

HIGH ARCTIC OVERSEAS HOLDINGS CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

Three months ended March 31, 2026 and 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

This Management's Discussion and Analysis ("MD&A") is a summary review of financial and operational performance, strategy, outlook, risks, liquidity, capital resources, and other relevant operational matters of High Arctic Overseas Holdings Corp. and its subsidiaries ("High Arctic", "HOH", or the "Corporation"). The information in this MD&A is current to May 28, 2026, and should be read in conjunction with the unaudited consolidated financial statements and notes thereto for the three months ended March 31, 2026 and 2025 (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 May 28, 2026. This MD&A and the Financial Statements were prepared in accordance with IFRS Accounting Standard 34 – Interim Financial Reporting.

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

In the following discussion, the three months ended March 31, 2026 may be referred to as the "quarter" or "Q1 2026" and the comparative three months ended March 31, 2025 may be referred to as "Q1 2025". 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.

The Corporation was established in 2024 to enable a plan of arrangement (the "Arrangement") with High Arctic Energy Services Inc. ("HWO"), which separated HWO's Papua New Guinea ("PNG") business from its North American business. The Arrangement was completed on August 12, 2024, resulting in the Corporation holding the PNG business as a standalone listed entity.

As the Arrangement involved entities under common control, it was accounted for as a common control transaction using the continuity of interests basis. Under this basis, the financial statements reflect the historical financial position, results of operations and cash flows of the PNG business as previously reported under HWO for periods prior to the Arrangement. Accordingly, comparative financial information has been prepared on the same basis.

DISCUSSION OF OPERATIONS

2026 First Quarter Highlights

- Notice received subsequent to the quarter-end to remobilise and reactivate Rig103 as of July 1, 2026;
- Agreement signed with Atlas Copco as authorised distributor of the Atlas Copco Power Technique product range throughout PNG;
- Final stages of negotiation on a number of minor services agreements across the Rentals and Fire Services divisions broadening our customer base and exposure to the mining sector in PNG;
- Compared to Q1 2025, revenue dropped by 33% and operating margin reduced from 28.4% to 10.5% as a result of manpower services activities continuing to wind down upon completion of the customer's project which was partly offset by the introduction of the Fire Services activities which continued its ramp up in Q4 2025;
- Drilling rigs 115 and 116 remain cold-stacked; and
- Strong working capital position of \$16.9 million to support the continued ramp up of new activities and other strategic objectives.

Outlook

While the first half of 2026 remains subdued, the recent signing of the two-year renewal of the drilling services contract with our principal customer and their notice to remobilize and reactivate Drilling Rig 103 points to an improving second half of the year. We expect drilling to commence in late 2026 for a drilling plan that includes four approved wells with the potential to add several additional unapproved wells. The Corporation also keeps abreast of the pipeline of other regional drilling opportunities for its idle drilling rigs where its heli-portable solutions have a competitive advantage.

Current quarter operating results were largely driven by equipment rental and fire services delivered to the Corporation's increasingly diversified base of new customers in PNG. We are buoyed by the ongoing demand for these services and the negotiation of several minor services contracts across these revenue streams which have the added benefit of being within adjacent industries such as mining and industrial construction. Exposure to these adjacent industries is a key aspect of the Corporation's diversification strategy. We continue to focus on enhancing and optimizing our rental fleet for deployment into these industries and we are actively seeking opportunities to expand our fire services offerings.

The recently announced appointment as the authorised sole distributor of Atlas Copco Power Technique products for Papua New Guinea contributes to our diversification strategy and is perfectly timed for maximizing potential participation in future major PNG projects. Supported by Atlas Copco's regional technical specialists, High Arctic is well positioned to provide in-country sales, rentals & after-market solutions and claim a significant share of the current sizeable and expanding PNG light equipment market.

As a consequence of the war in the Middle East, LNG supply shortfalls are expected through the remainder of 2026 and potentially beyond that. This has resulted 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. The PNG Prime Minister's office this week confirmed plans are well advanced to hold this forum in June / July, with the project partners signalling a subsequent project FID in the second half of 2026. 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.

