CONDENSED INTERIM

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

March 31, 2025 and 2024

(Unaudited)

Notice of No Auditor Review of Condensed Interim Consolidated Financial Statements

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

The accompanying unaudited condensed interim consolidated financial statements of High Arctic Energy Services Inc. for the interim reporting period ended March 31, 2025 have been prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board, and are the responsibility of the Corporation's management.

The Corporation's external auditors, KPMG LLP, have not performed a review of these unaudited condensed interim consolidated financial statements in accordance with the standards established by Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's external auditor. Additionally, the Corporation's unaudited condensed interim consolidated financial statements for the interim reporting period ended March 31, 2024 were not reviewed by the Corporation's external auditors, KPMG LLP.

HIGH ARCTIC ENERGY SERVICES INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited) (thousands of Canadian Dollars)	As at March 31, 2025	As at December 31, 2024
Assets		
Current assets		
Cash and cash equivalents	3,183	3,123
Accounts receivable (Note 4)	2,265	2,749
Inventory	21	66
Prepaid expenses and other assets	184	221
Current portion of notes receivable (Note 5)	1,064	1,062
	6,717	7,221
Non-current assets		
Property and equipment (Note 6)	10,555	10,599
Right of use assets (Note 7(a))	1,130	1,204
Intangible assets (Note 8)	1,427	1,510
Goodwill (Note 8)	812	812
Notes receivable (Note 5)	1,843	2,029
Equity investments (Note 9)	7,505	7,492
	23,272	23,646
Total assets	**29,989**	**30,867**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	1,713	2,741
Current portion of long-term debt (Note 11)	175	175
Current portion of lease liabilities (Note 7(b))	355	368
Current portion of contingent consideration payable (Note 12)	1,275	1,245
	3,518	4,529
Non-current liabilities		
Long-term debt (Note 11)	3,134	3,178
Lease liabilities (Note 7(b))	884	943
Contingent consideration payable (Note 12)	1,138	1,112
	5,156	5,233
Total liabilities	**8,674**	**9,762**
Shareholders' Equity		
Share capital (Note 13(a))	133,426	133,153
Contributed surplus	13,204	13,156
Accumulated and other comprehensive income	(1,469)	(1,478)
Deficit	(123,846)	(123,726)
	21,315	21,105
Total liabilities and shareholders' equity	**29,989**	**30,867**

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

Subsequent events (Note 20)

HIGH ARCTIC ENERGY SERVICES INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(unaudited)	Three months ended March 31,	
(thousands of Canadian Dollars)	2025	2024
Revenue (Note 18)	2,335	2,988
Oilfield services expenses (Note 15)	(1,050)	(1,463)
General and administrative expenses (Note 15)	(781)	(1,915)
Depreciation and amortization expenses (Notes 6, 7(a), 8)	(584)	(621)
Share-based compensation expense (Note 14)	(48)	(59)
Operating loss	(128)	(1,070)
Interest and other income	60	571
Interest and finance expenses (Note 15)	(114)	(64)
Accretion income on notes receivable	59	64
Foreign exchange gain (loss)	(9)	191
Income from equity investments (Note 9)	12	490
Income (loss) before income tax from continuing operations	(120)	182
Income tax expense	-	-
Net income (loss) from continuing operations	(120)	182
Net income from discontinued operations (Note 3)	-	3,323
Total net income (loss)	**(120)**	**3,505**
Other comprehensive income:		
Items that may be reclassified subsequently to net income (loss):		
Foreign currency translation gain for foreign operations	9	865
Comprehensive income (loss) for the period	**(111)**	**4,370**

	Three months ended March 31,	
	2025	2024
Income (loss) per share: (Note 13(b))		
Continuing operations:		
Basic and diluted	(0.01)	0.01
Discontinued operations:		
Basic	-	0.27
Diluted	-	0.26

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

HIGH ARCTIC ENERGY SERVICES INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited) (thousands of Canadian Dollars, except number of common shares)	Number of Common shares (1)	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
Balance, December 31, 2023	12,280,568	169,992	14,550	26,980	(112,190)	99,332
Share-based compensation expense (Note 14)	-	-	59	-	-	59
Other comprehensive income – foreign currency translation gain	-	-	-	865	-	865
Net income for the period from continuing operations	-	-	-	-	182	182
Net income for the period from discontinued operations	-	-	-	-	3,323	3,323
Balance, March 31, 2024	12,280,568	169,992	14,609	27,845	(108,685)	103,761

Balance, December 31, 2024	12,448,166	133,153	13,156	(1,478)	(123,726)	21,105
Common share issuance related to contingent consideration (Notes 12, 13)	248,793	273	-	-	-	273
Share-based compensation expense (Note 14)	-	-	48	-	-	48
Other comprehensive income – foreign currency translation gain	-	-	-	9	-	9
Net loss for the period	-	-	-	-	(120)	(120)
Balance, March 31, 2025	12,696,959	133,426	13,204	(1,469)	(123,846)	21,315

(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 condensed interim consolidated financial statements.

