

HIGH ARCTIC OVERSEAS HOLDINGS CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

Years ended December 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 April 29, 2026, and should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended December 31, 2025 and 2024 (the "Financial Statements"). Additional information relating to the Corporation for the years ended December 31, 2025 and 2024 are available 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 April 29, 2026. This MD&A and the Financial Statements were prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board.

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, 2025 may be referred to as the "quarter" or "Q4 2025" and the comparative three months ended December 31, 2024 may be referred to as "Q4 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, 2025 and 2024.

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

2024 Corporate Reorganization

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
- 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 Fourth Quarter Highlights

- Drilling rig 103 remains suspended and drilling rigs 115 and 116 remain cold-stacked;
- Fire Services activities ramped up during Q4 2025, leading to an increase in revenue which was offset by a reduction in manpower and rental services, providing an increase in income of 4% against Q3 2025. Compared to Q4 2024, there was a reduction in Manpower and Rentals services as a result of customer projects winding down;
- Operating margins reduced by 1.6% against Q3 2025 as rental equipment utilizations reduced and Fire Services still being in a ramp up phase. Compared to Q4 2024, margins reduced as a result of lower rental equipment utilizations;
- Costs associated with the execution of the diversification strategy, increasing insurance costs, temporary allocation of a property lease to operating costs, increases in working capital as new customers come onboard, combined with reduced revenue led to \$921 of cash used in operations for Q4 2025 (\$248 of cash generated in Q4 2024); and
- Strong working capital position of \$18.7 million maintained.

2025 Full Year Summary

- Revenue for 2025 was \$8,922, a reduction of \$15,153 or 63% compared to 2024
 - During 2024, rig 103 operated for 5 months until it was placed in suspension, it remained suspended during 2025 and drilling rigs 115 and 116 were cold-stacked over both periods; and
 - Manpower services and rentals slowed in the second half of 2025 as customer projects started to wind down, this was somewhat offset by the fire services division starting to ramp up in Q4 2025.
- Operating margins reduced from 2024 of 37.7% to 20.7% in 2025 largely as a result of:
 - Reduced equipment rental utilizations which yield higher margins;
 - Repairs & maintenance associated with preparing the rental fleet for new markets; and
 - Establishment of the fire services division.
- Adjusted EBITDA for 2025 was a loss of \$1,642, a substantive reduction compared to 2024 EBITDA of \$4,290 as a result of decline in revenues and reduced operating margins, together with additional general and administrative costs associated with:
 - Transition of corporate services previously performed by HWO;
 - Establishment of the fire services division; and
 - Professional fees related to strategy development and business expansion.
- Strong liquidity with a working capital balance of \$18.7 million, which includes a cash balance of \$11.9 million.

Outlook

Consistent with 2025, the outlook for 2026 remains subdued, with some potential for drilling activity towards the end of the year. Current quarter operating results were largely driven by manpower and rental services delivered to the Corporation's key customers in PNG's oil and gas industry. With no approved and scheduled near-term drilling activity, the Corporation expects equipment rental and fire services to be the primary revenue generating activity for 2026 as manpower services winds down as existing customer projects conclude.

The Corporation is buoyed by the signing today of a two year renewal of the drilling services contract with our principal customer in PNG including High Arctic's services to support future drilling operations. The contracts are effective May 1, 2026 and include an option to further extend the contracts on the same terms and conditions beyond April 30, 2028. While the contracts include no minimum drilling commitment and Drilling Rig 103 remains suspended, the Corporation remains engaged with its principal customer on planning for future drilling activity. The Corporation also keeps abreast of other regional drilling opportunities where its heli-portable solutions have a competitive advantage.

We are further buoyed by the ongoing enquiries and increasing demand for rental equipment and fire services in PNG, including from adjacent sectors such as mining and industrial construction, which may lead to a future upswing in revenue generating activity. We continue to focus on enhancing and optimizing our existing rental fleet deployment and we are actively seeking opportunities to expand our fire services offerings.

The escalation of the war in the Middle East has resulted in damage to LNG facilities, cessation of shipping through the Strait of Hormuz and impacted confidence in reliable oil and gas supply. As a consequence, LNG supply shortfalls are expected in the northern summer of

2026 which may extend out to the subsequent northern winter at year end and beyond. This is expected to result in substantive competition for uncontracted LNG supply and a shift in global focus on energy security and alternate oil and gas sources. This should create a supportive economic backdrop for a 2026 Papua-LNG Final Investment Decision "FID".

