HIGH ARCTIC ENERGY SERVICES

Management's Discussion and Analysis
For the Three and Nine Months Ended September 30, 2016 and 2015

This Management's Discussion and Analysis ("MD&A") is a review of the results of operations, liquidity and capital resources of High Arctic Energy Services Inc. ("High Arctic" or the "Corporation"). The MD&A is dated November 10, 2016 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2016 and 2015 (the "Financial Statements") and the audited consolidated financial statements for the years ended December 31, 2015 and 2014. Additional information relating to High Arctic is available under the Corporation's profile on SEDAR at www.sedar.com. All amounts are expressed in millions of Canadian dollars, unless otherwise noted, and have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Readers are cautioned that this MD&A contains certain forward-looking information. Please refer to the end of this MD&A for the Corporation's disclaimer on forward-looking information and statements. The definitions of certain non-IFRS financial measures are included on page 16 under the "non-IFRS Measures" section.

Select Comparative Financial Information

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

	Three Months Ended September 30			Nine Months Ended September 30		
$ millions (except per share amounts)	2016	2015	% Change	2016	2015	% Change
Revenue	**47.5**	**58.5**	**(19%)**	**145.7**	**151.9**	**(4%)**
EBITDA(1)	**26.5**	**18.1**	**46%**	**62.5**	**41.0**	**52%**
Adjusted EBITDA(1)(3)	**15.6**	**18.7**	**(17%)**	**52.5**	**43.2**	**22%**
Adjusted EBITDA % of Revenue	**33%**	**32%**	**4%**	**36%**	**28%**	**29%**
Operating earnings	**9.3**	**13.9**	**(33%)**	**34.4**	**31.0**	**11%**
Net earnings	**20.1**	**10.2**	**97%**	**37.6**	**22.2**	**69%**
per share (basic)(2)	0.38	0.18	111%	0.71	0.40	78%
per share (diluted)(2)	0.37	0.18	106%	0.70	0.40	75%
Adjusted net earnings(1)(3)	**8.8**	**10.2**	**(14%)**	**26.3**	**22.2**	**18%**
per share (basic)(2)	0.16	0.18	(11%)	0.50	0.40	25%
per share (diluted)(2)	0.16	0.18	(11%)	0.49	0.40	23%
Funds provided from operations(1)	**11.6**	**14.3**	**(19%)**	**43.9**	**33.0**	**33%**
per share (basic)(2)	0.22	0.26	(15%)	0.83	0.60	38%
per share (diluted)(2)	0.22	0.26	(15%)	0.82	0.59	39%
Dividends	**2.7**	**2.7**	**-**	**7.9**	**8.2**	**(4%)**
per share(2)	0.05	0.05	-	0.15	0.15	-
Capital expenditures	**42.9**	**2.9**	**1,379%**	**50.3**	**39.4**	**28%**

	As at		
	September 30, 2016	December 31, 2015	% Change
Working Capital(1)	**13.5**	**43.2**	**(69%)**
Total assets	**300.4**	**244.1**	**23%**
Total non-current financial liabilities	**4.6**	**6.6**	**(30%)**
Net (debt) cash, end of period (1)	**(5.8)**	**11.5**	**(150%)**
Shareholders' Equity	**218.1**	**201.2**	**8%**
Shares outstanding – end of period(2)	**52.6**	**54.4**	**(3%)**

(1) Readers are cautioned that EBITDA, Adjusted EBITDA, Adjusted net earnings, Funds provided from operations, net (debt) cash and working capital do not have standardized meanings prescribed by IFRS – see "non IFRS Measures" on page 16.
(2) 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.
(3) Adjusted EBITDA and Adjusted net earnings exclude the impact of the $12.7 million gain on acquisition related to the Tervita Acquisition – see "Acquisition Costs and Gain on Acquisition" on page 6 for further details.

Corporate Profile

High Arctic operates in two geographic areas within one operating segment which provides oilfield services to exploration and production companies operating in Canada and Papua New Guinea. High Arctic is a publicly traded company listed on the Toronto Stock Exchange under the symbol "HWO".

Papua New Guinea ("PNG")
The Corporation's largest operation is located in PNG where it has operated since 2007. High Arctic currently operates the largest fleet of tier-1 heli-portable drilling rigs in PNG, with two owned rigs and two rigs managed under operating and maintenance contracts for one of the Corporation's customers. In addition to the Corporation's drilling operations, High Arctic also provides work-over services with its heli-portable work-over rig and rental support equipment, including matting, camps and various pieces of rolling stock.

Canada
The Corporation's Canadian operations provide well servicing, snubbing, nitrogen and oilfield rental equipment in the Western Canadian Sedimentary Basin ("WCSB"). High Arctic's total Canadian fleet consists of 85 well servicing rigs, operating as Concord Well Servicing, 18 snubbing units, 12 nitrogen pumpers and various pieces of rental equipment.

Highlights

High Arctic's contracted heli-portable drilling rig operations in PNG combined with a significant expansion of the Corporation's Canadian business operations continues to provide positive EBITDA results in an otherwise challenging global market for the oil and gas industry.

Third Quarter 2016:

- Completed the acquisition of Tervita's Production Services division (the "Tervita Acquisition") on August 31, 2016, adding 85 service rigs and their associated support equipment, a surface equipment rentals division and an engineering services division to High Arctic's Canadian operations.
- Lower activity in PNG and Canada resulted in a 19% decline in revenue to $47.5 million from $58.5 million in the third quarter of 2016. One drilling rig was active during the quarter in PNG, with one rig mobilizing and two rigs on standby for the majority of the quarter.
- Lower revenue contribution resulted in a 17% decline in adjusted EBITDA in the quarter to $15.6 million from $18.7 million in the third quarter of 2015.
- Subsequent to quarter end, the Corporation received an interim extension of its drilling and related services contract for PNG Rig 104 until January 31, 2017 and remains in discussions with its customer for long-term renewals of its contracts for Rigs 103 and 104.

