



Management's Discussion and Analysis For the Three Months Ended March 31, 2019 and 2018

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"). This MD&A is dated May 9, 2019 and should be read in conjunction with the unaudited consolidated interim financial statements for the three months ended March 31, 2019 and 2018 (the "Financial Statements") and the audited consolidated financial statements for the years ended December 31, 2018 and 2017. Additional information relating to the Corporation including the Corporation's Annual Information Form ("AIF") for the year ended December 31, 2018, 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 18 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		
	2019	2018	% Change
Revenue	46.5	53.7	(13%)
EBITDA⁽¹⁾	6.2	12.7	(51%)
Adjusted EBITDA⁽¹⁾	5.5	13.7	(60%)
Adjusted EBITDA % of revenue	12%	26%	(53%)
Operating earnings (loss)	(1.8)	6.7	(127%)
Net earnings (loss)	(1.0)	4.4	(123%)
per share (basic and diluted) ⁽²⁾	(0.02)	0.08	(125%)
Adjusted Net earnings (loss)⁽¹⁾	(1.0)	4.4	(123%)
per share (basic and diluted) ⁽²⁾	(0.02)	0.08	(125%)
Funds provided from operations⁽¹⁾	4.8	11.9	(60%)
per share (basic and diluted) ⁽²⁾	0.10	0.22	(55%)
Dividends	2.5	2.6	(4%)
per share ⁽²⁾	0.05	0.05	0%
Capital expenditures	2.6	2.6	0%
	As at		
	March 31, 2019	December 31, 2018	% Change
Working capital⁽¹⁾	52.7	56.8	(7%)
Total assets	271.3	272.4	(0%)
Total non-current financial liabilities	20.2	14.6	38%
Net cash, end of period⁽¹⁾	23.0	31.5	(27%)
Shareholders' equity	225.1	234.2	(4%)
Shares outstanding	50.2	51.0	(2%)

(1) Readers are cautioned that EBITDA, Adjusted EBITDA, Adjusted net earnings (loss), Funds from operations, working capital and Net cash do not have standardized meanings prescribed by IFRS – see "Non IFRS Measures" on page 18 for calculations of these measures.

(2) The number of shares used in calculating the net earnings (loss) per share and adjusted net earnings (loss) per share amounts is determined as explained in note 14 of the Financial Statements.

Corporate Profile

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

High Arctic conducts its business operations in three separate operating 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. The Corporation also provides additional drilling services in PNG as requested by its 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”) and the United States 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. The revenue, expenses and assets related to the 2018 third quarter acquisition of Powerstroke and Saddle Well Services have been reported within the Production Services segment.

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 compliance consulting services.

Highlights

High Arctic generated revenue of \$46.5 million in the first quarter of 2019, a sequential decrease of \$1.3 million over the fourth quarter of 2018 and \$7.2 million or 13% lower than the comparable first quarter of 2018. These results were driven by waning customer demand in Canada carried over from 2018, Q4 2018 take or pay contract expiry and idle rigs in the Corporation’s international operations, as expected, and were mitigated by the following positive developments;

- High Arctic generated revenue of \$46.5 million (2018: \$53.7 million) and adjusted EBITDA of \$5.5 million (2018: \$13.7 million).
- Approximately 75% of the reduction in well servicing hours during the quarter was due to extreme cold weather although High Arctic generally maintained its market share.
- Utilization of Rigs 103 and 104 was 100% for the quarter, ahead of the prior year.
- The Company has regained its leadership position in snubbing services critical to customers and snubbing hours in the quarter were more than doubled that of 2018.
- The strategy to diversify into new markets generated 1,584 hours of rig work in the United States in the first quarter.

Strategic Priorities

Corporation's strategic priorities remain targeted on:

- Regional work force development to strengthen safety, expertise, work standards and local communities.
- A strong capital structure to provide liquidity and strength throughout the energy services economic cycles.
- Specialty niche operations with noteworthy barriers to entry.
- Deep value opportunities to consolidate existing markets and geographically diversify.
- Solidifying customer relationships to gain market share and expand when industry conditions permit.
- Disciplined capital allocation to deliver shareholder value consistent with past performance.

