# MANAGEMENT'S DISCUSSION & ANALYSIS

**FOR THE YEARS ENDED**
**December 31, 2024 and 2023**

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis ("MD&A") is a summary review of core operations, strategy, outlook, risks, the results of operations, liquidity, and capital resources of High Arctic Energy Services Inc. ("High Arctic" or the "Corporation"). This MD&A is based on information available to March 31, 2025, and should be read in conjunction with the audited consolidated financial statements and notes for the years ended December 31, 2024, and 2023 (the "Financial Statements"). Additional information relating to the Corporation including the Corporation's Annual Information Form ("AIF") for the year ended December 31, 2024, is available under the Corporation's profile on SEDAR+ at www.sedarplus.ca. This MD&A and the Financial Statements were reviewed by High Arctic's Audit Committee and approved by the Board of Directors on March 31, 2025. Throughout the MD&A, all amounts are expressed in thousands of Canadian dollars ("CAD") unless otherwise noted and have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Readers are cautioned that this MD&A contains certain forward-looking information. Please refer to the "Forward-Looking Statements" section of this MD&A for the Corporation's discussion on forward looking information including risk factors that could cause actual results to differ materially and certain assumptions used to underlie the forward-looking information. Definitions of certain non-IFRS financial measures are included under the "Non-IFRS Measures" section of this MD&A. Please refer to abbreviations listed on the last page of this MD&A.

In the following discussion, the three months ended December 31, 2024, may be referred to as the "quarter" or "Q4 2024" and the comparative three months ended December 31, 2023, may be referred to as "Q4 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 year ended December 31, 2024, may be referred to as "FY 2024" or "YTD 2024" and the comparative year may be referred to as "FY 2023" or "YTD 2023".

## Corporate Profile

Headquartered in Calgary, Alberta, Canada, High Arctic's continuing operations primarily involve the provision of 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 in Canada.

High Arctic conducts its business operations in two separate operating segments: Rental Services (previously reported as "Ancillary Services") and Production Services, both of which are supported by a Corporate segment. The Rental Services segment contains the Corporation's rental equipment assets in western Canada. The Production Services segment is comprised of the Corporation's inactive snubbing assets in the United States, and its equity investments in Team Snubbing Services Inc. ("Team Snubbing") and the Seh' Chene Well Services Limited Partnership ("Seh' Chene Partnership") in Canada. The Corporate segment contains High Arctic's remaining assets including monetary investments and borrowings.

## Corporate Reorganization and Spinoff of the PNG Business

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 $0.76 per pre-Arrangement common share of High Arctic. The reorganization was completed on August 12, 2024, and resulted in the spinoff of the Corporation's former PNG business to High Arctic shareholders through a new publicly listed entity High Arctic Overseas Holdings Corp. ("SpinCo") that trades on the TSX Venture Exchange under the trading symbol HOH. The approved return of capital of $0.76 per pre-Arrangement common share was distributed to shareholders on July 17, 2024. Finally, as part of the Arrangement, the Corporation effected a de facto four-to-one share consolidation whereby each High Arctic shareholder received one-quarter of one post-Arrangement common share for every pre-Arrangement common share held prior to August 12, 2024. Throughout this MD&A, the legacy PNG business has been presented as discontinued operations.

## 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.

## Select Comparative Financial Information

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

| | Year ended December 31 | | |
|---|---|---|---|
| (thousands of Canadian Dollars, except per share amounts) | 2024 | 2023 | 2022 |
| **Operating results from continuing operations:** | | | |
| Revenue – continuing operations | 10,470 | 3,384 | 38,501 |
| Net loss - continuing operations | (2,117) | (989) | (29,673) |
| *Per share (basic & diluted)* [1] | *(0.17)* | *(0.08)* | *(0.61)* |
| Oilfield services operating margin - continuing operations [2] | 5,207 | 2,058 | 3,839 |
| *Oilfield services operating margin as a % of revenue* [2] | *49.7%* | *60.8%* | *10.0%* |
| EBITDA - continuing operations [2] | (527) | (2,311) | (12,849) |
| Adjusted EBITDA - continuing operations [2] | 795 | (2,703) | (1,663) |
| Operating loss - continuing operations [2] | (2,965) | (5,163) | (8,744) |
| **Cash flow from continuing operations:** | | | |
| Cash flow from (used in) continuing operating activities | 184 | (515) | 4,291 |
| *Per share (basic & diluted)* [1] | *0.01* | *(0.04)* | *0.09* |
| Funds flow from (used in) continuing operating activities [2] | 484 | (1,292) | (3,791) |
| *Per share (basic & diluted)* [1] | *0.04* | *(0.11)* | *(0.08)* |
| 2024 return of capital/2022-2023 dividends [3] | 37,842 | 2,190 | 2,193 |
| Capital expenditures - continuing operations | 1,947 | 501 | 3,515 |

| | As at December 31 | | |
|---|---|---|---|
| (thousands of Canadian Dollars, except per share amounts and common shares outstanding) | 2024 | 2023 | 2022 |
| **Financial position:** | | | |
| Working capital [2] | 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 (non-current) | 3,178 | 3,352 | 4,028 |
| Shareholders' equity | 21,105 | 99,332 | 115,231 |
| *Per share (basic)* [1] | *1.70* | *8.09* | *9.47* |
| Common shares outstanding [4] | 12,448,166 | 12,280,568 | 12,172,958 |

(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 16 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 income (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) 2023 and 2022 amounts are cash dividends declared.

(4) Pursuant to the de facto four-to-one consolidation of the Corporation's outstanding common shares effective August 12, 2024, the number of common shares outstanding and all per-share amounts have been retroactively adjusted to effect the stock consolidation.

## 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.

## 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.

## Discussion of Operations

### 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.

## Operating Results

### Rental Services segment

| | Three months ended Dec 31, | | Year ended Dec 31, | |
|---|---|---|---|---|
| (thousands of Canadian Dollars, unless otherwise noted) | 2024 | 2023 | 2024 | 2023 |
| Revenue | 2,443 | 1,037 | 10,470 | 3,384 |
| Oilfield services expense | (1,300) | (373) | (5,263) | (1,326) |
| Oilfield services operating margin(1) | 1,143 | 664 | 5,207 | 2,058 |
| *Operating margin (%)* (1) | *46.8%* | *64.0%* | *49.7%* | *60.8%* |

(1) See "Non-IFRS Measures"

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.