The Papua-LNG project partners have indicated that target cost reductions have been realized and that capital expenditure has been "optimized". A major Papua-LNG plant EPC contract has been awarded as a result (conditional on a FID). The next major project milestone is the convening of the Development Forum with the affected landowners from communities impacted by the project, to agree on benefit sharing and development commitments. We understand that preparations are well underway to hold this forum in the coming weeks, aligning with mid-2026 FID guidance provided by project partners. The Corporation drilled the last 4 appraisal wells in the Antelope gas field, which will be the primary gas source for the project. We expect High Arctic to offer a highly competitive and compelling case for drilling the Papua-LNG development wells.

Despite these positive developments there remains uncertainty around the feasibility and timing of new oil and gas projects in PNG. There is, however, a growing need for customers to re-commence drilling to infill existing production capacity. While there is currently substantive market volatility, circumstances appear favorable for high international commodity pricing into the future and PNG presents an attractive proven and secure supply source for Asian buyers seeking alternatives to sources impacted by war or sanctions. This should provide the Corporation's customers with confidence in a healthy return on the cost of backfilling production.

Business Strategy

Our business strategy focused on Papua New Guinea is underpinned by the following cornerstones:

- Leveraging our core PNG planning and logistics capability to diversify our service offerings;
- Deploying idle assets into profitable operations;
- Strengthening local content & participation in the PNG finance and investment communities;
- An established and efficient corporate structure; and
- Seeking opportunities to expand and root the business in the Australasian region.

2026 Strategic Objectives

- Relentless focus on safety excellence and quality service delivery;
- Grow the Equipment Rentals and Fire Services business offerings;
- Pursue pathways to return idle drilling assets into service;
- Maximize potential participation in future major Papua New Guinea projects; and
- Pursue expansionary transactions that increase shareholder value.

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. 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 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 and mining 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, both temporary and permanent power generation assets, quality worksite and temporary road mats and personnel. High Arctic's business continues to position itself to be a meaningful supplier of services and equipment for this market.

Reflecting upon 2025 and our views on the emerging PNG market, we have conducted a review of our short-term strategic objectives. The result is a decision to suspend our focus on manpower where the market demand beyond our traditional customers has been limited and of low value. However, our review identified a substantive appetite beyond our traditional customers for in-country solutions for the

provision of rental equipment and fire services, particularly in the mining sector and for the provision of reliable power generation equipment, for which we are experiencing demand beyond our capacity to supply. We are currently focussed on investing in the renewal and expansion of our rental equipment fleet to meet these needs. We have found fire services in PNG to be under-serviced and we are focussed on expanding our capacity and adding depth to our team with an aim of becoming the premier provider of fire safety solutions in PNG. We believe that this renewed focus will deliver our diversification goals and will provide a solid, profitable and sustainable business foundation in the absence of continuous drilling activity.

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 Dec 31,		Year ended Dec 31,	
	2025	2024	2025	2024
Operating results				
Revenue	2,061	2,421	8,922	24,075
Net (loss) income	(1,016)	1,806	(4,093)	2,857
<i>Per share (basic and diluted)</i> ⁽¹⁾	(\$0.08)	\$0.14	(\$0.33)	\$0.23
Operating margin ⁽²⁾	301	693	1,845	9,069
<i>Operating margin as a % of revenue</i> ⁽²⁾	14.6%	28.6%	20.7%	37.7%
EBITDA ⁽²⁾	(643)	2,887	(1,651)	7,733
<i>EBITDA as a % of revenue</i> ⁽²⁾	(31.2%)	119.2%	(18.5%)	32.1%
<i>Per share (basic and diluted)</i> ⁽¹⁾	(\$0.05)	\$0.23	(\$0.13)	\$0.62
Adjusted EBITDA ⁽²⁾	(608)	(482)	(1,642)	4,290
<i>Adjusted EBITDA as a % of revenue</i> ⁽²⁾	(29.5%)	(19.9%)	(18.4%)	17.8%
<i>Per share (basic and diluted)</i> ⁽¹⁾	(\$0.05)	(\$0.04)	(\$0.13)	\$0.35
Operating (loss) income ⁽²⁾	(1,106)	(1,264)	(4,310)	455
<i>Per share (basic and diluted)</i> ⁽¹⁾	(\$0.09)	(\$0.10)	(\$0.35)	\$0.04
Cash flow from operations:				
Cash flow (used in) from operating activities	(921)	248	(2,385)	10,112
<i>Per share (basic & diluted)</i> ⁽¹⁾	(\$0.07)	\$0.02	(\$0.19)	\$0.81
Funds flow (used in) from operating activities ⁽²⁾	(542)	2,667	(1,544)	6,770
<i>Per share (basic & diluted)</i> ⁽¹⁾	(\$0.04)	\$0.21	(\$0.12)	\$0.54
Capital expenditures	21	62	215	652