First Quarter 2019:

- High Arctic reported revenue of \$46.5 million, net loss of \$(1.0) million and Adjusted EBITDA of \$5.5 million in the quarter.
- Utilization for High Arctic's 58 registered Concord Well Servicing rigs was 52% in the quarter versus industry utilization of 48% (source: Canadian Association of Oilwell Drilling Contractors "CAODC").
- Consistent with 16 prior quarters, High Arctic declared \$2.5 million (\$0.05 per share) in dividends during the quarter. In addition, High Arctic repurchased and cancelled 770,151 shares with a value of \$2.9 million under the Corporation's NCIB during the quarter resulting in a total of \$5.4 million being returned to shareholders in the quarter via dividends and share repurchases.
- High Arctic continues to maintain a strong financial position with \$23.0 million in net cash, an undrawn \$45 million credit facility and a positive working capital position of \$52.7 million.

Business Acquisition

On April 15, 2019, High Arctic acquired the assets of Precision Drilling's snubbing services equipment, entirely located in Canada providing High Arctic with additional quality snubbing equipment and access to experienced personnel and crews. The purchase price of \$8.25 million was settled in cash from cash on hand. The acquisition will provide High Arctic with twelve additional marketed snubbing units, seven of which have been active over the last twelve months. This will provide additional capacity to further strategic diversification and growth in the United States. It will also increase High Arctic's fleet size, scale and capability in Canada to meet the needs of customers through safe and efficient services designed to increase production and lower costs. Upon closing, High Arctic owns and operates the largest snubbing fleet in Canada consisting of a total of 29 snubbing units.

Consolidated Results

(\$ millions)	Three Months Ended March 31			
	2019	2018	Change	%
Revenue	46.5	53.7	(7.2)	(13%)
EBITDA⁽¹⁾	6.2	12.7	(6.5)	(51%)
Adjusted EBITDA⁽¹⁾	5.5	13.7	(8.2)	(60%)
Adjusted EBITDA % of Revenue	12%	26%	(14%)	(53%)
Net earnings (loss)	(1.0)	4.4	(5.4)	(123%)
per share (basic and diluted) ⁽²⁾	(0.02)	0.08	(0.10)	(125%)
Adjusted net earnings (loss)⁽¹⁾	(1.0)	4.4	(5.4)	(123%)
per share (basic and diluted) ⁽²⁾	(0.02)	0.08	(0.10)	(125%)

(1) Readers are cautioned that EBITDA, Adjusted EBITDA and Adjusted net earnings (loss) do not have standardized meanings prescribed by IFRS – see “Non IFRS Measures” on page 18 for calculations of these measures.

(2) The number of shares used in calculating the net earnings (loss) per share and adjusted net earnings (loss) per share amounts is determined as explained in note 14 of the Financial Statements.

First Quarter:

- Revenue for the Corporation’s drilling services decreased by \$4.7 million in the first quarter of 2019 compared to the first quarter of 2018. This was partially offset by the snubbing revenue provided by the Powerstroke acquisition. Consolidated revenue decreased 13% to \$46.5 million in the quarter from \$53.7 million in the first quarter of 2018.
- The decrease in consolidated revenue combined with the decreased contribution from the Drilling Services segment resulted in Adjusted EBITDA decreasing to \$5.5 million in the quarter from \$13.7 million in the first quarter of 2018. The decreased revenue and increase in oilfield services expenses resulted in a decrease in net earnings to \$(1.0) million, ((\$0.02) per share (basic)) in the quarter versus \$4.4 million, (\$0.08 per share (basic)) in the first quarter of 2018.

Operating Segments

Segmented Financial Results

(\$ millions)	Three Months Ended March 31			
	2019	2018	Change	%
Revenue:				
Drilling Services	18.8	23.5	(4.7)	(20%)
Production Services	22.8	23.3	(0.5)	(2%)
Ancillary Services	5.7	7.8	(2.1)	(27%)
Inter-segment eliminations	(0.8)	(0.9)	0.1	0%
	46.5	53.7	(7.2)	(13%)
Oilfield Service Operating Margin (1)				
Drilling Services	4.2	9.0	(4.8)	(53%)
Production Services	2.1	4.1	(2.0)	(49%)
Ancillary Services	2.9	4.9	(2.0)	(41%)
	9.2	18.0	(8.8)	(49%)
Oilfield Service Operating Margin Percentage (1)				
Drilling Services	22%	38%	(16%)	(42%)
Production Services	9%	18%	(8%)	(48%)
Ancillary Services	51%	63%	(12%)	(19%)
	20%	34%	(14%)	(41%)