HIGH ARCTIC ENERGY SERVICES INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (thousands of Canadian Dollars)	Three months ended March 31, 2025	2024
Cash flows from operating activities:		
Net income (loss) from continuing operations	(120)	182
Adjustments for:		
Depreciation and amortization expenses (Notes 6, 7(a), 8)	584	621
Unrealized foreign exchange loss (gain)	9	(94)
Share-based compensation expense (Note 14)	48	59
Non-cash interest and accretion income on notes receivable	(89)	(102)
Non-cash finance expenses	75	21
Income from equity investments	(12)	(490)
Funds from operating activities from continuing operations	495	197
Change in non-cash working capital (Note 16)	(464)	74
Cash from operating activities from continuing operations	31	271
Cash from operating activities from discontinued operations (Note 3)	-	7,164
Net cash from operating activities	**31**	**7,435**
Cash flows from investing activities:		
Property and equipment expenditures (Note 6)	(382)	(308)
Payments received on notes receivable	273	-
Change in non-cash working capital (Note 16)	273	-
Cash from (used in) investing activities from continuing operations	164	(308)
Cash used in investing activities from discontinued operations (Note 3)	-	(742)
Net cash from (used in) investing activities	**164**	**(1,050)**
Cash flows from financing activities:		
Repayment of long-term debt (Note 11)	(44)	(45)
Lease obligation payments (Note 7(b))	(91)	(86)
Cash used in financing activities from continuing operations	(135)	(131)
Cash used in financing activities from discontinued operations (Note 3)	-	(212)
Net cash used in financing activities	**(135)**	**(343)**
Effect of foreign exchange changes	-	665
Total change in cash and cash equivalents	60	6,707
Total cash and cash equivalents, beginning of period	3,123	50,331
Total cash and cash equivalents, end of period	**3,183**	**57,038**

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

HIGH ARCTIC ENERGY SERVICES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(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 of March 31, 2025, 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 896,970 common shares, representing 7.1% 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. 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.

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 March 31, 2025 is as follows:

Name of subsidiary	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 ("Seh' Chene")	Alberta	49%
Team Snubbing Services Inc. ("Team Snubbing")	Alberta	42%

2. Basis of Presentation

(a) Statement of compliance and approval

These unaudited condensed interim consolidated financial statements ("Financial Statements") have been prepared in accordance with International Accounting Standards 34 – Interim Financial Reporting. These Financial Statements were authorized for issuance by the Board of Directors on May 12, 2025.

(b) Basis of preparation

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

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

(e) Reorganization and spin-off of PNG business

With the completion of the Arrangement on August 12, 2024, the assets and liabilities of the legacy High Arctic PNG business were removed from the Corporation's interim consolidated statement of financial position and distributed to SpinCo. Details of the legacy High Arctic PNG business' operating results and resultant cashflows for the period of January 1, 2024 to March 31, 2024 are presented as discontinued operations in the Corporation's interim consolidated statements of income (loss) and comprehensive income (loss) and cashflows and further detailed in Note 3.

(f) Re-presentation of operating segments

Certain comparative operating results of these Financial Statements have been re-presented to present operations of High Arctic's legacy PNG business as discontinued operations. In particular, the former Drilling services segment which consisted of the Corporation's Drilling services provided in PNG was distributed to SpinCo on August 12, 2024. The results from this entire segment have been captured in discontinued operations (Note 18). In addition, the PNG oilfield rental equipment business (formerly part of the Rental services segment) and hydraulic workover rig in PNG (formerly part of the Production services segment) are also captured in discontinued operations.

For 2025, the Corporation has determined that it has two reportable segments. A continuing Rental services segment and an Investments and corporate segment. The Rental services operating segment consists of High Arctic's oilfield rental equipment of pressure control and other oilfield equipment to exploration and production companies in Canada. The Investments and corporate operating segment consists of High Arctic's corporate functional support and the Corporation's business activities associated with industrial property, idle snubbing assets in the US and equity investments in Team Snubbing and Seh' Chene,

As a result of this change to its operating segments, the Production services segment has been removed. This means the non-controlled investments in Team Snubbing and Seh' Chene are now being reported within the Investments and corporate segment. The minor inactive asset base of $340 as at March 31, 2025, associated with US-based snubbing equipment is also being reported in the Corporate and investments segment. Prior period comparatives for 2024 have been restated accordingly (Note 18).

