

HIGH ARCTIC OVERSEAS HOLDINGS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
December 31, 2025, and 2024**



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of High Arctic Overseas Holdings Corp.

Opinion

We have audited the consolidated financial statements of High Arctic Overseas Holdings Corp. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2025
- the consolidated statements of income (loss) and comprehensive income (loss) for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2025 and December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Assessment of the recoverable amount of the Papua New Guinea (PNG) Operations cash generating unit (CGU)

Description of the matter

We draw attention to Note 2(e)(iii), Note 3(j) and Note 6 to the financial statements. The carrying amounts of the Entity's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. For the purpose of impairment testing, assets are grouped together into CGUs. If indicators exist, impairment is recognized for the amount by which the CGU's carrying amount exceeds its recoverable amount. The recoverable amount for a CGU is determined as the higher of its fair value less costs of disposal, and its value in use. The determination of fair value less costs of disposal involves significant assumptions including asset specific historical sales and market metrics. As at December 31, 2025, the Entity identified indicators of impairment for the PNG Operations CGU and performed an impairment test to determine the recoverable amount of the CGU based on fair value less costs of disposal, estimated based on individual asset fair values. It was determined that the recoverable amount of the PNG Operations CGU was above its carrying amount, resulting in no impairment at December 31, 2025.

Why the matter is a key audit matter

We identified the assessment of the recoverable amount of the PNG Operations CGU as a key audit matter. Significant auditor judgment was required in evaluating the results of our procedures due to the sensitivity of the Entity's significant assumptions used in determining the PNG Operations CGU's estimated recoverable amount.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We evaluated the reasonableness of the Entity's estimate of the fair value less costs of disposal of the PNG Operations CGU by comparing the fair value determined by management for a selection of individual assets in the PNG Operations CGU to historical sales data.

We involved valuation professionals with specialized skills and knowledge, who assisted in assessing the reasonableness of the Entity's estimate of the fair value less costs of disposal of the PNG Operations CGU, by comparing the fair value less cost of disposal determined by management for a selection of individual assets in the PNG Operations CGU, to market metrics and other external data.



Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.



- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditor's report is David Yung.

Calgary, Canada

April 29, 2026

HIGH ARCTIC OVERSEAS HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(thousands of United States Dollars)	As at December 31, 2025	As at December 31, 2024
Assets		
Current assets		
Cash and cash equivalents	11,954	14,930
Accounts receivable (Note 4)	1,823	1,800
Inventory (Notes 5 and 20)	7,681	7,459
Prepaid expenses and other assets	353	517
Income tax receivable	167	-
	21,978	24,706
Non-current assets		
Income tax receivable (Note 16(e))	490	490
Property and equipment (Note 6)	7,721	9,671
Right of use assets (Note 7(a))	95	420
	8,306	10,581
Total assets	30,284	35,287
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	2,420	2,290
Due to related party (Note 19(a))	-	135
Deferred revenue (Note 9)	1	551
Lease liabilities (Note 7(b))	101	339
Income tax payable (Note 16)	751	789
	3,273	4,104
Non-current liabilities		
Lease liabilities (Note 7(b))	-	109
Deferred tax liabilities (Note 16)	-	121
	-	230
Total liabilities	3,273	4,334
Shareholders' Equity		
Share capital (Note 11(a))	29,456	29,502
Treasury shares	(8)	-
Contributed surplus	214	13
Accumulated and other comprehensive loss	(25)	(29)
Retained earnings	(2,626)	1,467
	27,011	30,953
Total liabilities and shareholders' equity	30,284	35,287

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

Approved on behalf of the Board of Directors,

(Signed) [“Michael Binnion”]
[Michael Binnion]
Chairman of the Board

(Signed) [“Bruce Apana”]
[Bruce Apana]
Director

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

(thousands of United States Dollars)	Share capital	Treasury shares	Contributed surplus	Accumulated other comprehensive income (loss)	Net investment in Cyprus Note 10	Retained earnings	Total shareholders' equity
Balance, December 31, 2023, adjusted for the impact of the completion of the Arrangement transaction (Note 10)	-	-	-	-	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 19(b))	-	-	-	-	(5,000)	-	(5,000)
Net income prior to Arrangement transaction	-	-	-	-	1,390	-	1,390
Net income post Arrangement transaction	-	-	-	-	-	1,467	1,467
Share-based compensation expense	-	-	13	-	-	-	13
Other comprehensive (loss) post Arrangement transaction – foreign currency translation	-	-	-	(29)	-	-	(29)
Balance, December 31, 2024	29,502	-	13	(29)	-	1,467	30,953
Net loss	-	-	-	-	-	(4,093)	(4,093)
Shares repurchased and cancelled	(46)	-	30	-	-	-	(16)
Shares repurchased and held	-	(8)	-	-	-	-	(8)
Share-based compensation expense	-	-	171	-	-	-	171
Other comprehensive income	-	-	-	4	-	-	4
Balance, December 31, 2025	29,456	(8)	214	(25)	-	(2,626)	27,011

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

HIGH ARCTIC OVERSEAS HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands of United States Dollars)	Year ended December 31,	
	2025	2024
Cash flows from operating activities:		
Net (loss) income	(4,093)	2,857
Adjustments for:		
Depreciation and amortization expenses	2,497	3,822
Deferred income tax (recovery) expense	(121)	121
Unrealized foreign exchange loss	(15)	(96)
Non-cash finance expense (Note 14(c))	17	53
Share-based compensation expense	171	13
Funds (used in) from operating activities	(1,544)	6,770
Change in non-cash working capital (Note 15)	(841)	3,342
Net cash (used in) from operating activities	(2,385)	10,112
Cash flows from investing activities:		
Property and equipment expenditures	(215)	(652)
Net cash used in investing activities	(215)	(652)
Cash flows from financing activities:		
Lease obligation payments	(351)	(487)
Share repurchases	(24)	-
Dividend (Note 19(b))	-	(5,000)
Net cash used in financing activities	(375)	(5,487)
Effect of foreign exchange rate changes on opening cash balances	(1)	(1)
Change in cash and cash equivalents	(2,976)	3,972
Total cash and cash equivalents, beginning of year	14,930	10,958
Total cash and cash equivalents, end of year	11,954	14,930

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

HIGH ARCTIC OVERSEAS HOLDINGS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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 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 December 31, 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 consolidated financial statements ("Financial Statements") have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board for the period ended December 31, 2025.

