



**CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE AND SIX MONTHS ENDED
June 30, 2025 and 2024**

(Unaudited)

HIGH ARCTIC ENERGY SERVICES INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| (unaudited) (thousands of Canadian Dollars) | As at June 30, 2025 | As at December 31, 2024 |
|---|------------------------|----------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 2,428 | 3,123 |
| Accounts receivable (Note 4) | 2,361 | 2,749 |
| Inventory | 21 | 66 |
| Prepaid expenses and other assets | 226 | 221 |
| Current portion of notes receivable (Note 5) | 1,068 | 1,062 |
| | 6,104 | 7,221 |
| Non-current assets | | |
| Property and equipment (Note 6) | 10,548 | 10,599 |
| Notes receivable (Note 5) | 1,650 | 2,029 |
| Right of use assets (Note 7(a)) | 1,142 | 1,204 |
| Intangible assets (Note 8) | 1,343 | 1,510 |
| Goodwill (Note 8) | 812 | 812 |
| Equity investments (Note 9) | 7,156 | 7,492 |
| | 22,651 | 23,646 |
| Total assets | 28,755 | 30,867 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Note 10) | 1,062 | 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) | 1,132 | 1,245 |
| | 2,724 | 4,529 |
| Non-current liabilities | | |
| Long-term debt (Note 11) | 3,090 | 3,178 |
| Lease liabilities (Note 7(b)) | 896 | 943 |
| Contingent consideration payable (Note 12) | 977 | 1,112 |
| | 4,963 | 5,233 |
| Total liabilities | 7,687 | 9,762 |
| Shareholders' Equity | | |
| Share capital (Note 13(a)) | 133,426 | 133,153 |
| Contributed surplus | 13,260 | 13,156 |
| Accumulated and other comprehensive loss | (1,477) | (1,478) |
| Deficit | (124,141) | (123,726) |
| | 21,068 | 21,105 |
| Total liabilities and shareholders' equity | 28,755 | 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) (thousands of Canadian Dollars) | Three months ended June 30, | | Six months ended June 30, | |
|---|-----------------------------|----------------|---------------------------|--------------|
| | 2025 | 2024 | 2025 | 2024 |
| Revenue (Note 18) | 2,391 | 2,533 | 4,726 | 5,521 |
| Oilfield services expenses (Note 15) | (1,167) | (1,329) | (2,217) | (2,792) |
| General and administrative expenses (Note 15) | (847) | (1,780) | (1,628) | (3,695) |
| Depreciation and amortization expenses (Notes 6, 7(a), 8) | (575) | (707) | (1,159) | (1,328) |
| Share-based compensation expense (Note 14) | (56) | (80) | (104) | (139) |
| Operating loss | (254) | (1,363) | (382) | (2,433) |
| Interest and other income | 48 | 467 | 108 | 1,038 |
| Interest and finance expenses (Note 15) | (163) | (62) | (277) | (126) |
| Accretion income on notes receivable | 56 | 66 | 115 | 130 |
| Foreign exchange gain (loss) | (2) | 80 | (11) | 271 |
| Gain on disposal of property and equipment | 6 | - | 6 | - |
| Fair value adjustment to contingent consideration (Note 12) | 362 | - | 362 | - |
| Loss from equity investments (Note 9) | (348) | (889) | (336) | (399) |
| Loss before income tax from continuing operations | (295) | (1,701) | (415) | (1,519) |
| Income tax expense | - | (8) | - | (8) |
| Loss from continuing operations | (295) | (1,709) | (415) | (1,527) |
| Net income (loss) from discontinued operations (Note 3) | - | (42) | - | 3,331 |
| Net income (loss) | (295) | (1,751) | (415) | 1,804 |
| Other comprehensive income (loss): | | | | |
| Items that may be reclassified subsequently to net income (loss): | | | | |
| Foreign currency translation gain (loss) for foreign operations | (8) | 413 | 1 | 1,278 |
| Comprehensive income (loss) for the period | (303) | (1,338) | (414) | 3,082 |