(thousands of USD)	As at Dec 31, 2025	As at Dec 31, 2024
Financial position:		
Working capital ⁽²⁾	18,705	20,602
Cash and cash equivalents	11,954	14,930
Total assets	30,284	35,287
Shareholder's equity	27,011	30,953
<i>Per share (basic)</i> ⁽¹⁾	\$2.17	\$2.48
<i>Per share (fully diluted)</i> ⁽¹⁾	\$2.17	\$2.47
Weighted average common shares outstanding (000's) ⁽¹⁾	12,432	12,448
Weighted average diluted shares outstanding (000's) ⁽¹⁾	12,432	12,539

(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, 2025 and 2024 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,		Year ended Dec 31,	
	2025	2024	2025	2024
Revenue	2,061	2,421	8,922	24,075
Operating expense	(1,760)	(1,728)	(7,077)	(15,006)
Operating margin ⁽¹⁾	301	693	1,845	9,069
Operating margin (%)	14.6%	28.6%	20.7%	37.7%

(1) See "Non-IFRS Measures"

Revenues totaled \$2,061 and \$8,922 for the three months and year ended December 31, 2025, respectively, compared to \$2,421 and \$24,075 for the comparative periods in 2024. Customer-owned rig 103 has been suspended since the second half of 2024 and was operational for the first 5 months in 2024. The majority of Q4 2025 revenue is from the provision of equipment rental and skilled personnel to key customers within PNG's oil and gas industry. As noted above, revenue and operating margins have reduced as a result of major customer projects commencing the planned wind down of activities. While minor, the Corporation is continuing to see increased equipment rental revenues from other industries and new customers within PNG.

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,		Year ended Dec 31,	
	2025	2024	2025	2024
G&A	909	1,175	3,487	4,779
Percent of revenue (%)	44.1%	48.5%	39.1%	19.9%

G&A expenses of \$909 for Q4 2025 were consistent with Q3 2025 of \$969 and represent a steady state expenditure to support the above-mentioned strategy. Against Q4 2024, expenditures have reduced by 29% due to expense incurred in Q4 2024 related to the Arrangement. When comparing full year 2025 to 2024, the reduced operating capacity allowed for a reduction in G&A activities, however, available reductions are limited by the organizational structure, its need to respond quickly to existing customer drilling demands, the complexity of drilling tenders and its diversification strategy.

Interest income

For the three months and year ended December 31, 2025, interest income earned was \$54 (Q4 2024 – \$38) and \$164 (2024 – \$175). Interest income resulted from investing excess cash balances.

Finance expense

For the three months and year ended December 31, 2025, finance expense was \$8 (Q4 2024 – \$11) and \$32 (2024 – \$182). 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)

For the three months and year ended December 31, 2025, management fee expense was nil (Q4 2024 – nil) and nil (2024 – \$90). The absence of management fee income in Q4 2025 is the result of the completion of the Arrangement during Q3 2024. 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.

Depreciation and amortization

For the three months and year ended December 31, 2025, depreciation and amortization expense was \$461 (Q4 2024 – \$769) and \$2,497 (2024 – \$3,822). The decrease in these expenses is due to a number of long life drilling and rental equipment fixed assets are fully depreciated during the year. The cost base for these assets is approximately \$23,500.

Impairment

As at both December 31, 2025 and 2024, indicators of impairment were identified within the PNG Operations CGU. Indicators included the Corporation's primary customers' deferrals of drilling activity restarts along with general deferral of drilling activities within PNG including the deferrals of the final investment decision of the large-scale Papua LNG project. The Corporation performed impairment test at both period ends, and on both occasions, it was determined that the recoverable amount of the PNG Operations CGU was above its carrying value, resulting in no impairment.

During the above mentioned testing of carrying values at December 31, 2025 and 2024, the Corporation also tested for the potential reversal of the 2023 impairment, which was not supported.

