HIGH ARCTIC ENERGY SERVICES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

December 31, 2025 and 2024

To the Shareholders of High Arctic Energy Services Inc.:

Opinion

We have audited the consolidated financial statements of High Arctic Energy Services Inc. and its subsidiaries (the "Corporation"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of income (loss) and comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of the recoverable amount of the rental services cash generating unit ("CGU") containing goodwill

Key Audit Matter Description

The Corporation has goodwill of $812,000 allocated to its rental services CGU. Goodwill is tested at least annually for impairment, or more frequently when an indicator of impairment exists, by comparing the CGU’s carrying amount to its recoverable amount, being the higher of value in use and fair value less costs of disposal. Impairment is recognized when the carrying amount exceeds the recoverable amount.

The Corporation’s assessment of the recoverable amount of its rental services CGU as at December 31, 2025 indicated that the recoverable amount exceeded the carrying value of the CGU and, therefore, no impairment was recorded. The recoverable amount of the rental services CGU was determined using a value in use model, which is based on forecasted future cash flows discounted to present value. The determination of the recoverable amount involves significant estimates and judgements. The key assumptions used in the value in use calculation include forecast earnings before interest, taxes, depreciation and amortization ("EBITDA") and the discount rate.

Refer to Note 2(d) – Significant accounting judgements, estimates and assumptions, Note 3(r) – Material accounting policy information, and Note 11 – Goodwill.

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We identified the assessment of the recoverable amount of the rental services CGU containing goodwill as a Key Audit Matter due to:
• The significant management judgement required to develop the CGU's forecasted EBITDA and determination of the discount rate used in the value in use model.
• The sensitivity of the recoverable amount to changes in these assumptions, which could materially affect the impairment conclusion.
• The significant auditor judgement required to evaluate management's assumptions and assess the integrity of the value in use model.
• The involvement of valuation professionals with specialized skills and knowledge to assist in evaluating the methodology and key assumptions.

Audit Response

We responded to this matter by performing audit procedures relating to the assessment of the recoverable amount of the rental services CGU containing goodwill. Our audit work in relation to this included, but was not restricted to, the following:

- Obtained an understanding of the Corporation's goodwill impairment testing process and evaluated the design and implementation of relevant controls, including controls over the approval of budgets and forecasts used in the impairment assessment and the completeness and accuracy of the related valuation calculations.
- Evaluated management's assessment of indicators of impairment for the rental services CGU containing goodwill.
- Evaluated the key assumptions used by management in determining the recoverable amount of the rental services CGU and the reasonableness thereof. Procedures included:
  • Assessing forecasted EBITDA and other key inputs by comparing management's assumptions to approved budgets and relevant external market data, where applicable.
  • Using past and current performance of the rental services CGU to evaluate expected future results.
  • Assessing whether the estimates and assumptions used were consistent with audit evidence obtained in other areas of our audit.
- Involved internal valuation professionals with specialized skills and knowledge, who assisted in:
  • Evaluating the reasonableness of the Corporation's discount rate by comparing the inputs used in the discount rate to publicly available market data, industry benchmarks and entity specific risk factors.
  • Evaluating the Corporation's estimate of the recoverable amount of the rental services CGU by comparing valuation metrics to publicly available market data and valuation metrics for comparable entities, where applicable.
  • Recalculating key components of the model to assess mathematical accuracy and internal consistency.

Assessment of the recoverable amount of the net equity investment in Team Snubbing Services Inc. ("Team Snubbing")

Key Audit Matter Description

The Corporation holds an equity investment in Team Snubbing with a carrying value of $8.4 million as at December 31, 2025. Management identified indicators of impairment in respect of the investment and, accordingly, completed an assessment of the recoverable amount of the net equity investment.

The Corporation's assessment of the recoverable amount of its net equity investment in Team Snubbing as at December 31, 2025 indicated that the recoverable amount exceeded the carrying value of the net equity investment and, therefore, no impairment was recorded. The recoverable amount of the net equity investment was determined using an EBITDA-based valuation approach applied to the Corporation's equity interest in Team Snubbing. The determination of the recoverable amount involved significant estimates and judgements. The key assumptions used in the recoverable amount determination included forecasted EBITDA and the application of an EBITDA-based valuation multiple.

Refer to Note 2(d) – Significant accounting judgements, estimates and assumptions, Note 3(h) – Material accounting policy information, and Note 12 – Equity investments.

We identified the assessment of the recoverable amount of the net equity investment in Team Snubbing as a Key Audit Matter due to:
• The identification of indicators of impairment requiring management to assess the recoverable amount of the net equity investment.
• The significant judgement involved in developing forecasted EBITDA and determining an appropriate valuation multiple.
• The sensitivity of the recoverable amount to changes in these assumptions, which could materially affect the impairment conclusion.
• The significant auditor judgement required to evaluate management's assumptions and the valuation methodology applied.
• The involvement of valuation professionals with specialized skills and knowledge to assist in evaluating the methodology and key assumptions.

Audit Response

We responded to this matter by performing audit procedures relating to the assessment of the recoverable amount of the net equity investment in Team Snubbing. Our audit work in relation to this included, but was not restricted to, the following:

- Obtained an understanding of the Corporation's process for assessing the recoverable amount of its net equity investment and evaluated the design and implementation of relevant controls, including controls over the development and approval of forecasted EBITDA used in the recoverable amount assessment and the completeness and accuracy of the related valuation calculations.
- Evaluated management's assessment of indicators of impairment in respect of the net equity investment.
- Evaluated the key assumptions used by management in determining the recoverable amount of the net equity investment and the reasonableness thereof. Procedures included:
  • Assessing forecasted EBITDA by evaluating the reasonableness of key inputs, and comparing management's assumptions to approved budgets, past performance and relevant external market data, where applicable.
  • Using past and current performance of Team Snubbing to evaluate expected future results, including consideration of utilization, activity levels and prevailing market conditions in the oilfield services sector.
  • Assessing whether the estimates and assumptions used were consistent with audit evidence obtained in other areas of our audit.
- Involved internal valuation professionals with specialized skills and knowledge, who assisted in:
  • Evaluating the reasonableness of the Corporation's EBITDA-based valuation multiple by comparing the multiple and the underlying inputs to publicly available market data and valuation metrics for comparable entities, where applicable.
  • Evaluating the Corporation's estimate of the recoverable amount of the net equity investment by assessing the valuation methodology applied and benchmarking implied valuation metrics to publicly available market data, where applicable.
  • Recalculating key components of the model to assess mathematical accuracy and internal consistency.

Other Matter

The consolidated financial statements for the year ended December 31, 2024 were audited by another auditor who expressed an unmodified opinion on those statements on March 31, 2025.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Corporation as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is Craig Bloom.

Calgary, Alberta

MNP LLP

March 31, 2026

Chartered Professional Accountants

MNP

HIGH ARCTIC ENERGY SERVICES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(thousands of Canadian Dollars)	As at December 31, 2025	2024
Assets		
Current assets		
Cash and cash equivalents	3,294	3,123
Accounts receivable (Note 6)	2,948	2,749
Inventory	21	66
Prepaid expenses and other assets	224	221
Current portion of notes receivable (Note 7)	1,175	1,062
	7,662	7,221
Non-current assets		
Property and equipment (Note 8)	9,993	10,599
Right of use assets (Note 9(a))	1,003	1,204
Intangible assets (Note 10)	1,178	1,510
Goodwill (Note 11)	812	812
Notes receivable (Note 7)	853	2,029
Equity investments (Note 12)	8,382	7,492
	22,221	23,646
Total assets	29,883	30,867
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 13)	1,358	1,888
Long-term debt (Note 14)	175	175
Lease liabilities (Note 9(b))	294	368
Contingent consideration payable (Note 16)	2,191	2,098
	4,018	4,529
Non-current liabilities		
Long-term debt (Note 14)	3,003	3,178
Lease liabilities (Note 9(b))	819	943
Contingent consideration payable (Note 16)	-	1,112
	3,822	5,233
Total liabilities	7,840	9,762
Shareholders' Equity		
Share capital (Note 17(a))	133,426	133,153
Contributed surplus	13,319	13,156
Accumulated other comprehensive loss	(1,332)	(1,478)
Deficit	(123,370)	(123,726)
Total shareholders' equity	22,043	21,105
Total liabilities and shareholders' equity	29,883	30,867

Subsequent event (Note 26).

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

Approved on behalf of the Board of Directors,

(Signed) "Douglas Strong"
Douglas Strong, Director

(Signed) "Simon Batcup"
Simon Batcup, Director

HIGH ARCTIC ENERGY SERVICES INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME

	Year ended December,	
(thousands of Canadian Dollars)	2025	2024
Revenue (Note 21)	10,641	10,470
Oilfield services expenses (Note 19(a))	(5,187)	(5,263)
General and administrative expenses (Note 19(b))	(3,552)	(5,412)
Depreciation and amortization expenses (Notes 8, 9(a), 10)	(2,428)	(2,600)
Share-based compensation expense (Note 18)	(163)	(160)
Operating loss	(689)	(2,965)
Interest and other income	199	1,289
Interest and finance expenses (Note 19(c))	(509)	(535)
Accretion income on notes receivable (Note 7)	216	265
Foreign exchange (loss) gain	(11)	795
Gain (loss) on disposal of property and equipment (Note 8)	165	(8)
Fair value adjustment to contingent consideration (Note 16)	89	(259)
Income (loss) from equity investments (Note 12)	882	(690)
Income (loss) before income tax from continuing operations	342	(2,108)
Income tax recovery (expense) (Note 22)	14	(9)
Deferred income tax	-	-
Net income (loss) from continuing operations	356	(2,117)
Net income from discontinued operations (Note 5)	-	30,428
Net income	356	28,311
Other comprehensive income:		
Items that may be reclassified subsequently to net income:		
Foreign currency translation gain from foreign operations	1	228
Share of other comprehensive income from equity investments	145	-
Comprehensive income for the year	502	28,539

	Year ended December 31,	
	2025	2024
Net earnings (loss) per share: (Note 17(b))		
Continuing operations:		
Basic	$0.03	($0.17)
Diluted	$0.03	($0.17)
Discontinued operations:		
Basic	-	$2.46
Diluted	-	$2.46

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

HIGH ARCTIC ENERGY SERVICES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY

