CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

December 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of High Arctic Energy Services Inc.

Opinion

We have audited the consolidated financial statements of High Arctic Energy Services Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2024 and December 31, 2023
- 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, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2024. 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 fair value of the net assets of the legacy High Arctic Papua New Guinea (PNG) business distributed as part of the spin-off transaction

Description of the matter

We draw attention to notes 1, 2(d)(xiii), 3(a), and 6 to the financial statements. On August 12, 2024, the Entity completed the spin-off transaction in which the assets and liabilities of the legacy High Arctic PNG business were spun-out to a new TSX-Venture Exchange listed entity, High Arctic Overseas Holdings Corp. The fair value of the net assets of the legacy High Arctic PNG business is determined based upon the present value of its expected future cash flows.

The Entity determined the fair value of the net assets of the legacy High Arctic PNG business distributed as part of the spin-off transaction to be $39,847 thousand.

The estimated fair value of the PNG business involved significant assumptions including:

- Earnings before interest, taxes, depreciation and amortization (EBITDA) forecast
- Discount rate.

Why the matter is a key audit matter

We identified the assessment of the fair value of the net assets of the legacy High Arctic PNG business distributed to shareholders as part of the spin-off transaction as a key audit matter. Significant auditor judgement was required to evaluate the determination of the fair value of the net assets of the legacy High Arctic PNG business distributed to shareholders, particularly with respect to the EBITDA forecast and discount rate. Additionally, the assessment of the fair value of the net assets of the legacy High Arctic PNG business requires the use of professionals with specialized skills and knowledge in valuation

How the matter was addressed in the audit

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

- We compared the actual EBITDA of the legacy High Arctic PNG business for the period ended August 12, 2024 to the 2024 EBITDA forecast to assess the Entity's ability to accurately forecast.
- We evaluated the appropriateness of the EBITDA forecast used in the estimate of the fair value of the net assets of the legacy High Arctic PNG business distributed by:

- Comparing the 2024 EBITDA forecast for the legacy High Arctic PNG business to the 2024 budget for the legacy High Arctic PNG business to assess consistency with other significant assumptions used by the Entity in other estimates used in the financial statements
    - Comparing the 2024 EBITDA forecast for the legacy High Arctic PNG business to historical results, taking into account changes in conditions and events to assess the adjustments or lack of adjustments made by the Entity in arriving at the 2024 EBITDA forecast
    - Comparing certain underlying assumptions for the legacy High Arctic PNG business to certain market data.
- We involved valuation professionals with specialized skills and knowledge, who assisted in:
    - Evaluating the appropriateness of the Entity's discount rate by comparing the discount rate to market and other external data
    - Assessing the reasonableness of the Entity's estimate of the fair value of the net assets of the legacy High Arctic PNG business distributed by comparing the Entity's estimate to market metrics and other external data.

Assessment of the recoverable amount of the Canadian Rentals Operations cash generating unit (CGU) containing goodwill

Description of the matter

We draw attention to notes 2(iii), 2(iv), 3(t), and 11 to the financial statements. Goodwill is tested at least annually for impairment or when an indicator is present. Goodwill is tested for impairment at either the individual or group CGU level and is determined based upon the amount of future discounted cash flows generated by the individual CGU or group of CGUs compared to the individual CGU or group of CGUs' respective carrying amounts. Impairment exists when the carrying value of a CGU or group of CGUs exceeds its recoverable amount, which is the higher of its fair value less costs to dispose and its value in use. At December 31, 2024, the Entity has $812 thousand of goodwill contained within the Canadian Rentals Operations CGU. The Entity completed its annual goodwill impairment test and no impairment was recorded at December 31, 2024.

The estimated recoverable amount of the Canadian Rentals Operations CGU involved significant estimates including:

- Earnings before interest, taxes, depreciation and amortization (EBITDA) forecast
- Discount rate.

Why the matter is a key audit matter

We identified the assessment of the recoverable amount of the Canadian Rentals Operations CGU containing goodwill as a key audit matter. Significant auditor judgement was required to evaluate the Canadian Rental Operations CGU's EBITDA forecast and discount rate used to calculate the recoverable amount. Additionally, professionals with specialized skills and knowledge in the field of valuation assisted us in performing our audit procedures.

How the matter was addressed in the audit

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

- We compared the Canadian Rentals Operations CGU's actual 2024 EBITDA to the amount budgeted for 2024 to assess the Entity's ability to accurately forecast.

We evaluated the appropriateness of the EBITDA forecast used in the estimate of the recoverable amount for the Canadian Rentals Operations CGU by:

- Comparing the 2025 EBITDA forecast of the Canadian Rentals Operations CGU to the 2025 budget for the CGU to assess consistency with other significant assumptions used by the Entity in other estimates used in the financial statements
- Comparing the 2025 EBITDA forecast of the Canadian Rentals Operations CGU to historical results, taking into account changes in conditions and events affecting the CGU to assess the adjustments or lack of adjustments made by the Entity in arriving at the 2025 EBITDA forecasts
- Comparing certain underlying assumptions in the EBITDA forecast for the Canadian Rentals Operations CGU to certain market data.

We involved valuation professionals with specialized skills and knowledge, who assisted in:

- Evaluating the appropriateness of the Entity's discount rate by comparing the discount rate to market and other external data
- Assessing the reasonableness of the Entity's conclusion that the estimate of the recoverable amount exceeds the carrying amount of the Canadian Rentals Operations CGU by comparing the Entity's estimate 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 filed with the relevant Canadian Securities Commissions.

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 filed with the relevant Canadian Securities Commissions 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.

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

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
March 31, 2025

HIGH ARCTIC ENERGY SERVICES INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at December 31,	
(thousands of Canadian Dollars)	2024	2023
Assets		
Current assets		
Cash and cash equivalents	3,123	50,331
Accounts receivable (Note 7)	2,749	17,468
Inventory	66	9,378
Prepaid expenses and other	221	851
Current portion of notes receivable (Note 8)	1,062	745
Income tax receivable	-	665
	7,221	79,438
Non-current assets		
Property and equipment (Note 9)	10,599	27,554
Right of use assets (Note 10(a))	1,204	2,655
Intangible assets (Note 11)	1,510	1,501
Goodwill (Notes 5 ,11)	812	812
Notes receivable (Note 8)	2,029	2,995
Equity investments (Note 12)	7,492	8,182
	23,646	43,699
Total assets	30,867	123,137
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 13)	2,741	14,134
Long-term debt (Note 14)	175	175
Lease liabilities (Note 10(b))	368	959
Contingent consideration payable (Note 15)	1,245	812
Income tax payable	-	373
	4,529	16,453
Non-current liabilities		
Long-term debt (Note 14)	3,178	3,352
Lease liabilities (Note 10(b))	943	1,860
Contingent consideration payable (Note 15)	1,112	2,140
	5,233	7,352
Total liabilities	9,762	23,805
Shareholders' Equity		
Share capital (Note 16(a))	133,153	169,992
Contributed surplus	13,156	14,550
Accumulated and other comprehensive income (loss)	(1,478)	26,980
Deficit	(123,726)	(112,190)
	21,105	99,332
Total liabilities and shareholders' equity	30,867	123,137

Subsequent event (Note 24).

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

Approved on behalf of the Board of Directors,

(Signed) "Douglas Strong"
Douglas Strong, Director

(Signed) "Simon Batcup"
Simon Batcup, Director

HIGH ARCTIC ENERGY SERVICES INC.

CONSOLIDATED STATEMENTS OF INCOME (LOSS) and COMPREHENSIVE INCOME (LOSS)

	Year ended December 31,	
(thousands of Canadian Dollars)	2024	2023
Revenue (Note 22)	10,470	3,384
Oilfield services expenses (Note 18)	(5,263)	(1,326)
General and administrative expenses (Note 18)	(5,412)	(5,157)
Depreciation and amortization expenses (Notes 9, 10(a), 11)	(2,600)	(1,568)
Share-based compensation expense (Note 17)	(160)	(496)
Operating loss	(2,965)	(5,163)
Interest and other income	1,289	2,018
Interest and finance expenses (Note 18)	(535)	(231)
Accretion income on notes receivable	265	192
Foreign exchange gain (loss)	795	(321)
Gain (loss) on sale of property and equipment	(8)	187
Gain on sale of nitrogen business (Notes 6, 9)	-	615
Fair value adjustment to contingent consideration (Note 15)	(259)	-
Income (loss) from equity investments (Note 12)	(690)	803
Loss before income tax from continuing operations	(2,108)	(1,900)
Income tax expense (Note 20)	(9)	(4)
Deferred income tax recovery	-	915
Income tax recovery (expense) from continuing operations	(9)	911
Net loss from continuing operations	(2,117)	(989)
Net income (loss) from discontinued operations (Note 6)	30,428	(12,150)
Net income (loss)	28,311	(13,139)
Other comprehensive income (loss):		
Items that may be reclassified subsequently to net income (loss):		
Foreign currency translation gain (loss) for foreign operations	228	(873)
Comprehensive income (loss) for the year	28,539	(14,012)

	Year ended December 31,	
	2024	2023
Income (loss) per share: (Note 16)		
Continuing operations:		
Basic and diluted	($0.17)	($0.08)
Discontinued operations:		
Basic	$2.46	($1.00)
Diluted	$2.43	($1.00)

