

HIGH ARCTIC OVERSEAS HOLDINGS CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the Three Months Ended March 31, 2025 and 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

This Management's Discussion and Analysis ("MD&A") is a summary review of financial and operational performance, strategy, outlook, risks, liquidity, capital resources, and other relevant operational matters of High Arctic Overseas Holdings Corp. and its subsidiaries ("High Arctic", "HOH", or the "Corporation"). The information in this MD&A is current to May 29, 2025, and should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes for the three months ended March 31, 2025 and 2024 (the "Financial Statements") and the audited consolidated financial statements and notes for the years ended December 31, 2024 and 2023. Additional information relating to the Corporation for the year ended December 31, 2024, is available under the Corporation's profile on SEDAR+ at www.sedarplus.ca. This MD&A and the Financial Statements were reviewed by High Arctic's Audit Committee and approved by the Board of Directors on May 29, 2025. This MD&A has been prepared in accordance with IFRS Accounting Standard 34 - Interim Financial Reporting.

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 March 31, 2025 may be referred to as the "quarter" or "Q1 2025" and the comparative three months ended March 31, 2024 may be referred to as "Q1 2024". References to other quarters may be presented as "QX 20XX" with X/XX being the quarter/year to which the commentary relates.

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

This MD&A 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, as a result of a corporate reorganization completed during 2024 which is further described below. For a full understanding of the financial position and results of operations of the Corporation, this MD&A should be read in conjunction with the Corporation's audited consolidated financial statements and notes for the years ended December 31, 2024 and 2023.

Corporate Profile

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 a particular focus on exploration and production companies operating in the upstream energy sector.

2024 Corporate Reorganization

The Corporation was founded in 2024 as part of a corporate reorganization of High Arctic Energy Services Inc. ("HWO"). The corporate reorganization, amongst other matters, resulted in the transfer of the legacy PNG business of HWO into the Corporation, with HWO's legacy North American business remaining with HWO. The corporate reorganization, which included a Plan of Arrangement (the "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 High Arctic Energy Services Cyprus Limited ("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 (1/4) of one common share of the Corporation and one quarter (1/4) of one post-Arrangement common share of HWO, for each pre-Arrangement common share of HWO held; and
- The Corporation became a reporting issuer in Alberta, British Columbia, Manitoba, Ontario, and Saskatchewan and was listed on the TSX Venture Exchange ("TSXV").

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, operational and financial information for all comparative periods has been included for this MD&A and the Corporation's Financial Statements.

Discussion of Operations

2025 First Quarter Highlights

- Drilling rig 103 remains suspended and drilling rigs 115 and 116 remain cold-stacked;
- Manpower and rental services maintained similar activity levels to Q4 2024;
- Revenue and operating margins significantly reduced compared to Q1 2024, largely as a result of rig 103 operating in Q1 2024 versus being suspended in Q1 2025; and
- Disciplined cashflow management resulted in exiting Q1 2025 with working capital of over \$20 million.

Outlook

Consistent with the outlook provided by the Corporation in Q4 2024 the outlook for the Corporation's core business in PNG for the remainder of 2025 remains subdued. Current quarter operating results were largely driven by manpower and rental services delivered to its key customers in PNG's oil and gas industry. With no near-term drilling activity currently contracted, the Corporation expects equipment rental and manpower to continue as the primary revenue generating activity for 2025. The second half of 2025 is expected to see a decline in these activities as certain projects supported by the Corporation are expected to conclude, and customers have deferred non-essential work as they realize low and volatile near-term commodity prices.

