HIGH ARCTIC OVERSEAS HOLDINGS CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED
September 30, 2024 and 2023

MANAGEMENT’S DISCUSSION AND ANALYSIS

Overview

Management’s Discussion and Analysis (”MD&A”) is a summary review of risks, the results of operations, liquidity, and capital resources of High Arctic Overseas Holdings Corp. and its subsidiaries (”High Arctic”, “HOH”, or the “Corporation”) and should be read in conjunction with the unaudited interim consolidated financial statements and notes for the three and nine months ended September 30, 2024 and 2023 (the “Financial Statements”) and the audited consolidated financial statements and notes of High Arctic Energy Services Cyprus Limited (”HAES-Cyprus”) for the years ended December 31, 2023, 2022 and 2021. Additional information regarding High Arctic is available on SEDAR+ at www.sedarplus.ca.

The Financial Statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

This MD&A complements and supplements the Financial Statements as at September 30, 2024 and for the three and nine months ended September 30, 2024 and 2023 of the Corporation. This MD&A includes financial information, including the results of operations, liquidity and capital resources as if the Corporation was a standalone entity in existence for the reporting periods covered in this MD&A. For a full understanding of the financial position and results of operations of the business, this MD&A should be read in conjunction with the Financial Statements of the Corporation and the historical audited annual financial statements of HAES-Cyprus for the years ended December 31, 2023 and 2022, and interim consolidated financial statements, and annual information forms of its previous parent company High Arctic Energy Services Inc. for the years ended December 31, 2023, 2022 and 2021. High Arctic Energy Services Inc.’s historical annual and interim consolidated financial statements are available on HWO’s profile on SEDAR+ at www.sedarplus.ca. The audited annual financial statements of HAES-Cyprus for the years ended December 31, 2023, 2022 and 2021 are attached to the Corporation’s Listing Application dated August 12, 2024, which is available on the Corporation’s profile on SEDAR+.

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

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

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

- HWO transferred all of the outstanding ordinary shares of HAES-Cyprus, the subsidiary that owned and operated HWO's Papua New Guinea energy services business, to the Corporation;
- Each shareholder of HWO received as consideration, one quarter of one (1/4) common share of the Corporation and one quarter of one (1/4) post-Arrangement common share of HWO, for each pre-Arrangement common share of HWO held;
- The Corporation became a reporting issuer in Alberta, British Columbia, Manitoba, Ontario, and Saskatchewan and was listed on the TSX Venture Exchange (”TSXV”), and
- HWO retained its interest in the existing North American energy services business and remained listed on the Toronto Stock exchange and continued trading under the trading symbol HWO.

The common shares of the Corporation began trading on the TSXV on August 16, 2024 under the trading symbol HOH.

Since the Corporation and HAES-Cyprus were both wholly-owned by HWO, the transfer of all of the outstanding ordinary shares of HAES-Cyprus to the Corporation was deemed a common control transaction. The Corporation’s Financial Statements are presented under the continuity of interests basis. Financial and operational results contained within this MD&A present the historic financial position, results of operations and cash flows of HAES-Cyprus for all prior periods up to August 12, 2024, under HWO’s control. The financial position, results of operations and cash flows from April 1, 2024 (the date of incorporation of the Corporation) to August 12, 2024, include both HAES-Cyprus and the Corporation on a combined basis and from August 12, 2024, forward include the results of the Corporation on a consolidated basis upon completion of the Arrangement.

For reporting purposes, it is assumed that the Corporation held the PNG business prior to August 12, 2024, and as such, information provided includes the financial and operating results for the three and nine months ended September 30, 2024, including all comparative periods.

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

In the following discussion, the three months ended September 30, 2024, may be referred to as the "quarter" or "Q3 2024" and the comparative three months ended September 30, 2023, may be referred to as "Q3 2023". References to other quarters may be presented as "QX 20XX" with X/XX being the quarter/year to which the commentary relates. Additionally, the nine months ended September 30, 2024, may be referred to as "YTD" or "YTD-2024". References to other nine-month periods ended September 30 may be presented as "YTD-20XX" with XX being the year to which the nine-month period ended September 30 commentary relates.

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

This MD&A is dated November 29, 2024, and is in respect of the three and nine months ended September 30, 2024.

