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# High Arctic Announces 2024 Second Quarter Results and Provides Information Pertaining to the Recently Completed Reorganization

CALGARY, Alberta – August 14, 2024, High Arctic Energy Services Inc. (TSX: HWO) (the "Corporation" or "High Arctic") has released its' second quarter financial and operating results. The unaudited consolidated financial statements, management discussion & analysis ("MD&A"), for the three and six months ended June 30, 2024 will be available on SEDAR+ at www.sedarplus.ca, and on High Arctic's website at www.haes.ca. All amounts are denominated in Canadian dollars ("CAD"), unless otherwise indicated.

## Completion of Reorganization

On June 17, 2024, the Corporation held its Annual and Special General Meeting where the Corporation's shareholders approved, amongst other things, a special resolution approving a reorganization of the Corporation by way of a plan of arrangement (the "Arrangement") and a return of capital of up to $0.76 per common share of High Arctic (the "Return of Capital"). Pursuant to the reorganization of the Corporation, the PNG business was spun out to the current High Arctic shareholders through a new publicly listed entity High Arctic Overseas Holdings Corp. ("SpinCo") that will trade on the TSX Venture Exchange under the trading symbol HOH.

On June 27, 2024, the Corporation received a final order approving the Arrangement from the Alberta Court of King's Bench, and the Return of Capital was distributed to shareholders on July 17, 2024. On August 1, 2024, the Corporation was able to fulfill the last major condition in the Arrangement which was the receipt of conditional approval from the TSX Venture Exchange to have the SpinCo shares trade on its exchange. All other terms and conditions to the Arrangement were satisfied subsequent to receipt of conditional approval from the TSX Venture Exchange and the Arrangement was completed on August 12, 2024 and the final approval from the TSX and TSX Venture exchange was received on August 14, 2024. The shares of SpinCo are expected to commence trading on the TSX Venture Exchange on or about August 16, 2024.

Pursuant to the Arrangement, each shareholder of High Arctic received one-quarter of one (1/4) common share of SpinCo and one-quarter of one (1/4) common share of post-Arrangement High Arctic for each common share of High Arctic held. As a result of the Arrangement, each shareholder continues to own its pro rata portion of both SpinCo and post-Arrangement High Arctic.

SpinCo's now stand-alone PNG business begins with intact senior leadership and management, a new and independent Board of Directors , a separate stock exchange listing, a strong capital structure, no long-term debt and positive working capital of approximately US$19 million, including US$13 million in cash.

Mike Maguire, Chief Executive Officer commented:

> *"Our businesses in both Canada and PNG have performed well in the first half of 2024, setting up both High Arctic and SpinCo with strong financial positions for the commencement of trading as independently listed companies. I am very pleased to have completed the strategic re-organization of the Corporation and excited to be on the precipice of a new chapter in the High Arctic story as the two entities commence separate trading later this week.*
>
> *Both High Arctic and SpinCo have no net debt and access to cash at bank to finance budgeted activities and provide a platform for growth for each business to realize its potential and maximize value for their shareholders.*
>
> *In Canada the performance of our rental business in the first half of 2024 is in-line with our pre-transaction expectations following the acquisition and integration of Delta Rental Services. Having a cash positive business, when adjusted for re-organization costs, positions High Arctic as an attractive vehicle for future growth and transactions.*
>
> *In PNG Rig 103 completed services and was stacked at the forward base in the Southern Highlands, as expected. We anticipate a period of modest activity, through our rentals and manpower provision, as we await significant strategic decisions on major project advancement now expected in 2025."*

## Additional Information Pertaining to the Reorganization

The Corporation has received final approval today to list the post-Arrangement common shares of High Arctic (the "New High Arctic Common Shares") on the Toronto Stock Exchange ("TSX"). The existing common shares are expected to be delisted from the TSX as of the close of business on August 15, 2024. The New High Arctic Common Shares are expected to commence trading on the TSX at the market opening on August 16, 2024 and the CUSIP number for the New High Arctic Shares will be "42964L109".