These Financial Statements were authorized for issuance by the Board of Directors on April 29, 2026.

(b) Basis of preparation

These Financial Statements have been prepared on a going concern basis using historical cost convention except as disclosed in Note 3.

(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 dollars (\$000), except where otherwise indicated.

(e) Judgments, estimates and assumptions

The preparation of the Corporation's Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities as at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. The accounting policies and practices that involve the use of estimates and judgements that have a significant impact on the Corporation's financial results include expected credit loss ("ECL"), functional currency, identification of cash generating units ("CGUs"), impairment of property and equipment, inventory obsolescence provision, depreciation and amortization, share-based compensation, and deferred income taxes.

Critical and other significant accounting judgements and estimates:

Significant judgements and estimates are used in the application of accounting policies that have been identified as being complex and involving subjective judgements and assessments. They include:

i) ECL

The Corporation estimates the amount of ECL for trade receivables with no financing component using a provision matrix. The provision matrix is based on historical loss experience and is adjusted for forward looking estimates based on current and future economic conditions using internal and externally sourced data. Judgement is required when applying this information to the ECL and any adjustments as a result of this new information.

The Corporation uses the simplified approach of the ECL model for trade receivables with no significant financing component which requires measuring the loss allowance at an amount equal to the lifetime ECL at initial recognition and throughout its life.

ii) Functional currency

The determination of functional currency is based on the primary economic environment (including monetary policy) in which an entity operates. The functional currency of an entity reflects the underlying transactions, events and conditions that are relevant to the entity.

Factors that the Corporation considers when determining the functional currency of its subsidiaries include:

- (a) the currency that the delivery of goods and services are contracted in;
- (b) the currency used to conduct business in the region;
- (c) the currency that mainly influences labour, material, and other costs of providing goods or services; and
- (d) the currency in which receipts from operating activities are usually retained in.

When the indicators are mixed and the functional currency of an entity is not obvious, management uses its judgement to determine the functional currency that most appropriately represents the economic effects of the underlying transactions, events and conditions. Judgement was applied in determining the functional currency of the operations in PNG to be USD due to a history of drilling services contracts being negotiated and settled in USD, as well as most of the expenses are quoted and paid in USD.

iii) *Identification of CGUs and impairment of property and equipment*

Property and equipment are tested for impairment when events and or changes in circumstances indicate that the carrying amount may not be recoverable, which involves both judgement and estimation. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, defined as CGUs.

The classification of assets and allocation of corporate assets in CGUs requires significant judgement and interpretation. Further, the factors considered in CGU classification include the integration between assets, shared infrastructures, the existence of common sales points, geography and the way management monitors and makes decisions about its operations. As such, the determination of a CGU involves considerable judgement and could have a significant impact on impairment losses and reversals. At December 31, 2025, the Corporation has one CGU called PNG Operations.

The assessment of impairment or impairment reversal indicators is based on significant judgment regarding whether there are internal and external factors that would indicate that a cash generating unit, and specifically the non-financial assets within the cash generating unit, either are impaired or are no longer impaired. These factors include revenue and earnings before interest, taxes, depreciation, and amortization ("EBITDA") forecasts, expected industry activity levels, commodity price developments and market capitalization.

The recoverable amount for a CGU is determined as the higher of its fair value less costs of disposal, and its value in use. The determination of fair value less costs of disposal involves significant assumptions including asset specific historical sales and market metrics. The determination of value in use requires significant assumptions to be made by the Corporation on the discount rates, timing of forecasted cash flows and EBITDA forecasts, using estimates of revenue, operating costs, expected utilization, rates and costs of available equipment (margin), and terminal values. An impairment loss is recognized for the amount by which the CGU's carrying amount exceeds its expected recoverable amount.

iv) *Inventory obsolescence provision*

The Corporation measures inventories at the lower of the cost and net realizable value. The cost of inventories may not be recoverable if inventories are damaged or can no longer be used in the field and therefore obsolete. Judgement is required when determining which inventory requires a provision for obsolescence.

The Corporation inspects inventory throughout the year and adjusts provisions for obsolete inventory each reporting period. An inventory that is identified as damaged or obsolete is eventually scrapped and removed from the inventory listing.

v) *Depreciation*

Depreciation of the Corporation's property and equipment incorporates estimated useful life and salvage values. Equipment under construction is not depreciated until it is available for use. All equipment is depreciated based on the straight-line method over the asset's useful life in years. Estimate details are presented in Note 3.

vi) *Share-based compensation*

The fair value of stock options, performance and deferred share units are determined at the grant date using the Black-Scholes-Merton option pricing model, which includes underlying assumptions related to the risk-free interest rate, average expected option life, dividend yield, estimated forfeitures, and estimated volatility of the Corporation's shares. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the contributed surplus.

vii) *Deferred income taxes*

Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement amounts of existing assets and liabilities and their respective tax bases. The Corporation's calculation of income taxes involves many complex factors as well as the Corporation's interpretation of relevant tax legislation and

regulations and estimations of future taxable profits. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the existing estimated temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are increased or reduced depending on the probability that the related tax benefit will be realized in the future.

Geo-political, economic and environmental developments and impact on estimation uncertainty

The conflict between Russia and Ukraine, which began in early 2022, continues to contribute to significant global political and economic uncertainty. Sanctions, price caps and restrictions on Russian energy exports have structurally reshaped oil and gas trade flows, increasing reliance on alternative supply routes and contributing to ongoing volatility in global benchmark pricing. Analysts note that Russian exports have been increasingly redirected toward Asia under discounted pricing arrangements, while European markets remain exposed to supply risks and seasonal variability.

In early 2026, geopolitical risk escalated sharply following intensified conflict involving Israel, the United States and Iran. Large-scale U.S.–Israeli strikes on Iran on 28 February 2026 triggered widespread retaliatory missile and drone attacks, significantly disrupting regional security, energy supply and transport infrastructure. Flows of crude and refined products through the Strait of Hormuz reportedly fell from around 20 million barrels per day to near-zero, representing an unprecedented supply shock. In response, IEA member countries agreed on 11 March 2026 to release 400 million barrels of emergency reserves to support global markets.