The Corporation is buoyed by an increase in recent enquiries for services and requests for pricing which may lead to a future upswing in revenue generating activity. 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, participating in requests for tender and 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:

(thousands of USD except per share amounts)	Three months ended March 31,	
	2025	2024
Operating results:		
Revenue	2,510	11,134
Net income (loss)	(1,225)	2,501
<i>Per share (basic and diluted) ⁽¹⁾⁽²⁾</i>	(\$0.10)	\$0.20
Operating margin ⁽³⁾	714	4,315
<i>Operating margin as a % of revenue ⁽³⁾</i>	28.4%	38.8%
EBITDA ⁽³⁾	(286)	3,588
<i>Per share (basic and diluted) ⁽¹⁾⁽²⁾</i>	(\$0.02)	\$0.29
Adjusted EBITDA ⁽³⁾	(202)	3,530
<i>Adjusted EBITDA as a % of revenue ⁽³⁾</i>	(8.0%)	31.7%
<i>Per share (basic and diluted) ⁽¹⁾⁽²⁾</i>	(\$0.02)	\$0.28
Operating income (loss) ⁽³⁾	(998)	2,720
<i>Per share (basic and diluted) ⁽¹⁾⁽²⁾</i>	(\$0.08)	\$0.22
Cash flow:		
Cash flow from operating activities	(825)	5,348
<i>Per share (basic and diluted) ⁽¹⁾⁽²⁾</i>	(\$0.07)	\$0.43
Funds flow from operations ⁽³⁾	(256)	3,314
<i>Per share (basic and diluted) ⁽¹⁾⁽²⁾</i>	(\$0.02)	\$0.27
Capital expenditures	74	550

(thousands of USD except per share amounts and common shares outstanding)	March 31,	
	2025	December 31, 2024
Financial position:		
Working capital ⁽³⁾	20,212	20,602
Cash and cash equivalents	13,902	14,930
Total assets	34,133	35,287
Shareholder's equity	29,766	30,953
<i>Per share ⁽⁴⁾</i>	\$2.39	\$2.49
Common shares outstanding	12,448,166	12,448,166

⁽¹⁾ For periods when the Corporation incurred a net loss the shares outstanding under the Corporation's equity incentive plans for the periods presented are excluded from the calculation of diluted weighted average number of common shares as the outstanding options were anti-dilutive.

⁽²⁾ 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. See "2024 Corporate Reorganization" section of this MD&A and the Corporation's Financial Statements for additional details.

⁽³⁾ Readers are cautioned that Operating margin, Operating margin as a % of revenue, EBITDA (Earnings before interest, tax, depreciation, and amortization), Adjusted EBITDA, Adjusted EBITDA as a % of revenue, Operating income (loss), Funds flow from operations and Working capital do not have a standardized meanings prescribed by IFRS. See "Non IFRS Measures" in this MD&A for additional details on the calculations of these measures.

⁽⁴⁾ Shareholders' equity per share calculated based on the number of common shares outstanding as at the relevant date.

Operating Results

(thousands of USD, unless otherwise noted)	Three months ended March 31,	
	2025	2024
Revenue	2,510	11,134
Operating expenses	(1,796)	(6,819)
Operating margin ⁽¹⁾	714	4,315
Operating margin percentage ⁽¹⁾	28.4%	38.8%

⁽¹⁾ See "Non-IFRS Measures"

Customer-owned rig 103 has been suspended since the second half of 2024 compared to being operational in the first 5.5 months in 2024. As such, the majority of Q1 2025 revenue is from the provision of equipment rental and skilled personnel to key customers within PNG's oil and gas industry. While minor, the Corporation is seeing increased equipment rental revenues from other industries within PNG. As noted above, revenues for Q1 2024, were inclusive of rig 103 drilling activities plus revenue from the provision of equipment rental and skilled personnel into PNG's oil and gas industry.

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 March 31,	
	2025	2024
G&A	916	785
Percentage of revenue ⁽¹⁾	36.5%	7.1%

⁽¹⁾ See "Non-IFRS Measures"

G&A expenses have increased in Q1 2025 compared to Q1 2024 due to the 2024 corporate reorganization and the establishment of a dedicated corporate function for HOH combined with the impact of public company costs that were not present in 2024. In addition, insurances premiums for 2025 have increased compared to 2024. The Corporation continues to focus on minimizing G&A expenses where possible in light of current customer activity.

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 all of its own administrative infrastructure related to being a public company which is anticipated to occur in Q2 2025.

Interest income

Interest income earned for Q1 2025 was \$17 (Q1 2024 - \$37). Interest income resulted from investing excess cash balances.

