HIGH ARCTIC OVERSEAS HOLDINGS CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

Years ended December 31, 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") as at and for the three months and year ended December 31, 2024 and 2023. The information in this MD&A is current to [Month Day, 2025], and should be read in conjunction with the audited consolidated financial statements and notes thereto as at and for the years ended December 31, 2024 and 2023 (the "Financial Statements"). Additional information regarding High Arctic is available on SEDAR+ at www.sedarplus.ca.

The Financial Statements of High Arctic were prepared by and are the responsibility of High Arctic's management. The Financial Statements as at and for the years ended December 31, 2024 and 2023 were prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board.

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, as a result of a corporate reorganization completed during 2024 which is further described below, should be read in conjunction with the Financial Statements of the Corporation and the historical audited consolidated financial statements and notes thereto of High Arctic Energy Services Cyprus Limited ("HAES-Cyprus") for the years ended December 31, 2023, 2022 and 2021, 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 High Arctic Energy Services Inc.'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+ at www.sedarplus.ca.

Incorporated in Calgary, Alberta, Canada, High Arctic Overseas Holding Corp. provides services, inclusive of drilling, workover services, equipment rental and manpower provision 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 upstream energy sector.

The Corporation was founded to enable a Plan of Arrangement (the "Arrangement") that separated the legacy 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:

- 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 historical 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 year ended December 31, 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 December 31, 2024, may be referred to as the "quarter" or "Q4 2024" and the comparative three months ended December 31, 2023, may be referred to as "Q4 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 year ended December 31, 2024, may be referred to as "year ended 2024", "YTD" or "YTD-2024". References to other periods ended December 31 may be presented as "year ended 20XX", "YTD-20XX" with XX being the year to which the year ended December 31 commentary relates.

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

DISCUSSION OF OPERATIONS

2024 FOURTH 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 decreased from 32.2% in Q4 2023 to 28.6% in Q4 2024. The net result was a substantial reduction to revenue and the generation of a significantly lower EBITDA in the quarter:
    - Revenue for the quarter of $2,421, a decrease of $10,112 or 81% compared to Q4 2023 at $12,533, and
    - Adjusted negative EBITDA of $482, decrease of $3,418 or 116% compared to Q4 2023 at $2,936.
- The reduced revenue generating activities in Q4 2024 were offset by the significant adjustments to inventory and reported obligations that were the result of renegotiated terms of contracts related to spares inventory supplied by a customer, this resulted in:
    - Net income of $1,806 in Q4 2024 compared to net income of $1,907 realized in Q4 2023.

2024 YEAR TO DATE SUMMARY

- Drilling Rig 103 operated through into 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 remainder of 2024. Operating margins improved from 2023 of 33.2% to 37.7% in 2024 as a result of reduced material and supply costs and higher proportional contribution from higher margin rentals.
    - Revenue for 2024 was $24,075, a reduction of $19,305 or 45% compared to 2023,
    - Adjusted EBITDA for 2024 was $4,290, a 60% reduction compared to 2023 as a result of general and administrative costs not reducing proportionally to revenue, and
    - General and administrative costs were impacted by additional expenses related to the Arrangement .
- The reduced operating activities combined with the Q4 2024 significant adjustments to customer inventory and reported obligations drove the following results for the Corporation:
    - Net income of $2,857 for 2024 compared to a net loss of $8,623 for the same period of 2023 which included an impairment charge of $15,200.
- Improved liquidity with a working capital balance of $20.6 million, which includes a cash balance of $14.9 million.

Outlook

Consistent with the outlook provided by the Corporation in the third quarter of 2024, the outlook for the Corporation's core business in PNG for 2025 remains subdued. The Corporation's 2024 fourth quarter and annual 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 for 2025. Quarterly revenues for 2025 are anticipated to be consistent with third and fourth quarters of 2024.

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.

Our rationale for a business strategy focussed on PNG is unchanged. 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, High Arctic believes PNG is on the precipice of a new round of large-scale projects in the natural resources sector. The next significant LNG project currently being planned is Papua-LNG a project lead by the French oil and gas super-major TotalEnergies, with a final investment decision anticipated in late 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. High Arctic's business continues to position itself to be a meaningful supplier of services, equipment and manpower for this market.

Select Comparative Financial Information

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

	Three months ended Dec 31,		Year ended Dec 31,	
(thousands of USD except per share amounts)	2024	2023	2024	2023
Operating results				
Revenue	**2,421**	12,533	**24,075**	43,380
Net income (loss)	**1,806**	1,907	**2,857**	(8,623)
Per share (basic and diluted) (1)	**$0.14**	$0.16	**$0.23**	($0.69)
Operating margin (2)	**693**	4,037	**9,069**	14,416
Operating margin as a % of revenue (2)	***28.6%***	*32.2%*	***37.7%***	*33.2%*
EBITDA (2)	**2,887**	2,975	**7,733**	11,211
Adjusted EBITDA (2)	**(482)**	2,936	**4,290**	10,797
Adjusted EBITDA as a % of revenue (2)	***(19.9%)***	*23.4%*	***17.8%***	*24.9%*
Operating income (loss) (2)	**(1,264)**	2,240	**455**	4,575
Per share (basic and diluted) (1)	**($0.10)**	$0.18	**$0.04**	$0.37
Cash flow from operations:				
Cash flow from operating activities	**248**	6,131	**10,112**	8,906
Per share (basic & diluted) (1)	**$0.02**	$0.49	**$0.81**	$0.71
Funds flow from operating activities (2)	**2,667**	2,929	**6,770**	10,273
Per share (basic & diluted) (1)	**$0.21**	$0.24	**$0.54**	$0.83
Capital expenditures	**62**	93	**652**	1,080

(thousands of USD)	As at Dec 31, 2024	As at Dec 31, 2023
Financial position:		
Working capital (2)	**20,602**	20,335
Cash and cash equivalents	**14,930**	10,958
Total assets	**35,287**	43,374
Shareholder's equity	**30,953**	33,112
Per share (basic) (1)	**$2.48**	$2.66
Per share (fully diluted) (1)	**$2.47**	$2.66
Weighted average common shares outstanding (000's) (1)	**12,448**	12,448
Weighted average diluted shares outstanding (000's) (1)	**12,539**	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 and for the years ended December 31, 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 Dec 31, 2024	2023	Year ended Dec 31, 2024	2023
Revenue	**2,421**	12,533	**24,075**	43,380
Operating expense	**(1,728)**	(8,496)	**(15,006)**	(28,964)
Operating margin(1)	**693**	4,037	**9,069**	14,416
Operating margin (%)	***28.6%***	*32.2%*	***37.7%***	*33.2%*

(1) See "Non-IFRS Measures"

Revenues totaled $2,421 and $24,075 for the three months and year ended December 31, 2024, respectively, compared to $12,533 and $43,880 for the comparative periods in 2023. Revenues for the year ended 2024 and Q4 2024, as compared to the prior year comparative periods, were negatively impacted as a result of reduced overall utilization of Rig 103. Customer-owned Rig 103 was utilized for 8 months during 2023 versus the first 5.5 months in 2024. Despite reduced drilling activity in 2024 compared to 2023, the Corporation was able to maintain a consistent level of activity related to the provision of skilled personnel for key customers in PNG. Operating margin as a percentage of revenues increased from 2023 to 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 in 2024.

