

HIGH ARCTIC OVERSEAS HOLDINGS CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE THREE AND NINE MONTHS ENDED
September 30, 2025, and 2024**

(Unaudited)

Notice of No Auditor Review of Condensed Interim Consolidated Financial Statements

Pursuant to National Instrument 51-102 *Continuous Disclosure Obligations*, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of High Arctic Overseas Holdings Corp. (the "Corporation") for the interim reporting period ended September 30, 2025 have been prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board, and are the responsibility of the Corporation's management.

The Corporation's external auditors, KPMG LLP, have not performed a review of these unaudited condensed interim consolidated financial statements in accordance with the standards established by Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's external auditor. Additionally, the Corporation's unaudited condensed interim consolidated financial statements for the interim reporting period ended September 30, 2025 were not reviewed by the Corporation's external auditors, KPMG LLP.

HIGH ARCTIC OVERSEAS HOLDINGS CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited) (thousands of United States Dollars)	As at September 30, 2025	As at December 31, 2024
Assets		
Current assets		
Cash and cash equivalents	12,952	14,930
Accounts receivable (Note 3)	1,551	1,800
Inventory (Notes 4 and 18)	7,554	7,459
Prepaid expenses and other assets	340	517
	22,397	24,706
Non-current assets		
Income tax receivable	490	490
Property and equipment (Note 5)	8,128	9,671
Right of use assets (Note 6(a))	128	420
	8,746	10,581
Total assets	31,143	35,287
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	2,165	2,290
Due to related party (Note 17)	-	135
Deferred revenue (Note 8)	12	551
Lease liabilities (Note 6(b))	125	339
Income tax payable	795	789
	3,097	4,104
Non-current liabilities		
Lease liabilities (Note 6(b))	11	109
Deferred tax liabilities	-	121
	11	230
Total liabilities	3,108	4,334
Shareholders' Equity		
Share capital (Note 10(a))	29,502	29,502
Contributed surplus	147	13
Accumulated and other comprehensive loss	(4)	(29)
Retained earnings	(1,610)	1,467
	28,035	30,953
Total liabilities and shareholders' equity	31,143	35,287

Commitments and contingencies (Notes 18 and 19)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

HIGH ARCTIC OVERSEAS HOLDINGS CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND
COMPREHENSIVE INCOME (LOSS)

(unaudited)	Three months ended		Nine months ended	
	September 30,		September 30,	
(thousands of United States Dollars)	2025	2024	2025	2024
Revenue (Note 12)	1,983	2,891	6,861	21,654
Operating expenses (Note 13(a))	(1,662)	(1,827)	(5,317)	(13,278)
General and administrative expenses (Note 13(b))	(969)	(1,334)	(2,578)	(3,604)
Depreciation and amortization expenses (Notes 5 and 6(a))	(547)	(766)	(2,036)	(3,053)
Share-based compensation expense (Note 11)	(44)	-	(134)	-
Operating income (loss)	(1,239)	(1,036)	(3,204)	1,719
Interest income	64	31	110	137
Adjustment to contractual obligations (Note 18)	-	-	39	-
Adjustment to third party inventory provision (Note 18)	-	-	224	-
Management fee income (expense) (Note 17)	-	(74)	-	90
Finance expenses (Note 13(c))	(11)	(128)	(24)	(171)
Foreign exchange	(49)	(21)	(103)	(16)
Income (loss) before income tax expense	(1,235)	(1,228)	(2,958)	1,759
Current income tax recovery (expense)	183	(193)	372	(708)
Deferred income tax	(278)	-	(491)	-
Income tax	(95)	(193)	(119)	(708)
Net income (loss)	(1,330)	(1,421)	(3,077)	1,051
Other comprehensive income (loss):				
Items that may be reclassified subsequently to net income (loss):				
Foreign currency translation gain (loss) for foreign operations	16	16	25	12
Comprehensive income (loss) for the period	(1,314)	(1,405)	(3,052)	1,063

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2025	2024	2025	2024
Net income (loss) per share: (Note 10(b))				
Basic	(\$0.11)	(\$0.11)	(\$0.25)	\$0.08
Diluted	(\$0.11)	(\$0.11)	(\$0.25)	\$0.08

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

HIGH ARCTIC OVERSEAS HOLDINGS CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS'
EQUITY