| | Three months ended June 30, | | Six months ended June 30, | |
|---|-----------------------------|--------|---------------------------|--------|
| | 2025 | 2024 | 2025 | 2024 |
| Net income (loss) per share: (Note 13(b)) | | | | |
| Continuing operations - basic and diluted | (0.02) | (0.14) | (0.03) | (0.12) |
| Discontinued operations - basic | - | 0.00 | - | 0.27 |
| Discontinued operations - diluted | - | 0.00 | - | 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 |
| Exercise of performance share units | 70,545 | 422 | (422) | - | - | - |
| Exercise of deferred share units | 97,053 | 581 | (1,132) | - | - | (551) |
| Distribution – return of capital | - | (37,842) | - | - | - | (37,842) |
| Share-based compensation expense (Note 14) | - | - | 139 | - | - | 139 |
| Other comprehensive income – foreign currency translation gain | - | - | - | 1,278 | - | 1,278 |
| Net loss for the period from continuing operations | - | - | - | - | (1,527) | (1,527) |
| Net income for the period from discontinued operations | - | - | - | - | 3,331 | 3,331 |
| Balance, June 30, 2024 | 12,448,166 | 133,153 | 13,135 | 28,258 | (110,386) | 64,160 |

| | | | | | | |
|--|-------------------|----------------|---------------|----------------|------------------|---------------|
| 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) | - | - | 104 | - | - | 104 |
| Other comprehensive income – foreign currency translation gain | - | - | - | 1 | - | 1 |
| Net loss for the period | - | - | - | - | (415) | (415) |
| Balance, June 30, 2025 | 12,696,959 | 133,426 | 13,260 | (1,477) | (124,141) | 21,068 |

⁽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) | Three months ended | | Six months ended | |
|---|--------------------|---------------|------------------|----------------|
| | June 30, | | June 30, | |
| (thousands of Canadian Dollars) | 2025 | 2024 | 2025 | 2024 |
| Cash flows from operating activities: | | | | |
| Net loss from continuing operations | (295) | (1,709) | (415) | (1,527) |
| Adjustments for: | | | | |
| Depreciation and amortization expenses (Notes 6, 7(a), 8) | 575 | 707 | 1,159 | 1,328 |
| Unrealized foreign exchange loss (gain) | 2 | (177) | 11 | (271) |
| Share-based compensation expense (Note 14) | 56 | 80 | 104 | 139 |
| Non-cash interest and accretion income on notes receivable | (84) | (104) | (173) | (206) |
| Non-cash finance expenses | 76 | 21 | 151 | 42 |
| Gain on disposal of property and equipment | (6) | - | (6) | - |
| Fair value adjustment to contingent consideration | (362) | - | (362) | - |
| Loss from equity investments | 348 | 889 | 336 | 399 |
| Funds from (used in) operating activities from continuing operations | 310 | (293) | 805 | (96) |
| Change in non-cash working capital (Note 16) | (787) | (468) | (398) | (394) |
| Cash from (used in) operating activities - continuing operations | (477) | (761) | 407 | (490) |
| Cash from operating activities - discontinued operations (Note 3) | - | 4,088 | - | 11,252 |
| Net cash from (used in) operating activities | (477) | 3,327 | 407 | 10,762 |
| Cash flows from investing activities: | | | | |
| Property and equipment expenditures (Note 6) | (411) | (507) | (793) | (815) |
| Proceeds on disposal of property and equipment | 10 | - | 10 | - |
| Payments received on notes receivable | 273 | - | 839 | - |
| Payment related to contingent consideration (Note 12) | - | - | (873) | - |
| Cash used in investing activities - continuing operations | (128) | (507) | (817) | (815) |
| Cash from (used in) investing activities - discontinued operations (Note 3) | - | 18 | - | (724) |
| Net cash used in investing activities | (128) | (489) | (817) | (1,539) |
| Cash flows from financing activities: | | | | |
| Repayment of long-term debt (Note 11) | (44) | (42) | (88) | (87) |
| Lease obligation payments (Note 7(b)) | (96) | (85) | (187) | (171) |
| Cash used in financing activities - continuing operations | (140) | (127) | (275) | (258) |
| Cash used in financing activities - discontinued operations (Note 3) | - | (122) | - | (334) |
| Net cash used in financing activities | (140) | (249) | (275) | (592) |
| Effect of foreign exchange changes | (10) | 415 | (10) | 1,080 |
| Total change in cash and cash equivalents | (755) | 3,004 | (695) | 9,711 |
| Total cash and cash equivalents, beginning of period | 3,183 | 57,038 | 3,123 | 50,331 |
| Total cash and cash equivalents, end of period | 2,428 | 60,042 | 2,428 | 60,042 |