This reporting structure aligns with High Arctic's existing oversight and evaluation of the operating and financial performance of the business activities. Underlying decision making as a group, by High Arctic's management and Board of Directors, to allocate resources and assess performance has led to this refinement in segment reporting disclosure. Management believes it facilitates the evaluation of business activity associated with Rental services and enables readers to evaluate investment and corporate activities, including the significant equity investment in Team Snubbing. Total assets included in the Investments and corporate segment amount to $18,009 and accounted for 60% of High Arctic's total consolidated assets as of March 31, 2025 and $18,229 or 59% as of December 31, 2024.

3. Discontinued operations

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

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

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

	Three months ended March 31,	
(thousands of Canadian Dollars)	2025	2024
Cash flow from operating activities	-	7,164
Cash used in investing activities	-	(742)
Cash used in financing activities	-	(212)

4. Accounts receivable

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

(thousands of Canadian Dollars)	As at March 31, 2025	As at Dec 31, 2024
Less than 31 days	1,178	1,180
31 days to 60 days	719	552
61 days to 90 days	175	444
Greater than 90 days	219	611
	2,291	2,787
Expected credit loss provision	(26)	(38)
	2,265	2,749

5. Notes receivable

(thousands of Canadian Dollars)	As at March 31, 2025	As at Dec 31, 2024
Convertible promissory note	2,645	2,888
Less: Interest accretion on convertible promissory note	(288)	(340)
Note receivable on Delta Acquisition	587	587
Less: Interest accretion on note receivable on Delta Acquisition	(37)	(44)
Total notes receivable	2,907	3,091
Current	1,064	1,062
Non-current	1,843	2,029

In 2022, as part of the consideration received on the sale of the Corporation's snubbing assets, High Arctic received a convertible promissory note from Team Snubbing Services Inc. ("Team Snubbing") of $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 common shares of Team Snubbing. Note principal and interest repayments totaling $273 were received during the three months ended March 31, 2025.

In 2023, as part of the assets acquired from Delta Rental Services Ltd. ("Delta"), High Arctic received an interest-free note receivable for $880 with a three-year term, accruing from December 28, 2023, and principal repayments commencing December 2024. The note receivable is considered a financial asset. The carrying value of the note is determined by discounting the anticipated future cash flows 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.

6. Property and equipment

(thousands of Canadian Dollars)	Vehicles	Rental equipment	Office, computer equipment and software	Land and building	Total
Costs					
Balance, December 31, 2024	182	18,558	2,248	6,866	27,854
Additions	-	382	-	-	382
Dispositions	-	(1)	-	-	(1)
Balance, March 31, 2025	182	18,939	2,248	6,866	28,235
Accumulated depreciation					
Balance, December 31, 2024	180	13,056	2,170	1,849	17,255
Depreciation	-	370	13	43	426
Dispositions	-	(1)	-	-	(1)
Balance, March 31, 2025	180	13,425	2,183	1,892	17,680
Net book value, December 31, 2024	2	5,502	78	5,017	10,599
Net book value, March 31, 2025	2	5,514	65	4,974	10,555

7. Right of use assets and lease liabilities

(a) Right of use assets:

(thousands of Canadian Dollars)	As at March 31, 2025	As at Dec 31, 2024
Costs		
Opening balance	1,611	3,653
Distributed to SpinCo as per the Arrangement	-	(2,087)
Additions	-	49
Dispositions	-	(4)
Closing balance	1,611	1,611

(thousands of Canadian Dollars)	As at March 31, 2025	As at Dec 31, 2024
Accumulated amortization		
Opening balance	407	998
Distributed to SpinCo as per the Arrangement	-	(881)
Amortization	74	290
Closing balance	481	407
Net closing balance	1,130	1,204

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

(b) Lease liabilities:

(thousands of Canadian Dollars)	As at March 31, 2025	As at Dec 31, 2024
Opening balance	1,311	2,819
Distributed to SpinCo as per the Arrangement	-	(1,286)
Effect of foreign exchange rate changes	-	49
Lease disposals	-	(4)
Lease payments	(91)	(349)
Lease finance expense (Note 15(c))	19	82
Closing balance	1,239	1,311
Current	355	368
Non-current	884	943