Liquidity and Capital Resources

(thousands of USD)	Three months ended Dec 31,		Year ended Dec 31,	
	2025	2024	2025	2024
Cash provided by (used in) operations:				
Operating activities	(921)	248	(2,385)	10,112
Investing activities	(21)	(62)	(215)	(652)
Financing activities	(57)	(113)	(375)	(5,487)
Effect of exchange rate changes	1	(1)	(1)	(1)
(Decrease) increase in cash	(998)	72	(2,976)	3,972

(thousands of USD, unless otherwise noted)	As at	As at
	Dec 31, 2025	Dec 31, 2024
Current assets	21,978	24,706
Working capital ⁽¹⁾	18,705	20,602
Working capital ratio ⁽¹⁾	6.7:1	6.0:1
Cash and cash equivalents	11,954	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 and year ended December 31, 2025, cash used in operating activities was \$921 (Q4 2024 – generated from operating activities \$248) and \$2,385 (2024 – generated from operating activities \$10,112), respectively. The change in operating cash flow was driven by reduced revenue generating activities, costs associated with the establishment and ramp up of the Fire Services division, professional fees related to strategy development, corporate services, equipment readiness and changes in non-cash working capital. Changes in non-cash working capital are listed in Note 14 of the Financial Statements and represent temporary differences as inventory previously purchased in support of anticipated sales, deferred revenue is earned and related party balances post the Arrangement is reduced.

Investing Activities

For the three months and year ended December 31, 2025, the Corporation's cash used in investing activities was \$21 (Q4 2024 – \$62) and \$215 (2024 – \$652), respectively. Cash outflows associated with investing activities were directed towards capital expenditure on rental assets. The reduction in capital expenditures in 2025 is due to reduced customer activity. The Corporation will continue to seek opportunities to invest in additional capital assets where there is strong market demand.

Financing Activities

For the three months and year ended December 31, 2025, the Corporation's cash used in financing activities was \$57 (Q4 2024 – \$113) and \$375 (2024 – \$5,487 inclusive of \$5,000 dividend as part of the 2024 Corporate Reorganization). Cash outflows associated with finance activities were mainly directed towards lease obligation payments and share repurchases via Normal Course Issuer Bid program.

Commitments, Contractual Obligations and Contingencies

As part of the Corporation's contractual rig management and operations, the Corporation has entered into a contractual relation 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 contract value of \$1,889 as at December 31, 2025, (December 31, 2024 – \$2,151). As at December 31, 2025, the Corporation recorded \$1,250 of customer spare parts inventory with a corresponding offsetting provision of \$1,299 (December 31, 2024 – \$2,151 and \$2,151 respectively). As such, this spare parts 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, 2025, the Corporation entered into a Deed of Termination and Release for a contract it has for the supply and management of equipment and spare parts inventory. As a result of the Deed, a reduction of \$39 of previously reported obligations and an adjustment of \$224 to the provision of the customer inventory are recorded.

In accordance with the terms of the contracts, and as a result of consuming certain capital equipment and inventory, the Corporation has recognized a current obligation of \$368 as at December 31, 2025, (December 31, 2024 – \$358).

Legal Claim Contingent Liability

The Corporation is currently involved in legal proceedings relating to an incident that occurred in 2022. Two former employees have lodged separate claims for damages in relation to the incident. The claim for damages relates to personal injuries that were not apparent at the time of the incident. The legal proceedings are ongoing, and the outcome remains uncertain. Based on legal advice obtained and current stage of the proceedings, management has determined that an outflow of economic resources is not probable at this time. Accordingly, no provision has been recognized in the financial statements.

Management continues to monitor the progress of the legal proceedings. Should the likelihood of an outflow of resources become probable and the amount can be reliably measured, a provision will be recognized in accordance with IAS 37.

Long-term Debt

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

Off-Balance Sheet Arrangements

As at December 31, 2025 and for the years ended December 31, 2025 and 2024, except for commitments disclosed in the financial statements, the Corporation does not have any off-balance sheet arrangements.

Related Party Transactions

In conjunction with the corporate reorganization completed during 2024, the Corporation incurred certain expenses that have been managed and paid by HWO as part of a formal management and administrative transition agreement. The agreement was put 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 December 31, 2025, \$nil is due by the Corporation to HWO (December 31, 2024, \$135).

The Corporation and HWO were deemed to be related parties as a result of having common senior management in the CEO and CFO positions. As at December 31, 2025, the Corporation and HWO no longer maintained common senior management, and as such, the entities ceased to be related parties during the year.

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, 2025 and 2024:

(thousands of USD)	Three months ended Dec 31,		Year ended Dec 31,	
	2025	2024	2025	2024
Related party expenses included as a component of G&A	-	135	55	135
Management fee income (expense)	-	-	-	90
	-	135	55	225

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.

