pro-forma adjustments; and

   (b) whether the unaudited pro-forma consolidated financial statements comply as to form in all material respects with requirements of the various securities commissions and similar regulatory authorities in Canada.

The officials:

(a) described to us the basis for determination of the unaudited pro-forma adjustments; and

(b) stated that the unaudited pro-forma consolidated financial statements comply as to form in all material respects with the requirements of the various securities commissions and similar regulatory authorities in Canada.

6. Read the notes to the unaudited pro-forma consolidated financial statements, and found them to be consistent with the basis described to us for determination of the unaudited pro-forma adjustments and the figures included in the column captioned "Issue Trust units" in the unaudited pro-forma consolidated balance sheet.

7. Recalculated the summation of the columns in the unaudited pro-forma consolidated balance sheet captioned “Trust Historical”, “Issue Trust units”, "HAES" and "Pro-forma adjustments" to the unaudited pro-forma consolidated balance sheet column captioned “The Trust pro-forma consolidated” and found them to be arithmetically correct.

8. Recalculated the summation of the columns in the unaudited pro-forma consolidated statement of income captioned “Trust Historical”, “HAES”, and “Pro-forma adjustments” to the unaudited pro-forma consolidated statement of income column captioned “The Trust pro-forma consolidated” for the three month period ended March 31, 2005 and seven month period ended December 31, 2004 and found the amounts to be arithmetically correct.

A pro-forma financial statement is based on management assumptions and adjustments which are inherently subjective. The foregoing procedures are substantially less than either an audit or a review, the objective of which is the expression of assurance with respect to management’s assumptions, the unaudited pro-forma adjustments, and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing procedures would not necessarily reveal matters of significance to the unaudited pro-forma consolidated financial statements, and we therefore make no representation about the sufficiency of the procedures for the purposes of a reader of such statements.

(Signed) “PricewaterhouseCoopers LLP”

Chartered Accountants

Calgary, Alberta

High Arctic Energy Services Trust

Pro-Forma Consolidated Balance Sheet

(Unaudited - See Compilation Report)

As at March 31, 2005

	Trust					
	Trust Historical $	**Issue Trust units** $ (note 3(a))	**HAES** $	**Pro-forma adjustments** $ (note 3(b))		**The Trust pro-forma consolidated** $
Assets						
Current assets						
Cash	10	74,000,000	-	(32,378,475)	i	41,621,525
				-		
Accounts receivable	-	-	20,427,354	-		20,427,354
Inventory	-	-	719,326	-		719,326
Prepaid expenses	-	-	21,659	-		21,659
Due from related parties	-	-	1,037,985	-		1,037,985
	10	74,000,000	22,206,324	(32,378,475)		63,827,849
Property and equipment	-	-	33,678,375	-		33,678,375
	10	74,000,000	55,884,699	(32,378,475)		97,506,224
Liabilities						
Current liabilities						
Bank indebtedness			9,534,863			9,534,863
Accounts payable and accrued liabilities			7,652,481	-		7,652,481
Bonuses payable			5,655,620	-		5,655,620
Income taxes payable			35,771	(35,771)	ii	-
Due to related parties			-	-		-
Due to shareholder			8,725,695	(8,725,695)	i	-
Short-term portion of long-term debt			19,873,271	(19,873,271)	i	-
	-	-	51,477,701	(28,634,737)		22,842,964
Long-term debt			3,779,509	(3,779,509)	i	-
Non-controlling interest in variable interest entities			(115,158)	115,158	iii	-
Non-controlling interest in the Trust			-	49,950,010	iv	
			-	447,697	iv	50,397,707
Future income taxes			209,553	(209,553)	ii	-
	-	-	55,351,605	17,889,066		73,240,671
Unitholders' Equity						
Trust units	10	74,000,000	5	(49,950,010)	iv	27,289,854
				3,238,859	v	
Retained earnings (deficit)	-	-	533,089	209,553	ii	(3,023,301)
				35,771	ii	
				(115,158)	iii	
				(447,697)	iv	
				(3,238,859)	v	
	10	74,000,000	533,094	(50,267,541)		24,266,553
	10	74,000,000	55,884,699	(32,378,475)		97,507,224

High Arctic Energy Services Trust

Pro-Forma Consolidated Statement of Income (Loss)
(Unaudited - See Compilation Report)
For the three month period ended March 31, 2005

	Trust Historical $	HAES $	Pro-forma adjustments $ (note 4)		The Trust pro-forma consolidated $
Revenue		18,069,387			18,069,387
Expenses					
Oilfield services		8,588,427			8,588,427
General and administration		2,010,454			2,010,454
Amortization		1,278,480			1,278,480
Foreign exchange gain		(661,751)			(661,751)
Interest		385,650	(385,650)	(b)	-
Management bonuses		3,733,747			3,733,747
	-	15,335,007	(385,650)		14,949,357
Net income before income taxes	-	2,734,380	385,650		3,120,030
Income taxes					
Current		10,880	(10,880)	(a)	-
Future		68,716	(68,716)	(a)	-
	-	79,596	(79,596)		-
Net income for the period before non-controlling interest	-	2,654,784	465,246		3,120,030
Non-controlling interest in loss (earnings) of variable interest entities		14,532	(14,532)	(c)	-
Non-controlling interest in net income for the period			(2,106,020)	(d)	(2,106,020)
Net income (loss) for the period	-	2,669,316	(1,655,306)		1,014,010