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

The undiscounted cash flows relating to the lease liabilities at March 31, 2025 and December 31, 2024 are as follows:

(thousands of Canadian Dollars)	As at March 31, 2025	As at Dec 31, 2024
Less than one year	416	435
One year to five years	298	294
More than five years	676	753
Total undiscounted liabilities	1,390	1,482

8. Intangible assets and goodwill

(thousands of Canadian Dollars)	Customer relationships	Brand and non-compete agreement	Software	Total intangibles	Goodwill
Costs					
Balance, December 31, 2024	1,215	286	322	1,823	812
Additions	-	-	-	-	-
Balance, March 31, 2025	1,215	286	322	1,823	812
Accumulated amortization					
Balance, December 31, 2024	243	57	13	313	-
Amortization	61	14	8	83	-
Balance, March 31, 2025	304	71	21	396	-
Net book value, December 31, 2024	972	229	309	1,510	812
Net book value, March 31, 2025	911	215	301	1,427	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.

9. Equity investments

(thousands of Canadian Dollars)	As at March 31, 2025 (unaudited)	As at Dec 31, 2024
Equity investment – Team Snubbing Services Inc.	7,357	7,344
Equity investment – Seh' Chene Well Services Limited Partnership	148	148
	7,505	7,492

In 2022, as part of the consideration received on the sale of the Corporation's snubbing assets, High Arctic received an equity ownership investment in Team Snubbing and a note receivable (Note 5).

Financial information for Team Snubbing as at March 31, 2025 and December 31, 2024 and for the three months ended March 31, 2025 and 2024 is as follows:

Balance sheet (thousands of Canadian Dollars)	As at March 31, 2025 (unaudited)	As at Dec 31, 2024
Cash	54	334
Current assets, excluding cash	6,003	5,838
Non-current assets	19,792	19,992
Current liabilities	(13,089)	(13,452)
Non-current liabilities	(6,163)	(6,145)

Income statement	Three months ended March 31,	
(thousands of Canadian Dollars)	2025	2024
Revenue	8,092	7,460
Net income after tax	29	1,166
Net income after tax – 42% share	12	490

10. 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 March 31, 2025	As at Dec 31, 2024
Trade accounts payable	1,068	883
Accrued liabilities	481	1,661
Wages and payroll taxes payable	105	105
Other accounts payable	59	92
Total accounts payable and accrued liabilities	1,713	2,741

11. Long-term debt

(thousands of Canadian Dollars)	As at March 31, 2025	As at Dec 31, 2024
Current	175	175
Non-current	3,134	3,178
Total	3,309	3,353

The Corporation has mortgage financing secured by lands and buildings owned by High Arctic located within Alberta, Canada. The mortgage has a fixed interest rate of 4.30% with payments occurring monthly and the initial term ends on December 15, 2026. The Corporation's mortgage financing contains certain non-financial covenants requiring lender's consent including changes to the underlying business.

12. Contingent consideration

(thousands of Canadian Dollars)	As at March 31, 2025	As at Dec 31, 2024
Opening balance	2,357	2,952
Accretion expense	56	292
Fair value adjustment	-	259
First year contingent consideration transferred to accounts payable	-	(1,146)
Closing balance	2,413	2,357
Current	1,275	1,245
Non-current	1,138	1,112

On December 28, 2023, High Arctic completed the acquisition of all the shares of Delta for cash consideration of $3,540 and contingent consideration of $2,952. The calculation of the contingent consideration payable is based on the historical Delta business achieving specific profitability targets, adjusted for certain capital expenditures incurred. In accordance with the purchase agreement, the seller will receive a set percentage of the profitability target achieved. The percentage increases when the profitability target is exceeded by 20% and is reduced if the target is less than 95%. No contingent consideration is payable if less than 50% of the profitability target is achieved. The contingent consideration is payable in a combination of cash and shares of the Corporation. The first-year portion of the contingent consideration consisting of $873 in cash and $273 of common shares of the Corporation was paid in Q1 2025.

Based on the current forecast for the Delta business, the Corporation has estimated that anticipated 2025 profitability and capital expenditures are generally consistent with the 2025 profitability and capital expenditure targets in the purchase agreement. Accordingly, no adjustment to the contingent consideration payable amount has been made in the three-month period ended March 31, 2025.

13. 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 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.