(unaudited) (thousands of United States Dollars)	Share capital	Contributed surplus	Accumulated other comprehensive income loss	Net investment in Cyprus (Note 9)	Retained earnings	Total shareholders' equity
Balance, December 31, 2023	-	-	-	33,112	-	33,112
Common shares issued on completion of Arrangement transaction	29,502	-	-	(29,502)	-	-
Dividend paid to HWO prior to Arrangement transaction (Note 9)	-	-	-	(5,000)	-	(5,000)
Net income prior to Arrangement transaction	-	-	-	1,390	-	1,390
Net loss post Arrangement transaction	-	-	-	-	(339)	(339)
Other comprehensive income post Arrangement transaction – foreign currency translation gain	-	-	12	-	-	12
Balance, September 30, 2024	29,502	-	12	-	(339)	29,175
Balance, December 31, 2024	29,502	13	(29)	-	1,467	30,953
Net loss	-	-	-	-	(3,077)	(3,077)
Share-based compensation expense	-	134	-	-	-	134
Other comprehensive income – foreign currency translation gain	-	-	25	-	-	25
Balance, September 30, 2025	29,502	147	(4)	-	(1,610)	28,035

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

HIGH ARCTIC OVERSEAS HOLDINGS CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)	Three months ended September 30,		Nine months ended September 30,	
(thousands of United States Dollars)	2025	2024	2025	2024
Cash flows from operating activities:				
Net income (loss)	(1,330)	(1,421)	(3,077)	1,051
Adjustments for:				
Depreciation and amortization expenses	547	766	2,036	3,053
Unrealized foreign exchange loss (gain)	9	13	11	(45)
Non-cash finance expense (Note 13(c))	3	12	15	44
Share-based compensation expense	44	-	134	-
Deferred income tax expense (recovery)	-	-	(121)	-
Funds from (used in) operating activities	(727)	(630)	(1,002)	4,103
Change in non-cash working capital (Note 14)	(73)	1,849	(462)	5,761
Net cash from (used in) operating activities	(800)	1,219	(1,464)	9,864
Cash flows from investing activities:				
Property and equipment expenditures	39	(57)	(194)	(590)
Net cash used in investing activities	39	(57)	(194)	(590)
Cash flows from financing activities:				
Lease obligation payments	(88)	(128)	(318)	(374)
Dividends (Note 9)	-	(5,000)	-	(5,000)
Net cash used in financing activities	(88)	(5,128)	(318)	(5,374)
Effect of foreign exchange rate changes on opening cash balances	2	-	(2)	-
Change in cash and cash equivalents	(847)	(3,966)	(1,978)	3,900
Total cash and cash equivalents, beginning of period	13,799	18,824	14,930	10,958
Total cash and cash equivalents, end of period	12,952	14,858	12,952	14,858

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

HIGH ARCTIC OVERSEAS HOLDINGS CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(Stated in Thousands of United States Dollars)

1. Nature of business

High Arctic Overseas Holdings Corp. ("High Arctic" or the "Corporation") was incorporated under the laws of Alberta, Canada on April 1, 2024, and is a publicly traded corporation listed on the TSX Venture Exchange. The Corporation is engaged in contract drilling, equipment rentals and other oilfield services to the oil and natural gas industry in Papua New Guinea ("PNG") through a subsidiary in Singapore, two subsidiaries in PNG and a subsidiary in Australia. The Corporation's registered corporate office address is Suite 2350, 330 – 5th Ave SW Calgary, Canada T2P 0L4.

The Corporation was founded to enable a Plan of Arrangement (the "Arrangement") that separated the North American and PNG businesses of High Arctic Energy Services Inc. ("HWO"), resulting in the North American business continuing to be operated by HWO and the PNG business being operated by the Corporation. The Arrangement was approved by a vote of shareholders of HWO on June 17, 2024, and was completed on August 12, 2024. The common shares of the Corporation began trading on the TSX Venture Exchange ("TSXV") on August 16, 2024.

On August 12, 2024, in accordance with the Arrangement:

- HWO transferred all of the outstanding ordinary shares of High Arctic Energy Services Cyprus Limited ("Cyprus"), the subsidiary that owned and operated HWO's Papua New Guinea energy services business, to the Corporation;
- Each shareholder of HWO received, as consideration, one quarter of one post-Arrangement common share of the Corporation and one quarter of one post-Arrangement common share of HWO, for every pre-Arrangement share of HWO held prior to August 12, 2024;
- The Corporation became a reporting issuer in Alberta, British Columbia, Manitoba, Ontario, and Saskatchewan and was listed on the TSXV; and
- HWO retained its interest in the existing North American energy services business and remained listed on the Toronto Stock exchange and continued trading under the trading symbol HWO.

