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# High Arctic Announces 2025 First Quarter Results

CALGARY, Alberta – May 13, 2025, High Arctic Energy Services Inc. (TSX: HWO) (the "Corporation" or "High Arctic") released its first quarter 2025 financial and operating results. The unaudited condensed interim consolidated financial statements, and the management discussion & analysis ("MD&A"), for the quarter ended March 31, 2025 will be available on SEDAR+ at www.sedarplus.ca, and on High Arctic's website at www.haes.ca. All amounts are denominated in thousands of Canadian dollars ("CAD"), unless otherwise indicated.

Mike Maguire, Interim Chief Executive Officer commented:

> *"Our business has had a solid start to 2025, despite some pull back in well completion rates in Canada resulting from market uncertainty and customer consolidation events.*
>
> *Our investment in and amalgamation of Delta Rental Services continues to deliver financial performance in line with our pre-transaction expectations and we anticipate consistent results through the coming months with significant upside potential as gas well completion rates increase in anticipation of first gas through the Coastal GasLink pipeline.*
>
> *Decisive action by the management of Team Snubbing in Alaska has set a platform for improved value creation from our 42% holding of Team Snubbing.*
>
> *High Arctic is well positioned to benefit from upstream energy service activity levels in the western Canadian oil and gas industry."*

In the following discussion, the three months ended March 31, 2025 may be referred to as the "quarter" or "Q1 2025" and the comparative three months ended March 31, 2024 may be referred to as "Q1 2024". References to other quarters may be presented as "QX 20XX" with X/XX being the quarter/year to which the commentary relates.

## 2025 FIRST QUARTER HIGHLIGHTS

- Revenue from continuing operations of $2,335, a decrease of 22% compared to Q1 2024.
- Achieved an increase in oilfield services operating margin percentage for Q1 2025 of 53.1% compared to 49.4% in Q1 2024.
- Realized adjusted EBITDA from continuing operations of $504 in the quarter, 22% of revenue.
- Maintained operational excellence and safety, as evidenced by the continuation of recordable incident-free work.
- Achieved expected reductions in general and administrative expenses, a reduction of 59% compared to Q1 2024.
- Equity investment in Team Snubbing is essentially unchanged at $7.4 million as at March 31, 2025. Unaudited Team Snubbing financial results delivered a modest positive net income inclusion for the quarter, with key highlights being a sequential improvement in Alaskan results, and reduced debt.
- Exited Q1 with positive working capital of $3,199, including cash of $3,183.

## 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.

## RESULTS OVERVIEW

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

| | Three months ended March 31, | |
|---|---|---|
| (thousands of Canadian Dollars, except per share amounts) | 2025 | 2024 |
| **Operating results from continuing operations:** | | |
| Revenue – continuing operations | 2,335 | 2,988 |
| Net income (loss) - continuing operations | (120) | 182 |
| *Per share (basic & diluted)* (1) | *(0.01)* | *0.01* |
| Oilfield services operating margin - continuing operations (2) | 1,187 | 1,431 |
| *Oilfield services operating margin as a % of revenue* (2) | *53.1%* | *49.4%* |
| EBITDA - continuing operations (2) | 459 | 232 |
| *Per share (basic & diluted)* (1) (4) | *0.04* | *0.02* |
| Adjusted EBITDA - continuing operations (2) | 504 | 92 |
| *Per share (basic & diluted)* (1) (4) | *0.04* | *0.01* |
| Operating loss - continuing operations (2) | (128) | (1,070) |
| *Per share (basic & diluted)* (1) (4) | *(0.01)* | *(0.09)* |
| **Cash flow from continuing operations:** | | |
| Cash flow from continuing operating activities | 31 | 271 |
| *Per share (basic & diluted)* (1) (4) | *0.00* | *0.02* |
| Funds flow from continuing operating activities (2) | 495 | 197 |
| *Per share (basic & diluted)* (1) (4) | *0.04* | *0.02* |
| Capital expenditures - continuing operations | 382 | 308 |

| | | As at |
|---|---|---|
| (thousands of Canadian Dollars, except per share amounts and common shares outstanding) | Mar 31, 2025 | Dec 31, 2024 |
| **Financial position:** | | |
| Working capital (2) | 3,199 | 2,692 |
| Cash and cash equivalents | 3,183 | 3,123 |
| Total assets | 29,989 | 30,867 |
| Long-term debt (non-current) | 3,134 | 3,178 |
| Shareholders' equity | 21,315 | 21,105 |
| *Per share* (5) | *1.68* | *1.70* |
| Common shares outstanding (3) | 12,696,959 | 12,448,166 |

(1) The weighted average number of common shares used in calculating both basic and diluted net income (loss) per share, EBITDA (Earnings before interest, tax, depreciation and amortization) per share, Adjusted EBITDA per share, operating income (loss) per share, cash flow from operating activities per share, funds flow from operating activities per share, and shareholders' equity per share is detailed in Note 13 of the Financial Statements.