	Three months ended March 31, 2025		Year ended Dec 31, 2024	
Common shares issued and outstanding:	Shares(1)	Amount	Shares(1)	Amount
Balance, beginning of period	12,448,166	133,153	12,280,568	169,992
Exercise of performance share units (Note 14)	-	-	70,545	422
Exercise of deferred share units (Note 14)	-	-	97,053	581
Issuance of common shares (Note 12)	248,793	273	-	-
Return of capital distribution	-	-	-	(37,842)
Balance, end of period	12,696,959	133,426	12,448,166	133,153

(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)	Three months ended March 31, 2025	2024
Continuing Operations:		
Net income (loss)	(120)	182
Basic - weighted average number of common shares	12,522,804	12,280,576
Basic net income (loss) per share	(0.01)	0.01
Diluted - weighted average number of common shares	13,023,166	12,624,412
Diluted net income per share(2)	(0.01)	0.01
Discontinued Operations:		
Net income	-	3,323
Basic - weighted average number of common shares	-	12,280,576
Basic net income per share	-	0.27
Diluted - weighted average number of common shares	-	12,624,412
Diluted net income per share(2)	-	0.26

(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.

14. Share-based compensation expense

The Corporation has four equity-based compensation plans under which up to 1,269,696 common shares (being 10% of all outstanding shares) may be issued as at March 31, 2025. 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 March 31, 2025	As at Dec 31, 2024
Stock options	575,000	575,000
Common shares available for grants	1,269,696	1,244,817
Percentage used of total available	45%	46%
Remaining common shares available for grant	694,696	669,817

(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:

	Three months ended March 31,	
(thousands of Canadian Dollars)	2025	2024
Stock options	48	(16)
Performance share unit plan – restricted and performance units	-	41
Deferred share units	-	34
Total expense	48	59

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.

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, 2023	29,250	5.56
Forfeited/settled	(29,250)	(5.56)
Granted	575,000	1.19
As at December 31, 2024 and March 31, 2025	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.

No stock options were granted during the three-month period ended March 31, 2025.

Performance Share Unit Plan

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

(number of share units)[(1)]	RSUs	PSUs	Total
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 and March 31, 2025	-	-	-

(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.

There were no PSU's granted in the three months ended March 31, 2025 or in 2024.

Deferred Share Unit Plan

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

(number of share units)[(1)]	For the three months ended March 31, 2025	For the year ended Dec 31, 2024
Outstanding, beginning of period	-	234,634
Granted	-	7,870
Exercised	-	(97,053)
Settled	-	(92,121)
Forfeited	-	(53,330)
Outstanding, end of period	-	-

(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.

DSUs granted in 2024 were issued to two Directors who elected 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, 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 to cover the payroll tax withholding portion owing.

15. Supplementary expense disclosures

(a) Oilfield services expenses by nature:

	Three months ended March 31,	
(thousands of Canadian Dollars)	2025	2024
Personnel	283	386
Equipment operating and maintenance	282	376
Material and supplies	413	630
Other	72	71
Total oilfield services expenses	1,050	1,463

(b) General and administrative expenses by nature:

(thousands of Canadian Dollars)	Three months ended March 31, 2025	2024
Personnel	536	859
Professional, legal and advisory fees	93	806
Information technology services	41	70
Corporate	59	115
Office and warehouse	44	21
Expected credit losses (recovery)	(14)	16
Vehicle, supplies and other	22	28
Total general and administrative expenses	781	1,915

(c) Interest and finance expenses:

(thousands of Canadian Dollars)	Three months ended March 31, 2025	2024
Interest on long-term debt	37	38
Finance expense – lease liabilities	19	21
Accretion expense on contingent consideration	56	-
Other expenses	2	5
Interest and finance expenses	114	64

16. Supplementary cash flow information

Changes in non-cash working capital balances:

(thousands of Canadian Dollars)	Three months ended March 31, 2025	2024
Source (use) of cash:		
Accounts receivable	484	(237)
Inventory, prepaid expenses and other assets	82	91
Accounts payable and accrued liabilities	(757)	220
	(191)	74
Attributable to:		
Operating activities	(464)	74
Investing activities	273	-
Financing activities	-	-
	(191)	74

17. Financial Instruments and risk management

Financial instrument measurement and classification:

The Corporation's financial assets and liabilities consist of cash and cash equivalents, accounts receivable, 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 March 31, 2025, the estimated fair value of the Corporation's notes receivable was $2,907 (December 31, 2024 - $3,091). 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.

At March 31, 2025, the estimated fair value of the contingent consideration payable was calculated to total $2,413 (December 31, 2024 - $2,357).