Environmental reporting continues to evolve and the Corporation may be subject to additional future disclosure requirements. The International Sustainability Standards Board (ISSB) issued two IFRS Sustainability Disclosure Standards with the objective to develop a global framework for environmental sustainability disclosure. The Canadian Sustainability Standards Board (CSSB) also finalized and released its Canadian Sustainability Disclosure Standards – CSDS 1, *General Requirements for Disclosure of Sustainability-related Financial Information*, and CSDS 2, *Climate-related Disclosures* on December 18, 2024. These standards are voluntary unless mandated by regulators or governments.

The Canadian Securities Administrators (CSA) have issued a proposed National Instrument 51-107 *Disclosure of Climate-related Matters* which sets forth additional reporting requirements for Canadian Public Companies. In April 2025, the CSA formally paused its work on the development of a new mandatory climate-related disclosure rule but expects to revisit the project in future years. Until such time as the CSA comes to a final decision on sustainability standards for Canada, there is no requirement for public companies in Canada to adopt sustainability standards. Precision continues to monitor the development of these reporting requirements as it progresses with its determination of the financial and disclosure-related implications of complying with these regulations.

Heightened volatility in global capital markets and increased geopolitical uncertainty have adversely affected the availability, pricing and terms of credit and equity financing. Shifts in U.S. trade and foreign-policy settings, including the introduction of temporary tariff measures following the invalidation of certain prior tariffs in February 2026, have contributed to ongoing uncertainty in global trade flows, input costs and commodity pricing. These conditions may affect assumptions used in assessing forecast cash flows, discount rates, funding availability and liquidity risk.

In addition, continued conflict in the Middle East has disrupted global shipping routes, with suspensions of transits through the Strait of Hormuz and the Red Sea/Suez corridor resulting in vessel rerouting, extended transit times and higher freight costs. These disruptions increase uncertainty over commodity availability, delivery timing and logistics costs.

Such conditions may adversely affect the Corporation's ability to contract services, access equipment and materials, maintain cost stability, or raise capital on acceptable terms. Combined with geopolitical tensions, trade disputes and regional security risks, these factors could have a significant impact on the Corporation's future earnings and long-term outlook.

3. Material accounting policies

(a) Basis of consolidation

The Financial Statements include the accounts of High Arctic Overseas Holdings Corp. and its subsidiaries. Intercompany balances and transactions, including unrealized gains or losses between subsidiaries are eliminated upon consolidation. Subsidiaries are entities controlled by the Corporation. Control exists when High Arctic Overseas Holdings Corp. has the ability to govern the financial and operating policies of an entity to enable the receipt of the benefits from its activities. In assessing control, potential voting rights currently exercisable are considered.

The financial statements of subsidiaries are included in the Corporation's Financial Statements from the date that control commences until the date that control ceases. When the Corporation ceases control over a subsidiary, it derecognized the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control ceases.

(b) Business combinations

Acquisitions of subsidiaries and assets that meet the definition of a business under IFRS are accounted for using the acquisition method. The consideration paid for each acquisition is measured at the date of exchange as the aggregate of the fair value of assets given up, equity instruments issued by the Corporation and liabilities assumed. Any contingent consideration payable is also measured at fair value. Contingent consideration payable that is classified as equity is not re-measured and settlement is accounted for as equity. Otherwise, substantive changes in the fair value of contingent consideration payable is recognized in profit and loss.

The identifiable assets acquired and liabilities assumed are recognized at their fair value except for deferred income taxes which are measured in accordance with their applicable IFRS. Any shortfall of the fair value of the identifiable net assets below the consideration paid is recognized as goodwill and any surplus of the fair value of the identifiable net assets relative to the consideration paid is recorded as gain on acquisition. Transaction costs associated with an acquisition, other than those relating to the issuance of debt and equity instruments are expensed as incurred.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Corporation reports preliminary amounts for the items for which the accounting is incomplete. Those preliminary amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date, that if known, would have materially affected the amounts recognized as of that date. The measurement period can be up to a maximum of one year and is the period from the date of acquisition to the date the Corporation obtains complete information about facts and circumstances that existed as of the acquisition date.

(c) Foreign currency

i. Functional currency:

Items included in the financial statements of each subsidiary of the Corporation are measured using their functional currencies, as dictated by their operating environment.

ii. Foreign operations:

The financial statements of subsidiaries that have a functional currency different from that of the Corporation ("foreign operations") are translated into USD as follows:

- assets and liabilities – at the closing rate at the date of the statement of financial position, and
- income and expenses – at the rate on the date of the transaction and/or the average rate during the period (where it approximates the rate at the date of the transaction).

All changes resulting from applying the closing rate to the assets and liabilities of foreign operations are recognized as gains or losses as part of other comprehensive income.

iii. Transactions and balances:

Transactions that take place within an entity that are denominated in a different currency are translated into that entity's functional currency using the exchange rates prevailing at the date the transactions take place. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency, are recognized in the consolidated statement of loss and comprehensive loss as foreign exchange gains or losses.

(d) Joint arrangements

When joint arrangements are entered, the Corporation determines whether it constitutes a joint venture or joint operation. Joint ventures are accounted for using the equity method of accounting, with income recorded in earnings (loss). Joint operations are recorded using proportionate consolidation.

(e) Revenue recognition

Revenue is recognized from a variety of sources. In general, revenue is measured based on the consideration specified in a contract with a customer based upon an agreed transaction price. The Corporation's revenue is generated from short-term or spot market contracts and long-term arrangements. As referenced in Note 17 regarding economic dependence, large customers usually have contract durations greater than one year.

Long-term contracts are those with a term greater than one year. Revenue from the rendering of services is recognized as the Corporation satisfies its performance obligations, which is generally over time, as the Corporation provides a majority of its services on a per billable day basis.

Contract drilling services include contracts for individual drilling rig packages that include crews and contracts for specialist drilling related services.

Revenue is recognized over time from spud to rig release on a daily basis, using day rates based on contract specified amounts, and may include fixed fee or time-based compensation for the initial location of the drilling rig on the well site and its removal after release. Revenue from well completion and production services, including well workover, is typically recognized based on daily or hourly rates as stipulated in the contracts with the customer.

Revenue for equipment rentals, including mats, is recognized using daily or monthly rates determined within the contracts.

Revenue for the provision of manpower is recognized using daily or hourly rates as stipulated in the contracts with the customer.

