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.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

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.



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 INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(thousands of United States Dollars)	Year ended December 31, 2025	2024
Revenue (Note 13)	8,922	24,075
Operating expenses (Note 14(a))	(7,077)	(15,006)
General and administrative expenses (Note 14(b))	(3,487)	(4,779)
Depreciation and amortization expenses (Notes 6 and 7(a))	(2,497)	(3,822)
Share-based compensation expense (Note 12)	(171)	(13)
Operating (loss) income	(4,310)	455
Interest income	164	175
Adjustment to contractual obligations (Note 20)	39	2,573
Adjustment to third party inventory provision (Note 20)	224	817
Management fee income (Note 19(a))	-	90
Finance expense (Note 14(c))	(32)	(182)
Foreign exchange loss	(101)	(24)
(Loss) income before income tax expense	(4,016)	3,904
Current income tax expense (Note 16)	(198)	(926)
Deferred income tax recovery (expense) (Note 16)	121	(121)
Income tax expense	(77)	(1,047)
Net (loss) income	(4,093)	2,857
Other comprehensive income (loss):		
Items that may be reclassified subsequently to net income (loss):		
Foreign currency translation gain (loss) for foreign operations	4	(29)
Comprehensive (loss) income for the year	(4,089)	2,828

	Years ended December 31, 2025	2024
Net (loss) income per share: (Note 11(b))		
Basic and diluted	($0.33)	$0.23

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

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:

Asset type	Expected life	Salvage value	Basis of depreciation
Property and equipment:			
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
Right of use assets:			
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 units ("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
ECL for investment grade (%)	*0.04*	*0.06*	*0.10*	*0.30*	
ECL for non-investment grade (%)	*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
ECL for investment grade (%)	*0.04*	*0.06*	*0.10*	*0.30*	
ECL for non-investment grade (%)	*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

(thousands of USD)	Vehicles	Drilling services equipment	Office and computer equipment	Work-in progress	Total
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 3, 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.

	Year ended December 31,	
(thousands of USD)	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:

	Year ended December 31,	
(thousands of USD)	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:

	Year ended December 31,	
(thousands of USD)	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:

	Year ended December 31,	
(thousands of USD)	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
Source (use) of cash:		
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

(thousands of USD)	Year ended December 31, 2025	2024
Attributable to:		
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

(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	1-2 years	2-5 years	>5 years	Total
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:

	Year ended December 31,	
(thousands of USD)	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:

	Year ended December 31,	
(thousands of USD)	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.

HIGH ARCTIC OVERSEAS HOLDINGS CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

Years ended December 31, 2025 and 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

This Management's Discussion and Analysis ("MD&A") is a summary review of financial and operational performance, strategy, outlook, risks, liquidity, capital resources, and other relevant operational matters of High Arctic Overseas Holdings Corp. and its subsidiaries ("High Arctic", "HOH", or the "Corporation"). The information in this MD&A is current to April 29, 2026, and should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended December 31, 2025 and 2024 (the "Financial Statements"). Additional information relating to the Corporation for the years ended December 31, 2025 and 2024 are available on SEDAR+ at www.sedarplus.ca.

This MD&A and the Financial Statements were reviewed by High Arctic's Audit Committee and approved by the Board of Directors on April 29, 2026. This MD&A and the Financial Statements were prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board.

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

In the following discussion, the three months ended December 31, 2025 may be referred to as the "quarter" or "Q4 2025" and the comparative three months ended December 31, 2024 may be referred to as "Q4 2024". References to other quarters may be presented as "QX 20XX" with X/XX being the quarter/year to which the commentary relates.

All amounts are expressed in thousands of US Dollars ("USD") unless otherwise noted. USD is the reporting currency of the Corporation.

This MD&A includes financial information, including the results of operations, liquidity and capital resources as if the Corporation was a standalone entity in existence for the reporting periods covered in this MD&A, as a result of a corporate reorganization completed during 2024 which is further described below. For a full understanding of the financial position and results of operations of the Corporation, this MD&A should be read in conjunction with the Corporation's audited consolidated financial statements and notes for the years ended December 31, 2025 and 2024.

Corporate Profile

Incorporated in Calgary, Alberta, Canada, High Arctic Overseas Holding Corp. provides services, inclusive of drilling, workover services, equipment rental and manpower provision in Papua New Guinea ("PNG") through its wholly owned subsidiaries to the extractive industries with particular focus on exploration and production companies operating in the upstream energy sector.

2024 Corporate Reorganization

The Corporation was founded to enable a Plan of Arrangement (the "Arrangement") that separated the legacy North American and PNG businesses of High Arctic Energy Services Inc. ("HWO"), with the North American business continuing to be operated by HWO, and the PNG business being operated by the Corporation. The Plan of Arrangement was approved by a vote of shareholders of HWO on June 17, 2024, and was completed on August 12, 2024.

On August 12, 2024, in conjunction with the completion of the Arrangement:

- HWO transferred all of the outstanding ordinary shares of HAES-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 (1/4) common share of the Corporation and one quarter of one (1/4) post-Arrangement common share of HWO, for each pre-Arrangement common share of HWO held;
- The Corporation became a reporting issuer in Alberta, British Columbia, Manitoba, Ontario, and Saskatchewan and was listed on the TSX Venture Exchange ("TSXV"), and
- The common shares of the Corporation began trading on the TSXV on August 16, 2024, under the trading symbol HOH.

Since the Corporation and HAES-Cyprus were both wholly-owned by HWO, the transfer of all of the outstanding ordinary shares of HAES-Cyprus to the Corporation was deemed a common control transaction. The Corporation's Financial Statements are presented under the continuity of interests basis. Financial and operational results contained within this MD&A present the historical financial position, results of operations and cash flows of HAES-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

HAES-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.

For reporting purposes, it is assumed that the Corporation held the PNG business prior to August 12, 2024, and as such, operational and financial information for all comparative periods has been included for this MD&A and the Corporation's Financial Statements.

DISCUSSION OF OPERATIONS

2025 Fourth Quarter Highlights

- Drilling rig 103 remains suspended and drilling rigs 115 and 116 remain cold-stacked;
- Fire Services activities ramped up during Q4 2025, leading to an increase in revenue which was offset by a reduction in manpower and rental services, providing an increase in income of 4% against Q3 2025. Compared to Q4 2024, there was a reduction in Manpower and Rentals services as a result of customer projects winding down;
- Operating margins reduced by 1.6% against Q3 2025 as rental equipment utilizations reduced and Fire Services still being in a ramp up phase. Compared to Q4 2024, margins reduced as a result of lower rental equipment utilizations;
- Costs associated with the execution of the diversification strategy, increasing insurance costs, temporary allocation of a property lease to operating costs, increases in working capital as new customers come onboard, combined with reduced revenue led to $921 of cash used in operations for Q4 2025 ($248 of cash generated in Q4 2024); and
- Strong working capital position of $18.7 million maintained.

2025 Full Year Summary

- Revenue for 2025 was $8,922, a reduction of $15,153 or 63% compared to 2024
    - During 2024, rig 103 operated for 5 months until it was placed in suspension, it remained suspended during 2025 and drilling rigs 115 and 116 were cold-stacked over both periods; and
    - Manpower services and rentals slowed in the second half of 2025 as customer projects started to wind down, this was somewhat offset by the fire services division starting to ramp up in Q4 2025.
- Operating margins reduced from 2024 of 37.7% to 20.7% in 2025 largely as a result of:
    - Reduced equipment rental utilizations which yield higher margins;
    - Repairs & maintenance associated with preparing the rental fleet for new markets; and
    - Establishment of the fire services division.
- Adjusted EBITDA for 2025 was a loss of $1,642, a substantive reduction compared to 2024 EBITDA of $4,290 as a result of decline in revenues and reduced operating margins, together with additional general and administrative costs associated with:
    - Transition of corporate services previously performed by HWO;
    - Establishment of the fire services division; and
    - Professional fees related to strategy development and business expansion.
- Strong liquidity with a working capital balance of $18.7 million, which includes a cash balance of $11.9 million.

Outlook

Consistent with 2025, the outlook for 2026 remains subdued, with some potential for drilling activity towards the end of the year. Current quarter operating results were largely driven by manpower and rental services delivered to the Corporation's key customers in PNG's oil and gas industry. With no approved and scheduled near-term drilling activity, the Corporation expects equipment rental and fire services to be the primary revenue generating activity for 2026 as manpower services winds down as existing customer projects conclude.

The Corporation is buoyed by the signing today of a two year renewal of the drilling services contract with our principal customer in PNG including High Arctic's services to support future drilling operations. The contracts are effective May 1, 2026 and include an option to further extend the contracts on the same terms and conditions beyond April 30, 2028. While the contracts include no minimum drilling commitment and Drilling Rig 103 remains suspended, the Corporation remains engaged with its principal customer on planning for future drilling activity. The Corporation also keeps abreast of other regional drilling opportunities where its heli-portable solutions have a competitive advantage.

We are further buoyed by the ongoing enquiries and increasing demand for rental equipment and fire services in PNG, including from adjacent sectors such as mining and industrial construction, which may lead to a future upswing in revenue generating activity. We continue to focus on enhancing and optimizing our existing rental fleet deployment and we are actively seeking opportunities to expand our fire services offerings.

The escalation of the war in the Middle East has resulted in damage to LNG facilities, cessation of shipping through the Strait of Hormuz and impacted confidence in reliable oil and gas supply. As a consequence, LNG supply shortfalls are expected in the northern summer of

2026 which may extend out to the subsequent northern winter at year end and beyond. This is expected to result in substantive competition for uncontracted LNG supply and a shift in global focus on energy security and alternate oil and gas sources. This should create a supportive economic backdrop for a 2026 Papua-LNG Final Investment Decision "FID".

The Papua-LNG project partners have indicated that target cost reductions have been realized and that capital expenditure has been "optimized". A major Papua-LNG plant EPC contract has been awarded as a result (conditional on a FID). The next major project milestone is the convening of the Development Forum with the affected landowners from communities impacted by the project, to agree on benefit sharing and development commitments. We understand that preparations are well underway to hold this forum in the coming weeks, aligning with mid-2026 FID guidance provided by project partners. The Corporation drilled the last 4 appraisal wells in the Antelope gas field, which will be the primary gas source for the project. We expect High Arctic to offer a highly competitive and compelling case for drilling the Papua-LNG development wells.

