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High Arctic Announces 2024 Fourth Quarter and Year End Financial and Operating Results

CALGARY, Alberta – March 31, 2025, High Arctic Energy Services Inc. (TSX: HWO) (the "Corporation" or "High Arctic") released its' fourth quarter and year-end results today. The audited consolidated financial statements, management discussion & analysis ("MD&A"), and annual information form for the year ended December 31, 2024 will be available on SEDAR at www.sedar.com, and on High Arctic's website at www.haes.ca. All amounts are denominated in Canadian dollars ("CAD"), unless otherwise indicated.

Mike Maguire, Interim Chief Executive Officer commented:

"With 2024 complete High Arctic has effectively been reset and is now a Canadian focused platform characterized by minimal debt, investment holdings, and an established and viable high margin rental business.

Our rental business footprint, while still small in scale, was bolstered by the Delta Acquisition completed in late 2023, an acquisition that is indicative of the type and structure of accretive investments High Arctic looks to pursue going forward.

The Board of Directors is currently undergoing a process to recruit and appoint a new Chief Executive Officer to augment and lead High Arctic's vision and strategic plan which is to grow its equipment rentals business and position itself to benefit from upstream energy service activity levels in the western Canadian oil and gas industry."

In the following discussion, the three months ended December 31, 2024 may be referred to as the "**Quarter**" or "**Q4 2024**", and similarly the year ended December 31, 2023 may be referred to as "**YTD 2023**". The comparative three months ended December 31, 2023 may be referred to as "**Q4 2023"** and similarly the year ended December 31, 2022 may be referred to as "**YTD 2022**". References to other quarters may be presented as "**QX 20XX**" with **X** being the quarter/year to which the commentary relates.

2024 Highlights

- Successful integration of Delta Rental Services.
- Completed the reorganization of High Arctic including the return of $37.8 million to shareholders.
- Maintained operational excellence and safety as evidenced by the continuation of recordable incident free work.
- Exited Q4 with net positive working capital of $2.7 million, including $3.1 million of cash.

2025 Strategic Objectives

With the corporate restructuring and spinoff of the PNG business complete, the Corporation's 2025 strategic objectives include:

- Relentless focus on safety excellence and quality service delivery;
- Grow the core businesses through selective and opportunistic investments;
- Actively manage direct operating costs and general and administrative costs;
- Steward capital to preserve balance sheet strength and financial flexibility; and
- Execute on accretive acquisitions in Canada to drive shareholder value and optimize available tax loss carry-forwards.

2024 Strategic Objectives

At the beginning of 2024, High Arctic established a set of strategic priorities. Our priorities and highlights of objectives met include:

- Continued relentless focus on safety excellence and quality service delivery.
  - High Arctic's Canadian business completed 2024 without any recordable incidents, contributing to the Corporation's second calendar year running with a zero Total Recordable Incident Frequency Rate ("TRIF") rate.
  - High Arctic extended its recordable incident free activity in PNG, with 7 years and 353 days of continuous recordable incident free work conducted to the date of the spin-out, representing over 4 million work hours.
- The creation of appropriate capital and corporate structures for the current businesses, providing the opportunity to consider transactions which would create value for the Corporation's shareholders.
  - The Arrangement was overwhelmingly supported by shareholders and resulted in separate public companies each focused upon their area of expertise.
- A return of significant capital and spin out of the PNG Business to shareholders.
  - The Arrangement resulted in separate public companies while also delivering a tax efficient return of capital totaling $37.8 million to shareholders.
  - The Corporation retained its position on the main TSX (TSX: HWO); with High Arctic Overseas Holdings Corp. being listed on the TSX Venture Exchange (TSXV: HOH).
- Grow the core businesses through selective and opportunistic investments.
  - The Corporation focused on the very successful integration and rebranding of its rentals business in 2024, following its acquisition and amalgamation of the Delta Acquisition at the end of 2023.
  - The middle of the year was dedicated to the business of the Arrangement and the resulting transitionary work, however later in the year, the Corporation commenced the examination of selective investment opportunities, with this work continuing into 2025.
- Capital stewardship that preserves balance sheet strength and financial flexibility.
  - The Delta acquisition has provided incremental free cash flow and operational synergies.
  - The Corporation currently maintains low debt levels and associated leverage ratios.
  - Exited 2024 with a working capital ratio of 1.6:1
- Building up the Canadian business with acquisitions that allow the Corporation to optimize its available tax loss carry-forwards.
  - The Delta acquisition creates a blueprint for accretive acquisitions that position the Corporation to improve its ability to utilize its significant tax loss carry-forwards.
  - The Corporation, under the stewardship of the Board, continues its strategic review of potential acquisition targets with strong underlying intrinsic value and that will be accretive for shareholders.