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 June 30, 2025, 5,479,159 common shares of the Corporation were owned by FBC Holdings S.A.R.L., representing 43.2% 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 Papua New Guinea ("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 June 30, 2025 is as follows:

| Name of subsidiary/entity | 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 August 11, 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 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 condensed 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 June 30, 2024 are presented as discontinued operations in the Corporation's interim consolidated statements of income (loss) and comprehensive income (loss), statements of changes in shareholders' equity 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.

3. Discontinued operations

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

| (thousands of Canadian Dollars) | Three months ended June 30, | | Six months ended June 30, | |
|--|-----------------------------|---------|---------------------------|----------|
| | 2025 | 2024 | 2025 | 2024 |
| Revenue | - | 10,431 | - | 25,448 |
| Oilfield services expenses | - | (6,336) | - | (15,533) |
| General and administrative expenses | - | (1,967) | - | (2,868) |
| Depreciation and amortization expenses | - | (2,022) | - | (3,115) |
| Interest and finance income | - | 66 | - | 85 |
| Foreign exchange gain | - | 91 | - | 13 |
| Pre-tax income for the period | - | 263 | - | 4,030 |
| Income tax expense | - | (305) | - | (699) |
| Net income (loss) from discontinued operations | - | (42) | - | 3,331 |

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

| (thousands of Canadian Dollars) | Three months ended June 30, | | Six months ended June 30, | |
|--|-----------------------------|-------|---------------------------|--------|
| | 2025 | 2024 | 2025 | 2024 |
| Cash flow from operating activities | - | 4,088 | - | 11,252 |
| Cash from (used in) investing activities | - | 18 | - | (724) |
| Cash used in financing activities | - | (122) | - | (334) |

4. Accounts receivable

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

| (thousands of Canadian Dollars) | As at June 30, 2025 | As at Dec 31, 2024 |
|---------------------------------|------------------------|-----------------------|
| Less than 31 days | 1,529 | 1,180 |
| 31 days to 60 days | 526 | 552 |
| 61 days to 90 days | 99 | 444 |
| Greater than 90 days | 234 | 611 |
| | 2,388 | 2,787 |
| Expected credit loss provision | (27) | (38) |
| | 2,361 | 2,749 |

5. Notes receivable

| (thousands of Canadian Dollars) | As at June 30, 2025 | As at Dec 31, 2024 |
|--|------------------------|-----------------------|
| Convertible promissory note | 2,400 | 2,888 |
| Less: Interest accretion on convertible promissory note | (240) | (340) |
| Note receivable on Delta Acquisition | 587 | 587 |
| Less: Interest accretion on note receivable on Delta acquisition | (29) | (44) |
| Notes receivable | 2,718 | 3,091 |
| Current | 1,068 | 1,062 |
| Non-current | 1,650 | 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 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 and \$546 were received during the three and six months ended June 30, 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 | - | 788 | 5 | - | 793 |
| Dispositions | - | (11) | - | - | (11) |
| Balance, June 30, 2025 | 182 | 19,335 | 2,253 | 6,866 | 28,636 |
| Accumulated depreciation | | | | | |
| Balance, December 31, 2024 | 180 | 13,056 | 2,170 | 1,849 | 17,255 |
| Depreciation | - | 729 | 25 | 86 | 840 |
| Dispositions | - | (7) | - | - | (7) |
| Balance, June 30, 2025 | 180 | 13,778 | 2,195 | 1,935 | 18,088 |
| Net book value, December 31, 2024 | 2 | 5,502 | 78 | 5,017 | 10,599 |
| Net book value, June 30, 2025 | 2 | 5,557 | 58 | 4,931 | 10,548 |