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 Dec 31, 2024	2023	Year ended Dec 31, 2024	2023
G&A	**1,175**	1,101	**4,779**	3,619
Percent of revenue (%)	***48.5%***	*8.8%*	***19.9%***	*8.3%*

G&A expenses were $1,175 and $4,779 for the three months and year ended December 31, 2024, respectively, compared to $1,101 and $3,619 for the comparative periods in 2023. G&A expenses for the year ended 2024 and Q4 2024 were higher than the prior year comparative periods as a result of professional fees and other costs associated with the Arrangement, costs associated with being a listed public company and other aspects of the corporate reorganization that was completed during 2024. The Corporation continues to focus on minimizing G&A expenses where possible in light of current customer activity trends.

The Corporation will continue to leverage certain corporate/public company related management functions from HWO under a transition service agreement until the Corporation has finalized its own administrative infrastructure related to being a public company which is anticipated to occur during the first half of 2025.

Interest income

Interest income earned for Q4 2024 was $38 (2023 - $Nil) and year ended 2024 was $175 (2023 - $Nil). Interest income resulted from investing excess cash balances.

Finance expense

Finance expense for the fourth quarter of 2024 totaled $11 (2023 Q4 - $35) and year ended December 31, 2024, totaled $182 (2023 - $243). The decrease in these expenses is due to lower lease finance interest due to the normal course maturity of historical lease agreements.

Management fee income (expense)

Management fee expense for the fourth quarter of 2024 was Nil (2023 Q4 – income of $137) and the for the year ended December 31, 2024, was $90 (2023 - $557). The changes in management fee income (expense) is the result of certain management and oversight costs associated with the completion of the Arrangement during the third quarter. Historically, these fees were comprised of recoveries from HWO of certain general and administrative costs incurred by the Corporation and its subsidiaries in the respective period.

Impairment
As at December 31, 2024, indicators of impairment were identified within the PNG Operations CGU. Indicators included the Corporation's primary customers deferred restart of drilling activities along with general deferral of drilling activities within PNG including the deferral of the final investment decision on the large-scale Papua LNG project. The Corporation performed an impairment test, and it was determined that the recoverable amount of the PNG Operations CGU was above its carrying value, resulting in no impairment at December 31, 2024.

During 2023, indicators of potential impairment were identified within the PNG Operations CGU. Indicators included the Corporation's primary customer planning to conclude drilling after completing its minimum commitment on their drilling schedule under a long-term contract and the lack of outstanding customer contract tenders or open bid submissions for the Corporation's rigs 115 and 116. The Corporation performed an impairment test, and it was determined that the recoverable amount was below the carrying value of $38,500, resulting in an impairment of $15,200 as at September 30, 2023.

Depreciation and amortization
Q4 2024 depreciation and amortization expense was $769 (Q4 2023 - $696). For the year ended December 31, 2024, depreciation and amortization expense was $3,822 (2023 - $6,222).

Liquidity and Capital Resources

	Three months ended Dec 31,		Year ended Dec 31,	
(thousands of USD)	2024	2023	2024	2023
Cash provided by (used in) operations:				
Operating activities	**248**	6,131	**10,112**	8,906
Investing activities	**(62)**	(93)	**(652)**	(1,080)
Financing activities	**(113)**	(179)	**(5,487)**	(714)
Effect of exchange rate changes	**(1)**	-	**(1)**	-
Increase (decrease) in cash	**72**	5,859	**3,972**	7,112

(thousands of USD, unless otherwise noted)	As at Dec 31, 2024	As at Dec 31, 2023
Current assets	**24,706**	30,090
Working capital(1)	**20,602**	20,335
Working capital ratio(1)	**6.0:1**	3.1:1
Cash and cash equivalents	**14,930**	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 months and year ended December 31, 2024, cash generated from operating activities was $248 (Q4 2023 - $6,131) and $10,112 (2023 - $8,906), respectively. The change in operating cash flow was largely driven by changes in working capital related to the timing of drilling activity in the respective years with a cash drawdown in 2023 as operations ramped up and a cash harvesting in 2024 as operations were ceased.

Investing Activities
For the three months and year ended December 31, 2024, the Corporation's cash used in investing activities was $62 (Q4 2023 - $93) and $652 (2023 - $1,080), respectively. Cash outflows associated with investing activities were directed towards capital expenditures on rental assets. 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
For the three months and year ended December 31, 2024, the Corporation's cash used in financing activities was $113 (Q4 2023 - $179) and $5,487 (2023 - $714) 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 $2,151 as at December 31, 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. At December 31, 2024, the Corporation recorded $2,151 as customer inventory with a provision of the same amount. As such, the customer inventory is not included in the Financial Statements. Written notice is required to terminate the contracts. Upon notice to terminate the contracts, the Corporation is required to return the balance of the capital equipment and inventory and make a payment to the customer for items that have been previously consumed, based on prevailing market rates or historical contract values if no readily available market data exists.

During the year ended December 31, 2024, the Corporation amended a number of its contracts with the customer related to the supply and management of certain equipment and spare parts inventory. As a result of the amendment, a reduction of $2,573 of previously reported obligations and an adjustment of $817 to the provision of the customer inventory are recorded.

In accordance with the updated and amended terms of the agreement, and as a result of consuming certain capital equipment and inventory, the Corporation has recognized a current obligation of $358 as at December 31, 2024, (December 31, 2023 - $2,589).

Long-term Debt

As at December 31, 2024 and for the years ended December 31, 2024 and 2023, the Corporation had no long-term debt or similar obligations.

Off-Balance Sheet Arrangements

As at December 31, 2024 and for the years ended December 31, 2024 and 2023, the Corporation had no off-balance sheet arrangements.

Related Party Transactions

Management fee income (expense) consists of recoveries or the reimbursement of certain general and administrative expenses from the Corporation's predecessor parent company, HWO, prior to the reorganization of the Corporation on August 12, 2024. Subsequent to the reorganization, the Corporation was billed for certain expenses originally incurred by HWO as part of a formal management and administrative transition agreement. The agreement is in place to facilitate the orderly transition of certain management and administrative functions from HWO to the Corporation.

As at December 31, 2024, $135 is owed by the Corporation to HWO (December 31, 2023, $210 was due to the Corporation from HWO).

As at December 31, 2024, no amounts are owing or due to the Corporation's predecessor parent company HWO for management fees incurred by HWO prior to the reorganization 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.

The table below summarizes related party income and expenses incurred by the Corporation which are included as a component of general and administrative expenses, in addition to management fee income (expense) of the Corporation for the years ended December 31, 2024 and 2023:

	Three months ended Dec 31,		Year ended Dec 31,	
(thousands of USD)	2024	2023	2024	2023
Related party expenses included as a component of G&A	135	-	135	-
Management fee income (expense)	-	137	90	557
	135	137	225	557

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 April 29, 2025	As at Dec 31, 2024
Common shares outstanding	**12,448,166**	**12,448,166**

The Corporation has an equity incentive plan (the "Plan") which provides for the issuance of stock options, restricted share units, performance share units and deferred share units. Under the Plan, the Corporation can issue up to 1,244,817 common shares (being 10% of all outstanding common shares) as at December 31, 2024. As at December 31, 2024, 675,000 stock options, with an average exercise price of CAD 1.60, have been issued and are outstanding under the plan (2023 – Nil).