High Arctic Energy Services Trust

Pro-Forma Consolidated Statement of Income (Loss)

(Unaudited - See Compilation Report)

For the seven month period ended December 31, 2004

	Trust Historical $	HAES $	Pro-forma adjustments $ (note 4)		The Trust pro-forma consolidated $
Revenue		29,053,164			29,053,164
Expenses					
Oilfield services		16,259,160			16,259,160
General and administration		4,558,860			4,558,860
Amortization		2,950,717			2,950,717
Foreign exchange gain		(173,157)			(173,157)
Interest		799,496	(799,496)	(b)	-
Management bonuses		1,921,873			1,921,873
Stock compensation expense		-	9,965,720	(e)	9,965,720
	-	26,316,949	9,166,224		35,483,173
Net income before income taxes	-	2,736,215	(9,166,224)		(6,430,009)
Income taxes					
Current		25,127	(25,127)	(a)	-
Future		45,152	(45,152)	(a)	-
	-	70,279	(70,279)		-
Net income for the period before non-controlling interest	-	2,665,936	(9,095,945)		(6,430,009)
Non-controlling interest in loss (earnings) of variable interest entities		(17,536)	17,536	(c)	-
Non-controlling interest in net loss for the period			4,272,756	(d)	4,272,756
Net income (loss) for the period	-	2,648,400	(4,805,653)		(2,157,253)

(in thousands of dollars)

1 The Trust

High Arctic Energy Services Trust (the “Trust”) is an open-end unincorporated investment trust established under the laws of the Province of Alberta pursuant to the Declaration of Trust dated June 10, 2005. The Trust has been created to invest indirectly in High Arctic Energy Services Inc. ("HAES"), through an acquisition of a minority participating interest in High Arctic Energy Services Limited Partnership (“partnership”), High Arctic Holding Trust ("Holding Trust"), High Arctic Energy Corp. ("Energy"), and such other investments as the Trustee may determine. This acquisition will be completed through Holding Trust, a wholly-owned subsidiary of the Trust. Each unitholder participates pro rata in any distribution from the Trust. Income tax obligations related to the distributions of the Trust are the obligations of the unitholders.

2 Basis of presentation

The accompanying pro-forma consolidated balance sheet and pro-forma consolidated statements of earnings of the Trust give effect to the acquisition by the Trust of an indirect 32.5% participating interest in the partnership, which acquired the operating assets of HAES. The Trust will have effective control of the partnership. The partnership is considered a continuation of HAES. Therefore, for purposes of these pro-forma consolidated financial statements, the 32.5% participating interest has been accounted for as a reverse takeover that does not constitute a business combination.

The pro-forma consolidated financial statements should be read in conjunction with the description of the acquisition by the Trust of an indirect 32.5% interest in the partnership disclosed elsewhere in the prospectus relating to the initial public offering of units of the Trust.

The pro-forma consolidated balance sheet of the Trust as at March 31, 2005, the pro-forma consolidated statement of earnings of the Trust for the three month period ended March 31, 2005 and seven month period ended December 31, 2004 may not be indicative of the results that would have occurred if the transaction had been in effect on the dates indicated or of the financial results that may occur in the future. The actual financial position and results of the operations of the Trust for any period following the closing of the transactions contemplated by this prospectus will likely vary from the amounts set forth in these unaudited pro-forma consolidated financial statements and such variations may be material.

The accompanying pro-forma consolidated balance sheet has been prepared from information derived from the balance sheet of the Trust as of June 10, 2005 (date of formation) and HAES as at March 31, 2005 and the adjustments and assumptions outlined below. The pro-forma consolidated statement of income for the three month period ended March 31, 2005 and seven month period ended December 31, 2004 has been prepared from information derived from the statement of income for the three month period ended March 31, 2005 and seven month period ended December 31, 2004 of HAES. The pro-forma consolidated financial statements should be read in conjunction with the above noted financial statements and the financial statements of the Trust.

(in thousands of dollars)

For purposes of these pro-forma consolidated financial statements, the acquisition of control of the partnership has been accounted for as a reverse takeover that does not constitute a business combination as the vendor has received the controlling voting interest in the Trust through its ownership of exchangeable shares and Special Voting Rights. The Trust will have effective control of the partnership through its control of the managing general partner. HAES will have approximately 67.5% interest in the partnership. The partnership is considered to be a continuation of HAES and the partnership assets are recorded at carrying values of HAES.

