



## **MANAGEMENT'S DISCUSSION & ANALYSIS**

**FOR THE THREE MONTHS ENDED  
March 31, 2025 and 2024**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis ("MD&A") is a summary review of financial and operational performance, strategy, outlook, risks, liquidity, capital resources, and other relevant operational matters of High Arctic Energy Services Inc. ("High Arctic" or the "Corporation"). This MD&A is based on information available to May 12, 2025 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes for the three months ended March 31, 2025 and 2024 (the "Financial Statements") and the audited consolidated financial statements and notes for the years ended December 31, 2024 and 2023. 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](http://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 May 12, 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 Standard 34 – Interim Financial Reporting.

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 additional 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 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.

### Corporate Profile

Headquartered in Calgary, Alberta, Canada, High Arctic's operations 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 is also vested in the energy service pressure control snubbing business in western Canada and Alaska, through a minority interest equity investment.

High Arctic conducts its business activities through two reporting segments. The rental services segment consists of its rental equipment assets in western Canada. The investments and corporate segment contains all other assets and activity, namely, High Arctic's equity investment in Team Snubbing Services Inc. ("Team Snubbing"), industrial property, head office functional support, and other monetary investments and borrowings.

The Corporation's reporting segments have been adjusted in the first quarter of 2025 to better align with the existing oversight and evaluation of the operating and financial performance of the business activities. See Note 2(f) and Note 18 of the Financial Statements for additional information.

### 2024 Corporate Reorganization and Spinoff of the PNG Business

To commence 2025, High Arctic is moving forward with a stream-lined and simplified business model. The Corporation is focused primarily on the Canadian upstream energy service industry with a significantly reduced scope of operations and financial positioning. This positioning, as reported throughout 2024, was driven by the following June 17, 2024 shareholder approved measures completed by High Arctic during the third quarter of 2024. A summary of key aspects of the activities is as follows:

- Reorganization of its corporate structure, separating its Papua New Guinea ("PNG") business from its existing Canadian business by way of a plan of arrangement (the "Arrangement"). The reorganization was completed on August 12, 2024, resulting in the spinoff of the PNG business to High Arctic shareholders through a new publicly listed entity, High Arctic Overseas Holdings Corp. ("SpinCo"), with SpinCo shares trading on the TSX Venture Exchange under the trading symbol TSXV: HOH;
- Payment of a \$37.8 million return of capital to shareholders, \$0.76 per pre-Arrangement common share; and
- As part of the Arrangement, 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.

As a result of the Arrangement transaction, the legacy PNG business has been presented as a discontinued operation in the Corporation's Financial Statements and throughout this MD&A.

**2025 Q1 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 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.

## Select Comparative Financial Information

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
<b>Operating results from continuing operations:</b>		
Revenue – continuing operations	2,335	2,988
Net income (loss) - continuing operations	(120)	182
<i>Per share (basic &amp; diluted) <sup>(1)</sup></i>	<i>(0.01)</i>	<i>0.01</i>
Oilfield services operating margin - continuing operations <sup>(2)</sup>	1,187	1,431
<i>Oilfield services operating margin as a % of revenue <sup>(2)</sup></i>	<i>53.1%</i>	<i>49.4%</i>
EBITDA - continuing operations <sup>(2)</sup>	459	232
<i>Per share (basic &amp; diluted) <sup>(1) (4)</sup></i>	<i>0.04</i>	<i>0.02</i>
Adjusted EBITDA - continuing operations <sup>(2)</sup>	504	92
<i>Per share (basic &amp; diluted) <sup>(1) (4)</sup></i>	<i>0.04</i>	<i>0.01</i>
Operating loss - continuing operations <sup>(2)</sup>	(128)	(1,070)
<i>Per share (basic &amp; diluted) <sup>(1) (4)</sup></i>	<i>(0.01)</i>	<i>(0.09)</i>
<b>Cash flow from continuing operations:</b>		
Cash flow from continuing operating activities	31	271
<i>Per share (basic &amp; diluted) <sup>(1) (4)</sup></i>	<i>0.00</i>	<i>0.02</i>
Funds flow from continuing operating activities <sup>(2)</sup>	495	197
<i>Per share (basic &amp; diluted) <sup>(1) (4)</sup></i>	<i>0.04</i>	<i>0.02</i>
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
<b>Financial position:</b>		
Working capital <sup>(2)</sup>	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
<i>Per share <sup>(5)</sup></i>	<i>1.68</i>	<i>1.70</i>
Common shares outstanding <sup>(3)</sup>	12,696,959	12,448,166

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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).