With the exception of the 675,000 stock options outstanding as at December 31, 2024, as noted above, there are no other financial instruments that 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							
	Dec 31, 2024	Sept 30, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023	Sept 30, 2023	Jun 30, 2023	Mar 31, 2023
Revenue	**2,421**	2,897	7,629	11,134	12,533	12,520	12,347	5,980
Net income (loss)	**1,806**	(1,404)	(29)	2,501	1,907	(11,946)	1,765	(349)
Per share basic and diluted	**$0.14**	($0.11)	$0.00	$0.20	$0.15	($0.96)	$0.14	($0.03)

As illustrated above, the Corporation's results are subject to quarterly variations. The primary driver of the variation in quarterly results is attributable to underlying customer drilling activity due to the nature of the Company's operations in PNG. During the last eight quarters higher revenue performance was achieved during the period Q3 2023 to Q2 2024 as a result of Rig 103 being in service on a continuous basis. The net income reported in Q4 2024 was due to the significant adjustments to customer inventory and reported obligations. The net loss incurred in Q3 2023 was due to a $15,200 impairment charge recognized in the respective quarter.

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							
	Dec 31, 2024	Sept 30, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023	Sept 30, 2023	Jun 30, 2023	Mar 31, 2023
Oil and LNG prices – Average for each period:								
Brent crude oil (US$/bbl)(1)	**75**	80	85	82	83	86	78	82
Japan LNG (US$/mmbtu)(2)	**12.71**	12.93	12.06	13.72	13.26	12.58	13.49	18.21

(1) Source: Sproule and/or Macrotrends

(2) Source: YCharts

Pricing for oil and natural gas production in PNG is generally tied to world prices such as Brent crude oil and Japan LNG, both of which rebounded strongly from lows experienced in 2020 and early 2021 when global demand for crude oil and liquified natural gas were negatively impacted by COVID-19. Recent commodity price levels have provided a sustainable environment in which to invest in exploring for and developing new oil and gas reserves. During the fourth quarter of 2024, Brent crude prices traded within a range of mid USD 70/bbl to low USD 80/bbl and the average was USD 75/bbl. Crude oil pricing experienced volatility throughout Q4 2024, and oil prices retreated as a result of concern over global demand fundamentals, combined with the impact of potential US government energy policy changes that may result from the new US administration set to assume power in January 2025.

In addition to the impact of the United States energy policy changes, global crude oil and gas pricing has been impacted by tariffs imposed on a variety of commodities from a large number of countries by the US and the resulting counter tariffs implemented by many of these countries as a counter measure. The ultimate impact of this significant shift in global trade policy on the global economy and the demand for energy is yet to be determined, however commodity pricing and the investment in public energy companies has retreated through the period subsequent to December 31, 2024. Oil and gas commodity trading volatility continues to be impacted by uncertainty and 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 crude oil pricing to date. In addition to the impact of various geopolitical events, OPEC announced intentions to increase production from 8 member states, but advising the market that increases may be paused or reversed subject to evolving market conditions to provide price support for the commodity.

Japanese LNG prices for the fourth quarter of 2024 were consistent with the third quarter of 2024, as demand in this LNG market has remained sustained in recent quarters. However, LNG pricing in Asia has dropped in the period subsequent to December 31, 2024 with Japan pricing breaching 12-month lows due to the impact of the global events, Japan's shift to broaden sources of supply and the arrival of warmer weather.

The Corporation's PNG activity has historically been based on longer term, USD denominated contracts and therefore have been 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 have historically been based on medium and long-term investment decisions, due largely to 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, cybersecurity 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. See also, "*Business Risks and Uncertainties.*"

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 outside of normal course lease obligations. 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 interest rate related risk management contracts or similar financial derivative contracts that would be affected by interest rates in place at December 31, 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 crude oil and natural gas pricing.

Prices for crude oil and natural gas are sensitive to local, regional and world economic and geopolitical events. This includes implications from changing crude 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 investment decisions in PNG to increase existing LNG exporting capabilities.

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 the energy industry in PNG.

The Corporation had no commodity related risk management contracts that would be affected by commodity prices in place at December 31, 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") and the

Canadian dollar ("CAD") 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 mitigates 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 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 months and years ended December 31, 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 income or loss of the Corporation as the Australia subsidiary, being a management company recovers its costs from the PNG and Singapore operational subsidiaries, meaning the total AUD exposure is limited.

The Corporation's public trading holding company is domiciled in Canada with a functional current of CAD. Accordingly, the Corporation is also exposed to costs in CAD related to public company and general administrative costs. For the year ended December 31, 2024, a $0.10 change in the exchange rate of the USD relative to the CAD would have resulted in an immaterial change to the net income of the Corporation due to the quantum of costs incurred by the Corporation in Canadian dollars. As the Canadian company was established during fiscal 2024 there is no potential impact related to fiscal 2023.

The impact of changes in foreign currency exchange rates for the three months ended December 31, 2024, resulted in $41 in foreign currency exchange losses (Q4 2023 - $23 gain) and for 12 months ended December 31, 2024, resulted in $29 in foreign currency exchange losses (YTD-2023 - $1 gain).

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, in addition to established requirements to transact in the PGK.

As at December 31, 2024, $7,741 (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 December 31, 2024:

(in thousands)	PGK[1]	AUD[2]	CAD[3]
Cash	1,227	1,171	69
Accounts receivable	3,593	-	-
Accounts payable and accrued liabilities	(1,440)	(923)	(51)
Total	3,380	248	18

(1) As at December 31, 2024, one PGK was equivalent to 0.2500 USD.
(2) As at December 31, 2024, one AUD was equivalent to 0.6425 USD.
(3) As at December 31, 2024, one CAD was equivalent to 0.7091 USD.

PNG restrictions on distributions

As at December 31, 2024, the Corporation's total cash balances (including USD and PGK) in PNG totaled $8,047 (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 December 31, 2024, the dividend would attract a withholding tax in PNG of approximately $1,207 (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 twelve months ended December 31, 2024, with total sales of $2,211 and $23,612, respectively, (2023 – two large multinational customers with total sales of $16,585 and $42,799, respectively).

As at December 31, 2024, two customers represented a total of $1,677 or 93% all of the outstanding accounts receivable (December 31, 2023 – two customers representing $10,791 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.

Disclosure Controls and Procedures ("DC&P") and Internal Controls over Financial Reporting ("ICFR")

ICFR is a process designed by or under the supervision of management and effected by the Board, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate ICFR, which no matter how well designed, has inherent limitations and can provide only reasonable assurance with respect to the preparation and fair presentation of published financial statements. There have been no changes to High Arctic's internal controls over financial reporting during the year ended December 31, 2024, that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

ICFR is a process designed by or under the supervision of management and effected by the Board, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate ICFR, which no matter how well designed, has inherent limitations and can provide only reasonable assurance with respect to the preparation and fair presentation of published financial statements. There have been no changes to High Arctic's internal controls over financial reporting during the year ended December 31, 2024, that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting. As at December 31, 2024, an evaluation of the effectiveness of High Arctic's DC&P as defined under the rules adopted by the Canadian securities regulatory authorities was carried out by the CEO and the CFO. Based on this evaluation, the CEO and

CFO have concluded that as at December 31, 2024, the design and operation of the Corporation's DC&P was effective. The Internal Control – Integrated Framework (2013) as issued by the Committee of Sponsoring Organizations of the Treadway Commission was utilized for this purpose.

For information regarding the corporate governance policies and practices of High Arctic, the reader should refer to High Arctic's Listing Application dated August 12, 2024, which is available on the Corporation's profile on SEDAR+ at www.sedarplus.ca

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.