Finance expenses

Finance expenses for the first quarter of 2025 totaled \$7 (Q1 2024 - \$22). 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

Management fee income for the first quarter of 2025 was nil (Q1 2024 - \$117). The absence of management fee income in Q1 2025 is the result of the completion of the Arrangement during the third quarter of 2024. Historically, management fee income was comprised of recoveries from HWO of certain general and administrative costs incurred by the Corporation and its subsidiaries in the respective period.

Depreciation and amortization expenses

Depreciation and amortization expenses for Q1 2025 were \$753 (Q1 2024 - \$810).

Liquidity and Capital Resources

(thousands of USD)	Three months ended March 31,	
	2025	2024
<u>Cash provided by (used in) operations:</u>		
Operating activities	(825)	5,348
Investing activities	(74)	(550)
Financing activities	(117)	(124)
Effect of foreign exchange rate changes	(12)	-
Increase (decrease) in cash	(1,028)	4,674

(thousands of USD, unless otherwise noted)	As at	As at
	March 31, 2025	Dec 31, 2024
Current assets	24,230	24,706
Working capital ⁽¹⁾	20,212	20,602
Working capital ratio ⁽¹⁾	6.0:1	6.0:1
Cash and cash equivalents	13,902	14,930

⁽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 ended March 31, 2025, cash used in operating activities was \$825 (Q1 2024 – cash generated was \$5,348). The change in operating cash flow was driven by reduced revenue generating activities and changes in non-cash working capital. Changes in non-cash working capital are listed in Note 13 of the Financial Statements and represent temporary differences as inventory is purchased in support of anticipated sales, deferred revenue is earned and related party balances post the Arrangement.

Investing Activities

For the three months ended March 31, 2025, cash used in investing activities was \$74 (Q1 2024 - \$550). Cash outflows associated with investing activities were directed towards capital expenditures for additional rental assets. The Corporation continues to seek opportunities to invest in additional capital assets, in particular where it can do so with support of customer take-or-pay agreements.

Financing Activities

For the three months ended March 31, 2025, cash used in financing activities was \$117 (Q1 2024 - \$124). 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 entered into a contractual relationship with a customer for the supply of equipment and spare parts inventory related to its operations in PNG. Ownership of the equipment and spare parts inventory remains with the counterparty. The equipment and spare parts inventory had a total value of \$2,151 as at March 31, 2025 (December 31, 2024 - \$2,151). As at March 31, 2025, the Corporation recorded \$1,437 of customer spare parts inventory with a corresponding offsetting provision of \$1,600 (December 31, 2024 - \$2,151 and \$2,151 respectively).

Written notice is required to terminate the contracts underlying this relationship. Upon notice to terminate the contracts, the Corporation is required to return any unused capital equipment and spare parts inventory and make a payment to the customer for items that have been previously consumed. Payment to the counterparty is based on prevailing market rates or historical contract values if no readily available market data exists. In accordance with the terms of the contracts, and as a result of consuming certain capital equipment and spare parts inventory, the Corporation has recognized a current obligation of \$358 as at March 31, 2025, (December 31, 2023 - \$358).

Long-term Debt

As at March 31, 2025 and December 31, 2024, the Corporation had no long-term debt or similar obligations.

Off-Balance Sheet Arrangements

As at March 31, 2025, and for the three months ended March 31, 2025 and 2024, the Corporation had no off-balance sheet arrangements.

Related Party Transactions

In conjunction with the corporate reorganization completed during 2024, the Corporation has incurred certain expenses that have been managed and paid 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. Management fee related income or expenses existed prior to the completion of the Arrangement transaction as previously discussed.

As at March 31, 2025, \$nil is owed by the Corporation to HWO (December 31, 2024, \$135).

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 of the Corporation:

(thousands of USD)	Three months ended March 31,	
	2025	2024
Related party expenses included as a component of G&A	17	-
Management fee income	-	117
	17	117

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 May 29, 2025	As at March 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 March 31, 2025. As at March 31, 2025, 675,000 stock options, with an average exercise price of CAD \$1.60 per share, have been issued and are outstanding under the Plan (December 31, 2024 - nil).