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

HIGH ARCTIC ENERGY SERVICES INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(thousands of Canadian Dollars, except number of common shares)	Number of common shares	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
Balance, December 31, 2022 (1)	12,172,958	169,554	14,685	27,853	(96,861)	115,231
Share-based compensation expense (Note 17)	-	-	496	-	-	496
Purchase of common shares for cancellation	(4,574)	(64)	39	-	-	(25)
Dividends	-	-	-	-	(2,190)	(2,190)
Exercise of performance share units	112,184	502	(502)	-	-	-
Other comprehensive loss – foreign currency translation loss	-	-	-	(873)	-	(873)
Share-based payment transaction	-	-	(168)	-	-	(168)
Net loss for the year from continuing operations	-	-	-	-	(989)	(989)
Net loss for the year from discontinued operations	-	-	-	-	(12,150)	(12,150)
Balance, December 31, 2023	12,280,568	169,992	14,550	26,980	(112,190)	99,332

Balance, December 31, 2023	12,280,568	169,992	14,550	26,980	(112,190)	99,332
Share-based compensation expense (Note 17)	-	-	160	-	-	160
Distribution – return of capital	-	(37,842)	-	-	-	(37,842)
Other comprehensive income – foreign currency translation gain	-	-	-	228	-	228
Exercise of performance share units	70,545	422	(422)	-	-	-
Exercise of deferred share units	97,053	581	(1,132)	-	-	(551)
Net loss for the year from continuing operations	-	-	-	-	(2,117)	(2,117)
Reclassification of AOCI to net income from discontinued operations	-	-	-	(28,686)	-	(28,686)
Net income for the year from discontinued operations	-	-	-	-	30,428	30,428
Balances removed in relation to distribution to SpinCo	-	-	-	-	(39,847)	(39,847)
Balance, December 31, 2024	12,448,166	133,153	13,156	(1,478)	(123,726)	21,105

(1) Pursuant to the de facto four-to-one consolidation of the Corporation's outstanding common shares effective August 12, 2024, the number of common shares outstanding have been retroactively adjusted to effect the stock consolidation.

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

HIGH ARCTIC ENERGY SERVICES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands of Canadian Dollars)	Year ended December 31, 2024	2023
Cash flows from operating activities:		
Net loss from continuing operations	(2,117)	(989)
Adjustments for:		
Depreciation and amortization expenses (Notes 9, 10(a), 11)	2,600	1,568
Deferred income tax recovery	-	(915)
Unrealized foreign exchange loss (gain)	(816)	481
Share-based compensation expense (Note 17)	160	496
Non-cash interest and accretion income on notes receivable	(123)	(192)
Non-cash finance expense	374	32
Fair value adjustment to contingent consideration (Note 15)	259	-
Loss (gain) on sale of property and equipment	8	(187)
Gain on sale of nitrogen business (Notes 6, 9)	-	(615)
Share-based compensation payment (Note 17)	(551)	(168)
Loss (income) from equity investments (Note 12)	690	(803)
Funds from (used in) operating activities from continuing operations	484	(1,292)
Change in non-cash working capital (Note 19)	(300)	777
Cash from (used in) operating activities from continuing operations	184	(515)
Cash from operating activities from discontinued operations (Note 6)	14,090	11,731
Net cash from operating activities	14,274	11,216
Cash flows from investing activities:		
Property and equipment and intangibles expenditures (Notes 9, 10)	(1,947)	(501)
Business combination (Notes 5)	-	(3,430)
Proceeds from asset sales, net of costs	178	29,569
Payments received on notes receivable (Note 8)	772	-
Net cash from (used in) investing activities from continuing operations	(997)	25,638
Cash used in investing activities from discontinued operations (Note 6)	(22,097)	(1,429)
Net cash from (used in) investing activities	(23,094)	24,209
Cash flows from financing activities:		
Purchase of common shares for cancellation (Note 16)	-	(25)
Equity investment dividend (Note 12)	-	360
Repayment of long-term debt (Note 14)	(175)	(687)
Dividend payments	-	(2,190)
Distribution, return of capital	(37,842)	-
Lease obligation payments (Note 10(b))	(349)	(182)
Change in non-cash working capital (Note 19)	(293)	(243)
Net cash used in financing activities from continuing operations	(38,659)	(2,967)
Cash used in financing activities from discontinued operations (Note 6)	(446)	(966)
Net cash used in financing activities	(39,105)	(3,933)
Effect of foreign exchange rate changes	717	(720)
Total change in cash and cash equivalents	(47,208)	30,772
Total cash and cash equivalents, beginning of year	50,331	19,559
Total cash and cash equivalents, end of year	3,123	50,331

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

HIGH ARCTIC ENERGY SERVICES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Stated in Thousands of Canadian Dollars)

1. Nature of business

High Arctic Energy Services Inc. ("High Arctic" or the "Corporation") is incorporated under the laws of Alberta, Canada and is a publicly traded corporation listed on the Toronto Stock Exchange under the symbol "HWO". High Arctic provides pressure control equipment and equipment supporting the high-pressure stimulation of oil and gas wells and other oilfield equipment on a rental basis to exploration and production companies in Canada. The Corporation's head office address is located at Suite 2350, 330 – 5th Ave SW Calgary, Canada T2P 0L4.

As at December 31, 2024, 5,479,159 common shares of the Corporation were owned by FBC Holdings S.A.R.L., representing 44.0% of the outstanding common shares. In addition, High Arctic directors and officers collectively own 891,970 common shares, representing 7.2% of the outstanding common shares.

On June 17, 2024, the Corporation held its Annual and Special General Meeting where the Corporation's shareholders approved, amongst other things, a special resolution approving a reorganization of the Corporation by way of a plan of arrangement ("the Arrangement") and a return of capital of $0.76 per pre-Arrangement common share of High Arctic. The reorganization was completed on August 12, 2024, and resulted in the spin-off of the Corporation's former PNG business to High Arctic shareholders through a new publicly listed entity High Arctic Overseas Holdings Corp. ("SpinCo") that trades on the TSX Venture Exchange under the trading symbol HOH. The approved return of capital of $0.76 per pre-Arrangement common share of High Arctic was distributed to shareholders on July 17, 2024. Finally, as part of the Arrangement, the Corporation effected a de facto four-to-one share consolidation whereby each High Arctic shareholder received one-quarter of one post-Arrangement common share for every pre-Arrangement common share held prior to August 12, 2024.

On December 28, 2023, High Arctic completed the acquisition of all the shares of Delta Rental Services Ltd. ("Delta") for cash consideration of $3,430 and contingent consideration of $2,952 (Notes 5, 15) that includes a combination of cash and shares, payable over a three-year period. As a result of this acquisition, goodwill of $812 and intangible assets of $1,501 (Note 11) were recognized.

On June 19, 2023, High Arctic entered into an agreement to sell its Canadian Nitrogen transportation, hauling and pumping services business (the "Nitrogen Transaction") for cash consideration of $1,350. The transaction closed on July 31, 2023 (see Note 6(b)).

During 2022, High Arctic sold its well-servicing assets for cash consideration of $38,200 of which $28,000 was received in Q1 2023.

The following table lists the Corporation's subsidiaries and significant corporate holdings. The jurisdiction of formation or incorporation of such subsidiaries or significant corporate holdings and the percentage of shares owned, directly or indirectly, by the Corporation as at December 31, 2024 is as follows:

Name of subsidiary or significant corporate holding	Jurisdiction of formation or incorporation	Percentage ownership of shares beneficially owned or controlled (in) directly by the Corporation
HAES SD Holding Corp.	Alberta	100%
Powerstroke Well Control, Inc.	United States ("US")	100%
Seh' Chene GP Inc.	Alberta	49%
Seh' Chene Well Services Limited Partnership	Alberta	49%
Team Snubbing Services Inc.	Alberta	42%

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 ("IFRS") as issued by the International Accounting Standards Board. These Financial Statements were authorized for issuance by the Board of Directors on March 31, 2025.

(b) Basis of preparation

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

(c) Functional and presentation currency

The financial statements are presented in Canadian Dollars, which is also the currency of the primary economic operating environment ("functional currency") of the parent company.

The US Dollar is the functional currency of one of the Corporation's subsidiaries.

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

(d) 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, business combinations, joint arrangements, inventory obsolescence provision, equity investments, long-term debt, notes receivable, depreciation, amortization of intangible assets, share-based compensation and disposal of non-current assets and businesses.

Critical 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.

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.

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. At December 31, 2024, and following the completion of the Arrangement, the Corporation has one CGU called Canadian Rental Operations.