A significant portion of the Corporation's activities are conducted in PNG, which displays characteristics of an emerging market. The PNG Business's operations are subject to special risks inherent in doing business outside Canada. These risks can involve matters arising out of the policies of foreign governments, imposition of special taxes or similar charges by government bodies, restrictions on carrying on business or the revocation or non-issuance of licenses to carry on business by a foreign government, foreign exchange fluctuations and controls, civil disturbances, including landowner disputes, and deprivation or unenforceability of contract rights or the taking of property without fair compensation. Foreign properties, operations and investments may be adversely affected by local political and economic developments, including nationalization, laws affecting foreign ownership, government participation, royalties, duties, rates of exchange, exchange controls, currency fluctuation, taxation and new laws or policies as well as by laws and policies of Canada affecting foreign trade, investment, and taxation.

Furthermore, it is important for the Corporation to maintain good relationships with the governments in the countries in which it operates, particularly PNG. High Arctic may not be able to maintain such relationships if the governments of these countries change. Democracies, by their very nature, involve government change from time to time and changes to governing parties and the policies of governing parties can impact the PNG Business at an industry, resource development and business level. PNG has been subject to political and economic instability. Government terms are for fixed five-year periods and they enjoy an 18-month grace period when a vote of no-confidence is not permitted. It is common in PNG politics for governments to change by vote of no-confidence during a term.

The PNG Business operations are subject to government legislation, policies and controls relating to environmental protection, taxes, and labour standards. To attempt to mitigate these risks, High Arctic employs personnel with extensive experience in the international marketplace, supplemented with qualified local staff. Management is unable to predict the extent or duration of these risks or quantify their potential impact.

Since High Arctic derives its revenues from its subsidiaries incorporated outside Canada, the payment of dividends or the making of other cash payments or advances by these subsidiaries to High Arctic may be subject to restrictions or controls on the transfer of funds in or out of these countries or result in the imposition of taxes on such payments or advances. In addition, since the Corporation's international activities are governed by foreign laws, in the event of a dispute, the Corporation may be subject to the exclusive jurisdiction of foreign courts and the application of foreign laws or may not be successful in subjecting foreign persons to the jurisdiction of Canadian courts.

In PNG, the Bank of PNG policy continues to encourage the use of the local market currency in PNG, the Kina. Due to the PNG Business's requirement to transact with international suppliers and customers, High Arctic will need approval from the Bank of PNG to continue to maintain its USD bank account within the conditions imposed by the Bank of PNG. The PNG Business will continue to use the Kina to settle local transactions in PNG when practical. Included in the Bank of PNG's conditions is for future contracts to be settled in Kina, unless otherwise approved by the Bank of PNG for the contracts to be settled in USD. The PNG Business has historically received such approval for its drilling services contracts with its key customers in PNG. The PNG Business will need to seek Bank of PNG approval for future customer drilling contracts to be settled in USD on a contract-by-contract basis, however there is no assurance the Bank of PNG will continue to grant these approvals. If such approvals are not received, the PNG Business's drilling contracts will be settled in Kina which would expose the Corporation to exchange rate fluctuations related to the Kina. In addition, this may delay the PNG Business's ability to receive USD which may impact its ability to settle USD denominated liabilities and repatriate funds from PNG on a timely basis.

In addition to the approval from the Bank of PNG to maintain a USD account in PNG and maintain contracts in USD, the PNG Business is also required to receive a tax clearance certificate from the PNG Internal Revenue Commission in order to make payments to non-resident suppliers and disbursements such as intercompany dividends out of PNG. Other than the processing time to receive these certificates, High Arctic has received approval of all certificates in the past. The Corporation intends to repatriate excess funds from PNG consistent with past practices as approval is received from the Bank of PNG and the Internal Revenue Commission.

Risks Applicable to the Oil and Gas Industry in General

The success of the Corporation will be dependent to a great extent on the health of the energy industry in PNG which, in turn, is driven in large part by commodity prices and economic policy. As a service provider to this industry, the Corporation is exposed to various risks, including:

- volatility in global supply and demand and market prices for oil and natural gas and the effect of these volatilities on the demand for oilfield services generally;
- the timing and implementation of new trade policies or tariffs is uncertain and any new tariffs, taxes, other trade barriers or governmental regulation between PNG and other countries (including the US) may adversely affect the Corporation's business;
- the Russia-Ukraine conflict has had a significant impact on many aspects of the global economy. It has affected geopolitical relations between Russia and other countries, disrupted oil and gas supply chains, led to an increased focus on energy security and increased demand for energy services from other regions. This conflict could continue to cause disruption in the long term due to political tensions, policy changes and economic factors;
- election risks can bring about significant and sudden change for a country with wide reaching implications including, global allegiances, economic trade arrangements, military and national security cooperation, and internal governance and regulation setting;
- the emergence and persistence of conflict in the Middle East has increased risk to safe transportation and shipping via the Suez Canal and threatens to impact global commodities trade including oil and LNG;
- macroeconomic events can have a wide-ranging effect on the global economy. This includes increasing prices of commodities, impacts of government fiscal policy, increased costs of doing business and higher borrowing costs due to rising interest rates;
- lingering affects of the Covid-19 pandemic which has caused widespread economic volatility, with effects ranging from restrictions on freedom of movement and disruptions to deployment of labour force, international trade, and tourism;
- suppliers and third-party vendors experiencing workforce disruption or being ordered to cease operations;
- the implications of changes to government and government policy in North America;
- government and regulatory approval of our customers' projects;
- changes in legislation and the regulatory environment, including uncertainties with respect to royalty regimes, environmental guidelines, climate change policy, and provincial production caps;
- alternatives to and changing demands for petroleum products;
- the worldwide demand for oilfield services in connection with the drilling and completion of oil and natural gas wells;
- liabilities and risks inherent in oil and natural gas operations, including environmental liabilities and risks arising below ground surface; and
- credit risks associated with customers in the oil and natural gas industry, including the inability of a significant customer to pay for goods and services that have been provided.

These factors may have an impact upon the Corporation's customer base which, in turn, would impact the Corporation's business prospects. The following provides a further description of the risks associated with the Corporation's business and the oilfield services business in general. This list should not be taken as an exhaustive list, nor should it be taken as a complete summary or description of all the risks associated with the Corporation's business.

Volatility of Industry Conditions

The demand, pricing and terms for the Corporation's services depend significantly upon the level of expenditures made by oil and gas companies on exploration, development and production activities. Expenditures by oil and gas companies are typically directly related to the demand for, and price of, oil and gas. Generally, when commodity prices and demand are predicted to be, or are relatively high, demand for High Arctic's services is high. The converse is also true. Historically, oilfield services companies are more sensitive to crude oil price volatility compared to companies doing exploration and production.

Over the past few years, crude oil and natural gas prices have experienced significant fluctuations and are expected to remain volatile in the future, influenced by various factors beyond High Arctic's control. These factors include global energy supply, production, and policies, such as OPEC's ability to set and maintain production levels to influence or control oil prices, non-OPEC countries' oil and gas production, consumer demand, political conditions (including the risk of war involving producer countries, hostilities in the Middle East, and global terrorism), global and domestic economic conditions (including currency fluctuations), export, production, and delivery costs, technological advancements affecting energy consumption, weather conditions, and the impact of worldwide energy conservation and greenhouse gas reduction measures, as well as the price and availability of alternative energy sources, and government policies and regulations. Ongoing fluctuations in demand due to global events, such as prospects for a global recession, geopolitical conflicts, and high global cost inflation, have further contributed to the volatility in oil and gas prices.