7. Right of use assets and lease liabilities

(a) Right of use assets:

| (thousands of Canadian Dollars) | As at June 30, 2025 | As at Dec 31, 2024 |
|--|------------------------|-----------------------|
| Costs | | |
| Opening balance | 1,611 | 3,653 |
| Distributed to SpinCo as per the Arrangement | - | (2,087) |
| Additions | 90 | 49 |
| Dispositions | - | (4) |
| Closing balance | 1,701 | 1,611 |
| Accumulated amortization | | |
| Opening balance | 407 | 998 |
| Distributed to SpinCo as per the Arrangement | - | (881) |
| Amortization | 152 | 290 |
| Closing balance | 559 | 407 |
| Net closing balance | 1,142 | 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 June 30, 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 | (187) | (349) |
| Lease additions | 90 | - |
| Lease finance expense (Note 15(c)) | 37 | 82 |
| Closing balance | 1,251 | 1,311 |
| Current | 355 | 368 |
| Non-current | 896 | 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 June 30, 2025 and December 31, 2024 are as follows:

| (thousands of Canadian Dollars) | As at June 30, 2025 | As at Dec 31, 2024 |
|---|------------------------|-----------------------|
| Less than one year | 414 | 435 |
| One year to five years | 982 | 1,047 |
| More than five years | - | - |
| Total undiscounted lease liabilities | 1,396 | 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, June 30, 2025 | 1,215 | 286 | 322 | 1,823 | 812 |
| Accumulated amortization | | | | | |
| Balance, December 31, 2024 | 243 | 57 | 13 | 313 | - |
| Amortization | 123 | 28 | 16 | 167 | - |
| Balance, June 30, 2025 | 366 | 85 | 29 | 480 | - |
| Net book value, December 31, 2024 | 972 | 229 | 309 | 1,510 | 812 |
| Net book value, June 30, 2025 | 849 | 201 | 293 | 1,343 | 812 |

The intangible assets acquired in the Delta acquisition included 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 June 30, 2025 | As at Dec 31, 2024 |
|--|------------------------|-----------------------|
| Equity investment – Team Snubbing Services Inc. | 7,008 | 7,344 |
| Equity investment – Seh' Chene Well Services Limited Partnership | 148 | 148 |
| | 7,156 | 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.

Financial information for Team Snubbing as at June 30, 2025 and December 31, 2024 and for the three and six months ended June 30, 2025 and 2024 is as follows:

| Select balance sheet information (thousands of Canadian Dollars) | As at June 30, 2025 | As at Dec 31, 2024 |
|--|------------------------|-----------------------|
| Cash | 65 | 334 |
| Current assets, excluding cash | 3,287 | 5,838 |
| Non-current assets | 19,958 | 19,992 |
| Current liabilities | (12,313) | (13,452) |
| Non-current liabilities | (5,230) | (6,145) |

| Select income statement information (thousands of Canadian Dollars) | Three months ended June 30, | | Six months ended June 30, | |
|---|-----------------------------|---------|---------------------------|--------|
| | 2025 | 2024 | 2025 | 2024 |
| Revenue | 5,897 | 4,719 | 13,989 | 12,179 |
| Net loss after income tax | (829) | (2,119) | (800) | (953) |
| Net loss after income tax – 42% share | (348) | (889) | (336) | (399) |

