



Management's Discussion and Analysis For the Three Months Ended March 31, 2017 and 2016

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 May 10, 2017 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2017 and 2016 (the "Financial Statements") and the audited consolidated financial statements for the years ended December 31, 2016 and 2015. Additional information relating to the Corporation including the Corporation's Annual Information Form ("AIF") for the year ended December 31, 2016, 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 15 under the "non-IFRS Measures" section.

Select Comparative Financial Information

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

\$ millions (except per share amounts)	Three months ended March 31		
	2017	2016	% Change
Revenue	64.8	54.7	18%
EBITDA⁽¹⁾	21.0	21.3	(1%)
Adjusted EBITDA⁽¹⁾	21.0	21.8	(4%)
Adjusted EBITDA % of revenue	32%	40%	(20%)
Operating earnings	14.5	15.7	(8%)
Net earnings	9.0	11.2	(20%)
per share (basic and diluted) ⁽²⁾	0.17	0.21	(19%)
Funds provided from operations⁽¹⁾	17.0	18.9	(10%)
per share (basic and diluted) ⁽²⁾	0.32	0.35	(9%)
Dividends	2.6	2.6	0%
per share ⁽²⁾	0.05	0.05	0%
Capital expenditures	2.6	5.1	(49%)

	As At		
	March 31, 2017	December 31, 2016	% Change
Working Capital⁽¹⁾	64.7	28.6	126%
Total assets	317.5	305.1	4%
Total non-current financial liabilities	29.4	4.2	600%
Net (debt) cash, end of period⁽¹⁾	(6.4)	3.3	(294%)
Shareholders' Equity	234.6	230.2	2%
Shares outstanding⁽²⁾	53.2	53.2	0%

(1) Readers are cautioned that EBITDA, Adjusted EBITDA, Funds provided from operations, net (debt) cash and working capital do not have standardized meanings prescribed by IFRS – see "non IFRS Measures" on page 15 for calculations of these measures.

(2) The incentive shares held by a trustee under the Executive and Director Incentive Share Plan (2010) 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.

Corporate Profile

Headquartered in Calgary, Alberta, Canada, High Arctic provides oilfield services to exploration and production companies operating in Canada and Papua New Guinea ("PNG"). High Arctic is a publicly traded company listed on the Toronto Stock Exchange under the symbol "HWO".

On August 31, 2016, High Arctic acquired Tervita's Production Services Division (the "Tervita Acquisition"). Through this acquisition, High Arctic added a fleet of 85 service rigs and related support equipment, a surface equipment rentals division and an abandonment and compliance consulting division. As a result of the expansion of the Corporation's service offering following the Tervita Acquisition, High Arctic has organized its business into three business segments: Drilling Services; Production Services; and Ancillary Services.

Drilling Services

The Drilling Services segment consists of High Arctic's drilling services in PNG where the Corporation 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.

Production Services

The Production Services segment consists of High Arctic's well servicing and snubbing operations. These operations are primarily conducted in the Western Canadian Sedimentary Basin ("WCSB") through High Arctic's fleet of well servicing rigs, operating as Concord Well Servicing, and its fleet of stand-alone and rig assist snubbing units. In addition, High Arctic also provides work-over services in PNG with its heli-portable work-over rig.

Ancillary Services

The Ancillary Services segment consists of High Arctic's oilfield rental equipment in Canada and PNG as well as its Canadian nitrogen and abandonment and compliance consulting services.

Highlights

High Arctic's expanded Canadian operations combined with its ongoing contractual drilling activity in PNG positively contributed to the Corporation's financial results during the quarter:

- Revenue in the quarter increased 18% to \$64.8 million from \$54.7 million in the first quarter of 2016. This increase in revenue was driven by the growth in High Arctic's Production Services segment through the Tervita Acquisition completed on August 31, 2016 combined with improved industry activity in Canada relative to the first quarter of 2016. The additional revenue contribution from the Production Services segment offset lower quarter over quarter revenue contribution from the Corporation's Drilling Services segment which benefited from higher activity levels in the first quarter of 2016 versus the first quarter of 2017.
- Utilization for High Arctic's registered Concord Well Serving rigs was 62% in the quarter versus industry utilization of 37% (source: Canadian Association of Oilwell Drilling Contractors "CAODC").
- Increased contribution from High Arctic's Production Services segment as well the Corporation's contracted revenue in its Drilling Services segment allowed High Arctic to generate \$21.0 million in Adjusted EBITDA in the quarter which was in line with the \$21.8 million generated in the first quarter of 2016.
- Consistent with prior quarters, High Arctic declared \$2.6 million (\$0.05 per share) in dividends during the quarter which represents 15% of funds provided from operations in the quarter.