(thousands of Canadian Dollars, except number of common shares)	Number of common shares	Share capital	Contributed surplus	Accumulated other comprehensive 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 (Notes 17(a) and 18)	70,545	422	(422)	-	-	-
Exercise of deferred share units (Notes 17(a) and 18)	97,053	581	(1,132)	-	-	(551)
Distribution – return of capital (Notes 1 and 17(a))	-	(37,842)	-	-	-	(37,842)
Share-based compensation expense (Note 18)	-	-	160	-	-	160
Other comprehensive income	-	-	-	228	-	228
Reclassification of AOCI to net income from discontinued operations	-	-	-	(28,686)	-	(28,686)
Balances removed in relation to distribution to SpinCo	-	-	-	-	(39,847)	(39,847)
Net income for the year from discontinued operations	-	-	-	-	30,428	30,428
Net loss for the year from continuing operations	-	-	-	-	(2,117)	(2,117)
Balance, December 31, 2024	12,448,166	133,153	13,156	(1,478)	(123,726)	21,105
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 16, 17(a))	248,793	273	-	-	-	273
Share-based compensation expense (Note 18)	-	-	163	-	-	163
Other comprehensive income	-	-	-	146	-	146
Net income for the year	-	-	-	-	356	356
Balance, December 31, 2025	12,696,959	133,426	13,319	(1,332)	(123,370)	22,043

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

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

HIGH ARCTIC ENERGY SERVICES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands of Canadian Dollars)	Year ended December 31, 2025	2024
Cash flows from operating activities:		
Net income (loss) from continuing operations	356	(2,117)
Adjustments for:		
Depreciation and amortization expenses (Notes 8, 9(a), 10)	2,428	2,600
Foreign exchange loss (gain)	11	(816)
Share-based compensation expense (Note 18)	163	160
Non-cash interest and accretion income on notes receivable (Note 7)	(321)	(416)
Non-cash finance expenses (Note 19(c))	288	374
Fair value adjustment to contingent consideration (Note 16)	(89)	259
(Gain) loss on sale of property and equipment (Note 8)	(165)	8
Share-based compensation payment (Note 18)	-	(551)
Loss (income) loss from equity investments (Note 12)	(882)	690
Cash from operating activities from continuing operations	1,789	191
Change in non-cash working capital (Note 20)	(729)	(300)
Cash from (used in) operating activities from continuing operations	1,060	(109)
Cash from operating activities from discontinued operations (Note 5)	-	14,090
Net cash from operating activities	1,060	13,981
Cash flows from investing activities:		
Property and equipment and intangible asset expenditures (Notes 8, 10)	(1,233)	(1,947)
Proceeds from disposal of property and equipment, net of costs (Note 8)	222	178
Payments received on notes receivable (Note 7)	1,384	772
Payment of contingent consideration (Note 16)	(873)	-
Change in non-cash working capital (Note 20)	42	-
Cash used in investing activities from continuing operations	(458)	(997)
Cash used in investing activities from discontinued operations (Note 5)	-	(22,097)
Net cash (used in) from investing activities	(458)	(23,094)
Cash flows from financing activities:		
Repayment of long-term debt (Note 14)	(175)	(175)
Payments of lease liabilities (Note 9(b))	(383)	(349)
Distribution received from Seh' Chene Well Services Limited Partnership (Note 12)	137	-
Distribution paid - return of capital (Note 17(a))	-	(37,842)
Cash used in financing activities from continuing operations	(421)	(38,336)
Cash used in financing activities from discontinued operations (Note 5)	-	(446)
Net cash used in financing activities	(421)	(38,812)
Effect of foreign exchange rate changes	(10)	717
Total change in cash and cash equivalents	171	(47,208)
Total cash and cash equivalents, beginning of year	3,123	50,331
Total cash and cash equivalents, end of year	3,294	3,123

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

(Stated in thousands of Canadian Dollars, except number of common shares, options, units, and per share amounts)

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 ("TSX") under the symbol "HWO". High Arctic's operations involve the provision of 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. High Arctic is also vested in the energy service pressure control snubbing business in Western Canada and Alaska, US, through a minority interest equity investment in Team Snubbing Services Inc. The Corporation's head office is located at Suite 2350, 330 – 5th Ave SW Calgary, Canada T2P 0L4.

As at December 31, 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 759,174 common shares, representing 6.0% 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". The approved return of capital of $0.76 per pre-Arrangement common share of High Arctic was distributed to shareholders on July 17, 2024. Finally, as part of the Arrangement, the Corporation effected a de facto four-to-one share consolidation whereby each High Arctic shareholder received one-quarter of one post-Arrangement common share for every pre-Arrangement common share held prior to August 12, 2024.

On December 28, 2023, High Arctic completed the acquisition and amalgamation of all the shares of Delta Rental Services Ltd. ("Delta") for cash consideration of $3,430 and contingent consideration of $2,952 (Note 16) that includes a combination of cash and shares, payable over a three-year period. As a result of this acquisition, goodwill of $812 (Note 11) and intangible assets of $1,501 (Note 10) were recognized.

The following table lists the Corporation's subsidiaries and significant corporate holdings. The jurisdiction of formation or incorporation of such subsidiaries or significant corporate holdings and the percentage of shares owned, directly or indirectly, by the Corporation as at December 31, 2025 and December 31, 2024 is as follows:

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

2. Basis of presentation

(a) Statement of compliance and approval

These consolidated financial statements ("Financial Statements") have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee. These Financial Statements were authorized for issuance by the Board of Directors on March 31, 2026.

(b) Basis of preparation

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

(c) Functional and presentation currency

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

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

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

(d) Judgements, estimates and assumptions

The preparation of the Corporation's Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities as at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Significant accounting judgements:

In applying the Corporation's accounting policies, management has made the following significant judgements:

i) Principal versus agent considerations

Management applies judgement in determining whether the Corporation acts as principal or agent for certain ancillary goods and services provided to customers, including mobilization activities, maintenance call-outs, and consumables. In making this determination, management assesses whether the Corporation controls the specified goods or services before they are transferred to the customer, has primary responsibility for fulfilling the promise to the customer, and has discretion in establishing pricing. These judgements affect whether revenue is recognized on a gross or net basis.

ii) Identification of lease and non-lease components

Certain equipment rental contracts include both lease and non-lease components. Management applies judgement in assessing whether ancillary services are distinct from the lease component and, where applicable, in allocating consideration between lease and non-lease components when the contract does not explicitly specify pricing for each component. These judgements affect the classification and timing of revenue recognition.

iii) Significant increases in credit risk

In exercising judgement, the Corporation considers qualitative and quantitative indicators of credit risk, including changes in customer payment patterns, days past due, customer-specific financial information where available, and broader macroeconomic conditions affecting the industries and geographic regions in which customers operate. Management also considers whether observable adverse changes in economic or market conditions are expected to impact the ability of customers to meet their contractual payment obligations.

The Corporation applies judgement in assessing whether there has been a significant increase in credit risk ("SICR") since initial recognition of accounts receivables. For its accounts receivable that do not contain a significant financing component, the Corporation applies the simplified approach under IFRS 9, whereby lifetime expected credit losses ("ECL") are recognized on initial recognition and throughout the life of the receivable. Accordingly, a separate assessment of SICR does not affect the measurement basis but remains relevant in determining the reasonableness of forward-looking assumptions and credit risk segmentation.

For notes receivable that have a significant financing component, the Corporation applies the general ECL model. Judgement is required to determine whether a SICR has occurred since initial recognition, which would result in a change from recognizing 12-month ECL to lifetime ECL. In making this assessment, the Corporation considers both quantitative and qualitative factors, including changes in payment performance, covenant compliance, counterparty creditworthiness, and adverse changes in economic or market conditions that may affect the counterparty's ability to meet its contractual obligations.

iv) Identification of cash-generating units ("CGUs")

Management applies significant judgement in identifying CGUs, which are defined as the smallest groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. In determining CGUs, management considers the degree of integration between rental fleets and supporting operations, including the sharing of equipment pools, maintenance and repair facilities, logistics and transportation infrastructure, and centralized procurement. Geographic factors are assessed based on the mobility of equipment between operating regions, proximity to customer activity, and the extent to which assets can be redeployed in response to changes in oilfield activity levels. Management also considers how operations are monitored and how capital allocation, fleet utilization, pricing, and investment decisions are made internally, including whether performance is evaluated on a regional, service-line, or consolidated basis. The classification of assets and the allocation of corporate assets to CGUs require judgement and could have a significant impact on the timing and amount of impairment losses or reversals.

Based on these factors, management concluded that the Corporation's oilfield rental operations generate largely interdependent cash inflows and are managed on a consolidated basis, resulting in a single operational rental services CGU. At December 31, 2025, December 31, 2024, and following the completion of the Arrangement, management determined that the Corporation had two CGUs, being its rental services operations and its corporate assets CGU.

v) *Assessment of impairment indicators*

Management exercises judgement in assessing whether internal or external indicators of impairment or impairment reversal exist for a CGU and the non-financial assets within it. This assessment includes consideration of actual and forecast operating performance, changes in market conditions, industry activity levels, fleet utilization and rental rates, commodity price developments, and the Corporation's market capitalization. Judgements in this area affect whether an impairment test is required and whether previously recognized impairment losses should be reversed.

Management exercises judgement in determining whether internal and external indicators exist that could indicate that goodwill may be impaired outside of the annual impairment test. This includes judgement in assessing internal and external impairment indicators and in determining the appropriate CGU to which goodwill is allocated. These judgements affect whether an impairment test is required and at what level goodwill is tested.

The Corporation applies judgement in assessing whether there is objective evidence that an equity investment may be impaired and whether a loss event has occurred that requires an impairment test. This assessment considers qualitative and quantitative factors, including the investee's financial performance relative to expectations, changes in market or economic conditions, adverse developments in the investee's operations, and the duration and extent of any decline in value.

vi) Equity investments accounted for using the equity method

The classification of the Corporation's equity investments requires judgement, particularly in assessing whether the Corporation has control, joint control, or significant influence over an investee. This assessment considers the practical ability to direct relevant activities of the investee. In making this determination, management evaluates the Corporation's governance rights, representation in decision-making bodies, and its overall involvement in the investee's activities.

In certain arrangements, the Corporation holds conversion or similar rights through related financial instruments that could, under specific circumstances, result in control of the investee. Significant judgement is applied in assessing whether these rights provide the Corporation with current power or are instead designed to protect the Corporation's economic interest.

Based on the assessment of governance arrangements, decision-making authority, and the nature of rights held, the Corporation concluded that it has significant influence, but not control, over its equity investments in Team Snubbing and Seh' Chene. While the Corporation participates in key financial and operating decisions of these entities, it does not have the practical ability to direct their relevant activities. Management reassesses this conclusion when facts and circumstances change, including when rights become exercisable or when the Corporation's involvement in the investee's activities increases. These investments are both accounted for using the equity method.

vii) Contingent consideration arrangements

Judgement is applied in assessing the classification and subsequent measurement of contingent consideration arising from the acquisition of the legacy Delta business. This assessment focuses on the contractual terms governing settlement, including whether the Corporation has a present obligation to deliver cash or another financial asset and whether the Corporation has an unconditional right to avoid such delivery. Management also considers whether any contractual settlement alternatives, including net settlement provisions with related receivables or payables, affect the substance of the settlement obligation.