Since the Corporation and Cyprus were both wholly-owned by HWO, the transfer of all of the outstanding ordinary shares of Cyprus to the Corporation was deemed a common control transaction. These unaudited condensed interim consolidated financial statements ("Financial Statements") are presented under the continuity of interests basis. Financial results contained within these consolidated financial statements present the historic financial position, results of operations and cash flows of Cyprus for all prior periods up to August 12, 2024, under HWO's control. The financial position, results of operations and cash flows from April 1, 2024, the date of incorporation of the Corporation, to August 12, 2024, include both Cyprus and the Corporation on a combined basis, and from August 12, 2024, forward include the results of the Corporation on a consolidated basis upon completion of the Arrangement.

The following table lists the Corporation's principal subsidiaries, the jurisdiction of formation or incorporation of such subsidiaries and the percentage of share owned, directly or indirectly, by the Corporation as at September 30, 2025:

Name of subsidiary	Jurisdiction of formation or incorporation	Percentage ownership of shares beneficially owned or controlled (in) directly by the Corporation
High Arctic Energy Services Cyprus Limited	Cyprus	100%
High Arctic Energy Services PNG Limited	PNG	100%
PNG Industry Manpower Solutions Limited	PNG	100%
High Arctic Energy Services (Singapore) PTE Ltd.	Singapore	100%
High Arctic Energy Services Australia PTY Ltd.	Australia	100%

2. Basis of Presentation

(a) Statement of compliance and approval

These Financial Statements have been prepared in accordance with International Accounting Standards 34 – Interim Financial Reporting.

These Financial Statements were authorized for issuance by the Board of Directors on November 27, 2025.

(b) Basis of preparation

Unless otherwise noted, these Financial Statements follow the same accounting policies and methods of computation as described in the annual audited consolidated financial statements for the year ended December 31, 2024. Accordingly, these Financial Statements should be read in conjunction with the annual audited consolidated financial statements.

(c) Common control transaction

Since the Corporation and Cyprus were both wholly owned by HWO, the transfer of all of the outstanding ordinary shares of Cyprus to the Corporation was deemed a common control transaction. As such, the assets and liabilities assumed by the Corporation, including cash and cash equivalents, accounts receivable, inventory, prepaid expense and other assets, due from related party, income tax receivable, property and equipment, right of use assets, accounts payable and accrued liabilities, lease liabilities and income tax payable were originally recognized on the date of acquisition at their respective carrying amounts according to historical cost financial records of HWO.

(d) Functional and presentation currency

The financial statements are presented in United States Dollars ("USD").

The Canadian dollar ("CAD") is the functional currency of the Corporation. The US dollar is the functional currency of four of the Corporation's subsidiaries, with the exception of one subsidiary utilizing the Australian dollar as its functional currency.

All values are rounded to the nearest thousand USD (\$000), except where otherwise indicated.

(e) Judgments, estimates and assumptions

The Financial Statements were prepared using the same judgments, estimates and assumptions as described in the annual audited financial statements for the year ended December 31, 2024.

3. Accounts receivable

The aging and expected credit loss associated with accounts receivable was as follows:

(thousands of USD)	As at September 30, 2025	As at December 31, 2024
Less than 31 days	1,378	1,500
31 days to 60 days	44	301
61 days to 90 days	62	-
Greater than 90 days	72	-
	1,556	1,801
Expected credit losses	(5)	(1)
	1,551	1,800

The Corporation's accounts receivable, net of provisions for expected credit losses, is denominated in the following currencies:

(thousands of USD)	As at September 30, 2025	As at December 31, 2024
PNG Kina ("PGK")	560	897
US dollars ("USD")	955	903
Others	36	-
	1,551	1,800

4. Inventory

As at September 30, 2025, the Corporation had inventory of \$7,554 (December 31, 2024 - \$7,459), which is primarily comprised of parts and materials related to maintenance, recertification and refurbishment of drilling and workover rigs and related equipment and rentable mobile equipment. As at September 30, 2025, a cumulative provision for inventory obsolescence of \$162 (December 31, 2024 - \$162) has been recognized.