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 June 30, 2025 | As at Dec 31, 2024 |
|--|------------------------|-----------------------|
| Trade accounts payable | 460 | 883 |
| Accrued liabilities | 429 | 1,661 |
| Wages and payroll taxes payable | 66 | 105 |
| Other accounts payable | 107 | 92 |
| Accounts payable and accrued liabilities | 1,062 | 2,741 |

11. Long-term debt

| (thousands of Canadian Dollars) | As at June 30, 2025 | As at Dec 31, 2024 |
|---------------------------------|------------------------|-----------------------|
| Current | 175 | 175 |
| Non-current | 3,090 | 3,178 |
| Total | 3,265 | 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 payable

| (thousands of Canadian Dollars) | As at June 30, 2025 | As at Dec 31, 2024 |
|---|------------------------|-----------------------|
| Opening balance | 2,357 | 2,952 |
| Accretion expense | 114 | 292 |
| Fair value adjustment | (362) | 259 |
| First year contingent consideration transferred to accounts payable | - | (1,146) |
| Closing balance | 2,109 | 2,357 |
| Current | 1,132 | 1,245 |
| Non-current | 977 | 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 results for the six months ended June 30, 2025, combined with the Corporation's estimate of future profitability and capital expenditure levels, as compared to the targets established in the purchase agreement, a fair value adjustment of \$362 reducing the contingent consideration payable has been recognized in the Corporation's net loss for the six months ended June 30, 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.

| (thousands of Canadian Dollars, except number of common shares) | Six months ended June 30, 2025 | | Year ended Dec 31, 2024 | |
|--|-----------------------------------|---------|----------------------------|----------|
| Common shares issued and outstanding: | Shares | 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 for 2024 have been retroactively adjusted to effect the stock consolidation.

(b) Per share amounts ⁽¹⁾

| (thousands of Canadian Dollars, except per share amounts and number of common shares) | Three months ended June 30, 2025 | | Six months ended June 30, 2025 | |
|--|-------------------------------------|------------|-----------------------------------|------------|
| | 2025 | 2024 | 2025 | 2024 |
| Continuing Operations: | | | | |
| Net loss | (295) | (1,709) | (415) | (1,527) |
| Basic - weighted average number of common shares | 12,696,959 | 12,286,101 | 12,608,988 | 12,283,338 |
| Basic net loss per share | (0.02) | (0.14) | (0.03) | (0.12) |
| Diluted - weighted average number of common shares | 13,217,959 | 12,593,400 | 13,183,988 | 12,608,906 |
| Diluted net loss per share | (0.02) | (0.14) | (0.03) | (0.12) |
| Discontinued Operations: | | | | |
| Net income (loss) | - | (42) | - | 3,331 |
| Basic - weighted average number of common shares | - | 12,286,101 | - | 12,283,338 |
| Basic net income (loss) per share | - | 0.00 | - | 0.27 |
| Diluted - weighted average number of common shares | - | 12,593,400 | - | 12,608,906 |
| Diluted net income (loss) per share | - | 0.00 | - | 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 for 2024 have been retroactively adjusted to effect the stock consolidation.

14. Share-based compensation expense

On June 19, 2025, the Corporation adopted a new omnibus equity incentive plan which allows for the issuance of stock options, performance share units, restricted share units and deferred share units. The new incentive plan replaces all of the Corporation's legacy equity incentive plans. The general terms and conditions of the new omnibus equity incentive plan remain consistent with the Corporation's legacy plans.