Pursuant to the completion of the Reorganization the Corporation has today terminated its normal course issuer bid arrangement which has been in place since December 13, 2023.

With the completion of the reorganization and in accordance with the Arrangement, the Corporation is obliged for Canadian taxation compliance purposes to determine the fair market value of the SpinCo shares. The Corporation and SpinCo have begun the valuation process to determine the fair market value for SpinCo and expects to provide the fair market value of the SpinCo shares to shareholders prior to November 2024.

## Second Quarter Results

In the following discussion, the three months ended June 30, 2024 may be referred to as the "quarter" or "Q2 2024" and the comparative three months ended June 30, 2023 may be referred to as "Q2 2023". References to other quarters may be presented as "QX 20XX" with X/XX being the quarter/year to which the commentary relates. Additionally, the six-months ended June 30, 2024 may be referred to as "YTD" or "YTD-2024". References to other six-month periods ended June 30 may be presented as "YTD-20XX" with XX being the year to which the six-month period ended June 30 commentary relates.

## 2024 SECOND QUARTER HIGHLIGHTS

- Transformational developments from shareholder approvals on June 17, 2024:
  - $37.8 million return of capital to shareholders completed on July 17, 2024 funded through sale proceeds on 2022 disposal of Canadian well servicing assets, and
  - Reorganization of capital structure to provide shareholders separate holdings in two publicly-traded entities, with dedicated leadership, governance structure and solid financial positioning.
    - The continuing Canadian business and listing on the TSX (ticker HWO), and
    - The spinoff of the PNG business and new listing on the TSX Venture Exchange (ticker HOH).
- Continued integration of the Delta Acquisition with the legacy High Arctic rental business that now operates under the Delta Rental Services banner with deployment of additional underutilized assets into our expanded geographical coverage in Alberta.
- Increased revenue from continuing operations by $1,869 or 281% in the quarter when compared to revenue of $664 from Q2 2023 as a result of the impact of the Delta Acquisition on the 2024 results.
- Achieved positive Adjusted EBITDA from continuing operations of $187 in the quarter versus negative Adjusted EBITDA for Q2 2023 of ($934).
- Narrowed the operating loss from continuing operations from $1,400 in Q2 2023 to $1,363 in Q2 2024 as a result of the contribution from the Delta Acquisition which was mostly offset by $763 of additional G&A expenses incurred relating to the corporate reorganization.

## 2024 YEAR TO DATE HIGHLIGHTS

- Similar to the discrete quarter results, High Arctic's revenue from continuing operations increased 314% to $5,521 compared to revenue of $1,332 achieved in the first six months of 2023 as a result of the Delta Acquisition on 2024 results.
- Achieved strong oilfield services operating margins from continuing operations of 49.4% for the first half of 2024.
- Narrowed the use of funds flow from operations from continuing operating activities as the YTD-2024 saw a use of $96 compared to a use of $747 for the first six months of 2023 driven by strong operational performance from the Delta Acquisition offset by the significant additional G&A expenses incurred in 2024 due to the corporate reorganization initiatives.
- Working capital at the end of the quarter totaled $4,368, including cash of $3.3 million (after giving affect to the Return of Capital distribution). This positioning stands to support organic growth and be an initial basis for acquisition growth through selective and opportunistic investments.

## Q1 2024 Investor Conference Call

A High Arctic investor conference call is schedule to begin at 3:00 pm MT (5:00 pm ET) on Thursday, August 15, 2024. The conference call dial-in numbers are 1-800-898-3989 or 416-340-2217 and the participant passcode is 7163931#.

An archived recording of the conference call will be available approximately two hours after the call ends by dialing 1-800-408-3053 and entering passcode 8446938# will remain available until September 15, 2024. An audio recording of the conference call will also be available within 24 hours on High Arctic's website.