**PNG Business Spinoff – Discontinued Operations**
The operating results of the Corporation's PNG business, which includes activity from its Drilling Services and International Rental Services segments, reported herein as discontinued operations for the three and twelve months ended December 31, 2024 and 2023 are as follows.

| | Three months ended Dec 31, | | Year ended Dec 31, | |
|---|---|---|---|---|
| (thousands of Canadian Dollars) | 2024[(1)] | 2023 | 2024[(1)] | 2023 |
| Revenue | - | 17,077 | 27,352 | 58,549 |
| Oilfield services expense | - | (11,693) | (16,890) | (39,344) |
| General and administrative expense | - | (1,306) | (4,192) | (4,309) |
| Depreciation and amortization expenses | - | (949) | (3,591) | (8,385) |
| Interest income and finance expense | - | 14 | (65) | (153) |
| Foreign exchange gain (loss) | - | (152) | (12) | (193) |
| Gain (loss) on sale of property and equipment | - | (25) | - | (18) |
| Asset impairment loss | - | - | - | (20,500) |
| Reclassification of cumulative foreign currency translation gain on distribution to SpinCo | - | - | 28,686 | - |
| Pre-tax income (loss) for the period | - | 2,966 | 31,288 | (14,353) |
| Income tax recovery (expense) | - | (439) | (860) | 2,508 |
| Net income (loss) from discontinued operations | - | 2,527 | 30,428 | (11,845) |

(1) The 2024 operating results of the PNG Business includes operating results from January 1, 2024 to August 12, 2024.

Revenues and oilfield services expenses from discontinued operations declined during YTD 2024 when compared to the comparable 2023 period as a result of lower PNG rig utilization and the fact that the current years financial results include operating results up to August 12, 2024, compared to a full year inclusion in the comparative period. General and administrative expenses relating to discontinued operations were impacted by higher professional fees and other related costs as a result of the Arrangement transaction. Depreciation and amortization expenses relating to discontinued operations for YTD 2024 were lower than in the comparable 2023 period, primarily as a result of the $20,500 asset impairment loss incurred in Q3 2023. The distribution of the PNG business to SpinCo resulted in the cumulative foreign currency translation recorded in High Arctic's accumulated other comprehensive income account being reclassified to net income of $28,686. The reclassification was recognized in the third quarter of 2024, was the primary contributor to the net income from discontinued operations for YTD 2024.

**Nitrogen Business Assets – Discontinued Operations**

On July 31, 2023, the Corporation closed the sale of all nitrogen business assets, which were located in Canada, previously included in its Ancillary Services segment (which beginning this quarter has been renamed "Rental Services"). Accordingly, the operating results of the Corporation's nitrogen assets have been presented as discontinued operations.

The results of the operations of the disposed nitrogen assets are as follows:

| | Three months ended Dec 31, | | Year ended Dec 31, | |
|---|---|---|---|---|
| (thousands of Canadian Dollars, unless otherwise noted) | 2024 | 2023 | 2024 | 2023 |
| Revenue | - | - | - | 1,307 |
| Oilfield services expenses | - | - | - | (1,191) |
| General and administrative expenses | - | - | - | (292) |
| Depreciation expense | - | - | - | (129) |
| Net loss from discontinued operations | **-** | - | **-** | (305) |

**General and Administrative Expenses ("G&A")**

| | Three months ended Dec 31, | | Year ended Dec 31, | |
|---|---|---|---|---|
| (thousands of Canadian Dollars, unless otherwise noted) | 2024 | 2023 | 2024 | 2023 |
| G&A | 958 | 1,501 | 5,412 | 5,157 |
| *Percent of revenue (%)* | *39.2%* | *144.7%* | *51.7%* | *152.4%* |

Through 2023 and 2024, the Corporation's G&A levels have been elevated as a result of professional fees and other related costs associated with the Arrangement transaction and the corporate reorganization that was completed in the third quarter of 2024. In Q4 2024, High Arctic incurred $207 in costs associated with the Arrangement transaction primarily related to year end audit work on SpinCo related financial information included in the Corporation's Financial Statements up to August 12, 2024. While High Arctic does not anticipate any material costs associated with the Arrangement transaction being incurred in 2025, management is still in the process of right-sizing its G&A costs to align with its existing business. Excluding the impact of costs associated with the Arrangement transaction, G&A costs for YTD 2024 were consistent with management's expectations.

High Arctic recorded G&A costs of $958 in Q4 2024 compared to $1,501 in the comparative quarter with annual 2024 G&A costs of $5,412 compared to $5,157 in the comparative period. As previously noted, G&A costs for 2024 were impacted by costs incurred as a result of the Arrangement transaction, offset by reduced administrative headcount related costs and the Corporation continuing to right-size its G&A costs for its existing business. Additionally, the Corporation has charged SpinCo for specific financial, legal and tax matters related to the Arrangement transaction. These charges totaled $207 and $1,259 for the three and twelve month periods in 2024. G&A related costs associated with the transaction that are specific to SpinCo for the current year period (January 1, 2024 through to August 12, 2024) are included in G&A in discontinued operations.

Management continues to focus on actively managing G&A costs, ensuring that the cost structure is appropriately aligned with High Arctic's existing Canadian focused rentals business.

**Depreciation and amortization expenses**

Depreciation and amortization expenses of property and equipment, intangibles and right-of-use assets totaled $697 in Q4 2024 compared to $343 during Q4 2023, an increase of $354 or 103%. Depreciation and amortization expenses for the year ended December 31, 2024, totaled $2,600 compared to $1,568 during the same period in 2023, an increase of $1,032 or 66%. These increases are a direct result of the additional property and equipment cost base associated with capital expenditures, intangible additions and the Delta Acquisition which has, in turn, increased depreciation expense.

**Share-based compensation**

Share-based compensation expense is the charge to income over the service period relating to stock option or unit plans which generally contemplate the issuance of common shares upon vesting. The Corporation recorded $21 of expense in Q4 2024 compared to $228 in Q4 2023 and $160 of expense for the year ended December 31, 2024, compared to $496 for the comparative period.