Funds provided from operations was \$17.0 million during the quarter versus \$18.9 million in the first quarter of 2016. As a result of the Bank of PNG's review of U.S. Dollar accounts in PNG, a delay in the collection of the Corporation's PNG accounts receivables occurred resulting in an increase in net debt to \$6.4 million at March 31, 2017 from a net positive cash position of \$3.3 million at December 31, 2016. Following the reapproval of the Corporation's U.S. dollar bank account in late March, the

May 10, 2017

Corporation recommenced collections of its outstanding accounts receivable, subsequent to quarter end, and also declared an intercompany dividend to repatriate cash from PNG to Canada in the amount of \$20.5 million less dividend withholding taxes of \$3.1 million.

As a result of the increased depreciation expense associated with the assets acquired in the Tervita Acquisition, net earnings declined to \$9.0 million (\$0.17 per share) in the quarter versus \$11.2 million (\$0.21 per share) in the first quarter of 2016.

High Arctic continues to maintain a strong balance sheet and continues to look for opportunities to expand its business operations in order to position itself for a future increase in industry activity levels.

Operating Segments

Drilling Services

(\$ millions)	Three Months Ended March 31			
	2017	2016	Change	%
Revenue	34.3	41.0	(6.7)	(16%)
Oilfield services expense ⁽¹⁾	18.6	24.3	(5.7)	(23%)
Oilfield services operating margin ⁽¹⁾	15.7	16.7	(1.0)	(6%)
Operating margin (%)	46%	41%	5%	12%

(1) See 'non-IFRS Measures' on page 15

The Corporation owns two heli-portable drilling rigs (Rigs 115 and 116) which were added to High Arctic's fleet during 2015. 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.

First Quarter:

Rigs 104 and 115 were active throughout the quarter on their drilling assignments on Antelope-7 and Muruk-1, respectively. Rig 103 completed demobilization from its drilling assignment in the Western Province in January and was stacked at the Kiunga field base. Rig 116 remained on standby during the quarter generating its contract standby rate. As a result of Rig 103 being stacked for a portion of the quarter, Drilling Services revenue declined 16% in the quarter to \$34.3 million from \$41.0 million generated in the first quarter of 2016. The first quarter of 2016 benefited from revenue contribution from all four rigs throughout the quarter.

Operating margin as a percentage of revenue increased quarter over quarter to 46% versus 41% in the first quarter of 2016. Consistent with prior quarters, the standby revenue generated on Rig 116 skewed operating margins higher due to minimal operating costs being incurred while the rig is on standby. In addition, in compensation for the demobilization of Rig 103 to Kiunga rather than its contracted stacking location, High Arctic received a negotiated demobilization fee which also positively impacted operating margins. This alternative stacking location resulted in cost savings for the customer and allowed the rig to be placed in a favorable field location for potential future drilling assignments. Excluding the impact of the standby and onetime demobilization concession fee, operating margin as a percentage of revenue would have been 32% in the quarter versus 31% in the first quarter of 2016. In response to reduced activity levels experienced since the first quarter of 2016, High Arctic has also taken measures to reduce its fixed field support costs which has benefited operating margins. The stacking of Rig 103 also resulted in no rig lease costs being incurred for Rig 103, which positively impacted operating margin as a percentage of revenue in the quarter.

Production Services

(\$ millions)	Three Months Ended March 31			
	2017	2016	Change	%
Revenue	22.5	4.7	17.8	379%
Oilfield services expense ⁽¹⁾	18.7	2.8	15.9	568%
Oilfield services operating margin ⁽¹⁾	3.8	1.9	1.9	100%
Operating margin (%)	17%	40%	(23%)	(58%)

Operating Statistics:

Service rigs

Average Fleet ⁽²⁾	54	-	54	N/A
Utilization ⁽³⁾	62%	-	62%	N/A
Operating hours	30,664	-	30,664	N/A
Revenue per hour	600	-	600	N/A

Snubbing rigs

Average Fleet ⁽⁴⁾	9	8	1	13%
Utilization ⁽³⁾	37%	45%	(8%)	(18%)
Operating hours	3,054	3,290	(236)	(7%)

(1) See 'non-IFRS Measures' on page 15

(2) Average service rig fleet represents the average number of rigs registered with the CAODC during the period.

(3) Utilization is calculated on a 10 hour day.

(4) Average snubbing fleet represents the average number of rigs marketed during the period.