Year to Date 2016:

- Subsequent to the first quarter of 2016, lower activity in PNG and Canada has resulted in a 4% decline in revenue year to date to $145.7 million from $151.9 million in the first nine months of 2015.
- Additional margin contribution from the Corporation's owned PNG based drilling rigs, combined with proactive cost management allowed the Corporation to mitigate the impact of lower year to date revenues resulting in a 22% increase in adjusted EBITDA to $52.5 million year to date in comparison to $43.2 million earned in the first nine months of 2015.
- High Arctic has distributed a total of $14.4 million to shareholders year to date via $6.5 million in share buybacks under the Corporation's NCIB and $7.9 million in dividends which represents 18% of funds provided from operations year to date.

Consistent with the reduced Adjusted EBITDA, as well as increased amortization expense associated with the capital cost of the two rigs added to High Arctic's fleet in 2015, adjusted net earnings declined to $8.8 million ($0.16 per share (basic)) in the quarter versus $10.2 million ($0.18 per share) in the third quarter of 2015. On a net earnings basis, the Corporation generated $20.1 million in net earnings in the quarter versus $10.2 million in the third quarter of 2015. Net earnings benefited from the recognition of a gain of $12.7 million related to the Tervita Acquisition. This gain represents the difference in appraised value of the net assets acquired in the transaction versus the $42.8 million paid to acquire them. This gain as well as transaction costs associated with the acquisition has been excluded from the Corporation's adjusted net earnings as these costs are not representative of the earnings associated with the Corporation's ongoing business operations.

Consistent with the year to date increase in EBITDA, adjusted net earnings increased by 18% to $26.3 million ($0.50 per share (basic)) from $22.2 million ($0.40 per share) in the first nine months of 2015.

Subsequent to the investment of $42.8 million in the Tervita Acquisition, High Arctic exited the quarter with a net debt balance of $5.8 million. Funds provided from operations were $11.6 million in the quarter and $43.9 million year to date versus $14.3 million and $33.0 million in the comparative periods in 2015. High Arctic continues to seek growth opportunities in this market in order to further diversify its business operations and position itself for a future increase in industry activity levels.

Tervita Acquisition

On August 31, 2016, High Arctic acquired Tervita's Production Services Division for $42.8 million, payable in cash. Through this acquisition, High Arctic added a fleet of 85 service rigs (68 registered with CAODC and 59 currently marketed) and related support equipment, a surface equipment rentals division and an engineering services division which provides solutions to assist in the management of abandonment and compliance programs. In addition, the Tervita Acquisition provided High Arctic with seven new operational bases located in key basins in Alberta, five of which are owned. Subsequent to the closing of the transaction, High Arctic rebranded the well servicing operations as Concord Well Servicing, returning to the former operating name of this division which has built a strong reputation over its 37 year operating history.

The Tervita Acquisition provides growth to High Arctic's Canadian operations and increased diversification to the Corporation's global operations. Integration activities are currently ongoing to combine the Tervita and High Arctic operations, which includes items such as the transition of systems and processes, integration of health and safety practices, customer contract assignments, and rebranding. Additional support costs are anticipated to be incurred through this integration process as the Corporation's focus is the successful completion of the business integration in an effort to minimize the risks inherent in business acquisitions.

In accordance with IFRS 3 (Business Combinations), the acquired assets have been recorded based on an independent fair market appraisal value of $64.0 million, less deferred tax and lease obligations, resulting in a $12.7 million net gain over the $42.8 million paid in cash for the assets. This gain was included in net income during the third quarter, and has been excluded from adjusted EBITDA and adjusted net earnings – see "non IFRS measures" on page 16.

Revenue

	Three Months Ended September 30				Nine Months Ended September 30			
($ millions)	2016	2015	Change	%	2016	2015	Change	%
Revenue								
PNG	37.3	50.2	(12.9)	(26%)	124.1	127.7	(3.6)	(3%)
Canada	10.2	8.3	1.9	23%	21.6	24.2	(2.6)	(11%)
Total	**47.5**	**58.5**	**(11.0)**	**(19%)**	**145.7**	**151.9**	**(6.2)**	**(4%)**

Consolidated revenue decreased by 19% to $47.5 million in the quarter from $58.5 million in the third quarter of 2015. This decrease was driven by lower rates generated while drilling rigs in PNG were being mobilized and on standby as well as lower activity levels for the Corporation's Canadian snubbing and nitrogen operations. This lower revenue was partially offset by the incremental revenue added from the Corporation's newly acquired well servicing and associated services added from the Tervita Acquisition subsequent to the August 31, 2016 closing. The decline in higher rate drilling activities year to date in PNG as well as lower Canadian activity levels offset incremental contact revenue generated from the Corporation's two heli-portable drilling rigs added to the fleet during 2015, resulting in a 4% decline in revenue year to date to $145.7 million from the $151.9 million generated in the first nine months of 2015.

Operations in PNG

The Corporation currently owns two heli-portable drilling rigs (Rigs 115 and 116) which commenced earning revenue in March 2015 and August 2015, respectively. These rigs are in addition to Rigs 103 and 104 which High Arctic operates on behalf of a major oil and gas exploration company in PNG.

During July, Rig 115 commenced mobilization to Antelope 7, which was spud at the beginning of November. Rig 116 remains on standby in Port Moresby.

Rig 103 completed drilling its first of two wells for a customer in the Western Province in August 2016 and spudded the second well in September. The completion of drilling and commencement of demobilization from the second well is anticipated to occur in the fourth quarter of 2016. Following the pre-mobilization of Rig 104 to a high elevation drilling location in Muruk in the second quarter, operations for this rig were suspended by the customer in order to wait for the passing of the regional rainy season. A small crew was retained to secure the rig and keep it in operable condition. Drilling operations for Rig 104 recommenced in early November.

In conjunction with the recommencement of drilling operations for Rig 104, the contract for this rig has been extended until January 31, 2017. Rig 103 remains on contract until the completion of demobilization from its current well. The Corporation and its customer continue negotiations on long-term contract extensions for Rigs 103 and 104.