Judgement is also applied in assessing whether the contingent consideration is subject to substantive future performance conditions, including the achievement of specified profitability targets adjusted for capital expenditures incurred, and in determining the appropriate accounting for contractual net settlement provisions with amounts due to the Corporation under a related note receivable. These judgements affect the recognition, measurement, presentation, and classification of the contingent consideration liability.

Significant accounting estimates:

In applying the Corporation's accounting policies, management has made the following significant estimates:

i) *Expected credit loss "ECL"*

The Corporation's ECL estimates represent probability-weighted credit losses that reflect the time value of money and incorporate reasonable and supportable forward-looking information available at the reporting date.

For its accounts receivable that do not contain a significant financing component, ECL is estimated using a provision matrix based on historical credit loss experience, segmented by aging categories and shared credit risk characteristics. Historical loss rates are adjusted to reflect current and forecast economic conditions using a combination of internally generated data and externally sourced macroeconomic information.

For notes receivable, ECLs are measured using the general ECL model, assessed either on an individual basis or on a collective basis where financial assets share similar risk characteristics. The estimation incorporates counterparty-specific credit risk assessments and the contractual terms of the instruments.

The ECL calculations incorporate the following key components:

- The likelihood that a counterparty will default on its contractual obligations over the relevant time horizon, estimated using historical default experience, counterparty-specific factors, and forward-looking macroeconomic information;
- The expected magnitude of loss if a default occurs, reflecting historical recovery experience, contractual terms, credit enhancements or collateral where applicable, and expected recoveries; and
- The expected exposure outstanding at the time of default, generally representing the gross carrying amount of the financial asset at the reporting date, including accrued interest for notes receivable, where applicable.

Management judgement is required in selecting appropriate historical periods, determining the relevance and weighting of forward-looking economic assumptions. Changes in assumptions related to counterparty credit risk, economic conditions, or expected recoveries could result in material changes to the ECL recognized in the Financial Statements.

ii) *Recoverable amount of CGUs*

The recoverable amount is the higher of a CGU's fair value less costs of disposal and value in use (being the present value of the expected future cash flows of the relevant CGU). The determination of the recoverable amount of a CGU requires significant assumptions to be made by the Corporation on the discount rates and earnings before interest, taxes, depreciation and amortization ("EBITDA") forecasts, using estimates of revenue, operating costs, expected utilization, rental rates and costs of available equipment (margin), and terminal values. An impairment loss is recognized for the amount by which the CGU's carrying amount exceeds its expected recoverable amount.

iii) *Goodwill impairment testing*

Goodwill is tested for impairment annually, and when indicators of impairment exist, by comparing the carrying amount of the CGU to which goodwill is allocated with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal and its value in use.

The determination of the recoverable amount of a CGU containing goodwill requires significant estimates and assumptions by management, including discount rates and EBITDA forecasts. These estimates are based on assumptions related to future revenue, operating costs, expected equipment utilization, rental rates, costs of available equipment, and terminal values. Changes in these assumptions could result in a material adjustment to the carrying amount of goodwill.

An impairment loss is recognized when the carrying amount of the CGU exceeds its recoverable amount.

iv) *Recoverable amount of equity investments*

When an impairment indicator is identified, the Corporation estimates the recoverable amount of the equity investment, which requires significant assumptions and estimates. The recoverable amount is determined using valuation techniques that may include discounted cash flow models and, where appropriate, market-based valuation approaches such as comparable company or transaction multiples. Key assumptions include forecast cash flows, discount rates, long-term growth rates, assumptions regarding future operating performance, and the selection and application of market multiples, including the comparability of peer companies and the relevance of observable market data.

v) Depreciation

Depreciation of property and equipment incorporates estimates of useful lives, salvage values and depreciation methodology that is estimated to best reflect usage. Equipment under construction, otherwise referred to as work-in-progress, is not depreciated until it is available for use. All property and equipment is depreciated based on the straight-line method over the asset's useful life in years.

vi) Amortization of intangible assets

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

vii) Contingent consideration

When actual financial results for the applicable measurement periods are not yet finalized, the Corporation estimates the fair value of the contingent consideration using a probability-weighted expected value approach. In determining the fair value at the reporting date, management uses internal budgets and forecasts and evaluates multiple operating scenarios. Significant judgements and assumptions include the forecast level and timing of future profitability and capital expenditures, the probability of achieving the various profitability thresholds under the contractual multiplier schedule, and the discount rates applied to reflect the time value of money and risks specific to the obligation. Expected future payments are discounted to their present value to determine the contingent consideration payable at the reporting date.

The fair value is reassessed at each reporting date and reflects updated assumptions based on actual performance, revised forecasts, and changes in expectations regarding future outcomes. Changes in the estimated fair value of the contingent consideration are recognized in net income (loss) in the period in which the changes occur.

viii) Share-based compensation

The fair value of stock options, performance share units ("PSUs"), restricted share units ("RSUs") and deferred share units ("DSUs") are estimated at the grant date using the Black-Scholes-Merton option pricing model, which includes underlying assumptions related to the risk-free interest rate, average expected option life, dividend yield, estimated forfeitures, and estimated volatility of the Corporation's shares.

ix) Disposal of non-current assets

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

x) Reorganization and spin-off of PNG business ("spin-off")

As disclosed in Notes 1 and 5, on May 11, 2024, the Corporation announced its plans to proceed with a reorganization and filed the Arrangement and other documents that were subsequently approved by the Corporation's shareholders at an Annual and Special General Meeting held on June 17, 2024.

On August 12, 2024, the Corporation completed the reorganization and as a result the assets and liabilities of the legacy High Arctic PNG business have been removed from the Corporation's statement of financial position and distributed to SpinCo. Details of the legacy High Arctic PNG business' operating results and resultant cash flows for the period January 1, 2024 to August 12, 2024 are presented as discontinued operations in the Corporation's consolidated statements of income (loss) and comprehensive income and further detailed in Note 5.

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

3. Material accounting policy information

(a) Basis of consolidation

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

When the Corporation loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in net income (loss). Any interest retained in the former subsidiary is measured at fair value when control is lost.

(b) Foreign currency

i. Functional currency:

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

ii. Foreign operations:

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

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

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

iii. Transactions and balances:

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

The Company's net investment in a foreign subsidiary consists of the parent's equity interest in the foreign operation, together with long-term intercompany loans and advances that are, in substance, part of the parent's net investment and for which settlement is neither planned nor likely to occur in the foreseeable future. Foreign exchange differences arising on the translation of such net investment balances are recognized in other comprehensive income and accumulated in equity as a component of accumulated other comprehensive loss, and are reclassified to net income (loss) upon disposal of the foreign operation.

(c) Equity investments

Under the equity method, on initial recognition the investment in an associate is recognized at cost, and the carrying amount is increased or decreased to recognize the Corporation's share of the net earnings (loss) of the investee after the date of acquisition. The Corporation's share of the investee's net earnings (loss) is recognised in the Corporation's net earnings (loss). Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Corporation's proportionate interest in the investee arising from changes in the investee's other comprehensive income. Such changes include those arising from the revaluation of property and equipment and from foreign currency translation differences. The Corporation's share of those changes is recognized in the Corporation's other comprehensive income.

When potential voting rights or other derivatives containing potential voting rights exist, the Corporation's interest in an associate is determined solely on the basis of existing ownership interests and does not reflect the possible exercise or conversion of potential voting rights and other derivative instruments.

On acquisition of the equity investment, any difference between the cost of the equity investment and the Corporation's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as follows:

i. Goodwill relating to an associate is included in the carrying amount of the equity investment. Amortization of that goodwill is not permitted.
ii. Any excess of the Corporation's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the equity investment is included as income in the determination of the entity's share of the associate's net earnings (loss) in the period in which the equity investment is acquired.

Appropriate adjustments to the Corporation's share of the associate's net earnings (loss) are made after acquisition.

(d) Revenue recognition

Revenue is recognized from a variety of sources. In general, revenue is measured based on the consideration specified in a contract with a customer based upon an agreed transaction price. The Corporation's revenue is typically generated from short-term or spot market contracts.

i. Equipment rentals

Revenue for equipment rentals is recognized using daily or monthly rates determined within the contracts. These arrangements generally contain a lease component within the scope of *IFRS 16 – Leases*, as they convey to the customer the right to use identified equipment for a period of time in exchange for consideration.

Lease revenue is recognized over the lease term in a manner that reflects the pattern in which the customer consumes the right to use the underlying asset.

Certain equipment rental contracts also include non-lease ancillary service components, most commonly mobilization and demobilization activities and maintenance, inspection, and health, safety and environmental compliance services. Where such services are distinct from the lease component, consideration is allocated between lease and non-lease components based on relative stand-alone selling prices, and the non-lease components are accounted for under *IFRS 15 – Revenue from contracts with customers*. Where services are not distinct and are inseparable from providing the right to use the equipment, they are considered ancillary to the lease component and are not separated for accounting purposes.

Where lease rates or service rates are not explicitly identified in the contract, management applies judgement to allocate consideration between lease and non-lease components.

ii. Ancillary services related to rental equipment

Ancillary labour services related to equipment rentals are recognized as revenue over time, as the customer simultaneously receives and consumes the benefits of the services performed. These services are short-term in nature and are performed and completed in discrete daily increments.

The Corporation applies the "right to invoice" practical expedient, as invoiced amounts based on contractually agreed daily or hourly rates correspond directly with the value of services transferred to the customer. Invoicing is supported by contemporaneous field documentation, such as daily tickets and job reports. Accordingly, revenue is recognized in an amount equal to the consideration to which the Corporation has a right to invoice for services performed to date.

Due to the short-cycle nature of these ancillary service arrangements and the fixed rates applied to services performed, there is minimal estimation uncertainty once the services have been delivered.

Ancillary consumables provided in connection with equipment rentals are recognized as revenue at a point in time, when control of the consumables transfers to the customer, which is generally upon delivery, installation, or consumption, in accordance with the contractual terms.

The Corporation acts as principal for ancillary services related to equipment rentals, as it controls these goods and services prior to transfer to the customer, is primarily responsible for fulfillment, and has discretion in establishing pricing. Revenue related to these activities is therefore recognized on a gross basis.

iii. Contract drilling

Contract drilling services performed by the Corporation's legacy PNG business included contracts for individual drilling rig packages that include crews and contracts for specialist drilling related services. Revenue is recognized over time from spud to rig release on a daily basis, using day rates based on contract specified amounts, and may include fixed fee or time-based compensation for the initial location of the drilling rig on the well site and its removal after release.

iv. Incremental costs of obtaining a contract

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

v. Significant financing components

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

(e) Cash and cash equivalents

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

(f) Financial instruments

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

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

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

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

The fair value hierarchy gives highest priority to level 1 inputs and lowest priority to level 3 inputs.

The Corporation's cash and cash equivalents, accounts receivable, accounts payable and long-term debt are initially measured using level 1 inputs. The Corporation's notes receivable were initially measured using level 3 inputs, contingent consideration payable was initially and is subsequently measured using level 3 inputs.