RESULTS OVERVIEW

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

	Three months ended Dec 31,		Year ended Dec 31,	
(thousands of Canadian Dollars, except per share amounts)	2024	2023	2024	2023
Operating results from continuing operations:				
Revenue – continuing operations	2,443	1,037	10,470	3,384
Net loss - continuing operations	(715)	219	(2,117)	(989)
Per share (basic & diluted)	*(0.06)*	*0.02*	*(0.17)*	*(0.08)*
Oilfield services operating margin - continuing operations	1,143	664	5,207	2,058
Oilfield services operating margin as a % of revenue	*46.8%*	*64.0%*	*49.7%*	*60.8%*
EBITDA - continuing operations	178	(918)	(527)	(2,311)
Adjusted EBITDA - continuing operations	133	(672)	795	(2,703)
Operating loss - continuing operations	(533)	(1,408)	(2,965)	(5,163)
Cash flow from continuing operations:				
Cash flow from (used in) continuing operating activities	226	(874)	184	(515)
Per share (basic & diluted)	*0.02*	*(0.07)*	*0.01*	*(0.04)*
Funds flow from (used in) continuing operating activities	530	(335)	484	(1,292)
Per share (basic & diluted)	*0.04*	*(0.03)*	*0.04*	*(0.11)*
2024 return of capital / 2023 dividends	-	-	37,842	2,190

	As at December 31		
(thousands of Canadian Dollars, except per share amounts)	2024	2023	2022
Financial position:			
Working capital	2,692	62,985	59,461
Cash and cash equivalents	3,123	50,331	19,559
Total assets	30,867	123,137	133,957
Long-term debt	3,178	3,352	4,028
Shareholders’ equity	21,105	99,332	115,231
Per share (basic)	*1.70*	*8.09*	*9.47*
Common shares outstanding	12,448,166	12,280,568	12,172,958

Fourth Quarter 2024 Summary

- Revenue from continuing operations increased 136% to $2,443 in the quarter compared to $1,037 in Q4 2023. The increase in revenue is primarily attributable to the Delta Acquisition in late Q4 2023.
- Oilfield services operating margin from continuing operations was $1,143 in the current year quarter compared to $664 in the prior year quarter, an increase of $479 or 72%, driven by the Delta Acquisition as noted above.
- EBITDA from continuing operations was $178 in the current year quarter compared to EBITDA loss of $918 in the prior year quarter. EBITDA from continuing operations benefitted from the acquisition of Delta Rental Services Ltd. (“Delta”) or (the “Delta Acquisition”) in late 2023.
- Operating loss from continuing operations of $553 in the quarter compared to $1,408 in Q4 2023. The decrease in operating loss is attributable to higher oilfield services operating margin and reduced general and administrative costs, offset in part, by an increase in depreciation and amortization expenses. The improvements in operating loss from continuing operations is directly related to the Delta Acquisition.
- Net loss from continuing operations was $715 in Q4 2024 compared to net income from continuing operations of $219 in Q4 2023. Net loss from continuing operations was impacted by the same items impacting operating loss (as above) with a substantial contribution from the Delta Acquisition combined with reduced interest income, net higher non-cash accretion on contingent payments and notes receivable, fair value related adjustments, reduced income from equity accounted investment in Team Snubbing, and the positive change in foreign exchanges loss in Q4 2023 to gain in Q4 2024.