With three of four rigs on standby or generating lower rate mobilization revenue during the quarter, this resulted in a 26% reduction in PNG revenue to $37.3 million in the third quarter from $50.2 million in the comparative quarter in 2015. In contrast, during the third quarter of 2015, three rigs were actively drilling, with Rig 116 generating standby revenue upon entering the country in mid-August 2015. Rental revenues also increase during drilling operations.

Consistent with the lower drilling activity, rental revenues declined to $4.3 million in the quarter from $6.2 million in the third quarter of 2015. An average of 4,603 Dura-Base® mats were utilized in the quarter out of the Corporation's 10,000 available mats. Additional rental revenues are also generated from heli-portable camps and various trucks, cranes and other oilfield equipment, which are tied to drilling activity.

The lower revenue contribution generated from standby and mobilization revenue, combined with rate concessions provided in June 2015 resulted in a 3% decline in revenue to $124.1 million year to date versus $127.7 million in the first 9 months of 2015. This decline in revenue occurred despite the additional revenue contribution from Rig 116 that was added to the Corporation's fleet in August, 2015. The comparative period in 2015 benefited from more active drilling and the realization of full rates as well as higher utilization of drilling support equipment which has not been similarly utilized in 2016.

Operations in Canada

As a result of the Tervita Acquisition, revenue increased 24% in the quarter to $10.2 million from $8.3 million in the third quarter of 2015. The Canadian results include one month of activity from the business operations added through the Tervita Acquisition, which closed on August 31, 2016. The Tervita Acquisition contributed $5.0 million in revenue for the quarter from well servicing, rentals and engineering services.

The majority of the Tervita Acquisition contribution was through the Concord Well Servicing operations which generated $4.9 million in revenue for the month of September on 7,823 operating hours. This equated to a 38% utilization of the 68 CAODC registered Concord service rigs during the month versus the average third quarter industry utilization in the WCSB of 24%

(source: CAODC). Equipment utilization is determined by dividing total operating hours generated in the period over the total available hours based on a ten hour day per rig.

Lower industry activity levels and compressed pricing negatively impacted the Corporation's snubbing operations which saw a 45% decline in revenue in the quarter to $3.4 million from $6.2 million generated in the third quarter of 2015. Reduced availability of crews also negatively impacted revenue as equipment was not able to be crewed during periods of higher demand. As a result of increasing industry activity levels, High Arctic has recommenced recruiting activities for both its snubbing and well servicing operations. During the quarter, the Corporation utilized 14% (27% in 2015) of its 18 available snubbing units, of which 8 were actively marketed during the quarter. Similar to well servicing, snubbing equipment utilization is determined by dividing total operating hours generated in the period over the total available hours based on a ten hour day per rig.

On a year to date basis, utilization for High Arctic's snubbing units is 17% versus 26% in the comparable period in 2015. The sharp decline in activity since the first quarter of 2015 has resulted in a 33% decrease in snubbing revenue year to date to $11.7 million from $17.4 million in the first nine months of 2015.

Revenue contribution from the Corporation's remaining Canadian business lines was flat year over year at $2.0 million for the third quarter of 2016. These business lines consist of equipment rentals, nitrogen and engineering services. Lower activity levels for the Corporation's nitrogen operations was offset by incremental revenue contribution from the equipment rentals and engineering service businesses added through the Tervita Acquisition. Year to date, these business lines have contributed $5.0 million in revenue versus $6.8 million in the first nine months of 2015.

Oilfield Services Expense and Margin

	Three Months Ended September 30				Nine Months Ended September 30			
($ millions)	**2016**	**%** [(1)]	**2015**	**%** [(1)]	**2016**	**%** [(1)]	**2015**	**%** [(1)]
Oilfield services expenses								
Personnel costs	**11.5**	25%	14.4	25%	**33.9**	23%	40.2	26%
Drilling rig and other rental costs	**8.1**	17%	11.6	20%	**25.3**	17%	33.6	22%
Material and supplies cost	**4.3**	9%	8.1	14%	**15.5**	11%	18.2	12%
Equipment operating and maintenance costs	**3.9**	8%	1.9	3%	**6.9**	5%	5.4	4%
Other	**0.3**	1%	0.4	1%	**1.1**	1%	0.8	1%
Total oilfield services expenses	**28.1**	59%	36.4	62%	**82.7**	57%	98.2	65%
Oilfield services margin	**19.4**	41%	22.1	38%	**63.0**	43%	53.7	35%

[(1)] Operating costs as a % of total revenue.

Cost reduction initiatives completed during 2015 and 2016 allowed High Arctic to reduce operating costs as a percentage of revenue to 59% in the quarter and 57% year to date from 62% and 65% in the comparable periods in 2015. The primary drivers for the decrease in oilfield service expense as a percentage of revenue were:

- Rig 116 was not operating and was earning standby revenue; therefore, revenue was generated with minimal operating costs, which skewed margins higher than they would otherwise have been under normal operations.
- In response to lower activity levels, management has undertaken a number of cost reduction initiatives which have resulted in lower operating costs in the Corporation's Canadian and PNG operations. High Arctic maintains a scalable cost infrastructure wherever possible which adjusts to variable activity levels and provides substantial operating leverage when activity changes; and

- A reduction in drilling rig rental costs as a percentage of revenue as High Arctic has full ownership of the two new heli-portable drilling rigs added in PNG. Partially offsetting this lower cost was an increase in costs of material and supplies and maintenance costs associated with operating these owned rigs.

While operating costs as a percentage of revenue are down year over year, the slight increase in costs in the third quarter relative to the year to date average is due to the increased contribution from the Corporation's Canadian operations which has lower operating margins relative to its PNG operations.