The Corporation's new omnibus equity incentive plan (the "equity-based compensation plan") allows up to 1,269,696 common shares (being 10% of all outstanding shares) to be issued as at June 30, 2025. The following table summarizes the all of the Corporation's current outstanding grants under its equity-based compensation plan:

| | As at June 30, 2025 | As at December 31, 2024 |
|---|------------------------|-------------------------------|
| (number of stock options and share units) | | |
| 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 |

Share-based compensation expense associated with the Corporation's equity-based compensation plan can be summarized as follows:

| | Three months ended June 30, | | Six months ended June 30, | |
|--|-----------------------------|------|---------------------------|------|
| (thousands of Canadian Dollars) | 2025 | 2024 | 2025 | 2024 |
| Stock options | 56 | - | 104 | (16) |
| Performance share unit plan – restricted and performance units | - | 80 | - | 121 |
| Deferred share units | - | - | - | 34 |
| Share-based compensation expense | 56 | 80 | 104 | 139 |

Stock options

The Corporation's equity-based incentive plan provides for the issuance of stock options to purchase common shares which 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 outstanding and the weighted average exercise price is as follows:

| | Number of stock options | Weighted average exercise price (\$) |
|---|----------------------------|--|
| As at December 31, 2024 and June 30, 2025 | 575,000 | 1.19 |

No stock options were granted during the six-month period ended June 30, 2025 (six months ended June 30, 2024 – nil).

15. Supplementary expense disclosures

(a) Oilfield services expenses by nature:

| (thousands of Canadian Dollars) | Three months ended June 30, | | Six months ended June 30, | |
|-------------------------------------|-----------------------------|-------|---------------------------|-------|
| | 2025 | 2024 | 2025 | 2024 |
| Personnel | 487 | 428 | 770 | 814 |
| Equipment operating and maintenance | 291 | 270 | 573 | 646 |
| Material and supplies | 315 | 578 | 728 | 1,208 |
| Other | 74 | 53 | 146 | 124 |
| Oilfield services expenses | 1,167 | 1,329 | 2,217 | 2,792 |

(b) General and administrative expenses by nature:

| (thousands of Canadian Dollars) | Three months ended June 30, | | Six months ended June 30, | |
|---------------------------------------|-----------------------------|-------|---------------------------|-------|
| | 2025 | 2024 | 2025 | 2024 |
| Personnel | 508 | 1,060 | 1,044 | 1,919 |
| Professional, legal and advisory fees | 128 | 496 | 221 | 1,302 |
| Information technology services | 30 | 87 | 71 | 157 |
| Corporate | 64 | 114 | 123 | 229 |
| Office and warehouse | 42 | 78 | 86 | 99 |
| Expected credit losses (recovery) | 2 | (76) | (12) | (60) |
| Vehicle, supplies and other | 73 | 21 | 95 | 49 |
| General and administrative expenses | 847 | 1,780 | 1,628 | 3,695 |

(c) Interest and finance expenses:

| (thousands of Canadian Dollars) | Three months ended June 30, | | Six months ended June 30, | |
|---|-----------------------------|------|---------------------------|------|
| | 2025 | 2024 | 2025 | 2024 |
| Interest on long-term debt | 36 | 38 | 73 | 76 |
| Finance expense – lease liabilities | 18 | 21 | 37 | 42 |
| Accretion expense on contingent consideration | 58 | - | 114 | - |
| Other expenses | 51 | 3 | 53 | 8 |
| Interest and finance expenses | 163 | 62 | 277 | 126 |

16. Supplementary cash flow information

Changes in non-cash working capital balances:

| (thousands of Canadian Dollars) | Three months ended June 30, | | Six months ended June 30, | |
|--|-----------------------------|-------|---------------------------|-------|
| | 2025 | 2024 | 2025 | 2024 |
| <u>Source (use) of cash:</u> | | | | |
| Accounts receivable | (96) | 199 | 388 | (39) |
| Inventory, prepaid expenses and other assets | (42) | (2) | 40 | 89 |
| Accounts payable and accrued liabilities | (649) | (673) | (826) | (452) |
| Income taxes payable | - | 8 | - | 8 |
| | (787) | (468) | (398) | (394) |
| <u>Attributable to:</u> | | | | |
| Operating activities | (787) | (468) | (398) | (394) |
| Investing activities | - | - | - | - |
| Financing activities | - | - | - | - |
| | (787) | (468) | (398) | (394) |