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

(g) Financial instruments

Financial assets and liabilities are classified and measured at amortized cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit and loss ("FVTPL"), depending on the nature of the instrument. The classification is generally based on the contractual cash flow characteristics of the asset or liability. Financial assets held to collect principal and interest cash flows on specified dates are measured at amortized cost.

Investments in share equity of other third parties are initially recognized at fair value and classified as FVTPL or FVTOCI. If designated as FVTOCI, all changes in fair value are recorded in other comprehensive income ("OCI"). Upon disposal of such investment, the cumulative OCI recorded is reclassified to retained earnings. Dividends from such investments are recognized in profit or loss as other income when the Corporation's right to receive payments is established.

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The fair value hierarchy establishes three levels to classify the inputs for valuation techniques used to measure fair value as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities;
- Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means; and
- Level 3 inputs are unobservable (supported by little or no market activity).

The fair value hierarchy gives highest priority to level 1 inputs and lowest priority to level 3 inputs. The Corporation has level 1 inputs, such as cash and cash equivalents. The Corporation has no level 2 or level 3 inputs.

The following table provides a summary of the classification and measurement basis applicable for the Corporation's non-derivative financial instruments.

Instrument	Initial measurement	Subsequent measurement
Financial assets:		
Cash (and equivalents if applicable)	Fair value	Amortized cost ⁽¹⁾
Accounts receivable	Fair value	Amortized cost ⁽²⁾
Financial liabilities: ⁽³⁾		
Accounts payable and accrued liabilities	Fair value	Amortized cost ⁽¹⁾
Due to related party	Fair value	Amortized cost ⁽¹⁾
Lease liabilities	Fair value	Amortized cost ⁽¹⁾

⁽¹⁾ Amortized cost using an effective interest rate.

⁽²⁾ Upon initial recognition of a non-derivative financial asset, a loss allowance is recorded for ECL. Loss allowances for accounts receivable are measured based on lifetime ECL that incorporates historical loss information and is adjusted for current economic and credit conditions. Losses are recorded as a charge in earnings (loss) as part of general and administrative expenses.

⁽³⁾ All financial liabilities are recognized initially at fair value and are recorded net of directly attributable transaction costs.

As at December 31, 2025, and 2024, the Corporation did not have any derivative financial instruments.

(h) *Property and equipment*

Property and equipment is recorded at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits through increased capability or performance associated with the item will flow to the Corporation, and the cost can be measured reliably. Repair and maintenance costs are charged to net earnings (loss) during the period in which they are incurred.

Gains and losses on disposal of property and equipment are the result of the difference between proceeds obtained compared to the carrying amount of the asset disposed of and are included as part of gains and losses on sale of property and equipment in earnings (loss).

Depreciation is calculated on the depreciable amount which is the carrying cost of an asset less its salvage value and recognized in earnings (loss) over the estimated useful life of the asset. The Corporation allocates the amount initially recognized in respect of an item of property and equipment to its significant components and depreciates separately each such component. The calculation of depreciation includes assumptions related to useful lives and residual values and is reviewed annually and adjusted if appropriate, on a prospective basis. The assumptions are based on experience with similar assets and are subject to change as new information becomes available.

Property and equipment are depreciated and right of use assets are amortized as follows:

<u>Asset type</u>	<u>Expected life</u>	<u>Salvage value</u>	<u>Basis of depreciation</u>
<u>Property and equipment:</u>			
Drilling rigs	5-15 years	Up to 10%	Straight line
Support and shop	7-10 years	Up to 5%	Straight line
Drilling support equipment	7-10 years	Up to 5%	Straight line
Hydraulic workover rig	7-10 years	Up to 5%	Straight line
Rentals and matting	5-10 years	Up to 5%	Straight line
Light vehicles	5-10 years	Up to 5%	Straight line
Heavy trucks	7-10 years	Up to 5%	Straight line
Buildings	20-25 years	Up to 10%	Straight line
Office equipment and computer hardware	3-5 years	Up to 5%	Straight line
Computer software	3-5 years	Nil	Straight line
<u>Right of use assets:</u>			
Real estate	1-12 years	Nil	Straight line

(i) *Inventory*

Inventory consists primarily of operating supplies and spare parts not held for sale and are valued at the lower of average cost and net realizable value. Inventory is charged to expense as items are consumed at the weighted average cost of the item.

Net realizable value is the estimated selling price less estimated selling costs. A regular review is undertaken to determine the extent of any obsolescence for which a provision is required.

(j) *Impairment of assets*

Impairment of financial assets

The Corporation's accounts receivable is recorded net of ECL, using the simplified approach in estimating the lifetime ECL, taking into consideration historical industry default rates as well as credit ratings and the current financial condition of specific customers.

Impairment of non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets called CGUs and judgement is required to aggregate assets into their appropriate CGU. If indicators exist, impairment is recognized for the amount by which the CGUs carrying amount exceeds its recoverable amount.

The recoverable amount for a CGU is determined as the higher of its fair value less costs of disposal, and its value in use. The determination of fair value less costs of disposal involves significant assumptions including assets specific historical sales and market metrics. Value in use calculations estimate future cash flows, discounted to their present value, using a before-tax discount rate

reflecting current market conditions specific to the risk inherent in the assets in the CGU. If the carrying amount of the CGU exceeds its recoverable amount, an impairment loss is charged to earnings (loss) such that the recorded value of the CGU is no greater than its recoverable amount.

A previously recognized impairment loss is required to be reversed if there has been a change in circumstances and/or estimates used to determine the CGU's recoverable amount. If the recoverable amount has increased since the time that the impairment loss was recorded, the carrying amount of the CGU is increased, but only up to its recoverable amount. Further, the amount of impairment reversal cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the CGU while impaired. Such impairment reversal is recognized in the consolidated statements of comprehensive income (loss).

(k) Share-based and other compensation

Equity incentive plan

The Corporation has adopted an omnibus equity incentive plan (the "Plan") which provides for the issuance of stock options, restricted share units, performance share units and deferred share units (which collectively are referred to as "Grants" and each individually a "Grant").

The Plan is a long-term incentive plan that permits the award of Grants to directors, officers and employees of, and consultants to, the Corporation. The purpose of the Plan is to promote share ownership of the eligible individuals to align the interests of such individuals with the interest of the Corporation's shareholders. All Grants made under the Plan (whether stock options, restricted share units, performance share units or deferred share units) will be administered by and subject to one consistent set of rules and restrictions in the Plan.