The recoverable amount is the higher of a CGU's fair value less costs of disposal and value in use (being the present value of the expected future cash flows of the relevant CGU). The determination of the recoverable amount of a CGU requires significant assumptions to be made by the Corporation on the discount rates 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) Business combinations – goodwill and intangible assets

The Corporation measures the assets acquired, liabilities assumed and consideration paid in a business combination at fair value at the date of acquisition. Estimates and assumptions are used to calculate these fair values and changes to assumptions can have a significant impact on the determined fair values of assets acquired, liabilities assumed and consideration paid, which in turn can impact the amount recorded as goodwill or gain on acquisition.

v) Joint arrangements

Judgement is required to assess whether joint arrangements incorporate joint rights to the assets and obligations of the arrangement and/or how the details of the arrangement suggest that a joint venture or joint operation results.

vi) 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. Inventory that is identified as damaged or obsolete is eventually scrapped and removed from the inventory listing.

vii) Equity investments

Equity investments are classified into two categories: investments in associates and joint ventures. Investments in associates are companies in which an entity has significant influence, defined in IFRS 10 – "Consolidated Financial Statements" as the power to participate in the financial and operating decisions of the investee, but not control. In this case, the equity method of accounting is used, as outlined in IAS 28 – "Investments in Associates and Joint Ventures", to recognize its share of the investee's profit or loss in the investor's financial statements. On the other hand, joint ventures are businesses that are jointly controlled by the investor and other venturers. The equity method is also applied in this case, as the investor recognizes its share of the joint venture's profits and losses.

viii) Long-term debt and notes receivable

Long-term debt and notes receivable are treated as financial liabilities and financial assets respectively and are measured at initial recognition at fair value, including transaction costs, if any. The subsequent measurement of these financial instruments depends on their classification as either fair value through other comprehensive income ("FVOCI") or amortized cost. If classified as FVOCI, the financial instrument is measured at fair value with changes in fair value recognized in other comprehensive income. If classified as amortized cost, they are measured at amortized cost using the effective interest rate method, this involves calculating the discount rate that reflects the market conditions at the time of initial recognition and the terms of the financial instrument. The effective interest rate is then applied to the carrying amount of the financial instrument to determine the interest expense or income recognized in the profit or loss over the life of the instrument.

ix) Depreciation

Depreciation of the Corporation's property and equipment incorporates estimates of useful lives, salvage values and depreciation methodology that is estimated to best reflect usage. 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. Estimated useful lives detail are presented in Note 3(h).

x) *Amortization of intangible assets*

Amortization of the Corporation's intangibles assets incorporates estimates of each intangible assets' useful life and an amortization methodology that is estimated to best reflect usage. All intangibles are amortized based on the straight-line method over the asset's useful life in years.

xi) *Share-based compensation*

The fair value of stock options, performance and deferred share units are estimated 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.

xii) *Disposal of non-current assets*

Once a disposal group is identified as held for sale, all associated assets are reclassified as current and presented separately in the statement of financial position. In addition, any liabilities directly associated with assets held for sale are also reclassified and presented as a separate financial statement line item. An asset or disposal group identified as held for sale may also be considered a discontinued operation if a component of an entity is disposed. A component must comprise operations and cash flows that can be clearly distinguished operationally and for financial reporting purposes. A component must also represent a major line of business or a geographical segment. Judgment is required in determining whether an asset or disposal group identified as held for sale is considered a discontinued operation.

As disclosed in Notes 1 and 6, in 2023 High Arctic sold its nitrogen transportation, hauling and pumping business. The Corporation applies judgement to determine whether a component of the Corporation that either has been disposed of, or is classified as held for sale, meets the criteria of a discontinued operation. The key area that involves management judgement in this determination is whether the component represents a separate major line of business. There were no retained liabilities directly associated with the sale of this business and management determined that this represented a major line of business for the Corporation. As such, the Corporation has accounted for Nitrogen Transaction as a discontinued operation.

xiii) *Reorganization and spin-off of PNG business ("spin-off")*

As disclosed in Notes 1 and 6, on May 11, 2024, the Corporation announced its plans to proceed with its intended reorganization and filed the Arrangement and other documents that were subsequently approved by the Corporation's shareholders at an Annual and Special General Meeting held on June 17, 2024.

On August 12, 2024, the Corporation completed its intended reorganization and as a result the assets and liabilities of the legacy High Arctic PNG business have been removed from the Corporation's statement of financial position and distributed to SpinCo. Details of the legacy High Arctic PNG business' operating results and resultant cash flows for the period of 2024 July 1, 2024 to August 12, 2024 and for the period January 1, 2024 to August 12, 2024 are presented as discontinued operations in the Corporation's consolidated statements of comprehensive income (loss) and cash flows and further detailed in Note 6.

The fair value of the net assets of the legacy High Arctic PNG business is based upon the present value of its expected future cash flows. The determination of the fair value requires significant assumptions to be made by the Corporation on the discount rates and EBITDA forecasts using estimates of revenue, operating costs, expected utilization, rates and costs of available equipment, and terminal values. A gain (loss) is recognized for the amount by which the carrying amount of the net assets exceeds (falls short of) its fair value.

(e) *Re-presentation of comparatives*

In June 2023, the Corporation agreed to sell its Canadian Nitrogen transportation, hauling and pumping services business. Accordingly, and in addition to the 2024 reorganization that saw the spinout of the PNG business, certain comparative figures of these Consolidated Financial Statements have been re-presented to present operations of High Arctic's legacy PNG business and its legacy Canadian Nitrogen transportation, hauling and pumping services business as discontinued operations (Note 6).

<u>Geo-political, economic and environmental developments and impact on estimation uncertainty</u>

The conflict between Russia and Ukraine, which began in early 2022, has created significant political uncertainty globally. The war has contributed to global oil and gas price volatility, making it even more challenging for companies operating in the industry to accurately forecast future trends and plan accordingly. The imposition of increasingly strict international sanctions on Russia has created additional political uncertainty and tension. The conflict also created challenges for energy demand in Europe, as the region has relied heavily on energy imports from Russia in the past. The uncertainty created by the continuation of the Russia-Ukraine war has far-reaching consequences for the global oil and gas industry and continues to create uncertainty on prices and future investments.

In 2022, inflation emerged as a major challenge for economies worldwide, leading to a significant increase in prices and reducing purchasing power. This uncertainty in the marketplace created a host of difficulties for consumers, businesses, and governments. In response to inflation, central banks around the world implemented monetary policy measures aimed at controlling inflation and maintaining price stability. Most central banks increased interest rates in 2022 aimed at slowing the rate of inflation, which made borrowing more expensive. The impact of inflation on the economy has been felt by all participants, as rising prices over the past two years have made it more difficult to afford goods and services, leading to a decrease in real income. The uncertainty created by inflation has also made it more challenging for businesses to make long-term plans and investments, and for consumers to budget effectively. Inflation continues to create significant challenges for economies worldwide, highlighting the need for policymakers to closely monitor their economies and implement measures aimed at maintaining price stability. Toward the end of 2023 and through 2024 the effects of inflation have abated to a degree, and some economies have slowed and entered technical recessions. It is expected that the impacts of inflation will remain a key concern for economies worldwide and policymakers into the future.

Environmental, Social, and Governance ("ESG") refers to a set of non-financial factors that businesses consider in their operations and investments. ESG has gained significant importance to investors and other stakeholders in recent years, especially in the extractive energy industries, due to the carbon-intensive nature of activities and products. Companies are facing increased pressure from stakeholders to reduce their carbon footprint, improve their environmental performance, and promote good governance. ESG is also attracting the attention of lawmakers, as governments across the world implement legislation aimed at reducing carbon emissions. In the coming years, it is expected that ESG will play an increasingly important role and companies that fail to integrate ESG considerations into their operations and investments will face significant challenges. The global focus to address climate change has seen some investment capital move away from the extractive energy industries in certain markets with the potential to increase High Arctic's cost of capital and reduce access to growth funding.

The recent volatility in the financial markets has impacted the general availability of both credit and equity financing in the marketplace. World-wide political and economic risks are also intensifying, including the significant shift in US foreign policy and the use and threat of tariffs to achieve political and economic objectives. Should there be significant economic contraction as a result of changes to US foreign policy, if the conflict in Ukraine escalates or expands beyond Ukraine's borders, if the conflict in the Middle East escalates, or if tensions between China and the US develop into a more significant trade and economic dispute, this could have a significant impact not only on High Arctic's cost of capital, but also on supply chains and demand for the Corporation's services.

3. Material accounting policies

(a) Basis of consolidation

The Financial Statements include the accounts of High Arctic 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 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 Financial Statements from the date that control commences until the date that control ceases.

When the Corporation loses control over a subsidiary, it derecognizes 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 is lost.

(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 a 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 Canadian dollars 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 comprehensive income (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 net 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 21 regarding economic dependence, large customers often have contract durations greater than one year and can include customers in both Canada and PNG.

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 servicing, workover and snubbing is typically recognized based on daily or hourly rates as stipulated in the contracts with the customer.

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

A portion of the Corporation's revenue is lease revenue and not within the scope of IFRS 15 – "Revenue from Contracts with Customers", as such portions of revenue received represent the customers' ability to direct the use of an asset belonging to the Corporation. The Corporation has applied judgement to determine the amount of revenue that relates to lease revenue when lease rates were not specifically identified.

The Corporation recognizes the incremental costs of obtaining a contract as an expense when incurred if the related contract is one year or less.

The Corporation's revenue transactions do not contain significant financing components and the Corporation does not adjust transaction prices for the effects of a significant financing component when the period between the transfer of the promised service to the customer and the payment by the customer is less than one year. The Corporation does not disclose information related to performance obligations that have an original duration of one year or less.

(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 earnings 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 quotes 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, and level 2 inputs such as accounts receivable, notes receivable, accounts payable and long-term debt. The Corporation has no 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		
Notes receivable	Fair value	Amortized cost (1)
Financial liabilities (2)		
Lease liabilities	Fair value	Amortized cost (1)
Contingent consideration payable	Fair value	Fair value
Long-term debt	Fair value	Amortized cost (1)

(1) Amortized cost using an effective interest rate.

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

At December 31, 2024 and 2023, High Arctic 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 net earnings (loss).