DISCUSSION OF OPERATIONS

2024 THIRD QUARTER SUMMARY

- Drilling rig 103 remained suspended and drilling rigs 115 and 116 remained cold-stacked. Manpower services and rental services continued with other customers. Operating margins increased from 29.5% in Q3 2023 to 36.8% in Q3 2024, support and management workforces were resized to realign with the reduced drilling activities during the quarter. The net result was a substantial reduction to revenue and the generation of negative EBITDA in the quarter:
    - Revenue for the quarter of $2,891, a decrease of $9,629 or 77% compared to Q3 2023 at $12,520, and
    - Adjusted EBITDA of ($344), a decrease of $3,259 or 112% compared to Q3 2023 at $2,915.
- The reduced revenue generating activities in Q3 2024 combined with higher general and administrative expenses relating to the completion of the Arrangement transaction drove the following results for the Corporation:
    - Net loss of $1,421 in Q3 2024 compared to a net loss of $11,946 realized in Q3 2023 which included an impairment charge of $15,200.

2024 YEAR TO DATE SUMMARY

- Drilling Rig 103 operated through to Q2 2024 when drilling was suspended at which point it was cold stacked. Manpower services and rentals with other customers continued at similar run rates through the entirety of Q3 2024. Operating margins were improved from 2023 of 33.6% to 38.7% in 2024 as a result of reduced material and supply costs and proportional contribution from higher margin rentals.
    - Revenue for the first nine months of 2024 was $21,654, a reduction of $9,193 or 30% compared to the same period in 2023, and
    - Adjusted EBITDA for the first nine months of 2024 was $4,862, a 41% reduction compared to the same period in 2023.
- The reduced operating activities combined with higher general and administrative expenses resulting from the Arrangement transaction, as noted above, drove the following results for the Corporation:
    - Net income of $1,051 for the first nine months of 2024 compared to a net loss of $10,530 for the same period 2023, which include an impairment charge of $15,200.
- Improved liquidity with a working capital balance of $18.5 million, which includes a cash balance of $14.9 million.

Outlook

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

Since the onset of COVID-19 in early 2020, there has been a substantive reduction in drilling services in PNG. This follows some consolidation among the active exploration and production companies and evolving political and economic influences. In the longer term, HOH believes PNG is on the precipice of a new round of large-scale projects in the natural resources sector. The Papua LNG project headed up by French super-major TotalEnergies is anticipated to be the next major project and is now targeting a final investment decision in 2025. There is an expectation for increased drilling activity through the latter half of this decade, not only to develop wells for the supply of gas to the Papua-LNG export facility, but also to explore for and appraise other discoveries. The signing of a fiscal stability agreement between the P'nyang gas field joint venture and the government of PNG is another positive signal for that expansionary project to follow Papua-LNG.

The Corporation is strategically positioned to support these developments, given its dominant position for drilling and associated services in PNG, existing work relationships with the operating companies, and proximity to the proposed sites of operation. The Corporation's drilling rigs 115 and 116 are portable by helicopter and have been maintained and preserved for future use.

There are a number of other petroleum projects and substantive nation-building projects including infrastructure, electrification, telecommunications and defense projects planned for the development of PNG. These projects will require access to transport and material handling machinery, quality worksite and temporary road mats and a substantive amount of labour including skilled equipment operators, qualified tradespeople and engineers, geoscientists and other professionals. HOH's business continues to position itself to be a meaningful supplier of services, equipment and manpower for this market.

The outlook for the Corporation's core business in PNG for the remainder 2024 and into 2025 remains subdued. As previously disclosed, results were impacted by the completion of customer drilling activity during the second quarter of 2024, with Rig 103 being relocated to the customer's forward base location and cold-stacked. With no near-term drilling activity currently anticipated, the Corporation expects equipment rental and manpower to be the primary revenue generating activity with revenues consistent with Q3 2024 for the fourth quarter of 2024 and into 2025.

The Corporation remains engaged with its principal customer on planning for future drilling activity, and continues to focus on enhancing and optimizing its existing rental fleet deployment and manpower solutions offerings.

The Corporation also continues to pursue business expansion opportunities in PNG, actively engaging with potential customers for its services in PNG and the wider region while also taking actions to protect its capability to realize the future potential of the business.