General and Administration

	Three Months Ended September 30				Nine Months Ended September 30			
($ millions)	2016	2015	Change	%	2016	2015	Change	%
General and administration	**3.8**	3.4	0.4	12%	**10.5**	10.5	-	-
Percent of revenue	**8%**	6%	2%	33%	**7%**	7%	-	-

General and administrative costs increased in the quarter due to the addition of the new business operations acquired in the Tervita Acquisition. This cost increase combined with the reduced revenue generated in the quarter resulted in general and administrative costs increasing to 8% of revenue in the quarter from 6% in the third quarter of 2015. General and administrative costs as a percentage of revenue are anticipated to remain higher than High Arctic's historical rates while the Tervita Acquisition is integrated into High Arctic. This is due to the incurrence of costs to integrate systems and infrastructure during the acquisition integration phase.

Amortization

Consistent with prior quarters in 2016, amortization expense has increased over the 2015 comparative period due to the two new drilling rigs and rental equipment added to High Arctic's fleet in 2015. The third quarter of 2016 also includes one month of amortization of the assets acquired in the Tervita Acquisition. These capital additions have resulted in an increase in amortization expense year to date to $17.2 million from $10.8 million in the comparative period in 2015.

Share-based Compensation

Share-based compensation expense was consistent quarter over quarter. Year to date share-based compensation expense is lower than the comparable period in 2015 due to the higher amortization expense generated from option grants issued in 2014.

Acquisition Costs and Gain on Acquisition

High Arctic incurred $1.4 million in costs directly related to the completion of the Tervita Acquisition. These costs primarily relate to advisory and legal fees.

In accordance with IFRS 3 (Business Combinations), High Arctic has recorded the assets acquired and liabilities assumed in the Tervita Acquisition at their respective fair market value at August 31, 2016. This value was determined through a third-party appraisal which resulted in the assets being recorded at $64.0 million. This asset value was partially offset by the recognition of $3.8 million for an unfavourable lease provision on one of the properties and $4.7 million recorded for deferred income tax liabilities. The net asset value acquired of $55.5 million exceeded the $42.8 million in cash proceeds paid for the assets resulting in a net gain of $12.7 million recorded in the third quarter of 2016.

Foreign Exchange Transactions

The Corporation has exposure to the U.S. dollar and other currencies such as the PNG Kina through its operations in that country. As a result, the Corporation is exposed to foreign exchange gains and losses through the settlement of foreign denominated transactions as well as the conversion of the Corporation's U.S. dollar based subsidiaries into Canadian dollars for financial reporting purposes.

Gains and losses recorded by the Canadian parent on its U.S. denominated cash accounts, receivables, payables and intercompany balances are recognised as a foreign exchange gain or loss in the statement of earnings.

High Arctic is further exposed to foreign currency fluctuations through its net investment in foreign subsidiaries. The value of these net investments will increase or decrease based on fluctuations in the U.S. dollar relative to the Canadian dollar. These gains and losses are unrealized until such time that High Arctic divests of its investment in a foreign subsidiary and are recorded in other comprehensive income as foreign currency translation gains or losses for foreign operations.

The U.S. dollar declined in the third quarter relative to the first half of 2016; however, it remained strong relative to the Canadian dollar, with an average exchange rate of 1.305 during the third quarter of 2016 (2015 – 1.309). This strong U.S. dollar benefited the Corporation during the quarter as the majority of the Corporation's PNG business is conducted in U.S. dollars.

As at September 30, 2016, the U.S. dollar exchange rate was 1.3117 versus 1.384 as at December 31, 2015. This decline in exchange rate has resulted in a translation loss of $7.8 million recorded in other comprehensive income for the nine months ended September 30, 2016 ($2.3 million gain for the three months ended September 30, 2016).

The fluctuation in exchange rates year to date also resulted in a $0.5 million foreign exchange loss recorded on various foreign exchange transactions ($0.1 million for the three months ended September 30, 2016). The Corporation does not currently hedge its foreign exchange transactions or exposure.

Interest and Finance Expense

High Arctic utilized $40.0 million of its debt facility to fund the closing of the Tervita Acquisition. Subsequent to closing, the Corporation utilized a portion of its cash resources to repay $9.4 million of its debt resulting in $30.6 million outstanding as at September 30, 2016. As a result of this debt draw, the Corporation incurred $0.2 million in interest expense during the quarter. Cash and debt resources are utilized as required to meet various operational and funding needs as required in the Corporation's international business operations, and therefore, cash resources will not always be immediately available to offset the Corporation's debt balances.

Income Taxes

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2016**	**2015**	**Change**	**2016**	**2015**	**Change**
Net earnings before income taxes	**20.3**	13.6	6.7	**44.9**	29.9	15.0
Current income tax expense	**2.0**	2.4	(0.4)	**6.4**	7.7	(1.3)
Deferred income tax (recovery) expense	**(1.8)**	1.0	(2.8)	**0.9**	-	0.9
Total income tax expense	**0.2**	3.4	(3.2)	**7.3**	7.7	(0.4)
Percent of net earnings before income taxes	**(1%)**	25%		**16%**	26%	

During the quarter the Corporation recorded $4.7 million in additional deferred tax assets through the recognition of $17.3 million in previously unrecognized tax pools associated with the Corporation's Canadian tax pools. As a result of the additional taxable income projected from the Tervita Acquisition, this will allow the Corporation to utilize a greater portion of its existing tax pools. An additional $123.8 million in tax pools remain unrecognized as at September 30, 2016. Additional amounts will be recognized as the Corporation's Canadian taxable income expands. Eliminating the impact of this recovery, the Corporation's effective tax rate year to date is 27%.

Other Comprehensive Income

With a weakening of the Canadian dollar at September 30, 2016 relative to June 30, 2016, the Corporation recognized a $2.3 million foreign currency translation gain on its U.S. dollar denominated foreign operations in the third quarter. Year to date, the Canadian dollar has strengthened relative to December 31, 2015 resulting in a $7.8 million translation loss recognized year to date.

During the quarter, the Corporation recognized a $1.6 million decline in the market value of strategic investments made in select publicly traded oilfield service companies while it evaluates potential acquisition opportunities. Year to date, the Corporation has recognized a $1.0 million increase in value of these strategic investments over their December 31, 2015 value. Included in these amounts is a net loss of $0.3 million realized on the sale of certain investments.