Depreciation is calculated on the depreciable amount which is the carrying cost of an asset less its salvage value and recognized in net 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	7-10 years	Up to 5%	Straight line
Snubbing rigs	7-10 years	Up to 5%	Straight line
Rentals and matting	5-10 years	Up to 5%	Straight line
Light vehicles and trailers	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
Right of use assets:			
Real estate	1-12 years	Nil	Straight line
Vehicles	Lessor of lease term or 5 years	Up to 15%	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 oilfield services 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. These are 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 cash generating unit'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.

Recoverable amounts are typically calculated using a discounted cash flow model. 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 bonus compensation

Share-based plans:

• *Stock option plan*

The Corporation has a stock option plan that provides incentives for directors, management, and certain employees. Options granted are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the 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 the 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.

• *Performance share unit plan*

The Corporation has a Performance Share Unit Plan ("PSUP") under which the Corporation may grant restricted share units ("RSUs") and/or performance share units ("PSUs") to its employees. PSUs typically have performance vesting conditions which, unless otherwise directed by the Board of Directors, vest one-third on each of the first, second and third anniversaries from the date of the grant.

The fair value of the RSUs and PSUs issued is equal to the Corporation's five-day weighted average share price on the grant date. The fair value is expensed over the vesting term on a graded vesting basis.

PSU and RSU holders are entitled to dividends 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 PSUs or RSUs calculated by multiplying the amount of the dividend per common share by the aggregate number of PSUs or RSUs 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 on the date on which the dividend is paid.

The PSUs and RSUs 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*

The Corporation has awarded Deferred Share Units ("DSUs") to non-employee directors of the Corporation. DSUs awarded vest immediately and provide participants the right to receive, at the election of the Corporation, common shares or a cash payment equal to the five-day volume weighted average price of the Corporation's common shares. DSU holders are also entitled to dividends 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 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.

Bonus 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 is 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 not recognized for temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

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 to allocate resources and assess performance. The Corporation has determined that it has two operating segments (namely, Rental services and Production services) supported by a Corporate segment each of which has been presented as a reportable segment. The Corporation previously reported a Drilling services segment which represented the PNG business that was spun-off upon completion of the Arrangement on August 12, 2024 (see Note 2(d)(xiii)).

(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 incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount 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) Identifiable intangible assets

The Corporation's intangible assets include software, customer relationships, brand and non-compete agreements. Costs attributable to intangible assets are capitalized if future economic benefits are reasonably assured. Intangible assets are amortized using the straight-line method through net income over their estimated useful lives when the realization of economic benefits begins. The estimated useful lives are as follows: software - ten years, customer relationships - five years, brand - five years and non-compete agreements of five years. Amortization methods, useful lives, and residual values are reviewed at each financial year-end and adjusted prospectively, if appropriate.

(t) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired less liabilities assumed based on their fair values as of the acquisition date. Goodwill acquired through a business combination is allocated to each CGU, or group of CGUs, that is expected to benefit from the business combination. Each of these CGUs represents the lowest level within the Company at which the associated goodwill is monitored for management purposes. Goodwill is not amortized but is tested at least annually for impairment or when an indicator is present. Goodwill is tested for impairment at either the individual or group CGU level and is determined based upon the amount of future discounted cash flows generated by the individual CGU or group of CGUs compared to the individual CGU or group of CGUs' respective carrying amounts. Impairment exists when the carrying value of a CGU or group of CGUs exceeds its recoverable amount, which is the higher of its fair value less costs to dispose and its value in use. All of the Corporation's goodwill has been allocated to the Canadian Rental Operations CGU.

(u) Recent accounting pronouncements

Newly adopted accounting standards

On January 1, 2024, the Corporation adopted amendments to IAS 1, Presentation of Financial Statements, issued by IASB. The amendment is to clarify the classification of a liability as either current or non-current based on the Corporation right at the end of the reporting period. 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 presently reviewing the impact the standard will have on the Financial Statements.

In May 2024, the IASB issued amendments to IFRS 9, Financial Instruments, and IFRS 7, Financial Instruments: Disclosures to address the classification and measurement of financial instruments, with an emphasis to clarify the date of recognition and derecognition of financial asset and liabilities, effective January 1, 2026, with early adoption permitted. The Corporation is currently reviewing the impact of these amendments, but they are not expected to have a material impact on the Corporation's Financial Statements.

4. Common-control transaction

The spin-off of the PNG business from High Arctic to SpinCo was deemed a common-control transaction because SpinCo was a wholly-owned subsidiary of the Corporation prior to the Arrangement. As such, SpinCo elected to recognize the assets and liabilities including cash, accounts receivable, inventory, prepaid expense and deposits, property, plant, and equipment, right of use assets, accounts payable and accrued liabilities and lease liabilities and income tax payable at the carrying amount according to the historical cost financial records of High Arctic.

5. Business combination

On December 28, 2023, High Arctic completed the acquisition of all the shares of Delta (the "Delta Acquisition"). Delta was a privately-owned rentals company focused on pressure control equipment and equipment supporting the high-pressure stimulation of oil and gas wells along with other well site rental equipment.

The Corporation accounted for the acquisition as a business combination and used the acquisition method to record the assets and liabilities acquired at fair value. An independent third-party valuator was engaged to estimate the fair value for the oilfield services equipment and intangible assets and the determination of the contingent consideration payable.

The aggregate purchase price of the Delta Acquisition was $6,382 consisting of $3,430 in cash paid on closing and contingent consideration payable of $2,952 (Note 15). The contingent consideration payable is payable in a combination of cash and shares of the Corporation over a thirty-six-month period following the transaction's close. The contingent consideration payable is based on the business acquired achieving specific profitability targets and is adjusted for capital expenditures incurred. The seller will receive a set percentage of the profitability target achieved. This percentage increases when the profitability target is exceeded by 20% and is reduced when less than 95% of the profitability target is achieved. No contingent consideration is payable when less than 50% of the profitability target is achieved. In conjunction with the Delta Acquisition, the Corporation incurred $110 in transaction costs which were recorded in general and administrative expenses.

6. Discontinued operations

(a) 2024 Spin-off of the PNG business:

The operating results of the Corporation's PNG business reported herein as discontinued operations are as follows:

	Year ended December 31,	
(thousands of Canadian Dollars)	2024[1]	2023
Revenue	27,352	58,549
Oilfield services expenses	(16,890)	(39,344)
General and administrative expenses	(4,192)	(4,309)
Depreciation and amortization expenses	(3,591)	(8,385)
Interest and finance expense	(65)	(153)
Foreign exchange loss	(12)	(193)
Loss on sale of property and equipment	-	(18)
Asset impairment loss	-	(20,500)
Reclassification of cumulative foreign currency translation gain on distribution to SpinCo	28,686	-
Pre-tax income (loss) for the year	31,288	(14,353)
Income tax recovery (expense)	(860)	2,508
Net income (loss) from discontinued operations	30,428	(11,845)

(1) The 2024 operating results of the Corporation's PNG business for the year ended December 31, 2024 includes operating results from January 1, 2024 to August 12, 2024.

The cash flows from the Corporation's PNG business reported herein as discontinued operations are as follows:

	Year ended December 31,	
(thousands of Canadian Dollars)	2024[1]	2023
Cash flow from operating activities	14,090	11,909
Cash used in investing activities [2]	(22,097)	(1,458)
Cash used in financing activities	(446)	(966)

(1) The 2024 cash flows from the Corporation's PNG business for the year ended December 31, 2024 includes cash flows from January 1, 2024 to August 12, 2024 respectively.

(2) Included in cash used in investing activities is $21,287 of cash retained by SpinCo as per the Arrangement (Note 1).

(b) 2023 Sale of Nitrogen business:

The operating results of the Corporation's nitrogen transportation, hauling and pumping services business reported herein as discontinued operations for the year ended December 31, 2023 are as follows:

(thousands of Canadian Dollars)	Year ended December 31, 2023
Revenue	1,307
Expenses:	
Oilfield services expenses	(1,191)
General and administrative expenses	(292)
Depreciation and amortization expenses	(129)
Net loss from discontinued operations	(305)

Discontinued operations from the nitrogen business reported in the consolidated statements of cash flows are as follows:

(thousands of Canadian Dollars)	Year ended December 31, 2023
Cash flow used in operating activities	(178)
Cash flow from investing activities	29
Cash flow from financing activities	-

7. Accounts receivable

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

(thousands of Canadian Dollars)	As at Dec 31, 2024	As at Dec 31, 2023
Less than 31 days	1,180	6,680
31 days to 60 days	552	6,842
61 days to 90 days	444	2,854
Greater than 90 days	611	1,284
	2,787	17,660
Expected credit losses	(38)	(192)
	2,749	17,468

High Arctic 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, High Arctic 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, 2024 was as follows:

(thousands of Canadian Dollars)	Less than 31 days	31- 60 days	61 – 90 days	Over 90 days	Total
Investment grade receivables	232	97	74	5	414
Non-investment grade receivables	942	455	370	606	2,373
Total receivables	1,180	552	444	611	2,787
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	(2)	(3)	(7)	(26)	(38)
Total provision for ECL	(2)	(3)	(7)	(26)	(38)

The comparative details of this approach as at December 31, 2023 was as follows:

(thousands of Canadian Dollars)	Less than 31 days	31- 60 days	61 – 90 days	Over 90 days	Total
Investment grade receivables	5,893	6,278	2,674	541	15,386
Non-investment grade receivables	787	564	180	743	2,274
Total receivables	6,680	6,842	2,854	1,284	17,660
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	(2)	(4)	(3)	(2)	(11)
ECL provision – non-investment grade	(2)	(4)	(4)	(31)	(41)
Specifically provided for amounts	-	-	-	(140)	(140)
Total provision for ECL	(4)	(8)	(7)	(173)	(192)

8. Notes receivable

(thousands of Canadian Dollars)	As at Dec 31, 2024	As at Dec 31, 2023
Convertible promissory note – Team Snubbing	2,888	3,365
Less: Interest accretion on convertible promissory note	(340)	(417)
Note receivable on Delta Acquisition	587	880
Less: Interest accretion on note receivable on Delta Acquisition	(44)	(88)
Total notes receivable	3,091	3,740
Current	1,062	745
Non-current	2,029	2,995

During 2022, High Arctic entered into an agreement with Team Snubbing Services Inc. (“Team Snubbing”) to sell its snubbing assets (the “Snubbing Transaction”). As part of the consideration, High Arctic received a convertible promissory note from Team Snubbing for $3,365 with a five-year term, annual interest of 4.5% accruing from January 1, 2023 and principal repayments which commenced in July 2024. The note receivable is being recorded at amortized cost using the effective interest rate method. In the event of default, the outstanding principal amount plus accrued interest is convertible to additional common shares of Team Snubbing.

In 2023, as part of the assets acquired in the Delta Acquisition, High Arctic received an interest-free note receivable for $880 repayable in equal amounts over three years. The note receivable is considered a financial asset. The carrying value of the note is determined by discounting the anticipated future cash flow impact of the note using an effective interest rate of 5.0% which approximates the credit risk associated with the principal amount outstanding of the note. Accretion income of $44 was recorded to the note receivable in 2024 which results in a carrying value balance of $543 as at December 31, 2024.

9. Property and equipment

(thousands of Canadian Dollars)	Vehicles	Oilfield equipment	Office & computer equipment	Land and building	Work-in progress	Total
Costs						
Balance, December 31, 2022	1,897	201,595	3,109	6,866	-	213,467
Additions	-	1,018	-	-	941	1,959
Disposals	(1,492)	(16,513)	(664)	-	-	(18,669)
Acquisition (Note 5)	-	3,540	33	-	-	3,573
Transfers	(30)	634	21	-	(625)	-
Impairment	-	(20,500)	-	-	-	(20,500)
Effect of foreign exchange	(3)	(3,643)	(8)	-	(6)	(3,660)
Balance, December 31, 2023	372	166,131	2,491	6,866	310	176,170
Distributed to SpinCo as per the Arrangement	(132)	(148,675)	(243)	-	(310)	(149,360)
Additions	-	1,625	-	-	-	1,625
Dispositions	(58)	(523)	-	-	-	(581)
Balance, December 31, 2024	182	18,558	2,248	6,866	-	27,854
Accumulated depreciation						
Balance, December 31, 2022	1,885	154,377	2,740	1,503	-	160,505
Depreciation	12	8,957	107	173	-	9,249
Disposals	(1,580)	(15,715)	(655)	-	-	(17,950)
Effect of foreign exchange	(2)	(3,178)	(8)	-	-	(3,188)
Balance, December 31, 2023	315	144,441	2,184	1,676	-	148,616
Distributed to SpinCo as per the Arrangement	(89)	(132,648)	(221)	-	-	(132,958)
Depreciation	1	1,611	207	173	-	1,992
Dispositions	(47)	(348)	-	-	-	(395)
Balance, December 31, 2024	180	13,056	2,170	1,849	-	17,255
Net book value, December 31, 2023	57	21,690	307	5,190	310	27,554
Net book value, December 31, 2024	2	5,502	78	5,017	-	10,599

The Corporation determined that there were no indicators of impairment for the Canadian Rental Operations CGU at December 31, 2024.

2023 Impairment

During 2023, the Corporation identified indicators of potential impairment in its PNG Operations CGU. Indicators included the Corporation's primary customer planning to conclude drilling after completing its minimum well commitment on their drilling schedule under a long-term contract and the lack of outstanding customer contract tenders or open bid submissions for High Arctic's rigs 115 and 116. The Corporation performed an impairment test to determine the recoverable amount of the PNG Operations CGU and it was determined that the recoverable amount of the PNG Operations CGU was below its carrying value of $52,050 resulting in an impairment of $20,500 at September 30, 2023.

The recoverable amount of the PNG Operations CGU was determined using a value in use calculation. Revenue and EBITDA forecasts were performed up to and including the year 2027 and were based on management's current assessment of future combined drilling, rental and workover activity and were based on management's P50 forecast case (P50 being a case that can be exceeded with 50% probability i.e., the most probable 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 derived from the Corporation's weighted average cost of capital, adjusted for risk factors specific to the PNG Operations CGU and used in determining the recoverable amount was 25.2%. The PNG Operations CGU was distributed to SpinCo as per the Arrangement on August 12, 2024.

2023 Dispositions

For the year ended December 31, 2023, as part of the Nitrogen Transaction, High Arctic disposed of property and equipment for cash consideration of $1,350 which resulted in a gain on sale of $615 (see Note 6(b)). In 2023, High Arctic disposed of other property and equipment and received cash proceeds of $234 resulting in a gain on sale of $169.

In 2024, the Company disposed of other property and equipment and received cash proceeds of $178 resulting in a loss on dispositions of $8.

10. Right of use assets and lease liabilities

(a) Right of use assets:

(thousands of Canadian Dollars)	As at Dec 31, 2024	As at Dec 31, 2023
Costs		
Opening balance	3,653	1,560
Distributed to SpinCo as per the Arrangement	(2,087)	-
Effect of foreign exchange rate changes	-	(49)
Additions	49	1,697
Dispositions	(4)	(729)
Acquisition	-	1,174
Closing balance	1,611	3,653
(thousands of Canadian Dollars)	As at Dec 31, 2024	As at Dec 31, 2023
Accumulated amortization		
Opening balance	998	186
Distributed to SpinCo as per the Arrangement	(881)	-
Effect of foreign exchange rate changes	-	(21)
Amortization	290	833
Closing balance	407	998
Net closing balance	1,204	2,655

The right of use assets relate to real estate assets and vehicles.

(b) Lease liabilities:

(thousands of Canadian Dollars)	As at Dec 31, 2024	As at Dec 31, 2023
Opening balance	2,819	1,482
Distributed to SpinCo as per the Arrangement	(1,286)	-
Effect of foreign exchange rate changes	49	(32)
Lease additions	-	1,697
Lease disposals	(4)	(550)
Acquisition	-	1,174
Lease payments	(349)	(1,148)
Lease finance expense (Note 18(c))	82	196
Closing balance	1,311	2,819
Current	368	959
Non-current	943	1,860

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

The undiscounted cash flows relating to the lease liabilities at December 31, 2024 and December 31, 2023 are as follows:

(thousands of Canadian Dollars)	As at Dec 31, 2024	As at Dec 31, 2023
Less than one year	435	1,055
One year to five years	294	2,144
More than five years	753	-
Total undiscounted liabilities	1,482	3,199

11. Intangible assets and goodwill

(thousands of Canadian Dollars)	Customer relationships	Brand and non-compete agreement	Software	Total intangibles	Goodwill
Costs					
Balance, December 31, 2022	-	-	-	-	-
Additions	1,215	286	-	1,501	812
Balance, December 31, 2023	1,215	286	-	1,501	-
Additions	-	-	322	322	-
Balance, December 31, 2024	1,215	286	322	1,823	812
Accumulated amortization					
Balance, December 31, 2022	-	-	-	-	-
Amortization	-	-	-	-	-
Balance, December 31, 2023	-	-	-	-	-
Amortization	243	57	13	313	-
Balance, December 31, 2024	243	57	13	313	-
Net book value, December 31, 2023	1,215	286	-	1,501	812
Net book value, December 31, 2024	972	229	309	1,510	812

The intangible assets acquired in the Delta acquisition include customer relationships with a fair value of $1,215, brand with a fair value of $76 and a non-compete agreement with a fair value of $210. The fair value of customer relationships was determined using an income approach using the multi-period excess earnings method. The significant assumptions used in determining the fair value of the customer relationships include forecasted revenues and cash flows from existing customer relationships, customer attrition rates, contributory asset charges and discount rates.

The Corporation's impairment analysis as of December 31, 2024, indicated that the recoverable amount of the Canadian Rental Operations CGU exceeded its carrying value, and therefore, no impairment was recorded. The recoverable amount of the CGU was based on its value in use and the significant assumptions for the value in use calculations were the discount rates and EBITDA forecasts. At December 31, 2024, the Company used an estimated risk adjusted, after-tax discount rate of 35% and a terminal growth rate of 2.9%. Future cash flows are based on various judgments and estimates including actual performance of the business, management's estimates of future performance, and indicators of future industry activity levels. A 1% increase in the after-tax discount rate and a 1% decrease in the terminal growth rate would not have resulted in an impairment being recognized.

