

HIGH ARCTIC ENERGY SERVICES INC.



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014

NOVEMBER 12, 2015

High Arctic Energy Services Inc.
Management's Discussion and Analysis
For the Three and Nine Months Ended September 30, 2015 and 2014

The following Management's Discussion and Analysis ("MD&A") of High Arctic Energy Services Inc. (the "Corporation" or "High Arctic") should be read in conjunction with the unaudited interim consolidated financial statements of High Arctic for the three and nine months ended September 30, 2015 and 2014 and the condensed notes contained therein and the audited consolidated financial statements and notes thereto for the years ended December 31, 2014 and 2013 (the "Financial Statements"). This information is available at SEDAR (www.sedar.com). All financial measures presented in this MD&A are in Canadian dollars unless otherwise indicated. This MD&A is dated November 12, 2015.

Forward-Looking Statements

This MD&A contains forward-looking statements. When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions are intended to identify forward-looking statements. Such statements reflect the Corporation's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Corporation's actual results, performance or achievements to vary from those described in this MD&A. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated or expected. Specific forward-looking statements in this MD&A include, among others, statements pertaining to the following: general economic and business conditions which will, among other things, impact demand for and market prices for the Corporation's services; expectations regarding the timing of the utilization of Rig 116, estimates of future profitability, expectations regarding the Corporation's ability to raise capital and manage its debt obligations; commodity prices and the impact that they have on industry activity; estimated capital expenditure programs for fiscal 2015 and subsequent periods; projections of market prices and costs; factors upon which the Corporation will decide whether or not to undertake a specific course of operational action or expansion; treatment under governmental regulatory regimes and political uncertainty and civil unrest. With respect to forward-looking statements contained in this MD&A, the Corporation has made assumptions regarding, among other things, its ability to: obtain equity and debt financing on satisfactory terms; market successfully to current and new customers; obtain equipment from suppliers; construct property and equipment according to anticipated schedules and budgets; remain competitive in all of its operations; and attract and retain skilled employees.

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 above and elsewhere in this MD&A, along with the risk factors set out in the most recent Annual Information Form filed on SEDAR at www.sedar.com.

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.

Corporate Profile

High Arctic is a publicly traded company listed on the Toronto Stock Exchange under the symbol "HWO". The Corporation's principal focus is to provide drilling and specialized well completion services, equipment rentals and other services to the oil and gas industry.

High Arctic's largest operation is in Papua New Guinea where it provides drilling and specialized well completion services and supplies rig matting, camps and drilling support equipment on a rental basis. The Canadian operation provides snubbing services, nitrogen supplies and equipment on a rental basis to a large number of oil and natural gas exploration and production companies operating in Western Canada.

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Highlights

- 2015's third quarter adjusted EBITDA of \$18.7 million was almost double that of the prior year (2014 - \$9.8 million).
- Revenues earned in the third quarter of 2015 increased by 42% to \$58.5 million from the \$41.3 million earned in the same period in 2014.
- The Corporation expects its investment in two modern heli-portable drilling rigs to continue to deliver contracted growth with large independents and major E&P companies.
- As part of its growth strategy, the Corporation intends to be an active participant in the consolidation of the oilfield services market. During the third quarter, High Arctic commenced investing in select public companies that it believes are strategic opportunities. With continued soft markets, the Corporation may add to these positions.
- High Arctic declared monthly dividends totaling \$8.2 million during the first nine months of 2015 representing a trailing twelve month dividend payout of 23% of Funds provided from operations (2014 - \$6.7 million; 21%).

Selected Comparative Financial Information

The following is a summary of selected financial information of the Corporation. All figures are derived from financial information that is prepared or presented in accordance with International Financial Reporting Standards ("IFRS"):

\$ millions (except per share amounts)	Three Months Ended September 30				Nine Months Ended September 30			
	2015	2014	Change	%	2015	2014	Change	%
Revenue	58.5	41.3	17.2	42	151.9	125.6	26.3	21
EBITDA⁽¹⁾	14.0	8.3	5.7	69	36.9	34.0	2.9	9
Adjusted EBITDA⁽¹⁾⁽²⁾	18.7	9.8	8.9	91	43.2	36.0	7.2	20
Operating earnings	13.9	6.4	7.5	117	31.0	25.6	5.4	21
Net earnings	6.1	3.7	2.4	65	18.1	19.7	(1.6)	(8)
per share (basic)	0.11	0.07	0.04	57	0.33	0.39	(0.06)	(15)
per share (diluted)	0.11	0.07	0.04	57	0.32	0.39	(0.07)	(18)
Adjusted net earnings⁽¹⁾⁽³⁾	10.2	3.7	6.5	176	22.2	19.7	2.5	13
per share (basic) ⁽³⁾⁽⁴⁾	0.18	0.07	0.11	157	0.40	0.39	0.01	3
per share (diluted) ⁽³⁾⁽⁴⁾	0.18	0.07	0.11	157	0.40	0.39	0.01	3
Funds provided from operations⁽¹⁾	14.3	7.6	6.7	88	33.0	30.5	2.5	8
per share (basic) ⁽⁴⁾	0.26	0.14	0.12	86	0.60	0.61	(0.01)	(2)
per share (diluted) ⁽⁴⁾	0.26	0.14	0.12	86	0.59	0.60	(0.01)	(2)
Dividends	2.7	2.4	0.3	13	8.2	6.7	1.5	22
Capital expenditures	2.9	36.8	(33.9)		39.4	41.0	(1.6)	
Working capital					35.5	44.8	(9.3)	(21)
Total assets					239.5	178.8	60.7	34
Total non-current financial liabilities					9.0	-	9.0	
Net cash, end of period⁽¹⁾					12.5	46.0	(33.5)	(73)
Shares outstanding - end of period⁽⁴⁾					54.9	55.8	(0.9)	(2)

(1) Readers are cautioned that EBITDA, Adjusted EBITDA, Adjusted net earnings, Funds provided from operations, net cash and working capital do not have standardized meanings prescribed by IFRS – see "Key Financial Measures".

(2) Adjusted EBITDA is calculated as EBITDA plus adjustments for share-based compensation, loss on short term investments, loss on sale of property and equipment, excess of insurance proceeds over costs and foreign exchange gains or losses.

(3) Adjusted net earnings is calculated as Net earnings plus an adjustment for loss on short term investments.

(4) The restricted shares held by a trustee under the Executive and Director Incentive Share Plan are included in the shares outstanding. The number of shares used in calculating the net earnings per share amounts is determined differently as explained in the Financial Statements.

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Key Financial 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 such as "EBITDA", "Adjusted EBITDA", "Adjusted net earnings", "Adjusted net earnings per share", "Adjusted net earnings per share – diluted", "Oilfield services operating margin", "Oilfield services operating margin %", "Percent of revenue", "Funds provided from operations", "Funds provided from operations per share", "Funds provided from operations per share – diluted", "Debt-to-capitalization percentage", "Working capital", "Net cash" and "Market capitalization". High Arctic 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:

EBITDA

Management believes that, in addition to net earnings reported in the consolidated statement of earnings and comprehensive income, EBITDA (earnings before interest, taxes, depreciation and amortization) is a useful supplemental measure of the Corporation's performance prior to consideration of how operations are financed or how results are taxed or how depreciation and amortization affects results. EBITDA is not intended to represent net earnings calculated in accordance with IFRS.

Adjusted EBITDA

Adjusted EBITDA is calculated based on EBITDA (as referred to above) prior to the effect of loss on short term investments, share-based compensation, gains or losses on sale of assets or investments, and foreign exchange gains or losses. Management utilizes Adjusted EBITDA to present financial performance that is more comparable between periods. Adjusted EBITDA as presented is not intended to represent net earnings or other measures of financial performance calculated in accordance with IFRS. The following tables provide a quantitative reconciliation of consolidated net earnings to EBITDA and Adjusted EBITDA for the three and nine months ended September 30:

(\$ millions)	Three Months Ended Sept. 30, 2015	Three Months Ended Sept. 30, 2014	Nine Months Ended Sept. 30, 2015	Nine Months Ended Sept. 30, 2014
Net earnings for the period	6.1	3.7	18.1	19.7
Add:				
Interest and finance expense	0.1	0.1	0.3	0.4
Income taxes	3.4	1.3	7.7	4.5
Amortization	4.4	3.2	10.8	9.4
EBITDA	14.0	8.3	36.9	34.0
Add:				
Loss on short term investments	4.1	-	4.1	-
Share-based compensation	0.4	0.4	1.4	1.0
Loss (gain) on sale of assets	0.2	(0.2)	0.5	(0.2)
Foreign exchange loss	-	1.3	0.3	1.2
Adjusted EBITDA	18.7	9.8	43.2	36.0

Adjusted Net Earnings

Adjusted net earnings is calculated based on net earnings prior to the effect of the loss on short term investments. Management utilizes Adjusted net earnings to present a measure of financial performance that is more comparable between periods. Adjusted net earnings as presented is not intended to represent net earnings or other measures of financial performance calculated in accordance with IFRS. Adjusted net earnings per share and Adjusted net earnings per share – diluted are calculated as Adjusted net earnings divided by the number of weighted average basic and diluted shares outstanding, respectively. The following tables provide a quantitative reconciliation of net earnings to Adjusted net earnings for the three and nine months ended September 30:

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(\$ millions)	Three Months Ended Sept. 30, 2015	Three Months Ended Sept. 30, 2014	Nine Months Ended Sept. 30, 2015	Nine Months Ended Sept. 30, 2014
Net earnings	6.1	3.7	18.1	19.7
Add:				
Loss on short term investments	4.1	-	4.1	-
Adjusted net earnings	10.2	3.7	22.2	19.7

Oilfield Services Operating Margin

Oilfield services operating margin is used by management to analyze overall operating performance. Oilfield services operating margin is not intended to represent operating income nor should it be viewed as an alternative to net earnings or other measures of financial performance calculated in accordance with IFRS. Oilfield services operating margin is calculated as revenue less oilfield services expense.