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

## 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.

## 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.

Execution of the strategic plan is ongoing, with a particular focus on objectives that are directly controllable by High Arctic. The timing and ability to execute on certain underlying objectives remains challenging as a result of 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 including the recently elected minority government in Canada that may prove to 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, the LNG Canada pipeline that is to commence operations mid-2025 and land pipeline expansion to the US through completed projects such as the Line 3 expansion.

## Discussion of Operations

### 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 <sup>(1)</sup>	1,187	1,431
<i>Oilfield services operating margin (%) <sup>(1)</sup></i>	<i>53.1%</i>	<i>49.4%</i>

<sup>(1)</sup> See "Non-IFRS Measures"

The rental services segment consists of High Arctic's rental equipment in western Canada, with a focus on pressure control equipment and equipment supporting the high-pressure stimulation of oil and gas wells in the WCSB.

Revenue for the three months ended March 31, 2025 of \$2,237 was \$657 or 23% lower than the prior year comparative quarter. The decrease in revenue for Q1 2025, versus the comparable period in 2024, is a direct result of reduced customer demand due to a combination of the timing of customer activity combined with reduced customer demand as a result of significant volatility in oil and gas prices experienced during the quarter. Throughout Q1 2025 and continuing into Q2 2025, commodity prices and financial/capital markets have experienced significant volatility due largely to global economic uncertainty as a result of proposed tariff changes by the US government. These uncertainties have resulted in a number oil and gas companies taking a more cautious approach to their 2025 capital development programs.

Oilfield services operating margin percentage of 53.1% for the three months ended March 31, 2025, is approximately four percent higher (on a gross basis) than the comparable period in 2024. The increase in operating margin percentage is attributable to reduced direct operating costs combined with reduced utilization of third-party rental equipment. The reduction in operating costs in the current year quarter was driven by reduced revenues combined with an ongoing focus to aggressively manage expenses in light of the current economic environment. The reduction in third-party rental equipment expenses is due to reduced overall customer demand.

## Investments and corporate segment

The investments and corporate segment contains all other assets and activity, namely, High Arctic's equity investment in Team Snubbing, investment in the Seh' Chene Well Servicing Partnership ("Seh' Chene Partnership"), idled snubbing units in Colorado, US, industrial property in Clairmont, Alberta, head office functional support, and monetary investments and borrowings. Select analysis and discussion of these results follows by major heading. Readers are advised to reference Note 18, Segmented Information, in the Corporation's Financial Statements.

### *Clairmont Industrial Property*

Revenue attributable to the Corporation's industrial property in Clairmont, Alberta, was \$98 for Q1 2025 compared to \$94 in the prior year comparative quarter. The increase in revenue is due to inflation escalators that are provided for under the lease agreement.

### *Team Snubbing Equity Investment*

The Corporation accounts for the results of its 42% interest in Team Snubbing using the equity method of accounting, with Team Snubbing's net earnings (loss) recorded as income (loss) from equity investments in the respective reporting period. The Corporation's proportionate share of Team Snubbing's net income for Q1 2025 was \$12 compared to \$490 for Q1 2024. As detailed in the Corporation's Financial Statements (Note 9), Team Snubbing's revenues for Q1 2025 were \$8,092 compared to \$7,460 in the prior year comparative quarter. The 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 Snubbing results were largely impacted by reduced activity levels in its international operations in Alaska. Team Snubbing continues to focus on actively managing all aspects of its business as a result of the current economic environment. Team Snubbing undertook a number of restructuring activities throughout 2024 including "right sizing" its workforce and aligning its international service delivery model with its streamlined and successful Canadian model. Team Snubbing's Canadian operations experienced similar activity levels in both Q1 2025 and Q1 2024.

### *Seh' Chene Partnership*

The Seh' Chene Partnership has experienced limited business activity since the 2022. The partnership is still active and the Corporation, together with its partner, look to reposition their customer offerings and explore other avenues to generate business activity in the future.

### *US Snubbing Assets*

The Corporation has a fleet of snubbing equipment, which includes both stand-alone and rig-assist units located in Greeley, Colorado, US. This equipment is currently idled but is available to provide fluid pumping, cleanup, pipe movement, equipment transportation, completion, well repair and well control services to producers in the Rockies region of the US.

## General and administrative expenses ("G&A")

(thousands of Canadian Dollars, unless otherwise noted)	Three months ended March 31,	
	2025	2024
G&A	781	1,915
Percent of revenue (%)	33.4%	64.1%

G&A expenses for Q1 2025 were \$781 compared to \$1,915 for Q1 2024. G&A expenses for the first quarter of 2025 were consistent with management's expectations. The reduction in G&A expenses in Q1 2025 is the result of the prior year comparative quarter including \$482 in costs associated with the Arrangement transaction combined with professional fees and integration related costs associated with the Corporation's acquisition of Delta in late 2023. Management continues to focus on actively managing G&A expenses, ensuring that the Corporation's administrative cost structure is appropriately aligned with its existing western Canadian focused rentals business.