12. Equity investments

(thousands of Canadian Dollars)	As at Dec 31, 2024	As at Dec 31, 2023
Equity investment – Team Snubbing Services Inc.	7,344	8,034
Equity investment – Seh' Chene Well Services Limited Partnership	148	148
	7,492	8,182

In 2022, as part of the "Snubbing Transaction", an equity ownership investment in Team Snubbing and a note receivable (Note 8) were received as consideration.

The following financial information for Team Snubbing as at and for the years ended December 31, 2024 and are as follows:

Balance Sheet	Year ended Dec 31,	
(thousands of Canadian Dollars)	2024	2023
Cash	334	255
Current assets, excluding cash	5,838	4,815
Non-current assets	19,992	16,354
Current liabilities	(13,452)	(10,413)
Non-current liabilities	(6,145)	(2,783)

Income Statement	Year ended Dec 31,	
(thousands of Canadian Dollars)	2024	2023
Revenue	26,064	21,252
Net income (loss) after tax	(1,662)	1,912
Net income (loss) after tax – 42% share	(690)	803

During 2023, Team Snubbing declared its first dividend of $857 and as a result, High Arctic's proportionate share of the dividend of $360 was recorded as a reduction to its equity investment in Team Snubbing.

High Arctic has a 49% ownership interest in the Seh' Chene Well Services Limited Partnership (the "Partnership") and is one of two participants in the Partnership whose mission is to execute dependable high-quality energy services, focused on environmental stewardship, while creating opportunity for local Indigenous communities and individuals. Investment into the Partnership in 2020 was nominal with the Corporation's interest in earnings accumulating to $148 as at December 31, 2024. No earnings were distributed from the Partnership in 2024 and 2023.

13. Accounts payable and accrued liabilities

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

(thousands of Canadian Dollars)	As at Dec 31, 2024	As at Dec 31, 2023
Trade accounts payable	883	5,405
Accrued liabilities	1,661	7,385
Wages and payroll taxes payable	105	973
Other accounts payable	92	371
Total accounts payable and accrued liabilities	2,741	14,134

14. Long-term debt

(thousands of Canadian Dollars)	As at Dec 31, 2024	As at Dec 31, 2023
Current	175	175
Non-current	3,178	3,352
Total	3,353	3,527

The Corporation has mortgage financing secured by lands and buildings owned by High Arctic located within Alberta, Canada. The mortgage has a remaining initial term of under two years with a fixed interest rate of 4.30% with payments occurring monthly. The Corporation's mortgage financing contains certain non-financial covenants requiring lenders' consent including changes to the underlying business.

15. Contingent consideration

(thousands of Canadian Dollars)	As at Dec 31, 2024	As at Dec 31, 2023
Opening balance	2,952	-
Acquisition	-	2,952
Accretion	292	-
Fair value adjustment	259	-
First year contingent consideration owing	(1,146)	-
Closing balance	2,357	2,952
Current	1,245	812
Non-current	1,112	2,140

On December 28, 2023, High Arctic completed the acquisition of all the shares of Delta for cash consideration of $3,430 and contingent consideration of $2,952. The contingent consideration is payable in a combination of cash and shares of the Corporation over a thirty-six-month period following the transaction's close. The contingent consideration payable is based on the acquired business achieving specific profitability targets and is adjusted for capital expenditures incurred. The seller will receive a set percentage of the profitability target achieved. This percentage increases when the profitability target is exceeded by 20% and is reduced when less than 95% of the profitability target is achieved. No contingent consideration is payable when less than 50% of the profitability target is achieved. In determining the fair value of the contingent consideration payable, several profitability scenarios were considered and then given a probability rating and discounted to determine a probability-weighted contingent consideration payable amount.

In 2024, the Delta business substantively met its first-year profitability targets and no adjustments were required based on the capital expenditures incurred. As a result, the 2024 Delta business was in line with the assumptions used to determine the contingent consideration originally recorded. Based on the 2024 results combined with the Corporation's estimate of future profitability and capital expenditure levels, a fair value adjustment of $259 and accretion of $292 has been made and expensed for the year ended December 31, 2024. Included in accounts payable and accrued liabilities as at December 31, 2024 is $1,146 related to the first year portion of the contingent consideration.

16. Shareholders' equity

(a) Share capital

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. On December 13, 2023, the Corporation received approval from the Toronto Stock Exchange to acquire for cancellation up to 250,000 common shares, or approximately two percent of the Corporation's outstanding shares, under a Normal Course Issuer Bid ("NCIB"). Upon completion of the Arrangement, the NCIB was terminated on August 12, 2024. No shares were purchased and cancelled pursuant to the NCIB prior to its termination (2023 – 4,574 shares). On June 28, 2024, the Corporation announced a distribution to its shareholders by way of a return of capital distribution of $0.76 per common share of High Arctic. The total amount of this distribution, $37.8 million, was paid on July 17, 2024.

		Year ended Dec 31, 2024		Year ended Dec 31, 2023
Common shares issued and outstanding:	Shares[(1)]	Amount	Shares[(1)]	Amount
Balance, beginning of year	12,280,568	$169,992	12,172,958	$169,554
Exercise of performance share units (Note 17)	70,545	422	112,184	502
Exercise of deferred share units (Note 17)	97,053	581	-	-
Purchase of common shares for cancellation	-	-	(4,574)	(64)
Distribution - return of capital	-	(37,842)	-	-
Balance, end of year	12,448,166	$133,153	12,280,568	$169,992

(1) Pursuant to the de facto four-to-one consolidation of the Corporation's outstanding common shares effective August 12, 2024, the number of common shares outstanding and all per-share amounts have been retroactively adjusted to effect the stock consolidation.

(b) Per share amounts

(thousands of Canadian Dollars) (except number of common shares)	Year ended December 31, 2024	 2023
Continuing Operations:		
Net loss	(2,117)	(989)
Basic - weighted average number of common shares	12,366,198	12,178,990
Basic net loss per share	(0.17)	(0.08)
Diluted - weighted average number of common shares	12,512,987	12,704,950
Diluted net loss per share(2)	(0.17)	(0.08)
Discontinued Operations:		
Net income (loss)	30,428	(12,150)
Basic - weighted average number of common shares	12,366,198	12,178,990
Basic net income (loss) per share	2.46	(1.00)
Diluted - weighted average number of common shares	12,512,987	12,704,950
Diluted net income (loss) per share(2)	2.43	(1.00)

(1) Pursuant to the de facto four-to-one consolidation of the Corporation's outstanding common shares effective August 12, 2024, the number of common shares outstanding and all per-share amounts have been retroactively adjusted to effect the stock consolidation.

(2) For periods when the Corporation incurred a net loss from either continuing or discontinued operations, the shares outstanding under the Corporation's equity-based compensation plans for the periods presented were excluded from the calculation of diluted weighted average number of common shares as the outstanding options and units were anti-dilutive.

17. Share-based compensation expense

The Corporation has three equity-based compensation plans under which up to 1,244,817 common shares (being 10% of all outstanding shares) may be issued as at December 31, 2024. The following table summarizes the Corporation's outstanding grants for each equity-based compensation plan:

(number of stock options and share units)(1)	As at Dec 31, 2024	As at Dec 31, 2023
Stock options	575,000	29,250
Performance share unit plan ("PSUP") – restricted units ("RSUs")	-	35,014
PSUP – performance units ("PSUs")	-	45,134
Deferred share units ("DSUs")	-	234,634
Balance, end of year	575,000	344,032
Common shares available for grants	1,244,817	1,228,057
Percentage used of total available	46%	28%
Remaining common shares available for grant	669,817	884,025

(1) Pursuant to the de facto four-to-one consolidation of the Corporation's outstanding common shares effective August 12, 2024, the number of stock options, performance share units and deferred share units outstanding have been retroactively adjusted to effect the stock consolidation.

Share-based compensation expense associated with each equity-based compensation plans amounted to:

(thousands of Canadian Dollars)	Year ended December 31, 2024	 2023
Stock options	5	18
Performance share unit plan – restricted and performance units	121	222
Deferred share units	34	256
Total expense	160	496

Stock Option Plan

The Corporation has a Stock Option Plan under which options to purchase common shares may be granted to directors, management, and certain employees. These stock options are typically exercisable over a term of five years and are subject to a three-year vesting period with 33.3 percent exercisable by the holder after the first anniversary date, another 33.3 percent after the second anniversary date and the balance after the third anniversary date.

A total of 575,000 of stock options were granted during the year ended December 31, 2024 at an exercise price of $1.19. The estimated fair value of each share option granted is $0.51 calculated using the Black-Scholes-Merton model The model inputs used include a five-day volume-weighted average share price of $1.19, expected annual volatility of 60.8%, and a weighted-average forfeiture rate of 28.3%.

Details regarding the stock options and associated changes and weighted average exercise prices are as follows:

	Number of stock options[(1)]	Weighted average exercise price ($)[(1)]
As at December 31, 2022	62,500	5.56
Forfeited/cancelled	(33,250)	(5.56)
As at December 31, 2023	29,250	5.56
Forfeited/settled	(29,250)	(5.56)
Granted	575,000	1.19
As at December 31, 2024	575,000	1.19

(1) Pursuant to the de facto four-to-one consolidation of the Corporation's outstanding common shares effective August 12, 2024, the number of stock options and average exercise prices have been retroactively adjusted to effect the stock consolidation.

Performance Share Unit Plan

Historically, the Corporation issued PSUs to senior management and consultants to provide them with the opportunity to acquire an increased proprietary interest in the Corporation's growth and development. In conjunction with the Arrangement, all outstanding PSUs were settled in 2024 and no new PSUs were granted in 2023 or 2024.