Refer to Note 19(c) of the Financial Statements for disclosures related to executive compensation.

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, 2026	As at Dec 31, 2025
Common shares outstanding	12,416,581	12,428,592

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 1,242,859 common shares (being 10% of all outstanding common shares) as at December 31, 2025. During 2025, no stock options were issued and as at December 31, 2025, 675,000 stock options are outstanding, with an average exercise price of CAD 1.60 under the plan (2024 – 675,000 stock options issued and outstanding, with an average exercise price of CAD 1.60).

With the exception of the 675,000 stock options outstanding as at December 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							
	Dec 31, 2025	Sept 30, 2025	Jun 30, 2025	Mar 31, 2025	Dec 31, 2024	Sept 30, 2024	Jun 30, 2024	Mar 31, 2024
Revenue	2,061	1,983	2,368	2,510	2,421	2,897	7,629	11,134
Net income (loss)	(1,016)	(1,350)	(522)	(1,225)	1,806	(1,404)	(29)	2,501
<i>Per share basic and diluted</i>	(\$0.08)	(\$0.11)	(\$0.04)	(\$0.09)	\$0.14	(\$0.11)	\$0.00	\$0.20

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 periods Q1 2024 and 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.

Industry Indicators and Market Trends

The provision of drilling services in PNG has the largest impact on the Corporation's financial and operational results. While commodity pricing does not necessarily have an immediate, direct impact on drilling activities, it does influence the feasibility of new projects and the perceived attractiveness of exploration drilling activities. 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, 2025	Sept 30, 2025	Jun 30, 2025	Mar 31, 2025	Dec 31, 2024	Sept 30, 2024	Jun 30, 2024	Mar 31, 2024
Oil and LNG prices – Average for each period:								
Brent crude oil (US\$/bbl) ⁽¹⁾	64	70	65	66	75	80	85	82
Japan LNG (US\$/mmbtu) ⁽²⁾	11.28	11.72	12.39	12.84	12.71	12.93	12.06	13.72

⁽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. During Q4 2025, Brent crude prices traded between \$60/bbl and \$67/bbl with an average of \$64/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 across the world.

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. 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, escalated in Q1 2026 with coordinated attacks on Iran by Israel and the US. The resultant counter attacks by Iran on regional military and energy infrastructure, as well as both real and threatened attacks on vessels passing the Strait of Hormuz, has significantly curtailed global supply of oil and gas. Substantial increases in Brent crude pricing has resulted and global shortfalls in supply are considered likely to manifest through 2026. The depth and length of any supply shortfall will be dependent on the timing of military de-escalation and assurance of safe shipping lanes through the strait of Hormuz, the extent of damage to processing and export facilities in the gulf states and the timing of return of impacted supplies to market.

Japanese LNG prices for Q4 2025 peaked at \$11.38/mmbtu in late October before retreating to \$11.32/mmbtu for an average of \$11.28/mmbtu. Qatar is one of the largest global suppliers of LNG. It has been impacted by both LNG facility damage and curtailed shipping activity due to the recent escalation of the war in the Middle East. As a result, LNG supply shortfalls are expected in the northern summer of 2026 which may extend out to the subsequent northern winter at year end and beyond. This is expected to result in substantive competition for uncontracted LNG supply, the realization of high spot market prices, and support of higher prices during the period of lower demand between the peak northern cooling and heating seasons.

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 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, 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 December 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 and year ended December 31, 2025, a \$0.10 change in the exchange rate of the USD relative to the AUD would have resulted in \$58 (Q4 2024 - \$55) and \$232 (2024 - \$244) change to the net income or loss of the Corporation.

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 and year ended December 31, 2025, a \$0.10 change in the exchange rate of the USD relative to the CAD would have resulted in \$16 (Q4 2024 - \$62) and \$54 (2024 - \$85) change to the net income or loss of the Corporation.

The impact of changes in foreign currency exchange rates for the three months ended December 31, 2025, resulted in \$2 in foreign currency exchange gain (Q4 2024 - \$8 losses) and for 12 months ended December 31, 2025, resulted in \$101 in foreign currency exchange losses (2024 - \$24 losses).

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 on the ability to repatriate funds, in addition to established requirements to transact in the PGK.

As at December 31, 2025, \$820 (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 on 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, 2025:

(in thousands)	PGK ⁽¹⁾	AUD ⁽²⁾	CAD ⁽³⁾
Cash	430	1,228	69
Accounts receivable	3,164	11	40
Accounts payable and accrued liabilities	(1,963)	(908)	(241)
Total	1,631	331	(132)

⁽¹⁾ As at December 31, 2025, one PGK was equivalent to 0.2350 USD.