Despite these positive developments there remains uncertainty around the feasibility and timing of new oil and gas projects in PNG. There is, however, a growing need for customers to re-commence drilling to infill existing production capacity. While there is currently substantive market volatility, circumstances appear favorable for high international commodity pricing into the future and PNG presents an attractive proven and secure supply source for Asian buyers seeking alternatives to sources impacted by war or sanctions. This should provide the Corporation's customers with confidence in a healthy return on the cost of backfilling production.

Business Strategy

Our business strategy focused on Papua New Guinea is underpinned by the following cornerstones:

- Leveraging our core PNG planning and logistics capability to diversify our service offerings;
- Deploying idle assets into profitable operations;
- Strengthening local content & participation in the PNG finance and investment communities;
- An established and efficient corporate structure; and
- Seeking opportunities to expand and root the business in the Australasian region.

2026 Strategic Objectives

- Relentless focus on safety excellence and quality service delivery;
- Grow the Equipment Rentals and Fire Services business offerings;
- Pursue pathways to return idle drilling assets into service;
- Maximize potential participation in future major Papua New Guinea projects; and
- Pursue expansionary transactions that increase shareholder value.

Our rationale for a business strategy focussed on PNG is unchanged. Papua New Guinea possesses substantial deposits of natural resources including significant reserves of oil and natural gas and has emerged as a reliable low-cost energy exporter to Asian markets, particularly for liquefied natural gas ("LNG"). A significant investment in the country's oil and gas industry was evidenced by the successful construction of the PNG-LNG project in 2014, with the primary partners in the venture being customers of the Corporation. In the period following, the Corporation's predecessor company committed to the purchase and upgrade of drilling rigs 115 and 116 and expansion of the Corporation's fleet of rentable equipment including camps, material handling equipment and worksite matting. These investments contributed to a substantive lift in revenues and earnings as PNG enjoyed its highest period of exploration and development activity.

Since the onset of COVID-19 in early 2020, there has been a substantive reduction in drilling services in PNG. This follows some consolidation among the active exploration and production companies and evolving political and economic influences. In the longer term, High Arctic believes PNG is on the precipice of a new round of large-scale projects in the natural resources sector. There is an expectation for increased drilling activity through the latter half of this decade, not only to develop wells for the supply of gas to the Papua-LNG export facility, but also to explore for and appraise other discoveries. The Corporation is strategically positioned to support these developments, given its dominant position for drilling and associated services in PNG, existing work relationships with the operating companies, and proximity to the proposed sites of operation. The Corporation's drilling rigs 115 and 116 are portable by helicopter and have been maintained and preserved for future use.

There are a number of other petroleum and mining projects and substantive nation-building projects including infrastructure, electrification, telecommunications and defense projects planned for the development of PNG. These projects will require access to transport and material handling machinery, both temporary and permanent power generation assets, quality worksite and temporary road mats and personnel. High Arctic's business continues to position itself to be a meaningful supplier of services and equipment for this market.

Reflecting upon 2025 and our views on the emerging PNG market, we have conducted a review of our short-term strategic objectives. The result is a decision to suspend our focus on manpower where the market demand beyond our traditional customers has been limited and of low value. However, our review identified a substantive appetite beyond our traditional customers for in-country solutions for the

provision of rental equipment and fire services, particularly in the mining sector and for the provision of reliable power generation equipment, for which we are experiencing demand beyond our capacity to supply. We are currently focussed on investing in the renewal and expansion of our rental equipment fleet to meet these needs. We have found fire services in PNG to be under-serviced and we are focussed on expanding our capacity and adding depth to our team with an aim of becoming the premier provider of fire safety solutions in PNG. We believe that this renewed focus will deliver our diversification goals and will provide a solid, profitable and sustainable business foundation in the absence of continuous drilling activity.

Select Comparative Financial Information

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

	Three months ended Dec 31,		Year ended Dec 31,	
(thousands of USD except per share amounts)	2025	2024	2025	2024
Operating results				
Revenue	**2,061**	2,421	**8,922**	24,075
Net (loss) income	**(1,016)**	1,806	**(4,093)**	2,857
Per share (basic and diluted) [1]	**($0.08)**	$0.14	**($0.33)**	$0.23
Operating margin [2]	**301**	693	**1,845**	9,069
Operating margin as a % of revenue [2]	***14.6%***	*28.6%*	***20.7%***	*37.7%*
EBITDA [2]	**(643)**	2,887	**(1,651)**	7,733
EBITDA as a % of revenue [2]	***(31.2%)***	*119.2%*	***(18.5%)***	*32.1%*
Per share (basic and diluted) [1]	**($0.05)**	$0.23	**($0.13)**	$0.62
Adjusted EBITDA [2]	**(608)**	(482)	**(1,642)**	4,290
Adjusted EBITDA as a % of revenue [2]	***(29.5%)***	*(19.9%)*	***(18.4%)***	*17.8%*
Per share (basic and diluted) [1]	**($0.05)**	($0.04)	**($0.13)**	$0.35
Operating (loss) income [2]	**(1,106)**	(1,264)	**(4,310)**	455
Per share (basic and diluted) [1]	**($0.09)**	($0.10)	**($0.35)**	$0.04
Cash flow from operations:				
Cash flow (used in) from operating activities	**(921)**	248	**(2,385)**	10,112
Per share (basic & diluted) [1]	**($0.07)**	$0.02	**($0.19)**	$0.81
Funds flow (used in) from operating activities [2]	**(542)**	2,667	**(1,544)**	6,770
Per share (basic & diluted) [1]	**($0.04)**	$0.21	**($0.12)**	$0.54
Capital expenditures	**21**	62	**215**	652

(thousands of USD)	As at Dec 31, 2025	As at Dec 31, 2024
Financial position:		
Working capital [2]	**18,705**	20,602
Cash and cash equivalents	**11,954**	14,930
Total assets	**30,284**	35,287
Shareholder's equity	**27,011**	30,953
Per share (basic) [1]	**$2.17**	$2.48
Per share (fully diluted) [1]	**$2.17**	$2.47
Weighted average common shares outstanding (000's) [1]	**12,432**	12,448
Weighted average diluted shares outstanding (000's) [1]	**12,432**	12,539

(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. See the "Overview" section of this MD&A and the Corporation's Financial Statements as at and for the years ended December 31, 2025 and 2024 for additional details.

(2) Operating margin, EBITDA (Earnings before interest, tax, depreciation, and amortization), Adjusted EBITDA, Operating income (loss), Funds flow from operating activities and Working capital do not have a standardized meanings prescribed by IFRS. See "Non IFRS Measures" in this MD&A for calculations of these measures.

Operating Results

(thousands of USD, unless otherwise noted)	Three months ended Dec 31, 2025	2024	Year ended Dec 31, 2025	2024
Revenue	**2,061**	2,421	**8,922**	24,075
Operating expense	**(1,760)**	(1,728)	**(7,077)**	(15,006)
Operating margin[(1)]	**301**	693	**1,845**	9,069
Operating margin (%)	***14.6%***	*28.6%*	***20.7%***	*37.7%*

(1) See "Non-IFRS Measures"

Revenues totaled $2,061 and $8,922 for the three months and year ended December 31, 2025, respectively, compared to $2,421 and $24,075 for the comparative periods in 2024. Customer-owned rig 103 has been suspended since the second half of 2024 and was operational for the first 5 months in 2024. The majority of Q4 2025 revenue is from the provision of equipment rental and skilled personnel to key customers within PNG's oil and gas industry. As noted above, revenue and operating margins have reduced as a result of major customer projects commencing the planned wind down of activities. While minor, the Corporation is continuing to see increased equipment rental revenues from other industries and new customers within PNG.

The Corporation owns two heli-portable drilling rigs (Rigs 115 and 116) which remain preserved and maintained ready for deployment.

General and Administrative ("G&A")

(thousands of USD, unless otherwise noted)	Three months ended Dec 31, 2025	2024	Year ended Dec 31, 2025	2024
G&A	**909**	1,175	**3,487**	4,779
Percent of revenue (%)	***44.1%***	*48.5%*	***39.1%***	*19.9%*

G&A expenses of $909 for Q4 2025 were consistent with Q3 2025 of $969 and represent a steady state expenditure to support the above-mentioned strategy. Against Q4 2024, expenditures have reduced by 29% due to expense incurred in Q4 2024 related to the Arrangement. When comparing full year 2025 to 2024, the reduced operating capacity allowed for a reduction in G&A activities, however, available reductions are limited by the organizational structure, its need to respond quickly to existing customer drilling demands, the complexity of drilling tenders and its diversification strategy.

Interest income

For the three months and year ended December 31, 2025, interest income earned was $54 (Q4 2024 – $38) and $164 (2024 – $175). Interest income resulted from investing excess cash balances.

Finance expense

For the three months and year ended December 31, 2025, finance expense was $8 (Q4 2024 – $11) and $32 (2024 – $182). The decrease in these expenses is due to lower lease finance interest due to the normal course maturity of historical lease agreements.

Management fee income (expense)

For the three months and year ended December 31, 2025, management fee expense was nil (Q4 2024 – nil) and nil (2024 – $90). The absence of management fee income in Q4 2025 is the result of the completion of the Arrangement during Q3 2024. Historically, these fees were comprised of recoveries from HWO of certain general and administrative costs incurred by the Corporation and its subsidiaries in the respective period.

Depreciation and amortization

For the three months and year ended December 31, 2025**,** depreciation and amortization expense was $461 (Q4 2024 – $769) and $2,497 (2024 – $3,822). The decrease in these expenses is due to a number of long life drilling and rental equipment fixed assets are fully depreciated during the year. The cost base for these assets is approximately $23,500.

Impairment

As at both December 31, 2025 and 2024, indicators of impairment were identified within the PNG Operations CGU. Indicators included the Corporation's primary customers' deferrals of drilling activity restarts along with general deferral of drilling activities within PNG including the deferrals of the final investment decision of the large-scale Papua LNG project. The Corporation performed impairment test at both period ends, and on both occasions, it was determined that the recoverable amount of the PNG Operations CGU was above its carrying value, resulting in no impairment.

During the above mentioned testing of carrying values at December 31, 2025 and 2024, the Corporation also tested for the potential reversal of the 2023 impairment, which was not supported.