## Depreciation and amortization expenses

Depreciation and amortization expenses of property and equipment, intangibles and right-of-use assets totaled \$584 in Q1 2025 compared to \$621 during Q1 2024, a decrease of \$37 or 6%. These expenses were consistent with the prior year quarter as the normal course reduction more than offset the impact of expense associated with new capital additions.

## 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 \$48 of expense in Q1 2025 compared to \$59 in Q1 2024.

## Interest finance expenses and income

(thousands of Canadian Dollars)	Three months ended March 31,	
	2025	2024
Interest on long-term debt	37	38
Finance expense – lease liabilities	19	21
Accretion on contingent consideration	56	-
Other expenses	2	5
Interest and finance expenses	114	64
Notes receivable accretion income	59	64
Interest income	60	571
Foreign currency gain (loss)	(9)	191

Interest expense on long-term debt for Q1 2025 was \$37 which was consistent with the prior year comparative quarter. Interest expense is the result of mortgage financing related to lands and buildings owned by High Arctic located within Alberta, Canada.

Finance expense associated with lease liabilities for Q1 2025 was \$19 consistent with \$21 in Q1 2024.

Accretion expense of \$56 was recognized in Q1 2025 related to the contingent consideration payable recognized in conjunction with the acquisition of Delta.

### *Contingent Consideration Payable*

In 2023, as part of the consideration for the acquisition of Delta, High Arctic recognized a contingent consideration payable in the amount of \$2,952. The calculation of 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 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 profit is less than 95% of target. No contingent consideration is payable if less than 50% of the profitability target is achieved. The contingent consideration is payable in a combination of cash and shares of the Corporation. As at March 31, 2025, the contingent consideration payable outstanding, net of \$302 in remaining unrecognized interest accretion expense, was \$2,413 of which \$1,275 was a current liability and \$1,138 being a long-term liability.

### *Notes Receivable*

As at March 31, 2025, the Corporation has two notes receivable outstanding, with a combined principal balance outstanding of \$2,907 for which accretion income is recognized. The carrying value of each note is adjusted for accretion over the individual note terms with \$59 recorded during the three month period ended March 31, 2025 (Q1 2024 - \$64). 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 which commenced in July 2024. As at March 31, 2025, the principal balance outstanding, net of \$288 in remaining unrecognized interest accretion income, was \$2,357 (December 31, 2024 - \$2,548).

### *Delta Rentals Note Receivable*

In 2023, as part of the assets acquired in the acquisition of Delta, 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 March 31, 2025, the principal amount outstanding, net of \$37 in remaining unrecognized interest accretion income, was \$550 (December 31, 2024 - \$543).

Interest income from cash invested in high-interest accounts and GICs totalled \$60 during Q1 2025 (Q1 2023 - \$571). The reduction in interest income is the result of reduced cash and cash equivalent balances as at March 31, 2025 (\$3,183) compared to March 31, 2024 (\$57,038). The reduction in cash and cash equivalent balances is the result of certain transactions completed in conjunction with the Arrangement, specifically being the payment of a \$37,842 return of capital dividend combined with approximately \$21,000 of cash that was retained by SpinCo post the Arrangement.



As at March 31, 2025, the Corporation had \$3,183 maintained in a high-interest savings account earning an interest rate of approximately 4.25%.

Foreign exchange loss for Q1 2025 was \$9 compared to a gain of \$191 in the prior year comparative period. Foreign exchange gains and losses were impacted by changes in the US dollar ("USD") to 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 1.4376 compared to 1.4389 as at December 31, 2024; 1.3550 as at March 31, 2024 and 1.3226 as at December 31, 2023. The depreciation of the CAD dollar during the first quarter of 2024 resulted in a net gain on the translation of the Corporation's net USD-denominated assets for Q1 2024.

#### Other comprehensive gain (loss)

The Corporation recorded a \$9 foreign currency translation gain in other comprehensive income (loss) for Q1 2025 (Q1 2024: \$865) associated with the translation of its subsidiaries that have a functional currency other than CAD. The gain in 2025 is the result of the small movement in the USD to CAD exchange rate from December 31, 2024, to March 31, 2025.