Select Comparative Financial Information

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

	Three months ended Sept 30,		Nine months ended Sept 30,	
(thousands of USD except per share amounts)	2024	2023	2024	2023
Operating results				
Revenue	**2,891**	12,520	**21,654**	30,847
Net income (loss)	**(1,421)**	(11,946)	**1,051**	(10,530)
Per share (basic and diluted) [1]	**($0.11)**	($0.96)	**$0.08**	($0.85)
Operating margin [2]	**1,064**	3,693	**8,376**	10,379
Operating margin as a % of revenue [2]	***36.8%***	*29.5%*	***38.7%***	*33.6%*
EBITDA [2]	**(365)**	2,888	**4,846**	8,236
Adjusted EBITDA [2]	**(344)**	2,915	**4,862**	8,281
Adjusted EBITDA as a % of revenue [2]	***(11.9%)***	*23.3%*	***22.5%***	*26.8%*
Operating income (loss) [2]	**(1,036)**	1,027	**1,719**	2,335
Per share (basic and diluted) [1]	**($0.08)**	$0.08	**$0.14**	$0.19
Cash flow from operations:				
Cash flow from operating activities	**1,219**	1,926	**9,864**	2,775
Per share (basic & diluted) [1]	**$0.10**	$0.15	**$0.79**	$0.22
Funds flow from operating activities [2]	**(630)**	2,428	**4,103**	7,344
Per share (basic & diluted) [1]	**($0.05)**	$0.20	**$0.33**	$0.59
Capital expenditures	**57**	482	**590**	987

(thousands of USD)	As at Sept 30, 2024	As at Dec 31, 2023
Financial position:		
Working capital [2]	**18,508**	20,335
Cash and cash equivalents	**14,858**	10,958
Total assets	**35,213**	43,374
Shareholder's equity	**29,175**	33,112
Per share (basic) [1]	**$2.34**	$2.66
Per share (fully diluted) [1]	**$2.34**	$2.66
Weighted average common shares outstanding (000's) [1]	**12,448**	12,448
Weighted average diluted shares outstanding (000's) [1]	**12,448**	12,448

(1) For the purposes of computing per share amounts, the number of common shares outstanding for the periods prior to the Arrangement is deemed to be the number of shares issued by the Corporation to the shareholders of HWO upon completion of the Arrangement. For the period after the Arrangement, the number of shares outstanding in the computation of per share amounts is the total issued shares of the Corporation on August 12, 2024, and any common shares issued subsequent to August 12, 2024. See the "Overview" section of this MD&A and the Corporation's Financial Statements as at September 30, 2024, and for the three and nine months ended September 30, 2024 and 2023 for additional details.

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

Operating Results

(thousands of USD, unless otherwise noted)	Three months ended Sept 30, 2024	Three months ended Sept 30, 2023	Nine months ended Sept 30, 2024	Nine months ended Sept 30, 2023
Revenue	**2,891**	12,520	**21,654**	30,847
Operating expense	**(1,827)**	(8,827)	**(13,278)**	(20,468)
Operating margin(1)	**1,064**	3,693	**8,376**	10,379
Operating margin (%)	**36.8%**	29.5%	***38.7%***	*33.6%*

(1) See "Non-IFRS Measures"

Revenues for Q3 2024 were $2,891 compared to $12,520 for Q3 2023. Revenues in the nine months of Q3 2024 decreased by $9,193 or 30% compared to 2023. Revenues for both the three and nine months ended September 30, 2024, were impacted as a result of reduced overall utilization of Rig 103. Customer-owned Rig 103 was utilized for 8 months of 2023 versus the first 5.5 months in 2024. In both periods, a consistent level of activity was contributed from the provision of skilled personnel for key customers in PNG. Operating margin as a percentage of revenues increased significantly for both the three and nine months ended September 30, 2024, largely as a result of reduced material and supply costs associated with the recommencement of Rig 103 during fiscal 2023 and a higher proportional contribution by higher margin rentals.

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

General and Administrative ("G&A")

(thousands of USD, unless otherwise noted)	Three months ended Sept 30, 2024	Three months ended Sept 30, 2023	Nine months ended Sept 30, 2024	Nine months ended Sept 30, 2023
G&A	**1,334**	888	**3,604**	2,518
Percent of revenue (%)	***46.1%***	*7.1%*	***16.6%***	*8.2%*

G&A expenses totaled $1,334 for 2024 Q3 which is $446 higher than the $888 incurred in 2023 Q3. Q3 2024 G&A levels were higher than the prior year quarter as a result of professional fees and other costs associated with the Arrangement and other aspects of the corporate reorganization that was completed in the quarter. The Corporation continues to focus on minimizing G&A expenses where possible in light of current customer activity trends.