Oilfield Services Operating Margin %

Oilfield services operating margin % is used by management to analyze overall operating performance. Oilfield services operating margin % is calculated as oilfield services operating margin divided by revenue.

Percent of Revenue

Certain figures are stated as a percent 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 Provided from Operations

Management believes that, in addition to net cash generated from operating activities as reported in the consolidated statements of cash flows, cash flow from operating activities before working capital adjustments (funds provided from operations) is a useful supplemental measure as it provides an indication of the funds generated by High Arctic's principal business activities prior to consideration of changes in items of working capital. This measure is used by management to analyze funds provided from operating activities prior to the net effect of changes in items of non-cash working capital, and is not intended to represent 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 to funds provided from operations for the three and nine months ended September 30:

(\$ millions)	Three Months ended Sept. 30, 2015	Three Months ended Sept. 30, 2014	Nine Months ended Sept. 30, 2015	Nine Months ended Sept. 30, 2014
Net cash generated from operating activities	8.2	10.9	39.8	39.7
Less:				
Net changes in items of non-cash working capital	6.1	(3.3)	(6.8)	(9.2)
Funds provided from operations	14.3	7.6	33.0	30.5

Debt-to-capitalization percentage

Debt-to-capitalization percentage is used by management to assess its financial structure and determine how the Corporation is financing its activities. The amount is calculated as total debt divided by the sum of total debt and shareholders' equity.

Working capital

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.

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Net cash

Net cash is used by management to analyze the amount by which cash and cash equivalents exceed the total amount of debt. The amount, if any, is calculated as cash and cash equivalents less total long-term debt. The following tables provide a quantitative reconciliation of cash and cash equivalents to net cash:

(\$ millions)	September 30, 2015	December 31, 2014
Cash and cash equivalents	21.5	37.2
Less:		
Long-term debt	(9.0)	-
Net cash	12.5	37.2

Market capitalization

Market capitalization is used by management to calculate the approximate fair value of the Corporation's equity based on the trading value of the common shares on the Toronto Stock Exchange and is calculated as the total number of shares outstanding multiplied by the Corporation's share price at a point in time.

Overview

During the three and nine month periods ended September 30, 2015, increased revenues from drilling operations in Papua New Guinea (PNG) and the effects of the stronger U.S. dollar more than offset decreased Canadian operations and rental revenues earned in PNG. This resulted in an overall 42% increase in revenues for the three months ended September 30 from \$41.3 million in 2014 to \$58.5 million in 2015. Revenues from the commencement of operations of Rig 115 in mid-March, standby revenues commencing for Rig 116 in late August and a stronger U.S. dollar helped to increase revenues for the first nine months of 2015 to \$151.9 million as compared to \$125.6 million earned for the nine months ended September 30, 2014.

Increased revenues resulted in a 91% increase in Adjusted EBITDA to \$18.7 million for the third quarter of 2015 from \$9.8 million generated in the three months ended September 30, 2014. Oilfield services operating margins remained fairly constant during the first nine months of 2015 at 35% of revenues as compared to 36% for the same period in 2014. However, for the three months ended September 30, 2015, gross margins increased to 38% from the 31% experienced in the same period in 2014 due to a change in the service mix and improved margins from all areas of operations. With the commencement of operations of both company-owned drilling rigs, revenues and overall profitability have increased.

During the first nine months of 2015, High Arctic continued to build its drilling operations in PNG through the refurbishment of the second heli-portable drilling rig that was acquired in 2014 and the acquisition of a rig camp, spare parts and ancillary equipment. Additions to property and equipment totalled \$39.4 million in the first nine months of 2015 (\$2.9 million for the three months ended September 30, 2015). In January, the refurbishment of Rig 115 was completed and it was shipped to PNG where it arrived and cleared customs in mid-March. Drilling operations for Rig 115 commenced in mid-June, initiating its two year contract term. The refurbishment of Rig 116 was completed at the end of June and cleared customs in PNG in late August.

The Corporation continues to generate strong cash flows with net cash generated from operations including working capital of \$39.8 million during the first nine months of 2015 as compared to \$39.7 million for the same period in 2014. Funds flow from operations for the three months ended September 30, 2015 was \$14.3 million (2014 - \$7.6 million), an increase of 88%.

At September 30, 2015, High Arctic had \$12.5 million of net cash (December 31, 2014 - \$37.2 million) with working capital of \$35.5 million (December 31, 2014 - \$41.6 million). The Corporation continues to pay the monthly dividend of \$0.0165 per share set in November, 2014. Dividends declared in the first nine months of 2015 increased by 22% to \$8.2 million (2014 - \$6.7 million). The Corporation anticipates that future earnings will support continued dividend payments.

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Revenue

For the three months ended September 30, 2015, revenues were \$58.5 million; a 42% increase over the revenues generated during the third quarter of 2014 of \$41.3 million. Increased revenues of \$18.8 million from PNG activities offset decreased revenues of \$1.6 million from Canadian operations. Revenues increased by 21% for the first nine months of 2015 to \$151.9 million as compared to \$125.6 million for the first three quarters of 2014.

PNG revenue increases arose from higher drilling rig utilization, the commencement of operations from Rig 115 in March, standby revenues from Rig 116 commencing in August and the stronger U.S. dollar. Decreases in rental revenues were experienced in PNG as rental equipment was returned in the second half of 2014. The redeployment of that equipment and rentals from recent additions acquired for use with Rig 115 and Rig 116 will help to offset these reductions in the future.

The steep decline in oil prices and continuing low natural gas prices have impacted High Arctic's Canadian operations where revenues decreased by approximately 26% during the first nine of 2015 as compared to the same period in 2014 (16% decrease for the three months ended September 30, 2015 as compared to the same period in 2014).

(\$ millions)	Three Months Ended September 30				Nine Months Ended September 30			
	2015	2014	Change	%	2015	2014	Change	%
Revenue								
Papua New Guinea	50.2	31.4	18.8	60	127.7	92.7	35.0	38
Canada	8.3	9.9	(1.6)	(16)	24.2	32.9	(8.7)	(26)
Total	58.5	41.3	17.2	42	151.9	125.6	26.3	21

Operations in PNG

PNG has large projects sponsored by major companies aimed at satisfying the long term Asian demand for energy and like most international markets, receives world prices for its oil and natural gas. The producing LNG plant receives U.S. dollar oil linked prices for natural gas. These are significant advantages over the Canadian market place and as a result, activity remains relatively strong in PNG.

Rig 115 commenced revenue generating activities in mid-March at a "moving" rate which increased to its higher daily drilling rate in mid-June upon the spudding of its first well. Rig 116 commenced earning revenues at a "standby" rate upon clearance of PNG customs in late August. High Arctic also continues to manage and operate two heli-portable drilling rigs (Rigs 103 and 104) owned by a customer in PNG. Both drilling rigs were fully active during the first nine months of 2015 and for all but thirteen days of the same period in 2014. PNG's rental fleet includes 9,838 Dura-Base® mats, of which High Arctic exited 2014 with approximately 6,800 mats under contract which increased to approximately 7,230 by the end of September, 2015. The Corporation also generates revenues from two heli-portable camps, various rolling stock, cranes and other oilfield equipment. One heli-portable camp owned by High Arctic had been stacked at a lower rate under contract from mid-August 2014 to March, 2015 when it was reactivated and earned full lease rates for a period of two months. It is currently stacked and is expected to next be used upon the commencement of Rig 116's drilling activities. The second camp, built in 2015, began earning revenues in conjunction with Rig 115 in April.