# RESULTS OVERVIEW

The following is a summary of select financial information of the Corporation:

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| (thousands of Canadian Dollars, except per share amounts) | 2024 | 2023 | 2024 | 2023 |
| **Operating results from continuing operations:** | | | | |
| Revenue – continuing operations | **2,533** | 664 | **5,521** | 1,332 |
| Net loss - continuing operations | **(1,709)** | (1,546) | **(1,527)** | (1,706) |
| *Per share (basic & diluted)* (1) | ***(0.04)*** | *(0.03)* | ***(0.03)*** | *(0.03)* |
| Oilfield services operating margin - continuing operations (2) | **1,204** | 309 | **2,729** | 760 |
| *Oilfield services operating margin as a % of revenue* (2) | ***47.5%*** | *46.5%* | ***49.4%*** | *57.1%* |
| EBITDA - continuing operations (2) | **(1,465)** | (1,613) | **(1,233)** | (1,755) |
| Adjusted EBITDA - continuing operations (2) | **187** | (934) | **280** | (1,331) |
| Operating loss - continuing operations (2) | **(1,363)** | (1,400) | **(2,433)** | (2,438) |
| **Cash flow from continuing operations:** | | | | |
| Cash flow from continuing operating activities | **(761)** | 626 | **(490)** | 33 |
| *Per share (basic & diluted)* (1) | ***(0.02)*** | *0.01* | ***(0.01)*** | *0.00* |
| Funds flow from (used in) continuing operating activities (2) | **(293)** | (659) | **(96)** | (747) |
| *Per share (basic & diluted)* (1) | ***(0.01)*** | *(0.01)* | ***(0.00)*** | *(0.02)* |
| Return of Capital, declared (4) | **37,842** | 730 | **37,842** | 1,460 |
| *Per share (basic)* | ***0.77*** | *0.015* | ***0.77*** | *0.030* |
| *Per share (diluted)* | ***0.751*** | *0.014* | ***0.750*** | *0.028* |
| Capital expenditures | **507** | 317 | **815** | 425 |

| | As at | |
|---|---|---|
| (thousands of Canadian Dollars, except per share amounts and common shares outstanding) | June 30, 2024 | Dec 31, 2023 |
| **Financial position:** | | |
| Working capital (2) | **4,368** | 62,985 |
| Cash and cash equivalents (3) | **41,087** | 50,331 |
| Total assets | **120,993** | 123,137 |
| Long-term debt (non-current) | **3,265** | 3,352 |
| Shareholders' equity | **64,160** | 99,332 |
| *Per share (basic)* (1) | ***1.31*** | *2.04* |
| *Per share (fully diluted)* (1) | ***1.27*** | *1.94* |
| Common shares outstanding | **49,792,700** | 49,122,302 |

(1) The number of common shares used in calculating net loss per share, cash flow from (used in) operating activities, funds flow from operating activities per share, dividend payments per share, and shareholders' equity per share is determined as explained in Note 13 of the Financial Statements (continuing operations).

(2) Readers are cautioned that Oilfield services operating margin, EBITDA (Earnings before interest, tax, depreciation, and amortization), Adjusted EBITDA, Operating loss, Funds flow from operating activities and Working capital do not have standardized meanings prescribed by IFRS – see the "Non IFRS Measures" section in this MD&A for calculations of these measures.

(3) Cash and cash equivalents includes $37,842 distributed to High Arctic shareholders on July 17, 2024 as a return of capital distribution.

(4) 2023 figures are cash dividends declared.

## Operating Results

### Ancillary services segment

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| (thousands of Canadian Dollars, unless otherwise noted) | 2024 | 2023 | 2024 | 2023 |
| Revenue | **2,533** | 664 | **5,521** | 1,332 |
| Oilfield services expense | **(1,329)** | (355) | **(2,792)** | (572) |
| Oilfield services operating margin(1) | **1,204** | 309 | **2,729** | 760 |
| ***Operating margin (%)*** | ***47.5%*** | *46.5%* | ***49.5%*** | *57.1%* |

(1) See “Non-IFRS Measures”

The Ancillary Services segment consists of High Arctic’s oilfield rental equipment in Canada centered upon pressure control equipment and equipment supporting the high-pressure stimulation of oil and gas wells in the WCSB.