Annual 2024 Summary:

- Revenue from continuing operations increased 209% to $10,470 compared to revenue of $3,384 achieved in 2023. Consistent with the summary of the fourth quarter results, the increase in revenue is primarily attributable to the Delta Acquisition in late Q4 2023.
- Oilfield services operating margin from continuing operations was $5,207 in the current year quarter compared to $2,058 in the prior year quarter, an increase of $3,149 or 153%, driven by the Delta Acquisition as noted above.
- EBITDA loss from continuing operations was $527 in the current year compared to EBITDA loss of $2,311 in the prior year. EBITDA from continuing operations benefitted from the Delta Acquisition.
- Operating loss from continuing operations improved to $2,965 in the year compared to $5,163 in 2023. The decrease in operating loss is attributable to higher oilfield services operating margin, offset in part, by an increase in depreciation and amortization expenses. The improvements in operating loss from continuing operations was directly related to the Delta Acquisition.
- Net loss from continuing operations was $2,117 compared to $989 in FY 2023. The net loss, despite an improvement of $2,198 in operating income, is primarily due to the 2023 $615 gain on sale of the nitrogen business, a 2023 $915 deferred income tax recovery, $729 lower interest income from cash on guaranteed investment certificates (“GICs”) and term deposits in 2024 with the July 2024 distributed return of capital to shareholders, $1,493 lower equity investment income from Team Snubbing, and the net impact of higher non-cash accretion related expenses.
- Production Service’s 42% equity investment share of Team Snubbing Services Inc. net loss was $690 for the year ended December 31, 2024, compared to net income of $803 in the comparative period in 2023. Weak international operating results in 2024 combined with costs incurred to restructure the international business in Alaska dragged down Team Snubbing’s results while the Canadian business performed in line with 2023.
- Cash from operating activities from continuing operations was $184 for the year, an improvement of $699 as compared to the prior year use of $515, driven by strong operational performance from the Delta Acquisition, partially offset by the significant additional general and administrative expenses incurred in 2024 due to the Arrangement.

Rental services segment

	Three months ended Dec 31,		Years ended Dec 31,	
(thousands of Canadian Dollars, unless otherwise noted)	2024	2023	2024	2023
Revenue – continuing operations	2,443	1,037	10,470	3,384
Oilfield services expense – continuing operations	(1,300)	(373)	(5,263)	(1,326)
Oilfield services operating margin[(1)]	1,143	664	5,207	2,508
Operating margin (%)	*46.8%*	*64.0%*	*49.7%*	*60.8%*

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

The increase in revenue for the three and twelve month periods ended December 31, 2024, versus the comparable periods in 2023 is a direct result of the contribution from the Delta business that was acquired in late 2023. Specifically, Q4 2024 revenues increased by $1,406 or 136% compared to Q3 2023, with annual 2024 revenues increasing by $7,086 or 209% when compared to annual 2023. Operating margins of 46.8% and 49.7% for the three and twelve months ended December 31, 2024, respectively, are approximately 17 percent and 11 percent lower (on a gross basis) than the comparable periods in 2023, respectively. The reduction in operating margins is primarily a result of the Delta Acquisition, as Delta utilizes a combination of owned and third-party rental equipment in its operations, with third-party rental equipment resulting in higher operating expenses.

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 will look to reposition its customer offerings and explore other avenues for business activity.

Team Snubbing Services Inc.
High Arctic accounts for the results of its 42% equity interest in Team Snubbing using the equity method of accounting, with Team Snubbing's net earnings recorded as income from equity investments in the respective reporting period. As reported in the Corporation's 2024 Financial Statements (Note 12), Team Snubbing achieved gross revenues of $26,064 for 2024 versus gross revenues of $21,252 for the comparative period in 2023. This increase in revenues is primarily a result of the consolidation of the results of Team Snubbing International Inc. ("Team International") for the first time following Team Snubbing's April 1, 2024, acquisition of control of Team International.

Team International's operations experienced lower than anticipated activity levels in the Alaskan market in both Q4 2024, and for the year 2024. In addition, during Q2 2024, Team International incurred additional costs for restructuring management and operational teams. The restructuring initiative consolidated Team International's workforce, "right sizing" it to the needs of the overall customer base and aligning the service delivery with Team Snubbing's successful Canadian model. Team Snubbing's domestic Canadian operations experienced similar activity levels in both Q4 2024 and year-to-date 2024, when compared to the same periods of 2023.

High Arctic's proportionate share of Team Snubbing's net loss for 2024 was $690 compared to an income inclusion of $803 for the comparable period in 2023, representing a decrease in income from equity investment of $1,493. This year-over-year decline in income from equity investment realized in 2024 was primarily due to the results of Team International.