During the three months ended September 30, 2015, revenue from the PNG operations increased by 60% to \$50.2 million from \$31.4 million earned during the third quarter of 2014. Increased drilling revenues from Rig 115 being fully utilized during the quarter combined with the commencement of revenues from Rig 116 in late August offset the lower rental revenues which were a result of the return of equipment by other customers. The Corporation also benefitted from the effects on revenue of a stronger U.S. dollar during the third quarter with the exchange rate averaging 1.309 (third quarter of 2014 – 1.090).

For the nine months ended September 30, 2015, revenue from the PNG operations increased by 38% to \$127.7 million from \$92.7 million earned during the first three quarters of 2014. Increased drilling revenues for 2015 due to Rig 103 and Rig 104

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being fully utilized during the period and the commencement of revenues from Rig 115 in mid-March and from Rig 116 in late August offset decreased rental revenues and lower rates to respond to general market conditions. The Corporation also benefitted from the effects on revenue of a stronger U.S. dollar during the first nine months of 2015 with the exchange rate averaging 1.260 (first nine months of 2014 – 1.094) which effect amounted to approximately .

Operations in Canada

The Canadian market is particularly weak because in addition to lower world commodity prices, Canada suffers significant discounts to world prices for both oil and natural gas. This relates to infrastructure constraints that result in a defacto U.S. monopoly on Canadian oil and natural gas exports. This is somewhat offset by a significant depreciation of the Canadian dollar that has the effect of a more than 20% cost reduction in U.S. dollar terms.

Thus, the activity levels in Canada continue to be reduced due to international competitiveness challenges for the exploration and production sector. These issues have been compounded by concerns about the stability of governmental fiscal terms in Alberta, the largest producing province. The Corporation is optimistic about the long term future of the Canadian market as it has the potential for a rebound from three sources: a global recovery in oil prices, a solution for infrastructure constraints to market access and an improvement in the Alberta investment climate.

Total equipment utilization for the first nine months of 2015 was 30% compared to 42% for the same period in 2014. For the third quarter of 2015, total utilization was 29% compared to 38% for the three months ended September 30, 2014. These figures are calculated based on the full fleet of equipment available despite parking approximately 45% of its equipment in March 2015 to reduce oilfield services expenses. Equipment utilization is determined by dividing the number of twelve hour days a unit operates by the total number of days in the relevant period.

Revenue generated by snubbing services for the three months ended September 30 decreased by 10% from \$6.8 million for 2014 to \$6.1 million for 2015. For the third quarter of 2015, nitrogen revenues were \$1.6 million, a 36% decline from the \$2.5 million generated in the three months ended September 30, 2014. For the nine months ended September 30, revenue generated by snubbing services decreased by 23% from \$22.6 million for 2014 to \$17.4 million for 2015. For the first three quarters of 2015, nitrogen revenues were \$4.9 million, a 43% decline from the \$8.6 million generated in the same period in 2014.

Oilfield Services Expense and Oilfield Services Operating Margin

Oilfield services expenses increased as a result of increased drilling activity in PNG and an approximate 16% strengthening of the average value of the U.S. dollar during the first nine months of 2015 as compared to the same period in 2014. Together, these increased PNG expenses were in excess of the decreased oilfield services expenses from operations in Canada by \$17.4 million.

(\$ millions)	Three Months Ended September 30				Nine Months Ended September 30			
	2015	2014	Change	%	2015	2014	Change	%
Oilfield services expense	36.4	28.4	8.0	28	98.2	80.8	17.4	22
Percent of revenue	62%	69%			65%	64%		
Oilfield services operating margin	22.1	12.9	9.2	71	53.7	44.8	8.9	20
Percent of revenue	38%	31%			35%	36%		

Increased drilling activity resulted in an increase of \$8.9 million in the oilfield services operating margin for the first nine months of 2015 over the same period in 2014. Operating margins as a percent of revenue remained relatively stable during the nine months as compared to 2014. For the three months ended September 30, 2015, margins increased as a result of the addition of operations from company-owned drilling rigs and the recognition of certain mobilization inducements received.

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Both fixed and variable costs that, in total, do not increase or decrease by the same proportion as changes in revenue and activity levels, are included in oilfield services expenses. The Corporation maintains a scalable cost infrastructure wherever possible which adjusts to changing activity and provides substantial operating leverage when activity changes. Operating costs have been reduced aggressively in response to price concessions to support customer operations over the first nine months of 2015. The impact of the reductions was first seen in the second quarter and continues to be realized.

Oilfield services expenses by nature

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
(\$ millions)				
Personnel costs and personnel related costs	14.4	11.3	40.2	33.2
Drilling rig and other rental costs	11.6	9.7	33.6	27.6
Material and supplies cost	8.1	5.0	18.2	12.8
Equipment operating and maintenance costs	1.9	2.1	5.4	6.5
Other	0.4	0.3	0.8	0.7
Total	36.4	28.4	98.2	80.8

Personnel costs increased in both the three and nine month periods ended September 30, 2015 over the same periods in 2014 due to both Rig 103 and Rig 104 being fully utilized during the quarters and Rig 115 commencing operations in the second week of March, 2015. Such increases exceeded the reduction in personnel costs in the Canadian operations which were required in response to lower activity in Western Canada. The full utilization of Rigs 103 and 104 also increased drilling rig rental costs in 2015 as compared to 2014. The increase in oilfield services expenses in 2015 is also partially explained by the increase in the average US dollar exchange rate to 1.309 for the third quarter of 2015 (third quarter of 2014 – 1.089) and 1.260 for the first nine months of 2015 as compared to 1.094 for the same period in 2014.

General and Administration

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
General and administrative expenses by nature:				
Personnel costs and personnel related costs	2.3	1.5	7.1	5.5
Facility costs	0.3	0.5	1.1	1.0
Professional, legal and consulting fees	0.2	0.1	0.7	0.7
Leases	0.3	0.1	0.8	0.4
Other	0.3	0.9	0.8	1.2
Total	3.4	3.1	10.5	8.8
Percent of Revenue	6%	8%	7%	7%

General and administration expenses (G&A) for the three and nine months ended September 30, 2015 increased over the same periods in 2014 as a result of staffing increases and other outlays incurred to support both current and expected increased activity in the PNG operations and the initiation of a regional office in Brisbane, Australia in late 2014.

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Amortization

(\$ millions)	Three Months Ended September 30			Nine Months Ended September 30		
	2015	2014	Change	2015	2014	Change
Amortization	4.4	3.2	1.2	10.8	9.4	1.4
Percent of revenue	8%	8%		7%	7%	

Amortization increased for the first nine months and third quarter of 2015 due to the higher net book value of the depreciable assets as compared to 2014. Rig 115 began drilling operations in mid-June, 2015 and depreciation of this asset commenced then.

Share-based Compensation

(\$ millions)	Three Months Ended September 30			Nine Months Ended September 30		
	2015	2014	Change	2015	2014	Change
Share-based compensation	0.4	0.4	-	1.4	1.0	0.4
Percent of revenue	<1%	<1%		1%	<1%	

The increase in share-based compensation expense to \$1.4 million for the first nine months of 2015 is due to the graded vesting formula used to amortize the calculated benefit amount over the vesting period which weights a higher portion of the benefit to the first year of each grant and to the increased numbers of share options, unvested shares outstanding under the Corporation's Executive and Director Share Incentive Program and Restricted Share Units outstanding throughout the period as compared to 2014.

Foreign Exchange Loss (Gain) in Net Earnings

(\$ millions)	Three Months Ended September 30			Nine Months Ended September 30		
	2015	2014	Change	2015	2014	Change
Foreign exchange (gain) loss on cash held in U.S. dollars	(0.1)	(0.2)	0.1	(1.1)	0.6	(1.7)
Foreign exchange (gain) loss on amounts due in U.S. dollars	0.1	1.5	(1.4)	1.4	0.6	0.8
Foreign exchange (gain) loss	-	1.3	(1.3)	0.3	1.2	(0.9)
Percent of revenue	<1%	3%		<1%	<1%	

The Corporation has exposure to U.S. dollar revenues and expenses, primarily through its operations in PNG, to local currencies including the Kina in PNG and to the current assets (cash and cash equivalents) and current liabilities denominated in U.S. dollars held in Canada. Gains and losses recorded by the Canadian parent on its U.S. dollar cash accounts and on any U.S. dollar denominated intercompany balances not considered part of the Corporation's net investment must be recognised as a foreign exchange gain or loss in the statement of earnings while the offsetting amount on the intercompany balances recorded for the foreign subsidiary is recorded as a cumulative translation adjustment. Gains and losses on intercompany balances are non-cash items.