High Arctic's well servicing and snubbing operations are provided through its Production Services segment. These operations are primarily conducted in the WCSB through High Arctic's fleet of well servicing rigs, operating as Concord Well Servicing, and its fleet of stand-alone and rig assist snubbing units. The Concord Well Servicing operations were added to the Production Services segment through the Tervita Acquisition, which closed on August 31, 2016. The Production Services segment also provides heli-portable workover services in PNG, however, no workover services were provided in PNG during 2016 or year to date in 2017.

First Quarter:

The 379% increase in revenue quarter over quarter is due to the addition of the Concord Well Servicing operations added in the third quarter of 2016. The Concord Well Servicing operations contributed \$18.4 million in revenue during the quarter with the Corporation's snubbing operations contributing \$4.1 million in revenue. Favorable cold weather conditions during the first quarter allowed the Concord rigs to generate 30,664 operating hours for a 62% utilization of the 54 registered rigs. The Corporation's expansion into Grande Prairie also positively impacted operating hours as there was an average of seven Concord rigs relocated to the Corporation's Grande Prairie base during the quarter.

Concord's 62% utilization compares favorably to the 37% utilization generated by the industry's well servicing rigs in the first quarter of 2017 (source: CAODC). The industry utilization was the highest since the first quarter of 2015. Despite the increase in activity levels, pricing remains competitive resulting in Concord's average revenue per hour remaining at \$600/hour which is consistent with the fourth quarter of 2016.

Activity for the Corporation's snubbing rigs declined 7% quarter over quarter to 3,054 hours in the first quarter of 2017. This decline in activity was due to the Corporation's core snubbing customers directing their efforts towards completing fracturing programs during the quarter. Snubbing services are typically provided subsequent to fracturing of a well, therefore, the high

fracturing activity in the quarter is anticipated to result in increased demand for the Corporation's snubbing services in upcoming quarters.

As a result of the increased revenue, operating margin increased to \$3.8 million from \$1.9 million in the first quarter of 2016. Competitive pricing and increased fixed operating costs associated with the growth of the Production Services segment contributed to operating margin as a percentage of revenue declining to 17% from 40% in the first quarter of 2016. In addition, higher initial start-up and maintenance costs were incurred during the quarter to reactivate previously idle rigs as well as initial start-up costs associated with the establishment of its Concord Well Servicing Grande Prairie operation.

Increasing activity has resulted in some early indications of potential pricing increases which should benefit future margins. In addition, management continues to progress on the implementation of various operational synergies identified through the integration of the Tervita Acquisition which are expected to result in reduced fixed operating costs.

Ancillary Services

(\$ millions)	Three Months Ended March 31			
	2017	2016	Change	%
Revenue ⁽¹⁾	8.8	9.0	(0.2)	(2%)
Oilfield services expense ⁽²⁾	2.8	2.1	0.7	33%
Oilfield services operating margin ⁽²⁾	6.0	6.9	(0.9)	(13%)
Operating margin (%)	68%	77%	(9%)	(12%)

(1) Revenue includes inter-segment revenue charged to Production Services from Ancillary Services division of \$0.8 million for the quarter. No inter-segment revenue was charged in comparative periods in 2016.

(2) See 'non-IFRS Measures' on page 15

The Ancillary Services segment consists of High Arctic's oilfield rental equipment in Canada and PNG as well as its Canadian nitrogen and abandonment and compliance consulting services, acquired in the Tervita Acquisition.

First Quarter:

Lower equipment rental activity in PNG was largely offset by the additional revenue contribution from rental and compliance consulting services added through the Tervita Acquisition. In addition, strong demand was experienced for the segment's nitrogen services due to increased industry fracturing activity in the quarter. The first quarter of 2016 also benefited from \$1.0 million in non-recurring income for damaged and lost mats upon a contract expiry.

Operating margin as a percentage of revenue declined to 68% in the quarter versus 77% in the first quarter of 2016. This decline is associated with the increased contribution from lower margin service lines in the quarter. In addition, the \$1.0 million non-recurring income from the damaged and lost mats skewed the 2016 first quarter operating margins higher. Without this revenue, the 2016 first quarter operating margin would have been 74%. Overall, operating margins for the Ancillary Services segment benefited from lower operating costs incurred on the segment's mat and equipment rentals. In addition, operating costs do not include high depreciation costs associated with the rental equipment.

General and Administration

(\$ millions)	Three Months Ended March 31			
	2017	2016	Change	%
General and administration	4.5	3.7	0.8	22%
Percent of revenue	7%	7%	0%	0%

General and administrative costs increased to \$4.5 million in the quarter from \$3.7 million in the first quarter of 2016. The increase in general and administrative costs was largely due to additional support infrastructure added following the Tervita Acquisition. As a percentage of revenue, general and administrative costs remained constant at 7% of revenue.