On July 2, 2024, the Corporation settled the last remaining equity-based incentive awards it had outstanding prior to the completion of the reorganization. The decrease in the share-based compensation expense in 2024 when compared to 2023 was due to the extinguishment of the legacy share-based compensation awards, offset in part, by expense associated with stock option grants issued in Q4 2024. On November 18, 2024, 575,000 stock options were granted at an exercise price of $1.19.

**Interest, finance expenses and income (loss) from equity investments**

| | Three months ended Dec 31, | | Year ended Dec 31, | |
|---|---|---|---|---|
| (thousands of Canadian Dollars) | 2024 | 2023 | 2024 | 2023 |
| Interest on long-term debt and standby fees | 36 | 37 | 150 | 189 |
| Finance expense – lease liabilities | 20 | 5 | 82 | 32 |
| Accretion on contingent consideration | 292 | - | 292 | - |
| Other expenses (income) | - | (2) | 11 | 10 |
| Interest and finance expense | 348 | 40 | 535 | 231 |
| | | | | |
| Notes receivable accretion income | 66 | 51 | 265 | 192 |
| | | | | |
| Interest income | 86 | 553 | 1,289 | 2,018 |
| | | | | |
| Income (loss) from equity investments | (396) | 352 | (690) | 803 |
| | | | | |
| Foreign currency gain (loss) | 661 | (290) | 795 | (321) |

Interest expense is pursuant to a mortgage secured by lands and buildings owned by High Arctic located within Alberta, Canada. The reduction in interest expense is due to the normal course repayments of the outstanding mortgage balance throughout 2024 resulting in reduced interest charges. The mortgage has a remaining initial term of less than two years with a fixed interest rate of 4.30% and payments occurring monthly. The Corporation's mortgage financing contains certain non-financial covenants requiring lenders' consent including changes to the underlying business. As at December 31, 2024, the total principal balance outstanding was $3,353.

Finance expense associated with lease liabilities for Q4 2024 was $20 versus $5 in Q4 2023 and $82 for the year ended December 31, 2024, versus $32 for the same period the year prior. The increase in finance expense is due to higher average lease obligations in 2024 compared to 2023. The increase in lease obligations is a result of lease obligations recognized as part of the Delta Acquisition in December 2023.

Accretion expense of $292 was recognized in Q4 2024 related to the contingent consideration payable which was recognized as part of the Delta Acquisition in December 2023.

*Contingent Consideration Payable*
In 2023, as part of the consideration for the Delta Acquisition, High Arctic recognized a contingent consideration payable in the amount of $2,952. The contingent consideration payable is based on the historical Delta business achieving specific profitability targets, adjusted for certain capital expenditures incurred. In accordance with the purchase and sale agreement, the seller will receive a set percentage of the profitability target achieved. The percentage increases when the profitability target is exceeded by 20% and is reduced if the target is less than 95%. No contingent consideration is payable when less than 50% of the profitability target is achieved. As at December 31, 2024, the contingent consideration payable outstanding was $2,357 of which $1,245 was a current liability and $1,112 being a long-term liability. Included in accounts payable and accrued liabilities as at December 31, 2024, is $1,146 related to the first year portion of the contingent consideration.

*Notes Receivable*
As at December 31, 2024, the Corporation has two notes receivable outstanding, with a combined principal balance outstanding of $3,091 for which accretion income is required to be recognized. The carrying value of each note is adjusted for accretion over the individual note terms with $66 and $265 recorded during the three and twelve month periods ended December 31, 2024 ($51 and $192 for the comparable periods in 2023). The increase in accretion is due to the note receivable associated with the Delta Acquisition in December 2023. See below for a summary of the individual note receivables.

*Team Snubbing Note Receivable*
As part of the sale of the Canadian snubbing assets in 2022, the Corporation received a convertible promissory note for $3,365 with a five-year term, annual interest rate of 4.5% accruing from January 1, 2023, and principal payments commencing in July 2024. As at December 31, 2024, the principal balance outstanding was $2,548.

*Delta Rentals Note Receivable*
In 2023, as part of the assets acquired in the Delta Acquisition, High Arctic received an interest-free note receivable for $880 with a three-year term, accruing from December 28, 2023, and principal repayments commencing December 2024. The carrying value of the note is determined by discounting the anticipated future cash flow impact of the note using an effective interest rate of 5.0% which approximates the credit risk associated with the principal amount outstanding of the note. As at December 31, 2024, the principal amount outstanding was $543.

Interest income from cash invested in high-interest accounts and GICs totalled $86 during Q4 2024 (Q4 2023 – $553) and $1,289 for 2024 (2023 – $2,018). As at December 31, 2024, the Corporation had $3,123 maintained in a high-interest savings account earning an interest rate of approximately 4.25%.

Income (loss) from equity investments represents High Arctic's equity interest in Team Snubbing and the Seh' Chene Partnership using the equity method of accounting. High Arctic records its proportionate interest of net income or loss generated from these investments into its earnings in the respective reporting period. In the fourth quarter of 2024, the Corporation recorded a loss from its equity investments of $396 (2023: income of $352) and a loss of $690 for the year ended December 31, 2024 (2023: income of $803). On April 1, 2024, Team Snubbing acquired control of Team International and as a result, was required to consolidate Team International's 2024 financial results with its own starting from April 1, 2024. The inclusion of losses from Team International for the last three quarters of 2024 more than offset the net income generated by Team Snubbing for 2024.

Foreign exchange gain for Q4 2024 was $661 compared to a loss of $290 in the prior year comparative period, with a foreign exchange gain of $795 for the year ended 2024 compared to a loss of $321 in the prior year. Foreign exchange gains and losses were impacted by changes in the US dollar ("USD") to Canadian dollar ("CAD") foreign currency exchange rate related to the revaluation of the Corporation's USD denominated assets and liabilities. As at December 31, 2024, the USD to CAD foreign currency exchange rate was 1.4389 compared to 1.3226 as at December 31, 2023. The depreciation of the CAD dollar during 2024 resulted in a net gain on the translation of the Corporation's net US denominated assets for both Q4 2024 and YTD 2024.