(1) See 'Non-IFRS Measures' on page 18

Drilling Services

(\$ millions)	Three Months Ended March 31			
	2019	2018	Change	%
Revenue	18.8	23.5	(4.7)	(20%)
Oilfield services expense ⁽¹⁾	14.6	14.5	0.1	1%
Oilfield services operating margin ⁽¹⁾	4.2	9.0	(4.8)	(53%)
Operating margin (%)	22%	38%	(16%)	(42%)

⁽¹⁾ See 'Non-IFRS Measures' on page 18

The Corporation owns two heli-portable drilling rigs (Rigs 115 and 116) and operates two rigs (Rigs 103 and 104) on behalf of a major oil and gas exploration company in PNG. In the first quarter of 2018, High Arctic had Rig 405 in its PNG drilling fleet to complete a short-term drilling project. Due to the duration of this project, the rig was leased from a non-PNG third-party contractor and was returned to its owner in the fourth quarter of 2018.

First Quarter:

Drilling Services revenue decreased 20% in the quarter to \$18.8 million from \$23.5 million in the first quarter of 2018. This decrease was due to lower drilling activity in the quarter and the end of the take or pay contract for Rig 116 in the fourth quarter of 2018.

Rig 103 operated continuously on infield work during the quarter while Rig 104 continued operating at the Muruk 2 exploration wellsite. Rig 115 and Rig 116 were preserved in cold stack during the quarter and remain ready to redeploy.

Production Services

(\$ millions)	Three Months Ended March 31			
	2019	2018	Change	%
Revenue	22.0	23.3	(1.3)	(6%)
Oilfield services expense ⁽¹⁾	19.9	19.2	0.7	4%
Oilfield services operating margin ⁽¹⁾	2.1	4.1	(2.0)	(49%)
Operating margin (%)	10%	18%	(8%)	(44%)

Operating Statistics:

Service rigs

Average Fleet ⁽²⁾	59	57	2	4%
Utilization ⁽³⁾	52%	63%	(11%)	(18%)
Operating hours	27,913	32,184	(4,271)	(13%)
Revenue per hour	635	634	1	0%

Snubbing rigs

Average Fleet ⁽⁴⁾	16	8	8	100%
Utilization ⁽³⁾	34%	26%	8%	31%
Operating hours	4,006	1,875	2,131	114%

(1) See 'Non-IFRS Measures' on page 18

(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 using the number of rigs registered with the CAODC during the period.

(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 and United States 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 Production Services segment also provides heli-portable workover services in PNG through Rig 102. The net book value of Rig 102 is not material and no workover services were provided in PNG during 2019 or 2018 and as such no revenue was generated or costs incurred associated with this rig during the periods presented.

First Quarter:

Decreased quarter over quarter activity for High Arctic's Concord Well Servicing rigs was partially offset by higher activity from the Corporation's snubbing operations in the quarter resulting in a 6% decrease in revenue for the Production Services segment to \$22.0 million in the quarter versus \$23.3 million in the first quarter of 2018. Operating hours for the Concord rigs decreased 13% to 27,913 hours in the quarter from 32,184 hours in the first quarter of 2018. Consistent with prior quarters, the Concord rigs achieved above industry utilization of 52% versus the 48% utilization generated by the industry's registered well servicing rigs in the quarter (source: CAODC). Pricing remains competitive but with an increased exposure to higher rate operating areas this allowed the average revenue per hour for the Concord rigs to remain flat at \$635 per hour in the quarter from \$634 per hour in the comparative quarter in 2018.

The positive contribution from the Powerstroke acquisition resulted in an increase in the Production Services snubbing operations which saw revenue increase to \$4.8 million in the quarter versus the \$2.9 million generated in the first quarter of 2018. Operating hours for the snubbing rigs in the quarter were 4,006 versus 1,875 hours in the first quarter of 2018. Activity for the Corporation's snubbing operations continues to be hampered over recent quarters due to prolonged low natural gas prices which is curtailing snubbing activity on natural gas completions for the Corporation's customers. Snubbing revenue declined quarter over quarter due to low natural gas prices and the type of work undertaken which consisted of lower pressure well completions.