Depreciation

As a result of the \$64.0 million in operating assets added through the Tervita Acquisition in the third quarter of 2016, depreciation expense increased to \$6.4 million in the quarter from \$5.8 million in the comparative quarter. The Corporation also amended its depreciation estimate for non-rig assets in the quarter to straight-line depreciation methodology from declining balance. Management believes this change in depreciation methodology provides a more accurate reflection of the pattern in which the Corporation's asset's future economic benefits are expected to be consumed. Additional details on this change in depreciation methodology can be found in note 3 of the March 31, 2017 unaudited condensed consolidated financial statements. Had the Corporation continued to depreciate its assets using declining balance, depreciation expense would have been approximately \$6.7 million for the first quarter of 2017 versus the \$6.4 million recorded under the adopted straight-line depreciation methodology.

Share-based Compensation

The decrease in share-based compensation expense to \$0.1 million from \$0.3 million in the first quarter of 2016, is a result of less stock options being granted in the first quarter of 2017 as well as higher costs associated with options granted in prior years which had been fully amortized prior to the first quarter of 2017.

Foreign Exchange Transactions

The Corporation has exposure to the U.S. dollar and other currencies such as the PNG Kina through its international operations. 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 remained strong relative to the Canadian dollar, with an average exchange rate of 1.323 during the quarter (2016 – 1.374). This strong U.S. dollar benefited the Corporation as the majority of the Corporation's PNG business is conducted in U.S. dollars.

As at March 31, 2017, the U.S. dollar exchange rate was 1.331 versus 1.343 as at December 31, 2016. This decline in exchange rate has resulted in a translation loss of \$1.4 million recorded in other comprehensive income for the quarter.

The fluctuation in exchange rates during the quarter also resulted in a \$0.1 million foreign exchange gain recorded on various foreign exchange transactions. The Corporation did not enter into any foreign currency hedges during the quarter.

Interest and Finance Expense

During the quarter the Corporation had an average debt balance outstanding of \$24.8 million resulting in \$0.4 million being incurred in interest costs. In the third quarter of 2016 High Arctic utilized \$40.0 million of its debt facility to fund the closing of the Tervita Acquisition, which was subsequently paid down from the Corporation's available cash resources.

Income Taxes

(\$ millions)	Three Months Ended March 31			
	2017	2016	Change	%
Net earnings before income taxes	14.2	15.4	(1.2)	(8%)
Current income tax expense	3.4	2.8	0.6	21%
Deferred income tax expense	1.8	1.4	0.4	29%
Total income tax expense	5.2	4.2	1.0	24%
Effective tax rate	37%	27%	10%	37%

The Corporation recorded \$5.2 million in income tax provisions in the quarter representing a 37% effective tax rate versus 27% in the first quarter of 2016. The increase in effective tax is largely due to an increase in certain foreign tax rates implemented effective January 1, 2017 as well as increased tax expense associated with withholding tax on anticipated dividend payments from PNG. As at March 31, 2017 High Arctic had \$94.4 million in unrecognized tax pools, including capital loss pools of \$37.2 million, which may be utilized to offset future taxable earnings generated by the Corporation's Canadian business operations.

Other Comprehensive Income

As discussed above under Foreign Exchange Transactions, the Corporation recorded a \$1.4 million foreign currency translation loss in other comprehensive income during the quarter. This compares to a \$9.4 million loss recorded in the first quarter of 2016 which closed with a strong increase in the Canadian dollar during the quarter.

During the three months ended March 31, 2017, the Corporation recognized a \$0.7 million loss on its strategic investments. Contributing to the loss was the disposition of investments, which had an original cost of \$0.9 million for proceeds of \$0.6 million.

Liquidity and Capital Resources

(\$ millions)	Three Months Ended March 31		
	2017	2016	Change
Cash provided by (used in):			
Operating activities	(4.9)	21.1	(26.0)
Investing activities	(1.9)	(5.1)	3.2
Financing activities	(1.3)	(9.1)	7.8
Effect of exchange rate changes	(0.1)	(1.9)	1.8
Increase (decrease) in cash and cash equivalents	(8.2)	5.0	(13.2)
	As At		
	March 31, 2017	December 31, 2016	Change
Working capital ⁽¹⁾	64.7	28.6	36.1
Working capital ratio ⁽¹⁾	2.5:1	1.5:1	1:1
Net cash (debt) ⁽¹⁾	(6.4)	3.3	(9.7)
Undrawn availability under debt facilities	19.5	21.0	(1.5)

(1) See 'non-IFRS Measures' on page 15

As at March 31, 2017, High Arctic had \$25.5 million outstanding on its debt facilities, and \$19.1 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.