Liquidity and Capital Resources

	Three months ended Dec 31,		Year ended Dec 31,	
(thousands of USD)	2025	2024	2025	2024
Cash provided by (used in) operations:				
Operating activities	**(921)**	248	**(2,385)**	10,112
Investing activities	**(21)**	(62)	**(215)**	(652)
Financing activities	**(57)**	(113)	**(375)**	(5,487)
Effect of exchange rate changes	**1**	(1)	**(1)**	(1)
(Decrease) increase in cash	**(998)**	72	**(2,976)**	3,972

(thousands of USD, unless otherwise noted)	As at Dec 31, 2025	As at Dec 31, 2024
Current assets	**21,978**	24,706
Working capital[(1)]	**18,705**	20,602
Working capital ratio[(1)]	**6.7:1**	6.0:1
Cash and cash equivalents	**11,954**	14,930

(1) See "Non-IFRS Measures"

The Bank of PNG ("BPNG") continues to encourage the use of the local market currency, Kina, or PGK. Due to the Corporation's requirement to transact with international suppliers and customers, it has received approval from the BPNG to maintain its onshore PNG USD account within the conditions of the BPNG currency regulations. The Corporation continues to use PGK for local transactions when practical. Included in the BPNG's conditions is for PNG drilling contracts to be settled in PGK, unless otherwise approved by the BPNG for the contracts to be settled in USD. The Corporation has historically received such approval for its contracts with its key customers in PNG. The Corporation will continue to seek BPNG approval for contracts to be settled in USD on a contract-by-contract basis, however, there is no assurance the BPNG will grant these approvals.

If such approvals are not received, the Corporation's PNG drilling contracts will be settled in PGK which would significantly increase the Corporation's exposure to exchange rate fluctuations related to the PGK. In addition, this may delay the Corporation's ability to receive USD which may impact the Corporation's ability to settle USD denominated liabilities and repatriate funds from PNG on a timely basis. The Corporation also requires the approval from the PNG Internal Revenue Commission ("IRC") to repatriate funds from PNG and make payments to non-resident PNG suppliers and service providers. While delays can be experienced for the IRC approvals, all such approvals have historically been received.

Operating Activities

For the three months and year ended December 31, 2025, cash used in operating activities was $921 (Q4 2024 – generated from operating activities $248) and $2,385 (2024 – generated from operating activities $10,112), respectively. The change in operating cash flow was driven by reduced revenue generating activities, costs associated with the establishment and ramp up of the Fire Services division, professional fees related to strategy development, corporate services, equipment readiness and changes in non-cash working capital. Changes in non-cash working capital are listed in Note 14 of the Financial Statements and represent temporary differences as inventory previously purchased in support of anticipated sales, deferred revenue is earned and related party balances post the Arrangement is reduced.

Investing Activities

For the three months and year ended December 31, 2025, the Corporation's cash used in investing activities was $21 (Q4 2024 – $62) and $215 (2024 – $652), respectively. Cash outflows associated with investing activities were directed towards capital expenditure on rental assets. The reduction in capital expenditures in 2025 is due to reduced customer activity. The Corporation will continue to seek opportunities to invest in additional capital assets where there is strong market demand.

Financing Activities
For the three months and year ended December 31, 2025, the Corporation's cash used in financing activities was $57 (Q4 2024 – $113) and $375 (2024 – $5,487 inclusive of $5,000 dividend as part of the 2024 Corporate Reorganization). Cash outflows associated with finance activities were mainly directed towards lease obligation payments and share repurchases via Normal Course Issuer Bid program.

Commitments, Contractual Obligations and Contingencies

As part of the Corporation's contractual rig management and operations, the Corporation has entered into a contractual relation 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. Upon notice to terminate the contracts, the Corporation is required to return the balance of the capital equipment and inventory and make a payment to the customer for items that have been previously consumed, based on prevailing market rates or historical contract values if no readily available market data exists.

During the year ended December 31, 2025, the Corporation entered into a Deed of Termination and Release for a contract it has for the supply and management of equipment and spare parts inventory. As a result of the Deed, a reduction of $39 of previously reported obligations and an adjustment of $224 to the provision of the customer inventory are recorded.

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

Legal Claim Contingent Liability

The Corporation is currently involved in legal proceedings relating to an incident that occurred in 2022. Two former 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.

Management continues to monitor the progress of the legal proceedings. Should the likelihood of an outflow of resources become probable and the amount can be reliably measured, a provision will be recognized in accordance with IAS 37.

Long-term Debt

As at December 31, 2025 and for the years ended December 31, 2025 and 2024, the Corporation had no long-term debt or similar obligations.

Off-Balance Sheet Arrangements

As at December 31, 2025 and for the years ended December 31, 2025 and 2024, except for commitments disclosed in the financial statements, the Corporation does not have any off-balance sheet arrangements.

Related Party Transactions

In conjunction with the corporate reorganization completed during 2024, the Corporation incurred certain expenses that have been managed and paid by HWO as part of a formal management and administrative transition agreement. The agreement was put in place to facilitate the orderly transition of certain management and administrative functions from HWO to the Corporation. Management fee related income or expenses existed prior to the completion of the Arrangement transaction as previously discussed.

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

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, and 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)	Three months ended Dec 31, 2025	2024	Year ended Dec 31, 2025	2024
Related party expenses included as a component of G&A	-	135	**55**	135
Management fee income (expense)	-	-	**-**	90
	-	135	**55**	225

In addition to management fees paid to HWO during the third quarter of 2024, HAES-Cyprus paid a dividend of $5,000 to HWO prior to the completion of the Arrangement.

Refer to Note 19(c) of the Financial Statements for disclosures related to executive compensation.

Outstanding Share Data

The Corporation's authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares.

	As at April 29, 2026	As at Dec 31, 2025
Common shares outstanding	**12,416,581**	**12,428,592**

The Corporation has an equity incentive plan (the "Plan") which provides for the issuance of stock options, restricted share units, performance share units and deferred share units. Under the Plan, the Corporation can issue up to 1,242,859 common shares (being 10% of all outstanding common shares) as at December 31, 2025. During 2025, no stock options were issued and as at December 31, 2025, 675,000 stock options are outstanding, with an average exercise price of CAD 1.60 under the plan (2024 – 675,000 stock options issued and outstanding, with an average exercise price of CAD 1.60).

With the exception of the 675,000 stock options outstanding as at December 31, 2025, as noted above, there are no other financial instruments that are currently outstanding that could result in dilution to any per common share financial metrics.

Summary of Quarterly Results

The following table provides a summary of the Corporation's quarterly results for each of the last eight quarters:

	Three months ended							
	Dec 31, 2025	Sept 30, 2025	Jun 30, 2025	Mar 31, 2025	Dec 31, 2024	Sept 30, 2024	Jun 30, 2024	Mar 31, 2024
Revenue	**2,061**	1,983	2,368	2,510	2,421	2,897	7,629	11,134
Net income (loss)	**(1,016)**	(1,350)	(522)	(1,225)	1,806	(1,404)	(29)	2,501
Per share basic and diluted	**($0.08)**	($0.11)	($0.04)	($0.09)	$0.14	($0.11)	$0.00	$0.20

As illustrated above, the Corporation's results are subject to quarterly variations. The primary driver of the variation in quarterly results is attributable to underlying customer drilling activity due to the nature of the Company's operations in PNG. During the last eight quarters higher revenue performance was achieved during the periods Q1 2024 and Q2 2024 as a result of Rig 103 being in service on a continuous basis. Net income reported in Q4 2024 was impacted by positive adjustments for contractual obligations and to third party provisions totaling $3,390 recognized in the respective quarter.

Industry Indicators and Market Trends

The provision of drilling services in PNG has the largest impact on the Corporation's financial and operational results. While commodity pricing does not necessarily have an immediate, direct impact on drilling activities, it does influence the feasibility of new projects and the perceived attractiveness of exploration drilling activities. The following table provides information for the last eight quarters to assist with the understanding of the PNG drilling services industry and the effect that commodity prices have on industry activity levels.

	Three months ended							
	Dec 31, 2025	Sept 30, 2025	Jun 30, 2025	Mar 31, 2025	Dec 31, 2024	Sept 30, 2024	Jun 30, 2024	Mar 31, 2024
Oil and LNG prices – Average for each period:								
Brent crude oil (US$/bbl)[1]	**64**	70	65	66	75	80	85	82
Japan LNG (US$/mmbtu)[2]	**11.28**	11.72	12.39	12.84	12.71	12.93	12.06	13.72

(1) Source: Sproule and/or Macrotrends

(2) Source: YCharts

Pricing for oil and natural gas production in PNG is generally tied to world prices such as Brent crude oil and Japan LNG, both of which rebounded strongly from lows experienced in 2020 and early 2021 when global demand for crude oil and liquified natural gas were

negatively impacted by COVID-19. During Q4 2025, Brent crude prices traded between $60/bbl and $67/bbl with an average of $64/bbl. Volatility throughout the quarter was driven by concerns over global supply and demand fundamentals, combined with the impact of current US government energy policy changes and the impact of US tariffs across the world.

The ultimate impact of the imposition of tariffs by the US and the resulting counter tariffs implemented by many other Countries on the global economy and the demand for energy is yet to be fully determined. Oil and gas commodity trading volatility continues to be impacted by uncertainty and changes in short-term global demand forecasts influenced by ongoing conflicts in the Middle East and Ukraine. The conflict in the Middle East, which began early in Q4 2023, escalated in Q1 2026 with coordinated attacks on Iran by Israel and the US. The resultant counter attacks by Iran on regional military and energy infrastructure, as well as both real and threatened attacks on vessels passing the Strait of Hormuz, has significantly curtailed global supply of oil and gas. Substantial increases in Brent crude pricing has resulted and global shortfalls in supply are considered likely to manifest through 2026. The depth and length of any supply shortfall will be dependent on the timing of military de-escalation and assurance of safe shipping lanes through the strait of Hormuz, the extent of damage to processing and export facilities in the gulf states and the timing of return of impacted supplies to market.

Japanese LNG prices for Q4 2025 peaked at $11.38/mmbtu in late October before retreating to $11.32/mmbtu for an average of $11.28/mmbtu. Qatar is one of the largest global suppliers of LNG. It has been impacted by both LNG facility damage and curtailed shipping activity due to the recent escalation of the war in the Middle East. As a result, LNG supply shortfalls are expected in the northern summer of 2026 which may extend out to the subsequent northern winter at year end and beyond. This is expected to result in substantive competition for uncontracted LNG supply, the realization of high spot market prices, and support of higher prices during the period of lower demand between the peak northern cooling and heating seasons.