(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 "Non-IFRS Measures" for additional details on the calculations of these measures.

(3) 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.

(4) The number of weighted average common shares used in per share basic calculations for the three months ended March 31, 2025, was 12,522,804 (13,023,166 diluted per share) and for the three months ended March 31, 2024, was 12,280,576 (12,624,412 diluted per share).

(5) Shareholders' equity per share calculated based on common shares outstanding as at the relevant date.

## First Quarter 2025 Summary

- Revenue from continuing operations for Q1 2025 was $2,335 compared to $2,988 in Q1 2024.
  - Revenue was negatively impacted by softening demand driven primarily by deferral of some completions activity as customers have taken a cautious approach to the timing of the deployment of their 2025 capital budgets given the recent general economic uncertainty due to ongoing geopolitical events.
- Oilfield services operating margin from continuing operations was $1,187 in the current year quarter compared to $1,431 in the prior year quarter.
  - Operating margin percentage improved to 53.1% for Q1 2025 compared to 49.4% for Q1 2024 benefiting from a reduction in lower margin third-party rentals in the current year quarter which offset in part, the reduction in revenue.
- Adjusted EBITDA from continuing operations was $504 in the current year quarter compared to $92 in the prior year quarter. EBITDA from continuing operations benefitted from the improvement in gross margin percentage combined with a significant reduction in general and administrative expenses.
- Operating loss from continuing operations of $128 for Q1 2025 compared to $1,070 in Q1 2024. The decrease in operating loss is attributable to significantly reduced general and administrative expense. Prior year quarter general and administrative expenses were impacted by elevated corporate and professional fees related to the Arrangement and integration costs related to the acquisition of Delta.
- Net loss from continuing operations was $120 in Q1 2025 compared to net income from continuing operations of $182 in Q1 2024. Net loss from continuing operations was also impacted by the same items impacting operating loss, as above, combined with reduced interest income, net higher non-cash accretion expense and reduced income from equity accounted investments.

## Operating Results

### Rental services segment

| (thousands of Canadian Dollars, unless otherwise noted) | Three months ended March 31, 2025 | 2024 |
|---|---|---|
| Revenue | 2,237 | 2,894 |
| Expenses | (1,050) | (1,463) |
| Oilfield services operating margin (1) | 1,187 | 1,431 |
| *Oilfield services operating margin (%) (1)* | *53.1%* | *49.4%* |

(1) See “Non-IFRS Measures”

## Liquidity and Capital Resources

| (thousands of Canadian Dollars) | Three months ended Mar 31, 2025 | 2024 |
|---|---|---|
| Cash provided by (used in) continuing operations: | | |
| Operating activities | 31 | 271 |
| Investing activities | 164 | (308) |
| Financing activities | (135) | (131) |
| Effect of exchange rate changes on cash | - | 665 |
| Increase in cash from continuing operations | 60 | 497 |

| (thousands of Canadian Dollars, unless otherwise noted) | As at Mar 31, 2025 | As at Dec 31, 2024 |
|---|---|---|
| Current assets | 6,717 | 7,221 |
| Working capital (1) | 3,199 | 2,692 |
| Working capital ratio (1) | 1.9:1 | 1.6:1 |
| Cash and cash equivalents | 3,183 | 3,123 |

(1) See “Non-IFRS Measures”

## Operating activities

In Q1 2025, cash from operating activities from continuing operations was $31 compared to $271 for Q1 2024. Funds flow from operating activities from continuing operations totaled $495 in the quarter compared to $197 in the prior year comparative quarter (see “Non-IFRS Measures”). In Q1 2025, changes in non-cash operating working capital from continuing operations totaled an outflow of $464 compared to an inflow of $74 in Q1 2024.

Changes in cash from operating activities from continuing operations and funds from operating activities from continuing operations for Q1 2025 compared to Q1 2024, were largely the result of reduced general and administrative expenses combined with the impact of changes in non-cash working capital (as noted above).

## Investing activities

During the first quarter, the Corporation’s net cash from investing activities from continuing operations totaled $164 compared to a usage of $308 in the prior year comparative quarter. The change in cash flows from investing activities from continuing operations is due to payments received related to notes receivable and the settlement of a portion of the contingent consideration payable utilizing common shares of the Corporation, resulting in a positive non-cash working capital change, both of which more than offset Q1 2025 property and equipment expenditures of $382. Investing cash outflows of $308 in the prior year quarter consisted solely of the purchase of property and equipment.