The Bank of PNG policy continues to encourage the local market in PNG Kina. In the fourth quarter, the Bank of PNG commenced a review of all foreign currency accounts in PNG to ensure they had a legitimate business purpose. Due to High Arctic's requirement to transact with international suppliers and customers, High Arctic received approval to continue to maintain its U.S. dollar account within the conditions of the Bank of PNG currency regulations. The Corporation has taken steps to increase its use of PNG Kina for local transactions when practical. Included in the Bank of PNG's conditions, is for future PNG drilling contracts to be settled in PNG Kina. However, the Corporation will continue to seek Bank of PNG approval for customer contracts to be settled in U.S. Dollars on a contract by contract basis. There is no assurance the Bank of PNG will continue to grant these approvals.

If such approvals are not received, the Corporation's PNG drilling contracts will be required to be settled in PNG Kina which would expose the Corporation to exchange rate fluctuations related to the PNG Kina. In addition, this may delay the Corporation's ability to receive U.S. Dollars which may impact the Corporation's ability to settle U.S. Dollar denominated liabilities and repatriate funds from PNG on a timely basis. The Corporation is evaluating various alternatives to help mitigate its exposure to these currency controls.

During the Bank of PNG's review of foreign currency accounts, the collection of PNG accounts receivables were delayed. With the recent approval of the Corporation's U.S. Dollar account, the Corporation recommenced collections of its outstanding accounts receivable balances in PNG and declared an intercompany dividend to repatriate cash from PNG in the amount of \$20.5 million less dividend withholding taxes of \$3.1 million.

Operating Activities

Consistent with the decrease in Adjusted EBITDA during the quarter, funds provided from operations decreased 10% to \$17.0 from \$18.9 million in the first quarter of 2016. After working capital adjustments, net cash generated from operating activities during 2017 was negative \$4.9 million compared to positive \$21.1 million for 2016. The decrease in funds provided from operations for the quarter relates mainly to an increase in accounts receivable due to the ongoing currency restrictions in PNG which has resulted in the Bank of PNG limiting the approval of the flow of foreign currency funds in PNG other than for the

importation of goods and services, which has resulted in the delay of AR collections. Subsequent to the quarter end and in conjunction with the approval of the Corporation's U.S. Dollar account, High Arctic received \$31.8 million in collections of its total March 31, 2017 accounts receivable balance, of which \$20.3 million related to PNG.

Investing Activities

High Arctic incurred \$2.6 million in capital expenditures during the quarter primarily related to maintenance capital and upgrades to the Corporation's well servicing rigs to enhance the efficiencies and marketability of rigs in the Corporation's various operating areas. Further capital investment and rig enhancements will be made as driven by customer demand and operating requirements.

During the quarter, the Corporation generated \$0.6 million in cash from the sale of a portion of its short-term investments.

Financing Activities

The \$1.3 million in funds used in financing activities during the first three months of 2017 primarily relate to the net debt draw of \$1.5 million, \$2.6 million in dividend payments and \$0.2 million in capital lease obligation payments. The Corporation did not renew the NCIB that expired on January 11, 2017.

Credit Facility

In the first quarter of 2017 High Arctic renewed its existing credit facility. As at March 31, 2017, High Arctic's credit facility consisted of a \$45.0 million revolving loan facility which matures on August 31, 2019. The facility is renewable with the lender's consent and is secured by a general security agreement over the Corporation's assets.

The available amount under the \$45.0 million revolving loan facility is limited to 60% of the net book value of the Canadian fixed assets plus 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 March 31, 2017, approximately \$25.5 million was drawn on the facility and total credit available to draw was approximately \$19.5 million.

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 (to be less than 2.50 to 1.00); Fixed Charge Coverage Ratio (to be greater than 1.25 to 1.00); and Current Ratio, which excludes the current portion of long-term debt (to be greater than 1.25 to 1.00). There have been no changes to these financial covenants subsequent to March 31, 2017 and the Corporation remains in compliance with the financial covenants under its credit facility as at March 31, 2017.

Contractual Obligations and Contingencies

High Arctic's contractual financial obligations as at March 31, 2017 are summarized as follows:

(\$ millions)	1 Year	2-3 Years	4-5 Years	Beyond 5 Years	Total
Accounts payable	36.2	-	-	-	36.2
Dividends payable	0.9	-	-	-	0.9
Operating and financial lease commitments	2.6	2.2	1.8	9.3	15.9
Current portion of long-term debt ⁽¹⁾	0.9	26.8	-	-	27.7
Total	40.6	29.0	1.8	9.3	80.7

⁽¹⁾ Long-term debt includes future expected interest payments

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 \$7.3 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 amount of inventory

to the customer. The Corporation recorded a provision of \$0.7 million during 2016 against accrued liabilities to account for a potential shortfall in inventory, which may be cash settled with the customer.