Financial Risk Management

Financial and other risks

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

Market and other related risk

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

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 currently has no financing arrangements outside of normal course lease obligations. The Corporation is therefore only exposed to interest rate risk on any future borrowing as rates fluctuate in response to changes in monetary policy and the applicable interest rates. The Corporation had no interest rate related risk management contracts or similar financial derivative contracts that would be affected by interest rates in place 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 almost all the Corporation's customers are oil and gas producers. The Corporation's customer's activity and strategic decisions may be impacted by the fluctuations of crude oil and natural gas pricing.

Prices for crude oil and natural gas are sensitive to local, regional and world economic and geopolitical events. This includes implications from changing crude oil demand and supply, policy direction taken by OPEC including the role taken by Russia, climate change driven transitions to lower emission energy sources, the implications of changes to government and government policy and ongoing investment decisions in PNG to increase existing LNG exporting capabilities.

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

The Corporation had no commodity related risk management contracts that would be affected by commodity prices in place at December 31, 2025 or December 31, 2024.

Foreign currency risk and PNG foreign currency restrictions

Foreign currency risk is the risk that a variation in the exchange rate between the USD and foreign currencies will affect the Corporation's results. The Corporation has exposure to PNG Kina ("PGK") fluctuations and other currencies such as the Australian dollar ("AUD") and the Canadian dollar ("CAD") through its international operations. As a result, the Corporation is exposed to foreign exchange gains and losses through the settlement of foreign currency denominated transactions, which is recorded in net earnings (loss), as well as the conversion of the Corporation's subsidiaries with functional currencies other than USD, into USD for financial reporting presentation purposes, which is recorded as part of other comprehensive income (loss) within shareholder's equity.

The Corporation mitigates its exposure to the PGK, in part, by denominating its major service contracts in USD regardless of whether they are settled in USD or in PGK. The Corporation does have some exposure as a result of minor service contracts denominated and settled in PGK, local supplier and payroll expenses incurred in PGK, and through bank balances carried in PGK.

The Corporation has a subsidiary domiciled in Australia with a functional currency that is not USD. Accordingly, the Corporation is also exposed to costs in AUD related to the provision of management and administrative services. For the three months and year ended December 31, 2025, a $0.10 change in the exchange rate of the USD relative to the AUD would have resulted in $58 (Q4 2024 - $55) and $232 (2024 – $244) change to the net income or loss of the Corporation.

The Corporation's public trading holding company is domiciled in Canada with a functional current of CAD. Accordingly, the Corporation is also exposed to costs in CAD related to public company and general administrative costs. For the three months and year ended December 31, 2025, a $0.10 change in the exchange rate of the USD relative to the CAD would have resulted in $16 (Q4 2024 – $62) and $54 (2024 – $85) change to the net income or loss of the Corporation.

The impact of changes in foreign currency exchange rates for the three months ended December 31, 2025, resulted in $2 in foreign currency exchange gain (Q4 2024 – $8 losses) and for 12 months ended December 31, 2025, resulted in $101 in foreign currency exchange losses (2024 – $24 losses).

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 on the ability to repatriate funds, in addition to established requirements to transact in the PGK.

As at December 31, 2025, $820 (December 31, 2024 – $7,741) was on deposit with a large international bank in 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 most of its drilling services contracts with its key customers in PNG to be denominated and settled in USD. However, if such approval is withdrawn in the future, or new contracts do not receive BPNG approval, funds may be converted into PGK and the Corporation would be required to access the foreign currency market in PNG to meet its foreign currency obligations, thus exposing the Corporation to greater foreign exchange exposure for the PGK.

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 exist or will not impact on the Corporation's ability to transact or repatriate funds in the future.

The Corporation's financial instruments have the following foreign exchange exposure as at December 31, 2025:

(in thousands)	PGK[1]	AUD[2]	CAD[3]
Cash	430	1,228	69
Accounts receivable	3,164	11	40
Accounts payable and accrued liabilities	(1,963)	(908)	(241)
Total	1,631	331	(132)

(1) As at December 31, 2025, one PGK was equivalent to 0.2350 USD.

(2) As at December 31, 2025, one AUD was equivalent to 0.6674 USD.

(3) As at December 31, 2025, one CAD was equivalent to 0.7296 USD.

PNG restrictions on distributions

As at December 31, 2025, the Corporation's total cash balances (including USD and PGK) in PNG totaled $904 (2024 – $8,047). Dividends paid out of PNG are subject to a dividend withholding tax of 15% and are held at source. As a result of this PNG tax legislation, a restriction therefore exists on the total amount of funds the Corporation could repatriate if a dividend were declared and paid. Assuming the Corporation declared a dividend for the full amount of its cash balances held at December 31, 2025, the dividend would attract a withholding tax in PNG of approximately $136 (2024 – $1,207) and the funds repatriated from PNG would be reduced accordingly.

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 are 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 credit worthiness of its customers on an ongoing basis and monitors the amount and age of balances outstanding.

In providing for expected credit losses ("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 has a range of customers comprised of predominantly large multinational customers in PNG.

The Corporation provided services to two large multinational customers who individually accounted for greater than 10% of its consolidated revenues during the three and twelve months ended December 31, 2025, with total sales of $1,721 and $7,907, respectively, (December 31, 2024 – two large multinational customers with total sales of $2,211 and $23,612, respectively).

As at December 31, 2025, two customers represented a total of $1,330 or 73% all of the outstanding accounts receivable (December 31, 2024 – two customers representing $1,677 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.

Liquidity risk is currently being impacted by uncertainty within capital markets given the increase in inflation across global economies, economic recession possibilities, contraction of available capital and monetary tightening policies implemented by governments around the world.

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 remaining attentive to the relationship with the Corporation's bankers and other creditors. The Corporation seeks to manage its financing based on the results of these processes.

Critical Accounting and other Significant Judgements and Estimates

Information on the Corporation's critical accounting judgements and estimates can be found in Note 2 of the Financial Statements. 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.

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

ICFR is a process designed by or under the supervision of management and effected by the Board, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate ICFR, which no matter how well designed, has inherent limitations and can provide only reasonable assurance with respect to the preparation and fair presentation of published financial statements. There have been no changes to High Arctic's internal controls over financial reporting during the year ended December 31, 2025, that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

ICFR is a process designed by or under the supervision of management and effected by the Board, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate ICFR, which no matter how well designed, has inherent limitations and can provide only reasonable assurance with respect to the preparation and fair presentation of published financial statements. There have been no changes to High Arctic's internal controls over financial reporting during the year ended December 31, 2025, that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting. As at December 31, 2025, an evaluation of the effectiveness of High Arctic's DC&P as defined under the rules adopted by the Canadian securities regulatory authorities was carried out by the CEO and the CFO. Based on this evaluation, the CEO and

CFO have concluded that as at December 31, 2025, the design and operation of the Corporation's DC&P was effective. The Internal Control – Integrated Framework (2013) as issued by the Committee of Sponsoring Organizations of the Treadway Commission was utilized for this purpose.

For information regarding the corporate governance policies and practices of High Arctic, the reader should refer to High Arctic's Listing Application dated August 12, 2024, which is available on the Corporation's profile on SEDAR+ at http://www.sedarplus.ca

Business Risks and Uncertainties

In addition to the financial risks discussed above under "Financial Risk Management", below under "Forward Looking Statements" and elsewhere in this MD&A, the Corporation is exposed to a number of business risks and uncertainties that could have a material impact on the Corporation.

A significant portion of the Corporation's activities are conducted in PNG, which displays characteristics of an emerging market. High Arctic's operations are subject to special risks inherent in doing business outside Canada. These risks can involve matters arising out of the policies of foreign governments, imposition of special taxes or similar charges by government bodies, restrictions on carrying on business or the revocation or non-issuance of licenses to carry on business by a foreign government, foreign exchange fluctuations and controls, civil disturbances, including landowner disputes, and deprivation or unenforceability of contract rights or the taking of property without fair compensation. Foreign properties, operations and investments may be adversely affected by local political and economic developments, including nationalization, laws affecting foreign ownership, government participation, royalties, duties, rates of exchange, exchange controls, currency fluctuation, taxation and new laws or policies as well as by laws and policies of Canada affecting foreign trade, investment, and taxation.

Furthermore, it is important for the Corporation to maintain good relationships with the governments in the countries in which it operates, particularly PNG. High Arctic may not be able to maintain such relationships if the governments of these countries change. Democracies, by their very nature, involve government change from time to time and changes to governing parties and the policies of governing parties can impact the PNG business at an industry, resource development and business level. PNG has been subject to political and economic instability. Government terms are for fixed five-year periods and they enjoy an 18-month grace period when a vote of no-confidence is not permitted. It is common in PNG politics for governments to change by vote of no-confidence during a term.

High Arctic's PNG operations are subject to government legislation, policies and controls relating to environmental protection, taxes, and labour standards. To attempt to mitigate these risks, High Arctic employs personnel with extensive experience in the international marketplace, supplemented with qualified local staff. Management is unable to predict the extent or duration of these risks or quantify their potential impact.

Since High Arctic derives its revenues from its subsidiaries incorporated outside Canada, the payment of dividends or the making of other cash payments or advances by these subsidiaries to High Arctic may be subject to restrictions or controls on the transfer of funds in or out of these countries or result in the imposition of taxes on such payments or advances. In addition, since the Corporation's international activities are governed by foreign laws, in the event of a dispute, the Corporation may be subject to the exclusive jurisdiction of foreign courts and the application of foreign laws or may not be successful in subjecting foreign persons to the jurisdiction of Canadian courts.

In PNG, the Bank of PNG policy continues to encourage the use of the local market currency in PNG, the Kina. Due to the PNG business's requirement to transact with international suppliers and customers, High Arctic will need approval from the Bank of PNG to continue to maintain its USD bank account within the conditions imposed by the Bank of PNG. The Corporation will continue to use the Kina to settle local transactions in PNG when practical. Included in the Bank of PNG's conditions is for future contracts to be settled in Kina, unless otherwise approved by the Bank of PNG for the contracts to be settled in USD. High Arctic has historically received such approval for its drilling services contracts with its key customers in PNG. The Corporation will need to seek Bank of PNG approval for future customer drilling contracts to be settled in USD on a contract-by-contract basis, however there is no assurance the Bank of PNG will continue to grant these approvals. If such approvals are not received, the Corporation's drilling contracts will be settled in Kina which would expose the Corporation to exchange rate fluctuations related to the Kina. In addition, this may delay High Arctic's ability to receive USD which may impact its ability to settle USD denominated liabilities and repatriate funds from PNG on a timely basis.