Details regarding the PSUP units and related activity are as follows:

(number of share units)[(1)]	RSUs	PSUs	Total
As at December 31, 2022	131,241	101,986	233,227
Dividends re-invested	4,977	3,616	8,593
Exercised	(82,711)	(29,473)	(112,184)
Forfeited/cancelled	(18,493)	(30,995)	(49,488)
As at December 31, 2023	35,014	45,134	80,148
Exercised	(35,014)	(35,531)	(70,545)
Forfeited/cancelled	-	(9,603)	(9,603)
As at December 31, 2024	-	-	-

(1) Pursuant to the de facto four-to-one consolidation of the Corporation's outstanding common shares effective August 12, 2024, the number of performance share units have been retroactively adjusted to effect the stock consolidation.

Deferred Share Unit Plan

Historically, the Corporation issued DSUs to non-employee directors to provide them with the opportunity to participate in the long-term success of the Corporation and, in lieu of cash compensation, to promote a greater alignment of interests between directors and the Corporation's shareholders. In conjunction with the Arrangement, all outstanding DSUs were settled in 2024 and no new DSUs were granted after Q1 2024.

Details regarding the DSU units and related activity are as follows:

(number of share units)[(1)]	For the year ended Dec 31, 2024	For the year ended Dec 31, 2023
Outstanding, beginning of year	234,634	276,993
Granted	7,870	38,887
Exercised	(97,053)	-
Settled	(92,121)	-
Forfeited	(53,330)	(91,169)
Dividends re-invested	-	9,923
Outstanding, end of year	-	234,634

(1) Pursuant to the de facto four-to-one consolidation of the Corporation's outstanding common shares effective August 12, 2024, the number of performance share units have been retroactively adjusted to effect the stock consolidation.

All of the DSUs granted in 2023 and 2024 were granted pursuant to certain Directors' electing to have their compensation for services paid in DSUs rather than cash. The weighted average fair value of each DSU granted during 2024 was $1.09 (year ended December 31, 2023 - $1.23), equivalent to the previous 5-day weighted average share price at the time of grant.

On June 17, 2024, at the Annual and Special General Meeting of the Corporation and in conjunction with the reorganization and planned return of capital, the shareholders approved a resolution approving the redemption of all outstanding units under the Corporation's DSU plan. As a result of the redemption, 97,053 DSUs were exercised and issued as common shares to the Directors and 92,121 DSUs were settled in cash of $551 to cover the tax portion owing.

18. Supplementary expense disclosures – continuing operations

(a) Oilfield services expenses by nature:

(thousands of Canadian Dollars)	Year ended December 31, 2024	2023
Personnel	1,512	424
Equipment operating and maintenance	1,379	490
Material and supplies	2,131	342
Other	241	70
Total oilfield services expenses	5,263	1,326

(b) General and administrative expenses by nature:

(thousands of Canadian Dollars)	Year ended December 31, 2024	2023
Personnel	2,856	2,565
Professional, legal and advisory fees	1,675	1,376
Information technology services	356	438
Corporate	383	427
Office and warehouse	196	164
Expected credit losses (recovery)	(144)	147
Vehicle, supplies and other	90	40
Total general and administrative expenses	5,412	5,157

(c) Interest and finance expenses:

(thousands of Canadian Dollars)	Year ended December 31, 2024	2023
Interest on long-term debt and standby fees	150	189
Finance expense – lease liabilities	82	32
Accretion expense on contingent consideration	292	-
Other expenses	11	10
Interest and finance expenses	535	231

19. Supplementary cash flow information

Changes in non-cash working capital balances:

(thousands of Canadian Dollars)	Year ended December 31, 2024	2023
Source (use) of cash:		
Accounts receivable	(95)	969
Inventory, prepaid expense and other assets	117	317
Accounts payable and accrued liabilities	(615)	(437)
Dividend payable	-	(243)
Income taxes receivable	-	(323)
Income taxes payable	-	251
	(593)	534

Attributable to:		
Operating activities	(300)	777
Financing activities	(293)	(243)
	(593)	534

20. Income tax

(a) Income tax expense – from continuing operations

(thousands of Canadian Dollars)	Year ended December 31, 2024	Year ended December 31, 2023
Current income tax expense	9	4
Deferred income tax recovery	-	(915)
Total income tax expense (recovery)	9	(911)

(thousands of Canadian Dollars)	Year ended December 31, 2024	Year ended December 31, 2023
Net loss before income tax	(2,108)	(1,900)
Canadian statutory tax rate	23.00%	23.16%
Expected income tax expense (recovery)	(485)	(440)
Increase (decrease) resulting from:		
Tax rate changes	470	-
Non-deductible differences	66	128
Non-taxable dividends received	(83)	-
Change in unrecognized deferred tax asset	(1,242)	542
Reconciliation to prior year provision	1,006	(168)
Recognition of previously unrecognized deferred tax liability	-	(915)
Other	277	(58)
Total income tax expense (recovery)	9	(911)
Effective tax rate	(0.4%)	207.1%

The provision for income tax differs from the result that would be obtained by applying the expected Canadian tax rate of 23.00% (2023 – 23.16%) 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 Canada.

(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 by jurisdiction:

	Year ended December 31, 2024	Year ended December 31, 2023
Continuing Operations:		
Deferred income tax assets (liabilities):		
Property and equipment	1,010	1,665
Intangibles	(273)	(350)
Right of use assets	(277)	(337)
Lease liabilities	303	357
Non-capital losses	31,017	31,526
Capital losses	4,554	4,606
Unrecognized deferred tax asset	(36,231)	(37,467)
Other	(103)	-
	-	-

The following tables summarize the movements of the deferred income tax assets and liabilities during the year:

	December 31, 2023	Recognized in net loss	Distributed to SpinCo	December 31, 2024
Continuing Operations:				
Deferred income tax assets (liabilities):				
Property and equipment	1,665	(655)	-	1,010
Intangibles	(350)	77	-	(273)
Right of use assets	(337)	60	-	(277)
Lease liabilities	357	(54)	-	303
Non-capital losses	31,526	(509)	-	31,017
Capital losses	4,606	(52)	-	4,554
Unrecognized deferred tax asset	(37,467)	1,236	-	(36,231)
Other	-	(103)		(103)
	-	-	-	-
Discontinued Operations:				
Deferred income tax assets (liabilities):				
Property and equipment and Inventory	(1,726)	249	(1,477)	-
Non-capital losses	2,976	(320)	2,656	-
Unrecognized deferred tax asset	(1,250)	71	(1,179)	-
	-	-	-	-
Net deferred income tax (liabilities) assets	-	-	-	-

	December 31, 2022	Recognized in net loss	Business Combination	December 31, 2023
Continuing Operations:				
Deferred income tax assets (liabilities):				
Property and equipment	2,821	(591)	(565)	1,665
Intangibles	-	-	(350)	(350)
Right of use assets	(137)	73	(273)	(337)
Lease liabilities	161	(77)	273	357
Non-capital losses	29,479	2,047	-	31,526
Capital losses	4,606	-	-	4,606
Unrecognized deferred tax asset	(36,939)	(528)	-	(37,467)
Other	9	(9)	-	
	-	915	(915)	-
Discontinued Operations:				
Deferred income tax liabilities:				
Property and equipment and Inventory	(7,690)	5,964	-	(1,726)
Non-capital losses	3,764	(788)	-	2,976
Unrecognized deferred tax asset	-	(1,250)	-	(1,250)
Other	37	(37)	-	-
	(3,889)	3,889	-	-
Net deferred income tax (liabilities) assets	(3,889)	-	-	-

During 2023, deferred tax assets created through the accumulation of non-capital losses in Canada were reviewed to assess the probability that future taxable profit could be utilized against such losses, and it was determined that subsequent to the Sale Transactions the asset should be written down to $Nil. At December 31, 2024 the Corporation assessed the probability that future taxable profit could be utilized against non-capital losses and determined that no deferred tax asset should be recorded in 2024.

(c) Unrecognized non-capital losses

Total Canadian non-capital losses carried forward for income tax purposes totaled $134,858 at December 31, 2024 (2023 - $135,537), which expire in years 2027 through 2044.

(d) Capital losses

At December 31, 2024, the capital losses carried forward for income tax purposes totaled $39,603 (2023 - $39,603), which can be carried forward indefinitely, but only used against capital gains.

(e) Withholding taxes

The government of PNG levies withholding taxes when funds are repatriated out of the country, which includes intercompany dividends. For the year ended December 31, 2023, withholding tax levied associated with such charges amounted to a credit of $273 for overpayment of 2022 taxes and are recorded as part of current income tax expense. The average dividend withholding rate in 2023 was estimated to be 15%.

The government of PNG levies foreign contractor withholding tax at 15% (2023 – 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. Included in Income tax recovery (expense) from discontinued operations relating to the Spin-off of the PNG business (Note 6(a)) is $860 (2023 - $1,595).

(f) Income tax receivable

Income tax receivable at December 31, 2023 totaled $665 for installment payments made to the PNG government. The Corporation can apply the prepayments to future income tax payments on earnings. The December 31, 2023 current income tax receivable is reflective of expected future income tax obligations to the PNG Government.