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Foreign Currency Translation Gains in Other Comprehensive Income

The translation of foreign operations with a functional currency different from that of the Corporation, being primarily the U.S. dollar based operations in PNG, is translated into Canadian dollars and resulting changes are recognised in other comprehensive income as cumulative translation adjustments as follows:

(\$ millions)	Three Months Ended September 30			Nine Months Ended September 30		
	2015	2014	Change	2015	2014	Change
Foreign currency translation gains (losses) for foreign operations	9.4	4.9	4.5	18.5	4.9	13.6

The U.S. dollar exchange rate increased by approximately seventeen percent from 1.1601 at the beginning of 2015 to 1.3345 on September 30, 2015 resulting in a foreign currency translation gain recognized in other comprehensive income of \$18.5 million for the first three quarters of 2015. These gains were realized on the assets held by foreign subsidiaries during the first nine months of 2015 as follows: cash - \$2.4 million; working capital items - (\$0.6 million); property and equipment - \$14.7 million and intercompany loan balances - \$2.0 million. The U.S. dollar exchange rate only increased by approximately six percent from 1.0636 on December 31, 2013 to 1.120 on September 30, 2014 resulting in a net foreign currency translation gain of \$4.9 million recognized in other comprehensive income for the first nine months of 2014.

For the three months ended September 30, the U.S. dollar exchange rate increased from 1.249 at the beginning of the period to 1.3345 on September 30, 2015 resulting in a net foreign currency translation gain recognized in other comprehensive income of \$9.4 million. This net gain was realized on the assets held by foreign subsidiaries during the third quarter of 2015 as follows: cash - (\$0.2) million; working capital items - (\$0.6 million); property and equipment - \$8.4 million and intercompany loan balances - \$1.8 million. For the third quarter of 2014, the U.S. dollar exchange rate increased from 1.067 on June 30, 2014 to 1.120 on September 30, 2014 resulting in a net foreign currency translation gain of \$4.9 million recognized in other comprehensive income (cash - \$1.7 million; property and equipment - \$2.5 million and intercompany loan balances - \$0.7 million).

Interest and Finance Expense

The Corporation had long-term debt of \$9.0 million outstanding at September 30, 2015 which was outstanding for a period of approximately six weeks. High Arctic had repaid \$6.7 million of its long term debt in August, 2014 that had been outstanding since the beginning of 2014. The interest rate applicable to the senior debt is based on the prime rate plus a spread (see Long-Term Debt). Interest expense decreased in 2015 as compared to 2014 as a result of the reduced time that debt was outstanding. Standby fees are calculated on the undrawn portion of the loan facility.

Income Taxes

The current income tax expense and deferred tax recovery relate to taxes payable on services provided in PNG. The Corporation's activities in Canada are not subject to current income taxes due to its ability to utilize various tax pools and losses carried forward from prior years.

(\$ millions)	Three Months Ended September 30			Nine Months Ended September 30		
	2015	2014	Change	2015	2014	Change
Current income tax expense	3.4	1.3	2.1	7.7	4.5	3.2
Percent of revenue	6%	3%		5%	4%	

Earnings retained by subsidiaries that may be subject to dividend withholding taxes in the country of origin upon repatriation amounted to \$74.6 million as at September 30, 2015 (December 31, 2014 - \$61.8 million). The average dividend withholding tax rate is estimated to be 17%. No provision has been made for withholding and other taxes that would become payable on

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the distribution of these earnings because the Corporation controls the relevant entities and has no committed plans to repatriate the earnings in the foreseeable future.

High Arctic is not currently taxable in Canada as a result of significant available tax pools. The Corporation uses the liability method of tax allocation in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the income tax consequences attributable to the difference between amounts recorded in the financial statements and their respective tax bases, using a substantially enacted tax rate. High Arctic has recognised a deferred tax asset of \$5.0 million as a result of determining that sufficient certainty exists to support recognising approximately \$20 million of its existing Canadian tax pools based on estimated future taxable profits. The Corporation believes that future taxable income projections continue to support the deferred tax asset recognised.

At each reporting period, the Corporation assesses its ability to utilize the deductible temporary differences based on its history of profitability, the current industry activity in Canada and the expectation of future taxable profitability. In 2014, the Corporation recognised a Canadian timing difference of \$2.1 million based on its taxable income produced in the year and does not expect to recognise any in 2015. The deductible temporary differences for which no benefit has been booked that relate to the available Canadian tax pools are estimated as follows:

Property and equipment	(3.8)
Non- capital losses	61.1
Financing costs	3.5
Total	60.8

Accounts Receivable

The aging of accounts receivables is as follows:

	September 30, 2015	December 31, 2014
Less than 31 days	27.4	16.7
31 to 60 days	1.3	3.9
61 to 90 days	0.7	0.2
Greater than 90 days	0.5	0.4
Allowance for doubtful accounts	(0.7)	(0.6)
Total	29.2	20.6

The Corporation's accounts receivable are denominated in the following currencies:

	September 30, 2015	December 31, 2014
Canadian dollar	5.2	7.0
United States dollar (2015 – US\$18.0; 2014 – US\$11.7)	24.0	13.6
Total	29.2	20.6

The allowance for doubtful accounts provision is based on an individual account by account analysis and management believes that the balance in its allowance for doubtful accounts is adequate should any losses be incurred. The Corporation's normal credit terms are net 30 days. The risks associated with the Corporation's accounts receivable are viewed as normal for the industry and management assesses the creditworthiness of its customers on an ongoing basis.

Short Term Investments

Since June, 2015 High Arctic has accumulated short term investments in select publicly traded oil and gas services companies at a cost of \$16.5 million. From time to time the Corporation will make strategic investments while it evaluates potential

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acquisition opportunities. As at September 30, 2015, the investments are presented at a fair value of \$12.4 million which is \$4.1 million less than the original cost. The difference in fair value has been charged to earnings as it has been determined to be a significant decrease in the value of the investments.

	September 30, 2015	December 31, 2014
Investments in equity securities	12.0	-
Investments in debt securities	0.4	-
Total	12.4	-

Property and Equipment

In July, 2014 the Corporation completed the acquisition of two heli-portable drilling rigs and ancillary equipment. The rigs were packaged and shipped from Brazil to Houston to undergo upgrades required to meet the drilling standards in PNG and special adaptations requested by our customer under contract. During the three months ended September 30, 2015, capital expenditures were \$2.9 million (2014 – \$36.8 million). Capital expenditures of \$39.4 million were incurred during the first nine months of 2015 (2014 - \$41.0 million). The majority of the capital expenditures in 2015 were incurred on the Rig 116 upgrades, the acquisition of a camp, spare equipment and rolling stock to support the Corporation's new rigs and the transportation of both rigs to PNG. Additional costs were incurred for upgrades and re-certifications of certain Canadian equipment.

Accounts Payable and Accrued Liabilities

Accounts payable have increased by \$10.3 million since December 31, 2014 reflecting increased operating costs and payroll associated with the commencement of operations of Rig 115 in the second quarter of 2015 and the increased exchange rate of the U.S. dollar to 1.3345 as compared to 1.1601 at the end of 2014. At September 30, 2015 there was also a higher than average amount owed for the lease of Rigs 103 and 104 of \$12.9 million (December 31, 2014 - \$5.9 million) due to the timing of payments. Accounts payable consist of the following:

	September 30, 2015	December 31, 2014
Accounts payable	17.3	9.3
Accrued liabilities	6.9	6.4
Accrued payroll	3.5	1.7
Total	27.7	17.4

Outstanding Share Data

Common Shares

The Corporation's authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares. As at September 30, 2015, there were 54,887,852 issued and outstanding common shares.

During the nine months ended September 30, 2015, a total of 77,800 stock options were exercised (year ended December 31, 2014 – 567,060) for shares of the Corporation. Since then, to the date of this MD&A on November 11, 2015, no common shares have been issued pursuant to the exercise of stock options.

In January, 2015, the Corporation received approval from the Toronto Stock Exchange to acquire for cancellation up to 5 percent of the Corporation's issued and outstanding common shares under a Normal Course Issuer Bid (the "Bid"). The Bid commenced on January 12, 2015 and is valid for one year. As of September 30, 2015, 952,600 common shares had been

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purchased and cancelled pursuant to the Bid at a cost of \$3.5 million. Since then, to the end of trading on November 11, 2015, an additional 280,383 common shares have been purchased at a cost of \$1.0 million.

As of the date of this MD&A, there were 54,607,469 issued and outstanding common shares including 75,300 shares held in the Executive and Director Share Incentive Plan that had not yet vested and which may be cancelled under certain circumstances related to a three year vesting period.

Options

As at September 30, 2015 and as at the date of this MD&A, there were 3,210,400 options outstanding to acquire common shares of the Corporation at an average exercise price of \$3.66 per share.