While there is currently substantive market volatility, circumstances appear favourable 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 developing both new and backfill 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 defence 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 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. Agreeing terms to become the authorised distributor of Atlas Copco Power Technique products in PNG positions us well to meet these demands both in terms of sales and equipment rentals. 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 March 31,	
	2026	2025
Operating results		
Revenue	1,683	2,510
Net loss	(1,687)	(1,225)
<i>Per share (basic and diluted) ⁽¹⁾</i>	(\$0.14)	(\$0.10)
Operating margin ⁽²⁾	177	714
<i>Operating margin as a % of revenue ⁽²⁾</i>	10.5%	28.4%
EBITDA ⁽²⁾	(781)	(286)
<i>EBITDA as a % of revenue ⁽²⁾</i>	(46.4%)	(11.4%)
<i>Per share (basic and diluted) ⁽¹⁾</i>	(\$0.06)	(\$0.02)
Adjusted EBITDA ⁽²⁾	(733)	(202)
<i>Adjusted EBITDA as a % of revenue ⁽²⁾</i>	(43.6%)	(8.0%)
<i>Per share (basic and diluted) ⁽¹⁾</i>	(\$0.06)	(\$0.02)
Operating (loss) income ⁽²⁾	(1,285)	(998)
<i>Per share (basic and diluted) ⁽¹⁾</i>	(\$0.11)	(\$0.08)
Cash flow from operations:		
Cash flow (used in) from operating activities	(568)	(825)
<i>Per share (basic & diluted) ⁽¹⁾</i>	(\$0.05)	(\$0.07)
Funds flow (used in) from operating activities ⁽²⁾	(1,091)	(256)
<i>Per share (basic & diluted) ⁽¹⁾</i>	(\$0.09)	(\$0.02)
Capital expenditures	257	74

(thousands of USD except per share amounts and shares outstanding)	As at Mar 31, 2026	As at Dec 31, 2025
Financial position:		
Working capital ⁽¹⁾	16,948	18,705
Cash and cash equivalents	11,011	11,954
Total assets	29,714	30,284
Shareholder's equity	25,373	27,011
<i>Per share (basic)</i>	\$2.09	\$2.17
<i>Per share (fully diluted)</i>	\$2.09	\$2.17
Weighted average common shares outstanding (000's)	12,142	12,432
Weighted average diluted shares outstanding (000's)	12,142	12,432

(1) 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 March 31,	
	2026	2025
Revenue	1,683	2,510
Operating expense	(1,506)	(1,796)
Operating margin ⁽¹⁾	177	714
Operating margin (%)	10.5%	28.4%

(1) See "Non-IFRS Measures"

Revenues totalled \$1,683 for the three months ended March 31, 2026, compared to \$2,510 for the comparative periods in 2025. Customer-owned rig 103 has been suspended since the second half of 2024. The majority of Q1 2026 revenue is from the provision of fire services and equipment rental. As noted above, revenue and operating margins have reduced as a result of major customer projects winding down activity. While minor, the Corporation is continuing to see increased equipment rental and fire services 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 March 31,	
	2026	2025
G&A	910	916
Percent of revenue (%)	54.1%	36.5%

G&A expenses of \$910 for Q1 2026 were consistent with Q1 2025 of \$916 and represent a steady state expenditure to support the above-mentioned strategy. The Corporation continues to closely monitor its G&A expenses in light of reduced revenues and current customer activity while also ensuring capacity to seek new opportunities, participate in major project tenders and consider business acquisitions, which are resource intensive.

Interest income

For the three months ended March 31, 2026, interest income earned was \$48 (Q1 2025 – \$17). Interest income resulted from investing excess cash balances.

Finance expense

For the three months ended March 31, 2026, finance expense was \$15 (Q1 2025 – \$7). The increase in these expenses is due to increased lease finance interest due to multi-year renewal of the Port Moresby yard lease agreement.

Depreciation and amortization

For the three months ended March 31, 2026, depreciation and amortization expense was \$531 (Q1 2025 – \$753). 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.

Liquidity and Capital Resources

(thousands of USD)	Three months ended March 31,	
	2026	2025
Cash used in operations:		
Operating activities	(568)	(825)
Investing activities	(257)	(74)
Financing activities	(116)	(117)
Effect of exchange rate changes	(2)	(12)
(Decrease) in cash	(943)	(1,028)

(thousands of USD, unless otherwise noted)	As at	As at
	Mar 31, 2026	Dec 31, 2025
Current assets	20,997	21,978
Working capital ⁽¹⁾	16,948	18,705
Working capital ratio ⁽¹⁾	5.2:1	6.7:1
Cash and cash equivalents	11,011	11,954

(1) See "Non-IFRS Measures"