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 May 10, 2017, there were 53,246,039 issued and outstanding common shares, including 40,000 shares held in the Executive and Director Share Incentive Plan, and 1,734,100 options were outstanding at an average exercise price of \$4.08.

No shares were purchased during the quarter under High Arctic's Normal Course Issuer Bid ("NCIB") which expired on January 11, 2017 and was not renewed by the Corporation upon its expiry.

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)	2017	2016				2015		
	Q1	Q4	Q3	Q2	Q1	Q4 ⁽²⁾	Q3 ⁽²⁾	Q2 ⁽²⁾
Revenue	64.8	62.3	47.5	43.5	54.7	58.0	58.5	48.7
Adjusted EBITDA⁽¹⁾	21.0	18.3	15.6	15.1	21.8	20.8	18.7	14.1
Adjusted net earnings⁽¹⁾	9.0	8.4	8.8	6.3	11.2	9.7	10.2	7.2
per share – basic	0.17	0.16	0.16	0.12	0.21	0.18	0.18	0.13
Net earnings	9.0	7.5	20.1	6.3	11.2	9.7	10.2	7.2
per share – basic	0.17	0.14	0.38	0.12	0.21	0.18	0.18	0.13
Funds provided from operations⁽¹⁾	17.0	15.9	11.6	13.4	18.9	19.8	14.3	10.5

(1) See 'non-IFRS Measures' on page 15

(2) Net earnings for 2015 have been restated to reflect the full retroactive adoption of IFRS 9 - see Note 4 to the Corporation's December 31, 2016 audited financial statements for additional details.

Various factors have affected the quarterly profitability of the Corporation's operations. In response to customer demand in PNG, the Corporation added two new drilling rigs and additional rental equipment to its fleet in the first and third quarters of 2015. These rigs and rental equipment were contracted under take-or-pay contract arrangements which provided for a consistent revenue and earnings base which helped to mitigate the impact of lower activity levels in the second and third quarters of 2016 for the two rigs operated by High Arctic on behalf of one of its customers. 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. Since the second quarter of 2015, the U.S. Dollar has strengthened relative to the Canadian dollar, peaking in the first quarter of 2016 and subsequently leveling off in the 1.30 to 1.35 range since the second quarter of 2016.

The decline in oil and natural gas prices has resulted in historically low drilling and completion activities in Canada, resulting in lower Canadian revenues and decreased profit in 2015 and into 2016. With an anticipation of improving industry activity levels in Canada the Corporation completed the Tervita Acquisition, effective August 31, 2016, which contributed to the increased revenue in the fourth quarter of 2016 and first quarter of 2017.

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. Favorable cold weather conditions extended into late March 2017 allowing High Arctic's Canadian operations to continue to be active until the end of the quarter versus the first quarter of 2016 which experienced warmer than normal weather conditions which curtailed first quarter activity in Canada.

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.

	2017	2016				2015		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Oil and natural gas prices								
Average for the period:								
Brent Crude Oil (U.S. \$/bbl)	\$55	\$51	\$47	\$47	\$35	\$45	\$51	\$64
Japan LNG (U.S.\$/mmbtu)	\$7.57	\$7.15	\$6.51	\$6.08	\$7.70	\$9.03	\$9.23	\$9.18
U.S./Canadian dollar exchange rate	1.32	1.33	1.30	1.29	1.37	1.34	1.31	1.23

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 remained strong subsequent to the second quarter of 2015 which has benefited the Corporation's financial results.

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.

	2017	2016				2015		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
West Texas Intermediate (U.S. \$/bbl)	\$52	\$49	\$45	\$46	\$33	\$42	\$46	\$58
Canadian Light Sweet Oil (Cdn \$/bbl)	\$65	\$61	\$54	\$55	\$41	\$53	\$55	\$69
AECO (C\$/mmbtu)	\$2.69	\$3.11	\$2.36	\$1.42	\$1.83	\$2.48	\$2.92	\$2.67
Well completions in Western Canada ⁽¹⁾	1,554	824	754	1,055	801	1,165	1,398	654
Gas well drilling in Western Canada ⁽¹⁾	293	114	218	261	334	420	300	185
Average service rig utilization rates ⁽¹⁾	37%	30%	24%	18%	24%	31%	31%	25%
Average drilling rig utilization rates ⁽¹⁾	39%	26%	16%	7%	22%	22%	24%	13%

(1) Source: 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. The recent increase in oil prices positively impacted drilling and well completion activities in the first quarter of 2017.