Share Incentive Plan

Shares granted under the Executive and Director Share Incentive Plan (EDSIP) are issued in trust for the benefit of designated beneficiaries and vest to each designated beneficiary over a 3 year period. The designated beneficiaries of the restricted common shares held in trust have full voting, liquidity, dividend and other related rights similar to the holders of the unrestricted issued common shares. The shares are not freely tradable prior to vesting and any shares that do not meet the vesting conditions are returned by the trustee to the Corporation for cancellation. The number of restricted shares granted is reflected under the total issued and outstanding common shares while the value of these shares will be included in the common share capital amount as they vest with an equivalent share based compensation amount recorded. A share-based compensation amount for the common shares issued under the EDSIP is measured as the number of common shares multiplied by the trading price of the Corporation's common shares at the time of the grant and that amount is amortized over the vesting period. Each vesting period is treated as a separate tranche for measurement of the non-cash share-based compensation expense. The share-based compensation for each tranche is expensed based on the vesting date for that tranche resulting in a proportionally greater amount being recognized in the earlier periods.

In August 2014, 105,000 shares were granted under the EDSIP which have a three year vesting period with 34% vesting on August 18, 2015, 33% on August 18, 2016 and 33% on August 18, 2017. Share-based compensation of \$5.29 per share is being recognized over the vesting period and a share capital amount of \$5.29 per share will be recorded as the related share-based compensation expense is recognized. For the nine months ended September 30, 2015, share-based compensation expense of \$0.2 million related to the EDSIP shares was recognized (2014 –\$0.1 million).

Restricted Share Units

In 2014 the Corporation awarded 80,000 Restricted Share Units ("RSUs") to certain officers of the Corporation. Each RSU carries the right to a cash payment based upon the trading price of the common shares when exercised. The RSUs vest equally over a three year period and will be settled in cash when exercised by the holder no earlier than two years after the vesting date. The RSUs must be exercised within six years of the date of grant.

The RSUs are treated as cash-settled share-based compensation and a compensation expense is recognized over the vesting period using fair values with a corresponding increase or decrease in liabilities. The liability is remeasured at each reporting date and at the settlement date. Any changes in the fair value of the liability are recognized as share-based compensation expense in the statement of income. The fair value is determined using the Black-Scholes option pricing model.

For the nine months ended September 30, 2015, the Corporation incurred share based compensation expense of \$0.1 million (2014 – nil) related to the 80,000 RSUs issued and an amount of \$0.1 million (before recognizing a reduction for any future forfeitures) remains to be amortized in future periods in respect of the RSUs.

Market Capitalization

The Corporation's common shares trade on the Toronto Stock Exchange under the symbol HWO. The closing price of the shares on November 11, 2015 was \$3.94 per share. Based upon the issued common shares on that date of 54,607,469, the Corporation has an approximate market capitalization of \$215.2 million.

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Liquidity and Capital Resources

Selected Capitalization Data:

(\$ millions except financial ratios)	September 30, 2015	December 31, 2014	Change
Current assets ⁽¹⁾	72.0	63.6	8.4
Current liabilities ⁽²⁾	36.5	22.0	14.5
Working capital ⁽³⁾	35.5	41.6	(6.1)
Working capital ratio ⁽⁴⁾	1.97:1	2.9:1	(0.93:1)
Total debt	9.0	-	9.0
Total debt-to-capitalization percentage ⁽⁵⁾	4.5%	0%	4.5%
Cash and cash equivalents	21.5	37.2	(15.7)
Net cash ⁽⁶⁾	12.5	37.2	(24.7)

Notes: (1) *Calculated as all current assets.*
(2) *Calculated as current liabilities excluding the current portion of long-term debt, if any.*
(3) *Calculated as current assets (as defined above) less current liabilities (as defined above).*
(4) *Calculated as current assets (as defined above) divided by current liabilities (as defined above).*
(5) *Calculated as total debt divided by the sum of total debt and shareholders' equity.*
(6) *Net cash is calculated as the amount by which cash and cash equivalents exceeds total debt.*

The Corporation manages its capital structure so as to provide the capital to meet the requirements of its business and instill confidence in investors, creditors and the capital markets. The debt leverage is an important metric used by management to assess the capital structure. The Corporation has a credit facility (see "Credit Facility" below) from which up to \$45 million may be drawn on a revolving basis, subject to the applicable borrowing base margin requirements.

The Corporation generated net cash from operating activities of \$8.2 million for the three months ended September 30, 2015 (2014 - \$10.9 million) and \$39.8 million for the nine months then ended (2014 - \$39.7 million). The cash balance and available undrawn credit facilities provide adequate liquidity to meet the Corporation's expected operating and capital needs. The Corporation had a cash balance of \$21.5 million as at September 30, 2015, which is targeted to meet the capital expenditures and dividend payments anticipated for 2016 and the remainder of 2015 and to repay its current outstanding debt. The Corporation believes it has sufficient cash and liquidity to meet its needs for the foreseeable future.

Long-Term Debt

As at September 30, 2015, the main components of the Corporation's available credit facilities are a \$40 million revolving loan and a \$5 million revolving operating loan. The maturity date of amounts outstanding under both main components of the credit facilities is August 31, 2017 and no principal payments are required prior to that date. Outstanding long-term debt is secured by all of the assets of the Canadian parent and by guarantees given by its material foreign subsidiaries. At September 30, 2015, the Corporation had \$9.0 million of long-term debt outstanding. As of the date of this MD&A, \$7.5 million had been drawn against the facility.

The available amount under the \$40 million revolving loan facility is limited to 65% of the net book value of the Canadian fixed assets plus 65% of the net book value of fixed assets in High Arctic Energy Services (Singapore) Pte. Ltd. limited to export guarantees provided by Export Development Canada ("EDC"), less priority claims. The amount available to draw under the \$5 million revolving operating loan is limited to 75% of acceptable accounts receivable (85% for investment grade receivables), plus 90% of insured receivables, less priority payables as defined in the loan agreement. At September 30, 2015, no guarantee had been executed with EDC and the total credit available to draw under the facility was approximately \$17.7 million.

The long-term debt agreement permits borrowing in Canadian or US dollars and contains an interest rate grid whereby the interest rate applicable to borrowings will vary according to the currency of the borrowings and a prescribed leverage ratio. An

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annual standby fee of 0.35% is charged on any undrawn portion of the facilities. The effective interest rate on the long-term debt was 3.2% on outstanding debt in 2015.

The Corporation's loan facilities are subject to three financial covenants, which are reported to the lender on a quarterly basis. These financial covenants are used by management to monitor capital and to assess the funds available to commit for capital expenditures, with the main focus on the Maximum Funded Debt to EBITDA and the Minimum Fixed Charge Coverage Ratios, which are measures that have no prescribed meaning under IFRS.

The **Funded Debt to EBITDA Ratio** is defined as the ratio of consolidated Funded Debt to the aggregate EBITDA for the trailing four quarters. Funded Debt is defined generally as indebtedness and liabilities which constitute debt in accordance with IFRS but excluding accounts payable, other short-term non-interest bearing liabilities and future income taxes. EBITDA is a defined term in the lending agreement and generally means net income plus interest expense, cash taxes payable, depreciation, amortization, future income taxes, share-based compensation and other non-cash expenses and excludes any gains or losses from the sale of assets. This ratio must be maintained below 2.50:1. For the rolling four quarters ended September 30, 2015, this ratio was 0.16:1 (2014 – 0.10:1).

The **Fixed Charge Coverage Ratio** is defined as EBITDA less cash taxes, dividends and unfunded capital expenditures divided by the total of principal payments on long-term debt (which is deemed to be indebtedness outstanding at the end of the quarter amortized over an assumed 7-year period) and capital leases plus interest, all calculated on a consolidated basis for the trailing four quarters. This ratio must be maintained above 1.25:1. For the rolling four quarters ended September 30, 2015, this ratio was 23.14:1 (2014 – 6.56:1).

The **Current Ratio** is defined as the ratio of consolidated current assets to consolidated net current liabilities (excluding the current portion of long term debt and other debt, if any). This ratio must be maintained above 1.25:1. At September 30, 2015, this ratio was 1.97:1 (2014 – 2.96:1).

The Corporation remains in compliance with all financial covenants under its revolving credit facility.

Cash Flows

Operating Activities

Funds provided from operations for the three months ended September 30, 2015 were \$14.3 million (2014 - \$7.6 million). Including working capital adjustments, net cash generated from operating activities during the third quarter of 2015 was \$8.2 million compared to \$10.9 million for the same period in 2014. For the nine months ended September 30, 2015 funds provided from operations were \$33.0 million (2014 - \$30.5 million). Including working capital adjustments, net cash generated from operating activities during the first three quarters of 2015 was \$39.8 million compared to \$39.7 million for the same period in 2014. The changes in working capital and net cash generated for both the third quarter and first nine months of 2015 are considered normal, reflecting the differences in activity levels in business between the periods and the quarters that immediately preceded them and the foreign exchange effects of earning income in U.S. dollars.