#### Liquidity and Capital Resources

(thousands of Canadian Dollars)		Three months ended Mar 31,	
		2025	2024
<u>Cash provided by (used in) continuing operations:</u>			
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 <sup>(1)</sup>		3,199	2,692
Working capital ratio <sup>(1)</sup>		1.9:1	1.6:1
Cash and cash equivalents		3,183	3,123

<sup>(1)</sup> 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.

### Off-balance sheet arrangements

As at March 31, 2025, and December 31, 2024, the Corporation did not have any material off-balance sheet arrangements.

### 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 under the Corporation's approved equity compensation plans.

(Common shares issued and outstanding) <sup>(1)</sup>	Three months ended Mar 31, 2025		Year ended Dec 31, 2024	
	Shares <sup>(2)</sup>	Amount	Shares <sup>(2)</sup>	Amount
Balance, beginning of period	12,448,166	\$133,153	12,280,568	\$169,992
Exercise of performance share units	-	-	70,545	422
Exercise of deferred share units	-	-	97,053	581
Return of capital <sup>(3)</sup>	-	-	-	(37,842)
Issuance of common shares	248,793	273	-	-
Balance, end of period	12,696,959	133,426	12,448,166	\$133,153

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

<sup>(2)</sup> 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.

<sup>(3)</sup> 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 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 and one-quarter of one (1/4) post-Arrangement common share of High Arctic for each pre-Arrangement common share of High Arctic held.

On March 5, 2025, the Corporation issued 248,793 shares as part of the settlement of the first-year contingent consideration payable pursuant to the acquisition of Delta.

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

## PNG Business Spinoff – Discontinued Operations

The operating results of the Corporation's PNG business, are reported herein as discontinued operations as a result of the Arrangement transaction previously discussed. A summary of the results of the PNG business for the three months ended March 31, 2025 and 2024 are as follows:

(thousands of Canadian Dollars)	Three months ended Mar 31,	
	2025	2024
Revenue	-	15,017
Oilfield services expenses	-	(9,197)
General and administrative expenses	-	(951)
Depreciation and amortization expenses	-	(1,093)
Interest and finance income (expense)	-	19
Foreign exchange loss	-	(78)
Income before tax	-	3,717
Income tax expense	-	(394)
Net income from discontinued operations	-	3,323

## 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:

(thousands of Canadian Dollars, except per share amounts)	Three months ended							
	Mar 31, 2025	Dec 31, 2024	Sept 30, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023	Sept 30, 2023	Jun 30, 2023
Revenue	2,335	2,443	2,506	2,533	2,988	1,037	1,015	664
Net income (loss)	(120)	(715)	125	(1,709)	182	219	498	(1,546)
Net earnings (loss) per share – basic and diluted <sup>(1)</sup>	(0.01)	(0.06)	0.01	(0.14)	0.01	0.02	0.04	(0.13)

<sup>(1)</sup> See "Non-IFRS Measures"

For the quarters Q2 2024 to Q1 2025 inclusive, the Corporation realized an increase in revenue compared to the prior year comparative periods due to the addition of revenue from the acquisition of Delta which closed in late December 2023. Revenue from operations is typically the highest in the first quarter, with the first quarter traditionally being the busiest period for energy services firms 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 road restrictions on the movement of heavy equipment in certain locations.

Fluctuations in net income (loss) 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. 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 Corporation.

## 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							
	Mar 31, 2025	Dec 31, 2024	Sept 30, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023	Sept 30, 2023	Jun 30, 2023
<b>Oil and natural gas prices:</b>								
Average for each period:								
West Texas Intermediate (WTI) (USD/bbl) <sup>(1)</sup>	71	70	75	81	77	78	82	74
West Canada Select (WCS) (CAD/bbl) <sup>(1)</sup>	84	81	85	92	78	77	93	79
Canada Light Sweet Oil (CLS) (CAD/bbl) <sup>(1)</sup>	95	93	98	106	95	98	107	95
AECO (CAD/mmbtu) <sup>(1)</sup>	2.13	1.48	0.70	1.17	2.18	2.30	2.61	2.43
USDCAD Exchange Rate	1.4433	1.3990	1.3637	1.3684	1.3488	1.3619	1.3412	1.3431
Cdn Average Rig Count <sup>(2)</sup>	214	193	207	134	208	180	187	116

<sup>(1)</sup> Source: Sproule

<sup>(2)</sup> Source: JuneWarren-Nickles

During Q1 2025, average WTI, WCS and CLS index pricing was consistent with Q4 2024. Throughout both Q1 2025 and YTD 2024, crude oil prices continued to be volatile due largely to changes in short-term global demand forecasts influenced by ongoing global economic uncertainty, driven in part by political tensions and trade disputes, combined with the impact of 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 Trans Mountain pipeline expansion on May 1, 2024. The Trans Mountain 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 Q1 2025 but was significantly improved compared to the third and fourth quarters 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 March 31, 2025.