⁽²⁾ As at December 31, 2025, one AUD was equivalent to 0.6674 USD.

⁽³⁾ As at December 31, 2025, one CAD was equivalent to 0.7296 USD.

PNG restrictions on distributions

As at December 31, 2025, the Corporation's total cash balances (including USD and PGK) in PNG totaled \$904 (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 December 31, 2025, the dividend would attract a withholding tax in PNG of approximately \$136 (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 and twelve months ended December 31, 2025, with total sales of \$1,721 and \$7,907, respectively, (December 31, 2024 – two large multinational customers with total sales of \$2,211 and \$23,612, respectively).

As at December 31, 2025, two customers represented a total of \$1,330 or 73% all of the outstanding accounts receivable (December 31, 2024 – two customers representing \$1,677 or 93% 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, 2025, 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, 2025, that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting. As at December 31, 2025, 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, 2025, 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 <http://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. High Arctic'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.

High Arctic's PNG 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 Corporation 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. High Arctic has historically received such approval for its drilling services contracts with its key customers in PNG. The Corporation 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 Corporation'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 High Arctic'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 Corporation 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;
- Escalation of conflict involving the United States, Israel and Iran has materially increased geopolitical risk in global energy markets. Military hostilities have disrupted oil and gas supply chains in the Middle East and introduced significant volatility in global oil prices, with benchmark prices rising sharply due to actual and threatened supply interruptions;
- Energy infrastructure in the Middle East has become a direct military target, including oil fields, refineries, gas processing facilities and export terminals, increasing the risk of longer-term supply constraints and heightened demand for alternative energy sources and services globally;
- Sustained elevated oil and gas prices resulting from geopolitical instability could contribute to global inflationary pressures, increased interest rates and slower economic growth, potentially reducing capital spending by operators and altering demand for oilfield services in both developed and emerging markets;
- Geopolitical uncertainty may prompt governments to impose or expand sanctions, trade restrictions or export controls, further complicating international energy trade, supply chain logistics and project approvals, including indirect impacts on service providers operating outside the conflict region;
- The heightened risk of disruption to shipping through the Strait of Hormuz represents a significant threat to global oil and LNG transportation. Approximately 20–30% of global seaborne oil and LNG trade transits this strategic chokepoint, and any sustained closure or military interference could materially affect energy supply, pricing, logistics and global economic conditions.
- 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 effects of pandemics or other widespread public-health events which have 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;
- government and regulatory approval of our customers' projects;
- changes in legislation and the regulatory environment, including uncertainties with respect to royalty regimes, environmental guidelines, and climate change policy;
- 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, 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 decade, 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.

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; oil, natural gas and LNG 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 uncertainty 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 policies 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 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 markets we service, 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 on 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 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 both physical risks (such as extreme weather events) and transition risks (including regulatory, market, and societal changes), could negatively impact our operations, those of our customers, and the demand for oil and natural gas. Governments, regulators, and multilateral institutions continue to implement or propose laws, regulations, and international agreements aimed at reducing greenhouse gas ("GHG") emissions, including carbon pricing mechanisms, methane emission standards, fuel efficiency requirements, and incentives to conserve energy or adopt alternative sources of energy. These evolving requirements may adversely affect the economics of oil and gas projects, reduce demand for hydrocarbons, or increase compliance costs, which could have a material adverse effect on the Corporation.

Compliance with environmental and climate-related regulations may require significant capital expenditures and operating costs, and violations may result in material fines, penalties, operational restrictions, or reputational harm. In particular, jurisdictions with material oil and gas activity continue to tighten methane emissions standards, enhance reporting and verification requirements, and increase expectations for emissions measurement and abatement technologies. The pace and stringency of such regulatory developments remain uncertain and could exceed current expectations.

Physical impacts associated with climate change such as wildfires, floods, extreme heat or cold, storms, and droughts have increased in frequency and severity in recent years and may disrupt operations, supply chains, infrastructure, and logistics. These events could result in temporary or prolonged shutdowns, project delays, increased maintenance and insurance costs, or safety risks to personnel. While the Corporation may not directly operate exposed assets, such events could adversely affect customers' activities and, in turn, reduce demand for the Corporation's services.

In addition, geopolitical tensions and civil unrest risks have intensified globally. Ongoing conflicts, regional instability, economic pressures, political polarization, and election-related disruptions have increased volatility in energy markets and investor sentiment. Civil unrest or geopolitical conflict may lead to business interruption, sanctions, trade restrictions, supply chain disruptions, increased security costs, or reputational harm, any of which could adversely impact the Corporation or its customers.