Investing Activities

During the three months ended September 30, 2015, capital expenditures were \$2.9 million (2014 – \$36.8 million). Capital expenditures of \$39.4 million were incurred during the first nine months of 2015 (2014 - \$41.0 million). The majority of the capital expenditures in 2015 were incurred on the Rig 116 upgrades, the acquisition of a camp, spare equipment and rolling stock to support the Corporation's new rigs and the transportation of both rigs to PNG. Additional costs were incurred for upgrades and re-certifications of certain Canadian equipment.

Since June, 2015 High Arctic had accumulated short term investments in select oil and gas services companies at a cost of \$16.5 million. From time to time the Corporation will make strategic investments while it evaluates potential acquisition opportunities.

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Financing Activities

Dividends

Dividends are recorded as a liability on the date of declaration by the Corporation's Board of Directors. High Arctic increased its monthly dividend to \$0.015 per share in March, 2014, a 20% increase from the previous monthly dividends paid. Monthly dividends were again increased in November, 2014 to \$0.0165 per share. The dividends declared during the first nine months of 2015 of \$8.2 million (\$0.1485 per share) were 25% of funds provided from operations during the period (2014 –\$6.7 million (\$0.13 per share); 22% of funds provided from operations).

To the date of this MD&A, dividends totalling \$0.165 per common share (\$10.9 million) have been declared for 2015.

Purchase of Common Shares for Cancellation

During the first nine months of 2015, the Corporation purchased 952,600 of its Common Shares at a cost of \$3.5 million (2014 – nil) pursuant to the terms of a Normal Course Issuer Bid (See Outstanding Share Data). Since then, an additional 280,383 Common Shares have been acquired at a cost of \$1.0 million.

Industry Indicators and Market Trends in Papua New Guinea

The following table provides information for the last eight quarters to assist with the understanding of the PNG oilfield services industry and the effect that commodity prices have on industry activity levels. In addition, the Corporation's international financial results are impacted by fluctuations in the U.S. dollar to Canadian dollar exchange rate. Commodity prices have been higher in PNG than in Canada but have also experienced recent significant decreases.

	2015				2014			2013
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Oil and natural gas prices								
Average for the period								
Brent Crude Oil (US \$/bbl)	\$51	\$64	\$55	\$77	\$103	\$110	\$108	\$109
IPE Britain NBP Natural Gas (US\$/Mmbtu)	\$6.40	\$6.64	\$7.22	\$8.66	\$7.30	\$7.59	\$10.03	\$11.37
US/Canadian dollar exchange rate	1.31	1.23	1.24	1.14	1.09	1.10	1.05	1.04

The Corporation's PNG activity is based on longer term, U.S. dollar denominated contracts and is less affected in the short term by the volatility of oil and gas prices. The U.S./Canadian dollar exchange rate saw the US dollar trading at a monthly average premium of approximately 10% in 2014 and an additional 16% premium has been realized on average during the first nine months of 2015. The Corporation benefits when the US dollar is valued at a premium to the Canadian dollar. This differential created a positive impact on the 2015 PNG financial results reported in Canadian dollars as compared to 2014.

The activity levels of our major customers in PNG are less dependent on short term fluctuations in oil and gas prices and instead are based on longer term considerations, particularly with their significant interest in large scale LNG projects both onstream and in development. The price they receive for crude oil production is tied more closely to Brent crude oil prices, than West Texas pricing.

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Industry Indicators and Market Trends in Canada

The following table provides information for the last eight quarters to assist with the understanding of the Canadian oilfield services industry and the effect that commodity prices have on industry activity levels.

	2015			2014				2013
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Oil and natural gas prices								
Average for the period								
West Texas Intermediate (US \$ /bbl)	\$46	\$58	\$49	\$73	\$97	\$103	\$99	\$97
AECO (C\$ /Mmbtu)	\$2.92	\$2.67	\$2.75	\$3.63	\$4.03	\$4.70	\$5.63	\$3.52
Other industry indicators								
Well completions in Western Canada ⁽¹⁾	1398	654	2,075	3,939	2,706	1,754	3,135	3,392
Gas well drilling in Western Canada ⁽¹⁾	300	185	577	807	351	421	540	610
Average drilling rig utilization rates ⁽¹⁾	24%	13%	37%	47%	47%	25%	64%	45%

(1) Source: Canadian Association of Oilwell Drilling Contractors (CAODC)

Recent decreases in the prices of oil and natural gas have had a material impact on drilling and well completion activities in Canada. High Arctic's business activity depends on the overall drilling and well completion activity in the industry and therefore on the level of spending by oil and gas companies.

During the first nine months of 2015, natural gas prices in Western Canada dropped to levels not seen since 2013. The AECO reference natural gas price averaged \$3.13 per MMBtu in 2013 compared to \$4.50 for 2014 and the average for the first nine months of 2015 was \$2.78. Activity levels will continue to be low until a higher price can be sustained. Improvements in commodity prices during the first half of 2014 did lead to increased activity levels in Canada compared to 2013. However, declines in oil prices have negatively impacted current and projected oilfield spending. In June, 2015 the Canadian Association of Oilwell Drilling Contractors further decreased their forecasted completion of 2015 wells by 16% to 5,531 (2014 - 11,534 wells).

Quarterly Financial Review

Selected Quarterly Consolidated Financial Information (Three Months Ended)

The following is a summary of selected financial information of the Corporation for the last eight completed quarters:

\$ (millions, except per share amounts)	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013
Revenue	58.5	48.7	44.7	46.2	41.3	39.8	44.5	38.7
Adjusted EBITDA	18.7	14.1	10.4	13.3	9.8	11.1	15.1	12.5
Net earnings	6.1	7.2	4.8	8.5	3.7	6.7	9.3	6.4
Adjusted net earnings	10.2	7.2	4.8	8.5	3.7	6.7	9.3	6.4
per share – basic	0.18	0.13	0.09	0.15	0.07	0.13	0.19	0.13
per share – diluted	0.18	0.13	0.09	0.15	0.07	0.13	0.18	0.13
Funds provided from operations	14.3	10.5	8.2	12.8	7.6	9.8	13.1	10.8

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Various factors have affected the quarterly profitability of the Corporation's operations in both PNG and Canada. The major decline in recent oil prices has significantly decreased drilling and completion activities in Canada, resulting in lower revenues and decreased profit margins in the first quarter of 2015. In PNG, rental revenues, which have higher operating margins than drilling activities, decreased in the first three quarters of 2015 as a result of contracts which terminated in late 2014. In the second quarter of 2015, drilling operations began with the Corporation's own drilling rig in PNG which led to increased revenues, adjusted net earnings and funds provided from operations for both the second and third quarters of 2015. While increases in the value of the U.S. dollar over the Canadian dollar have contributed to increased revenues, the impact on earnings and funds flow has been offset by similar increases in oilfield services expenses which have also been affected by the exchange rate.

In Canada, frozen ground during the winter months tends to provide an optimal environment for drilling activities and consequently the first quarter is typically the strongest. As warm weather returns in the spring, the winter's frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out. This period is generally referred to as spring break-up. Road bans, which are generally imposed in the spring, restrict the transportation of heavy equipment onto customer locations which reduces demand for services in the Canadian operation and, therefore, the second quarter is generally the weakest quarter of the year for the Corporation's operations in Canada. The spring of 2015 was unusually dry in Western Canada and the Corporation was able to generate higher than expected revenues: however, not as high as the record revenues generated there in the second quarter of 2014. The activities in PNG are not subject to seasonal variations. Heavy rainfall and dense clouds in the mountains provide operational challenges throughout the year but do not curtail operations for lengthy periods of time.

Outlook

High Arctic's business activities are reasonably resilient in the ongoing low commodity price environment. The majority of drilling activity is associated with LNG development in PNG, and the country's vast reserves of gas are some of the most competitive globally. A large percentage of the Company's Canadian activity is with larger exploration and development companies, which has benefited High Arctic in the current cycle.

There continues to be strong demand for top tier drilling services in PNG. The Company has a history of contract renewals over nine years with its customer on the basis of continuous improvements in quality and value. Management has proactively begun discussions with its customer for Rig 103 and 104 contract renewals in June 2016.

Rig 103 will be fully utilized through the remainder of 2015 completing its current well in the Gulf Province of PNG and then is expected to move to a two well project in the Western Province for a new customer. Rig 104 is currently completing a well in the PNG Highlands and is then scheduled to move to an additional well in the Western Province. Thereafter it is anticipated it will be moved to the P'nyang field in the Western Highlands of PNG.

Rig 115 completed drilling its first well on the customer's wholly owned lease. The rig has been assigned to drill one firm and one option well for the customer's joint venture partner in the Elk/Antelope field. With this assignment, High Arctic continues to expand its customer base in PNG. Upon completion of these wells, the rig will revert back to the original customer under its take or pay contract.