**Other comprehensive gain (loss)**

The Corporation recorded a $228 foreign currency translation gain in other comprehensive income (loss) for 2024 (2023: $873 loss) associated with the translation of its subsidiaries that have a functional currency other than CAD. The gain in 2024 is a result of the stronger USD at the end of 2024 as previously noted. The loss in 2023 was primarily a result of a relatively weaker USD at the end of 2023. The USD to CAD exchange rate at year end 2024 was 1.4389 compared to the USD to CAD exchange rate of 1.3226 at year end 2023.

**Liquidity and Capital Resources**

| | Three months ended Dec 31, | | Year ended Dec 31, | |
|---|---|---|---|---|
| (thousands of Canadian Dollars) | 2024 | 2023 | 2024 | 2023 |
| Cash provided by (used in) continuing 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 (2) | 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 |

(1) See "Non-IFRS Measures"
(2) Continuing operations

**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.

**Off-Balance Sheet Arrangements**

As at December 31, 2024, and December 31, 2023, the Corporation did not have any material off-balance sheet arrangements.

**Acquisitions and Dispositions**

On December 28, 2023, High Arctic completed the acquisitionof all the shares of Delta Rental Services Ltd. for cash consideration of $3,430 and contingent consideration with an original estimated payable of $2,952. The contingent consideration includes a combination of cash and shares, which if payable, will be paid over a three-year period. For the first year, being FY 2024, the contingent consideration met expectations and has been classified in accrued accounts payable to be settled in cash and High Arctic common shares during Q1 2025. For the remaining two years of 2025 and 2026 estimated cash flows associated with the Delta Acquisition increased. This outlook has resulted in a $259 fair value increase in the carrying value of the acquisition, and $292 higher interest accretion on the revised contingent consideration liability estimate for a combined increase of $551. Both adjustments were charged to expense in Q4 2024, as prescribed by IFRS.

On June 19, 2023, High Arctic entered into an agreement to sell its Canadian Nitrogen transportation, hauling and pumping services business to a private company (the "Nitrogen Transaction") for cash consideration of $1,350. The transaction closed on July 31, 2023. Throughout this MD&A, the legacy High Arctic Canadian Nitrogen transportation, hauling and pumping services business has been presented as discontinued operations.

**Related Party Transactions**

Refer to Note 23 of the Corporation's 2024 Financial Statements for disclosures related to related parties.

**Outstanding Share Capital**

The Corporation's authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares. Directors, officers, and certain employees have been granted stock options and incentive shares and units under the Corporation's approved equity compensation plans.

| (Common shares issued and outstanding) (1) | Year ended Dec 31, 2024 Shares(2) | Amount | Year ended Dec 31, 2023 Shares(1 | Amount |
|---|---|---|---|---|
| Balance, beginning of year | 12,280,568 | $169,992 | 12,172,958 | $169,554 |
| Exercise of performance share units | 70,545 | 422 | 112,184 | 502 |
| Exercise of deferred share units | 97,053 | 581 | - | - |
| Return of capital(3) | - | (37,842) | - | - |
| Purchase of common shares for cancellation | - | - | (4,574) | (64) |
| Balance, end of year | 12,448,166 | $133,153 | 12,280,568 | $169,992 |

(1) The Corporation's common shares do not have a par value and all issued shares are fully paid.

(2) Pursuant to the de facto four-to-one consolidation of the Corporation's outstanding common shares effective August 12, 2024, the number of common shares outstanding and all per-share amounts have been retroactively adjusted to effect the stock consolidation.

(3) On June 28, 2024, the Corporation announced the reduction of stated capital of the common shares for the purpose of distribution to shareholders of a return of capital of $0.76 per pre-Arrangement common share of High Arctic. The return of capital, which totaled $37.8 million, was paid to the Corporation's shareholders on July 17, 2024.

As previously discussed, on August 12, 2024, each shareholder of the Corporation received as consideration, one-quarter of one (1/4) common share of SpinCo ("SpinCo Common Share") and one-quarter of one (1/4) post-Arrangement common share of High Arctic for each pre-Arrangement common share of High Arctic held. Following completion of the Arrangement, the Corporation had 12,448,166 post-Arrangement common shares outstanding.

A total of 167,598 common shares were issued between December 31, 2023, to the date immediately prior to the spinoff transaction, being August 11, 2024. On November 14, 2024, the Corporation issued 575,000 stock options to directors and officers of the Corporation. As at the date of this MD&A, no units under the Corporation's Performance Share Unit Plan nor Deferred Share Unit plan were outstanding.

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 Delta Acquisition.

As at the date of this MD&A, the number of common shares of the Corporation outstanding was 12,696,959.

On December 13, 2023, the Corporation received approval from the Toronto Stock Exchange to acquire for cancellation up to 250,000 common shares, or approximately 2.0 percent of the Corporation's outstanding shares, under a Normal Course Issuer Bid ("NCIB"). Upon completion of the Arrangement, the NCIB was terminated on August 12, 2024. No shares were purchased and cancelled pursuant to the NCIB prior to its termination in FY 2024. The Corporation's previous NCIB commenced on December 15, 2022, and terminated on December 14, 2023. Pursuant to this previous NCIB, 4,574 common shares were purchased and cancelled in Q1 2023.

## Summary of Quarterly Results – Continuing Operations

The following is a summary of selected consolidated financial information from continuing operations of the Corporation for the last eight completed quarters:

| | Three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (thousands of Canadian Dollars, except per share amounts) | Dec 31, 2024 | Sept 30, 2024 | Jun 30, 2024 | Mar 31, 2024 | Dec 31, 2023 | Sept 30, 2023 | Jun 30, 2023 | Mar 31, 2023 |
| Revenue | 2,443 | 2,506 | 2,533 | 2,988 | 1,037 | 1,015 | 664 | 668 |
| Net income (loss) | (715) | 125 | (1,709) | 182 | 219 | 498 | (1,546) | (160) |
| Net earnings (loss) per share – basic and diluted(1) | (0.06) | 0.01 | (0.14) | 0.01 | 0.02 | 0.04 | (0.13) | (0.01) |

(1) See "Non-IFRS Measures"

For the quarters Q1 2024 to Q4 2024, the Corporation realized an increase in revenue from its Rental Services segment compared to the prior year, due to the addition of revenue from the Delta Acquisition which closed in late December 2023. Revenue from operations peaked in Q1, traditionally the busiest period for energy services in Canada as customers execute major drilling and completions work ahead of the break-up usually experienced in Q2. Energy services activity is typically curtailed in Q2 due to restrictions on the movement of heavy equipment on the roads in certain locations.