21. 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, notes receivable, accounts payable and accrued liabilities, long-term debt, lease liabilities and contingent consideration payable. The carrying values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate fair value due to the short-term nature of these instruments. The carrying value of long-term debt and lease liabilities where interest is charged at a fixed rate is not significantly different than fair value.

At December 31, 2024, the estimated fair value of the Corporation's notes receivable was $3,091 (December 31, 2023 - $3,740). This determination of fair value is based on level 3 inputs as there are no active market valuation inputs available in order to support a different valuation for the notes receivable. See Note 8.

At December 31, 2024, the estimated fair value of the contingent consideration payable was calculated to total $2,357 (December 31, 2023 - $2,952). See Note 15.

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 have impact on a company's workforce and operations by limiting market access and increasing costs and could have significant impact on the Corporation. Also, cybersecurity risks increase with the use of cloud hosted servers. Such restrictions 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 currently has mortgage financing with a fixed interest rate of 4.30% (Note 14). The Corporation is exposed to interest rate risk upon renewal or expiration of the initial term. The Corporation had no risk management contracts that would be affected by interest rates at 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 High Arctic's services, where almost all the Corporation's customers are oil and gas producers. High Arctic's customers' activity and strategic decisions are impacted by the fluctuations of oil and gas pricing.

These prices are sensitive to not only the relationship between the Canadian and US dollar, but more importantly local, regional and world economic and geopolitical events. This includes implications from changing oil demand and supply, policy direction by OPEC, the ongoing effect of the conflicts between Russia and Ukraine and in the Middle East, climate change driven transitions to lower emission energy sources and the impact of future pandemics upon economic activity including the emergence of variants of COVID-19.

The Corporation had no risk management contracts that would be affected by commodity prices at December 31, 2024 and 2023.

c) Foreign currency 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 Corporation's continuing operations have nominal USD exposure. USD expenditures are typically only made when purchasing property and equipment. Accordingly, no changes to the net loss would result if there was a $0.10 change in the exchange rate of the Canadian Dollar relative to the USD.

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 primarily comprised of balances from customers operating in the oil and natural gas industry, whose revenues may be affected by fluctuations in oil and natural gas prices and are subject to credit risk consistent with the industry. The Corporation manages credit risk by assessing the creditworthiness of its customers on an ongoing basis and continuously reviews individual customer trade receivables, taking into consideration payment history and the aging of the account receivable, to assess collectability.

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 has a range of customers comprised of small independent, intermediate and large multinational oil and gas producers in North America.

The Corporation's continuing operations provided services to one large customer who individually accounted for greater than 10% of its consolidated revenues during the year ended December 31, 2024 with total sales of $1,283 (2023: four customers with total sales of $2,630).

As at December 31, 2024, two customers represented a total of $750 or 27% of outstanding accounts receivable (December 31, 2023 and inclusive of the Corporation's discontinued operations – two customers represented a total of $15,139 or 92% 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.

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 of December 31, 2024:

Payments due by period						
(thousands of Canadian Dollars)	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	>5 years	Total
Accounts payable and accrued liabilities	2,741	-	-	-	-	2,741
Lease liabilities	61	374	294	753	-	1,482
Long-term debt	54	263	310	813	3,337	4,777
Contingent consideration payable	-	1,245	1,112	-	-	2,357
Total	2.856	1,882	1,716	1,566	3,337	11,357

22. Segmented information

The Corporation determines its operating segments based on internal information reviewed by the executive management team and Board of Directors to allocate resources and assess performance. The Corporation's reportable operating segments are strategic operating units that offer different products and services and warrant separate capital allocation consideration. The Corporation has three operating segments, supported by a corporate segment as follows:

a) Drilling services

This segment consists of the Corporation's Drilling Services provided in PNG, including the provision of drilling personnel to assist our customer's operations. As per the Arrangement (Note 1) this segment was distributed to SpinCo on August 12, 2024. The results from this entire segment have been captured in discontinued operations (Note 6(a)).

b) Rental services

Rental services segment (previously reported as "Ancillary services") consists of High Arctic's oilfield rental equipment of pressure control and other oilfield equipment to exploration and production companies in Canada. As per the Arrangement (Note 1), the Rental services segment that comprised the oilfield rental equipment business in PNG was distributed to SpinCo on August 12, 2024. The results of the Rental services segment in PNG has been captured in discontinued operations (Note 6(a)).

c) Production services

This segment consists of the Corporation's snubbing assets in the US, its equity investment in Team Snubbing and Seh' Chene Well Services Limited Partnership.

d) Corporate

This segment provides management and administrative services to all the Corporation's operations.

Details associated with each operating segment are provided as at December 31, 2024 and 2023 and for the years ended December 31, 2024 and 2023 in the tables which follow.

i. Income (loss) from reportable segments

Year ended December 31, 2024

(thousands of Canadian Dollars)	Drilling services	Rental services	Production services	Corporate	Total
Revenue	-	10,470	-	-	10,470
Oilfield services expenses	-	(5,263)	-	-	(5,263)
General and administrative expenses	-	(979)	4	(4,437)	(5,412)
Depreciation and amortization expenses	-	(1,418)	(234)	(948)	(2,600)
Share-based compensation expenses	-	-	-	(160)	(160)
Interest and other income	-	-	-	1,289	1,289
Interest and finance expenses	-	-	-	(535)	(535)
Accretion on notes receivable	-	-	-	265	265
Foreign exchange gain	-	-	-	795	795
Loss on sale of property and equipment	-	-	(8)	-	(8)
Adjustment to contingent consideration	-	(259)	-	-	(259)
Loss from equity investments	-	-	(690)	-	(690)
Net segment income (loss) before income tax expense from continuing operations	-	2,551	(928)	(3,731)	(2,108)
Net segment income (loss) before income tax expense from discontinued operations[1]	1,066	1,709	(83)	28,596	31,288

[1] Represents income (loss) from discontinued operations to August 12, 2024.

Year ended December 31, 2023

(thousands of Canadian Dollars)	Drilling services	Rental services	Production services	Corporate	Total
Revenue	-	3,384	-	-	3,384
Oilfield services expenses	-	(1,326)	-	-	(1,326)
General and administrative expenses	-	(774)	(17)	(4,366)	(5,157)
Depreciation and amortization expenses	-	(849)	(452)	(267)	(1,568)
Share-based compensation expenses	-	-	-	(496)	(496)
Interest and other income	-	-	-	2,018	2,018
Interest and finance expenses	-	-	-	(231)	(231)
Accretion on notes receivable	-	-	-	192	192
Foreign exchange loss	-	-	-	(321)	(321)
Gain on sale of property and equipment	-	162	-	25	187
Gain on sale of Nitrogen business	-	615	-	-	615
Income from equity investments	-	-	803	-	803
Net segment income (loss) before income tax expense from continuing operations	-	1,212	334	(3,446)	(1,900)
Net segment income (loss) before income tax expense from discontinued operations	(17,048)	5,375	(2,639)	(346)	(14,658)

ii. Asset breakdown by reportable segments

					As at December 31, 2024
(thousands of Canadian Dollars)	Drilling services	Rental services	Production services	Corporate	Total
Property and equipment	-	6,350	393	3,856	10,599
Right of use assets	-	1,151	-	53	1,204
Equity investments	-	-	7,492	-	7,492
Total assets	-	12,638	7,885	10,344	30,867
Capital expenditures	-	1,625	-	322	1,947

					As at December 31, 2023
(thousands of Canadian Dollars)	Drilling services	Rental services	Production services	Corporate	Total
Property and equipment	-	6,255	722	4,176	11,153
Right of use assets	-	1,371	-	78	1,449
Equity investments	-	-	8,182	-	8,182
Total assets from continuing operations	-	13,565	8,974	43,909	66,448
Total assets from discontinued operations	39,419	16,952	95	223	56,689
Total assets	39,419	30,517	9,069	44,132	123,137
Capital expenditures	-	501	-	-	501

23. Related party transactions

Included in general and administrative expenses and intangible asset additions in 2024 are consulting fees totaling $24 that were paid to a private company in which a director of the Corporation is a director. These transactions approximate fair value and have been accounted for at the exchange amount being the amount agreed to by the related parties.

For the year ended and as at December 31, 2024, the Corporation charged to SpinCo and was owed by SpinCo $207 and $192 respectively for administrative services provided after the completion of the Arrangement. The Corporation and SpinCo are deemed to be related parties given their common senior management in their CEO and CFO positions.

Director and executive personnel

The table below summarizes all Board of Director and executive compensation:

	Year ended December 31,	
(thousands of Canadian Dollars)	2024	2023
Directors' fees, executive wages including employee benefits	1,015	1,403
Share-based compensation	156	452
Total	1,171	1,855

One executive officer (2023 – two) has a 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. Severance amounts of $Nil were paid in 2024 (2023 - $86) to executive personnel.

The Corporation routinely conducts business with Team Snubbing in which it holds a 42% ownership interest (Note 12). The following table represents the balances at December 31, 2024 and December 31, 2023 and transaction totals for the years ended December 31, 2024 and 2023 with Team Snubbing:

(thousands of Canadian Dollars)	2024	2023
Accounts receivable	446	145
Revenue	1,282	1,402
ECL losses (recovery)	(140)	140

These related party transactions are conducted in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

24. Subsequent event

Subsequent to December 31, 2024, the Corporation issued 248,793 shares as part of the settlement of the first-year contingent consideration payable pursuant to the Delta Acquisition (Note 15).