Interest income
Interest income earned in 2024 Q3 was $31 (2023 Q3 - $Nil). Interest income resulted from investing excess cash balances in 2024.

Finance expense
Finance expense for the third quarter of 2024 totaled $128 (2023 Q3 - $66). The increase in these expenses is due to interest and penalties related to historical taxation matters in PNG, which was partially offset by reduced lease finance interest due to the normal course maturity of historical lease agreements.

Management fee income (expense)
Management fee expense for the third quarter of 2024 Q3 totaled $74 (2023 Q3 – income of $110). The change in management fee income (expense) in the current year quarter compared to the prior year quarter is the result of certain management and oversight costs associated with the completion of the Arrangement transaction during the third quarter. Historically, these fees were comprised of recoveries from HWO of general and administrative costs incurred by the Corporation and its subsidiaries in the respective period.

The Corporation will continue to leverage certain corporate/public company related management functions from HWO under a transition service agreement until the Corporation can implement and finalize its own administrative infrastructure related to being a public company.

Impairment
In 2023, indicators of potential impairment were identified within the PNG Operations. The indicators noted included uncertainty around future drilling activity levels in PNG for the Corporation. The Corporation performed an impairment test to determine the recoverable amount of the PNG Operations CGU and it was determined that the recoverable amount of the PNG Operations CGU was below its carrying value resulting in an impairment of $15,200 in Q3 2023, reducing the net carrying value of drilling related property and equipment.

The Corporation determined there were no indicators of impairment at September 30, 2024.

Depreciation
Q3 2024 depreciation expense of $766 was lower than Q3 2023 depreciation expense of $1,778 primarily as a result of the reduced cost base of the Corporation's property and equipment following the impairment recorded in Q3 2023.

Liquidity and Capital Resources

	Three months ended Sept 30,		Nine months ended Sept 30,	
(thousands of USD)	2024	2023	2024	2023
Cash provided by (used in) operations:				
Operating activities	**1,219**	1,926	**9,864**	2,775
Investing activities	**(57)**	(482)	**(590)**	(987)
Financing activities	**(5,128)**	(178)	**(5,374)**	(535)
Increase (decrease) in cash	**(3,966)**	1,266	**3,900**	1,253

(thousands of USD, unless otherwise noted)	As at Sept 30, 2024	As at Dec 31, 2023
Current assets	**24,399**	30,090
Working capital[1]	**18,508**	20,335
Working capital ratio[1]	**4.1:1**	3.1:1
Cash and cash equivalents	**14,858**	10,958

(1) See "Non-IFRS Measures"

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

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

Operating Activities
For the three and nine months ended September 30, 2024, cash generated from operating activities was $1,219 (Q3 2023 $1,926) and $9,864 (YTD-2023 $2,775), respectively. The change in operating cash flow was largely driven by a net cash inflow from changes in working capital.

Investing Activities
During the three and nine months ended September 30, 2024, the Corporation's cash used in investing activities was $57 (Q3 2023 $482) and $590 (YTD-2023 $987), respectively. Cash outflows associated with investing activities were directed towards capital expenditures on rental equipment. The reduction in capital expenditures in 2024 is due to reduced customer activity. The Corporation will continue to seek opportunities to invest in additional capital assets, in particular where it can do so under take-or-pay agreements.

Financing Activities

During the three and nine months ended September 30, 2024, the Corporation's cash used in financing activities was $5,128 (Q3 2023 $178) and $5,374 (YTD-2023 $535) respectively. Excluding the impact of a $5,000 dividend paid by HAES-Cyprus to HWO prior to the completion of the Arrangement transaction, cash outflows associated with finance activities were directed towards lease obligation payments.

Commitments, Contractual Obligations and Contingencies

As part of the Corporation's contractual rig management and operations, the Corporation has been supplied with equipment and an inventory of spare parts with a total value of $6,135 at September 30, 2024 (December 31, 2023 - $6,135) by a customer for the Corporation's operations in PNG. The capital equipment and inventory are owned by this party and have not been recorded on the books of the Corporation. Written notice is required to end the contract. When the notice to terminate is communicated, the Corporation must return the balance of capital equipment and inventory and make a payment to the customer equivalent to any shortfall. As at September 30, 2024, the Corporation has recorded a current obligation of $2,930 (December 31, 2023 - $2,589) as a result of consuming third-party owned inventory in operations which it is required to replenish on or prior to the termination of the contractual arrangement.