Liquidity and capital resources

	Three months ended Dec 31,		Years ended Dec 31,	
(thousands of Canadian Dollars)	2024	2023	2024	2023
Cash provided by (used in) continued operations:				
Operating activities	226	(874)	184	(515)
Investing activities	(310)	(3,160)	(997)	25,638
Financing activities	(430)	45	(38,659)	(2,967)
Effect of exchange rate changes on cash	(469)	(745)	717	(720)
Increase (decrease) in cash from continuing operations	(983)	(4,734)	(38,755)	21,436

(thousands of Canadian Dollars, unless otherwise noted)	As at Dec 31, 2024	As at Dec 31, 2023
Current assets	7,221	79,438
Working capital(1)	2,692	62,985
Working capital ratio(1)	1.6:1	4.8:1
Cash and cash equivalents	3,123	50,331
Net cash(1)	(230)	46,804

Operating Activities
In Q4 2024, cash from operating activities from continuing operations was $226, as compared with an outflow of $874 from operating activities from continuing operations in Q4 2023. Funds from operating activities from continuing operations totaled $530 in the quarter versus funds used of $335 for Q4 2023 (see “Non-IFRS Measures”). In Q4 2024, changes in non-cash operating working capital from continuing operations totaled an outflow of $304 compared to an outflow of $539 in Q4 2023.

For the year ended 2024, cash from operating activities from continuing operations was $184 as compared to a use of cash of $515 of cash from operating activities from continuing operations in 2023. Funds from operating activities from continuing operations totaled $484 for the year ended 2024, versus a use of funds of $1,292 for 2023.

Changes in cash from operating activities from continuing operations and funds from operating activities from continuing operations for both the three and twelve months ended December 31, 2024, when compared to the same periods in 2023, were largely the result of the positive impact on the business from the Delta Acquisition. In addition, operating related cash flows in the fourth quarter of 2024 benefitted from reduced G&A costs associated with the Arrangement transaction which was completed in the third quarter of 2024.

Investing Activities
During the fourth quarter, the Corporation’s net cash used in investing activities from continuing operations totaled $310 compared to $3,160 for the prior year comparative quarter. For the year ended 2024, net cash used in investing activities from continuing operations totaled $997 compared to an inflow of $25,638 in the prior year. For the fourth quarter of 2024 and YTD 2024, the majority of expenditures incurred related to sustaining and growth capital for the Rental Services Segment combined with investments in information technology and systems required to support the Corporation upon completion of the Arrangement transaction. YTD 2023 investing activities were impacted by proceeds received on the sale of assets (net of costs) of $29,569, offset in part by the Delta Acquisition in Q4 2023 for $3,430.

Financing Activities
During the fourth quarter, the Corporation’s net cash used in financing activities from continuing operations was $430 compared to an inflow of $45 in the prior year comparative quarter. For the year ended 2024, net cash used in financing activities from continuing operations was $38,659 compared to $2,967 in the prior year. Cash flow from financing activities for the year ended 2024 was impacted by a one-time $37,842 distribution to shareholders in accordance with the completion of the Arrangement transaction. Excluding the impact of the one-time distribution, cash flows related to finance activities were impacted by the normal course receipts and payments on the Corporation’s existing note receivables, lease liabilities and long-term debt.

Working Capital
As at December 31, 2024, the Corporation’s working capital balance was $2,692 compared to $62,985 as at December 31, 2023. The change in working capital is largely due to the spinout of the Corporation’s PNG business combined with the $37,842 return of capital distribution paid during 2024, both of which were completed in connection with the Arrangement transaction.

Long-term Debt

(thousands of Canadian Dollars)	As at Dec 31, 2024	As at Dec 31, 2023
Current	175	175
Non current	3,178	3,352
Total	3,353	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 two years with a fixed interest rate of 4.30% with payments occurring monthly. The mortgage financing contains certain non-financial covenants requiring lenders’ consent including changes to the underlying business. As at December 31, 2024, the Corporation was compliant with all covenants associated with the mortgage financing.

2025 Earn-Out Shares issued pursuant to the 2023 share purchase agreement with Delta Rental Services Ltd.
Subsequent to December 31, 2024, the Corporation issued 248,793 shares as part of the settlement of the first-year contingent consideration payable pursuant to the Acquisition of Delta Rental Services Ltd.