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 June 30, 2025, the estimated fair value of the Corporation's notes receivable was \$2,718 (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 June 30, 2025, the estimated fair value of the contingent consideration payable was calculated to total \$2,109 (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 June 30, 2025 or at June 30, 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 changes or potential changes related to tariffs, 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 in place at June 30, 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 historical default rates within the industry which range between .04 percent to 0.3 percent for customers with an investment grade credit rating and 0.5 percent to 5.0 percent for customers with a non-investment grade credit rating. Additionally, the Corporation utilizes forward-looking information, as appropriate, 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 customer who individually accounted for greater than 10% of its consolidated revenues during the three months ended June 30, 2025 with total sales of \$909 (2024: three customers with total sales of \$846).

The Corporation provided services to one customer who individually accounted for greater than 10% of its consolidated revenues during the six months ended June 30, 2025 with total sales of \$911 (2024: one customer with total sales of \$676).

As at June 30, 2025, one customer represented a total of \$932 or 39% 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 Corporation's financial liabilities as of June 30, 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 | 1,062 | - | - | - | - | 1,062 |
| Lease liabilities | 64 | 350 | 323 | 659 | - | 1,396 |
| Long-term debt | 53 | 262 | 306 | 872 | 3,126 | 4,619 |
| Contingent consideration payable | - | 1,187 | 1,128 | - | - | 2,315 |
| Total | 1,179 | 1,799 | 1,757 | 1,531 | 3,126 | 9,392 |

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 owned industrial property which it leases, idle snubbing assets in the US and equity investments.

Details associated with each segment are provided as at June 30, 2025 and December 31, 2024 and for the three and six months ended June 30, 2025 and 2024 in the tables which follow.

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

| Three months ended June 30, 2025 | | Investments and corporate | | Total |
|--|--|---------------------------|---------|---------|
| (thousands of Canadian Dollars) | | Rental services | | |
| Revenue | | 2,293 | 98 | 2,391 |
| Oilfield services expenses | | (1,167) | - | (1,167) |
| General and administrative expenses | | (232) | (615) | (847) |
| Depreciation and amortization expenses | | (473) | (102) | (575) |
| Share-based compensation expenses | | - | (56) | (56) |
| Interest and other income | | - | 48 | 48 |
| Interest and finance expenses | | - | (163) | (163) |
| Accretion income on notes receivable | | - | 56 | 56 |
| Foreign exchange loss | | - | (2) | (2) |
| Gain on disposal of property and equipment | | 6 | - | 6 |
| Fair value adjustment to contingent consideration | | 362 | - | 362 |
| Loss from equity investments | | - | (348) | (348) |
| Net segment income (loss) before income tax expense | | 789 | (1,084) | (295) |
| Capital expenditures, net of proceeds on disposition | | 401 | - | 401 |

| Three months ended June 30, 2024 | | | | Investments and | |
|---|----------------------|--------------------|------------------------|--------------------|---------|
| (thousands of Canadian Dollars) | Drilling services | Rental services | Production services | corporate | Total |
| Revenue | - | 2,439 | - | 94 | 2,533 |
| Oilfield services expenses | - | (1,329) | - | - | (1,329) |
| General and administrative expenses | - | (245) | - | (1,535) | (1,780) |
| Depreciation and amortization expenses | - | (254) | - | (453) | (707) |
| Share-based compensation expenses | - | - | - | (80) | (80) |
| Interest and other income | - | - | - | 467 | 467 |
| Interest and finance expenses | - | - | - | (62) | (62) |
| Accretion income on notes receivable | - | - | - | 66 | 66 |
| Foreign exchange gain | - | - | - | 80 | 80 |
| Loss from equity investments | - | - | - | (889) | (889) |
| Net segment income (loss) before income tax expense from continued operations | - | 611 | - | (2,312) | (1,701) |
| Capital expenditures for continued operations | - | 205 | - | 302 | 507 |
| Net segment income (loss) before income tax expense from discontinued operations | 35 | 8 | 22 | 198 | 263 |