Additionally, as at September 30, 2024, the Corporation had contractual obligations related to lease liabilities of $460 which will be settled in the next twelve months and lease liabilities of $148 which will be settled in the following 12 months.

Long-term Debt

As at September 30, 2024 and for the first nine months of 2024 and the corresponding period in 2023, the Corporation had no long-term debt or similar obligations.

Off-Balance Sheet Arrangements

As at September 30, 2024 and for the first nine months of 2024 and the corresponding period in 2023, the Corporation had no off-balance sheet arrangements.

Related Party Transactions

As at September 30, 2024, $539 is due from HWO for management fees incurred by HWO prior to the completion of the Arrangement transaction of the Corporation on August 12, 2024. HWO and the Corporation are deemed to be related parties given the common senior management in Chief Executive Officer and Chief Financial Officer positions. All amounts owing from HWO were settled in full subsequent to September 30, 2024.

Management fee income (expense) consists of recoveries or expenses from or due to HWO related to general and administrative costs incurred by the Corporation and its subsidiaries in the respective period. The table below summarizes the management fee income (expense) incurred by the Corporation from the Corporation's predecessor parent company, HWO, for the three and nine months ended September 30, 2024 and 2023:

	Three months ended Sept 30,		Nine months ended Sept 30,	
(thousands of USD)	2024	2023	2024	2023
Management fee income (expense)	(74)	110	90	420

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

Outstanding Share Data

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

	As at November 29, 2024	As at Sept 30, 2024
Common shares outstanding	**12,448,166**	**12,448,166**

As at September 30, 2024, no shares or units available for grant under the High Arctic's omnibus incentive plan were outstanding. Subsequent to September 30, 2024, the Board of Directors approved the issuance of 800,000 stock options under the High Arctic omnibus incentive plan to directors, officers and management of the Corporation. Additionally, there are no other financial instruments are currently outstanding that could result in dilution to any per common share financial metrics.

Summary of Quarterly Results

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

	Three months ended							
	Sept 30, 2024	June 30, 2024	Mar 31, 2024	Dec 31, 2023	Sept 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022
Revenue	**2,891**	7,629	11,134	12,533	12,520	12,347	5,980	8,762
Net income (loss)	**(1,421)**	(29)	2,501	1,907	(11,946)	1,765	(349)	(4,183)
Per share basic and diluted	**($0.11)**	($0.00)	$0.20	$0.15	($0.96)	$0.14	($0.03)	($0.34)

As illustrated above, variations in quarterly results are attributable to underlying customer activity due to the nature of the Company's operations in PNG. During the last eight quarters higher revenue performance was achieved from Q3 2023 to Q2 2024 inclusive when Rig 103 worked continuously. Significant net losses were incurred in Q3 2023 due to the impairment charge of $15,200 taken and in Q4 2022 when the Corporation incurred an inventory adjustment and obsolescence provision of $2,828.

Industry Indicators and Market Trends

The provision of drilling services in PNG has the most impact on the Corporation's financial and operational results. The following table provides information for the last eight quarters to assist with the understanding of the PNG drilling services industry and the effect that commodity prices have on industry activity levels.

	Three months ended							
	Sept 30, 2024	June 30, 2024	Mar 31, 2024	Dec 31, 2023	Sept 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022
Oil and LNG prices – Average for each period:								
Brent crude oil (US$/bbl)(1)	**79**	85	82	83	86	78	82	89
Japan LNG (US$/mmbtu)(2)	**13.02**	12.06	13.72	13.26	12.58	13.49	18.21	20.67

(1) Source: Sproule and/or Nasdaq
(2) Source: YCharts

Pricing for oil and natural gas production in PNG is generally tied to world prices such as Brent Crude and Japan LNG, which rebounded strongly from lows experienced in 2020 and early 2021 when global demand was negatively impacted by COVID-19. Current commodity price levels provide a sustainable environment in which to invest in exploring for and developing new oil and gas reserves.