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

Instrument	Initial measurement	Subsequent measurement
Financial assets:		
Cash and cash equivalents	Fair value	Amortized cost [1]
Accounts receivable	Fair value	Amortized cost [1]
Notes receivable	Fair value	Amortized cost [1]
Financial liabilities: [2]		
Accounts payable and accrued liabilities	Fair value	Amortized cost [1]
Contingent consideration payable	Fair value	Fair value
Long-term debt	Fair value	Amortized cost [1]

[1] Amortized cost using an effective interest rate.
[2] All financial liabilities are recognized initially at fair value and long-term debt is recorded net of directly attributable transaction costs.

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

(g) Property and equipment

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

Land is recorded at cost less accumulated impairment losses. Cost includes the purchase price and directly attributable expenditures incurred to acquire the land. Land has an indefinite useful life and is therefore not depreciated. Land is assessed for impairment when indicators of impairment exist.

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

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

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

Asset type	Expected life	Salvage value	Basis of depreciation
Support and shop (1)	7-10 years	Up to 5%	Straight line
Rental equipment (1)	5-10 years	Up to 5%	Straight line
Light duty vehicles and trailers (2)	5-10 years	Up to 5%	Straight line
Buildings	20-25 years	Up to 10%	Straight line
Office and computer equipment	3-5 years	Up to 5%	Straight line

(1) Included in oilfield equipment in Note 8.

(2) Included in vehicles in Note 8.

(h) Impairment of assets

i. Impairment of financial assets

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

The Corporation's notes receivable include arrangements that contain a significant financing component and are measured at amortized cost. Accordingly, these instruments are subject to the general ECL model under IFRS 9 *Financial Instruments*.

ii. Impairment of non-financial assets

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

Recoverable amounts are typically calculated using a discounted cash flow model. Value in use calculations estimate future cash flows, discounted to their present value, using a before-tax discount rate reflecting current market conditions specific to the risk inherent in the assets in the CGU. If the carrying amount of the CGU exceeds its recoverable amount, an impairment loss is charged to net income (loss) and comprehensive income such that the recorded value of the CGU is no greater than its recoverable amount.

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

iii. Impairment of equity investments

At each reporting date, the Corporation assesses whether there is objective evidence that an investment accounted for using the equity method may be impaired. This assessment is based on internal and external indicators and considers whether events or conditions have occurred that could adversely affect the recoverability of the investment's carrying amount.

Indicators of impairment may include, among other factors, sustained periods of low operating utilization, adverse changes in the investee's financial performance, liquidity, or access to capital, or other adverse changes in the economic, market, or operating environment that may affect the investee's ability to generate future cash flows.

Where objective evidence of impairment exists, the carrying amount of the net investment, comprised of the carrying amount of the note receivable and the equity investment, is tested for impairment. For this purpose, the equity investment is treated as a single asset, and the recoverable amount is determined as the higher of its value in use and its fair value less costs of disposal. An impairment loss is recognized in net income (loss) and comprehensive income when the carrying amount exceeds the recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the equity investment's recoverable amount.

(i) Share-based and bonus compensation

Equity incentive plan:

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

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

i. Stock options

A stock option is a right to acquire a common share of the Corporation at a specified price, issued from the treasury upon exercise and settlement, subject to the terms of the Equity-Based Compensation Plan and the applicable award agreement. The fair value determined at the grant date of the stock options is recognized as an employee benefit expense, with a corresponding increase in contributed surplus, over the vesting period based on the Corporation's estimate of stock options that will eventually vest. At the end of each reporting period, the Corporation revises its estimate of the number of stock options expected to vest. The impact of the revision of the original estimates, if any, is recognized immediately.

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

ii. Restricted share units and performance share units

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

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

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

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

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

iii. Deferred share units

A DSU is a right to receive a common share of the Corporation issued from treasury upon settlement, subject to the terms of the Equity-Based Compensation Plan and the applicable award agreement. DSUs when awarded pursuant to the Equity-Based Compensation Plan vest immediately and provide participants the right to receive, upon termination of service of the participant or such other later date as may be permitted by the Equity-Based Compensation Plan, common shares or a cash payment (at the election of the Corporation) equal to the five-day volume weighted average trading price of the common shares on the TSX multiplied by that number of common shares equal to the number of DSUs held. DSU holders are also entitled to dividend equivalents and on any date a cash dividend is paid on the Corporation's common shares. DSU holders will be credited with a dividend equivalent in the form of a number of DSUs calculated by multiplying the amount of the dividend per common share by the aggregate number of DSUs that were credited to the participant's account as of the record date for payment of the dividend and dividing that amount by the fair market value of the common shares on the date on which the dividend is paid.

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

Bonus compensation:

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

(j) Share capital

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

(k) Dividends

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

(l) Provisions

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

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

(m) Income tax

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

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

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

(n) Net earnings (loss) per share

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

(o) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

The Corporation determines its operating segments based on internal information regularly reviewed by the Corporation's chief operating decision makers to allocate resources and assess performance. The Corporation has determined that it has one operating segment, being rental services supported by a Corporate segment each of which has been presented as a reportable segment. The Corporation previously reported results under a drilling services segment and a production services segment, both which related to the PNG business that was spun-off upon completion of the Arrangement on August 12, 2024.

(p) Leases

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

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

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

Asset type	Expected life	Salvage value	Basis of depreciation
Real estate	Lesser of lease term or 20-25 years	Nil	Straight line
Light duty vehicles	Lesser of lease term or 5 years	Up to 15%	Straight line

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

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

A lease liability is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension, or termination option. When the lease liability is re-measured, a corresponding adjustment is made to the carrying amount of the right of use asset or is recorded in net earnings (loss) if the carrying amount of the right of use asset has been reduced to zero.

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

(q) Identifiable intangible assets

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

(r) Goodwill

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

(s) Recent accounting pronouncements

Future accounting policy changes
In April 2024, the IASB issued IFRS 18, Presentation and Disclosures in Financial Statements, to replace IAS 1, Presentation of Financial Statements, effective January 1, 2027, with early adoption permitted. The new standard sets out the requirements for presentation and disclosures in the financial statements. The Corporation is presently reviewing the impact the standard will have on the Financial Statements.

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

4. Common-control transaction

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

5. Discontinued operations

2024 Spin-off of the PNG business:

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

	Year ended December 31,	
(thousands of Canadian Dollars)	2025	2024[1]
Revenue	-	27,352
Oilfield services expenses	-	(16,890)
General and administrative expenses	-	(4,192)
Depreciation and amortization expenses	-	(3,591)
Interest and finance expenses	-	(65)
Foreign exchange loss	-	(12)
Reclassification of cumulative foreign currency translation gain on distribution to SpinCo	-	28,686
Pre-tax income for the year	-	31,288
Income tax expense	-	(860)
Net income from discontinued operations	-	30,428

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

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

	Year ended December 31,	
(thousands of Canadian Dollars)	2025	2024[1]
Cash from operating activities	-	14,090
Cash used in investing activities [2]	-	(22,097)
Cash used in financing activities	-	(446)

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

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

6. Accounts receivable

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

(thousands of Canadian Dollars)	As at Dec 31, 2025	As at Dec 31, 2024
Less than 31 days	967	1,180
31 days to 60 days	857	552
61 days to 90 days	999	444
Greater than 90 days	234	611
	3,057	2,787
Expected credit loss	(109)	(38)
	2,948	2,749

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

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

(thousands of Canadian Dollars)	Less than 31 days	31- 60 days	61 – 90 days	Over 90 days	Total
Investment grade receivables	176	118	53	26	373
Non-investment grade receivables	791	739	946	208	2,684
Total receivables	967	857	999	234	3,057
ECL for investment grade (%)	*0.04*	*0.06*	*0.10*	*0.30*	
ECL for non-investment grade (%)	*0.25*	*0.75*	*2.00*	*4.00*	
ECL provision – investment grade	-	-	-	-	-
ECL provision – non-investment grade	(4)	(7)	(19)	(8)	(38)
Specifically provided for amounts	-	-	-	(71)	(71)
Total provision for ECL	(4)	(7)	(19)	(79)	(109)
Total	963	850	980	155	2,948

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

(thousands of Canadian Dollars)	Less than 31 days	31- 60 days	61 – 90 days	Over 90 days	Total
Investment grade receivables	238	97	74	5	414
Non-investment grade receivables	942	455	370	606	2,373
Total receivables	1,180	552	444	611	2,787
ECL for investment grade (%)	*0.04*	*0.06*	*0.10*	*0.30*	
ECL for non-investment grade (%)	*0.25*	*0.75*	*2.00*	*4.00*	
ECL provision – investment grade	-	-	-	-	-
ECL provision – non-investment grade	(2)	(3)	(7)	(26)	(38)
Specifically provided for amounts	-	-	-	-	-
Total provision for ECL	(2)	(3)	(7)	(26)	(38)
Total	1,178	549	437	585	2,749

7. Notes receivable

(thousands of Canadian Dollars)	Team Snubbing	Delta	Total
Notes receivable, December 31, 2023	2,948	792	3,740
Gross payments received	(772)	-	(772)
Interest included in gross payments	151	-	151
Non-cash accretion	221	44	265
Notes receivable – gross, December 31, 2024	2,548	836	3,384
Net settlement with contingent consideration (Note 16)	-	(293)	(293)
Notes receivable, December 31, 2024	2,548	543	3,091

Current portion	1,062
Long-term portion	2,029
Notes receivable, December 31, 2024	3,091

(thousands of Canadian Dollars)	Team Snubbing	Delta	Total
Notes receivable – gross, December 31, 2024	2,548	836	3,384
Gross payments received	(1,091)	(293)	(1,384)
Interest included in gross payments	105	-	105
Non-cash accretion	187	29	216
Notes receivable – gross, December 31, 2025	1,749	572	2,321
Net settlement with contingent consideration (Note 16)	-	(293)	(293)
Notes receivable, December 31, 2025	1,749	279	2,028

Current portion	1,175
Long-term portion	853
Notes receivable, December 31, 2025	2,028

During 2022, High Arctic entered into an agreement with Team Snubbing Services Inc. ("Team Snubbing") to sell its snubbing assets (the "Snubbing Transaction"). As part of the consideration, High Arctic received a convertible promissory note from Team Snubbing for $3,365 with a five-year term, annual interest of 4.5% accruing from January 1, 2023 and principal repayments which commenced in July 2024. The carrying value of the note was determined by discounting the anticipated future cash flow impact of the note using an effective interest rate of 13.0% which approximated the credit risk associated with the principal amount outstanding of the note upon initial recognition. In the event of default, the outstanding principal amount plus accrued interest is convertible to additional common shares of Team Snubbing.