Outlook

As a result of the successful execution of the Arrangement and corporate reorganization during 2024, High Arctic has transformed itself. After a decade of significant cash flow generation and cash dividends and distribution to shareholders in excess of $105 million, bold measures were taken to adjust for the decade ahead. The 2024 Arrangement provided shareholders with a separate investment holding and future flexibility through a new publicly traded entity containing the former PNG business (TSXV: HOH) plus a tax efficient cash distribution in the form of a $37.8 million return of capital. It also provided shareholders with a continuing investment in a refined, Canadian focused, and reset High Arctic publicly traded entity.

High Arctic's Canadian platform is characterized by minimal debt and its continuing operations now consist of:

- A western Canadian high-margin equipment rental business - centred on pressure control and well stimulation;
- A minority 42% interest in Canada's largest oilfield snubbing services business, Team Snubbing; and
- Two industrial properties, located in Clairmont and Whitecourt, Alberta.

High Arctic anticipates that its Rental Services segment will continue to generate funds flow from operations commensurate with oil and gas well completion fundamentals in western Canada. The rental business footprint, while still small in scale, was bolstered by the 2023 Delta Acquisition. This acquisition is indicative of the type and structure of accretive investment High Arctic will look to pursue going forward. For 2025, the Rental Services segment is expected to be at a stage whereby operating cash flow covers Corporate segment costs and yields modest funds for organic growth.

High Arctic is at the early stages of a new chapter in its corporate history. The 2024 transformational developments provide a clean platform to enable a new strategic direction. The Board of Directors is currently undergoing a process to recruit and appoint a new Chief Executive Officer to augment and lead High Arctic's vision and strategic plan. High Arctic's current intent is to grow its equipment rentals business and position itself to benefit from upstream energy service activity levels in the western Canadian oil and gas industry. Complementary new service lines with high margin, low headcount and low fixed costs, are also being considered.

In summary for 2025, the Corporation expects to continue to execute on the initial phases of its strategic business plan, with progress to date being evidenced by selective capital expenditure investments in its rental business throughout 2024. High Arctic continues to assess acquisition targets that are both complimentary and new to existing customer offerings. Potential benefits of an acquisition for High Arctic include enhancing the scope and scale of its operations; the ability to provide a broader customer service offering; and formalizing/augmenting the leadership team for the Corporation.

Execution of the strategic plan remains opportunistic and is ongoing. The timing and ability to execute on certain underlying objectives, however, has become challenging due to recent divisive global geopolitical developments and resulting global economic uncertainties. These developments include changes and potential changes in global trade policies and tariffs, threats of additional or retaliatory tariffs, and policy shifts as a result of new government leadership in many jurisdictions around the world. The federal election in Canada, set for April 28, 2025, may have a significant impact on long term investment in Canada's energy industry.

Western Canadian oil and gas activity levels, despite volatility in underlying commodity prices, have benefited from resurgent Canadian upstream activity to meet, and then sustain, growing oil and natural gas export infrastructure capacity. This includes tidewater access off the west coast of Canada through the 2024 Trans Mountain pipeline expansion, expected 2025 LNG Canada pipeline commencement, and land pipeline expansion to the United States through completed projects such as the Line 3 expansion.

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 Long-term financial liabilities. 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.sedar.com 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 the following: general economic and business conditions, which will include, among other things, the outlook for the energy industry inclusive of commodity prices, producer activity levels and general energy supply and demand fundamentals that may impact the energy industry as a whole; the impact (if any) of geo-political events, changes in government, changes to tariff's or related trade policies and the potential impact on the Corporation's ability to execute its 2025 strategic objectives; fluctuations in interest rates and commodity prices; 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 ongoing relationship with its major customers; the Corporation's ability to seek and execute accretive acquisitions including the timing thereof and the potential operational and financial benefits; the ability to recruit and retain executive officers and other key personnel; management of general and administrative costs; the maintenance of a strong balance sheet and related financial flexibility; the performance of the Corporation's investment in Team Snubbing; operational and financial performance of the Corporation's Canadian rental equipment in 2025; scaling the Canadian business, execution on one or more corporate transactions; and estimated credit risks.

With respect to forward-looking statements contained in this press release, the Corporation has made assumptions regarding, among other things, its 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; obtain equity and debt financing on satisfactory terms and manage its liquidity risk.

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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