During the third quarter of 2024, global commodity prices traded within a range of high USD 70/bbl to low USD 80/bbl. Q3 2024 average Brent Crude Oil pricing was USD 79/bbl. Crude oil pricing volatility increased towards the back half of the third quarter, with continued volatility into the fourth quarter of 2024, due largely to changes in short-term global demand forecasts influenced by ongoing conflicts in the Middle East and Ukraine. The conflict in the Middle East, which began early in Q4 2023 and continues to date, has created significant volatility in oil pricing since October 2023 but a significant risk premium has not yet been witnessed in Brent pricing to date. More recently, OPEC has confirmed its plans to extend/maintain their current production limits which continue to provide price support for the commodity. Japanese LNG prices increased 8% to USD 13.02/mmbtu in the quarter as compared to the second quarter of 2024, as demand in this LNG market has remained sustained in recent quarters.

The Corporation's PNG activity has historically been based on longer term, USD denominated contracts and therefore is less affected over the short-term volatility in oil and gas prices.

Activity levels for the Corporation's major customers are less dependent on short-term fluctuations in oil and gas prices and instead are based on medium and long-term decisions, particularly with their significant interest in large scale LNG projects both on-stream and in-development.

Financial Risk Management

Financial and other risks

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

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

a) Interest rate risk
Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The Corporation currently has no financing arrangements. The Corporation is therefore only exposed to interest rate risk on any future borrowing as rates fluctuate in response to changes in monetary policy and the applicable interest rates. The Corporation had no risk management contracts that would be affected by interest rates in place at September 30, 2024 or December 31, 2023.

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

These prices are sensitive to local, regional and world economic and geopolitical events. This includes implications from changing oil demand and supply, policy direction taken by OPEC including the role taken by Russia, climate change driven transitions to lower emission energy sources, the implications of changes to government and government policy and ongoing negotiations in PNG to build LNG expansion with industry.

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

The Corporation had no risk management contracts that would be affected by commodity prices in place at September 30, 2024 or December 31, 2023.

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

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

The Corporation has a subsidiary domiciled in Australia which is the Corporation's only entity with a functional currency that is not USD. Accordingly, the Corporation is also exposed to costs in AUD related to the provision of management and administrative services. For the three and nine months ended September 30, 2024 and 2023, a $0.10 change in the exchange rate of the USD relative to the AUD would have resulted in an immaterial change to the net loss of the Corporation as the Australia subsidiary had income after receiving management fee income from High Arctic.

The impact of changes in foreign currency exchange rates for the three months ended September 30, 2024, resulted in $21 in foreign currency exchange losses (Q3 2023 - $27 loss) and for the nine months ended September 30, 2024, resulted in $16 in foreign currency exchange losses (YTD-2023 - $45 loss).

The Corporation's ability to repatriate funds from PNG is controlled by the PNG government through their central bank. There are currently several monetary and currency exchange control measures in PNG that can impact the ability to repatriate funds, as well as establish requirements to transact in the PGK.

As at September 30, 2024, $8,525 (December 31, 2023 - $5,635) was on deposit with a large international bank in PNG. BPNG has provided approval for the Corporation to maintain a USD bank account in accordance with the BPNG currency regulations.

Historically, the Corporation has received approval from BPNG for most of its drilling services contracts with its key customers in PNG to be denominated and settled in USD. However, if such approval is withdrawn in the future, or new contracts do not receive BPNG approval, funds may be converted into PGK and the Corporation would be required to access the foreign currency market in PNG to meet its foreign currency obligations, thus exposing the Corporation to greater foreign exchange exposure for the PGK.

The BPNG currency regulations also limit the amount of foreign currency that companies can maintain in order to meet their forecasted three-month cash flow requirements, with excess funds required to be held in PGK. While no significant issues have been experienced to date, there is no guarantee such restrictions will not exist or will not impact the Corporation's ability to transact or repatriate funds in the future.
The Corporation's financial instruments have the following foreign exchange exposure as at September 30, 2024:

(in thousands)	PGK(1)	Aus Dollar (AUD)(2)
Cash	2,469	415
Accounts receivable	2,154	-
Accounts payable and accrued liabilities	(769)	(795)
Total	3,854	(380)

(1) As at September 30, 2024, one PGK was equivalent to 0.2554 USD.
(2) As at September 30, 2024, one AUD was equivalent to 0.69134 USD.