Operating margin decreased 8% compared to the same quarter in 2018. The decrease in margin is primarily due to extra costs related to expansion into the US and other associated operating costs on lower overall revenue.

Ancillary Services

(\$ millions)	Three Months Ended March 31			
	2019	2018	Change	%
Revenue	5.7	7.8	(2.1)	(27%)
Oilfield services expense ⁽¹⁾	2.8	2.9	(0.1)	(3%)
Oilfield services operating margin ⁽¹⁾	2.9	4.9	(2.0)	(41%)
Operating margin (%)	51%	63%	(12%)	(19%)

(1) Revenue includes inter-segment revenue charged to Production Services and Drilling Services from Ancillary Services division of \$0.8 million for the quarter. In 2018 inter-segment revenue was \$0.9 million for the quarter.

(2) See 'Non-IFRS Measures' on page 18

The Ancillary Services segment consists of High Arctic's oilfield rental equipment in Canada and PNG as well as its Canadian nitrogen and ClearCompliance software business operations.

First Quarter:

All contributing divisions of this segment showed decreases during the quarter relative to the first quarter in 2018 driven primarily by lower activity levels.

Operating margin as a percentage of revenue decreased to 51% in the quarter versus 63% in the first quarter of 2018. This decrease was due to the decreased contribution from both the PNG and Canadian rental divisions which generate higher margins.

General and Administration

(\$ millions)	Three Months Ended March 31			
	2019	2018	Change	%
General and administration	3.7	4.3	(0.6)	(14%)
Percent of revenue	8%	8%	0%	0%

General and administrative costs decreased \$0.6 million to \$3.7 million in the first quarter 2019 compared to 2018 mainly as a result of cost reduction initiatives taken through out 2018. General and administrative costs as a percentage of revenue were flat year on year at 8%.

Depreciation

Depreciation expense increased to \$7.0 million in the quarter from \$6.4 million in the first quarter of 2018. The Corporation incurred amortization costs of \$0.5 million associated with right of use assets in 2019 as a result of the adoption of IFRS 16, Leases ("IFRS 16") offset by a reduction in operating lease expense by the same amount.

Share-based Compensation

The decrease in share-based compensation to \$0.3 million in 2019 from \$0.6 million in 2018 is a result of a higher number of awards granted in the first quarter of 2018.

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 currency 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 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 \$1.3225 during the first quarter of 2019 (2018 – \$1.2665). The stronger U.S. dollar benefits the Corporation as the majority of the Corporation's PNG business is conducted in U.S. dollars.

As at March 31, 2019, the U.S. dollar exchange rate was 1.3363 versus 1.2894 as at March 31, 2018. Although year on year the US dollar strengthened against the Canadian dollar, the U.S. dollar weakened from the end of 2018 through Q1 resulting in a translation loss of \$3.0 million recorded in other comprehensive income for the quarter ended March 31, 2019 (\$3.9 million gain for the three months ended March 31, 2018).

The fluctuation in exchange rates for the period resulted in a \$0.2 million foreign exchange gain being recorded on various foreign exchange transactions (2018 - \$0.4 million loss). The Corporation does not currently hedge its foreign exchange transactions or exposure.

Interest and Finance Expense

During the quarter, the Corporation did not have any long-term debt outstanding but incurred \$0.2 million in bank fees and other interest charges (\$0.1 million for the three months ended March 31, 2018).

Income Taxes

(\$ millions)	Three Months Ended March 31		
	2019	2018	Change
Net earnings (loss) before income taxes	(1.0)	6.2	(7.2)
Current income tax expense	0.5	1.6	(1.1)
Deferred income tax expense (recovery)	(0.5)	0.2	(0.7)
Total income tax expense	-	1.8	(1.8)
Effective tax rate	0%	29%	

The Corporation's effective tax rate decreased to 0% in 2019 from 29% in 2018. The decrease in effective tax rate is due to the net loss incurred in the first quarter.

Other Comprehensive Income (Loss)

As discussed above under Foreign Exchange Transactions, the Corporation recorded a \$3.0 million foreign currency translation loss in other comprehensive income (loss) in the first quarter as compared to a gain of \$3.9 million in the first quarter of 2018.