In 2023, as part of the acquisition of Delta, High Arctic received an interest-free note receivable for $880 repayable in equal amounts over three years. The carrying value of the note was determined by discounting the anticipated future cash flow impact of the note using an effective interest rate of 5.0% which approximates the credit risk associated with the principal amount outstanding of the note upon initial recognition.

8. Property and equipment

(thousands of Canadian Dollars)	Vehicles	Oilfield equipment	Office & computer equipment	Land and building	Work-in progress	Total
Costs						
Balance, December 31, 2023	372	166,131	2,491	6,866	310	176,170
Additions	-	1,625	-	-	-	1,625
Disposals	(58)	(523)	-	-	-	(581)
Distributed to SpinCo as per the Arrangement	(132)	(148,675)	(243)	-	(310)	(149,360)
Balance, December 31, 2024	182	18,558	2,248	6,866	-	27,854
Additions	97	1,131	5	-	-	1,233
Disposals	(43)	(190)	-	-	-	(233)
Balance, December 31, 2025	236	19,499	2,253	6,866	-	28,854
Accumulated depreciation						
Balance, December 31, 2023	315	144,441	2,184	1,676	-	148,616
Depreciation	1	1,611	207	173	-	1,992
Disposals	(47)	(348)	-	-	-	(395)
Distributed to SpinCo as per the Arrangement	(89)	(132,648)	(221)	-	-	(132,958)
Balance, December 31, 2024	180	13,056	2,170	1,849	-	17,255
Depreciation	1	1,559	49	173	-	1,782
Disposals	-	(176)	-	-	-	(176)
Balance, December 31, 2025	181	14,439	2,219	2,022	-	18,861
Net book value, December 31, 2024	2	5,502	78	5,017	-	10,599
Net book value, December 31, 2025	55	5,060	34	4,844	-	9,993

The Corporation determined that there were no indicators of impairment for the rental services CGU and corporate asset CGU at December 31, 2025 and 2024.

During the year ended December 31, 2025, the Corporation disposed of property and equipment with a carrying amount of $57 for net proceeds of $222, resulting in gain of $165. During the year ended December 31, 2024, the Corporation disposed of property and equipment with a carrying amount of $186 for net proceeds of $178, resulting in loss of $8.

9. Right of use assets and lease liabilities

(a) Right of use assets:

(thousands of Canadian Dollars)	As at Dec 31, 2025	As at Dec 31, 2024
Cost		
Opening balance, January 1	1,611	3,653
Distributed to SpinCo as per the Arrangement	-	(2,087)
Additions	198	49
Disposals	(268)	(4)
Closing balance, December 31	1,541	1,611

(thousands of Canadian Dollars)	As at Dec 31, 2025	As at Dec 31, 2024
Accumulated amortization		
Opening balance, January 1	407	998
Distributed to SpinCo as per the Arrangement	-	(881)
Amortization	314	290
Disposals	(183)	-
Closing balance, December 31	538	407
Net book value, December 31	1,003	1,204

Right of use assets are comprised of real estate assets and vehicles.

(b) Lease liabilities:

(thousands of Canadian Dollars)	As at Dec 31, 2025	As at Dec 31, 2024
Opening balance, January 1	1,311	2,819
Distributed to SpinCo as per the Arrangement	-	(1,286)
Additions	198	49
Disposals	(85)	(4)
Payments	(383)	(349)
Finance expense (Note 19(c))	72	82
Closing balance, December 31	1,113	1,311
Current	294	368
Non-current	819	943

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

The incremental borrowing rate used to discount lease additions during the year ended December 31, 2025, ranged from 6.20-7.25% (2024 – 6.67-7.25%).

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

(thousands of Canadian Dollars)	As at Dec 31, 2025	As at Dec 31, 2024
Less than one year	351	435
One year to five years	885	294
More than five years	-	753
Total undiscounted lease liabilities	1,236	1,482

Lease payments for short-term and low-value leases, primarily related to third-party rental equipment, were expensed as incurred and amounted to $926 during the year ended December 31, 2025 (2024 - $1,567).

10. Intangible assets

(thousands of Canadian Dollars)	Customer relationships	Brand and non-compete agreement	Software	Total intangibles
Costs				
Balance, December 31, 2023	1,215	286	-	1,501
Additions	-	-	322	322
Balance, December 31, 2024	1,215	286	322	1,823
Additions	-	-	-	-
Balance, December 31, 2025	1,215	286	322	1,823
Accumulated amortization				
Balance, December 31, 2023	-	-	-	-
Amortization	243	57	13	313
Balance, December 31, 2024	243	57	13	313
Amortization	243	57	32	332
Balance, December 31, 2025	486	114	45	645
Net book value, December 31, 2024	972	229	309	1,510
Net book value, December 31, 2025	729	172	277	1,178

The Corporation determined that there were no indicators of impairment for intangible assets during the years ended December 31, 2025 and 2024.

11. Goodwill

(thousands of Canadian Dollars)	As at Dec 31, 2025	As at Dec 31, 2024
Goodwill	812	812

Goodwill is the result of previous business combinations and is generally attributable to anticipated synergies and other intangible assets that are not required to be separately identified.

The Corporation determined that there were no indicators of impairment for goodwill during the years ended December 31, 2025 and 2024.

The Corporation's impairment analysis as at December 31, 2024, indicated that the recoverable amount of the rental services CGU exceeded its carrying value, and therefore, no impairment was recorded. The recoverable amount of the CGU was based on its value in use and the significant assumptions for the value in use calculations were the discount rates and EBITDA forecasts. At December 31, 2024, the Corporation used an estimated risk adjusted, after-tax discount rate of 25% and a terminal growth rate of 2.9%. Future cash flows are based on various judgements and estimates including actual performance of the business, management's estimates of future performance, and indicators of future industry activity levels. A 1% increase in the after-tax discount rate and a 1% decrease in the terminal growth rate would not have resulted in an impairment being recognized.

The Corporation's impairment analysis as at December 31, 2025, indicated that the recoverable amount of the rental services CGU exceeded its carrying value, and therefore, no impairment was recorded. The recoverable amount of the CGU was based on its value in use and the significant assumptions for the value in use calculations were the discount rates and EBITDA forecasts. At December 31, 2025, the Corporation used an estimated risk adjusted, after-tax discount rate of 23% and a terminal growth rate of 2.5%. Future cash flows are based on various judgements and estimates including actual performance of the business, management's estimates of future performance, and indicators of future industry activity levels. A 1% increase in the after-tax discount rate and a 1% decrease in the terminal growth rate would not have resulted in an impairment being recognized.

12. Equity investments

(thousands of Canadian Dollars)	Team Snubbing Services Inc	Seh' Chene Well Services Limited Partnership	Total
As at Dec 31, 2023	8,034	148	8,182
Loss from equity investments	(690)	-	(690)
As at Dec 31, 2024	7,344	148	7,492
Income from equity investments	882	-	882
Other comprehensive income from equity investments	145	-	145
Distributions received	-	(137)	(137)
As at Dec 31, 2025	8,371	11	8,382

Team Snubbing Services Inc.

In 2022, as part of the Snubbing Transaction, an equity ownership investment in Team Snubbing and a note receivable (Note 7) were received as consideration, which collectively form the Corporation's net investment in Team Snubbing.

High Arctic has a 42% ownership interest and holds two of the five Board of Director positions in Team Snubbing. Team Snubbing is an Alberta corporation which provides energy service pressure control snubbing business in Western Canada and Alaska, US. The investment is strategic to the Corporation's operations in the energy service industry.

The consolidated financial information for Team Snubbing, including a reconciliation to the Corporation's carrying value of its investment in Team Snubbing, as at and for the years ended December 31, 2025 and 2024 are as follows:

Consolidated Statements of Financial Position (thousands of Canadian Dollars)	As at Dec 31, 2025	As at Dec 31, 2024
Cash	60	334
Current assets, excluding cash	8,286	5,838
Non-current assets	20,369	19,992
Current liabilities	(18,482)	(13,452)
Non-current liabilities	(1,221)	(6,145)
	9,012	6,567
Adjusted for: embedded goodwill on the initial 42% investment in Team Snubbing (1)	10,919	10,919
Adjusted net asset value	19,931	17,486
Equity ownership percentage	42%	42%
Carrying value – Investment in Team Snubbing	8,371	7,344

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) (thousands of Canadian Dollars)	Year ended Dec 31, 2025	2024
Revenue	34,763	26,064
Net income (loss) after tax	2,099	(1,662)
Net income (loss) after tax – 42% share	882	(690)
Other comprehensive income	345	-
Other comprehensive income – 42% share	145	-

(1) The carrying amount of the equity investment includes $4,586 being the Corporation's proportionate share of the embedded goodwill on the initial 42% investment in Team Snubbing (2024: $4,586).

The Corporation determined that there were potential indicators of impairment related to its investment in Team Snubbing as at December 31, 2025, and as a result, an impairment analysis was completed. The Corporation's impairment analysis as at December 31, 2025, indicated that the recoverable amount of its investment in Team Snubbing exceeded its carrying value, and therefore, no impairment was recorded. The recoverable amount of the investment in Team Snubbing was based on the Corporation's estimated fair value less cost of disposal of its equity interest in Team Snubbing. Significant assumptions used to determine fair value included level 3 inputs consisting of an EBITDA based valuation multiple and EBITDA forecasts. At December 31, 2025, the valuation multiple used by the Corporation in the determination of fair value was 2.9 times. Future cash flows are based on various judgements and estimates including actual performance of the business, management's estimates of future performance, and indicators of future industry activity levels. A 10% decrease in the valuation multiple would have resulted in an impairment of $464 being recognized.

The Corporation determined that there were no indicators of impairment related to its investment in Team Snubbing as at December 31, 2024.

Seh' Chene Well Services Limited Partnership

High Arctic has a 49% ownership interest in the Seh' Chene Well Services Limited Partnership (the "Partnership") and is one of two participants in the Partnership whose mission is to execute dependable high-quality energy services, focused on environmental stewardship, while creating opportunity for local Indigenous communities and individuals. Investment into the Partnership in 2020 was nominal with the Corporation's interest in net earnings being $148 as at December 31, 2024.

During the year ended December 31, 2025, the Partnership declared a distribution of $280 and as a result, High Arctic's proportionate share of the distribution of $137 was recorded as reduction to its equity investment in the Partnership, resulting in a net investment of $11 as at December 31, 2025.

13. Accounts payable and accrued liabilities

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

(thousands of Canadian Dollars)	As at Dec 31, 2025	As at Dec 31, 2024
Trade accounts payable	578	883
Accrued liabilities	583	808
Wages and payroll taxes payable	83	105
Other accounts payable	114	92
Total accounts payable and accrued liabilities	1,358	1,888

14. Long-term debt

(thousands of Canadian Dollars)	As at Dec 31, 2025	As at Dec 31, 2024
Current	175	175
Non-current	3,003	3,178
Total	3,178	3,353

The Corporation has mortgage financing secured by its lands and buildings located within Alberta, Canada. The mortgage bears interest at a fixed rate of 4.30% and requires monthly principal and interest payments. The mortgage has a contractual maturity date in 2044. The current interest rate term is five years and expires on December 15, 2026. The Corporation's mortgage financing contains certain non-financial covenants requiring lenders' consent including changes to the underlying business. The Corporation was in compliance with all non-financial covenants as at December 31, 2025 and December 31, 2024.