Another factor that continues to influence global oil prices is the return of energy demand following the relaxation of government controls associated with the Covid-19 pandemic.

Based on OPEC's responses to changing market conditions in recent years, it is evident that the organization will continue to try to ensure healthy oil prices globally. However, perceived limits of the spare capacity of OPEC members and their ability to increase production to meet increasing demand creates additional uncertainty regarding oil prices going forward. This uncertainty makes it difficult for corporations and investors to plan for the future, as they must consider the potential impact of changing market conditions on the oil and gas industry and global economies.

In addition to the volatility of oil and gas prices, the level of expenditures made by oil and gas companies are influenced by numerous factors in the industry over which the Corporation has no control, including but not limited to: general economic conditions; the cost of exploring for, producing and delivering oil and gas; the discovery rates of new oil and gas reserves; cost and availability of drilling equipment; availability and expected availability of pipeline and other oil and gas transportation capacity; North American natural gas storage levels; increasing number and capacity of North American gas liquefaction export facilities; demand for heating and cooling; availability and pricing of alternate energy sources; taxation and royalty changes; government regulation; environmental regulation; ability of oil and gas companies to obtain credit, equity capital and/or debt financing; and currency fluctuations in the jurisdiction where we operate.

A further decline in expenditures by oil and gas companies caused by the fluctuations in and uncertainly regarding crude oil pricing and low natural gas prices or otherwise, could have a material adverse effect on High Arctic's business, financial condition, results of operations and cash flows. Conversely, a sustained recovery and increase in oil and gas prices could drive a material improvement in demand for and pricing of High Arctic's services.

Trade Relations and Tariffs

The timing and implementation of any new trade policy or tariffs is uncertain. To the extent implemented, any new trade policy or tariffs may have an adverse effect on the Corporation's business. Changes in trade policy or governmental regulation between PNG and other countries (including the US), including tariffs, taxes and other trade barriers, may adversely affect the Corporation's business, results of operations and financial condition.

In particular, there is uncertainty regarding US tariffs and support for existing treaty and trade relationships, including with Canada and other large energy producers in the industry. Implementation by the US government of new legislative or regulatory policies could impose additional costs on the Corporation, decrease US demand for the products of the Corporation's customers, or otherwise negatively impact the Corporation, which may have a material adverse effect on the Corporation's business, financial condition, and operations. Furthermore, there is a risk that the tariffs imposed by the US on other countries may escalate a broader global trade war. This uncertainty may adversely impact: (i) the ability of companies to transact business with companies such as the Corporation; (ii) the Corporation's profitability; (iii) regulation affecting the PNG oil and gas industry; (iv) global financial markets (including the TSX); and (v) general global economic conditions. All of these factors are outside of the Corporation's control but may nonetheless have a material adverse effect on our business, financial condition results of operations and cash flow.

Reliance on Key Personnel

The success of the Corporation is dependent upon its key personnel. Any loss of the services of such persons could have a material adverse effect on the business and operations of the Corporation. The Corporation's ability to provide reliable and quality services is dependent on its ability to hire and retain a dedicated and quality pool of employees. The Corporation strives to retain employees by providing a safe working environment, competitive wages and benefits, and an atmosphere in which all employees are treated equally regarding opportunities for advancement. The unexpected loss of key personnel or the inability to retain or recruit skilled personnel could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Excess Equipment Levels in the Industry

Due to the long-life nature of oilfield service equipment and the long delivery time for equipment being manufactured, the quality of equipment available does not always correspond with the demand for its use. Periods of high demand often lead to increases in capital expenditures, which in turn lead to increased supply. Such increases in supply often lead to downward pricing pressures across the industry which could materially impact the Corporation's profitability if there is a subsequent reduction in demand. Additionally, the

Corporation could fail to secure sufficient work in which to employ its equipment, which could have a material adverse effect on the Corporation's business, results of operations, financial conditions and cash flows.

Competition

The energy services industry is highly competitive and the Corporation competes with a number of companies which may have more equipment and personnel as well as greater financial resources. The Corporation's ability to generate revenue and earnings depends primarily upon its ability to win bids in competitive bidding processes and to perform awarded projects within estimated times and costs. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of products and services that compete with those of the Corporation or that new or existing competitors will not enter the various markets in which the Corporation is active. In certain aspects of its business, the Corporation also competes with several small and medium-sized companies, which, like the Corporation, have certain competitive advantages such as low overhead costs and regional strengths. In addition, reduced levels of activity in the oil and natural gas industry can intensify competition and may result in lower revenue for the Corporation.

Safety Performance

Standards for the prevention of incidents in the energy industry are governed by service company safety polices and procedures, accepted industry safety practices, customer specific safety requirements and health and safety legislation. Safety is captured in our Health and Safety Policy, which states that we value human life above all, and will not prioritize profit over safety. No job is so urgent or important that the necessary steps for safety cannot be undertaken. Many customers consider safety performance a key factor in selecting oilfield service providers. Deterioration of the Corporation's safety performance could result in a decline in the demand for the Corporation's services and could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Operational Risk and Insurance

The Corporation's operations are subject to operational risks inherent in the energy industry. These risks include equipment defects, malfunction and failures, human error, natural disasters, vehicle accidents, explosions, and uncontrollable flows of natural gas or well fluids that can cause personal injury, loss of life, suspension of operations, damage to the source formations, damage to facilities, business interruptions and damage to or destruction of property, equipment and the environment. These risks could expose the Corporation to substantial liability for personal injury, wrongful death, property damage, loss of oil and natural gas production, pollution, and other environmental damages. The frequency and severity of such incidents will affect operating costs, insurability and relationships with customers, employees, and regulators.

Although the Corporation contractually limits and excludes certain potential liabilities and maintains insurance coverage that it believes is adequate and customary for a contractor in the oilfield services industry, there can be no assurance that such insurance will be adequate to cover the Corporation's future liabilities. In addition, there can be no assurance that the Corporation will be able to maintain adequate insurance at rates it considers reasonable and commercially justifiable.

The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits maintained by the Corporation, or a claim at a time when the Corporation is not able to obtain adequate insurance, could have a material adverse effect on the Corporation's ability to conduct normal business operations and on its financial condition, results of operations and cash flows.

Government Regulation and Anti-Bribery Laws

The operations of the Corporation are subject to a variety of federal, provincial and local laws, regulations, and guidelines, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment, the operation of equipment used in its operations and the transportation of materials and equipment it provides for its customers. Such laws or regulations are subject to change and may have a material impact to the Corporation's operations or costs to comply with changes to such laws or regulations in the future. Accordingly, it is impossible to predict the cost or impact that such laws and regulations may have on the Corporation or its future operations.

The Corporation's obligation to comply with laws and regulations also includes those involving bribery and anti-corruption. In the course of the Corporation's operations, High Arctic personnel may be required to interact with certain government and officials from time to time. The Corporation has controls, policies, and procedures that mandate the compliance with these laws and regulations, however there can be no assurance that employees or consultants will not violate these controls, policies, and procedures. Any alleged violation of these laws and regulations could disrupt the business and cause High Arctic to incur significant costs to investigate any alleged breach. If High

Arctic was found to be in contravention of these laws and regulations, severe civil and criminal penalties and other sanctions could materially harm their reputation, business, result of operations, financial conditions, and liquidity.