| Six months ended June 30, 2025 | | | |
|--|-----------------|---------------------------|---------|
| (thousands of Canadian Dollars) | Rental services | Investments and corporate | Total |
| Revenue | 4,530 | 196 | 4,726 |
| Oilfield services expenses | (2,217) | - | (2,217) |
| General and administrative expenses | (458) | (1,170) | (1,628) |
| Depreciation and amortization expenses | (954) | (205) | (1,159) |
| Share-based compensation expenses | - | (104) | (104) |
| Interest and other income | - | 108 | 108 |
| Interest and finance expenses | - | (277) | (277) |
| Accretion income on notes receivable | - | 115 | 115 |
| Foreign exchange loss | - | (11) | (11) |
| Gain on disposal of property and equipment | 6 | - | 6 |
| Fair value adjustment to contingent consideration | 362 | - | 362 |
| Loss from equity investments | - | (336) | (336) |
| Net segment income (loss) before income tax expense | 1,269 | (1,684) | (415) |
| Capital expenditures, net of proceeds on disposition | 783 | - | 783 |

| Six months ended June 30, 2024 | | | | | |
|--|-------------------|-----------------|---------------------|---------------------------|---------|
| (thousands of Canadian Dollars) | Drilling services | Rental services | Production services | Investments and corporate | Total |
| Revenue | - | 5,333 | - | 188 | 5,521 |
| Oilfield services expenses | - | (2,792) | - | - | (2,792) |
| General and administrative expenses | - | (519) | - | (3,176) | (3,695) |
| Depreciation and amortization expenses | - | (696) | - | (632) | (1,328) |
| Share-based compensation expenses | - | - | - | (139) | (139) |
| Interest and other income | - | - | - | 1,038 | 1,038 |
| Interest and finance expenses | - | - | - | (126) | (126) |
| Accretion income on notes receivable | - | - | - | 130 | 130 |
| Foreign exchange gain | - | - | - | 271 | 271 |
| Loss from equity investments | - | - | - | (399) | (399) |
| Net segment income (loss) before income tax expense from continued operations | - | 1,326 | - | (2,845) | (1,519) |
| Capital expenditures for continued operations | - | 513 | - | 302 | 815 |
| Net segment income (loss) before income tax expense from discontinued operations | 2,106 | 1,708 | (66) | 282 | 4,030 |

ii. Asset breakdown by reportable segments

As at June 30, 2025:

| (thousands of Canadian dollars) | Rental services | Investments and corporate | Total |
|---------------------------------|-----------------|---------------------------|--------|
| Property and equipment | 6,462 | 4,086 | 10,548 |
| Right of use assets | 1,099 | 43 | 1,142 |
| Equity investments | - | 7,156 | 7,156 |
| Total assets | 12,098 | 16,657 | 28,755 |

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 June 30, 2025 and December 31, 2024 and the administrative services provided to and from SpinCo for the six months ended June 30, 2025 and year ended December 31, 2024:

| (thousands of Canadian Dollars) | 2025 | 2024 |
|--|------|------|
| Accounts receivable from SpinCo | 22 | 192 |
| Accounts payable to SpinCo | - | - |
| Administrative services provided to SpinCo | 85 | - |
| Administrative services provided from SpinCo | 30 | - |

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 June 30, 2025 and December 31, 2024 and transaction totals for the six months ended June 30, 2025 and year ended December 31, 2024 and with Team Snubbing:

| (thousands of Canadian Dollars) | 2025 | 2024 |
|---------------------------------|------|------|
| Accounts receivable | 159 | 446 |
| Revenue | 380 | 578 |
| ECL loss | 4 | 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.