The accompanying pro-forma consolidated financial statements of the Trust have been prepared by management in accordance with Canadian generally accepted accounting principles to reflect the following proposed transactions:

- The partnership will be formed with Energy as the managing general partner and HAES as the non-controlling general partner. Holding Trust will be created to hold the partnership interest for the Trust.

- HAES will transfer its operating assets to the partnership in exchange for its general partnership interest and the assumption of its various obligations.

- Energy will transfer its assets to the partnership in exchange for its managing general partnership interest and the assumptions of its various obligations.

- HAES will amend its share capital to create Series A and Series B Exchangeable Shares ("Exchangeable Shares") that are indirectly exchangeable into units of the Trust and the holders of common shares of HAES will exchange their shares for Exchangeable Shares. New common shares will be issued.

- The Trust will complete an initial public offering for gross proceeds of $80 million. The expected expenses and agent commission, relating to the offering, are estimated to be $6 million which will be paid by the Trust and reimbursed by the partnership.

- The Trust will use the proceeds from the issuance of the Units to subscribe for 8 million limited partnership units of the partnership indirectly through Holding Trust.

- Energy will purchase all the newly issued common shares of HAES for a nominal amount. HAES will continue to be controlled by the original shareholder of HAES, through the voting rights attached to the Exchangeable Shares, and as such the Trust will account for its investment in HAES using the cost method.

- The partnership will use the cash received from Holding Trust to pay existing debts and the residual amount will be used to fund future capital projects.

(in thousands of dollars)

3 Pro-forma consolidated balance sheet

The unaudited pro-forma consolidated balance sheet of the Trust as at March 31, 2005, gives the effect of the following transactions and assumptions as if they had occurred at the balance sheet date, March 31, 2005:

a) The issuance by the Trust of 8 million units for proceeds of $80 million, net of financing charges totaling $6 million.

b) (i) Funds of approximately $74 million received by the partnership from the Trust through the initial public offering will be expected to pay long-term debt and shareholders loans.

(ii) The partnership will not be subject to income taxes and therefore, an adjustment has been made to eliminate current and future taxes.

(iii) One of the variable interest entities will be amalgamated into the partnership and therefore the non-controlling interest related to this entity has been removed.

(iv) The 67.5% non-controlling interest of HAES has been recorded.

(v) The $9,965,720 option cancellation payment to Dubai employees, used to acquire units of the Trust, net of non-controlling interest, has been recorded.

4 Pro-forma consolidated statement of earnings

The unaudited pro-forma consolidated statement of earnings for the three month period ended March 31, 2005 and the seven month period ended December 31, 2004 of the Trust, gives effect to the transactions and assumptions listed below, effective June 1, 2004.

The net earnings of the partnership are distributed to the Trust and the non-controlling interest based on the terms of the partnership agreement. As a result, the following are adjustments to reconcile net earnings recorded in the HAES statement of income to the amount that will be recorded by the Trust:

a) It is assumed that distributions to the unitholders will be sufficient to eliminate any tax obligation of the Trust.

b) Decrease in interest expense due to repayment of borrowings as a result of the transaction described in note 2.

(in thousands of dollars)

c) Remove a portion of the non-controlling interest in loss (earnings) of a variable interest entity as a result of the transaction described in note 3(b)(iii).

d) Record the non-controlling interest in the results of the period.

e) Record the option cancellation payment to the Dubai employees.

For the purpose of these pro-forma statements, it is assumed that the cost of payroll and administrative expenses will remain unchanged from that of HAES.

CERTIFICATE OF THE TRUST

DATED: July 11, 2005

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act*, *1988* (Saskatchewan), by Part VII of the *Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), and the respective regulations thereunder.

HIGH ARCTIC ENERGY SERVICES TRUST
BY: HIGH ARCTIC ENERGY CORP.

(Signed) Jed M. Wood
President and Chief Executive Officer

(Signed) Shaun M. Peesker
Chief Financial Officer

On behalf of the Board of Directors

(Signed) Michael R. Binnion
Director

(Signed) Christopher R. Warren
Director

HIGH ARCTIC ENERGY SERVICES INC.
as promoter

(Signed) Jed M. Wood
President and Chief Executive Officer

CERTIFICATE OF THE AGENTS

DATED: July 11, 2005

To the best of the Agent's knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act*, *1988* (Saskatchewan), by Part VII of the *Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), and the respective regulations thereunder.

CANACCORD CAPITAL CORPORATION

(Signed) Karl B. Staddon

SPROTT SECURITIES INC.	**LIGHTYEAR CAPITAL INC.**
(Signed) Philip J. Moore	(Signed) Murray A. Weimer

J.F. MACKIE & COMPANY LTD.	**HAYWOOD SECURITIES INC.**	**WELLINGTON WEST CAPITAL MARKETS INC.**
(Signed) Scott Riddell	(Signed) Cliff Rich	(Signed) Jeff Reymer