In addition to the approval from the Bank of PNG to maintain a USD account in PNG and maintain contracts in USD, the Corporation is also required to receive a tax clearance certificate from the PNG Internal Revenue Commission in order to make payments to non-resident suppliers and disbursements such as intercompany dividends out of PNG. Other than the processing time to receive these certificates, High Arctic has received approval of all certificates in the past. The Corporation intends to repatriate excess funds from PNG consistent with past practices as approval is received from the Bank of PNG and the Internal Revenue Commission.

Risks Applicable to the Oil and Gas Industry in General

The success of the Corporation will be dependent to a great extent on the health of the energy industry in PNG which, in turn, is driven in large part by commodity prices and economic policy. As a service provider to this industry, the Corporation is exposed to various risks, including:

- volatility in global supply and demand and market prices for oil and natural gas and the effect of these volatilities on the demand for oilfield services generally;
- the timing and implementation of new trade policies or tariffs is uncertain and any new tariffs, taxes, other trade barriers or governmental regulation between PNG and other countries (including the US) may adversely affect the Corporation's business;
- the Russia-Ukraine conflict has had a significant impact on many aspects of the global economy. It has affected geopolitical relations between Russia and other countries, disrupted oil and gas supply chains, led to an increased focus on energy security and increased demand for energy services from other regions. This conflict could continue to cause disruption in the long term due to political tensions, policy changes and economic factors;
- election risks can bring about significant and sudden change for a country with wide reaching implications including, global allegiances, economic trade arrangements, military and national security cooperation, and internal governance and regulation setting;
- the emergence and persistence of conflict in the Middle East has increased risk to safe transportation and shipping via the Suez Canal and threatens to impact global commodities trade including oil and LNG;
- Escalation of conflict involving the United States, Israel and Iran has materially increased geopolitical risk in global energy markets. Military hostilities have disrupted oil and gas supply chains in the Middle East and introduced significant volatility in global oil prices, with benchmark prices rising sharply due to actual and threatened supply interruptions;
- Energy infrastructure in the Middle East has become a direct military target, including oil fields, refineries, gas processing facilities and export terminals, increasing the risk of longer-term supply constraints and heightened demand for alternative energy sources and services globally;
- Sustained elevated oil and gas prices resulting from geopolitical instability could contribute to global inflationary pressures, increased interest rates and slower economic growth, potentially reducing capital spending by operators and altering demand for oilfield services in both developed and emerging markets;
- Geopolitical uncertainty may prompt governments to impose or expand sanctions, trade restrictions or export controls, further complicating international energy trade, supply chain logistics and project approvals, including indirect impacts on service providers operating outside the conflict region;
- The heightened risk of disruption to shipping through the Strait of Hormuz represents a significant threat to global oil and LNG transportation. Approximately 20–30% of global seaborne oil and LNG trade transits this strategic chokepoint, and any sustained closure or military interference could materially affect energy supply, pricing, logistics and global economic conditions.
- macroeconomic events can have a wide-ranging effect on the global economy. This includes increasing prices of commodities, impacts of government fiscal policy, increased costs of doing business and higher borrowing costs due to rising interest rates;
- lingering effects of pandemics or other widespread public-health events which have caused widespread economic volatility, with effects ranging from restrictions on freedom of movement and disruptions to deployment of labour force, international trade, and tourism;
- suppliers and third-party vendors experiencing workforce disruption or being ordered to cease operations;
- the implications of changes to government and government policy;
- government and regulatory approval of our customers' projects;
- changes in legislation and the regulatory environment, including uncertainties with respect to royalty regimes, environmental guidelines, and climate change policy;
- alternatives to and changing demands for petroleum products;
- the worldwide demand for oilfield services in connection with the drilling and completion of oil and natural gas wells;
- liabilities and risks inherent in oil and natural gas operations, including environmental liabilities and risks arising below ground surface; and
- credit risks associated with customers, including the inability of a significant customer to pay for goods and services that have been provided.

These factors may have an impact upon the Corporation's customer base which, in turn, would impact the Corporation's business prospects. The following provides a further description of the risks associated with the Corporation's business and the oilfield services business in general. This list should not be taken as an exhaustive list, nor should it be taken as a complete summary or description of all the risks associated with the Corporation's business.

Volatility of Industry Conditions

The demand, pricing and terms for the Corporation's services depend significantly upon the level of expenditures made by oil and gas companies on exploration, development and production activities. Expenditures by oil and gas companies are typically directly related to the demand for, and price of, oil and gas. Generally, when commodity prices and demand are predicted to be, or are relatively high, demand for High Arctic's services is high. The converse is also true. Historically, oilfield services companies are more sensitive to crude oil price volatility compared to companies doing exploration and production.

Over the past decade, crude oil and natural gas prices have experienced significant fluctuations and are expected to remain volatile in the future, influenced by various factors beyond High Arctic's control. These factors include global energy supply, production, and policies, such as OPEC's ability to set and maintain production levels to influence or control oil prices, non-OPEC countries' oil and gas production, consumer demand, political conditions (including the risk of war involving producer countries, hostilities in the Middle East, and global terrorism), global and domestic economic conditions (including currency fluctuations), export, production, and delivery costs, technological advancements affecting energy consumption, weather conditions, and the impact of worldwide energy conservation and greenhouse gas reduction measures, as well as the price and availability of alternative energy sources, and government policies and regulations. Ongoing fluctuations in demand due to global events, such as prospects for a global recession, geopolitical conflicts, and high global cost inflation, have further contributed to the volatility in oil and gas prices.

Based on OPEC's responses to changing market conditions in recent years, it is evident that the organization will continue to try to ensure healthy oil prices globally. However, perceived limits of the spare capacity of OPEC members and their ability to increase production to meet increasing demand creates additional uncertainty regarding oil prices going forward. This uncertainty makes it difficult for corporations and investors to plan for the future, as they must consider the potential impact of changing market conditions on the oil and gas industry and global economies.

In addition to the volatility of oil and gas prices, the level of expenditures made by oil and gas companies are influenced by numerous factors in the industry over which the Corporation has no control, including but not limited to: general economic conditions; the cost of exploring for, producing and delivering oil and gas; the discovery rates of new oil and gas reserves; cost and availability of drilling equipment; availability and expected availability of pipeline and other oil and gas transportation capacity; oil, natural gas and LNG storage levels; increasing number and capacity of North American gas liquefaction export facilities; demand for heating and cooling; availability and pricing of alternate energy sources; taxation and royalty changes; government regulation; environmental regulation; ability of oil and gas companies to obtain credit, equity capital and/or debt financing; and currency fluctuations in the jurisdiction where we operate.

A further decline in expenditures by oil and gas companies caused by the fluctuations in and uncertainly regarding crude oil pricing and low natural gas prices or otherwise, could have a material adverse effect on High Arctic's business, financial condition, results of operations and cash flows. Conversely, a sustained recovery and increase in oil and gas prices could drive a material improvement in demand for and pricing of High Arctic's services.

Trade Relations and Tariffs

The timing and implementation of any new trade policy or tariffs is uncertain. To the extent implemented, any new trade policy or tariffs may have an adverse effect on the Corporation's business. Changes in trade policy or governmental regulation between PNG and other countries (including the US), including tariffs, taxes and other trade barriers, may adversely affect the Corporation's business, results of operations and financial condition.

In particular, there is uncertainty regarding US tariffs and support for existing treaty and trade relationships, including with Canada and other large energy producers in the industry. Implementation by the US government of new legislative or regulatory policies could impose additional costs on the Corporation, decrease US demand for the products of the Corporation's customers, or otherwise negatively impact the Corporation, which may have a material adverse effect on the Corporation's business, financial condition, and operations. Furthermore, there is a risk that the tariffs imposed by the US on other countries may escalate a broader global trade war. This uncertainty may adversely impact: (i) the ability of companies to transact business with companies such as the Corporation; (ii) the Corporation's profitability; (iii) regulation affecting the PNG oil and gas industry; (iv) global financial markets (including the TSX); and (v) general global economic conditions. All of these factors are outside of the Corporation's control but may nonetheless have a material adverse effect on our business, financial condition results of operations and cash flow.

Reliance on Key Personnel

The success of the Corporation is dependent upon its key personnel. Any loss of the services of such persons could have a material adverse effect on the business and operations of the Corporation. The Corporation's ability to provide reliable and quality services is dependent on its ability to hire and retain a dedicated and quality pool of employees. The Corporation strives to retain employees by providing a safe working environment, competitive wages and benefits, and an atmosphere in which all employees are treated equally regarding opportunities for advancement. The unexpected loss of key personnel or the inability to retain or recruit skilled personnel could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Excess Equipment Levels in the Industry

Due to the long-life nature of oilfield service equipment and the long delivery time for equipment being manufactured, the quality of equipment available does not always correspond with the demand for its use. Periods of high demand often lead to increases in capital expenditures, which in turn lead to increased supply. Such increases in supply often lead to downward pricing pressures across the industry which could materially impact the Corporation's profitability if there is a subsequent reduction in demand. Additionally, the Corporation could fail to secure sufficient work in which to employ its equipment, which could have a material adverse effect on the Corporation's business, results of operations, financial conditions and cash flows.

Competition

The energy services industry is highly competitive and the Corporation competes with a number of companies which may have more equipment and personnel as well as greater financial resources. The Corporation's ability to generate revenue and earnings depends primarily upon its ability to win bids in competitive bidding processes and to perform awarded projects within estimated times and costs. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of products and services that compete with those of the Corporation or that new or existing competitors will not enter the various markets in which the Corporation is active. In certain aspects of its business, the Corporation also competes with several small and medium-sized companies, which, like the Corporation, have certain competitive advantages such as low overhead costs and regional strengths. In addition, reduced levels of activity in the oil and natural gas industry can intensify competition and may result in lower revenue for the Corporation.