15. Credit facility

On December 29, 2025, the Corporation entered into a revolving credit facility (the "Facility") with a Canadian financial institution (the "Lender") for a maximum principal amount of $3,000. The Facility is secured by a general security agreement, which specifically provides the Lender with a first priority lien over the majority of the Corporation's personal property, inclusive of the Corporation's trade accounts receivable (the "Borrowing Base"). The availability of the Facility is limited to eligible trade accounts receivable, subject to monthly borrowing base certificates and eligibility requirements, with eligibility requirements based on the age and credit worthiness of the Corporation's trade accounts receivables.

As at December 31, 2025, there was no amount drawn on the Facility. As at December 31, 2025, in accordance with the Borrowing Base calculation, the maximum amount available under the Facility was $1,424.

The Facility matures on December 28, 2026. The Facility is due on demand at the discretion of the Lender, whilst the Corporation maintains the ability to draw on, and make repayments at its discretion.

The interest rate on any drawn amounts is Canadian prime plus 2.25%. The Facility requires the payment of standby fees on any undrawn amounts.

The Facility has a number of financial covenants which include the Corporation maintaining certain financial ratios related to current assets and current liabilities, debt obligations to earnings before interest, income taxes, depreciation and amortization expenses, as defined in the Facility agreement, ("Compliance EBITDA"), and a debt service coverage ratio. The Corporation, was in compliance with all financial and non-financial covenants as at December 31, 2025.

16. Contingent consideration payable

(thousands of Canadian Dollars)	As at Dec 31, 2025	As at Dec 31, 2024
Opening balance – gross	3,503	2,952
Accretion (Note 19(c))	216	292
Fair value adjustment	(89)	259
Cash payment - gross	(873)	-
Settlement through issuance of common shares (Note 17(a))	(273)	-
Closing balance – gross	2,484	3,503

Contingent consideration payable – gross	2,484	3,503
Less: impact of net settlement of note receivable (Note 7)	(293)	(293)
Contingent consideration payable – net	2,191	3,210

Current	2,191	2,098
Non-current	-	1,112
Total	2,191	3,210

On December 28, 2023, High Arctic completed the acquisition of all the shares of Delta for cash consideration of $3,430 and contingent consideration of $2,952. The contingent consideration is payable in a combination of cash and common shares of the Corporation over a thirty-six-month period following the transaction's close. Common shares of the Corporation can be issued to settle a component of the contingent consideration if the Corporation's capital structure provides the ability to do so. As at December 31, 2025, the Corporation does not anticipate that any additional common shares would be issued as a component of existing or future settlements.

The contingent consideration is anticipated to be paid in three instalments being Year 1 (calculated based on fiscal 2024 financial results), Year 2 (calculated based on fiscal 2025 financial results) and Year 3 (calculated based on fiscal 2026 financial results). Payment of each respective year will occur during the first quarter of the fiscal year subsequent to the most recently completed fiscal year.

The contingent consideration is based on Delta achieving specific profitability targets and is adjusted for capital expenditures incurred. The seller will receive a percentage of the profitability target achieved based on the following schedule:

Calculation of Contingent Consideration Percentage Multiplier:

Percent of profitability target achieved	Percentage multiplier
Less than 50% of profitability target	= 0x
50.1% to 95.0% of profitability target	= 1x minus (2 multiplied by (100% - % of profitability target achieved))
95.1% to 120.0% of profitability target	= 1x
120.1% of profitability target	= 1.2x plus (1.5 multiplied by (% of profitability target achieved – 120%))

In determining the fair value of the contingent consideration payable for periods where actual financial results are not completed, the Corporation utilizes a combination of future internal budgets and forecasts, taking into account various probability scenarios, as appropriate, to determine a probability weighted future liability. Future expected payments are discounted to determine the current net present value of the anticipated payments. Changes to future expected payments are recognized in net earnings (loss), in the period the determination is made as a fair value adjustment.

In 2024, as a result of 2024 actual financial results and capital expenditures related to the legacy Delta business, combined with expected financial results and capital expenditures for fiscal 2025 and 2026, the Corporation recognized a total liability of $3,503. The current obligation was $2,098, net of a $293 payment required under the note receivable due to the Corporation from Delta for which the Corporation has the ability to net settle against the financial liability. In the first quarter of 2025, the Corporation settled the 2024 financial liability (Year 1 liability) of $1,146 through a net cash payment of $580, the issuance of common shares with a value of $273 and the net settlement of amounts due to the Corporation related to the note receivable of $293. The then remaining current obligation of $952 related to the anticipated Year 2 payment with a non-current obligation of $1,112 relating to the then anticipated Year 3 payment. The Year 2 and Year 3 financial obligations were adjusted throughout fiscal 2025 based on actual financial performance and additional non-cash accretion recognized throughout fiscal 2025.

In 2025, as a result of 2025 actual financial results and capital expenditures related to the legacy Delta business, combined with expected financial results and capital expenditures for 2026, the Corporation recognized a total liability of $2,484. The current obligation is $2,191, net of a $293 payment required under the note receivable due to the Corporation from Delta for which the Corporation has the ability to net settle against the financial liability. In the first quarter of 2026, the Corporation settled the 2025 financial liability (Year 2 liability) of $1,147 through a cash payment of $854 and the net settlement of amounts due to the Corporation related to the note receivable of $293. The remaining current obligation of $1,337 relates to the anticipated Year 3 payment. There is no non-current obligation outstanding as at December 31, 2025. The Year 3 financial obligation will be adjusted throughout fiscal 2026 based on actual financial performance and additional non-cash accretion recognized throughout fiscal 2026.

17. Share capital

(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; all issued and outstanding common 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)		Year ended Dec 31, 2025		Year ended Dec 31, 2024
Common shares issued and outstanding:	Shares	Amount	Shares[1]	Amount
Balance, beginning of year	12,448,166	$133,153	12,280,568	$169,992
Issuance of common shares (Note 16)	248,793	273	-	-
Exercise of performance share units (Note 18)	-	-	70,545	422
Exercise of deferred share units (Note 18)	-	-	97,053	581
Distribution - return of capital	-	-	-	(37,842)
Balance, end of year	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 and per share amounts)	Year ended December 31, 2025	2024[1]
Continuing Operations:		
Net earnings (loss)	356	(2,117)
Basic - weighted average number of common shares	12,653,335	12,366,198
Basic earnings (loss) per share	0.03	(0.17)
Diluted - weighted average number of common shares[2][3]	12,653,335	12,366,198
Diluted earnings (loss) per share[2][3]	0.03	(0.17)
Discontinued Operations:		
Net earnings	-	30,428
Basic - weighted average number of common shares	-	12,366,198
Basic earnings per share	-	2.46
Diluted - weighted average number of common shares[2][3]	-	12,366,198
Diluted earnings per share[2][3]	-	2.46

(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 has net earnings, stock options outstanding under the Corporation's equity-based compensation plans that are exercisable but out-of-money are excluded from the calculation of diluted weighted average number of common shares as the inclusion of these stock options would be anti-dilutive.

(3) For periods when the Corporation incurs 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.

18. 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 Equity-Based Compensation Plan replaces all of the Corporation's legacy equity incentive plans. The general terms and conditions of the new Equity-Based Compensation Plan remain consistent with the Corporation's legacy equity incentive plans.

The Corporation's Equity-Based Compensation Plan allows up to 10% of all existing outstanding common shares to be issued. The following table summarizes the Corporation's current outstanding Grants under the Equity-Based Compensation Plan as at December 31, 2025 and December 31, 2024:

(number of stock options and share units)	As at December 31, 2025	As at December 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

Share-based compensation expense associated with the Corporation's Equity-Based Compensation Plan can be summarized as follows:

	Year ended December 31,	
(thousands of Canadian Dollars)	2025	2024
Stock options	163	5
Performance share unit plan – restricted and performance units	-	121
Deferred share units	-	34
Share-based compensation expense	163	160

Stock option plan

The Corporation's Equity-Based Compensation 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 and associated changes and weighted average exercise prices are as follows:

	Number of stock options	Weighted average exercise price ($)
As at December 31, 2023	29,250	5.56
Forfeited/settled	(29,250)	(5.56)
Granted	575,000	1.19
As at December 31, 2024	575,000	1.19
Forfeited/settled	-	-
Granted	-	-
As at December 31, 2025	575,000	1.19

On November 18, 2024, a total of 575,000 of stock options were granted at an exercise price of $1.19. The estimated fair value of each share option granted was $0.51 calculated using the Black-Scholes-Merton model The model inputs used include a five-day volume-weighted average share price of $1.19, expected annual volatility of 60.8%, a weighted-average forfeiture rate of 28.3%, and a risk-free interest rate of 3.1%.

All of the 575,000 stock options issued under the Corporation's legacy stock option plan in 2024 are now governed under the Corporation's new Equity-Based Compensation Plan. No stock options were granted during year ended December 31, 2025. As at December 31, 2025, 225,000 of the issued and outstanding stock options were exercisable at weighted average exercise price of $1.19 (2024: no stock options were exercisable). The expiry date for all of the 575,000 stock options outstanding as at December 31, 2025 and 2024 is November 18, 2029.

Historical performance share unit plan

Historically and prior to the adoption of the Equity-Based Compensation Plan, the Corporation issued RSUs and PSUs to senior management and consultants to provide them with the opportunity to acquire an increased proprietary interest in the Corporation's growth and development.

In conjunction with the Arrangement, all outstanding RSUs were exercised, all outstanding PSUs were settled in 2024, and no new RSUs and PSUs were granted in 2025 or 2024.

Details regarding the performance share unit plan units and related activity are as follows:

(number of share units)	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 2025	-	-	-

Historical deferred share unit plan

Historically, and prior to the adoption of the Equity-Based Compensation Plan, the Corporation issued DSUs to non-employee directors to provide them with the opportunity to participate in the long-term success of the Corporation and, in lieu of cash compensation, to promote a greater alignment of interests between directors and the Corporation's shareholders.

In conjunction with the Arrangement, all outstanding DSUs were settled in 2024 and no new DSUs were granted subsequently.

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

(number of share units)	Total
As at December 31, 2023	234,634
Granted	7,870
Exercised	(97,053)
Settled	(92,121)
Forfeited	(53,330)
As at December 31, 2024 and 2025	-

All of DSUs granted in 2024 were granted pursuant to certain Directors' electing to have their compensation for services paid in DSUs rather than cash. The weighted average fair value of each DSU granted during 2024 was $1.09, 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 historical DSU plan. As a result of the redemption, 97,053 DSUs were exercised and issued as common shares to the Directors and 92,121 DSUs were settled in cash of $551.