### Production services segment

The Production Services segment operations consist of High Arctic’s idled snubbing units in Colorado, U.S., and its equity investments in the Seh’ Chene Partnership and Team Snubbing Services Inc. in Canada. Though the Seh’ Chene Partnership has experienced limited business activity since the 2022 Canadian sales transactions, the partnership is still active and the Corporation together with its partner look to re-position its customer offerings and explore other avenues for business activity.

### Liquidity and capital resources

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| (thousands of Canadian Dollars) | 2024 | 2023 | 2024 | 2023 |
| Cash provided by (used in) continued operations: | | | | |
| Operating activities | **(761)** | 626 | **(490)** | 33 |
| Investing activities | **(507)** | (317) | **(815)** | 27,676 |
| Financing activities | **(127)** | (812) | **(258)** | (1,676) |
| Effect of exchange rate changes on cash | **415** | (5) | **1,080** | 4 |
| Increase (decrease) in cash from continuing operations | **(980)** | (508) | **(483)** | 26,037 |

| (thousands of Canadian Dollars, unless otherwise noted) | As at June 30, 2024 (2) | As at Dec 31, 2023 |
|---|---|---|
| Current assets (excluding assets held for distribution) | **45,785** | 79,438 |
| Working capital(1) | **4,368** | 62,985 |
| Working capital ratio(1) | **1.1:1** | 4.8:1 |
| Cash and cash equivalents | **41,087** | 50,331 |
| Net cash(1) | **37,647** | 46,804 |

(1) See “Non-IFRS Measures”
(2) Continuing operations

### Operating Activities

In Q2 2024, cash used in operating activities from continuing operations was ($761), as compared with $626 of cash generated from operating activities from continuing operations in Q2 2023. Funds used in operating activities from continuing operations totaled ($293) in the quarter, versus ($659) for Q2 2023 (see “Non-IFRS Measures”). In Q2 2024, changes in non-cash operating working capital from continuing operations totaled ($468) versus $1,285 in Q2 2023.

For the six months ended June 30, 2024, cash used in operating activities from continuing operations was ($490), as compared with $33 of cash generated from operating activities from continuing operations in Q2 2023. Funds used in operating activities from continuing operations totaled ($96) for the six months ended June 30, 2024, versus ($747) for the same period in 2023. Over the six months ended June 30, 2024, changes in non-cash operating working capital from continuing operations totaled ($394) versus $780 for the comparable period in 2023.

The comparative period decrease in cash from operating activities from continuing operations for both the three and six months ended June 30, 2023 and 2024 was largely the result of higher G&A costs, substantially related to the Corporation’s reorganization initiative more than offsetting increased rental business margins.

**Investing Activities**
During the quarter, the Corporation's cash spent on investing activities from continuing operations totaled $507, compared to $317 for the same period the year prior. In addition to sustaining and growth capital spending related to its rental business, the Corporation's Q2 2024 investing activity also included spending on new information systems and information technology infrastructure necessary to support two separate entities after the completion of the Arrangement. Year to date spending through June 30, 2024 totaled $815 on these same projects. During the first six months of 2023, the Corporation received $27,676 net, primarily as a result of the receipt of the final cash proceeds of $28,000 from the 2022 sale of the Corporation's Canadian well servicing assets.

**Financing Activities**
During the quarter, the Corporation's cash used in financing activities was $127, significantly lower when compared to Q2 2023 at $812. During Q2 2024, the Corporation paid $42 (Q2 2023: $43) towards principal payments on its mortgage financing (see "Mortgage Financing" below) and $85 against lease liability payments (Q2 2023: $39). The largest contributor to the decline in cash used in financing activities in the quarter was due to the $730 returned to shareholders in the form of cash dividends in Q2 2023 compared to nil in Q2 2024. In Q2 2024, the Corporation declared the reduction of stated capital and the Return of Capital which was paid subsequent to quarter end.