For the three months ended September 30, 2025, consumed parts and materials for equipment, which are included in drilling services expense, totaled \$49 (\$110 for the three months ended September 30, 2024).

5. Property and equipment

(thousands of USD)	Vehicles	Drilling services equipment	Office and computer equipment	Work-in progress	Total
Cost					
Balance, December 31, 2024	100	112,743	190	504	113,537
Additions	-	-	-	194	194
Transfers	-	512	137	(649)	-
Balance, September 30, 2025	100	113,255	327	49	113,731
Accumulated depreciation					
Balance, December 31, 2024	75	103,619	172	-	103,866
Depreciation	5	1,713	19	-	1,737
Balance, September 30, 2025	80	105,332	191	-	105,603
Net book value, December 31, 2024	25	9,124	18	504	9,671
Net book value, September 30, 2025	20	7,923	136	49	8,128

6. Right of use assets and lease liabilities

(a) Right of use assets:

(thousands of USD)	As at September 30, 2025	As at December 31, 2024
Cost:		
Opening balance	1,348	1,449
Dispositions	(886)	(94)
Effect of foreign exchange	(1)	(7)
Closing balance	461	1,348
Accumulated depreciation:		
Opening balance	928	536
Depreciation	299	470
Dispositions	(886)	(94)
Effect of foreign exchange	(8)	16
Closing balance	333	928
Net closing balance	128	420

The right of use assets relates to various types of real estate assets.

(b) Lease liabilities:

(thousands of USD)	As at September 30, 2025	As at December 31, 2024
Opening balance	448	973
Lease dispositions	-	(57)
Lease payments	(318)	(487)
Lease finance expense (Note 13(c))	15	53
Effect of foreign exchange rate changes	(9)	(34)
Closing balance	136	448
Current	125	339
Non-current	11	109

The lease liabilities relate to various types of real estate assets which are recorded as right of use assets.

The undiscounted cash flows relating to the lease liabilities are as follows:

(thousands of USD)	As at September 30, 2025	As at December 31, 2024
Less than one year	129	364
One year to five years	11	105
More than five years	-	-
Total undiscounted liabilities	140	469

7. Accounts payable and accrued liabilities

The nature of the Corporation's accounts payable and accrued liabilities are as follows:

(thousands of USD)	As at September 30, 2025	As at December 31, 2024
Trade accounts payable	253	336
Accrued liabilities	1,140	1,240
Wages and payroll taxes payable	728	703
Other accounts payable	44	11
Total accounts payable and accrued liabilities	2,165	2,290

8. Deferred revenue

(thousands of USD)	As at September 30, 2025	As at December 31, 2024
Deferred revenue	12	551
Total deferred revenue	12	551

Deferred revenue relates to advanced billing for services that the Corporation has not performed in accordance with customer requests.

9. Net investment in Cyprus

The Corporation's investment in Cyprus has been presented as a net investment in Cyprus in these Financial Statements because a direct ownership by shareholders of HWO prior to the Arrangement transaction did not exist. The net investment in Cyprus was comprised of accumulated net earnings (loss) of the operation of Cyprus and any distributions from Cyprus to HWO up to August 12, 2024, the date of the Arrangement transaction as described in Note 1.

The following table reconciles the Corporation's net investment in Cyprus:

(thousands of USD)	
Balance, December 31, 2023	33,112
Net income prior to Arrangement transaction	1,390
Dividend to HWO prior to the Arrangement transaction	(5,000)
Common shares issued on completion of the Arrangement transaction	(29,502)
Balance, September 30, 2024	-
Balance, December 31, 2024	-

10. Shareholders' equity

(a) Share capital ⁽¹⁾

The Corporation is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. No preferred shares have been issued by the Corporation. The common shares do not have a par value, and all issued shares are fully paid.

(thousand of USD except number of common shares)	September 30, 2025		December 31, 2024	
	Shares	Amount	Shares	Amount
Effect of the completion of the Arrangement transaction	-	-	12,448,166	29,502
Common shares issued and outstanding, end of period	12,448,166	29,502	12,448,166	29,502

As described in Note 1, 12,448,166 common shares of the Corporation were issued to the shareholders of HWO upon completion of the Arrangement.