#### *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 the majority of 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.

The market price for oil and gas are sensitive to 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 fundamentals, policy and related production quotas undertaken by OPEC including the role taken by Russia, climate change 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, transitional, 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 March 31, 2025.

#### **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 provided services to one large customer who individually accounted for greater than 10% of its consolidated revenues during the three months ended March 31, 2025, with total sales of \$252 (2024: one customer with total sales of \$578).

As at March 31, 2025, one customer represented a total of \$247 or 11% of outstanding accounts receivable (December 31, 2024 – two customers represented a total of \$750 or 27% of outstanding accounts receivable).

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

(thousands of Canadian Dollars)	As at Mar 31, 2025	As at Dec 31, 2024
Less than 31 days	1,178	1,180
31 days to 60 days	719	552
61 days to 90 days	175	444
Greater than 90 days	219	611
Provision for expected credit losses	(26)	(38)
Total	2,265	2,749

#### **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.

The Corporation's future financial results and longer-term success are dependent upon managing and realizing its working capital, its ability to secure additional capital from debt or equity financing, and/or complete other arrangements to fund the Corporation's activities while the Corporation generates 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 of the Financial Statements. Additional information on the Corporation's critical accounting judgments and estimates can also be found in Note 2 of 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 of 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, included 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 three months ended March 31, 2025, that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

For information regarding the corporate governance policies and practices of High Arctic, refer to the Corporation's Annual Information Form ("AIF") dated March 31, 2025, in respect of the year ended December 31, 2024, and other information and documents, all of which are available under the Corporation's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

## **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](http://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 for a reconciliation of net income (loss) from continuing operations, as disclosed in the consolidated statements of income (loss) and 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 adjustments for these items provides a more comparable measure of the Corporation's operational financial performance between periods. Adjusted EBITDA from continuing operations 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 income (loss) and comprehensive income (loss), to EBITDA from continuing operations and Adjusted EBITDA from continuing operations for the three months ended March 31, 2025 and 2024:

(thousands of Canadian Dollars)	Three months ended Mar 31,	
	2025	2024
Net income (loss) from continuing operations	(120)	182
<u>Adjustments to net loss:</u>		
Interest income	(60)	(571)
Interest and finance expenses	114	64
Accretion on notes receivable	(59)	(64)
Depreciation and amortization expenses from continuing operations	584	621
EBITDA from continuing operations	459	232
<u>Adjustments to EBITDA:</u>		
Share-based compensation expense	48	59
Income (loss) from equity investments	(12)	(490)
Foreign exchange loss (gain)	9	(191)
G&A related to reorganization <sup>(1)</sup>	-	482
Adjusted EBITDA from continuing operations	504	92

<sup>(1)</sup> 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 rental services revenue less rental services expenses. Oilfield services operating margin 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

of income (loss) and comprehensive income (loss), to oilfield services operating margin and oilfield services operating margin % for the three months ended March 31, 2025, and 2024.

#### Oilfield services operating margin percentage

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

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

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

#### 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 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 income (loss) and comprehensive income (loss) to operating income (loss) from continuing operations for the three months ended March 31, 2025 and 2024:

	Three months ended March 31,	
(thousands of Canadian Dollars)	2025	2024
Revenue	2,335	2,988
Oilfield services expenses from continuing operations	(1,050)	(1,463)
G&A expenses from continuing operations	(781)	(1,915)
Depreciation and amortization expenses from continuing operations	(584)	(621)
Share-based compensation expense	(48)	(59)
Operating loss from continuing operations	(128)	(1,070)

#### 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 months ended March 31, 2025 and 2024:

(thousands of Canadian Dollars)	Three months ended March 31,	
	2025	2024
Net cash generated from continuing operating activities	31	271
Adjusted for: Changes in non-cash working capital balances - operating	(464)	74
Funds flow from continuing operations	495	197

### 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 to analyze the operating liquidity available to the Corporation. Working capital 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 March 31, 2025 and December 31, 2024:

(thousands of Canadian Dollars)	As at Mar 31, 2025	As at Dec 31, 2024
Current assets	6,717	7,221
Current liabilities	(3,518)	(4,529)
Working capital	3,199	2,692
Working capital ratio	1.9:1	1.6:1

## 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 (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 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; 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 business 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 AIF filed on SEDAR+ at [www.sedarplus.ca](http://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
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
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	- Western Canadian Select
WCSB	- Western Canadian Sedimentary Basin
WTI	- West Texas Intermediate
YTD	- Year to date