For the six months ended 2024, the Corporation's cash used in financing activities was $258, compared to $1,676 for the same period in 2023. During the first half of 2024, the Corporation paid $87 (2023: $99) towards principal payments on its mortgage financing, and $171 (2023: $92) against lease liability payments. The comparative period decrease in cash used in financing activities year to date through June 30, 2023 was largely due to the $1,460 cash dividend payments made during the first half of 2023 and the $25 spent to purchase the Corporation's common shares for cancellation.

**Mortgage financing**

| (thousands of Canadian Dollars) | As at June 30, 2024 | As at Dec 31, 2023 |
|---|---|---|
| Current | **175** | 175 |
| Non-current | **3,265** | 3,352 |
| Total | **3,440** | 3,527 |

The Corporation has mortgage financing secured by lands and buildings owned by High Arctic located within Alberta, Canada. The mortgage has a remaining initial term of under three years with a fixed interest rate of 4.30% with payments occurring monthly. The Corporation's mortgage financing contains certain non-financial covenants requiring lenders' consent including changes to the underlying business. At June 30, 2024, the Corporation was compliant with all covenants associated with the mortgage financing.

## Outlook

For some time, the Corporation has both pursued or entertained potential business combination transactions. The distinctly different profiles of the North American and PNG businesses have proven to be the main impediment to unearthing transactions acceptable to all parties and in the best interests of High Arctic Shareholders. Finding unique companies desirous of being linked to both distinct businesses has proven futile. Companies to whom association with our North American Business may be attractive are a distinctly broader group and do not overlap with the international companies with whom the PNG business and its risk profile may fit well.

An example of this type of business combination was achieved in the Canadian market amidst reorganization deliberations with the Delta Acquisition in December of 2023. Its integration with our legacy rentals business in Canada has enabled the Corporation to increase scale at the operating margin level through the first half of 2024. Delta has performed in line with our pre-transaction expectations during this first half year and we expect a strong performance through the balance of 2024 as we continue to market and deploy our underutilized assets into our expanded geographical coverage.

Over the past two years, the Corporation has divested underperforming and non-core assets and business. Now the Corporation's Canadian business consists of a high-margin equipment rental business centered upon pressure control and well stimulation, a minority interest in Canada's largest oilfield snubbing services business, Team Snubbing Services Inc., ("Team Snubbing") and industrial properties at Clairmont and Whitecourt in Alberta, Canada. With the recent completion of the Arrangement, High Arctic is now poised to execute on an exciting new chapter in its corporate history and looks to grow the Canadian business through selective and opportunistic investments as well as consider accretive acquisitions in Canada.

As Team Snubbing moves into the second half of 2024, we are looking forward to developments from the changes made in Q2 2024 after their acquisition of control of Team Snubbing International Inc. ("Team International") that took place on April 1, 2024. The changes made in the quarter include the restructuring of the management and operational teams and the deployment of additional purpose-built assets to meet market needs of their customers and the environment they operate in. The navigation through this initiative in such a short period has proven the capability and depths of the Team Snubbing management team and the ‘Team Culture’. Team Snubbing and High Arctic are very proud of what has been accomplished in a short time frame and are excited to build on the larger geographical foundation that has been established.

Post the Arrangement, coupling the outlook for Team Snubbing and our integrated rentals business along with the industry macro developments around pipeline projects that will finally access tidewater markets and expand oil and gas takeaway for Canada in 2024, the Corporation anticipates strong demand for its equipment. Our Canadian business will be well positioned to deliver upon a growth strategy that creates value for our shareholders.

Post the Arrangement, the PNG business, High Arctic Overseas Holding Corp., begins with intact senior leadership and management, a new and independent Board of Directors, its own public listing on the TSX Venture exchange, a strong capital structure, no long-term debt and positive working capital of approximately US$19 million, including US$13 million in cash. Having successfully completed its current drilling program in PNG during the second quarter, drilling operations will be idle and are expected to remain idle to close out 2024. Ancillary services for rental equipment and manpower solutions remain active and are expected to provide meaningful cash flow to partially cover regional fixed infrastructure and personnel support costs. Near term priorities include sustainment of safety culture and people expertise, a deep and productive national workforce, and positioning for significant business development around world-class LNG projects.