Liquidity and Capital Resources

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2016**	**2015**	**Change**	**2016**	**2015**	**Change**
Cash provided by (used in):						
Operating activities	**1.1**	8.2	(7.1)	**48.0**	39.8	8.2
Investing activities	**(42.3)**	(20.2)	(22.1)	**(49.1)**	(58.8)	9.7
Financing activities	**27.8**	4.8	23.0	**11.9**	(2.4)	14.3
Effect of exchange rate changes	**0.5**	3.1	(2.6)	**(1.5)**	5.7	(7.2)
Increase (decrease) in cash and cash equivalents	**(12.9)**	(4.1)	(8.8)	**9.3**	(15.7)	25.0

	As At		
	September 30, 2016	**December 31, 2015**	**Change**
Working capital[1]	13.5	43.2	(29.7)
Working capital ratio[1]	1.2:1	2.3:1	(1.1:1)
Net (debt) cash[1]	(5.8)	11.5	(17.3)
Undrawn availability under credit facilities	14.4	21.5	(7.1)

[1] See non-IFRS measures

As at September 30, 2016, the Corporation had $30.6 million outstanding on its debt facilities, and $24.8 million in cash. The debt drawings were utilized to fund the Tervita Acquisition, while the cash proceeds were primarily located in the Corporation's PNG business operations and will be used to fund the Corporation's projected tax obligations as well as other capital needs in the Corporation's PNG business operations.

Post completion of the Tervita Acquisition, the Corporation had a net debt balance of $5.8 million as at September 30, 2016.

Currency restrictions continue in PNG as a result of the Bank of PNG's desire to encourage the local market in PNG Kina. Through this process, the Bank of PNG has initiated a review of foreign currency accounts in PNG to ensure they have a legitimate business purpose. Due to High Arctic's requirement to transact with international suppliers and customers, High Arctic continues to maintain its funds in PNG primarily in U.S. dollars. The Corporation has taken steps to increase its use of PNG Kina for local transactions when practical. During the Bank of PNG's review of foreign currency accounts, delays have resulted in the completion of U.S. dollar transactions in PNG. If necessary, the Corporation intends to access other available capital sources to fund U.S. dollar denominated transactions in PNG.

Operating Activities

Consistent with the 17% decline in adjusted EBITDA in the quarter, funds provided from operations declined 19% to $11.6 million in the quarter from $14.3 million in the third quarter of 2015. After working capital adjustments, net cash generated from operating activities in the quarter was $1.1 million versus $8.2 million in the third quarter of 2015. Increases in accounts receivable balances associated with the Tervita Acquisition and the Corporation's PNG operations resulted in the reduced net cash generated from operating activities during the quarter. Year to date, funds provided from operations has increased 33% to $43.9 million from $33.0 million in the first nine months of 2015. After working capital adjustments, net cash generated from operating activities year to date is $48.0 million compared to $39.8 million for the first nine months of 2015.

Investing Activities

High Arctic invested $42.9 million in the purchase of property and equipment during the quarter. The majority of this related to the $42.8 million invested for the Tervita Acquisition. Year to date the Corporation has invested an additional $7.5 million in the purchase of rental and support equipment for its PNG and Canadian operations, bringing High Arctic's total year to date investment in property and equipment to $50.3 million.

During the quarter, the Corporation generated $0.6 million in cash from the sale of a portion of its short-term investments. As a result of High Arctic's completion of the Tervita Acquisition, the Corporation has begun reducing its position in certain strategic investments it had previously made in public oilfield service companies. As of September 30, 2016, the Corporation has generated $1.1 million in proceeds from the sale of its short-term investments.

Financing Activities

During the quarter the Corporation drew down $40.0 million on its debt facilities to fund the Tervita Acquisition. Subsequent to closing, the Corporation repaid $9.4 million on its debt facilities. Consistent with prior quarters, the Corporation distributed $2.7 million in dividends to its shareholders, bringing the year to date total dividends paid to shareholders to $7.9 million. As a result of the Corporation's use of capital resources for the Tervita Acquisition, no common shares were acquired during the quarter under High Arctic's Normal Course Issuer Bid ("NCIB") program. Further purchases under the NCIB program are not anticipated prior to its expiry on January 11, 2017.

Credit Facility

High Arctic's credit facilities consist of a $40.0 million revolving loan and a $5.0 million revolving operating loan. This facility matures on August 31, 2017, is renewable at the lender's consent and is secured by a general security agreement over the Corporation's assets.

The available amount under the $40.0 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 $5.0 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. As at September 30, 2016, $30.6 million was outstanding on the Corporation's debt facilities, with $14.4 million remaining available.

The Corporation's loan facilities are subject to three financial covenants, which are reported to the lender on a quarterly basis: Funded Debt to EBITDA; Fixed Charge Coverage Ratio; and Current Ratio. There have been no changes to these financial covenants subsequent to December 31, 2015 and the Corporation remains in compliance with the financial covenants under its credit facility as at September 30, 2016.

With the additional borrowing capacity added through the Tervita Acquisition, the Corporation has commenced discussions with lenders to expand its credit facilities. As a result, the Corporation elected not to renew its existing credit facilities, resulting in the existing debt balance being repayable by August 31, 2017 and its presentation on the balance sheet as a current liability. The Corporation intends to replace its existing facility with a new facility prior to August 31, 2017 at which point any amounts due under the existing facility would be extended accordingly.

Contractual Obligations and Contingencies

High Arctic's contractual financial obligations as at September 30, 2016 are summarized as follows:

($ millions)	1 Year	2-3 Years	4-5 Years	Beyond 5 Years	Total
Accounts payable	25.0	-	-	-	25.0
Dividends payable	0.9	-	-	-	0.9
Operating and financial lease commitments	2.0	2.3	1.7	9.7	15.7
Bank indebtedness	31.6	-	-	-	31.6
Total	**59.5**	**2.3**	**1.7**	**9.7**	**73.2**

Litigation

The Corporation is party to legal actions arising in the normal course of business. A lawsuit and additional third party notices were previously filed against the Corporation, 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 and third parties claimed damages in the amount of $22.0 million. The Corporation denied the allegations and filed statement of defences for the claims. During the quarter, the parties entered into a settlement agreement with no material impact to the Corporation.