Fluctuations in net income reported quarter-over-quarter have largely been due to the impacts of G&A expenses related to the Arrangement transaction and income and losses associated with the Corporation's equity investment in Team Snubbing. The losses reported in the second quarters of 2024 and 2023 were the result of net losses associated with Corporation's equity investment in Team Snubbing which totaled $889 and $430, respectively. The loss reported in the fourth quarter of 2024 is primarily a result of net losses associated with the Corporation's equity investment in Team Snubbing which totaled $396 and additional G&A expenses related to the Arrangement transaction of $207. The quarterly fluctuations with respect to Team Snubbing net earnings are a result of the seasonality in oil and gas activity levels and the inclusion of losses from Team International for the last three quarters of 2024, as previously noted. Variations in G&A expenses are directly related to the Corporation's reorganization activities as previously discussed.

*Seasonality of Operations*
The western Canadian oil and gas industry is subject to seasonality with drilling and well completion activity usually peaking during the winter months in the first and fourth quarters of a given calendar year. As temperatures rise in the spring, the ground thaws and becomes unstable, resulting in government road bans, which severely restrict activity in the second quarter. These seasonal trends typically lead to quarterly fluctuations in the Corporation's operating results, including the results of the Corporation's equity investment in Team Snubbing, which should be considered in any quarter over quarter analysis of the Company.

## Industry Indicators and Market Trends

The following table provides information for the last eight quarters to assist with the understanding of the Canadian oilfield services industry and the effect that commodity prices have on industry activity levels.

| | Three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Dec 31, 2024 | Sept 30, 2024 | Jun 30, 2024 | Mar 31, 2024 | Dec 31, 2023 | Sept 30, 2023 | Jun 30, 2023 | Mar 31, 2023 |
| Oil and natural gas prices – Average for each period: | | | | | | | | |
| West Texas Intermediate (WTI) (USD/bbl)[1] | 70 | 75 | 81 | 77 | 78 | 82 | 74 | 76 |
| West Canada Select (WCS) (CAD/bbl)[1] | 81 | 85 | 92 | 78 | 77 | 93 | 79 | 69 |
| Canada Light Sweet Oil (CLS) (CAD/bbl)[1] | 93 | 98 | 106 | 95 | 98 | 107 | 95 | 100 |
| AECO (CAD/mmbtu)[1] | 1.48 | 0.70 | 1.17 | 2.18 | 2.30 | 2.61 | 2.43 | 3.23 |
| USDCAD Exchange Rate | 1.3990 | 1.3637 | 1.3684 | 1.3488 | 1.3619 | 1.3412 | 1.3431 | 1.3518 |
| Cdn Average Rig Count [2] | 193 | 207 | 134 | 208 | 180 | 187 | 116 | 221 |

(1) Source: Sproule
(2) Source: JuneWarren-Nickles

During Q4 2024, average WTI, WCS and CLS index pricing was approximately 5-7% lower than Q3 2024, with WTI and CLS being approximately 5-10% lower than Q4 2023 and WCS being 5% higher than Q4 2023. Throughout both Q4 2024 and YTD 2024, crude oil prices continued to be volatile due largely to changes in short-term global demand forecasts influenced by ongoing conflicts in the Middle East and Ukraine. The improvement in WCS crude oil pricing vis-à-vis WTI that began in Q2 2024 is due to a favourable USD/CAD exchange rate combined with the commencement of operations of the TransMountain pipeline expansion on May 1, 2024. The TransMountain pipeline expansion has increased Canadian oil transportation capacity, which in turn has positively impacted oil price differentials on certain Canadian oil products. The combination of these factors should be favourable to the Canadian energy industry, providing oil and gas producers with support for continued upstream capital investment.

Relative to historical pricing levels, AECO and US natural gas pricing was weak during Q4 2024 but was significantly improved compared to the third quarter of 2024. In particular, Canadian based natural gas pricing has been impacted disproportionately relative to other North American pricing points as a result of the greater physical distance Canadian AECO pricing is from certain natural gas markets, combined with variations in regional natural gas storage levels.

Volatility in North American natural gas pricing has been prevalent over the past year, due largely to an oversupplied natural gas market, as both US and Canadian natural gas inventory levels remain high, while key LNG export projects face delays and the primary export markets of Europe have maintained adequate gas inventories.

## Financial Risk Management

### Financial and other risks

The Corporation is exposed to financial risks arising from its financial assets and liabilities. This includes pandemic and/or endemic disease risk or the risk that operations and/or administration are forced to run at less than full capacity due to an absence or reduction of members of the workforce, either through forced closures by government both within countries and across national borders, by internally imposed rotational schedules and/or quarantine or illness of the workforce. This risk was significant in 2021 in relation to COVID-19. Further, geopolitical risks are the potential risks that a business may face due to changes in global events, policies, or regulations. These could impact the Corporation's workforce and operations by limiting market access and increasing costs. Also, cyber-security risks increase as the Corporation outsources its IT servers to cloud providers and employees work remotely. Such restrictions or risks could significantly impact the ability of the Corporation to operate and therefore impact financial results.

### Market and other related risk

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market rates:

*Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The Corporation currently has mortgage financing with a fixed interest rate of 4.30%. The Corporation is exposed to interest rate risk upon renewal or expiration of the initial term. In addition, the Corporation is also exposed to interest rate risk on any future borrowing as rates fluctuate in response to changes in monetary policy and the prime interest rates. The Corporation had no risk management contracts that would be affected by interest rates in place as at December 31, 2024.

*Commodity price risk*

Commodity price risk is the risk that the Corporation's future cash flows will fluctuate due to changes in demand for High Arctic's services, given that almost all the Corporation's customers are oil and gas producers. High Arctic's customer's activity and strategic decisions are impacted by the fluctuations of oil and gas pricing.