Stock options

The fair value determined at the grant date of stock options is recognized as an employee benefit expense, with a corresponding increase in contributed surplus, over the vesting period based on the Corporation's estimate of stock options that will eventually vest. At the end of each reporting period, the Corporation revises its estimate of the number of stock options expected to vest. The impact of the revision of the original estimates, if any, is recognized immediately.

When options are exercised, the Corporation issues common shares. The proceeds received plus the amount of the previously recognized benefit recorded in contributed surplus are credited to share capital.

Restricted share units and performance share units

A restricted share unit ("RSU") is a right to receive a common share of the Corporation issued from treasury upon settlement, subject to the terms of the Plan and the applicable award agreement, which generally becomes vested, if at all, following a period of continuous employment or engagement. A performance share unit ("PSU") is the same as an RSU but has performance vesting conditions attached. The vesting and expiry dates of RSUs and PSUs are determined by the Board of Directors.

The fair market value of the RSUs and PSUs issued is equal to the Corporation's volume-weighted average trading price per share of the common shares on the TSXV for the five consecutive trading days ending on the last trading day prior to the grant date. The fair market value is expensed over the vesting term on a graded vesting basis.

RSU and PSU holders are entitled to dividend equivalent on any date a cash dividend is paid on the Corporation's common shares.

Holders will be credited with a dividend equivalent in the form of a number of RSUs or PSUs calculated by multiplying the amount of the dividend per common share by the aggregate number RSUs or PSUs that were credited to the participant's account as of the record date for payment of the dividend and dividing that amount by the fair market value of the common shares on the date on which the dividend is paid.

The RSUs and PSUs are treated as equity-settled share-based compensation and compensation expense is recognized on issued units as vesting occurs, at fair value, with a corresponding increase in contributed surplus.

Deferred share units

A deferred share unit ("DSU") is a right to receive a common share of the Corporation issued from treasury upon settlement, subject to the terms of the Plan and the applicable award agreement. DSUs when awarded pursuant to the Plan vest immediately and provide participants the right to receive, upon termination of service of the participant or such other later date as may be permitted by the Plan, common shares or a cash payment (at the election of the Corporation) equal to the five-day volume weighted average trading price of the common shares on the TSXV multiplied by that number of common shares equal to the number of DSUs held.

DSU holders are also entitled to dividend equivalents and on any date a cash dividend is paid on the Corporation's common shares. DSU holders will be credited with a dividend equivalent in the form of a number of DSUs calculated by multiplying the amount of the dividend per common share by the aggregate number of DSUs that were credited to the participant's account as of the record date for payment of the dividend and dividing that amount by the fair market value of the common shares on the date on which the dividend is paid.

The DSUs are treated as equity-settled share-based compensation and compensation expense is recognized when the DSUs are issued, using fair values, with a corresponding increase in contributed surplus.

Other compensation

The Corporation recognizes a liability and an expense for bonuses expected to be paid to employees based on various formulae that take into consideration operating earnings and other factors attributable to the financial and operational performance of the Corporation. The Corporation recognizes a provision where contractually obligated or where there is a past practice that has created a constructive obligation.

(l) Share capital

Incremental costs directly attributable to the issuance of shares are recognized as a reduction from equity.

(m) Dividends

Dividends on common shares, if declared, are recognized in the Corporation's Financial Statements in the period in which the dividends are approved by the Board of Directors.

(n) Provisions

Provisions for legal claims and other obligations, where applicable, are recognized when the Corporation has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material.

The Corporation may become involved in legal claims through the normal course of operations, and these are recorded and/or disclosed as any other provision. The Corporation believes that any liabilities that may arise from such matters to the extent not provided for, are not likely to have a material effect on the Financial Statements.

(o) Income tax

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in earnings (loss) except to the extent that it relates to the items recognized directly in equity or in other comprehensive income (loss).

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the reporting date in the jurisdictions where the Corporation operates.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(p) Net earnings (loss) per share

The Corporation presents basic and diluted net earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the net earnings or loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period.

Diluted EPS is determined using the treasury stock method, whereby net earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding is adjusted for the effects of all dilutive potential common shares. The treasury stock method assumes any proceeds obtained on the exercise of equity-based compensation arrangements would be used to purchase common shares at the average market price during the period. The weighted average number of shares outstanding is then adjusted by the difference between the number of shares issued from the exercise of equity-based compensation arrangements and shares repurchased from the related proceeds.

(q) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The Corporation determines its operating segments based on internal information regularly reviewed by the Corporation's chief operating decision makers ("CODM") to allocate resources and assess performance. Currently the Corporation's operations is managed as a single operating segment by the Corporation's CODM.

(r) Leases

At the inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation considers whether it has the right to substantially all the economic benefits from the use of the identified asset, and the right to direct the use of the asset.

The Corporation recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently amortized using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's estimated incremental borrowing rate.

The lease payments included in the present value calculation include fixed payments (and in substance fixed payments); variable lease payments that depend on an index or rate; amounts expected to be payable under a residual value guarantee; the exercise price of purchase options if the lessee is reasonably certain to exercise that option; and early termination penalties.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension, or termination option.

When the lease liability is re-measured, a corresponding adjustment is made to the carrying amount of the right of use asset or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Corporation recognizes the lease payments associated with short-term leases of less than a one-year duration as an expense on a straight-line basis over the lease term.

(s) Recent accounting pronouncements

Newly adopted accounting standards

On January 1, 2025, the Corporation adopted amendments to IAS 21, Lack of Exchangeability, issued by IASB. The amendments specify how to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not. There is no material impact on the disclosures or amounts reported in the Financial Statements.

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. The Corporation is currently reviewing the impact, if any, that this standard will have on its 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 on clarifying the date of recognition and derecognition of financial assets and liabilities. The standard is effective January 1, 2026, with early adoption permitted. The Corporation has not early adopted this amendment in the current period.

In July 2024, the IASB issued amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards, IFRS 7, Financial Instruments: Disclosure, IFRS 9, Financial Instruments, IFRS 10, Consolidated Financial Statements, and IAS 7 Statement of Cash Flows. The amendments include clarifications, simplifications, corrections and changes aimed at improving the consistency of several IFRS Accounting Standards. The amendments are effective January 1, 2026, with early adoption permitted. The Corporation has not early adopted this amendment in the current period.