Inventory

As part of the Corporation's contractual rig management and operations, the Corporation has been supplied an inventory of spare parts with a value of U.S. $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 material provision has been made for any potential shortfall.

Outstanding Share Data

The Corporation's authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares. Directors, officers and certain employees have been granted stock options and incentive shares under the Corporation's approved equity compensation plans. As at November 10, 2016, there were 52,626,969 issued and outstanding common shares, including 13,200 shares held in the Executive and Director Share Incentive Plan, and 2,847,600 options were outstanding at an average exercise price of $3.81.

On January 6, 2016, High Arctic renewed its NCIB for a further twelve months, from January 12, 2016 to January 11, 2017. As approved by the Toronto Stock Exchange ("TSX"), the Corporation may purchase up to 2,772,136 common shares, representing approximately 10% of the public float of High Arctic. As of November 10, 2016, 1,911,400 common shares had been purchased in 2016 under the NCIB. All common shares acquired under the NCIB are cancelled.

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:

	2016			2015				2014
$ (millions, except per share amounts)	Q3	Q2	Q1	Q4(1)	Q3(1)	Q2(1)	Q1(1)	Q4
Revenue	47.5	43.5	54.7	58.0	58.5	48.7	44.7	46.2
Adjusted EBITDA	15.6	15.1	21.8	20.8	18.7	14.1	10.4	13.3
Adjusted net earnings	8.8	6.3	11.2	9.7	10.2	7.2	4.8	8.5
per share (basic)	0.16	0.12	0.21	0.18	0.18	0.13	0.09	0.15
Net earnings	20.1	6.3	11.2	9.7	10.2	7.2	4.8	8.5
per share (basic)	0.38	0.12	0.21	0.18	0.18	0.13	0.09	0.15
Funds provided from operations	11.6	13.4	18.9	19.8	14.3	10.5	8.2	12.8

(1)Net earnings for 2015 have been restated to reflect the full retroactive adoption of IFRS 9 - see Note 3 to the accompanying Financial Statements.

Various factors have affected the quarterly profitability of the Corporation's operations in both PNG and Canada. In response to customer demand for increased drilling services in PNG, the Corporation added two new drilling rigs to its fleet in the first and third quarters of 2015 which positively increased the Corporation's PNG revenue and EBITDA. The revenue contribution from the new rigs was partially offset in the second and third quarters of 2016 due to lower activity levels for the rigs operated by High Arctic on behalf of one of its customers. PNG rental revenue has also declined in 2015 and 2016 due to contract expiries as well as some equipment now captured under the Corporation's drilling contract revenue. Changes in the value of the U.S. dollar as compared to the Canadian dollar have also contributed to fluctuations in revenues, earnings and funds provided from operations.

The major decline in oil prices has significantly decreased drilling and completion activities in Canada, resulting in lower Canadian revenues and decreased profit throughout 2016 and 2015. The Corporation's Canadian operations are also impacted by seasonal conditions whereby 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 2016 began in early March, much earlier than normal, and resulted in lower than anticipated activity levels for the quarter. The spring of 2015 was unusually dry in Western Canada and the Corporation was able to generate higher than expected revenues.

During the third quarter of 2016, High Arctic completed the Tervita Acquisition; however, only one month of contribution from the PS Division is included in the Corporation's results as the transaction closed on August 31, 2016.

Industry Indicators and Market Trends in PNG

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 significant decreases.

	2016			2015				2014
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Oil and natural gas prices Average for the period:								
Brent Crude Oil (*U.S. $/bbl)*	$47	$47	$35	$45	$51	$64	$55	$77
Japan LNG (*U.S. $/mmbtu)*	$6.51	$6.08	$7.70	$9.03	$9.23	$9.18	$14.26	$15.37
U.S./Canadian dollar exchange rate	1.30	1.29	1.37	1.34	1.31	1.23	1.24	1.14

The Corporation's PNG activity is based on longer term, U.S. dollar denominated contracts and therefore is less affected over the short term by volatility in oil and gas prices. The U.S./Canadian dollar exchange rate has strengthened in 2016 and 2015 relative to the levels realized in 2014. The strong U.S. dollar relative to the Canadian dollar has benefited the Corporation's financial results in 2016 and 2015.

Activity levels for the Corporation's major customers in PNG is less dependent on short term fluctuations in oil and gas prices and instead is based on medium and long term decisions, particularly with their significant interest in large scale LNG projects both on-stream and in development. Pricing for oil and natural gas production in PNG is generally tied to world prices such as Brent Crude and Asian LNG.

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.

	2016			2015				2014
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Oil and natural gas prices Average for the period:								
West Texas Intermediate *(U.S. $ /bbl)*	$45	$46	$33	$42	$46	$58	$49	$73
Canadian Light Sweet Oil *(Cdn $/bbl)*	$54	$55	$41	$53	$55	$69	$53	$74
AECO *(Cdn $/Mmbtu)*	$2.36	$1.42	$1.83	$2.48	$2.92	$2.67	$2.75	$3.63
Other industry indicators								
Well completions in Western Canada(1)	754	1,055	801	1,165	1,398	654	2,075	3,332
Gas well drilling in Western Canada(1)	218	261	334	420	300	185	577	807
Average drilling rig utilization rates(1)	16%	7%	22%	22%	24%	13%	37%	47%

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

Decreases in oil and natural gas prices have had a material impact on drilling and well completion activities in Canada during 2016 and 2015. This decline in commodity prices has resulted in lower industry activity in 2016 and 2015, which has resulted in lower demand for the Corporation's services in Canada.

Outlook

With the addition of the Concord Well Servicing business operations acquired through the Tervita Acquisition, High Arctic completed an important first step in the transformation of its business operations into a more balanced and diversified business. The Corporation's PNG business operations will continue to be a significant driver of its financial performance; however, the expansion of the Canadian business provides High Arctic greater exposure to a recovering and more diversified market.