PNG restrictions on distributions

As at September 30, 2024, the Corporation's total cash balances (including USD and PGK) in PNG totaled $8,536 (Dec 31, 2023 - $6,563). Dividends paid out of PNG are subject to a dividend withholding tax of 15% and are held at source. As a result of this PNG tax legislation, a restriction therefore exists on the total amount of funds the Corporation could repatriate if a dividend were declared and paid. Assuming the Corporation declared a dividend for the full amount of its cash balances held at September 30, 2024, the dividend would attract a withholding tax in PNG of approximately $1,280 (Dec 31, 2023 - $985) and the funds repatriated from PNG would be reduced accordingly.

Credit risk, customers, and economic dependence

Credit risk is the risk of a financial loss occurring as a result of a default by a counter party on its obligation to the Corporation. The Corporation's financial instruments that are exposed to credit risk consist primarily of accounts receivable and cash balances held in banks. The Corporation mitigates credit risk by regularly monitoring its accounts receivable position and depositing cash in properly capitalized banks. The Corporation also institutes credit reviews prior to commencement of contractual arrangements.

The Corporation's accounts receivable are predominantly with customers who explore for and develop petroleum reserves and are subject to industry credit risk consistent with the industry. The Corporation assesses the credit worthiness of its customers on an ongoing basis and monitors the amount and age of balances outstanding.

In providing for expected credit losses ("ECL"), the Corporation uses the historical default rates within the industry between investment grade and non-investment grade customers as well as forward looking information to determine the appropriate loss allowance provision.

The net carrying amount of accounts receivable represents the estimated maximum credit exposure on the accounts receivable balance. The Corporation has a range of customers comprised of predominantly large multinational customers in PNG.

The Corporation provided services to two large multinational customers who individually accounted for greater than 10% of its consolidated revenues during the three and nine months ended September 30, 2024, with total sales of $2,823 and $21,404, respectively, (2023 – two large multinational customers with total sales of $10,581 and $26,214).

As at September 30, 2024, two customers represented a total of $1,755 or substantially all of the outstanding accounts receivable (December 31, 2023 – two customers representing $10,812 or 98% of outstanding accounts receivable).

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

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

The Corporation's processes for managing liquidity risk include preparing and monitoring capital and operating budgets, working capital management, coordinating, and authorizing project expenditures, authorization of contractual agreements and remaining attentive to the relationship with the Corporation's bankers and other creditors. The Corporation seeks to manage its financing based on the results of these processes.

Critical Accounting and other Significant Judgements and Estimates

Information on the Corporation's critical accounting judgements and estimates can be found in Note 2 of the Financial Statements. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Business Risks and Uncertainties

In addition to the financial risks discussed above under "Financial Risk Management", below under "Forward Looking Statements" and elsewhere in this MD&A, the Corporation is exposed to a number of business risks and uncertainties that could have a material impact on the Corporation. Readers of this MD&A should also review and consider the risks described under the heading "Item 21-Risk Factors" in the Corporation's Listing Application dated August 12, 2024, which are not exhaustive. The Listing Application is available on SEDAR+ at www.sedarplus.ca.

Non-IFRS Measures

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

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

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

Adjusted EBITDA

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

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

The following table provides a quantitative reconciliation of consolidated net loss, as disclosed in the consolidated statements of loss and comprehensive loss, to EBITDA and Adjusted EBITDA for the three and nine months ended September 30, 2024 and 2023:

	Three months ended Sept 30,		Nine months ended Sept 30,	
(thousands of USD)	2024	2023	2024	2023
Net income (loss)	**(1,421)**	(11,946)	**1,051**	(10,530)
Adjustments to net income (loss):				
Interest income	**(31)**	**-**	**(137)**	-
Finance expense	**128**	66	**171**	208
Income tax expense (recovery)	**193**	(2,210)	**708**	(2,163)
Depreciation	**766**	1,778	**3,053**	5,526
Asset impairment loss	**-**	15,200	**-**	15,200
Gain on sale of property and equipment	**-**	-	**-**	(5)
EBITDA	**(365)**	2,888	**4,846**	8,236
Adjustments to EBITDA:				
Foreign exchange loss	**21**	27	**16**	45
Adjusted EBITDA	**(344)**	2,915	**4,862**	8,281

Operating margin

Operating margin is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Operating margin is used by management to analyze overall operating performance. Management believes this non-IFRS financial measure provides useful information to investors and others in understanding the Corporation's operating performance. Operating margin is not intended to represent revenue, net earnings (loss), or other measures of financial performance calculated in accordance with IFRS. Operating margin is calculated as revenue less operating expenses. Operating margin as presented is not intended to represent or be construed as an alternative to revenue or net earnings (loss) in accordance with IFRS. The table disclosed under "Operating margin %" below provides a quantitative reconciliation of revenue, as disclosed in the consolidated statements of loss and comprehensive loss, to operating margin and operating margin % for the three months and nine months ended September 30, 2024 and 2023.