With the exception of the 675,000 stock options outstanding as at March 31, 2025, 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							
	Mar 31, 2025	Dec 31, 2024	Sept 30, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023	Sept 30, 2023	Jun 30, 2023
Revenue	2,510	2,421	2,897	7,629	11,134	12,533	12,520	12,347
Net income (loss)	(1,225)	1,806	(1,404)	(29)	2,501	1,907	(11,946)	1,765
<i>Per share basic and diluted</i>	(\$0.09)	\$0.14	(\$0.11)	\$0.00	\$0.20	\$0.15	(\$0.96)	\$0.14

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 Q2 2023 to Q2 2024 as a result of Rig 103 being in service on a continuous basis. Net income reported in Q4 2024 was impacted by positive adjustments for contractual obligations and to third party provisions totaling \$3,390 recognized in the respective quarter. 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							
	Mar 31, 2025	Dec 31, 2024	Sept 30, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023	Sept 30, 2023	Jun 30, 2023
Oil and LNG prices – Average for each period:								
Brent crude oil (US\$/bbl) ⁽¹⁾	66	75	80	85	82	83	86	78
Japan LNG (US\$/mmbtu) ⁽²⁾	12.84	12.71	12.93	12.06	13.72	13.26	12.58	13.49

⁽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 Q1 2025, Brent crude prices traded between \$58/bbl and \$74/bbl with an average of \$66/bbl. Volatility throughout the quarter was driven by concerns over global supply and demand fundamentals, combined with the impact of current US government energy policy changes and the impact of US tariffs.

The ultimate impact of the imposition of tariffs by the US and the resulting counter tariffs implemented by many other Countries on the global economy and the demand for energy is yet to be fully determined, however commodity pricing and the capital investing of public energy companies has retreated through the period subsequent to March 31, 2025. 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, as seen in the table above, has been on a downward trend. In addition to the impact of various geopolitical events, OPEC announced intentions to increase production from 8 member states commencing in June 2025.

Japanese LNG prices for Q1 2025 peaked at \$13.19/mmbtu in late January before retreating to \$12.55/mmbtu for an average of \$12.81/mmbtu. Pricing through the period was driven by seasonal winter demand with prices moderating into the Spring.

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.

Market and other related risks

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

a) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The Corporation currently has 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 as at March 31, 2025 or December 31, 2024.

b) Commodity price risk

Commodity price risk is the risk that the Corporation's future cash flows will fluctuate due to changes in demand for 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, transitional, 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 March 31, 2025 or December 31, 2024.

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 ended March 31, 2025 and 2024, 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 the vast majority of its costs from the operational subsidiaries, resulting in a limited exposure to AUD.

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 three months ended March 31, 2025, 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 subsequent to the first quarter of 2024 there is no potential impact related to Q1 2024.

The impact of changes in foreign currency exchange rates for the three months ended March 31, 2025, resulted in \$41 in foreign currency exchange losses (Q1 2024 - \$59 loss).

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

As at March 31, 2025, \$6,803 (December 31, 2024 - \$7,741) 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 March 31, 2025:

(in thousands)	PGK ⁽¹⁾	AUD ⁽²⁾	CAD ⁽³⁾
Cash	1,078	982	68
Accounts receivable	4,028	-	-
Accounts payable and accrued liabilities	(2,212)	(779)	(22)
Total	2,894	203	46

(1) As at March 31, 2025, one PGK was equivalent to 0.2464 USD.

(2) As at March 31, 2025, one AUD was equivalent to 0.6225 USD.

(3) As at March 31, 2025, one CAD was equivalent to 0.6929 USD.

PNG restrictions on distributions

As at March 31, 2025, the Corporation's total cash balances (including USD and PGK) in PNG totaled \$7,069 (Dec 31, 2024 - \$8,047). 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 March 31, 2025, the dividend would attract a withholding tax in PNG of approximately \$1,060 (Dec 31, 2024 - \$1,207) 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 months ended March 31, 2025, with total sales of \$2,068 (three months ended March 31, 2024 – one large multinational customer with total sales of \$10,016).