The Corporation has not identified any other standards or interpretations that have been issued but are not yet effective that would have material impact on the Corporation when adopted.

4. Accounts receivable

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

(thousands of USD)	As at December 31, 2025	As at December 31, 2024
Less than 31 days	1,153	1,500
31 days to 60 days	567	301
61 days to 90 days	105	-
Greater than 90 days	2	-
	1,827	1,801
Expected credit losses	(4)	(1)
	1,823	1,800

The Corporation's accounts receivable is denominated in the following currencies:

(thousands of USD)	As at December 31, 2025	As at December 31, 2024
PNG Kina ("PGK")	742	897
US Dollars ("USD")	1,043	903
Others	38	-
	1,823	1,800

The Corporation determined the expected credit loss (ECL) provision percentages used in the provision matrix based on historical credit loss experience as well as historical global default rates for investment grade and speculative grade companies as published by Standard and Poor's. Further, the Corporation aggregated its accounts receivable into groups that share similar credit risk characteristics, taking into consideration drivers for each group's credit risk. The ECL also incorporates forward-looking information.

The details of this approach as at December 31, 2025, was as follows:

(thousands of USD)	Less than 31 days	31- 60 days	61 – 90 days	Over 90 days	Total
Investment grade receivables	877	452	2	2	1,333
Non-investment grade receivables	276	115	103	-	494
Total receivables	1,153	567	105	2	1,827
<i>ECL for investment grade (%)</i>	0.04	0.06	0.10	0.30	-
<i>ECL for non-investment grade (%)</i>	0.25	0.75	2.00	4.00	-
ECL provision – investment grade	-	-	-	-	-
ECL provision – non-investment grade	(1)	(1)	(2)	-	(4)
Specifically provided for amounts	-	-	-	-	-
Total provision for ECL	(1)	(1)	(2)	-	(4)

The comparative details of this approach as at December 31, 2024, was as follows:

(thousands of USD)	Less than 31 days	31- 60 days	61 – 90 days	Over 90 days	Total
Investment grade receivables	1,500	301	-	-	1,801
Non-investment grade receivables	-	-	-	-	-
Total receivables	1,500	301	-	-	1,801
<i>ECL for investment grade (%)</i>	0.04	0.06	0.10	0.30	-
<i>ECL for non-investment grade (%)</i>	0.25	0.75	2.00	4.00	-
ECL provision – investment grade	(1)	-	-	-	(1)
ECL provision – non-investment grade	-	-	-	-	-
Specifically provided for amounts	-	-	-	-	-
Total provision for ECL	(1)	-	-	-	(1)

5. Inventory

As at December 31, 2025, the Corporation had inventory of \$7,681 (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 December 31, 2025, a cumulative provision for inventory obsolescence of \$162 (December 31, 2024 - \$162) has been recognized.

For the year ended December 31, 2025, consumed parts and materials for equipment, which are included in drilling services expense, totaled \$226 (\$420 for the year ended December 31, 2024).

6. Property and equipment

(thousands of USD)	Vehicles	Drilling services equipment	Office and computer equipment	Work-in progress	Total
Cost					
Balance, January 1, 2024	100	112,397	184	234	112,915
Additions	-	-	-	652	652
Dispositions	-	(30)	-	-	(30)
Transfers	-	376	6	(382)	-
Balance, December 31, 2024	100	112,743	190	504	113,537
Additions	-	-	-	215	215
Transfers	-	512	137	(649)	-
Balance, December 31, 2025	100	113,255	327	70	113,752
Accumulated depreciation					
Balance, January 1, 2024	67	100,311	166	-	100,544
Depreciation	8	3,338	6	-	3,352
Dispositions	-	(30)	-	-	(30)
Balance, December 31, 2024	75	103,619	172	-	103,866
Depreciation	7	2,126	32	-	2,165
Balance, December 31, 2025	82	105,745	204	-	106,031
Net book value, December 31, 2024	25	9,124	18	504	9,671
Net book value, December 31, 2025	18	7,510	123	70	7,721

2025 Impairment

As at December 31, 2025, indicators of potential impairment were identified within the PNG Operations CGU. Indicators included the Corporation's primary customers deferred restart of drilling activities along with general deferral of drilling activities within PNG including the deferral of the final investment decision on the large-scale Papua LNG project. The Corporation performed an impairment test, and it was determined that the recoverable amount of the PNG Operations CGU was above its carrying value resulting in no impairment at December 31, 2025.

The estimated recoverable amount of the PNG Operations CGU was determined using fair value less costs of disposal methodology of its associated property, plant and equipment assets. The raw market valuation data points were risk adjusted for changes in the market and location of the assets. The cost of disposal includes estimates on the incremental costs directly attributable to the disposal of the assets including auction commissions, buyers' premiums and transport costs.

2024 Impairment

As at December 31, 2024, indicators of potential impairment were identified within the PNG Operations CGU. Indicators included the Corporation's primary customers deferred restart of drilling activities along with general deferral of drilling activities within PNG including the deferral of the final investment decision on the large-scale Papua LNG project. The Corporation performed an impairment test, and it was determined that the recoverable amount of the PNG Operations CGU was above its carrying value resulting in no impairment at December 31, 2024.

The estimated recoverable amount of the PNG Operations CGU was determined using a discounted cash flow model which involved significant assumptions for the discount rate, timing of forecasted cash flows and EBITDA forecasts. EBITDA forecasts were performed up to and including the year 2028, utilizing management's assessment of future combined drilling, rental and workover activity and were based on management's forecast case using both external and internal sources, contracts currently in place as well as historical activity levels.

Cash flows used in the calculation were discounted using a discount rate specific to the PNG Operations CGU. The after-tax discount rate used in determining the recoverable amount was 26.25% and was derived from the Corporation's weighted average cost of capital, adjusted for risk factors specific to the PNG Operations CGU.