(b) Per share amounts ⁽¹⁾

(thousands of USD)	Three months ended		Nine months ended	
	September 30,		September 30,	
(except number of common shares and per share amounts)	2025	2024	2025	2024
Net income (loss)	(1,330)	(1,421)	(3,077)	1,051
Basic – weighted average number of common shares	12,448,166	12,448,166	12,448,166	12,448,166
Diluted – weighted average number of common shares ⁽²⁾	13,123,166	12,448,166	13,123,166	12,448,166
Basic net income (loss) per share	(\$0.11)	(\$0.11)	(\$0.25)	\$0.08

⁽¹⁾ For the purposes of computing per share amounts, the number of common shares outstanding for the periods prior to the Arrangement is deemed to be the number of shares issued by the Corporation to the shareholders of HWO upon completion of the Arrangement.

⁽²⁾ For periods when the Corporation incurred a net loss the shares outstanding under the Corporation's equity incentive plans for the periods presented are excluded from the calculation of diluted weighted average number of common shares as the outstanding options were anti-dilutive.

11. Share-based compensation expense

The Corporation has an equity incentive plan which provides for the issuance of stock options, restricted share units, performance share units and deferred share units. Under the Plan, the Corporation can issue up to 1,244,817 common shares (being 10% of all outstanding shares) as at September 30, 2025.

	Number of stock options	Weighted average exercise price (\$CAD)
Balance, December 31, 2023	-	-
Granted	675,000	1.60
Balance, December 31, 2024	675,000	1.60
Granted	-	-
Balance, September 30, 2025	675,000	1.60

For the three and nine months ended September 30, 2025, the Corporation recognized \$44 and \$134 (three and nine months ended September 30, 2024 – nil) of share-based compensation expense related to stock options, based on amortized fair value calculated using the Black-Scholes method as measured at the date of option grant. As at September 30, 2025, there was \$150 remaining as unrecognized share-based compensation expense related to stock options.

As at September 30, 2025, there were no amounts issued or outstanding related to restricted share units, performance share units or deferred share units.

12. Revenue

The following tables include a reconciliation of disaggregated revenue by type of service provided within the Corporation.

	Three months ended September 30,		Nine months ended September 30,	
(thousands of USD)	2025	2024	2025	2024
Service revenue	1,534	2,295	5,126	17,896
Equipment rental revenue	449	596	1,735	3,758
Total revenue	1,983	2,891	6,861	21,654

The Corporation's revenue originates geographically in PNG.

13. Supplementary expense disclosures

(a) Operating expenses by nature:

	Three months ended September 30,		Nine months ended September 30,	
(thousands of USD)	2025	2024	2025	2024
Personnel	1,132	1,345	3,626	7,127
Equipment operating and maintenance	120	57	303	255
Material and supplies	239	329	920	2,434
Drilling rig rental (recovery)	-	(35)	-	2,965
Other	171	131	468	497
Total operating expenses	1,662	1,827	5,317	13,278

(b) General and administrative expenses by nature:

	Three months ended September 30,		Nine months ended September 30,	
(thousands of USD)	2025	2024	2025	2024
Personnel	663	609	1,833	2,034
Professional, legal and advisory fees	125	470	190	1,072
Information technology services	56	27	172	87
Corporate	96	205	301	338
Office and warehouse	14	20	39	71
Expense (recovery) of expected credit losses	2	(3)	4	(16)
Vehicle, supplies and other	13	6	39	18
Total general and administrative expenses	969	1,334	2,578	3,604

(c) Finance expenses:

	Three months ended September 30,		Nine months ended September 30,	
(thousands of USD)	2025	2024	2025	2024
Bank fees	2	4	9	14
Finance expense – lease liabilities	3	12	15	44
Other	6	112	-	113
Total finance expense	11	128	24	171

14. Supplementary cash flow information

Changes in non-cash working capital balances:

	Three months ended September 30,		Nine months ended September 30,	
(thousands of USD)	2025	2024	2025	2024
<u>Source (use) of cash:</u>				
Accounts receivable	166	2,934	249	9,228
Inventory, prepaid expense and other assets	10	(347)	82	677
Accounts payable and accrued liabilities	(134)	(762)	(125)	(4,237)
Income tax payable	(6)	439	6	407
Deferred Revenue	(109)	1	(539)	15
Due to related party	-	(416)	(135)	(329)
	(73)	1,849	(462)	5,761
<u>Attributable to:</u>				
Operating activities	(73)	1,849	(462)	5,761
Investing activities	-	-	-	-
Financing activities	-	-	-	-
	(73)	1,849	(462)	5,761

15. Financial Instruments and risk management

Financial instrument measurement and classification:

The Corporation's financial assets and liabilities consist of cash and cash equivalents, accounts receivable, due to related party, accounts payable and accrued liabilities, income tax receivable/payable and lease liabilities. The carrying values of these assets and liabilities approximate fair value due to the short-term nature of these instruments. The carrying value of lease liabilities where interest is charged at a fixed rate is not significantly different than fair value.