19. Supplementary expense disclosures – continuing operations

(a) Oilfield services expenses by nature:

(thousands of Canadian Dollars)	Year ended December 31, 2025	2024
Personnel	1,751	1,512
Material and supplies	1,659	2,131
Equipment operating and maintenance	1,466	1,379
Other	311	241
Total oilfield services expenses	5,187	5,263

(b) General and administrative expenses by nature:

(thousands of Canadian Dollars)	Year ended December 31, 2025	2024
Personnel	2,217	2,856
Professional, legal and advisory fees	525	1,675
Office and warehouse	267	196
Corporate	233	383
Vehicle, supplies and other	122	90
Information technology services	117	356
Expected credit loss (recovery)	71	(144)
Total general and administrative expenses	3,552	5,412

(c) Interest and finance expenses:

(thousands of Canadian Dollars)	Year ended December 31, 2025	2024
Accretion expense on contingent consideration (Note 16)	216	292
Interest on long-term debt and standby fees	143	150
Other expenses	78	11
Finance expense – lease liabilities (Note 9(b))	72	82
Interest and finance expenses	509	535

20. Supplementary cash flow information

Changes in non-cash working capital balances:

(thousands of Canadian Dollars)	Year ended December 31, 2025	2024
Source (use) of cash:		
Accounts receivable	(199)	(95)
Inventory, prepaid expense and other assets	42	117
Accounts payable and accrued liabilities	(530)	(322)
	(687)	(300)
Attributable to:		
Operating activities	(729)	(300)
Investing activities	42	-
Financing activities	-	-
	(687)	(300)

21. Revenue disaggregation

(thousands of Canadian Dollars)	Year ended December 31, 2025	2024
Equipment rentals	6,942	7,200
Ancillary, reimbursements and other	3,210	2,850
Leases	489	420
Total revenue	10,641	10,470

22. Income tax

(a) Income tax expense – from continuing operations

(thousands of Canadian Dollars)	Year ended December 31, 2025	Year ended December 31, 2024
Current income tax expense (recovery)	(14)	9
Deferred income tax recovery	-	-
Total income tax expense (recovery)	(14)	9

(thousands of Canadian Dollars)	Year ended December 31, 2025	Year ended December 31, 2024
Income (loss) before income tax	342	(2,108)
Canadian statutory tax rate	23.06%	23.00%
Expected income tax expense (recovery)	79	(485)
Increase (decrease) resulting from:		
Tax rate changes	(112)	470
Non-deductible differences	36	66
Non-taxable dividends received	-	(83)
Change in unrecognized deferred tax asset	222	(1,242)
Reconciliation to prior year provision	(241)	1,006
Recognition of previously unrecognized deferred tax liability	-	-
Other	2	277
Total income tax expense (recovery)	(14)	9
Effective tax rate	(4.1%)	(0.4%)

The provision for income tax differs from the result that would be obtained by applying the expected Canadian tax rate of 23.06% (2024 – 23.00%) against the net loss before income taxes. The Corporation's effective tax rate was impacted mainly by unrecognized deferred tax assets related to deductible temporary differences in Canada.

(b) *Deferred income tax assets (liabilities)*

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

The following table summarizes the deferred income tax assets and liabilities by jurisdiction:

	Year ended December 31, 2025	Year ended December 31, 2024
Continuing operations:		
Deferred income tax assets (liabilities):		
Property and equipment	1,397	1,010
Intangible assets	(197)	(273)
Right of use assets	(231)	(277)
Equity investments	(146)	-
Lease liabilities	257	303
Non-capital losses	32,201	31,017
Capital losses	4,563	4,554
Unrecognized deferred tax asset	(37,751)	(36,231)
Other	(93)	(103)
	-	-

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

	December 31, 2024	Recognized in net loss	December 31, 2025
Continuing operations:			
Deferred income tax assets (liabilities):			
Property and equipment	1,010	387	1,397
Intangible assets	(273)	76	(197)
Right of use assets	(277)	46	(231)
Equity investments	-	(146)	(146)
Lease liabilities	303	(46)	257
Non-capital losses	31,017	1,184	32,201
Capital losses	4,554	9	4,563
Unrecognized deferred tax asset	(36,231)	(1,520)	(37,751)
Other	(103)	12	(93)
Net deferred income tax assets (liabilities)	-	-	-

	December 31, 2023	Recognized in net loss	Distributed to SpinCo	December 31, 2024
Continuing operations:				
Deferred income tax assets (liabilities):				
Property and equipment	1,665	(655)	-	1,010
Intangible assets	(350)	77	-	(273)
Right of use assets	(337)	60	-	(277)
Lease liabilities	357	(54)	-	303
Non-capital losses	31,526	(509)	-	31,017
Capital losses	4,606	(52)	-	4,554
Unrecognized deferred tax asset	(37,467)	1,236	-	(36,231)
Other	-	(103)	-	(103)
	-	915	(915)	-
Discontinued operations:				
Deferred income tax assets (liabilities):				
Property and equipment and Inventory	(1,726)	249	(1,477)	-
Non-capital losses	2,976	(320)	2,656	-
Unrecognized deferred tax asset	(1,250)	71	(1,179)	-
	-	-	-	-
Net deferred income tax assets (liabilities)	-	-	-	-

During 2023, deferred tax assets created through the accumulation of non-capital losses in Canada were reviewed to assess the probability that future taxable profit could be utilized against such losses, and it was determined that the deferred tax assets should be written down to nil. At December 31, 2025 and 2024 the Corporation assessed the probability that future taxable profit could be utilized against non-capital losses and determined that no deferred tax asset should be recorded at December 31, 2025 and 2024.

(c) Deductible temporary differences

The following table summarizes the deductible temporary differences for which no deferred tax asset is recognized in the Corporation's Financial Statements:

	Year ended December 31, 2025	Year ended December 31, 2024
Continuing operations:		
Property and equipment	5,201	3,203
Equity investments	-	-
Lease liabilities	109	113
Non-capital losses - Canada	132,912	134,407
Non-capital losses - US	9,238	9,623
Capital losses - Canada	39,573	39,603
	187,033	186,949

(d) Unrecognized non-capital losses

Total Canadian non-capital losses carried forward for income tax purposes totaled $133,938 at December 31, 2025 (2024 - $135,509), which expire in years 2028 through 2044. Total US Federal net operating losses of $5,670 (December 31, 2024 - $5,597) and State net operating losses of $3,646 (December 31, 2024 - $3,568), which can be carried forward indefinitely to reduce future taxable income in US.

(e) Capital losses

At December 31, 2025, the capital losses carried forward for income tax purposes totaled $39,573 (2024 - $39,603), which can be carried forward indefinitely, but only used against capital gains.

(f) Withholding taxes

The government of PNG levies foreign contractor withholding tax at 15% on all PNG revenue earned by companies incorporated outside of PNG, which includes the Corporation's Singaporean entity. Customers deduct this tax and remit it directly to the government in PNG. Included in Income tax recovery (expense) from discontinued operations relating to the Spin-off of the PNG business (Note 5) is $860 for year ended December 31, 2024.

23. Financial instruments and risk management

<u>Financial instrument measurement and classification:</u>

a) Fair Value Hierarchy

The Corporation has segregated all financial assets and liabilities into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date.

The fair value of the Corporation's financial instruments requires classification into one of the following levels of the fair value hierarchy:

• Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

• Level 2: inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

• Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy level at which a fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

b) Fair values versus carrying amounts

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, 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 fair values of financial assets and liabilities, together with amounts shown in the consolidated statements of financial position, are as follows:

	As at December 31, 2025		As at December 31, 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at amortized cost:				
Cash and cash equivalents	3,294	3,294	3,123	3,123
Accounts receivable	2,948	2,948	2,749	2,749
Notes receivable (1)	2,321	2,321	3,384	3,384

	As at December 31, 2025		As at December 31, 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities at amortized cost:				
Accounts payable and accrued liabilities	1,358	1,358	1,888	1,888
Long-term debt (2)	3,178	3,178	3,353	3,353
Financial liabilities at FVTPL:				
Contingent consideration payable (3)	2,484	2,484	3,503	3,503

(1) As at December 31, 2025, the estimated fair value of the Corporation's notes receivable was $2,321 (December 31, 2024 - $3,384). The fair value of the notes receivable is classified as Level 3 in the fair value hierarchy, as there are no quoted prices or observable market inputs available. Fair value is determined using a discounted cash flow model, which incorporates management's estimates of expected future cash flows, discount rates, and counterparty credit risk. See Note 7 for further information.

(2) The fair value of the long-term debt is determined by discounting the expected future cash flows using interest rates currently available to the Corporation for debt with similar terms, remaining maturities, and credit risk. The long-term debt bears interest at a fixed rate of 4.3%, which approximates market rates for comparable debt instruments as at December 31, 2025. As a result, management has determined that the carrying value of the long-term debt is not significantly different from its fair value as at December 31, 2025 (December 31, 2024 – not significantly different). See Note 14 for further information.

(3) As at December 31, 2025, the estimated fair value of the contingent consideration payable was $2,191 (December 31, 2024 - $3,210). The contingent consideration payable is measured at fair value at each reporting date and is classified as Level 3 in the fair value hierarchy due to the use of significant unobservable inputs. Fair value is determined using valuation techniques that incorporate management's estimates and assumptions regarding the probability and timing of future performance milestones and discount rates. See Note 16 for further information.

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:

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The Corporation currently has mortgage financing with a fixed interest rate of 4.30% (Note 14). The Corporation is exposed to interest rate risk upon renewal or expiration of the initial term. In addition, the Corporation has a revolving credit facility with no amounts drawn with an interest rate of Canadian prime plus 2.25%; the Corporation could be exposed to changes in floating interest rates on any future amounts drawn (Note 15).

The Corporation had no risk management contracts that would be affected by interest rates at December 31, 2025 and 2024.

Commodity price risk

Commodity price risk is the risk that the Corporation's future cash flows will fluctuate due to changes in demand for High Arctic's services, where almost all the Corporation's customers are oil and gas producers. High Arctic's customers' activity and strategic decisions are impacted by the fluctuations of oil and gas pricing.

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

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

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 earnings (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 concentration:

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, notes 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.

Accounts receivable

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 accounts receivables, taking into consideration payment history and the aging of the accounts receivable, to assess collectability.

In providing for ECL, the Corporation uses the historical default rates stratified by customer credit quality (investment grade and non-investment grade), adjusted for forward-looking information including commodity price assumptions and broader economic conditions affecting the oil and natural gas sector.

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. See Note 6 for further information.

Concentration of credit risk

The Corporation's continuing operations provided services to one large customer who individually accounted for greater than 10% of its consolidated revenues during the year ended December 31, 2025 with total sales of $2,817 (2024: one customer with total sales of $1,283).