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

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

Operating Activities

For the three months ended March 31, 2026, cash used in operating activities was \$568 (Q1 2025 – \$825). The change in operating cash flow was driven by reduced revenue generating activities, costs associated with the continued ramp up of the Fire Services division, professional fees related to strategic activity, corporate services, equipment readiness and changes in non-cash working capital. Changes in non-cash working capital are listed in Note 13 of the Financial Statements and represent temporary differences as inventory 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 ended March 31, 2026, the Corporation's cash used in investing activities was \$257 (Q1 2025 – \$74). Cash outflows associated with investing activities were directed towards capital expenditure on rental assets. The increase in capital expenditures in 2026 is predominantly investment in rental assets to supply increasing 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 ended March 31, 2026, the Corporation's cash used in financing activities was \$116 (Q1 2025 – \$117). 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 relationship with a customer for the supply of equipment and spare parts inventory related to its operations in PNG, ownership of the equipment and spare parts inventory remains with the counterparty. The equipment and spare parts inventory had a total contract value of \$1,889 as at March 31, 2026, (December 31, 2025 - \$1,889). As at March 31, 2026, the Corporation recorded \$1,249 of customer spare parts inventory with a corresponding offsetting provision of \$1,299 (December 31, 2025 - \$1,250 and \$1,299 respectively). As such, this spare parts inventory is not included in the Financial Statements.

Written notice is required to terminate the contracts underlying this relationship. Upon notice to terminate the contracts, the Corporation is required to return any unused capital equipment and spare parts inventory and make payment to the customer for items that have been previously consumed. Payment to the counterparty is based on prevailing market rates or historical contract values if no readily available data exists. Otherwise, the Corporation may elect to return the unused capital equipment and spare parts inventory and make payment to the counterparty based on historical contract values.

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 \$458 as at March 31, 2026, (December 31, 2025 - \$368).

Legal Claim Contingent Liability

The Corporation is currently involved in legal proceedings relating to an incident that occurred in 2022. Two 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.

Long-term Debt

As at March 31, 2026 and December 31, 2025, the Corporation had no long-term debt or similar obligations.

Off-Balance Sheet Arrangements

As at March 31, 2026 and December 31, 2025, 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.

The Corporation and HWO were deemed to be related parties as a result of having common senior management in the CEO and CFO positions. The Corporation and HWO no longer maintained common senior management after Q3 2025, as such, the entities ceased to be related parties.

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 three months ended March 31, 2026 and 2025:

(thousands of USD)	Three months ended March 31,	
	2026	2025
Related party expenses included as a component of G&A	-	17
	-	17

As at March 31, 2026, there are no outstanding amounts between the Corporation and HWO (December 31, 2025 – no outstanding amounts between the Corporation and HWO).

Outstanding Share Data

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

	As at May 28, 2026	As at Mar 31, 2025
Common shares outstanding	12,416,581	12,448,166

The Corporation has an equity incentive plan (the "Plan") which provides for the issuance of stock options, restricted share units, performance share units and deferred share units. Under the Plan, the Corporation can issue up to 1,241,658 common shares (being 10% of all outstanding common shares) as at March 31, 2026. During 2026, no stock options were issued and as at March 31, 2026, 675,000 stock options are outstanding, with an average exercise price of CAD 1.60 under the plan (2025 – no stock options issued and 675,000 stock options outstanding, with an average exercise price of CAD 1.60).

With the exception of the 675,000 stock options outstanding as at March 31, 2026, as noted above, there are no other financial instruments that are currently outstanding that could result in dilution to any per common share financial metrics.

Summary of Quarterly Results

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

	Three months ended							
	Mar 31, 2026	Dec 31, 2025	Sept 30, 2025	Jun 30, 2025	Mar 31, 2025	Dec 31, 2024	Sept 30, 2024	Jun 30, 2024
Revenue	1,683	2,061	1,983	2,368	2,510	2,421	2,897	7,629
Net income (loss)	(1,687)	(1,016)	(1,350)	(522)	(1,225)	1,806	(1,404)	(29)
<i>Per share basic and diluted</i>	(\$0.14)	(\$0.08)	(\$0.11)	(\$0.04)	(\$0.09)	\$0.14	(\$0.11)	\$0.00

As illustrated above, the Corporation's results are subject to quarterly variations. The primary driver of the variation in quarterly results is attributable to underlying customer drilling activity due to the nature of the Company's operations in PNG. During the last eight quarters higher revenue performance was achieved during the period Q2 2024 as a result of Rig 103 being in service. In Q3 2024 and continuing through 2025 and Q1 2026, drilling rig 103 was suspended and drilling rigs 115 and 116 were cold-stacked.