Outlook

The ongoing contribution from High Arctic's PNG operations combined with the recent expansion of the Corporation's Canadian operations has provided High Arctic with the financial ability to continue to seek growth opportunities. With the early signs of a recovering market in the WCSB, High Arctic continues to look for opportunities to position itself to benefit from this long-awaited industry recovery. Drilling rig activity in the WCSB nearly doubled in the first quarter of 2017 versus the first quarter of 2016 and industry well servicing hours in the quarter were the highest since the first quarter of 2015 (source: CAODC).

With the completion of the integration of the Tervita Acquisition into High Arctic, efforts are now focused on implementing growth and operational synergies identified as part of the acquisition. This has been demonstrated through the expansion of the Concord Well Servicing operations into Grande Prairie during the quarter, which has allowed for previously idle equipment to be reactivated. During the second quarter the Corporation has commenced efforts to consolidate its field operating bases allowing for the reduction of overlapping support costs and the repositioning of equipment and personnel into areas to allow for improved efficiencies and the ability to better serve High Arctic's customers.

The recent increase in activity levels has been a positive sign for the industry, however, the prolonged downturn may limit the industry's ability to quickly respond to increased activity levels as staffing reductions and reduced maintenance capital expenditures has limited the available industry fleet capacity. In order to capitalize on these potential capacity shortages, High Arctic continues to evaluate further opportunities to expand its Canadian operations both organically through the marketing and reallocation of its existing equipment fleet, and also through potential acquisitions.

In PNG, Rig 104 remains active on its drilling program with Rig 115 preparing for demobilization to Port Moresby following the completion of its drilling assignment on Antelope-7. Rig 103 is currently stacked in Kiunga with an anticipated drilling assignment commencing in the third quarter of 2017. Rig 116 remains on standby in Port Moresby generating standby revenue under its existing take-or-pay contract.

High Arctic continues to progress discussions with its customer over long-term extensions for the contracts for Rigs 103 and 104 which are scheduled to expire on July 31, 2017. With the recent closing of the ExxonMobil acquisition of InterOil, the Corporation has commenced initial discussions with ExxonMobil regarding their requirements for Rigs 115 and 116 and the associated contracts. High Arctic continues to believe that PNG is well positioned for further growth and long-term development of its natural gas resources, which is expected to provide ongoing demand for the Corporation's drilling rigs in PNG. 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. Similar to the global oilfield service industry, these lower activity levels in PNG may result in lower pricing for contract renewals.

While PNG continues to be a strong contributor to High Arctic's financial performance, management continues to focus on its strategy to balance High Arctic's global business operations. As part of this strategy, management continues to seek opportunities to position the Corporation to benefit from an anticipated recovery in the North American oilfield services sector. Additional markets may also be considered in order to leverage off High Arctic's existing international presence and redeploy underutilized assets into new markets.

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 customers in PNG (2016 – four) which individually accounted for greater than 10% of its consolidated revenues during the three months ended March 31, 2017. Sales to these four customers were approximately \$14.8 million, \$9.3 million, \$9.9 million and \$5.5 million respectively for the three months ended March 31, 2017 (2016 - \$17.5 million, \$10.6 million, \$13.9 million and \$4.7 million). As at March 31, 2017, these four customers represented 27%, 17%, 25% and 5%, respectively, of outstanding accounts receivable (December 31, 2016 – four customers represented a total of 74%). 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:	March 31, 2017	December 31, 2016
Less than 31 days	32.5	30.3
31 to 60 days	23.2	13.9
61 to 90 days	7.8	4.3
Greater than 90 days	12.1	0.7
Allowance for doubtful accounts	(0.1)	(0.1)
Total	75.5	49.1

Subsequent to quarter end, the Corporation received \$31.8 million in collections on its outstanding March 31, 2017 accounts receivable balance.

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 of 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 March 31, 2017, the Corporation had drawn \$25.5 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 three months ended March 31, 2017, a \$0.10 change in the value of the Canadian dollar relative to the U.S. dollar would have resulted in a \$0.7 million 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 March 31, 2017:

(millions)	U.S. Dollar ⁽¹⁾	PNG Kina ⁽²⁾	Australian Dollar ⁽³⁾
Cash and cash equivalents	13.1	2.3	0.2
Trade and other receivables	41.8	5.7	-
Trade and other payables	(17.2)	(5.8)	(0.3)
Total	37.7	2.2	(0.1)

(1) As at March 31, 2017, one U.S. dollar was equivalent to 1.3310 Canadian dollars.