Financial and other risks:

The Corporation is exposed to financial risks arising from its financial assets and liabilities. This includes pandemic and/or endemic 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. Further, geopolitical risks are the potential risks that a business may face due to changes in global events, policies, national security threats, or regulations. These risks may impact a company's workforce and/or operations by limiting market access and increasing costs and could have significant impact on the Corporation. The Corporation is also exposed to cybersecurity related risks, due in part to the increase and prevalence of utilizing cloud hosted servers. Cybersecurity related risks could significantly impact the ability for the Corporation to operate, and therefore impact financial results.

Market risks:

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:

(a) *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 had no financing or risk management contracts that would be affected by interest rates as at September 30, 2025, or December 31, 2024.

(b) *Commodity price risk*

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

These prices are sensitive to local, regional and world economic and geopolitical events. This includes implications from changing oil demand and supply, policy direction by OPEC, the ongoing effect of the conflicts between Russia & Ukraine and Israel & Palestine, climate-change-driven transitions to lower emission energy sources, the impact of future pandemics upon economic activity, the implications of changes to government and government policy and investment decisions in PNG to expand its LNG export capacity.

The Corporation had no risk management contracts that would be affected by commodity prices as at September 30, 2025, and December 31, 2024.

(c) Foreign currency risk

The Corporation's revenue and expenses are effectively transacted in a mix of USD, AUD and the local PNG currency (Kina or "PGK"). The Corporation does not actively engage in foreign currency hedging.

(d) PNG foreign currency restrictions

The Corporation's ability to repatriate funds from PNG is controlled by the PNG government through their central bank. There are currently several monetary and currency exchange control measures in PNG that can impact the ability to repatriate funds, as well as established requirements to transact in PGK.

As at September 30, 2025, \$1,561 (December 31, 2024 - \$7,741) was on deposit with a large international bank in PNG. The Bank of PNG ("BPNG") has provided approval for the Corporation to maintain a USD bank account in accordance with the BPNG currency regulations. Historically, the Corporation has received approval from BPNG for drilling services contracts with its key customers in PNG to be denominated and settled in USD. The Corporation will continue to seek BPNG approval for our contracts to be settled in USD on a contract-by-contract basis, however, there is no assurance the BPNG will grant these approvals.

The BPNG currency regulations also limit the amount of foreign currency that companies can maintain in order to meet their forecasted three-month cash flow requirements, with excess funds required to be held in PGK. While no significant issues have been experienced to date, there is no guarantee such restrictions will not impact the Corporation's ability to transact or repatriate funds.

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 ECL, 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's customers are predominantly made up of large multinational customers in PNG.

For the three and nine months ended September 30, 2025, the Corporation provided services to two large multinational customers who individually accounted for greater than 10% of its consolidated revenues, with total sales of \$1,757 and \$5,648 (three and nine months ended September 30, 2024 – two large multinational customers with total sales of \$2,823 and 21,404).

As at September 30, 2025, two customers represented a total of \$1,190 or 77% of the outstanding accounts receivable (December 31, 2024 – two customers representing \$1,667 or 93% of outstanding accounts receivable).

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, and managing compliance to debt finance agreements (as applicable).

The Corporation's future financial results and longer-term success are dependent upon its working capital, its ability to secure additional capital from debt or equity financings or completing 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.

The following table details the remaining contractual maturities of the Company's financial liabilities as at September 30, 2025:

Payments due by period							
(thousands of USD)	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	>5 years	Total	
Accounts payable and accrued liabilities	2,165	-	-	-	-	2,165	
Deferred revenue	12	-	-	-	-	12	
Lease liabilities	36	93	11	-	-	140	
Income tax payable	-	795	-	-	-	795	
Total	2,213	888	11	-	-	3,112	

16. Capital management

The Corporation's primary objective of capital management is to maintain a strong capital base, in conjunction with conservative long-term debt levels so as to maintain investor, creditor and market confidence, and to sustain future development of the business. The Corporation seeks to maintain a balance between higher returns on equity that might be possible with higher levels of borrowings and the advantages and security created by a well-capitalized equity position.