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							
	Mar 31, 2026	Dec 31, 2025	Sept 30, 2025	Jun 30, 2025	Mar 31, 2025	Dec 31, 2024	Sept 30, 2024	Jun 30, 2024
Oil and LNG prices – Average for each period:								
Brent crude oil (US\$/bbl) ⁽¹⁾	90	64	70	65	66	75	80	85
Japan LNG (US\$/mmbtu) ⁽²⁾	11.41	11.28	11.72	12.39	12.84	12.71	12.93	12.06

⁽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 liquefied natural gas were negatively impacted by COVID-19. During Q1 2026, Brent crude prices traded between \$61/bbl and \$127/bbl with an average of \$90/bbl.

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 from global shortfalls in supply which are considered likely to continue manifesting 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.

The US government energy policy and the impact of US tariffs across the world also continue to have an underlying impact. 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.

Japanese LNG prices for Q1 2026 peaked at \$11.49/mmbtu in late January before retreating to \$11.42/mmbtu for an average of \$11.41/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 March 31, 2026 or December 31, 2025.

b) Commodity price risk

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

Prices for crude oil and natural gas are sensitive to local, regional and world economic and geopolitical events. This includes implications from changing crude oil demand and supply, policy direction taken by OPEC including the role taken by Russia, climate change driven transitions to lower emission energy sources, the implications of changes to government and government policy and ongoing investment decisions in PNG to increase existing LNG exporting capabilities.

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

The Corporation had no commodity related risk management contracts that would be affected by commodity prices in place at March 31, 2026 or December 31, 2025.

Foreign currency risk and PNG foreign currency restrictions

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

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

The Corporation has a subsidiary domiciled in Australia with a functional currency that is not USD. Accordingly, the Corporation is also exposed to costs in AUD related to the provision of management and administrative services. For the three months ended March 31, 2026, a \$0.10 change in the exchange rate of the USD relative to the AUD would have resulted in \$61 (Q1 2025 - \$62) 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 ended March 31, 2026, a \$0.10 change in the exchange rate of the USD relative to the CAD would have resulted in \$13 (Q1 2025 - \$29) change to the net income or loss of the Corporation.

The impact of changes in foreign currency exchange rates for the three months ended March 31, 2026, resulted in \$27 in foreign currency exchange loss (Q1 2025 – \$41 loss).

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

As at March 31, 2026, \$213 (December 31, 2025 – \$820) 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 drilling services 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 March 31, 2026:

(in thousands)	PGK ⁽¹⁾	AUD ⁽²⁾	CAD ⁽³⁾
Cash	1,637	1,176	689
Accounts receivable	1,459	148	45
Accounts payable and accrued liabilities	(2,127)	(1,113)	(216)
Total	969	211	518

⁽¹⁾ As at March 31, 2026, one PGK was equivalent to 0.2315 USD.

⁽²⁾ As at March 31, 2026, one AUD was equivalent to 0.6880 USD.

⁽³⁾ As at March 31, 2026, one CAD was equivalent to 0.7174 USD.

PNG restrictions on distributions

As at March 31, 2026, the Corporation's total cash balances (including USD and PGK) in PNG totalled \$555 (December 31, 2025 – \$904). Dividends paid out of PNG are subject to a dividend withholding tax of 15% and are held at source. As a result of this PNG tax legislation, a restriction therefore exists on the total amount of funds the Corporation could repatriate if a dividend were declared and paid. Assuming the Corporation declared a dividend for the full amount of its cash balances held at March 31, 2026, the dividend would attract a withholding tax in PNG of approximately \$83 (December 31, 2025 – \$136) 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's customers are predominantly made up of large multinational customers in PNG. However, the diversification strategy being executed by the Corporation is introducing a variety of new customers with diverse financial resources. The onboarding of these customers includes an examination of their creditworthiness to manage the associated risk.

For the three months ended March 31, 2026, the Corporation provided services to three large customers (two multinational and one national) who individually accounted for greater than 10% of its consolidated revenues, with total sales of \$1,516 (three months ended

March 31, 2025 – two large multinational customers with total sales of \$2,068).

As at March 31, 2026, three customers represented a total of \$1,290 or 75% of the outstanding accounts receivable (December 31, 2025 – two customers representing \$1,330 or 73% 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 audited annual consolidated financial statements for the year ended December 31, 2025. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. The Corporation's material accounting policies can be found in Note 3 of the audited annual consolidated financial statements for the year ended December 31, 2025.