7. Right of use assets and lease liabilities

(a) Right of use assets:

(thousands of USD)	As at December 31, 2025	As at December 31, 2024
Cost:		
Opening balance	1,348	1,449
Dispositions	(886)	(94)
Effect of foreign exchange	2	(7)
Closing balance	464	1,348
(thousands of USD)	As at December 31, 2025	As at December 31, 2024
Accumulated depreciation:		
Opening balance	928	536
Depreciation	332	470
Dispositions	(886)	(94)
Effect of foreign exchange	(5)	16
Closing balance	369	928
Net closing balance	95	420

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

(b) Lease liabilities:

(thousands of USD)	As at December 31, 2025	As at December 31, 2024
Opening balance	448	973
Lease dispositions	-	(57)
Lease payments	(351)	(487)
Lease finance expense (Note 14(c))	17	53
Effect of foreign exchange rate changes	(13)	(34)
Closing balance	101	448
Current	101	339
Non-current	-	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 December 31, 2025	As at December 31, 2024
Less than one year	104	364
One year to five years	-	105
More than five years	-	-
Total undiscounted liabilities	104	469

8. Accounts payable and accrued liabilities

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

(thousands of USD)	As at December 31, 2025	As at December 31, 2024
Trade accounts payable	294	336
Accrued liabilities	1,335	1,240
Wages and payroll taxes payable	708	703
Other accounts payable	83	11
Total accounts payable and accrued liabilities	2,420	2,290

9. Deferred revenue

(thousands of USD)	As at December 31, 2025	As at December 31, 2024
Deferred revenue	1	551
Total deferred revenue	1	551

The deferred revenue \$1 (2024 – \$551) relates to amounts received in advance resulting from advance billing for services that the Corporation has not performed as per customer request.

10. 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 is 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 net investment in Cyprus:

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

11. 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.

(thousands of USD except number of common shares)	Shares	2025 Amount	Shares	2024 Amount
Balance, beginning of year	12,448,166	29,502	-	-
Common shares issued on completion of the Arrangement transaction	-	-	12,448,166	29,502
Shares repurchased and cancelled ⁽ⁱ⁾	(19,574)	(46)	-	-
Balance, end of year	12,428,592	29,456	12,448,166	29,502

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

i. Normal Course Issuer Bid (NCIB)

On June 17, 2025, the Toronto Stock Venture Exchange has accepted a noticed filed by the Corporation to acquire for cancellation up to 5 percent of the Corporation's issued and outstanding common shares under a Normal Course Issuer Bid ("the Bid"). The Bid commenced on June 20, 2025, and was valid for one year. The Bid is due for expiry in June 2026. As at December 31, 2025, the Corporation repurchased 19,574 common shares at an average price of \$1.08 per share and cancelled under this NCIB at a total repurchase cost of \$46.

(b) Per share amounts ⁽¹⁾

(thousands of USD) (except number of common shares)	Year ended December 31,	
	2025	2024
Net (loss) income	(4,093)	2,857
Basic – weighted average number of common shares	12,432,477	12,448,166
Diluted – weighted average number of common shares ⁽²⁾	12,432,477	12,499,805
Basic and diluted net (loss) income per share ⁽²⁾	(\$0.33)	\$0.23

⁽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. For the period after the Arrangement, the number of shares outstanding in the computation of per share amounts is the total issued shares of the Corporation on August 12, 2024, and any common shares issued subsequent to August 12, 2024.

⁽²⁾ All potentially dilutive instruments, being the Corporation's stock options are considered in this calculation.

12. Share-based compensation

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 (see note 3(k)). Under the Plan, the Corporation can issue up to 1,242,859 common shares (being 10% of all outstanding shares) as at December 31, 2025.

As at December 31, 2025, 675,000 stock options, with an average exercise price of CAD \$1.60, are outstanding under the Plan, none of which has been exercised during the period ended December 31, 2025 (December 31, 2024 – None exercised).

The following table summarizes the stock options outstanding and exercisable as at December 31, 2025:

Stock options outstanding			Stock options exercisable		
Exercise price (\$CAD)	Number	Weighted average remaining life (years)	Exercise price (\$CAD)	Number	Weighted average remaining life (years)
1.60	675,000	3.9	1.60	241,669	3.9

The Corporation accounts for its Plan using the fair value method. Under this method, share-based compensation cost is charged to earnings over the vesting period for stock options granted to officers, directors, employees and consultants with a corresponding increase to contributed surplus. The stock options granted, vest one-third on each of the first, second and third anniversaries of the date of grant.

The fair value of the stock options granted were estimated on the date of grant using the Black-Scholes-Merton option pricing model with the following weighted average assumptions.

	December 31, 2024
Risk-free interest rate (%)	3.0%
Expected life (years)	2.9
Expected volatility (%)	78.6%
Expected dividend yield (%)	-
Forfeiture rate (%)	12.8%
Fair value of options granted (\$ per option)	0.71

During the year ended December 31, 2025, the Corporation recognized \$171 (December 31, 2024 – \$13) of share-based compensation expense related to stock options. As at December 31, 2025, there was \$115 remaining as unrecognized share-based compensation related to stock options (December 31, 2024 - \$276).

As at December 31, 2025, there were no amounts issued or outstanding related to restricted share units, performance share units or deferred share units.

13. Revenue

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

(thousands of USD)	Year ended December 31,	
	2025	2024
Service revenue	6,648	19,854
Equipment rental revenue	2,274	4,221
Total revenue	8,922	24,075

The Corporation's revenue originates geographically in PNG.

14. Supplementary expense disclosures

(a) Operating expenses by nature:

(thousands of USD)	Year ended December 31,	
	2025	2024
Personnel	4,795	8,387
Equipment operating and maintenance	405	299
Material and supplies	1,193	2,681
Drilling rig rental	-	3,047
Other	684	592
Total operating expenses	7,077	15,006

(b) General and administrative expenses by nature:

(thousands of USD)	Year ended December 31,	
	2025	2024
Personnel	2,593	2,760
Professional, legal and advisory fees	174	1,470
Information technology services	212	139
Corporate	395	304
Office and warehouse	56	91
Expense (recovery) of expected credit losses	3	(15)
Vehicle, supplies and other	54	30
Total general and administrative expenses	3,487	4,779

(c) Finance expense:

(thousands of USD)	Year ended December 31,	
	2025	2024
Bank fees	13	18
Finance expense – lease liabilities	17	53
Other	2	111
Total finance expense	32	182

15. Supplementary cash flow information

Changes in non-cash working capital balances:

(thousands of USD)	Year ended December 31,	
	2025	2024
<u>Source (use) of cash:</u>		
Accounts receivable	(23)	9,190
Inventory, prepaid expense and other assets	(58)	(547)
Income taxes receivable	(167)	13
Accounts payable and accrued liabilities	130	(6,717)
Income taxes payable	(38)	507
Deferred revenue	(550)	551
Due (to) from related party	(135)	345
	(841)	3,342
<hr/>		
(thousands of USD)	Year ended December 31,	
	2025	2024
<u>Attributable to:</u>		
Operating activities	(841)	3,342
Investing activities	-	-
Financing activities	-	-
	(841)	3,342

16. Income tax

(a) Income tax expense

(thousands of USD)	Year ended December 31,	
	2025	2024
Current income tax expense	198	926
Deferred income tax (recovery) expense	(121)	121
Total income tax expense	77	1,047
<hr/>		
(thousands of USD)	Year ended December 31,	
	2025	2024
Net (loss) income before income taxes	(4,016)	3,904
Canadian statutory tax rate	23%	23%
Expected income tax (recovery) expense	(924)	898
Increase (decrease) resulting from:		
Effect of foreign tax and rates	(96)	(104)
Change in unrecognized deferred tax asset	1,415	(1,086)
Withholding taxes	258	807
Other	(576)	532
Total income tax expense	77	1,047
Effective tax rate	(1.90%)	26.80%

The provision for income tax differs from the result that would be obtained by applying the expected 2025 statutory tax rate of 23% (2024 – 23%) against the net loss before income taxes. The Corporation's effective tax rate was impacted mainly by unrecognized deferred tax assets related to deductible temporary differences in PNG and the effective rate and deductible differences in the Corporation's other international jurisdictions.

(b) Deferred tax assets (liabilities)

Differences between the accounting and tax bases of assets and liabilities at expected tax rates upon anticipated reversal of such differences create deferred tax assets and liabilities on the statement of financial position.

The following table summarizes the deferred income tax assets and liabilities of the Corporation:

	As at December 31, 2025	As at December 31, 2024
Deferred income tax assets (liabilities):		
Property and equipment and inventory	(2,729)	(2,708)
Non-capital losses	3,793	2,251
Unrecognized deferred tax asset	(1,293)	-
Accrued expenses	265	252
Lease liabilities	13	101
Other	(49)	(17)
Net deferred income tax assets (liabilities)	-	(121)

(c) *Unrecognized non-capital losses*

Total non-capital losses carried forward for income tax purposes were \$12,643 as at December 31, 2025 (December 31, 2024 - \$7,504).

(d) *Withholding taxes*

The government of PNG levies foreign contractor withholding tax at 15% on all PNG revenue earned by companies incorporated outside of PNG, which includes the Corporation's Singaporean entity. Customers deduct this tax and remit it directly to the government in PNG. For the year ended December 31, 2025, this amounted to \$342 (December 31, 2024 - \$807) and is recorded as part of current income tax expense. Effective 1 January 2026, the introduction to the new *Income Tax Act 2025 (PNG)* eliminates the withholding tax requirement for the Corporation's Singaporean entity. With this change, the Corporation's Singaporean entity will be subject to income tax on its profit.

(e) *Income tax receivable*

Income tax receivable totaled \$490 at December 31, 2025, and consists of installment payments made to the PNG government (December 31, 2024 - \$490). The Corporation can apply the prepayments to future income tax payments on taxable earnings, once the carried forward tax losses are utilized. The Corporation does not anticipate the utilization of this tax receivable within the next 12 months.

17. 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 December 31, 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 December 31, 2025, and December 31, 2024.

(c) Foreign currency risk

The Corporation's revenue and expenses are transacted in USD, AUD and PNG Kina. 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 the local PNG currency (Kina or "PGK").

As at December 31, 2025, \$820 (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 drilling services 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 year ended December 31, 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 \$7,907 or 88.6% revenue (December 31, 2024 – two large multinational customers with total sales of \$23,612 or 98.1% of revenue).

As at December 31, 2025, two customers represented a total of \$1,330 or 73% 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 December 31, 2025:

Payments due by period (thousands of USD)	Less than 3 months					3 months to 1 year		Total
	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	>5 years			
Accounts payable and accrued liabilities	2,420	-	-	-	-	-	2,420	
Deferred revenue	1	-	-	-	-	-	1	
Lease liabilities	37	67	-	-	-	-	104	
Income tax payable	-	751	-	-	-	-	751	
Total	2,458	818	-	-	-	-	3,276	

18. 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 \$27,011 as at December 31, 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.

19. Related party transactions

(a) 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 December 31, 2025, the Corporation and HWO no longer maintained common senior management, as such, the entities ceased to be related parties during the year.

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 (expense) of the Corporation for the years ended December 31, 2025 and 2024:

(thousands of USD)	Year ended December 31,	
	2025	2024
Related party expenses included as a component of general and administrative expenses	55	135
Management fee income	-	(90)
Net related party expense	55	45

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

(b) Dividend

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

(thousands of USD)	Year ended December 31,	
	2025	2024
Dividend paid in cash to HWO prior to Arrangement transaction	-	5,000

(c) *Executive personnel*

The table below summarizes the executive compensation paid for the respective periods:

(thousands of USD)	Year ended December 31,	
	2025	2024
Directors' fees, executive wages including short-term employee benefits	770	587
Share-based compensation	171	13
Total	941	600

Two executive officers have change of control clause that would result in additional wages and benefit expenses being accrued if executed, as well as immediate vesting of outstanding share-based compensation plans.

20. 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 December 31, 2025, (December 31, 2024 - \$2,151). As at December 31, 2025, the Corporation recorded \$1,250 of customer spare parts inventory with a corresponding offsetting provision of \$1,299 (December 31, 2024 - \$2,151 and \$2,151 respectively). As such, this spare parts inventory is not included in the Financial Statements.

Written notice is required to terminate the contracts underlying this relationship. Upon notice to terminate the contract, 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 data exists. Otherwise, the Corporation may elect to return the unused capital equipment and spare parts inventory and make payment to the counterparty based on historical contract values.

During the year ended December 31, 2025, the Corporation entered into a Deed of Termination and Release for a contract it has for 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 inventory, the Corporation has recognized a current obligation of \$368 as at December 31, 2025, (December 31, 2024 - \$358).

21. 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 legal advice obtained and current stage of the proceedings, management has determined that an outflow of economic resources is not probable at this time. Accordingly, no provision has been recognized in the financial statements.