During the quarter ended March 31, 2019, the Corporation recognized an unrealized loss on its strategic investments due to fluctuations in investment share prices. The Corporation also recognized a realized loss on its strategic investments in the first quarter through the sale of a portion of the owned shares.

Liquidity and Capital Resources

(\$ millions)	Three Months Ended March 31		
	2019	2018	Change
Cash provided by (used in):			
Operating activities	-	4.8	(4.8)
Investing activities	(1.4)	(2.7)	1.3
Financing activities	(5.8)	(4.6)	(1.2)
Effect of exchange rate changes	(1.3)	0.1	(1.4)
Increase (decrease) in cash and cash equivalents	(8.5)	(2.4)	(6.1)
As At			
	March 31, 2019	March 31, 2018	Change
Working capital ⁽¹⁾	52.7	57.6	(4.9)
Working capital ratio ⁽¹⁾	3.0 : 1	3.3 : 1	0.3:1
Net cash ⁽¹⁾	23.0	19.7	3.3
Undrawn availability under debt facilities	45.0	45.0	0.0

⁽¹⁾ See 'Non-IFRS Measures' on page 18

As at March 31, 2019, the Corporation had \$nil outstanding on its debt facilities and \$23.0 million in cash.

The Bank of PNG policy continues to encourage the use of the local market currency (Kina). Due to High Arctic's requirement to transact with international suppliers and customers, High Arctic has received approval from the Bank of PNG 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, unless otherwise approved by the Bank of PNG for the contracts to be settled in U.S. dollars. The Corporation has received such approval for its existing contracts with its key customers in PNG. The Corporation will continue to seek Bank of PNG approval for future customer contracts to be settled in U.S. Dollars on a contract by contract basis, however, there is no assurance the Bank of PNG will continue to grant these approvals.

If such approvals are not received in future, the Corporation's PNG drilling contracts will 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 also requires the approval from the PNG Internal Revenue Commission ("IRC") to repatriate funds from PNG and make payments to non-resident PNG suppliers and service providers. While delays can be experienced for the IRC approvals, such approvals have been received in the past.

Operating Activities

The decrease in net earnings, increase in foreign exchange gains, deferred tax expense and gain on sale of assets offset by the increase in depreciation and changes in net working capital has resulted in funds provided from operations to decrease to \$0.0 million from \$4.8 million quarter on quarter 2019 to 2018.

Investing Activities

In the first quarter the Corporation has invested \$2.6 million (2018 - \$2.6 million) in capital expenditures primarily related to maintenance capital and upgrades to the Corporation's well servicing rigs.

Financing Activities

During the quarter, the Corporation distributed \$2.5 million in dividends to its shareholders. In addition, the Corporation purchased and cancelled 770,151 shares for a total of \$2.9 million under its NCIB, resulting in a total of \$5.4 million being returned to shareholders via dividends and share buybacks year to date.

Credit Facility

As at March 31, 2019, High Arctic's credit facility consisted of a \$45.0 million revolving loan facility which matures on August 31, 2020. 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, 2019, there was no amount drawn on the facility and total credit available to draw was \$45.0 million.

The Corporation's loan facilities are subject to three financial covenants, which are reported to the lender on a quarterly basis:

Covenant	Required	March 31, 2019
Funded debt to EBITDA ⁽¹⁾⁽⁴⁾	2.50 : 1 Maximum	0.18 : 1
Current ratio ⁽²⁾	1.25 : 1 Minimum	3.03 : 1
Fixed charge coverage ratio ⁽³⁾	1.25 : 1 Minimum	7.78 : 1

(1) Funded debt to EBITDA is defined as the ratio of consolidated Funded Debt to the aggregate EBITDA for the trailing 4 quarters.

(2) Current ratio is defined as the ratio of consolidated current assets to consolidated current liabilities (excluding current portion of long-term debt and other debt, if any).

(3) Fixed charge coverage ratio is defined as EBITDA less cash taxes, dividends, distributions and unfunded capital expenditures divided by the total of principal payments on long-term debt and capital leases plus interest, in which principal payments means the total principal amount of the loan outstanding at the end of the quarter amortized over a 7-year period.