Safety Performance

Standards for the prevention of incidents in the energy industry are governed by service company safety polices and procedures, accepted industry safety practices, customer specific safety requirements and health and safety legislation. Safety is captured in our Health and Safety Policy, which states that we value human life above all, and will not prioritize profit over safety. No job is so urgent or important that the necessary steps for safety cannot be undertaken. Many customers consider safety performance a key factor in selecting service providers. Deterioration of the Corporation's safety performance could result in a decline in the demand for the Corporation's services and could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Operational Risk and Insurance

The Corporation's operations are subject to operational risks inherent in the energy industry. These risks include equipment defects, malfunction and failures, human error, natural disasters, vehicle accidents, explosions, and uncontrollable flows of natural gas or well fluids that can cause personal injury, loss of life, suspension of operations, damage to the source formations, damage to facilities, business interruptions and damage to or destruction of property, equipment and the environment. These risks could expose the Corporation to substantial liability for personal injury, wrongful death, property damage, loss of oil and natural gas production, pollution, and other environmental damages. The frequency and severity of such incidents will affect operating costs, insurability and relationships with customers, employees, and regulators.

Although the Corporation contractually limits and excludes certain potential liabilities and maintains insurance coverage that it believes is adequate and customary for a contractor in the markets we service, there can be no assurance that such insurance will be adequate to cover the Corporation's future liabilities. In addition, there can be no assurance that the Corporation will be able to maintain adequate insurance at rates it considers reasonable and commercially justifiable.

The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits maintained by the Corporation, or a claim at a time when the Corporation is not able to obtain adequate insurance, could have a material adverse effect on the Corporation's ability to conduct normal business operations and on its financial condition, results of operations and cash flows.

Government Regulation and Anti-Bribery Laws

The operations of the Corporation are subject to a variety of federal, provincial and local laws, regulations, and guidelines, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment, the operation of equipment used in its operations and the transportation of materials and equipment it provides for its customers. Such laws or regulations are subject to change and may have a material impact on the Corporation's operations or costs to comply with changes to such laws or regulations in the future. Accordingly, it is impossible to predict the cost or impact that such laws and regulations may have on the Corporation or its future operations.

The Corporation's obligation to comply with laws and regulations also includes those involving bribery and anti-corruption. In the course of the Corporation's operations, High Arctic personnel may be required to interact with certain government officials from time to time. The Corporation has controls, policies, and procedures that mandate the compliance with these laws and regulations, however there can be no assurance that employees or consultants will not violate these controls, policies, and procedures. Any alleged violation of these laws and regulations could disrupt the business and cause High Arctic to incur significant costs to investigate any alleged breach. If High Arctic was found to be in contravention of these laws and regulations, severe civil and criminal penalties and other sanctions could materially harm their reputation, business, result of operations, financial conditions, and liquidity.

Sources, Pricing and Availability of Equipment and Equipment Parts

The Corporation sources its equipment and equipment parts from a variety of suppliers which are located throughout the world. Failure of suppliers to deliver supplies and materials in a timely and efficient manner would be detrimental to the Corporation's ability to maintain levels of service to its customers. The Corporation is also dependent on the technical services of other parties for certain parts and services.

High Arctic attempts to mitigate this risk by maintaining good relations with key suppliers. However, if the current suppliers are unable to provide the supplies and materials or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of services to our clients could have a material adverse effect on our results of operations and our financial condition.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and alternative energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. The Corporation cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Climate Change, Natural Disasters, Civil Unrest, and Environmental Regulations

The effects of climate change, including both physical risks (such as extreme weather events) and transition risks (including regulatory, market, and societal changes), could negatively impact our operations, those of our customers, and the demand for oil and natural gas. Governments, regulators, and multilateral institutions continue to implement or propose laws, regulations, and international agreements aimed at reducing greenhouse gas ("GHG") emissions, including carbon pricing mechanisms, methane emission standards, fuel efficiency requirements, and incentives to conserve energy or adopt alternative sources of energy. These evolving requirements may adversely affect the economics of oil and gas projects, reduce demand for hydrocarbons, or increase compliance costs, which could have a material adverse effect on the Corporation.

Compliance with environmental and climate-related regulations may require significant capital expenditures and operating costs, and violations may result in material fines, penalties, operational restrictions, or reputational harm. In particular, jurisdictions with material oil and gas activity continue to tighten methane emissions standards, enhance reporting and verification requirements, and increase expectations for emissions measurement and abatement technologies. The pace and stringency of such regulatory developments remain uncertain and could exceed current expectations.

Physical impacts associated with climate change such as wildfires, floods, extreme heat or cold, storms, and droughts have increased in frequency and severity in recent years and may disrupt operations, supply chains, infrastructure, and logistics. These events could result in temporary or prolonged shutdowns, project delays, increased maintenance and insurance costs, or safety risks to personnel. While the Corporation may not directly operate exposed assets, such events could adversely affect customers' activities and, in turn, reduce demand for the Corporation's services.

In addition, geopolitical tensions and civil unrest risks have intensified globally. Ongoing conflicts, regional instability, economic pressures, political polarization, and election-related disruptions have increased volatility in energy markets and investor sentiment. Civil unrest or geopolitical conflict may lead to business interruption, sanctions, trade restrictions, supply chain disruptions, increased security costs, or reputational harm, any of which could adversely impact the Corporation or its customers.

International efforts to address climate change continue to evolve. In December 2023, the 28th Conference of the Parties ("COP 28") was held in Dubai and concluded the first Global Stocktake under the Paris Agreement. For the first time, the final agreement explicitly called for a transition away from fossil fuels in energy systems, alongside commitments to reduce methane emissions, triple renewable energy capacity, and double energy efficiency improvements by 2030, while recognizing differing national circumstances and transition pathways. Subsequent policy discussions have continued to emphasize emissions reductions, methane abatement, and investment in carbon-reduction and mitigation technologies.

Although the ultimate impact of the Paris Agreement and related legislation remains uncertain, public concern about climate change has continued to grow. This has contributed to heightened scrutiny of the oil and gas sector, increased activism, and shifts in investment preferences. Certain financial institutions, insurers, and investors have adopted policies that discourage or restrict investment in fossil fuel-related activities, which may increase financing costs, limit access to capital, or reduce liquidity for industry participants. These dynamics may indirectly affect the Corporation by constraining customer activity levels and investment decisions.

At the same time, efforts to hold governments and energy companies accountable for alleged climate-related impacts through climate litigation have expanded globally. Climate-related claims targeting oil and gas companies, including allegations related to emissions, disclosure, and climate impacts, continue to increase in number and complexity. While outcomes remain uncertain, such litigation may result in significant defense costs, damage awards, or changes in regulatory and disclosure expectations across the industry.

Criticism of the oil and gas industry could harm our reputation and erode shareholder confidence and public support. While the Corporation is not a significant contributor to greenhouse gas emissions, mandatory emission reductions may increase operating costs and capital expenditures for oil and gas producers, which could decrease the demand for our services. As the dialogue regarding climate change and greenhouse gas control continues to evolve and new requirements emerge, we cannot predict the impact of current and

impending emissions reduction legislation on the Corporation and its customers. Such impact could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Due to these foregoing climate change risks, we have been and continue to use our know-how to develop ways to assist our customers to reduce their greenhouse gas emissions through the provision of our services. The Corporation did not incur any material expenditure in the past year as a result of environmental protection requirements.

Environmental

All phases of the energy sector including the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities.

Compliance with environmental legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Corporation to incur costs to remedy such discharge. Although the Corporation believes that it is in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Pandemic Risk

The outbreak of epidemics, pandemics, and other public health crises in geographic areas in which the Corporation has operations, suppliers, customers, or employees, may increase our exposure to, and magnitude of, each of the risks identified herein, resulting from a reduction in demand for crude oil and natural gas consumption and/or lower commodity prices. Our business, financial condition, results of operations, cash flows, reputation, access to capital, cost of borrowing, access to liquidity, ability to fund dividend payments and/or business plans may without limitation, be adversely impacted as a result of:

- the delay or suspension of work due to workforce disruption or labour shortages caused by workers becoming infected, or government or health authority shelter in place orders, quarantine orders, mandated restrictions on travel by workers or closure of facilities, workforce camps or worksites;
- suppliers and third-party vendors experiencing similar workforce disruption or being ordered to suspend operations;
- reduced cash flows resulting in less funds from operations being available to fund our capital expenditure;
- counterparties being unable to fulfill their contractual obligations to us on a timely basis or at all;
- the capabilities of our information technology systems and the potential heightened threat of a cybersecurity breach arising from the increased number of employees working remotely;
- our ability to obtain additional capital including, but not limited to, debt and equity financing being adversely impacted as a result of unpredictable financial markets, foreign currency exchange rates, commodity prices and/or a change in market fundamentals; and
- an overall slowdown in the global economy, political and economic instability, and civil unrest.

Given the dynamic nature of the events related to the Covid-19 pandemic, it is uncertain whether Covid-19 will resurge, and the full extent of the future impact that Covid-19 or other pandemics may have on our business, financial condition, results of operations or cash flows cannot be predicted.

Financing Risk

The Corporation is exposed to risk associated with access to equity capital and debt financing required for business needs and the risk that necessary capital cannot be acquired on a timely basis, on reasonable terms to the Corporation, or at all. The asset base, working capital, existing mortgage debt, profitability of existing operations, and future projected activities impact the ability of the Corporation to access debt and equity financing. Where additional financing is raised by the issuance of Common Shares or securities convertible into Common Shares, control of the Corporation may change, and shareholders may suffer dilution to their investment.

Global Financial Markets

Market events and conditions resulting from shifts in government policy have created a climate of greater volatility, less liquidity, and tighter credit conditions. These events negatively impact the broader capital markets, financial instruments, banks, investment banks, insurers and other financial institutions, have negatively impacted credit markets and caused stock markets to experience significant volatility. These market conditions, should they persist, may result in the Corporation not being able to execute on certain acquisition opportunities as part of the Corporation's current business strategy. Additionally, it may negatively impact the Corporation's ability to

obtain equity and debt financing when needed on satisfactory terms, make capital investments and maintain existing assets, and the Corporation's assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result.

Capital and Additional Funding Requirements

The Corporation's cash flow may not be sufficient to fund its ongoing activities at all times, and from time to time the Corporation may require additional financing in order to carry out its business activities. There is risk that if the economy and banking industry experienced unexpected and/or prolonged deterioration, the Corporation's access to additional financing may be affected. The inability of the Corporation to access sufficient capital for its operations could materially adversely affect the Corporation's financial condition.