## Financing activities

During the first quarter, the Corporation’s net cash used in financing activities from continuing operations of $135 was comparable to $131 in the prior year comparative quarter. Financing related cash flows relate to the normal course payments on the Corporation’s lease liabilities and long-term debt.

## Working capital

As at March 31, 2025, the Corporation’s working capital balance was $3,199 compared to $2,692 as at December 31, 2024. The increase in working capital is largely due to positive EBITDA generated during Q1 2025 combined with a portion of the year one contingent consideration associated with the acquisition of Delta being settled in common shares during the first quarter.

## Long-term debt

| (thousands of Canadian Dollars) | As at Mar 31, 2025 | As at Dec 31, 2024 |
|---|---|---|
| Current | 175 | 175 |
| Non-current | 3,134 | 3,178 |
| Total | 3,309 | 3,353 |

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%; payments occur monthly. The mortgage financing contains certain non-financial covenants requiring the lender’s consent, including changes to the underlying business. As at March 31, 2025, the Corporation was compliant with all covenants associated with the mortgage financing.

## Outlook

The first quarter of 2025 has provided High Arctic with a solid start to the year. General and administrative expenses have taken a step change downward resulting in a reduced run rate. The significant and strategic importance of the equity investment in Team Snubbing has been reinforced through enhanced Board of Director and management oversight. The late 2023 acquisition of Delta Rental Services Ltd. ("Delta") is fully integrated into High Arctic's rental services business, positively contributing to improved profit margins. Rental services revenue, while at the lower end of expectations, led to capital preservation through modest growth in new equipment additions and insight as to the outlook for the remainder of 2025.

High Arctic's business is driven by the underlying economics associated with its customers' cash flows. These cash flows are driven by their oil and natural gas commodity price hedging and expectations. As customers embark on drilling new oil and natural gas wells, High Arctic's business outlook is reliant on decisions on the subsequent activity to complete these wells for production. Therefore, High Arctic's rental assets and investment in the snubbing industry are highly dependent on fundamentals associated with both drilling and hydraulic fracturing completion trends in the WCSB.

To this point, 2024/25 winter drilling rig activity in the WCSB has been resilient despite softening commodity price trends. As the industry enters the seasonal second quarter spring breakup period, activity remains comparable to 2024 levels. However, customer capital allocation decisions to complete wells are showing signs of deferral. Recent OPEC moves to increase oil supply, changes in global trade tariffs, and geopolitical risk have increased investment uncertainty.

This uncertainty is offset by positive developments specific to Canada. The completion of the Trans Mountain pipeline system expansion in 2024, and expectations for west coast LNG exports commencing in the second half of 2025, are positive infrastructure developments supporting improved long-term fundamentals for the upstream energy service business.

Based on these near-term headwinds and favourable long-term fundamentals, High Arctic will continue to prudently preserve capital while working with our customers to deliver service efficiency and productivity.

The outlook for 2025 is dependent on the financial performance of High Arctic's investment in Team Snubbing. High Arctic is carrying total assets of $9.8 million related to its investment in Team Snubbing, comprised of a $7.4 million equity investment and a $2.4 million note receivable. Success will be defined by Team Snubbing's ability to establish profitability in their international operations.

In summary, for 2025 the Corporation expects to continue to execute on the initial phases of its strategic objectives, with progress to date being evidenced by safety performance, balance sheet preservation, general and administrative expense reductions, selective capital expenditure investments, and oversight of equity investments.

## Non-IFRS Measures

This Press Release 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 EBITDA (Earnings before interest, tax, depreciation and amortization), Adjusted EBITDA, oilfield services operating margin, operating income (loss), Funds flow from operating activities and working capital. 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 (inclusive of drilling and completions activity) and general energy supply and demand fundamentals that may impact the energy industry as a whole and more specifically as it relates to the Corporation’s customers in western Canada and Alaska, United States; expectations related to current and future LNG export projects; the impact (if any) of geo-political events, changes in government, changes to tariffs or related trade policies and the potential impact on the Corporation’s ability to execute its 2025 strategic objectives; fluctuations in commodity prices; and the performance of the Corporation’s investment in Team Snubbing.

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 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; raise capital and manage its debt finance agreements; manage general and administrative costs; maintain a strong balance sheet and related financial flexibility; scale the Canadian business; and seek and execute accretive acquisitions in a timely manner and achieve operational and financial benefits therefrom.

Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following: economic and financial conditions, including volatility in commodity prices; volatility in interest and exchange rates and capital markets; the level of demand and financial performance of the energy industry; changes in customer demand; and developments and changes in laws and regulations, including in the energy industry.

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 AIF 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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