Sources, Pricing and Availability of Equipment and Equipment Parts

The Corporation sources its equipment and equipment parts from a variety of suppliers which are located throughout the world. Failure of suppliers to deliver supplies and materials in a timely and efficient manner would be detrimental to the Corporation's ability to maintain levels of service to its customers. The Corporation is also dependent on the technical services of other parties for certain parts and services. High Arctic attempts to mitigate this risk by maintaining good relations with key suppliers. However, if the current suppliers are unable to provide the supplies and materials or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of services to our clients could have a material adverse effect on our results of operations and our financial condition.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and alternative energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. The Corporation cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Climate Change, Natural Disasters, Civil Unrest, and Environmental Regulations

The effects of climate change, including physical and regulatory impacts, could have a negative impact on our operations and the demand for oil and natural gas. Laws, regulations or treaties concerning climate change or greenhouse gas emissions, including incentives to conserve energy or use alternate sources of energy, can have an adverse impact on the demand for oil and natural gas, which could have a material adverse effect on High Arctic. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in the imposition of material fines and penalties. Natural disasters may result in delays or cancellation of some of our customer's operations or could increase our operating costs (such as insurance costs), which could have a material adverse affect on our business and operating results. In addition, civil unrest risks continue to intensify. These risks can be fueled by developments such as regional disputes, geopolitical conflicts, political polarization, and elections. Civil unrest can lead to business interruption, reputational harm, and costly measures to protect people and property.

The effect of this Paris Agreement and other climate-related legislation, as well as the adoption of additional measures at the federal, state, provincial or local levels across the globe, is currently unpredictable. The concerns about climate change have led to opposition from environmental activists and the public towards the continued exploitation and development of fossil fuels. As a result, many investors have become hesitant to invest in the oil and gas industry. Furthermore, there has been a movement to hold governments and oil and gas companies accountable for climate change through climate litigation. In November 2022, countries worldwide met in Egypt for the COP 27 global climate summit. During the summit, the governments committed to achieving net-zero emissions from national government operations no later than 2050 and discussed the impacts of climate change, reaffirming the goal to limit temperature rise to 1.5 degrees Celsius. Governments and non-governmental organizations continue to make efforts to reduce greenhouse gas emissions, which may ultimately reduce the growth in demand for oil and natural gas and, in time, reduce consumption. In addition, the implementation of policies by certain institutions that discourage investments in the industry could have adverse effects on financing costs, as well as the industry's access to liquidity and capital. COP 28 held in Dubai in 2023 saw an acknowledgment of the role petrochemicals play in the global economy through representation for the first time at a COP conference. The key takeaway from the conference was a commitment to transition away from fossil fuel energy, invest in carbon-reduction technologies and address methane leakage emissions.

Criticism of the oil and gas industry could harm our reputation and erode shareholder confidence and public support. While the Corporation is not a significant contributor to greenhouse gas emissions, mandatory emission reductions may increase operating costs and capital expenditures for oil and gas producers, which could decrease the demand for our services. As the dialogue regarding climate change and greenhouse gas control continues to evolve and new requirements emerge, we cannot predict the impact of current and impending emissions reduction legislation on the Corporation and its customers. Such impact could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Due to these foregoing climate change risks, we have been and continue to use our know-how to develop ways to assist our customers to reduce their greenhouse gas emissions through the provision of our services. The Corporation did not incur any material expenditure in the past year as a result of environmental protection requirements.

Environmental
All phases of the energy sector including the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities.

Compliance with environmental legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Corporation to incur costs to remedy such discharge. Although the Corporation believes that it is in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Pandemic Risk
The outbreak of epidemics, pandemics, and other public health crises in geographic areas in which the Corporation has operations, suppliers, customers, or employees, may increase our exposure to, and magnitude of, each of the risks identified herein, resulting from a reduction in demand for crude oil and natural gas consumption and/or lower commodity prices. Our business, financial condition, results of operations, cash flows, reputation, access to capital, cost of borrowing, access to liquidity, ability to fund dividend payments and/or business plans may without limitation, be adversely impacted as a result of:

- the delay or suspension of work due to workforce disruption or labour shortages caused by workers becoming infected, or government or health authority shelter in place orders, quarantine orders, mandated restrictions on travel by workers or closure of facilities, workforce camps or worksites;
- suppliers and third-party vendors experiencing similar workforce disruption or being ordered to suspend operations;
- reduced cash flows resulting in less funds from operations being available to fund our capital expenditure;
- counterparties being unable to fulfill their contractual obligations to us on a timely basis or at all;
- the capabilities of our information technology systems and the potential heightened threat of a cybersecurity breach arising from the increased number of employees working remotely;
- our ability to obtain additional capital including, but not limited to, debt and equity financing being adversely impacted as a result of unpredictable financial markets, foreign currency exchange rates, commodity prices and/or a change in market fundamentals; and
- an overall slowdown in the global economy, political and economic instability, and civil unrest.

Given the dynamic nature of the events related to the Covid-19 pandemic, it is uncertain whether Covid-19 will resurge, and the full extent of the future impact that Covid-19 or other pandemics may have on our business, financial condition, results of operations or cash flows cannot be predicted.

Financing Risk
The Corporation is exposed to risk associated with access to equity capital and debt financing required for business needs and the risk that necessary capital cannot be acquired on a timely basis, on reasonable terms to the Corporation, or at all. The asset base, working capital, existing mortgage debt, profitability of existing operations, and future projected activities impact the ability of the Corporation to access debt and equity financing. Where additional financing is raised by the issuance of Common Shares or securities convertible into Common Shares, control of the Corporation may change, and shareholders may suffer dilution to their investment.

Global Financial Markets
Recent market events and conditions resulting from shifts in government policy have created a climate of greater volatility, less liquidity, and tighter credit conditions. These events negatively impact the broader capital markets, financial instruments, banks, investment banks, insurers and other financial institutions have negatively impacted credit markets and caused stock markets to experience significant volatility. These market conditions, should they persist, may result in the Corporation not being able to execute on certain acquisition opportunities that are part of the Corporation's current business strategy. Additionally, it may negatively impact the Corporation's ability

to obtain equity and debt financing when needed on satisfactory terms, make capital investments and maintain existing assets may be impaired, and the Corporation's assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result.

Volatility in Market Price of High Arctic Common Shares

The market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Corporation's control, including the following: (i) actual or anticipated fluctuations in High Arctic's financial results; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other companies that investors deem comparable to High Arctic; (iv) the loss or resignation of members of Management or the Board and other key personnel of High Arctic; (v) sales or perceived sales of additional Common Shares; (vi) significant acquisitions, asset dispositions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving High Arctic or its competitors where High Arctic does not realize its anticipated benefits from such transaction; (vii) trends, concerns, technological or competitive developments, regulatory changes and other related issues in the oil and natural gas industry; and (viii) actual or anticipated fluctuations in interest rates.

Financial markets have experienced significant price and volume fluctuations in recent years that have particularly affected the market prices of equity securities of companies that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if High Arctic's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values which may result in impairment losses.