## NON-IFRS MEASURES

This press release contains references to certain financial measures that do not have a standardized meaning prescribed by International Financial Reporting Standards (“IFRS”) and may not be comparable to the same or similar measures used by other companies. High Arctic uses these financial measures to assess performance and believes these measures provide useful supplemental information to shareholders and investors. These financial measures are computed on a consistent basis for each reporting period and include Oilfield services operating margin, EBITDA (Earnings before interest, tax, depreciation and amortization), Adjusted EBITDA, Operating loss, Funds flow from operating activities, Working capital and Net cash. These do not have standardized meanings.

These financial measures should not be considered as an alternative to, or more meaningful than, net income (loss), cash from operating activities, current assets or current liabilities, cash and/or other measures of financial performance as determined in accordance with IFRS.

For additional information regarding non-IFRS measures, including their use to management and investors and reconciliations to measures recognized by IFRS, please refer to the Corporation’s MD&A, which is available online at www.sedarplus.ca and through High Arctic’s website at www.haes.ca.

## FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements. When used in this document, the words “may”, “would”, “could”, “will”, “intend”, “plan”, “anticipate”, “believe”, “seek”, “propose”, “estimate”, “expect”, and similar expressions are intended to identify forward-looking statements. Such statements reflect the Corporation’s current views with respect to future events and are subject to certain risks, uncertainties, and assumptions. Many factors could cause the Corporation’s actual results, performance, or achievements to vary from those described in this press release.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this press release as intended, planned, anticipated, believed, estimated or expected. Specific forward-looking statements in this press release include, among others, statements pertaining to: listing of the SpinCo common shares and new High Arctic common shares following the reorganization; right sizing of the general and administrative infrastructure to align with the new corporate structure; the performance of the Corporation’s investment in Team Snubbing, and whether Team Snubbing can realize high utilization in its Canadian operations and for its snubbing packages in Alaska in 2024; strong demand for the Corporation’s Canadian rental equipment in 2024, scaling the Canadian business, executing on one or more corporate transactions; estimated credit risks and the utilization of tax losses; and timing of the provision to shareholders of the fair market value of the SpinCo shares.

With respect to forward-looking statements contained in this press release, the Corporation has made assumptions regarding, among other things, general economic and business conditions which will include, among other things, the outlook for energy services; continued impact of Russia-Ukraine conflict; the impact of conflict in the middle east; market fluctuations in interest rates, commodity prices, and foreign currency exchange rates; expectations regarding the Corporation’s ability to manage its liquidity risk, raise capital and manage its debt finance agreements; projections of market prices and costs; factors upon which the Corporation will decide whether or not to undertake a specific course of operational action or expansion; the Corporation’s ability to: maintain its ongoing relationship with major customers; successfully market its services to current and new customers; devise methods for, and achieve its primary objectives; source and obtain equipment from suppliers; successfully manage, operate, and thrive in an environment which is facing much uncertainty; remain competitive in all its operations; attract and retain skilled employees; and obtain equity and debt financing on satisfactory terms.

The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth above and elsewhere in this press release, along with the risk factors set out in the most recent Annual Information Form filed on SEDAR+ at www.sedarplus.ca.

The forward-looking statements contained in this press release are expressly qualified in their entirety by this cautionary statement. These statements are given only as of the date of this press release. The Corporation does not assume any obligation to update these forward-looking statements to reflect new information, subsequent events or otherwise, except as required by law.

### About High Arctic Energy Services

High Arctic is an energy services provider. High Arctic provides pressure control equipment and equipment supporting the high-pressure stimulation of oil and gas wells and other oilfield equipment on a rental basis to exploration and production companies, from its bases in Whitecourt and Red Deer, Alberta.

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