The second heli-portable rig that High Arctic purchased in 2014, Rig 116, arrived in Papua New Guinea during the quarter slightly earlier than the Company had forecasted. The rig is currently in Port Moresby and mobilization to its first location is expected to commence in mid-2016, once the customer has finalized their drilling plans. Rig 116 is under a take or pay contract currently earning standby rates and the contract will continue until two years after the first well is spudded.

The fleet of rental equipment in PNG continues to be sufficient for the current level of drilling activity. Matting utilization is expected to be just over 60% throughout the remainder of 2015, similar to the utilization during the fourth quarter of 2015. Utilization in the first half of 2016 will drop to the mid 50% range as a number of mats will come off their existing contracts and be waiting to be redeployed when Rig 116 mobilizes to its first location. Management continues to evaluate new opportunities for expansion and redeployment of rental assets.

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Although year over year Canadian equipment utilization is down, the Canadian operations are expected to remain profitable in the fourth quarter as the business infrastructure has been adjusted to match the current demand for equipment and services.

Looking to 2016, as part of its growth strategy the Company intends to be an active participant in the consolidation of the oilfield services market. During the third quarter, High Arctic commenced investing in select public companies that it believes are strategic opportunities. With continued soft markets, the Corporation may add to these positions.

High Arctic's contracted status in Papua New Guinea, the strong US dollar exchange rate, continued delivery of high quality service, and similar year over year demand in Canada should result in further EBITDA growth when compared to 2015.

Customer Concentration

The Corporation's accounts receivable are predominantly with customers who explore for and develop petroleum and related reserves and are subject to normal industry credit risks. The Corporation assesses the credit worthiness of its customers on an ongoing basis and monitors the amount and age of outstanding balances. The Corporation views the credit risks on these amounts as normal for the industry. The carrying amount of accounts receivable represents the maximum credit exposure on this balance. The Corporation has a wide range of customers comprised of small independent, intermediate and large multinational oil and gas producers. Notwithstanding its large customer base, the Corporation provides services to two significant customers in PNG. One customer represents approximately 33% of the Corporation's revenue for the nine months ended September 30, 2015 (2014 – 33%) and 14% of its accounts receivable at that date (2014 - 31%). The second customer represents approximately 48% of the Corporation's revenue for the nine months ended September 30, 2015 (2014 – 29%) and 26% of its accounts receivable at that date (2014 – 8%). Management has assessed both customers as creditworthy and the Corporation has had no history of collection issues with these customers.

Related Party Transactions

Loans

In 2014 the Corporation made loans to certain officers of the Corporation in the total aggregate amount of \$0.2 million. The purpose of the loans was to assist the officers with the payment of Canadian income taxes arising on the issuance of common shares of the Corporation under the Corporation's EDSIP. The principal amount of each loan bears interest at an annual rate of 2%. Each loan is fully payable on the earlier of (i) thirty days after the date that a Borrower ceases to be an employee of the Corporation and (ii) August 15, 2017. As at September 30, 2015, the amount outstanding related to these loans was less than \$0.1 million.

Contingent Liabilities and Commitments

Inventory

The Corporation has been supplied an inventory of spare parts with a value of US \$5.5 million by a customer in PNG. The inventory is owned by the customer and has not been recorded on the books of High Arctic. At the end of the contract, the Corporation must return an equivalent inventory to the customer. The Corporation believes it currently has sufficient inventory on hand to meet that obligation and accordingly no provision has been made for any potential shortfall.

Other

The Corporation is party to legal actions arising in the normal course of business. A lawsuit was filed against the Corporation on January 8, 2015, alleging that a group of defendants including the Corporation breached their contract for the provision of well planning, drilling, completion, snubbing and/or testing services. The plaintiff claims damages in the amount of \$20 million. It is not possible at this time to estimate the outcome of the lawsuit. The Corporation denies the allegations and has filed a Statement of Defence on March 2, 2015. No amounts have been recorded for any potential liability arising from this matter, as the Corporation does not believe that a material loss is probable. Management believes that the ultimate liability arising from these matters will have no material effect on the Financial Statements.

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Property and Equipment

As at September 30, 2015, the Corporation had approximately \$3.4 million of committed expenditures for the purchase of capital assets which were not yet recorded because the assets had not been delivered. On July 28, 2014, the Corporation completed the purchase of two heli-portable drilling rigs and associated ancillary equipment (the "Acquisition") for approximately US\$29 million. The total amount to purchase, deliver, upgrade and commission the two rigs is currently estimated at approximately US\$75.8 million (Cdn\$88.5 million). This estimate includes a new rig camp, some ancillary equipment and customer requested upgrades all of which generate additional revenues. As of September 30, 2015, approximately US\$73.0 million (Cdn\$84.8 million) of the expenditures had been incurred.

Contractual Obligations

In addition to the commitments and contingencies and related party transactions noted above, in the normal course of business, the Corporation incurs contractual obligations. The following are the contractual maturities of financial liabilities in their future undiscounted amounts as at September 30, 2015:

	1 Year	2-3 Years	4-5 Years	Beyond 5 Years	Total
Accounts payable	27.7	-	-	-	27.7
Dividends payable	0.9				0.9
Long-term debt ⁽¹⁾	0.3	9.3	-	-	9.6
Total	28.9	9.3	-	-	38.2

(1) Interest payments required on the outstanding long-term debt (see Note 11) are estimated based on an assumed static prime rate of interest.

Lease Obligations

The Corporation has entered into long-term premise leases for operating facilities. These leases are operating leases and the remaining length of the lease terms are up to five years. All of the premise leases have renewal terms which allow the Corporation to renew the lease for various lengths at the market rates negotiated at the time of renewal. The minimum lease payments for the next five years as at September 30, 2015 are:

	1 Year	2-3 Years	4-5 Years	Beyond 5 Years	Total
Facility lease commitments	1.0	1.6	0.2	-	2.8
Total lease commitments	1.0	1.6	0.2	-	2.8

Risk Management and Uncertainties

The success of the Corporation is dependent to a great extent on the strength of the oil and natural gas industry in both Papua New Guinea and Canada which, in turn, is driven in large part by commodity prices. 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;
- uncertainties in weather affecting the duration of the service periods and the activities that can be completed, including the seasonality that affects industry activity in Canada;
- fluctuations in industry activity levels in western Canada, primarily due to the volatility of commodity prices (see above);
- changes in legislation and the regulatory environment, including uncertainties with respect to implementing environmental initiatives;

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- alternatives to and changing demands for petroleum products;
- the worldwide demand for oilfield services in connection with the workover and completion of oil and gas wells;
- general economic conditions in Canada, the United States and Southeast Asia including variations in currency exchange rates and interest rates;
- liabilities and risks inherent in oil and gas operations, including environmental liabilities and risks arising below ground surface;
- credit risks associated with customers in the oil and gas industry, including the inability of a significant customer to pay for goods and services that have been provided;
- market risks surrounding fluctuations in the publicly traded values of the entities in which the Corporation has invested;
- risks inherent in foreign operations, including political and economic risk and the risk of foreign currency controls that could restrict the transfer of funds in or out of countries in which the Corporation operates or result in the imposition of taxes on such transfers; and
- regional and international competition.

These factors may have an impact upon the Corporation or its customer base which, in turn, would impact the Corporation's business prospects.

The Corporation is also subject to specific risks.

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 covenants and security granted under its credit facility could limit its ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

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.

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

Customer Concentration

Please refer to "Customer Concentration" section above.

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 is exposed to interest rate risk as its long-term debt is a floating rate credit facility and fluctuates in response to changes in the prime interest rates. For the three months ended September 30, 2015 a one percent change in interest rates on the loan facility would have resulted in a change in interest expense and earnings of less than \$0.1 million (2014 – less than \$0.1 million).

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.

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The Corporation must file tax returns in the foreign jurisdictions in which it operates. The tax laws and the prevailing assessment practices are subject to interpretation and the 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.

Operational Risk and Insurance

High Arctic's operations are subject to operational risks inherent in the oil and gas services industry. These risks include equipment defects, malfunctions and failures, 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 formations, damage to facilities, business interruptions, and damage to or destruction of property and equipment. High Arctic continuously monitors its activities for quality control and safety in order to reduce the risk. The Corporation has obtained insurance against certain risks; however, such insurance may not be adequate to cover High Arctic's liabilities and may not be available in the future at rates which High Arctic considers reasonable and commercially justifiable.

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.

Credit Risk

The Corporation's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks. During times of weak economic conditions, the risk of increased payment delays and default increases due to reductions in customers' cash flows. Failure to collect accounts receivable from customers could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. High Arctic generally grants unsecured credit to its customers; however, it evaluates all new customers, as appropriate, and analyzes and reviews the financial health of its current customers on an ongoing basis.