Tax Compliance

The taxation of corporations is complex. In the ordinary course of business, the Corporation is subject to ongoing audits by tax authorities. While the Corporation will endeavour to ensure that its tax filing positions are appropriate and supportable, it is possible that tax matters, including the calculation and determination of revenue, expenditures, deductions, credits and other tax attributes, the calculation of taxable income, taxes payable and related tax filings may be reviewed and challenged by the tax authorities. If such challenge were to succeed, it could have a material adverse effect on the Corporation's tax position. Further, the interpretation of and changes in tax laws, whether by legislative or judicial action or decision, and the administrative policies and assessing practices of taxation authorities, could materially adversely affect the Corporation's tax position. As a consequence, the Corporation is unable to predict with certainty the effect of the foregoing on the Corporation's effective tax rate and earnings.

The Corporation regularly reviews the adequacy of its tax provisions and believes that it has adequately provided for those matters. Should the ultimate outcomes materially differ from the provisions, the Corporation's effective tax rate and earnings may be affected positively or negatively in the period in which the matters are resolved. The Corporation mitigates this risk through ensuring that tax filing positions are carefully scrutinized by management and external consultants, as appropriate.

Income Tax Risk

The Corporation has risks for income tax matters, including the unanticipated tax and other expenses and liabilities of the Corporation due to changes in income tax laws. The tax laws and the prevailing assessment practices are subject to interpretation and the domestic and foreign authorities may disagree with the filing positions adopted by the Corporation. The impact of any challenges cannot be reliably estimated and may be significant to the financial position or overall operations of the Corporation.

Capital and Additional Funding Requirements

The Corporation's cash flow may not be sufficient to fund its ongoing activities at all times, and from time to time the Corporation may require additional financing in order to carry out its business activities. There is risk that if the economy and banking industry experienced unexpected and/or prolonged deterioration, the Corporation's access to additional financing may be affected. The inability of the Corporation to access sufficient capital for its operations could materially adversely affect the Corporation's financial condition.

The Corporation may, from time to time, have restricted access to capital and increased borrowing costs as a result of global economic volatility. Failure to obtain such financing on a timely basis could cause the Corporation to miss certain acquisition opportunities and reduce or terminate the Corporation's operations. The Corporation's ability to make capital investments and maintain existing assets may be impaired, and the Corporation's assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result.

The Corporation is currently under-leveraged and believes it has sufficient funds available to sustain the business and fund its projected capital expenditures. However, if funds generated from operations are lower than expected or capital costs for these projects exceed current estimates, or if the Corporation incurs major unanticipated expenses related to development or maintenance of its existing assets, it may be required to seek additional capital to maintain its capital expenditures at planned levels.

Dilution
High Arctic may make future acquisitions or enter into financings or other transactions involving the issuance of securities of High Arctic which may be dilutive to shareholders.

Issuance of Debt
From time to time, the Corporation may finance its activities, including potential future acquisitions, in whole or in part with debt, which may increase High Arctic's debt levels above industry standards for peers of similar size. Depending on future business plans, High Arctic may require additional debt financing that may not be available or, if available, may not be available on favourable terms. Neither High Arctic's articles nor its by-laws limit the amount of indebtedness that High Arctic may incur. The level of High Arctic's indebtedness from time to time could impair its ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

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. If the Corporation chooses to finance its activities, including potential future acquisitions, in whole or in part with debt and the interest rate associated with any debt instrument increases significantly this additional interest expense could materially adversely affect the Corporation's financial condition.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions
The Corporation considers acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Corporation's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Corporation.

The integration of acquired businesses may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters.

Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, certain assets are periodically disposed of, so that the Corporation can focus its efforts and resources more efficiently. Depending on the state of the market for such assets, certain identified assets of the Corporation, if disposed of, could realize less than their carrying value in the financial statements of the Corporation.

Technology Risks
The ability of the Corporation to meet customer demands in respect of performance and cost will depend upon continuous improvements in operating equipment. There can be no assurance that the Corporation will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. Failure by the Corporation to do so could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. No assurances can be given that competitors will not achieve technological advantages over the Corporation.

Furthermore, we rely on information technology systems and other digital systems to operate our business. Threats to information technology systems associated with cybersecurity risks and cyber incidents or attacks continue to grow and are increased by the growing complexity of our information technology systems. Cybersecurity attacks could include, but are not limited to, malicious software, attempts to gain unauthorized access to data and the unauthorized release, corruption or loss of data and personal information, account takeovers, and other electronic security breaches that could lead to disruptions in our critical systems.

Other cyber incidents may occur as a result of natural disasters, telecommunication failure, utility outages, human error, design defects, and unexpected complications with technology upgrades. Risks associated with these attacks and other incidents include, among other things, loss of intellectual property, reputational harm, leaked information, improper use of our assets, disruption of our and our customers' business operations and safety procedures, loss or damage to our data systems, unauthorized disclosure of personal information which could result in administrative penalties and increased costs to prevent, respond to or mitigate cybersecurity events. Although we monitor our information technology systems for threats, cybersecurity attacks and other incidents are evolving and unpredictable. The occurrence of such an attack or incident could go unnoticed for a period of time. Any such attack or incident could have a material adverse effect on our business, financial condition results of operations and cash flow.

Significant Shareholders

The Corporation has one Shareholder that directly or indirectly has the ability to control the votes to approximately 44.0% of the issued and outstanding Common Shares at December 31, 2024 and, as such, may be in a position to significantly influence the outcome of actions requiring Shareholder approval.

Internal Control Deficiencies

Senior management personnel have conducted reviews and designed and developed processes to ensure that internal controls are established and adhered to. Based upon their evaluation of the internal controls, the Chief Executive Officer and Chief Financial Officer have satisfied themselves that the internal controls are effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. However, the Corporation's potential inability to successfully address potential material weaknesses in internal controls or other control deficiencies may affect its ability to report its financial results on a timely and accurate basis and to comply with disclosure and other requirements.

Dividends

The amount of future cash dividends paid by the Corporation will be subject to the discretion of the Board and may vary depending on a variety of factors and conditions existing from time to time, many of which will be beyond the control of the Corporation. These factors and conditions include fluctuations in capital expenditure requirements, debt service requirements, restrictions imposed on the Corporation by its lenders, operating costs, foreign exchange rates and the satisfaction of the liquidity and solvency tests imposed by applicable corporate law for the declaration and payment of dividends. There can be no assurance that the Corporation will pay dividends in the future.

Foreign Exchange Rate 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 majority of the Corporation's international revenue and expenses are effectively transacted in USD (once requisite government approvals to convert local currency denominated transactions are obtained as applicable) and the Corporation does not actively engage in foreign currency hedging.

Dependence on Major Customers

The Corporation has historically had a stable relationship with its largest customers, however, there can be no assurance that the Corporation's relationships with its customers will continue. A significant reduction or total loss of the business from its customers, if not offset by sales to new or existing customers, may have a material adverse effect on the Corporation's

Forward-Looking Statements and Information May Prove Inaccurate

Shareholders and prospective investors are cautioned not to place undue reliance on the Corporation's forward-looking statements and information. By its nature, forward-looking statements and information involve numerous assumptions, known and unknown risk and uncertainties, of both a general and specific nature, which could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties related to forward-looking statements and information are found under the heading "Forward-Looking Statements" in this MD&A.

Conflicts of Interest

Certain directors or officers of High Arctic may also, or may in the future be, directors or officers of other companies that may compete or be counterparties to agreements with High Arctic, and as such may, in certain circumstances, have a conflict of interest. Conflicts of interest, if any, will be subject to and governed by procedures prescribed by the ABCA which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with High Arctic disclose his or her interest and, in the case of directors, refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA.