International efforts to address climate change continue to evolve. In December 2023, the 28th Conference of the Parties ("COP 28") was held in Dubai and concluded the first Global Stocktake under the Paris Agreement. For the first time, the final agreement explicitly called for a transition away from fossil fuels in energy systems, alongside commitments to reduce methane emissions, triple renewable energy capacity, and double energy efficiency improvements by 2030, while recognizing differing national circumstances and transition pathways. Subsequent policy discussions have continued to emphasize emissions reductions, methane abatement, and investment in carbon-reduction and mitigation technologies.

Although the ultimate impact of the Paris Agreement and related legislation remains uncertain, public concern about climate change has continued to grow. This has contributed to heightened scrutiny of the oil and gas sector, increased activism, and shifts in investment preferences. Certain financial institutions, insurers, and investors have adopted policies that discourage or restrict investment in fossil fuel-related activities, which may increase financing costs, limit access to capital, or reduce liquidity for industry participants. These dynamics may indirectly affect the Corporation by constraining customer activity levels and investment decisions.

At the same time, efforts to hold governments and energy companies accountable for alleged climate-related impacts through climate litigation have expanded globally. Climate-related claims targeting oil and gas companies, including allegations related to emissions, disclosure, and climate impacts, continue to increase in number and complexity. While outcomes remain uncertain, such litigation may result in significant defense costs, damage awards, or changes in regulatory and disclosure expectations across the industry.

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

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 as 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, and the Corporation's assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result.

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.

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.

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.

Dilution

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

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.

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, solar flares, 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.

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.

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, 2025 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 business.

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.

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. Ongoing hostilities arising from the conflict between Russia and Ukraine, together with the recent escalation of military and political tensions involving the United States, Israel, and Iran, highlight the elevated geopolitical risks facing the global oil and natural gas industry. The Middle East remains a strategically critical region for global energy supply, and recent developments have increased the risk of disruption to oil and natural gas production, transportation, and pricing.

In particular, heightened tensions involving Iran have increased the risk of partial or full disruptions to key energy infrastructure and shipping routes in the region, including the Strait of Hormuz, through which a significant portion of the world's seaborne crude oil, refined products, and liquefied natural gas supply is transported. Any interruption to the free flow of energy through this corridor—whether due to military action, vessel attacks, blockades, increased insurance costs, or precautionary shipping reroutes, could result in material volatility in global energy prices, supply imbalances, and changes in trade flows. The current geopolitical environment has also contributed to increased price volatility for crude oil and natural gas, heightened market uncertainty, greater counterparty and credit risk, and increased cyber-security and operational risks across the global energy sector. In addition, expanded or new economic sanctions, export controls, tariffs, or restrictions on financial institutions and energy companies could further disrupt supply chains, limit access to capital or insurance, and increase operating and compliance costs.

Volatility in oil and natural gas prices may adversely affect our business, financial condition, results of operations, and cash flows. Sustained declines in commodity prices may lead to reduced exploration, development, and production activity internationally, which could reduce demand for, or pricing of, our services. Conversely, periods of rapid price escalation driven by geopolitical disruption may increase input costs, logistical challenges, and operational uncertainty, potentially offsetting any benefits of higher commodity prices.

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 affect 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 years ended December 31, 2025 and 2024:

(thousands of USD)	Three months ended Dec 31,		Year ended Dec 31,	
	2025	2024	2025	2024
Net (loss) income	(1,016)	1,806	(4,093)	2,857
<u>Adjustments to net income (loss):</u>				
Interest income	(54)	(38)	(164)	(175)
Finance expense	8	11	32	182
Income tax (recovery) expense	(42)	339	77	1,047
Depreciation and amortization	461	769	2,497	3,822
EBITDA	(643)	2,887	(1,651)	7,733
<u>Adjustments to EBITDA:</u>				
Stock-based compensation	37	13	171	13
Adjustment to contractual obligations	-	(2,573)	(39)	(2,573)
Adjustment to third party inventory provision	-	(817)	(224)	(817)
Management fees	-	-	-	(90)
Foreign exchange (loss) gain	(2)	8	101	24
Adjusted EBITDA	(608)	(482)	(1,642)	4,290