The Corporation has no borrowings or debt and therefore, its capital structure consists of shareholders' equity of \$28,035 as at September 30, 2025 (December 31, 2024 - \$30,953).

The Corporation prepares annual and quarterly operating and capital expenditure budgets and forecasts to assist with the management of its capital. The Corporation intends to maintain a flexible capital structure and it may raise new equity or issue new debt in response to a change in economic conditions.

17. Related party transactions

Management fee income (expense) and other general and administrative expenses

Management fee income (expense) consists of recoveries or the reimbursement of certain general and administrative expenses from the Corporation's predecessor parent company, HWO, prior to the reorganization of the Corporation on August 12, 2024. Subsequent to the reorganization, the Corporation was billed for certain expenses originally incurred by HWO as part of a formal management and administrative transition agreement. The agreement is in place to facilitate the orderly transition of certain management and administrative functions from HWO to the Corporation.

The Corporation and HWO were deemed to be related parties as a result of having common senior management in the CEO and CFO positions. As at September 30, 2025, the Corporation and HWO no longer maintained common senior management, as such, the entities ceased to be related parties during the quarter for 2025.

The table below summarizes related party income and expenses incurred by the Corporation which are included as a component of general and administrative expenses, in addition to management fee income of the Corporation:

(thousands of USD)	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Related party expenses included as a component of general and administrative expenses	-	-	55	-
Management fee income (expense)	-	(74)	-	90
Net related party expense (income)	-	(74)	55	90

As at September 30, 2025, \$nil is due by the Corporation to HWO (December 31, 2024 - \$135 was due by the Corporation to HWO).

Dividends

The table below summarizes the dividends paid by the operating subsidiaries to the Corporation's predecessor parent company HWO prior to the completion of the Arrangement transaction:

(thousands of USD)	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Dividends paid in cash to HWO prior to Arrangement transaction	-	5,000	-	5,000

18. Commitments

As part of the Corporation's contractual rig management and operations, the Corporation has entered into a contractual relationship with a customer for the supply of equipment and spare parts inventory related to its operations in PNG. Ownership of the equipment and spare parts inventory remains with the counterparty. The equipment and spare parts inventory had a total contract value of \$1,889 as at September 30, 2025 (December 31, 2024 - \$2,151). As at September 30, 2025, the Corporation recorded \$1,263 of customer spare parts inventory with a corresponding offsetting provision of \$1,328 (December 31, 2024 - \$2,151 and \$2,151 respectively). As such, this spare parts inventory is not included in the Corporation's Financial Statements.

Written notice is required to terminate the contracts underlying this relationship. Upon notice to terminate the contracts, the Corporation is required to return any unused capital equipment and spare parts inventory and make payment to the customer for items that have been previously consumed. Payment to the counterparty is based on prevailing market rates or historical contract values if no readily available market data exists. Otherwise, the Corporation may elect to return the unused capital equipment and spare parts inventory and make a payment to the counterparty based on historical contract values.

During the nine months ended September 30, 2025, the Corporation entered into a Deed of Termination and Release for a contract it has for the supply and management of equipment and spare parts inventory. As a result of the Deed, a reduction of \$39 of previously reported obligations and an adjustment of \$224 to the provision of the customer inventory are recorded.

In accordance with the terms of the contracts, and as a result of consuming certain capital equipment and spare parts inventory, the Corporation has recognized a current obligation of \$368 as at September 30, 2025, (December 31, 2024 - \$358).

19. Contingent Liabilities

The Corporation is currently involved in legal proceedings relating to an incident that occurred in 2022. Two employees have lodged separate claims for damages in relation to the incident. The claim for damages relates to personal injuries that were not apparent at the time of the incident. The legal proceedings are ongoing, and the outcome remains uncertain. Based on management's interpretation of the relevant insurance contracts and legal advice obtained, it is expected that the events are covered under the insurance policies in place at the time. Accordingly, an outflow of economic resources is not probable and no provision has been recognized in the financial statements.