(2) As at March 31, 2017, one PNG Kina was equivalent to 0.4176 Canadian dollars.

(3) As at March 31, 2017, one Australian dollar was equivalent to 1.0168 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

Information on the Corporation's critical accounting policies and estimates can be found in the notes to the annual audited consolidated financial statements for the year ended December 31, 2016.

During the quarter the Corporation undertook a review of its depreciation methodology for the Corporation's non-rig assets. Based on this review, the Corporation amended its depreciation estimate for non-rig assets in the quarter to straight-line depreciation methodology from declining balance. Management believes this change in depreciation methodology provides a more accurate reflection of the pattern in which the Corporation's asset's future economic benefits are expected to be consumed. Additional details on this change in depreciation methodology can be found in note 3 to the March 31, 2017 unaudited condensed consolidated financial statements. Had the Corporation continued to depreciate its assets using declining balance, depreciation expense would have been approximately \$6.7 million for the first quarter of 2017 versus the \$6.4 million recorded under the adopted straight-line depreciation methodology.

Accounting Policies

High Arctic's significant accounting policies are set out in note 3 of the Corporation's annual audited consolidated financial statements for the year ended December 31, 2016. Other than the change in depreciation methodology discussed under Critical Accounting Estimates and Judgments, there were no significant changes to the Corporation's accounting policies during the three months ended March 31, 2017.

Future Accounting Pronouncements

Leases

On January 13, 2016, the ISAB issued IFRS 16, “Leases” (“IFRS 16”), which requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases with low-value assets are exempt from the requirements, and may continue to be treated as operating leases.

IFRS 16 is effective for years beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 “Revenue From Contracts With Customers” has been adopted. The standard may be applied retrospectively or using a modified retrospective approach. The Corporation is currently evaluating the impact of adopting IFRS 16 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.

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 March 31, 2017 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. Readers of the Corporation’s MD&A should carefully consider the risks described under the heading “Risk Factors” in the Corporation’s recently filed Annual Information Form for the year ended December 31, 2016 (the “AIF”), which are specifically incorporated by reference herein. The AIF is available 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 months ended March 31:

\$ millions	Three Months Ended March 31	
	2017	2016
Net earnings for the period	9.0	11.2
Add:		
Interest and finance expense	0.4	0.1
Income taxes	5.2	4.2
Depreciation	6.4	5.8
EBITDA	21.0	21.3
Adjustments to EBITDA:		
Share-based compensation	0.1	0.3
Loss (gain) on sale of assets	-	(0.1)
Foreign exchange (gain) loss	(0.1)	0.3
Adjusted EBITDA	21.0	21.8

Adjusted Net Earnings

Adjusted net earnings is calculated based on net earnings prior to the effect of gains and transaction costs incurred for acquisitions. 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 months and year ended March 31:

\$ millions	Three Months Ended March 31	
	2017	2016
Net earnings for the period	9.0	11.2
Adjustments to net earnings:		
Gain on acquisition	-	-
Acquisition costs expensed	-	-
Adjusted net earnings	9.0	11.2

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.

\$ millions	Three Months Ended March 31	
	2017	2016
Revenue	64.8	54.7
Less:		
Oilfield services expense	39.3	29.2
Oilfield Services Operating Margin	25.5	25.5
Oilfield Services Operating Margin (%)	39%	47%

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 months ended March 31:

\$ millions	Three Months Ended March 31	
	2017	2016
Net cash generated from operating activities	(4.9)	21.1
Less:		
Net changes in items of non-cash working capital	21.9	(2.2)
Funds provided from operations	17.0	18.9

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:

\$ millions	As At	
	March 31, 2017	December 31, 2016
Current assets	107.8	90.7
Less:		
Current liabilities	(43.1)	(62.1)
Working capital	64.7	28.6

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:

\$ millions	As At	
	March 31, 2017	December 31, 2016
Cash and cash equivalents	19.1	27.3
Less:		
Long-term debt	(25.5)	(24.0)
Net (debt) cash	(6.4)	3.3

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 Corporation’s future discussions with its customer regarding long-term extensions for drilling and related services contracts for Rigs 103 and 104; future acquisitions and growth opportunities; 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 2017 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; the Corporation’s ongoing relationship with major customers; treatment under governmental regulatory regimes and political uncertainty and civil unrest; and the Corporation’s ability to repatriate excess funds from PNG as approval is received from the Bank of PNG.

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; the general continuance of current or, where applicable assumed industry conditions; activity and pricing; assumptions regarding commodity prices, in particular oil and gas; the Corporation’s primary objectives, and the methods of achieving those objectives; 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.