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 years ended December 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 Dec 31,		Year ended Dec 31,	
	2025	2024	2025	2024
Revenue	2,061	2,421	8,922	24,075
Operating expenses	(1,760)	(1,728)	(7,077)	(15,006)
Operating margin	301	693	1,845	9,069
Operating margin %	14.6%	28.6%	20.7%	37.7%

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):

(thousands of USD)	Three months ended Dec 31,		Year ended Dec 31,	
	2025	2024	2025	2024
Revenue	2,061	2,421	8,922	24,075
Operating expenses	(1,760)	(1,728)	(7,077)	(15,006)
G&A expenses	(909)	(1,175)	(3,487)	(4,779)
Share based compensation	(37)	(13)	(171)	(13)
Depreciation	(461)	(769)	(2,497)	(3,822)
Operating (loss) income	(1,106)	(1,264)	(4,310)	455

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 Dec 31,		Year ended Dec 31,	
	2025	2024	2025	2024
Net cash (used in) generated from operating activities	(921)	248	(2,385)	10,112
Adjusted for:				
Changes in non-cash working capital balances - operating	379	2,419	841	(3,342)
Funds (used in) from operations	(542)	2,667	(1,544)	6,770

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

(thousands of USD)	As at	As at
	Dec 31, 2025	Dec 31, 2024
Current assets	21,978	24,706
Current liabilities	(3,273)	(4,104)
Working capital	18,705	20,602
Working capital ratio	6.7:1	6.0:1

Forward-Looking Statements

This MD&A contains forward-looking statements. When used in this document, the words “may”, “would”, “could”, “will”, “should”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, “expect”, “forecast”, “project”, “seek”, “continue”, 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 general economic and business conditions; the role of the energy services industry in future phases of the global energy market; the outlook for energy services both globally and within Papua New Guinea (“PNG”); the impact of geopolitical conflict, including in the Middle East, Ukraine and surrounding regions, and related trade restrictions, tariffs or sanctions, on global energy markets and economic activity; the timing, scale and impact of existing or potential large-scale natural resource projects and drilling activity in PNG, including LNG-related developments; changes in government policy, regulation or fiscal regimes in PNG; the Corporation’s diversification strategy, including the expansion of rental equipment and fire services and reduced focus on manpower services; market fluctuations in commodity prices and foreign currency exchange rates; restrictions on the repatriation of funds held in PNG; expectations regarding the Corporation’s ability to manage liquidity, working capital and capital resources, including access to financing; projections of market prices and costs; decisions regarding capital allocation, investment and strategic initiatives; the Corporation’s ongoing relationships with major customers and customers’ drilling intentions; the redeployment of idle heli-portable drilling rigs and securing future work with existing or new customers; the Corporation’s ability to expand its customer base within PNG and adjacent sectors; and expectations regarding future financial and operational performance. Actual results are also subject to a number of other risks, as described in this MD&A, including the following:

- volatility in commodity prices
- reliance on a limited number of significant customers
- risks relating to evolving trade relations and tariffs
- risks associated with diversification initiatives
- geopolitical instability and armed conflict, including disruptions to global energy supply chains
- inflationary pressures and supply chain disruptions
- credit risk
- cybersecurity risks
- access to capital
- uncertainty regarding the timing and scope of customer drilling and development activity
- under utilization of drilling assets
- foreign exchange volatility and currency controls in PNG
- changes in government policy, taxation, environmental and climate-related regulation
- operational, safety and environmental risks

Additional risks and uncertainties are described elsewhere in this MD&A under “Business Risks and Uncertainties” and “Financial Risk Management”.

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 relationships with major customers and key stakeholders; successfully market its drilling, rental equipment and fire services to existing and new customers within PNG and adjacent sectors; execute its diversification strategy and achieve its primary business objectives; source, maintain and deploy equipment and assets, including idle drilling rigs, in a timely and cost-effective manner; obtain goods, services and equipment from suppliers on commercially reasonable terms; operate effectively and adapt its business in an environment characterized by commodity price volatility, geopolitical uncertainty and evolving regulatory and market conditions; remain competitive in all aspects of its operations; attract, retain and develop qualified personnel; manage foreign exchange exposure, currency settlement and repatriation processes in PNG; access capital and manage liquidity and capital resources prudently; and obtain equity and debt financing, if required, on satisfactory terms.

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

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

Abbreviations

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

ABCA	- Alberta's (Canada) Business Corporations Act
AUD	- Australian dollars
bbf	- Barrel
BPNG	- Bank of PNG
CAD	- Canadian dollars
EBITDA	- Earnings before interest, tax, depreciation and amortization
EPC	- Engineering, Procurement, and Construction
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