Future Accounting Pronouncements

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

Business Risks and Uncertainties

In addition to the financial risks discussed above under "Financial Risk Management", below under "Forward Looking Statements" and elsewhere in this MD&A, the Corporation is exposed to a number of business risks and uncertainties that could have a material impact on the Corporation. Readers of the Corporation's MD&A should also carefully consider the risks described under the heading "Business Risk and Uncertainties" in the Corporation's December 31, 2025 annual MD&A. The December 31, 2025 annual MD&A is available on SEDAR+ at www.sedarplus.ca.

Non-IFRS Measures

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

Earnings 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 ended March 31, 2026 and 2025:

(thousands of USD)	Three months ended March 31,	
	2026	2025
Net loss	(1,687)	(1,225)
<u>Adjustments to net loss:</u>		
Interest income	(48)	(17)
Finance expense	15	7
Income tax expense	408	196
Depreciation and amortization	531	753
EBITDA	(781)	(286)
<u>Adjustments to EBITDA:</u>		
Stock-based compensation	21	43
Foreign exchange (loss) gain	27	41
Adjusted EBITDA	(733)	(202)

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 ended March 31, 2026 and 2025.

Operating margin %

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

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

(thousands of USD, unless otherwise noted)	Three months ended March 31,	
	2026	2025
Revenue	1,683	2,510
Operating expenses	(1,506)	(1,796)
Operating margin	177	714
Operating margin %	10.5%	28.4%

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 March 31,	
	2026	2025
Revenue	1,683	2,510
Operating expenses	(1,506)	(1,796)
G&A expenses	(910)	(916)
Share based compensation	(21)	(43)
Depreciation	(531)	(753)
Operating loss	(1,285)	(998)

Percentage of revenue

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

Funds flow from operations

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

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

The following tables provide a quantitative reconciliation of net cash generated from operating activities, as disclosed in the consolidated statements of cash flows to funds flow from operations:

(thousands of USD)	Three months ended March 31,	
	2026	2025
Net cash used in operating activities	(568)	(825)
Adjusted for:		
Changes in non-cash working capital balances - operating	(523)	569
Funds used in operations	(1,091)	(256)

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 March 31, 2026 and December 31, 2025:

(thousands of USD)	As at	As at
	Mar 31, 2026	Dec 31, 2025
Current assets	20,997	21,978
Current liabilities	(4,049)	(3,273)
Working capital	16,948	18,705
Working capital ratio	5.2:1	6.7:1

Forward-Looking Statements

This MD&A contains forward-looking statements and forward-looking information (collectively, “forward-looking statements”) within the meaning of applicable securities laws. Forward-looking statements are based on management’s current expectations, estimates, projections, beliefs and assumptions as of the date of this MD&A. Forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from those expressed or implied by such statements.

Forward-looking statements are often identified by words such as “may”, “will”, “would”, “could”, “should”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, “expect”, “forecast”, “project”, “seek”, “continue” and similar expressions. In this MD&A, forward-looking statements include, among other things, statements regarding general economic and business conditions; the outlook for energy services globally and in Papua New Guinea (“PNG”); the timing, scope and effect of customer drilling, appraisal, development and other activity in PNG; the timing, scale and impact of existing and potential large-scale resource projects, including LNG-related developments; commodity prices and foreign exchange rates; government policy, regulation and fiscal regimes; the Corporation’s diversification strategy, including the expansion of rental equipment and fire services; the redeployment of idle drilling assets; customer demand; capital allocation decisions; liquidity, working capital and capital resources; and the Corporation’s anticipated financial and operating performance.

- 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”.

In preparing the forward-looking statements contained in this MD&A, the Corporation has made assumptions including, without limitation, assumptions regarding: the continuation of its relationships with major customers, suppliers and other stakeholders; the timing and level of customer demand and project activity; its ability to market and deliver drilling, rental equipment and fire services to existing and new customers; the availability, performance and timely deployment of equipment and assets; the availability of qualified personnel; the continued ability to obtain goods and services on commercially reasonable terms; the Corporation’s ability to execute its diversification strategy and strategic objectives; the management of foreign exchange exposure, settlement and repatriation processes in PNG; and the Corporation’s ability to maintain adequate liquidity and access capital, if required, on acceptable terms.

Although the Corporation believes that the expectations reflected in these forward-looking statements and the assumptions on which they are based are reasonable, there can be no assurance that such expectations or assumptions will prove to be correct. Actual results may differ materially from those expressed or implied by forward-looking statements as a result of the factors discussed above and elsewhere in this MD&A.

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