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, High Arctic may disclose confidential information relating to the business, operations or affairs of the Corporation. Although confidentiality agreements are to be signed by third parties prior to the disclosure of any confidential information, a breach of such confidentiality agreement could put High Arctic at competitive risk and may cause significant damage to its business. The harm to High Arctic's business from a breach of confidentiality cannot presently be quantified but may be material and may not be compensable in damages. There can be no assurance that, in the event of a breach of confidentiality, High Arctic will be able to obtain equitable remedies, such as injunctive relief from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

International Conflict

International conflict and other geopolitical tensions and events, including war, military action, terrorism, trade disputes, and international responses thereto have historically led to, and may in the future lead to, uncertainty or volatility in global energy and financial markets, as well as increased cyber security risks. The Russia-Ukraine conflict, along with geopolitical tensions in the Middle East and Israel, underscores the heightened risks faced by the oil and natural gas industry on a global scale. These regions are pivotal to the world's energy markets, and disturbances can lead to significant disruptions and volatility in commodity prices. The conflict between Russia and Ukraine, for instance, has led to sanctions being imposed and has severely impacted energy supply chains, given Russia's role as a major oil and gas exporter. This situation has resulted in increased volatility in global oil prices and has forced companies to reassess their supply routes and dependency on Russian oil and gas. Similarly, tensions in the Middle East and Israel, a region central to global oil production, have been ongoing and may escalate quickly, affecting not only local production but also the security of key shipping routes such as the Strait of Hormuz through which a significant portion of the world's oil supply is transported. These tensions can cause spikes in oil prices, disrupt supply chains, and lead to a re-evaluation of energy security strategies by countries and companies alike. Volatility in oil and natural gas prices may adversely affect our business, financial condition and results of operations. Reductions in energy commodity prices may affect oil and natural gas activity levels in Canada and therefore adversely affect the demand for, or price of, our services.

The extent and duration of international conflicts cannot be accurately predicted at this time and the effects of such conflicts may magnify the impact of the other risks identified by the Corporation in this MD&A, including those relating to commodity price volatility and global financial and economic conditions. These events may have unforeseeable impacts, including on High Arctic, our stakeholders, and counterparties on which we rely and transact with, and may have an adverse effect on our business, results of operation and financial condition.

Other Governmental Risk

Shifts in government policy by existing administrations or following changes in government in jurisdictions in which we operate or elsewhere can impact our operations and ability to grow our business. Government imposed restrictions on fossil fuel-based energy use, cross-border economic activity, and development of new infrastructure can impact our opportunities for continued growth.

We are committed to working with all levels of government in the jurisdictions in which we operate to ensure our business benefits and risks are understood, and mitigation strategies are implemented; however, changes in government policy are largely out of the control of the Corporation and may adversely affect our business, results of operations, financial condition or reputation.

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, customer 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 months and year ended December 31, 2024 and 2023:

	Three months ended Dec 31,		Year ended Dec 31,	
(thousands of USD)	2024	2023	2024	2023
Net income (loss)	**1,806**	1,907	**2,857**	(8,623)
Adjustments to net income (loss):				
Interest income	**(38)**	-	**(175)**	-
Finance expense	**11**	35	**182**	243
Income tax expense (recovery)	**339**	319	**1,047**	(1,844)
Depreciation and amortization	**769**	696	**3,822**	6,222
Asset impairment loss	**-**	-	**-**	15,200
Loss on sale of property and equipment	**-**	-	**-**	13
EBITDA	**2,887**	2,975	**7,733**	11,211
Adjustments to EBITDA:				
Stock-based compensation	**13**	-	**13**	-
Adjustment to contractual obligations	**(2,573)**	-	**(2,573)**	-
Adjustment to third party inventory provision	**(817)**	-	**(817)**	-
Management fees	**-**	(137)	**(90)**	(557)
Foreign exchange loss	**8**	98	**24**	143
Adjusted EBITDA	**(482)**	2,936	**4,290**	10,797

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 year ended December 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 Dec 31,		Year ended Dec 31,	
(thousands of USD, unless otherwise noted)	2024	2023	2024	2023
Revenue	**2,421**	12,533	**24,075**	43,380
Operating expenses	**(1,728)**	(8,496)	**(15,006)**	(28,964)
Operating margin	**693**	4,037	**9,069**	14,416
Operating margin %	**28.6%**	32.2%	**37.7%**	33.2%

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 income (loss) to operating income (loss):

	Three months ended Dec 31,		Year ended Dec 31,	
(thousands of USD)	2024	2023	2024	2023
Revenue	**2,421**	12,533	**24,075**	43,380
Operating expenses	**(1,728)**	(8,496)	**(15,006)**	(28,964)
G&A expenses	**(1,175)**	(1,101)	**(4,779)**	(3,619)
Share based compensation	**(13)**	-	**(13)**	-
Depreciation	**(769)**	(696)	**(3,822)**	(6,222)
Operating income (loss)	**(1,264)**	2,240	**455**	4.575

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:

	Three months ended Dec 31,		Year ended Dec 31,	
(thousands of USD)	2024	2023	2024	2023
Net cash generated from operating activities	**248**	6,131	**10,112**	8,906
Adjusted for:				
Changes in non-cash working capital balances - operating	**2,419**	(3,202)	**(3,342)**	1,367
Funds flow from operations	**2,667**	2,929	**6,770**	10,273

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 December 31, 2024 and December 31, 2023:

(thousands of USD)	As at Dec 31, 2024	As at Dec 31, 2023
Current assets	**24,706**	30,090
Current liabilities	**(4,104)**	(9,755)
Working capital	**20,602**	20,335
Working capital ratio	**6.0:1**	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 both globally and within PNG; the impact of conflict in the Middle East and Ukraine; the impact of U.S. tariffs, and retaliatory tariffs, on the global economy; 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 existing or future changes to government regulations by the government of PNG; the impact, if any, on the Corporation's future financial and operational results related to non-resource development opportunities in 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 resource and non-resources based projects in PNG; the Corporation's expectations related to financial and operational results in 2025, including the expectation that the equipment rental and manpower services portion of the Corporation's business will be the primary revenue generating activity for fiscal 2025; the timing and ability of the Corporation to put its own administrative infrastructure in place; the Corporation's ability to invest in additional capital assets, including the impact on the Corporation's future financial and operational results; the impact, if any, of geo-political events, changes in government, changes to tariff's or related trade policies and the potential impact on the Corporation's ability to execute on its 2025 business plan and strategic objectives; 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. Actual results are also subject to a number of other risks, as described in this MD&A, including the following:

- risks relating to evolving trade relations and tariffs
- reliance upon key personnel
- competition
- operational risks and insurance
- sources, pricing and availability of equipment
- climate change, natural disasters, civil unrest and environmental regulations
- global financial markets
- dilution risk
- interest rate risks
- technology risks
- risks relating to internal control deficiencies
- foreign exchange rate risks
- conflicts of interest
- international conflicts
- excess equipment levels in the industry
- safety performance
- government regulation and anti-bribery laws
- changing demand for petroleum products
- environmental risks
- volatility in High Arctic share price
- third party credit risk
- tax compliance and income tax risk
- issuance of debt
- failure to realize benefits of acquisitions and divestitures
- risks related to significant shareholders
- risks related to dividends
- dependence on major customers
- breach of confidentiality
- other governmental risks

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 and manage liquidity related risks.

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
CAD	- Canadian dollars
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