As at March 31, 2025, two customers represented a total of \$1,733 or 86% all of the outstanding accounts receivable (December 31, 2024 – 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 Judgements and Estimates and Material Accounting Policies

Information on the Corporation's critical accounting judgements and estimates can be found in Note 2 of the Financial Statements. Additional information on the Corporation's critical accounting judgements and estimates can also be found in Note 2 of the audited annual consolidated financial statements for the year ended December 31, 2024. 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. The Corporation's material accounting policies can be found in Note 3 of the audited annual consolidated financial statements for the year ended December 31, 2024.

Future Accounting Pronouncements

Future accounting policy changes

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

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

Business Risks and Uncertainties

In addition to the financial risks discussed above under "Financial Risk Management", below under "Forward-Looking Statements" and elsewhere in this MD&A, the Corporation is exposed to a number of business risks and uncertainties that could have a material impact on the Corporation. Readers of the Corporation's MD&A should also carefully consider the risks described under the heading "Business Risk and Uncertainties" in the Corporation's December 31, 2024 annual MD&A. The December 31, 2024 annual MD&A is available on SEDAR+ at www.sedarplus.ca.

Non-IFRS Measures

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

Earnings 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 earnings (loss) adjusted for income taxes, interest and finance expenses, and depreciation and amortization expenses. Management believes that, in addition to net earnings (loss) reported in the condensed interim consolidated statements of income (loss) and comprehensive income (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 condensed interim consolidated statements of income (loss) and comprehensive income (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, stock-based compensation expense, management fees 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 earnings (loss) in accordance with IFRS.

The following table provides a quantitative reconciliation of consolidated net income (loss), as disclosed in the condensed interim consolidated statements of income (loss) and comprehensive income (loss), to EBITDA and Adjusted EBITDA for the three months March 31, 2025 and 2024:

(thousands of USD)	Three months ended March 31,	
	2025	2024
Net income (loss)	(1,225)	2,501
<i>Adjustments to net income (loss):</i>		
Interest income	(17)	(37)
Finance expenses	7	22
Income tax expense	196	292
Depreciation and amortization expenses	753	810
EBITDA	(286)	3,588
<i>Adjustments to EBITDA:</i>		
Stock-based compensation expense	43	-
Management fees	-	(117)
Foreign exchange loss	41	59
Adjusted EBITDA	(202)	3,530

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 condensed interim consolidated statements of income (loss) and comprehensive income (loss), to operating margin and operating margin % for the three months ended March 31, 2025 and 2024.

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 %:

(thousands of USD, unless otherwise noted)	Three months ended March 31,	
	2025	2024
Revenue	2,510	11,134
Operating expenses	(1,796)	(6,819)
Operating margin	714	4,315
Operating margin %	28.4%	38.8%

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 expenses, share-based compensation expense, and depreciation and amortization expenses. 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 condensed interim consolidated statements income (loss) and comprehensive income (loss) to operating income (loss):

(thousands of USD)	Three months ended March 31,	
	2025	2024
Revenue	2,510	11,134
Operating expenses	(1,796)	(6,819)
G&A expenses	(916)	(785)
Share-based compensation expense	(43)	-
Depreciation and amortization expenses	(753)	(810)
Operating income (loss)	(998)	2,720

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:

(thousands of USD)	Three months ended March 31,	
	2025	2024
Net cash generated from operating activities	(825)	5,348
Adjusted for:		
Changes in non-cash working capital balances	569	(2,034)
Funds flow from operations	(256)	3,314

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 divided 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 condensed interim consolidated statements of financial position, to working capital as at March 31, 2025 and December 31, 2024:

(thousands of USD)	As at Mar 31, 2025	As at Dec 31, 2024
Current assets	24,230	24,706
Current liabilities	(4,018)	(4,104)
Working capital	20,212	20,602
Working capital ratio	6.0:1	6.0:1

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; 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 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.

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 annual 2024 MD&A, 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	- Liquefied 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