The Corporation continues to progress through the integration of the Tervita Acquisition, with core business functions expected to be integrated by the end of the fourth quarter. Some synergies may be identified through this integration process; however, current focus is being placed on preparing the Corporation for anticipated growth and increased activity in Canada.

Pricing remains highly competitive in Canada, but appears to have stabilized as crew shortages are limiting equipment availability in some cases. High Arctic has begun to expand its marketing efforts with a focus on enhancing its service offering to the Corporation's existing customers and also expanding its operations into other geographic areas in the WCSB. To support these growth initiatives, High Arctic has recommenced hiring certain field personnel in its Canadian business operations.

Following a slower third quarter which only saw one rig actively drilling in PNG, three of four rigs are now actively drilling in PNG with Rig 116 remaining on standby. Rig 103 is anticipated to complete drilling its current well in the Western Province early in the fourth quarter of 2016. Rig 104 has commenced drilling the Muruk-1 well, which is anticipated to be completed in the first quarter of 2017. Rig 115 has commenced drilling Antelope-7, which is also anticipated to be completed in the first quarter.

Subsequent to quarter end, High Arctic received an extension on the operations and management services contract for Rig 104 until January 31, 2017. Rig 103 remains under contract until completion of demobilization from its current well. High Arctic continues to progress discussions with its customer over long-term extensions for the contracts on Rigs 103 and 104. Rigs 115 and 116 continue to operate under their take-or-pay contracts.

In light of the extended delay in the spudding of the first well for Rig 116, the Corporation has initiated discussions with its customer over the commencement of the two year contract term for Rig 116. These discussions are anticipated to recommence with the customer following the outcome of the current pending takeover transaction for the Corporation's customer.

Demand for the Corporation's rental equipment and mats in PNG is anticipated to continue to coincide with the drilling activity. Management continues to evaluate new markets for the expansion and redeployment of non-contracted mat inventory to other international markets.

While PNG's vast reserves of natural gas are some of the most competitive globally, weakness in global LNG prices is resulting in reduced activity levels and pricing expectations in PNG along with the rest of the global oilfield services market. High Arctic believes ExxonMobil's recent bid to purchase InterOil continues to support the long-term development of PNG's natural gas resources, however, the current low commodity price environment as well as the resulting economic challenges in PNG may curtail industry activity levels in PNG over the short term.

With some exploration companies announcing capital budget increases in Canada this has created some cautious optimism that the industry in Canada may be beginning to recover from its trough. Management believes that High Arctic is in a strong position to act upon potential growth opportunities that may present themselves as the industry begins to move from its extended period of contraction.

Financial Risk Management

Credit Risk
Credit risk is the risk of a financial loss occurring as a result of a default by a counter party on its obligation to the Corporation. The Corporation's financial instruments that are exposed to credit risk consist primarily of accounts receivable and cash balances held in banks. The Corporation mitigates credit risk by regularly monitoring its accounts receivable position and depositing cash in properly capitalized banks. The Corporation also institutes credit reviews prior to commencement of contractual arrangements.

The Corporation's accounts receivable are predominantly with customers who explore for and develop petroleum reserves and are subject to normal industry credit risks. The Corporation assesses the credit worthiness of its customers on an ongoing basis and monitors the amount and age of balances outstanding.

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 four large multinational/regional customers in PNG (2015 – three) which individually accounted for greater than 10% of its consolidated revenues during the nine months ended September 30, 2016. Sales to these four customers were approximately $48.5 million, $19.7 million, $22.4 million and $31.9 million respectively for the nine months ended September 30, 2016 (2015 - $49.8 million, $72.5 million, nil and $0.9 million). As at September 30, 2016, these four customers represented 15%, 18%, 8% and 23%, respectively, of outstanding accounts receivable (December 31, 2015 – three customers represented a total of 80%). Management has assessed the four customers as creditworthy and the Corporation has had no history of collection issues with these customers.

The Corporation's accounts receivable are aged as follows:

Days outstanding:	**September 30, 2016**	**December 31, 2015**
Less than 31 days	30.8	23.8
31 to 60 days	3.3	12.6
61 to 90 days	1.7	5.1
Greater than 90 days	2.2	1.6
Allowance for doubtful accounts	(0.2)	(0.7)
Total	**37.8**	**42.4**

All material accounts receivable greater than sixty days have been received subsequent to quarter end.

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.

Market Risk
Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market rates of interest, foreign currency exchange rates, commodity prices and other prices.

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. As at September 30, 2016, the Corporation had drawn $30.6 million on its credit facilities.

Foreign exchange rate risk
Foreign currency risk is the risk that a variation in the exchange rate between Canadian and foreign currencies will affect the Corporation's results. The majority of the Corporation's international revenue and expenses are transacted in U.S. dollars and the Corporation does not actively engage in foreign currency hedging. For the nine months ended September 30, 2016, a $0.01 change in the value of the Canadian dollar relative to the U.S. dollar would not have resulted in a material change in net earnings for the year as a result of changes in foreign exchange.

The Corporation's financial instruments have the following foreign exchange exposure at September 30, 2016:

(millions)	U.S. Dollar(1)	PNG Kina(2)	Australian Dollar(3)
Cash and cash equivalents	18.5	0.2	0.3
Trade and other receivables	18.6	9.9	-
Trade and other payables	(12.5)	(37.3)	(0.1)
Total	24.6	(27.2)	0.2

(1) As at September 30, 2016, one U.S. dollar was equivalent to 1.3117 Canadian dollars.
(2) As at September 30, 2016, one PNG Kina was equivalent to 0.3160 Canadian dollars.
(3) As at September 30, 2016, one Australian dollar was equivalent to 1.0054 Canadian dollars.

Commodity price risk
The Corporation is not directly exposed to commodity price risk as it does not have any contracts that are directly based on commodity prices. A change in commodity prices, specifically petroleum and natural gas prices could have an impact on oil and gas production levels and could therefore affect the demand for the Corporation's services. However, given that this is an indirect influence, the financial impact to the Corporation of changing petroleum and natural gas prices cannot be quantified.