Risk of Foreign Operations

The Corporation operates in international locations, including PNG, which is an emerging market. Operations in these countries may be subject to a variety of risks including, but not limited to: currency fluctuations, devaluations and exchange controls; inflation; uncertain political and economic conditions resulting in unfavourable government actions such as unfavourable legislation or regulation, trade restrictions, unfavourable tax enforcement or adverse tax policies; the denial of contract rights; and social unrest, acts of terrorism or armed conflict. To attempt to mitigate these risks, the Corporation 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.

Foreign Currency 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 transacted in U.S. dollars and the Corporation does not actively engage in foreign currency hedging. For the three months ended September 30, 2015, a 1% nominal change in the value of the Canadian dollar relative to the U.S. dollar would have resulted in a change of \$1.2 million (2014 - \$0.9 million) in other comprehensive income and a change of approximately \$0.2 million (2014 - \$0.2 million) in net earnings for the period as a result of changes in foreign exchange.

Commodity Price Risk

Commodity price risk is the risk that fluctuations in oil or natural gas prices could materially adversely affect the Corporation's financial condition. Commodity prices affect the levels of drilling activity of the Corporation's customers, particularly with respect to natural gas, which primarily affects the Canadian business. The Corporation mitigates this exposure with its diversification into international operations not dependent on the Canadian oil and gas industry.

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Other Price Risk

Other price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk) whether those changes are caused by factors specific to the individual financial instrument, its issuer or factors affecting all similar financial instruments in the market or a market segment. Exposure to other price risk is primarily in short term investments.

Dependence on Suppliers

High Arctic sources supplies and materials from a variety of suppliers 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 the expected level of service to its customers. High Arctic attempts to mitigate this risk by maintaining good relations with key suppliers and having access to alternative 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 customers could have a material adverse effect on our results of operations and our financial condition.

Competition

The Corporation's continued success partially depends upon developing and implementing technological advances in its equipment and services and the ability to match advances of competitors. The oilfield services industry is highly competitive and the Corporation competes with a substantial number of companies. Reduced levels of activity in the oil and gas industry can intensify competition, which will have an effect on the Corporation's ability to generate revenue and earnings.

Other

Additional risk factors relating to the Corporation are also outlined in the most recent Annual Information Form filed on SEDAR at www.sedar.com.

Critical Accounting Estimates and Judgments

The preparation of the Corporation's Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities as at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments 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 accounting policies and practices that involve the use of estimates and judgments that have a significant impact on the Corporation's financial results include the allowance for doubtful accounts, amortization, impairment of property and equipment, income taxes and share-based compensation.

Allowance for doubtful accounts

The Corporation performs ongoing credit evaluations of its customers and grants credit based upon a review of historical collection experience, current aging status, the financial condition of the customer and anticipated industry conditions. Customer payments are regularly monitored and a provision for doubtful accounts is established based upon specific situations and overall industry conditions.

Amortization

Amortization of the Corporation's property and equipment incorporates estimates of useful lives and residual values. These estimates may change as more experience is obtained or as general market conditions change, thereby impacting the value of the Corporation's property and equipment.

Impairment of property and equipment

Property and equipment are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant

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asset or CGU). Estimates of future cash flows used in the evaluation of impairment of assets are made using management's forecasts of market prices, market supply and demand, margins and discount rates. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its expected recoverable amount.

Income taxes

Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement amounts of existing assets and liabilities and their respective tax bases. The Corporation's calculation of income taxes involves many complex factors as well as the Corporation's interpretation of relevant tax legislation and regulations and estimations of future taxable profits. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Management does not currently expect to generate sufficient taxable income in future years to fully utilize its Canadian tax losses and has currently recognized a deferred tax asset based on estimated future taxable profits which are probable of being utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Share-based compensation

The fair value of stock options is estimated at the grant date using the Black-Scholes option pricing model, which includes underlying assumptions related to the risk-free interest rate, average expected option life, dividend yield, estimated forfeitures and estimated volatility of the Corporation's shares. The fair value of the shares under the Executive and Directors Share Incentive Plan are recognized based on the market value of the Corporation's shares on the grant date, the vesting period of the plan and the estimated forfeitures. The fair value of Restricted Stock Units is estimated at the balance sheet date using the Black-Scholes option pricing model, which includes underlying assumptions related to the risk-free interest rate, average expected option life, dividend yield, estimated forfeitures and estimated volatility of the Corporation's shares.

Critical accounting judgments

Significant judgments are used in the application of accounting policies that have been identified as being complex and involving subjective judgments and assessments.

Functional currency

The determination of functional currency is based on the primary economic environment (including monetary policy) in which an entity operates. The functional currency of an entity reflects the underlying transactions, events and conditions that are relevant to the entity. Factors that the Corporation considers when determining the functional currency of its subsidiaries include: (i) the currency that the delivery of goods and services are contracted in, (ii) the currency used to conduct business in the region, (iii) the currency that mainly influences labour, material and other costs of providing goods or services, (iv) the currency in which receipts from operating activities are usually retained in. When the indicators are mixed and the functional currency of an entity is not obvious, management uses its judgment to determine the functional currency that most appropriately represents the economic effects of the underlying transactions, events and conditions. Judgment was applied in determining the functional currency of the operations in PNG to be US dollars.

Changes in Accounting Policies

New standards and amendments effective for the first time

There are no IFRS or IFRIC interpretations that were effective for the first time for the fiscal year beginning on or after January 1, 2015 that had a material impact on the Corporation.

Recent Accounting Pronouncements

Financial Instruments

On July 24, 2014, the IASB issued IFRS 9, "*Financial Instruments*" ("IFRS 9") to replace International Accounting Standard 39, "*Financial Instruments: Recognition and Measurement*." IFRS 9 is effective for years beginning on or after January 1, 2018.

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Early adoption is permitted if IFRS 9 is adopted in its entirety at the beginning of a fiscal period. The Corporation is currently evaluating the impact of adopting IFRS 9 on the Financial Statements.

Revenue Recognition

In May 2014, the IASB published IFRS 15, "*Revenue From Contracts With Customers*" ("IFRS 15") replacing IAS 11, "*Construction Contracts*", IAS 18, "*Revenue*" and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded.

The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The standard may be applied retrospectively or using a modified retrospective approach. The Corporation is currently evaluating the impact of adopting IFRS 15 on the Financial Statements.

Disclosure Controls and Procedure

The Chief Executive Officer and the Chief Financial Officer have designed, or have caused to be designed under their supervision, the Corporation's disclosure controls and procedures, as defined in National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings, to ensure timely and accurate preparation of financial and other reports. Disclosure controls and procedures ("DC&P") are designed to provide reasonable assurance that material information required to be disclosed in its annual filings, interim filings or other reports filed by it under securities legislation is accurate and complete and filed within the time periods required and that information required to be disclosed is accumulated and communicated to the appropriate members of management to allow timely decisions regarding required disclosure.

The Chief Executive Officer and the Chief Financial Officer oversee this design and evaluation process and have concluded, based on their evaluation as at September 30, 2015, that the design and operation of the Corporation's DC&P, as defined by National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, were effective. The Chief Executive Officer and the Chief Financial Officer have individually signed certifications to this effect.

High Arctic will continue to evaluate the DC&P and will make modifications when necessary. There were no changes in the Corporation's DC&P during the three months ended September 30, 2015 which have materially affected, or are reasonably likely to materially affect High Arctic's DC&P.

Internal Controls Over Financial Reporting

Internal controls over financial reporting ("ICFR"), as defined in National Instrument 52-109, means a process designed by, or under the supervision of, an issuer's certifying officers, and effected by the issuer's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP and includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the issuer; (ii) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the issuer's GAAP, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer; and (iii) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the issuer's assets that could have a material effect on the annual financial statements or interim financial reports.

The Chief Executive Officer and Chief Financial Officer of the Corporation are responsible for designing, establishing and maintaining internal controls over financial reporting and each certifies on a quarterly and annual basis that senior management has designed such internal controls over financial reporting ("ICFR"), or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework used to design ICFR is the Internal Control – Integrated Framework (1992) ("COSO Framework") published by the Committee of Sponsoring Organizations of the

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Treadway Commission ("COSO"). No changes were made to ICFR during the three months ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, ICFR. The Chief Executive Officer and Chief Financial Officer of the Corporation directed the assessment of the design and operating effectiveness of the Corporation's internal controls over financial reporting as at September 30, 2015, and based on that assessment determined that the Corporation's internal controls over financial reporting was, in all material respects, appropriately designed and operating effectively.

The design of internal controls must also take into account resource constraints. It should be noted that a control system, including the Corporation's DC&P and ICFR, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met, and it should not be expected that the Corporation's DC&P and ICFR will prevent all errors or fraud.

Additional Information

Additional information on the Corporation, including the most recent Annual Information Form filed, may be found on SEDAR at www.sedar.com.