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 11). 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 in place at March 31, 2025.

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 include the emergence of variants of COVID-19.

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

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

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

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 March 31, 2025:

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	1,713	-	-	-	-	1,713
Lease liabilities	61	355	298	676	-	1,390
Long-term debt	53	262	308	808	3,267	4,697
Contingent consideration payable	-	1,275	1,138	-	-	2,413
Total	1,827	1,892	1,744	1,484	3,267	10,213

18. Segmented information

The Corporation determines its operating segments based on the internal information reviewed by the executive management team and Board of Directors to allocate resources and assess performance. As discussed in Note 2(f), the Corporation has two reporting segments as follows:

a) *Rental services*

Rental services segment consists of High Arctic's oilfield rental equipment of pressure control and other oilfield equipment to exploration and production companies in Canada.

b) *Investments and corporate*

This segment provides management and administrative services to all the Corporation's operations and consists of the Corporation's leased industrial property, idle snubbing assets in the US and equity investments.

Details associated with each segment are provided as at March 31, 2025 and December 31, 2024 and for the three months ended March 31, 2025 and 2024 in the tables which follow.

i. *Income (loss) and capital expenditures from reportable segments*

Three months ended March 31, 2025 (thousands of Canadian Dollars)	Rental services	Investments and corporate	Total
Revenue	2,237	98	2,335
Oilfield services expenses	(1,050)	-	(1,050)
General and administrative expenses	(226)	(555)	(781)
Depreciation and amortization expenses	(481)	(103)	(584)
Share-based compensation expenses	-	(48)	(48)
Interest and other income	-	60	60
Interest and finance expenses	-	(114)	(114)
Accretion income on notes receivable	-	59	59
Foreign exchange loss	-	(9)	(9)
Income from equity investments	-	12	12
Net segment income (loss) before income tax expense	480	(600)	(120)
Capital expenditures	382	-	382

Three months ended March 31, 2024 (thousands of Canadian Dollars)	Drilling services	Rental services	Production services	Investments and corporate	Total
Revenue	-	2,894	-	94	2,988
Oilfield services expenses	-	(1,463)	-	-	(1,463)
General and administrative expenses	-	(274)	-	(1,641)	(1,915)
Depreciation and amortization expenses	-	(442)	-	(179)	(621)
Share-based compensation expenses	-	-	-	(59)	(59)
Interest and other income	-	-	-	571	571
Interest and finance expenses	-	-	-	(64)	(64)
Accretion income on notes receivable	-	-	-	64	64
Foreign exchange gain	-	-	-	191	191
Income from equity investments	-	-	-	490	490
Net segment income (loss) before income tax expense from continued operations	-	715	-	(533)	182
Capital expenditures for continued operations	-	308	-	-	308
Net segment income (loss) before income tax expense from discontinued operations	2,071	1,700	(88)	34	3,717

ii. *Asset breakdown by reportable segments*

As at March 31, 2025: (thousands of Canadian dollars)	Rental services	Investments and corporate	Total
Property and equipment	6,384	4,171	10,555
Right of use assets	1,082	48	1,130
Equity investments	-	7,505	7,505
Total assets	11,980	18,009	29,989

As at December 31, 2024: (thousands of Canadian dollars)	Rental services	Investments and corporate	Total
Property and equipment	6,350	4,249	10,599
Right of use assets	1,151	53	1,204
Equity investments	-	7,492	7,492
Total assets	12,638	18,229	30,867

19. Related party transactions

The Corporation and SpinCo provide administrative services for each other subsequent to the completion of the Arrangement and the following table represents the balances owing to and receivable from SpinCo as at March 31, 2025 and December 31, 2024 and the administrative services provided to and from SpinCo for the three months ended March 31, 2025 and year ended December 31, 2024:

(thousands of Canadian Dollars)	2025	2024
Accounts receivable from SpinCo	22	192
Accounts payable to SpinCo	5	-
Administrative services provided to SpinCo	39	-
Administrative services provided from SpinCo	15	-

The Corporation routinely conducts business with Team Snubbing in which it holds a 42% ownership interest (Note 9). The following table represents the balances at March 31, 2025 and December 31, 2024 and transaction totals for the three-months ended March 31, 2025 and year ended December 31, 2024 and with Team Snubbing:

(thousands of Canadian Dollars)	2025	2024
Accounts receivable	217	446
Revenue	252	578
ECL loss	-	7

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.

20. Subsequent events

There were no reportable subsequent events between the end of the reporting period and the date these statements were authorized for issuance.