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 where changes in quoted prices on investments in equity securities impact the underlying value of investment.

Critical Accounting Estimates and Judgments

There have been no changes in High Arctic's critical accounting estimates in the nine months ended September 30, 2016. Further information on the Corporation's critical accounting policies and estimates can be found in the notes to the annual consolidated financial statements and MD&A for the year ended December 31, 2015.

Changes in Accounting Policies

On January 1, 2016, the Corporation adopted, retroactively, IFRS 9, "*Financial Instruments*" ("IFRS 9"). IFRS 9 replaces International Accounting Standard 39, "*Financial Instruments: Recognition and Measurement.*" IFRS 9 is effective for years beginning on or after January 1, 2018, however, early adoption is permitted if IFRS 9 is adopted in its entirety at the beginning of a fiscal period. The early adoption of IFRS 9 did not result in a change in the carrying value of any of High Arctic's financial instruments on transition date. The main area of change is the accounting for equity securities previously classified as available for sale which are now recorded at fair value through other comprehensive income. The revised policy of accounting for short term investments resulted in a decrease in retained deficit on December 31, 2015 of $4.8 million with a corresponding decrease in accumulated other comprehensive income. Had the Company continued to apply IAS 39, a loss of $0.3 million would have been recognized in earnings upon the partial disposition of investments in the 2016. Details of the effects of the adoption of IFRS 9 may be found in Note 3 of the Financial Statements.

Management believes the adoption of IFRS 9 better reflects the substance of High Arctic's short term investments as the gains and losses on these investments are not indicative of High Arctic's ongoing business operations and therefore, are more appropriately reflected in comprehensive income rather than net income.

Future Accounting Pronouncements

There have been no future accounting pronouncements since March 11, 2016 when the Corporation released its audited consolidated financial statements for the year ended December 31, 2015.

Evaluation of Disclosure Controls and Procedure and Internal Controls over Financial Reporting

There have been no changes in the Corporation's internal controls over financial reporting that occurred during the interim period ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect the Corporation's internal controls over financial reporting.

Business Risks and Uncertainties

In addition to the financial risks discussed above under "Financial Risk Management", below under "Forward Looking Statements" and elsewhere in this MD&A, High Arctic is exposed to a number of business risks and uncertainties that could have a material impact on the Corporation. Prior to making any investment decision regarding High Arctic, investors should carefully consider the business risks and uncertainties described herein and in High Arctic's most recent Annual Information Form for the year ended December 31, 2015 as filed on SEDAR at www.sedar.com, a copy of which can be obtained on request, without charge, from the Corporation.

Non-IFRS Measures

This MD&A contains references to certain financial measures that do not have a standardized meaning prescribed by IFRS and may not be comparable to the same or similar measures used by other companies. 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 share-based compensation, gains or losses on sales or purchases of assets or investments, business acquisition costs, excess of insurance proceeds over costs and foreign exchange gains or losses. Management believes the addback for these items provides a more comparable measure of the Corporation's operational financial performance between periods. Adjusted EBITDA as presented is not intended to represent 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:

	Three Months Ended September 30		Nine Months Ended September 30	
$ millions	**2016**	**2015**	**2016**	**2015**
Net earnings for the period	**20.1**	10.2	**37.6**	22.2
Add:				
Interest and finance expense	**0.2**	0.1	**0.4**	0.3
Income taxes	**0.2**	3.4	**7.3**	7.7
Amortization	**6.0**	4.4	**17.2**	10.8
EBITDA	**26.5**	18.1	**62.5**	41.0
Adjustments to EBITDA:				
Gain on acquisition	**(12.7)**	-	**(12.7)**	-
Acquisition costs expensed	**1.4**	-	**1.4**	-
Share-based compensation	**0.3**	0.4	**0.9**	1.4
Loss (gain) on sale of assets	**-**	0.2	**(0.1)**	0.5
Foreign exchange loss	**0.1**	-	**0.5**	0.3
Adjusted EBITDA	**15.6**	18.7	**52.5**	43.2

Adjusted Net Earnings

Adjusted net earnings is calculated based on net earnings prior to the effect of the gain on acquisition and transaction costs incurred for the Tervita Acquisition. 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:

	Three Months Ended September 30		Nine Months Ended September 30	
$ millions	**2016**	**2015**	**2016**	**2015**
Net earnings for the period	**20.1**	10.2	**37.6**	22.2
Adjustments to net earnings:				
Gain on acquisition	**(12.7)**	-	**(12.7)**	-
Acquisition costs expensed	**1.4**	-	**1.4**	-
Adjusted net earnings	**8.8**	10.2	**26.3**	22.2

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:

	Three Months Ended September 30		Nine Months Ended September 30	
$ millions	**2016**	**2015**	**2016**	**2015**
Net cash generated from operating activities	**1.1**	8.2	**48.0**	39.8
Less:				
Net changes in items of non-cash working capital	**10.5**	6.1	**(4.1)**	(6.8)
Funds provided from operations	**11.6**	14.3	**43.9**	33.0

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 and is calculated as follows:

	As at	
$ millions	**September 30, 2016**	**December 31, 2015**
Current assets	**83.7**	77.4
Less:		
Current liabilities	**(70.2)**	(34.2)
Working capital	**13.5**	43.2

Net (debt) cash

Net (debt) cash is used by management to analyze the amount by which cash and cash equivalents exceed the total amount of long-term debt and bank indebtedness or vice versa. 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 (debt) cash as follows:

	As at	
$ millions	**September 30, 2016**	**December 31, 2015**
Cash and cash equivalents	**24.8**	15.5
Less:		
Long-term debt	**(30.6)**	(4.0)
Net (debt) cash	**(5.8)**	11.5

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 Corporation’s ability to raise capital and manage its debt obligations; the impact of the Tervita Acquisition on the Corporation’s financial and operational performance and growth activities; commodity prices and the impact that they have on industry activity; estimated capital expenditure programs for fiscal 2016 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.