These prices are sensitive to not only the relationship between the Canadian and US dollar, but more importantly local, regional and world economic and geopolitical events. This includes implications from changing oil demand and supply, policy direction taken by OPEC including the role taken by Russia, climate change driven transitions to lower emission energy sources, and the implications of changes to government and government policy.

While the Corporation recognizes it will be impacted by these risks, the Corporation also strongly believes that there is a significant role for the energy services industry in the current, transitionary, and future phases of energy industry changes.

The Corporation had no risk management contracts that would be affected by commodity prices in place as at December 31, 2024.

## Credit risk, customers, and economic dependence

Credit risk is the risk of a financial loss occurring as a result of a default by a counter party on its obligation to the Corporation. The Corporation's financial instruments that are exposed to credit risk consist primarily of accounts receivable and cash balances held in banks. The Corporation mitigates credit risk by regularly monitoring its accounts receivable position and depositing cash in properly capitalized banks. The Corporation also institutes credit reviews prior to commencement of contractual arrangements.

The Corporation's accounts receivable is predominantly with customers who explore for and develop petroleum reserves and are subject to industry credit risk consistent with the industry. The Corporation assesses the creditworthiness of its customers on an ongoing basis and monitors the amount and age of balances outstanding.

In providing for expected credit losses, the Corporation uses the historical default rates within the industry between investment grade and non-investment grade customers as well as forward-looking information to determine the appropriate loss allowance provision.

The net carrying amount of accounts receivable represents the estimated maximum credit exposure on the accounts receivable balance. The Corporation has a range of customers comprised of small independent, intermediate and large multinational oil and gas producers in North America.

The Corporation's continuing operations provided services to one large customer who individually accounted for greater than 10% of its consolidated revenues during the three months ended December 31, 2024, with total sales of $250 (2023: four customers with total sales of $678).

The Corporation's continuing operations provided services to one large customer who individually accounted for greater than 10% of its consolidated revenues during the year ended December 31, 2024, with total sales of $1,283 (2023: four customers with total sales of $2,630).

As at December 31, 2024, two customers represented a total of $750 or 27% of outstanding accounts receivable (December 31, 2023, and inclusive of the Corporation's discontinued operations – two customers represented a total of $15,139 or 92% of outstanding accounts receivable).

The aging of the Corporation's accounts receivable is as follows:

| (thousands of Canadian Dollars) | As at Dec 31, 2024 | As at Dec 31, 2023 |
|---|---|---|
| Less than 31 days | 1,180 | 6,680 |
| 31 days to 60 days | 552 | 6,842 |
| 61 days to 90 days | 444 | 2,854 |
| Greater than 90 days | 611 | 1,284 |
| Provision for expected credit losses | (38) | (192) |
| Total | 2,749 | 17,468 |

## Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

The Corporation's processes for managing liquidity risk include preparing and monitoring capital and operating budgets, working capital management, coordinating, and authorizing project expenditures, authorization of contractual agreements, managing compliance to debt finance agreements, and remaining attentive to the relationship with High Arctic's bankers and other creditors. The Corporation seeks to manage its financing based on the results of these processes.

Following the $37.8 million return of capital paid out to shareholders in FY 2024, the Corporation has a lower level of working capital available to support its continuing operations. The Corporation's future financial results and longer-term success are dependent upon its working capital, and its ability to secure additional capital from debt or equity financings or complete other arrangements to fund the Corporation's activities while the Corporation attempts to generate recurring positive cash flows from operations. The Corporation will continue to monitor its liquidity position in future periods.

## Critical Accounting Judgements and Estimates and Material Accounting Policies

Information on the Corporation's critical accounting judgements and estimates can be found in Note 2 Basis of Presentation – Critical Accounting Judgements and Estimates in the audited annual consolidated financial statements for the year ended December 31, 2024. Although estimates and assumptions must be made during the financial statement preparation process, it is management's opinion that none of the estimates or assumptions were highly uncertain at the time they were made. The Corporation's material accounting policies can be found in Note 3 in the audited annual consolidated financial statements for the year ended December 31, 2024.

The audited consolidated financial statements of Team Snubbing for the year ended December 31, 2024, include a note stating that they are prepared on a going concern basis which contemplates that Team Snubbing will be able to continue its operations in the foreseeable future and realize its assets and discharge its liabilities in the normal course of operations. This note identified the following factors which may cast doubt on the appropriateness of the going concern assumption, specifically: Team Snubbing's negative working capital as at December 31, 2024; a loss from operations for the year then ended; a loss before taxes for the year then ended; and uncertain status of credit facility renewals as of the date of the approval of the consolidated financial statements. If in the future the going concern assumption is not appropriate for Team Snubbing then the carrying value of the equity investment in and the note receivable from Team Snubbing, as reflected in the Corporation's financial statements, would be subject to impairment and that impairment amount may be material.

### Future Accounting Pronouncements

*Future accounting policy changes*

In April 2024, the IASB issued IFRS 18, Presentation and Disclosures in Financial Statements, to replace IAS 1, Presentation of Financial Statements, effective January 1, 2027, with early adoption permitted. The new standard sets out the requirements for presentation and disclosures in the financial statements. Management is presently reviewing the impact the standard will have on the Financial Statements.

In May 2024, the IASB issued amendments to IFRS 9, Financial Instruments, and IFRS 7, Financial Instruments: Disclosures to address the classification and measurement of financial instruments, with an emphasis to clarify the date of recognition and derecognition of financial asset and liabilities, effective January 1, 2026, with early adoption permitted. Management is currently reviewing the impact of these amendments, but they are not expected to have a material impact on the Corporation's Financial Statements.

## Disclosure Controls and Procedures ("DC&P") and Internal Controls over Financial Reporting ("ICFR")

ICFR is a process designed by or under the supervision of management and effected by the Board, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate ICFR, which no matter how well designed, has inherent limitations and can provide only reasonable assurance with respect to the preparation and fair presentation of published financial statements. There have been no changes to High Arctic's internal controls over financial reporting during the year ended December 31, 2024, that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

ICFR is a process designed by or under the supervision of management and effected by the Board, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate ICFR, which no matter how well designed, has inherent limitations and can provide only reasonable assurance with respect to the preparation and fair presentation of published financial statements. There have been no changes to High Arctic's internal controls over financial reporting during the year ended December 31, 2024, that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting. As at December 31, 2024, an evaluation of the effectiveness of High Arctic's DC&P as defined under the rules adopted by the Canadian securities regulatory authorities was carried out under the supervision of and with the participation of management, including the CEO and the CFO. Based on this evaluation, the CEO and CFO concluded that as at December 31, 2024, the design and operation of the Corporation's DC&P was effective. The Internal Control – Integrated Framework (2013) as issued by the Committee of Sponsoring Organizations of the Treadway Commission was utilized for this purpose.