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- (4) EBITDA for the purposes of calculating the covenants, "covenant EBITDA," is defined as net income plus interest expense, current tax expense, depreciation, amortization, future income tax expense (recovery), stock-based compensation expense less gains from foreign exchange and sale or purchase of assets.

There have been no changes to these financial covenants subsequent to March 31, 2019 and the Corporation remains in compliance with the financial covenants under its credit facility as at March 31, 2019.

Contractual Obligations and Contingencies

High Arctic's contractual financial obligations as at March 31, 2019 are summarized as follows:

(\$ millions)	1 Year	2-3 Years	4-5 Years	Beyond 5 Years	Total
Accounts payable	22.4	-	-	-	22.4
Contingent Liability	1.0	-	-	-	1.0
Dividends payable	0.8	-	-	-	0.8
Lease liability	1.3	2.3	1.1	6.3	11.0
Total	25.5	2.3	1.1	6.3	35.2

Inventory

As part of the Corporation's contractual rig management and operations, the Corporation has been supplied an inventory of spare parts with a total value of \$7.8 million by a customer and a third-party supplier for the Corporation's operations in PNG. The inventory is owned by these parties and has not been recorded on the books of High Arctic. At the end of the contracts, the Corporation must return an equivalent amount of inventory to these parties.

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 and units under the Corporation's approved equity compensation plans. As at March 31, 2019, there were 50,247,194 issued and outstanding common shares. In addition, 1,343,000 options were outstanding at an average exercise price of \$4.09 as well as 391,249 units under the Corporation's Performance Share Unit Plan and 161,146 units under the Deferred Share Unit plan.

On November 15, 2018 the Corporation received approval from the Toronto Stock Exchange to acquire for cancellation up to 2,700,386 common shares, representing approximately 10 percent of the Corporation's public float, under a NCIB. The NCIB is valid for one year and will expire on November 18, 2019. A total 770,151 common shares have been purchased and cancelled under this NCIB in the quarter at a cost of \$2.9 million. Prior to the first quarter 2019, the Corporation has purchased and cancelled another 246,088 shares for a total of \$0.9 million under this program.

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)	2019	2018				2017		
	Q1	Q4 ⁽²⁾	Q3 ⁽²⁾	Q2	Q1	Q4	Q3	Q2
Revenue	46.5	47.8	54.7	47.1	53.7	51.5	42.8	51.1
Adjusted EBITDA⁽¹⁾	5.5	6.6	17.4	13.9	13.7	12.4	10.6	14.3
Net earnings (loss)	(1.0)	(2.3)	7.5	1.8	4.4	3.5	2.8	5.0
per share - basic	(0.02)	(0.04)	0.14	0.04	0.08	0.06	0.06	0.09
Adjusted net earnings (loss)⁽¹⁾⁽²⁾	(1.0)	(2.3)	7.7	2.4	4.4	3.5	2.8	5.0
per share - basic	(0.02)	(0.4)	0.15	0.05	0.08	0.06	0.06	0.09
Funds provided from operations⁽¹⁾	4.8	2.0	14.3	8.6	11.9	9.3	9.8	9.1

(1) See 'Non-IFRS Measures' on page 18

(2) Adjusted net earnings (loss) in Q3 and Q4 2018 excludes the impact of \$0.6 million and \$0.2 million, respectively, of expenses incurred related to the closing of the Corporation's Blackfalds facility and transaction costs related to the Powerstroke Acquisition.

Various factors have affected the quarterly profitability of the Corporation's operations. In June 2017, take or pay contract for Rig 115 expired resulting in reduced revenue and EBITDA contribution subsequent to the second quarter of 2017. The take-or-pay contract for Rig 116 expired on November 2, 2018 resulting in reduced revenue and EBITDA in Q1 2019 and future revenue and EBITDA contribution are anticipated to decrease as a result of the contract expiration. The corporation continues to promote both rigs for service in PNG and abroad. The Corporation's results have also benefited from the acquisition of Tervita's Production Services Division (the "Tervita Acquisition") which closed in 2016 and both the Powerstroke and Saddle Well Services acquisitions which closed in 2018.

Seasonal conditions impact the Corporation's Canadian operations 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 operations and, therefore, the second quarter is generally the weakest quarter of the year for the Corporation's operations 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.