Operating margin %

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

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

	Three months ended Sept 30,		Nine months ended Sept 30,	
(thousands of USD, unless otherwise noted)	2024	2023	2024	2023
Revenue	**2,891**	12,520	**21,654**	30,847
Operating expenses	**(1,827)**	(8,827)	**(13,278)**	(20,468)
Operating margin	**1,064**	3,693	**8,376**	10,379
Operating margin %	**36.8%**	29.5%	**38.7%**	33.6%

Operating income (loss)

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

The table disclosed below provides a quantitative reconciliation of revenue, as disclosed in the consolidated statements of comprehensive loss to operating income (loss) for the three and nine months ended September 30, 2024 and 2023:

	Three months ended Sept 30,		Nine months ended Sept 30,	
(thousands of USD)	2024	2023	2024	2023
Revenue	**2,891**	12,520	**21,654**	30,847
Operating expenses	**(1,827)**	(8,827)	**(13,278)**	(20,468)
G&A expenses	**(1,334)**	(888)	**(3,604)**	(2,518)
Depreciation	**(766)**	(1,778)	**(3,053)**	(5,526)
Operating income (loss)	**(1,036)**	1,027	**1,719**	2,335

Percentage of revenue

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

Funds flow from operations

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

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

The following tables provide a quantitative reconciliation of net cash generated from operating activities, as disclosed in the consolidated statements of cash flows, to funds flow from operations for three and nine months ended September 30, 2024 and 2023:

	Three months ended Sept 30,		Nine months ended Sept 30,	
(thousands of USD)	2024	2023	2024	2023
Net cash generated from operating activities	**1,219**	1,926	**9,864**	2,775
Adjusted for:				
Changes in non-cash working capital balances - operating	**(1,849)**	502	**(5,761)**	4,569
Funds flow from operations	**(630)**	2,428	**4,103**	7,344

Working capital

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

The following tables provide a quantitative reconciliation of current assets, as disclosed in the consolidated statements of financial position, to working capital as at September 30, 2024 and December 31, 2023:

(thousands of USD)	As at Sept 30, 2024	As at Dec 31, 2023
Current assets	**24,399**	30,090
Current liabilities	**(5,891)**	(9,755)
Working capital	**18,508**	20,335
Working capital ratio	**4.1:1**	3.1:1

Forward-Looking Statements

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

Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated or expected. Specific forward-looking statements in this MD&A include, among others, statements pertaining to the following: general economic and business conditions which will include, among other things: the role of the energy services industry in future phases of the energy industry; the outlook for energy services; the impact of conflict in the Middle East and Ukraine; the timing and impact on the Corporation’s business related to potential new large-scale natural resources projects and increased drilling activity in PNG; the impact, if any, related to fiscal stability agreements and other related government regulations by the government of PNG; market fluctuations in commodity prices, and foreign currency exchange rates; restrictions on repatriation of funds held in PNG; expectations regarding the Corporation’s ability to manage its liquidity risk; raise capital and manage its debt finance agreements; projections of market prices and costs; factors upon which the Corporation will decide whether or not to undertake a specific course of operational action or expansion; the Corporation’s ongoing relationship with its major customers; customers’ drilling intentions; the Corporation’s ability to position itself to be a significant supplier of services, equipment and manpower for other projects in PNG; the expectation that the equipment rental and manpower services portion of the Corporation’s business will be the primary revenue generating activity for the remainder of 2024 and for fiscal 2025; the ability of the Corporation to expand its geographic customer base outside of PNG, and the deploying idle heli-portable drilling rigs 115 and 116 and securing future work with other exploration companies in PNG.

With respect to forward-looking statements contained in this MD&A, the Corporation has made assumptions regarding, among other things, its ability to: maintain its ongoing relationship with major customers; successfully market its services to current and new customers; devise methods for, and achieve its primary objectives; source and obtain equipment from suppliers; successfully manage, operate, and thrive in an environment which is facing much uncertainty; remain competitive in all its operations; attract and retain skilled employees; and obtain equity and debt financing on satisfactory terms.

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

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

Abbreviations

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

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