For information regarding the corporate governance policies and practices of High Arctic, the reader should refer to High Arctic's Annual Information Form ("AIF") dated March 31, 2025, in respect of the year ended December 31, 2024.

## Business Risks and Uncertainties

In addition to the financial risks discussed above under "Financial Risk Management", below under "Forward Looking Statements" and elsewhere in this MD&A, High Arctic is exposed to a number of business risks and uncertainties that could have a material impact on the Corporation. Readers of the Corporation's MD&A should carefully consider the risks described under the heading "Risk Factors" in the Corporation's December 31, 2024, AIF, which are specifically incorporated by reference herein. The AIF is available on SEDAR+ at www.sedarplus.ca, and copies of the AIF can be obtained on request from the Corporation.

## Non-IFRS Measures

This MD&A contains references to certain financial measures that do not have a standardized meaning prescribed by 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 the following:

### Earnings from continuing operations before interest, taxes, depreciation, and amortization ("EBITDA from continuing operations")

EBITDA from continuing operations is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. EBITDA from continuing operations is defined as net income (loss) adjusted for income taxes, interest and finance expense, depreciation and amortization expenses. Management believes that, in addition to net income (loss) reported in the consolidated statements of income (loss) and comprehensive income (loss), EBITDA from continuing operations is a useful supplemental measure of the Corporation's performance prior to consideration of how operations are financed or how results are taxed or how depreciation and amortization affects results. EBITDA from continuing operations is not intended to represent or be construed as an alternative to net income (loss) calculated in accordance with IFRS. Refer to table in Adjusted EBITDA from continuing operations below that provides a reconciliation of net income (loss), as disclosed in the consolidated statements of comprehensive income (loss) to EBITDA from continuing operations.

### Adjusted EBITDA from continuing operations

Adjusted EBITDA from continuing operations is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Adjusted EBITDA from continuing operations is defined based on EBITDA from continuing operations (as defined above) prior to the effect of share-based compensation, gains or losses on sales or purchases of assets or investments, business acquisition costs, impairment charges, equity earnings from investments, foreign exchange gains or losses and other costs related to reorganization or restructurings, consolidating facilities or excess of insurance proceeds over costs.

Management believes the addback for these items provides a more comparable measure of the Corporation's operational financial performance between periods. Adjusted EBITDA from continuing operations as presented is not intended to represent or be construed as an alternative to net income (loss) in accordance with IFRS.

The following table provides a quantitative reconciliation of consolidated net income (loss) from continuing operations, as disclosed in the consolidated statements of comprehensive income (loss), to EBITDA from continuing operations and Adjusted EBITDA from continuing operations for the three and twelve months ended December 31, 2024, and 2023:

| | Three months ended Dec 31, | | Year ended Dec 31, | |
|---|---|---|---|---|
| (thousands of Canadian Dollars) | 2024 | 2023 | 2024 | 2023 |
| Net loss from continuing operations | (715) | 219 | (2,117) | (989) |
| Adjustments to net loss: | | | | |
| Interest income | (86) | (553) | (1,289) | (2,018) |
| Interest and finance expense | 348 | 40 | 535 | 231 |
| Accretion on notes receivable | (66) | (51) | (265) | (192) |
| Income tax expense (recovery) | - | (916) | 9 | (911) |
| Depreciation and amortization from continuing operations | 697 | 343 | 2,600 | 1,568 |
| EBITDA from continuing operations | 178 | (918) | (527) | (2,311) |
| Adjustments to EBITDA: | | | | |
| Share-based compensation expense | 21 | 228 | 160 | 496 |
| Loss (income) from equity investments | 396 | (352) | 690 | (803) |
| Loss (gain) on sale of property and equipment | (8) | (85) | 8 | (187) |
| Gain on sale of nitrogen business | - | - | - | (615) |
| Foreign exchange (gain) loss | (661) | 290 | (795) | 321 |
| G&A related to reorganization(1) | 207 | 165 | 1,259 | 396 |
| Adjusted EBITDA from continuing operations | 133 | (672) | 795 | (2,703) |

(1) G&A costs related to the reorganization, net of any recoveries from SpinCo.

### Oilfield services operating margin

Oilfield services operating margin is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Oilfield services operating margin is used by management to analyze overall operating performance. Management believes this non-IFRS financial measure provides useful information to investors and others in understanding the Corporation's operating performance. Oilfield services operating margin is calculated as revenue less oilfield services expense. Oilfield services operating margin as presented is not intended to represent or be construed as an alternative to revenue or net income (loss) or other measures of financial performance calculated in accordance with IFRS. The table disclosed under "Oilfield services operating margin %" below provides a quantitative reconciliation of revenue, as disclosed in the consolidated statements comprehensive income (loss), to oilfield services operating margin and oilfield operating margin % for the three and twelve months ended December 31, 2024, and 2023.

### Oilfield services operating margin %

Oilfield services operating margin % is a non-IFRS measure in line with oilfield services operating margin discussed above. Oilfield services operating margin % is used by management to analyze overall operating performance. Oilfield services operating margin % is calculated as oilfield services operating margin divided by revenue.