The Corporation may, from time to time, have restricted access to capital and increased borrowing costs as a result of global economic volatility. Failure to obtain such financing on a timely basis could cause the Corporation to miss certain acquisition opportunities and reduce or terminate the Corporation's operations. The Corporation's ability to make capital investments and maintain existing assets may be impaired, and the Corporation's assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result.

The Corporation is currently under-leveraged and believes it has sufficient funds available to sustain the business and fund its projected capital expenditures. However, if funds generated from operations are lower than expected or capital costs for these projects exceed current estimates, or if the Corporation incurs major unanticipated expenses related to development or maintenance of its existing assets, it may be required to seek additional capital to maintain its capital expenditures at planned levels.

Issuance of Debt

From time to time, the Corporation may finance its activities, including potential future acquisitions, in whole or in part with debt, which may increase High Arctic's debt levels above industry standards for peers of similar size. Depending on future business plans, High Arctic may require additional debt financing that may not be available or, if available, may not be available on favourable terms. Neither High Arctic's articles nor its by-laws limit the amount of indebtedness that High Arctic may incur. The level of High Arctic's indebtedness from time to time could impair its ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

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. If the Corporation chooses to finance its activities, including potential future acquisitions, in whole or in part with debt and the interest rate associated with any debt instrument increases significantly this additional interest expense could materially adversely affect the Corporation's financial condition.

Volatility in Market Price of High Arctic Common Shares

The market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Corporation's control, including the following: (i) actual or anticipated fluctuations in High Arctic's financial results; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other companies that investors deem comparable to High Arctic; (iv) the loss or resignation of members of Management or the Board and other key personnel of High Arctic; (v) sales or perceived sales of additional Common Shares; (vi) significant acquisitions, asset dispositions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving High Arctic or its competitors where High Arctic does not realize its anticipated benefits from such transaction; (vii) trends, concerns, technological or competitive developments, regulatory changes and other related issues in the oil and natural gas industry; and (viii) actual or anticipated fluctuations in interest rates.

Financial markets have experienced significant price and volume fluctuations in recent years that have particularly affected the market prices of equity securities of companies that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if High Arctic's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values which may result in impairment losses.

Dilution

High Arctic may make future acquisitions or enter into financing or other transactions involving the issuance of securities of High Arctic which may be dilutive to shareholders.

Tax Compliance

The taxation of corporations is complex. In the ordinary course of business, the Corporation is subject to ongoing audits by tax authorities. While the Corporation will endeavour to ensure that its tax filing positions are appropriate and supportable, it is possible that tax matters, including the calculation and determination of revenue, expenditures, deductions, credits and other tax attributes, the calculation of taxable income, taxes payable and related tax filings may be reviewed and challenged by the tax authorities. If such challenge were to

succeed, it could have a material adverse effect on the Corporation's tax position. Further, the interpretation of and changes in tax laws, whether by legislative or judicial action or decision, and the administrative policies and assessing practices of taxation authorities, could materially adversely affect the Corporation's tax position. As a consequence, the Corporation is unable to predict with certainty the effect of the foregoing on the Corporation's effective tax rate and earnings.

The Corporation regularly reviews the adequacy of its tax provisions and believes that it has adequately provided for those matters. Should the ultimate outcomes materially differ from the provisions, the Corporation's effective tax rate and earnings may be affected positively or negatively in the period in which the matters are resolved. The Corporation mitigates this risk through ensuring that tax filing positions are carefully scrutinized by management and external consultants, as appropriate.

Income Tax Risk

The Corporation has risks for income tax matters, including the unanticipated tax and other expenses and liabilities of the Corporation due to changes in income tax laws. The tax laws and the prevailing assessment practices are subject to interpretation and the domestic and foreign authorities may disagree with the filing positions adopted by the Corporation. The impact of any challenges cannot be reliably estimated and may be significant to the financial position or overall operations of the Corporation.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Corporation considers acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Corporation's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Corporation.

The integration of acquired businesses may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters.

Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, certain assets are periodically disposed of, so that the Corporation can focus its efforts and resources more efficiently. Depending on the state of the market for such assets, certain identified assets of the Corporation, if disposed of, could realize less than their carrying value in the financial statements of the Corporation.

Technology Risks

The ability of the Corporation to meet customer demands in respect of performance and cost will depend upon continuous improvements in operating equipment. There can be no assurance that the Corporation will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. Failure by the Corporation to do so could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. No assurances can be given that competitors will not achieve technological advantages over the Corporation.

Furthermore, we rely on information technology systems and other digital systems to operate our business. Threats to information technology systems associated with cybersecurity risks and cyber incidents or attacks continue to grow and are increased by the growing complexity of our information technology systems. Cybersecurity attacks could include, but are not limited to, malicious software, attempts to gain unauthorized access to data and the unauthorized release, corruption or loss of data and personal information, account takeovers, and other electronic security breaches that could lead to disruptions in our critical systems.

Other cyber incidents may occur as a result of natural disasters, solar flares, telecommunication failure, utility outages, human error, design defects, and unexpected complications with technology upgrades. Risks associated with these attacks and other incidents include, among other things, loss of intellectual property, reputational harm, leaked information, improper use of our assets, disruption of our and our customers' business operations and safety procedures, loss or damage to our data systems, unauthorized disclosure of personal information which could result in administrative penalties and increased costs to prevent, respond to or mitigate cybersecurity events. Although we monitor our information technology systems for threats, cybersecurity attacks and other incidents are evolving and unpredictable. The occurrence of such an attack or incident could go unnoticed for a period of time. Any such attack or incident could have a material adverse effect on our business, financial condition results of operations and cash flow.

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, High Arctic may disclose confidential information relating to the business, operations or affairs of the Corporation. Although confidentiality agreements are to be signed by third parties prior to the disclosure of any confidential information, a breach of such confidentiality agreement could put High Arctic at competitive risk and may cause significant damage to its business. The harm to High Arctic's business from a breach of confidentiality cannot presently be quantified but may be material and may not be compensable in damages.

There can be no assurance that, in the event of a breach of confidentiality, High Arctic will be able to obtain equitable remedies, such as injunctive relief from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Significant Shareholders

The Corporation has one Shareholder that directly or indirectly has the ability to control the votes to approximately 44.0% of the issued and outstanding Common Shares at December 31, 2025 and, as such, may be in a position to significantly influence the outcome of actions requiring Shareholder approval.

Internal Control Deficiencies

Senior management personnel have conducted reviews and designed and developed processes to ensure that internal controls are established and adhered to. Based upon their evaluation of the internal controls, the Chief Executive Officer and Chief Financial Officer have satisfied themselves that the internal controls are effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. However, the Corporation's potential inability to successfully address potential material weaknesses in internal controls or other control deficiencies may affect its ability to report its financial results on a timely and accurate basis and to comply with disclosure and other requirements.

Dividends

The amount of future cash dividends paid by the Corporation will be subject to the discretion of the Board and may vary depending on a variety of factors and conditions existing from time to time, many of which will be beyond the control of the Corporation. These factors and conditions include fluctuations in capital expenditure requirements, debt service requirements, restrictions imposed on the Corporation by its lenders, operating costs, foreign exchange rates and the satisfaction of the liquidity and solvency tests imposed by applicable corporate law for the declaration and payment of dividends. There can be no assurance that the Corporation will pay dividends in the future.

Foreign Exchange Rate Risk

Foreign currency risk is the risk that a variation in the exchange rate between Canadian and foreign currencies will affect the corporation's results. The majority of the Corporation's international revenue and expenses are effectively transacted in USD (once requisite government approvals to convert local currency denominated transactions are obtained as applicable) and the Corporation does not actively engage in foreign currency hedging.

Dependence on Major Customers

The Corporation has historically had a stable relationship with its largest customers, however, there can be no assurance that the Corporation's relationships with its customers will continue. A significant reduction or total loss of the business from its customers, if not offset by sales to new or existing customers, may have a material adverse effect on the Corporation's business.

Forward-Looking Statements and Information May Prove Inaccurate

Shareholders and prospective investors are cautioned not to place undue reliance on the Corporation's forward-looking statements and information. By its nature, forward-looking statements and information involve numerous assumptions, known and unknown risk and uncertainties, of both a general and specific nature, which could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties related to forward-looking statements and information are found under the heading "Forward-Looking Statements" in this MD&A.

Conflicts of Interest

Certain directors or officers of High Arctic may also, or may in the future be, directors or officers of other companies that may compete or be counterparties to agreements with High Arctic, and as such may, in certain circumstances, have a conflict of interest. Conflicts of interest, if any, will be subject to and governed by procedures prescribed by the ABCA which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with High Arctic disclose his or her interest and, in the case of directors, refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA.

International Conflict

International conflict and other geopolitical tensions and events, including war, military action, terrorism, trade disputes, and international responses thereto have historically led to, and may in the future lead to, uncertainty or volatility in global energy and financial markets, as well as increased cyber security risks. Ongoing hostilities arising from the conflict between Russia and Ukraine, together with the recent escalation of military and political tensions involving the United States, Israel, and Iran, highlight the elevated geopolitical risks facing the global oil and natural gas industry. The Middle East remains a strategically critical region for global energy supply, and recent developments have increased the risk of disruption to oil and natural gas production, transportation, and pricing.

In particular, heightened tensions involving Iran have increased the risk of partial or full disruptions to key energy infrastructure and shipping routes in the region, including the Strait of Hormuz, through which a significant portion of the world's seaborne crude oil, refined products, and liquefied natural gas supply is transported. Any interruption to the free flow of energy through this corridor—whether due to military action, vessel attacks, blockades, increased insurance costs, or precautionary shipping reroutes, could result in material volatility in global energy prices, supply imbalances, and changes in trade flows. The current geopolitical environment has also contributed to increased price volatility for crude oil and natural gas, heightened market uncertainty, greater counterparty and credit risk, and increased cyber-security and operational risks across the global energy sector. In addition, expanded or new economic sanctions, export controls, tariffs, or restrictions on financial institutions and energy companies could further disrupt supply chains, limit access to capital or insurance, and increase operating and compliance costs.