As at December 31, 2025, two customers represented a total of $1,499 or 51% of outstanding accounts receivable (2024: two customers represented a total of $750 or 27% of outstanding accounts receivable).

Notes receivable

Credit risk staging and recognition of ECLs

At initial recognition, the Corporation recognizes a loss allowance equal to 12-month expected credit losses. A loss allowance equal to lifetime expected credit losses is recognized when there has been a SICR since initial recognition. Notes receivable that are credit-impaired are measured using lifetime ECLs, with interest revenue calculated on the net carrying amount.

The assessment of whether a SICR has occurred requires the application of significant judgement and is performed at each reporting date. The Corporation applies a rebuttable presumption that credit risk has increased significantly when contractual payments are more than 30 days past due, unless there is persuasive evidence to support a contrary conclusion.

In assessing SICR, the Corporation considers both quantitative and qualitative factors, including, but not limited to:

- Changes in payment performance, delinquency status, and days past due;
- Compliance with contractual terms and financial or operational covenants, where applicable;
- Changes in counterparty creditworthiness, including the availability and quality of financial information and external credit indicators, where available; and
- Adverse changes in economic, industry, commodity price, or market conditions that are expected to affect the counterparty's ability to meet its contractual obligations.

Measurement of expected credit loss

Expected credit loss represent a probability-weighted estimate of credit losses over the expected life of the notes receivable and incorporates reasonable and supportable information that is available without undue cost or effort at the reporting date, including forward-looking information.

The measurement of ECLs incorporates the following key components:

- Probability of default – determined based on historical default experience adjusted for counterparty-specific risk factors and forward-looking macroeconomic assumptions, including commodity price forecasts and broader economic indicators;
- Loss given default – reflecting historical recovery experience, the contractual terms of the notes receivable, and the existence and estimated realizable value of any collateral, guarantees, or other credit enhancements, where applicable; and,
- Exposure at default – representing the gross carrying amount outstanding at the reporting date, including accrued interest, where applicable.

Forward-looking information is incorporated through the use of multiple economic scenarios that are probability-weighted. Management judgement is required in selecting appropriate historical data, determining the relevance and weighting of forward-looking economic assumptions, and assessing counterparty-specific risk factors. Changes in assumptions related to counterparty credit quality, commodity prices, economic conditions, or expected recoveries could result in material changes to the ECL recognized in the Financial Statements.

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)
Probability of default	0.5-5%	2.5-5%
Loss given default	1-5%	40-90%
Exposure at default	Gross carrying amount	Gross carrying amount

During the year, the Corporation determined that its note receivable with Team Snubbing experienced a significant increase in credit risk, but was not credit-impaired, and was therefore classified as Stage 2 under the IFRS 9 expected credit loss model. Accordingly, a lifetime expected credit loss was assessed. Based on the Corporation's assessment of the counterparty's creditworthiness, expected cash flows, and the application of forward-looking information, the resulting lifetime expected credit loss for the year ended December 31, 2025 was determined to be nil (2024 - nil).

During the year, the Corporation determined that its note receivable with Delta did not experience a significant increase in credit risk, and was not credit-impaired, and was therefore classified as Stage 1 under the expected credit loss model. Accordingly, a 12-month expected credit loss was assessed. Based on the Corporation's assessment of the counterparty's creditworthiness, expected cash flows, and the application of forward-looking information, the resulting expected credit loss for the year ended December 31, 2025 was determined to be nil (2024 - nil).

Write-offs

Notes receivables are written off, in whole or in part, when the Corporation determines that there is no reasonable expectation of recovery. Indicators that a note receivable should be written off include prolonged delinquency, insolvency or bankruptcy of the counterparty, or the exhaustion of all practical recovery actions. There were no write-offs of the Corporation's notes receivable during the year ended December 31, 2025 (2024 - nil).

Concentration of credit risk

The Corporation's credit exposure arises from its notes receivable with Team Snubbing and Delta.

Management believes this risk is mitigated through ongoing credit monitoring, periodic reassessment of counterparty credit risk, and the application of credit loss allowances that reflect current and forward-looking conditions. Notwithstanding these mitigation strategies, adverse developments in the oil and gas sector or broader economic conditions could increase credit losses and result in higher ECL allowances.

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, inclusive of lease liabilities, as at December 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	1,358	-	-	-	-	1,358
Lease liabilities	58	293	351	534	-	1,236
Long-term debt	54	257	302	861	2,987	4,461
Contingent consideration payable [1]	854	1,337	-	-	-	2,191
Total	2,324	1,887	653	1,395	2,987	9,246

(1) See Note 16 for additional details.

24. Segmented information

The Corporation determines its operating segments based on internal information reviewed by the chief operating decision maker, being the Corporation's Chief Executive Officer ("CEO"), in addition to input from the Corporation's executive management team and Board of Directors to allocate resources and assess performance. The Corporation's reportable operating segments are strategic operating units that offer different products and services and warrant separate capital allocation consideration. As at December 31, 2025, the Corporation has one operating segment, supported by a corporate segment. As at December 31, 2024, the Corporation had 3 operating segments, supported by a corporate segment. Changes to the Corporation's operating segments as at December 31, 2025 as compared to December 31, 2024 are due to the Arrangement (Note 1) and the resulting disclosure of certain items as a component of discontinued operations in the prior year comparative period.

A summary of the Corporation's current and historical operating segments is as follows:

a) Rental services

Consists of High Arctic's oilfield rental equipment of pressure control and other oilfield equipment to exploration and production companies in Canada. As per the Arrangement (Note 1), the rental services segment that comprised the oilfield rental equipment business in PNG was distributed to SpinCo on August 12, 2024. The results of the rental services segment in PNG have been captured in discontinued operations (Note 5).

b) Corporate

This segment provides management and administrative services to the Corporation's operations and includes the Corporation's equity investments, snubbing assets in the US and passively held industrial properties.

c) Drilling services

This segment consists of the Corporation's drilling services provided in PNG, including the provision of drilling personnel to assist our customer's operations. As per the Arrangement (Note 1) this segment was distributed to SpinCo on August 12, 2024. The results from this segment in the comparative year have been captured in discontinued operations (Note 5).

d) Production services

The results from this segment in the comparative year related to the Corporation's snubbing assets in the US have been transferred to the Corporate segment in the current year. The remaining activity continues to be classified in discontinued operations (Note 5).

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

i. Income (loss) from reportable segments

Year ended December 31, 2025 (thousands of Canadian Dollars)	Rental services	Corporate	Total
Revenue	10,153	488	10,641
Oilfield services expenses	(5,187)	-	(5,187)
General and administrative expenses	(981)	(2,571)	(3,552)
Depreciation and amortization expenses	(1,997)	(431)	(2,428)
Share-based compensation expenses	-	(163)	(163)
Interest and other income	-	199	199
Interest and finance expenses	-	(509)	(509)
Accretion on notes receivable	-	216	216
Foreign exchange loss	-	(11)	(11)
Gain on sale of property and equipment	165	-	165
Fair value adjustment to contingent consideration	-	89	89
Income from equity investments	-	882	882
Net segment income (loss) before income tax expense from continuing operations	2,153	(1,811)	342
Net segment income (loss) before income tax expense from discontinued operations	-	-	-

Year ended December 31, 2024 (thousands of Canadian Dollars)	Drilling services	Production services	Rental services	Corporate	Total
Revenue	-	-	10,470	-	10,470
Oilfield services expenses	-	-	(5,263)	-	(5,263)
General and administrative expenses	-	-	(979)	(4,433)	(5,412)
Depreciation and amortization expenses	-	-	(1,418)	(1,182)	(2,600)
Share-based compensation expenses	-	-	-	(160)	(160)
Interest and other income	-	-	-	1,289	1,289
Interest and finance expenses	-	-	-	(535)	(535)
Accretion on notes receivable	-	-	-	265	265
Foreign exchange gain	-	-	-	795	795
Loss on sale of property and equipment	-	-	-	(8)	(8)
Fair value adjustment to contingent consideration	-	-	-	(259)	(259)
Loss from equity investments	-	-	-	(690)	(690)
Net segment income (loss) before income tax expense from continuing operations	-	-	2,810	(4,918)	(2,108)
Net segment income (loss) before income tax expense from discontinued operations (1)	1,066	(83)	1,709	28,596	31,288

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

ii. Asset breakdown by reportable segments

			As at December 31, 2025
(thousands of Canadian Dollars)	Rental services	Corporate	Total
Property and equipment	6,107	3,886	9,993
Right of use assets	971	32	1,003
Equity investments	-	8,382	8,382
Total assets	11,761	18,122	29,883
Capital expenditures	1,233	-	1,233

			As at December 31, 2024
(thousands of Canadian Dollars)	Rental services	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
Capital expenditures	1,625	322	1,947

25. Related party transactions

Director and executive personnel

The table below summarizes all Board of Director and executive compensation (CEO & CFO):

	Year ended December 31,	
(thousands of Canadian Dollars)	2025	2024
Directors' fees, executive wages including employee benefits	705	1,015
Share-based compensation	116	156
Total	821	1,171

As at December 31, 2025, one executive officer (2024: one) has a change of control clause that would result in additional wages and benefit expenses being accrued if executed, as well as immediate vesting of outstanding share-based compensation plans. For the year ended December 31, 2025 and 2024, there were no severance amounts paid to executive personnel.

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

For the year ended December 31, 2025, the Corporation paid SpinCo $197 and received $86 from SpinCo related to the reimbursement of and payment for certain general and administrative expenses. The Corporation and SpinCo were deemed to be related parties as a result of their common senior management, as the CEO of SpinCo was also the CEO of the Corporation until August 19, 2025. For the year ended and as at December 31, 2024, the Corporation charged to SpinCo and was owed by SpinCo $207 and $192 respectively for general and administrative services provided after the completion of the Arrangement.

Team Snubbing

The Corporation routinely conducts business with Team Snubbing in which it holds a 42% ownership interest (Note 12). The following table represents the balances as at December 31, 2025 and December 31, 2024, and transaction totals for the years ended December 31, 2025 and 2024 with Team Snubbing:

(thousands of Canadian Dollars)	2025	2024
Accounts receivable	427	446
Revenue	1,013	1,282
ECL losses (recovery)	9	(128)

These related party transactions are conducted in the normal course of business and are measured at the exchange amount, which approximates fair value.

Team Snubbing has provided an unlimited guarantee in favour of the Corporation for a lease agreement between the Corporation, as landlord, and an entity with common ownership to Team Snubbing. The lease commenced on October 1, 2022, has a term of 5 years, and requires equal monthly payments of $31, adjusted for core inflation, plus the tenant's proportionate share of operating costs. In the event of default by the tenant, Team Snubbing would have to compensate the Corporation.

26. Subsequent event

During the first quarter of 2026, the Corporation completed the sale of non-active oilfield equipment located in the United States for proceeds of US$120.