The following table provides a quantitative calculation of oilfield services operating margin and %:

| | Three months ended Dec 31, | | Year ended Dec 31, | |
|---|---|---|---|---|
| (thousands of Canadian Dollars, unless otherwise noted) | 2024 | 2023 | 2024 | 2023 |
| Revenue from continuing operations | 2,443 | 1,037 | 10,470 | 3,384 |
| Oilfield services expenses from continuing operations | (1,300) | (373) | (5,263) | (1,326) |
| Oilfield services operating margin | 1,143 | 664 | 5,207 | 2,058 |
| Oilfield services operating margin % | 46.8% | 64.0% | 49.7% | 60.8% |

### Operating income (loss) from continuing operations

Operating income (loss) from continuing operations is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Operating income (loss) from continuing operations is used by management to analyze overall operating performance. Management believes this non-IFRS financial measure provides useful information to investors and others in understating the Corporation's operating performance. Operating income (loss) from continuing operations is calculated as revenue less oilfield services expenses, general and administrative expenses, depreciation and amortization expenses, and share-based compensation expense. Operating income (loss) from continuing operations as presented is not intended to represent or be construed as an alternative to revenue or net earnings (loss) or other measures of financial performance calculated in accordance with IFRS.

The table disclosed below provides a quantitative reconciliation of revenue, as disclosed in the consolidated statements of comprehensive income (loss) to operating income (loss) from continuing operations for the three and twelve months ended December 31, 2024, and 2023:

| | Three months ended Dec 31, | | Year ended Dec 31, | |
|---|---|---|---|---|
| (thousands of Canadian Dollars) | 2024 | 2023 | 2024 | 2023 |
| Revenue from continuing operations | 2,443 | 1,037 | 10,470 | 3,384 |
| Oilfield services expenses from continuing operations | (1,300) | (373) | (5,263) | (1,326) |
| G&A expenses from continuing operations | (958) | (1,501) | (5,412) | (5,157) |
| Depreciation from continuing operations | (697) | (343) | (2,600) | (1,568) |
| Share-based compensation | (21) | (228) | (160) | (496) |
| Operating loss from continuing operations | (533) | (1,408) | (2,965) | (5,163) |

### Percentage of revenue

Certain figures are stated as a percentage of revenue and are used by management to analyze individual components of expenses to evaluate the Corporation's performance from prior periods and to compare its performance to other companies.

### Funds flow from continuing operations

Funds flow from continuing operations is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Funds flow from continuing operations is defined as net cash generated (used in) from continuing operating activities adjusted for changes in non-cash working capital. Management believes that, in addition to net cash generated from operating activities as reported in the consolidated statements of cash flows, cash generated from operating activities before changes in non-cash working capital adjustments is a useful supplemental measure as it provides an indication of the funds generated by High Arctic's principal business activities prior to consideration of changes in items of working capital. This measure is not intended to represent or be construed as an alternative to net cash generated from operating activities as calculated in accordance with IFRS.

The following tables provide a quantitative reconciliation of net cash generated from (used in) operating activities, as disclosed in the consolidated statements of cash flows, to funds flow from (used in) continuing operations for the three and twelve months ended December 31, 2024, and 2023:

| | Three months ended Dec 31, | | Year ended Dec 31, | |
|---|---|---|---|---|
| (thousands of Canadian Dollars) | 2024 | 2023 | 2024 | 2023 |
| Net cash generated from (used in) continuing operating activities | 226 | (874) | 184 | (515) |
| Less: Changes in non-cash working capital balances - operating | (304) | (539) | (300) | 777 |
| Funds flow from (used in) continuing operations | 530 | (335) | 484 | (1,292) |

### Working capital

Working capital is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Working capital is used by management as another measure to analyze the operating liquidity available to the Corporation. It is defined as current assets less current liabilities. Working capital ratio is defined as current assets divided by current liabilities. This measure is not intended to represent or be construed as an alternative to current assets as calculated in accordance with IFRS.

The following tables provide a quantitative reconciliation of current assets, as disclosed in the consolidated statements of financial position, to working capital as at December 31, 2024 and 2023:

| (thousands of Canadian Dollars) | As at Dec 31, 2024 | As at Dec 31, 2023 |
|---|---|---|
| Current assets | 7,221 | 79,438 |
| Current liabilities | (4,529) | (16,453) |
| Working capital | 2,692 | 62,985 |
| Working capital ratio | 1.6:1 | 4.8:1 |

### Net cash

Net cash is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Net cash is used by management to analyze the amount by which cash and cash equivalents (if applicable) exceed the total amount of long-term debt and bank indebtedness, or vice versa. The amount, if any, is defined as cash and cash equivalents less total long-term debt.

The following tables provide a quantitative reconciliation of cash, as disclosed in the consolidated statements of financial position, to net cash:

| (thousands of Canadian Dollars) | As at Dec 31, 2024 | As at Dec 31, 2023 |
|---|---|---|
| Cash and cash equivalents | 3,123 | 50,331 |
| Less: Long term debt(1) | (3,353) | (3,527) |
| Net cash | (230) | 46,804 |

(1) Long-term debt includes current portion of $175 (December 31, 2023 - $175) and non-current portion of $3,178 (December 31, 2023 - $3,352)

### Forward-Looking Statements

This MD&A 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 MD&A.

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 MD&A as intended, planned, anticipated, believed, estimated or expected. Specific forward-looking statements in this MD&A 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 MD&A, 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 MD&A, 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 MD&A are expressly qualified in their entirety by this cautionary statement. These statements are given only as of the date of this MD&A. 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.

## Abbreviations

The following is a summary of abbreviations used in this Management Discussion and Analysis:

| | |
|---|---|
| AIF | - Annual information form |
| AUD | - Australian dollars |
| bbl | - Barrel |
| CAD | - Canadian dollars |
| CLS | - Canadian Light Sweet |
| DCP | - Disclosure controls and procedures |
| EBITDA | - Earnings before interest, tax, depreciation, and amortization |
| FY | - Financial Year |
| ESG | - Environmental, Social and Corporate Governance |
| G&A | - General and administrative expenses |
| ICFR | - Internal controls over financial reporting |
| IFRS | - International Financial Reporting Standards |
| MD&A | - Management discussion and analysis |
| Nm | - Not meaningful |
| mmbtu | - Million British thermal units |
| NCIB | - Normal course issuer bid |
| OPEC | - Organization of Petroleum Exporting Countries |
| PNG | - Papua New Guinea |
| US | - United States of America |
| USD | - United States dollars |
| USDCAD | - Exchange rate that represents the amount of CAD required to buy one USD |
| WCS | - West Canada Select |
| WCSB | - Western Canadian Sedimentary Basin |
| WTI | - West Texas Intermediate |
| YTD | - Year to date |