Volatility in oil and natural gas prices may adversely affect our business, financial condition, results of operations, and cash flows. Sustained declines in commodity prices may lead to reduced exploration, development, and production activity internationally, which could reduce demand for, or pricing of, our services. Conversely, periods of rapid price escalation driven by geopolitical disruption may increase input costs, logistical challenges, and operational uncertainty, potentially offsetting any benefits of higher commodity prices.

The extent and duration of international conflicts cannot be accurately predicted at this time and the effects of such conflicts may magnify the impact of the other risks identified by the Corporation in this MD&A, including those relating to commodity price volatility and global financial and economic conditions. These events may have unforeseeable impacts, including on High Arctic, our stakeholders, and counterparties on which we rely and transact with, and may have an adverse effect on our business, results of operation and financial condition.

Other Governmental Risk

Shifts in government policy by existing administrations or following changes in government in jurisdictions in which we operate or elsewhere can impact our operations and ability to grow our business. Government imposed restrictions on fossil fuel-based energy use, cross-border economic activity, and development of new infrastructure can impact our opportunities for continued growth.

We are committed to working with all levels of government in the jurisdictions in which we operate to ensure our business benefits and risks are understood, and mitigation strategies are implemented; however, changes in government policy are largely out of the control of the Corporation and may adversely affect our business, results of operations, financial condition or reputation.

Non-IFRS Measures

This MD&A contains references to certain financial measures that do not have a standardized meaning prescribed by IFRS and may not be comparable to the same or similar measures used by other companies. The Corporation uses these financial measures to assess performance and believes these measures provide useful supplemental information to shareholders and investors. These financial measures are computed on a consistent basis for each reporting period and include the following:

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

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

Adjusted EBITDA

Adjusted EBITDA is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Adjusted EBITDA is defined based on EBITDA (as defined above) prior to the effect of gains or losses on sales of property and equipment, impairment charges, customer inventory adjustments, excess of insurance proceeds over costs and foreign exchange gains or losses.

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

The following table provides a quantitative reconciliation of consolidated net loss, as disclosed in the consolidated statements of loss and comprehensive loss, to EBITDA and Adjusted EBITDA for the three months and years ended December 31, 2025 and 2024:

	Three months ended Dec 31,		Year ended Dec 31,	
(thousands of USD)	2025	2024	2025	2024
Net (loss) income	**(1,016)**	1,806	**(4,093)**	2,857
Adjustments to net income (loss):				
Interest income	**(54)**	(38)	**(164)**	(175)
Finance expense	**8**	11	**32**	182
Income tax (recovery) expense	**(42)**	339	**77**	1,047
Depreciation and amortization	**461**	769	**2,497**	3,822
EBITDA	**(643)**	2,887	**(1,651)**	7,733
Adjustments to EBITDA:				
Stock-based compensation	**37**	13	**171**	13
Adjustment to contractual obligations	**-**	(2,573)	**(39)**	(2,573)
Adjustment to third party inventory provision	**-**	(817)	**(224)**	(817)
Management fees	**-**	-	**-**	(90)
Foreign exchange (loss) gain	**(2)**	8	**101**	24
Adjusted EBITDA	**(608)**	(482)	**(1,642)**	4,290

Operating margin

Operating margin is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Operating margin is used by management to analyze overall operating performance. Management believes this non-IFRS financial measure provides useful information to investors and others in understanding the Corporation's operating performance. Operating margin is not intended to represent revenue, net earnings (loss), or other measures of financial performance calculated in accordance with IFRS. Operating margin is calculated as revenue less operating expenses. Operating margin as presented is not intended to represent or be construed as an alternative to revenue or net earnings (loss) in accordance with IFRS. The table disclosed under "Operating margin %" below provides a quantitative reconciliation of revenue, as disclosed in the consolidated statements of loss and comprehensive loss, to operating margin and operating margin % for the three months and years ended December 31, 2025 and 2024.

Operating margin %

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

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

	Three months ended Dec 31,		Year ended Dec 31,	
(thousands of USD, unless otherwise noted)	2025	2024	2025	2024
Revenue	**2,061**	2,421	**8,922**	24,075
Operating expenses	**(1,760)**	(1,728)	**(7,077)**	(15,006)
Operating margin	**301**	693	**1,845**	9,069
Operating margin %	**14.6%**	28.6%	**20.7%**	37.7%

Operating income (loss)

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

The table disclosed below provides a quantitative reconciliation of revenue, as disclosed in the consolidated statements of comprehensive income (loss) to operating income (loss):

	Three months ended Dec 31,		Year ended Dec 31,	
(thousands of USD)	2025	2024	2025	2024
Revenue	**2,061**	2,421	**8,922**	24,075
Operating expenses	**(1,760)**	(1,728)	**(7,077)**	(15,006)
G&A expenses	**(909)**	(1,175)	**(3,487)**	(4,779)
Share based compensation	**(37)**	(13)	**(171)**	(13)
Depreciation	**(461)**	(769)	**(2,497)**	(3,822)
Operating (loss) income	**(1,106)**	(1,264)	**(4,310)**	455

Percentage of revenue

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

Funds flow from operations

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

This measure is not intended to represent or be construed as an alternative to net cash generated from operating activities as calculated in accordance with IFRS.

The following tables provide a quantitative reconciliation of net cash generated from operating activities, as disclosed in the consolidated statements of cash flows to funds flow from operations:

	Three months ended Dec 31,		Year ended Dec 31,	
(thousands of USD)	2025	2024	2025	2024
Net cash (used in) generated from operating activities	**(921)**	248	**(2,385)**	10,112
Adjusted for:				
Changes in non-cash working capital balances - operating	**379**	2,419	**841**	(3,342)
Funds (used in) from operations	**(542)**	2,667	**(1,544)**	6,770

Working capital

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

The following tables provide a quantitative reconciliation of current assets, as disclosed in the consolidated statements of financial position, to working capital as at December 31, 2025 and December 31, 2024:

	As at	As at
(thousands of USD)	Dec 31, 2025	Dec 31, 2024
Current assets	**21,978**	24,706
Current liabilities	**(3,273)**	(4,104)
Working capital	**18,705**	20,602
Working capital ratio	**6.7:1**	6.0:1

Forward-Looking Statements

This MD&A contains forward-looking statements. When used in this document, the words "may", "would", "could", "will", "should", "intend", "plan", "anticipate", "believe", "estimate", "expect", "forecast", "project", "seek", "continue", and similar expressions are intended to identify forward-looking statements. Such statements reflect the Corporation's current views with respect to future events and are subject to certain risks, uncertainties, and assumptions. Many factors could cause the Corporation's actual results, performance, or achievements to vary from those described in this MD&A.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated or expected. Specific forward-looking statements in this MD&A include, among others, statements pertaining to general economic and business conditions; the role of the energy services industry in future phases of the global energy market; the outlook for energy services both globally and within Papua New Guinea ("PNG"); the impact of geopolitical conflict, including in the Middle East, Ukraine and surrounding regions, and related trade restrictions, tariffs or sanctions, on global energy markets and economic activity; the timing, scale and impact of existing or potential large-scale natural resource projects and drilling activity in PNG, including LNG-related developments; changes in government policy, regulation or fiscal regimes in PNG; the Corporation's diversification strategy, including the expansion of rental equipment and fire services and reduced focus on manpower services; market fluctuations in commodity prices and foreign currency exchange rates; restrictions on the repatriation of funds held in PNG; expectations regarding the Corporation's ability to manage liquidity, working capital and capital resources, including access to financing; projections of market prices and costs; decisions regarding capital allocation, investment and strategic initiatives; the Corporation's ongoing relationships with major customers and customers' drilling intentions; the redeployment of idle heli-portable drilling rigs and securing future work with existing or new customers; the Corporation's ability to expand its customer base within PNG and adjacent sectors; and expectations regarding future financial and operational performance. Actual results are also subject to a number of other risks, as described in this MD&A, including the following:

- volatility in commodity prices
- reliance on a limited number of significant customers
- risks relating to evolving trade relations and tariffs
- risks associated with diversification initiatives
- geopolitical instability and armed conflict, including disruptions to global energy supply chains
- inflationary pressures and supply chain disruptions
- credit risk
- cybersecurity risks
- access to capital
- uncertainty regarding the timing and scope of customer drilling and development activity
- under utilization of drilling assets
- foreign exchange volatility and currency controls in PNG
- changes in government policy, taxation, environmental and climate-related regulation
- operational, safety and environmental risks

Additional risks and uncertainties are described elsewhere in this MD&A under "Business Risks and Uncertainties" and "Financial Risk Management".

With respect to forward-looking statements contained in this MD&A, the Corporation has made assumptions regarding, among other things, its ability to: maintain its ongoing relationships with major customers and key stakeholders; successfully market its drilling, rental equipment and fire services to existing and new customers within PNG and adjacent sectors; execute its diversification strategy and achieve its primary business objectives; source, maintain and deploy equipment and assets, including idle drilling rigs, in a timely and cost-effective manner; obtain goods, services and equipment from suppliers on commercially reasonable terms; operate effectively and adapt its business in an environment characterized by commodity price volatility, geopolitical uncertainty and evolving regulatory and market conditions; remain competitive in all aspects of its operations; attract, retain and develop qualified personnel; manage foreign exchange exposure, currency settlement and repatriation processes in PNG; access capital and manage liquidity and capital resources prudently; and obtain equity and debt financing, if required, on satisfactory terms.

The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth in this MD&A and in the Corporation's Listing Application dated August 12, 2024, which is available on SEDAR+.

The forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement. These statements are given only as of the date of this MD&A. The Corporation does not assume any obligation to update these forward-looking statements to reflect new information, subsequent events or otherwise, except as required by law.

Abbreviations

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

ABCA	- Alberta's (Canada) Business Corporations Act
AUD	- Australian dollars
bbl	- Barrel
BPNG	- Bank of PNG
CAD	- Canadian dollars
EBITDA	- Earnings before interest, tax, depreciation and amortization
EPC	- Engineering, Procurement, and Construction
FY	- Financial Year
ESG	- Environmental, Social and Corporate Governance
IFRS	- International Financial Reporting Standards
IRC	- Internal Revenue Commission of PNG
LNG	- Liquified natural gas
MD&A	- Management discussion and analysis
mmbtu	- Million British thermal units
OPEC	- Organization of Petroleum Exporting Countries
PGK	- Papua New Guinea kina
PNG	- Papua New Guinea
US	- United States of America
USD	- United States dollars