	2019	2018				2017		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Oil and natural gas prices								
(Average for the period)								
Brent Crude Oil (U.S. \$/bbl) ⁽¹⁾	\$64	\$68	\$76	\$75	\$68	\$61	\$52	\$51
Japan LNG (U.S. \$/mmbtu) ⁽²⁾	\$11.87	\$11.69	\$10.73	\$10.26	\$8.98	\$7.76	\$8.33	\$8.40
U.S./Canadian dollar exchange rate	1.34	1.32	1.31	1.29	1.26	1.27	1.25	1.34

(1) Source: Sproule

(2) Source: World Bank Commodities Price Data

The Corporation's PNG activity has historically been 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 over the last eight quarters which has benefited the Corporation's financial results.

Activity levels for the Corporation's major customers in PNG are less dependent on short term fluctuations in oil and gas prices and instead are 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 Japan 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.

	2019		2018			2017		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Oil and natural gas prices								
Average for the period:								
West Texas Intermediate (U.S. \$/bbl) ⁽¹⁾	\$55	\$59	\$69	\$68	\$63	\$55	\$48	\$48
West Canada Select (Cdn. \$/bbl) ⁽¹⁾	\$57	\$37	\$62	\$63	\$49	\$54	\$47	\$50
Canadian Light Sweet Oil (Cdn \$/bbl) ⁽¹⁾	\$67	\$48	\$76	\$78	\$70	\$66	\$57	\$60
AECO (C\$/mmbtu) ⁽¹⁾	\$2.62	\$1.62	\$1.28	\$1.20	\$2.06	\$1.72	\$1.61	\$2.79
Other industry indicators								
Total wells drilled in Western Canada ⁽²⁾	1,546	1,380	1,528	1,268	1,696	1,852	1,764	1,265
Average service rig utilization rates ⁽²⁾	48%	37%	41%	30%	47%	40%	39%	29%
Average drilling rig utilization rates ⁽²⁾	29%	28%	30%	17%	41%	32%	30%	18%

(1) Source: Sproule
 (2) Source: CAODC

Decreases in oil and natural gas prices have had a material impact on drilling and well completion activities in Canada since 2015 and continue to curtail industry activity levels relative to historical industry activity levels.

Outlook

Industry activity in the first quarter was affected by The Alberta Government imposed apportionment of oil production in the province to alleviate wide price differentials experienced throughout 2018. In addition, extreme cold weather in western Canada significantly slowed well servicing activity in the quarter. The uncertainties within the Canadian industry are ongoing and will continue until new pipeline capacity is added and Canadian oil and gas companies remain cautious with 2019 capital expenditure programs.

Notwithstanding the slow activity levels experienced in the quarter, Concord Well Servicing maintained its market share and achieved equipment utilization rates much better than that experienced by the well service industry. Concord has already begun to experience much improved equipment utilization leading into the second quarter of 2019. We expect this improved level of activity to be maintained throughout 2019.

The acquisition of Powerstroke opened a new market for snubbing and well services in the United States. The subsequent acquisition of Precision Drilling's snubbing assets provides High Arctic with additional quality equipment and access to experienced personnel and crews resulting in High Arctic being the largest snubbing operator in Canada with an estimated 55% market share. We continue to move under utilized assets from Canada into the United States where there is better utilization and day rates.

In Papua New Guinea, we see strong potential for increasing activity depending on the specific timing of the expansion of LNG export capacity. The announcement made that the gas sales agreement was signed between the State of Papua New Guinea and Papua LNG in April 2019 is very encouraging. Combined with the parallel project of co-habited PNG-LNG expansion train, the proposed facility is expected to double LNG export capacity in PNG and project partners have indicated target timing for commencement of LNG shipments from expansion production in 2024. Based on exploration license well commitments and increased optimism ahead of the LNG expansion, we expect drilling activity to increase in PNG as early as the fourth quarter 2019.

In PNG, Rig 103 and 104 remained active through the first quarter. Rig 103 moved to Moran field where operations commenced on April 10th to complete the work program interrupted by the earthquake in February 2018. Rig 103 will continue with infield well works for most of 2019. Rig 104 continued operations working on Muruk 2 and will demobilize back to Moro in Q2 before deploying for its next drilling assignment. Rig 116 and Rig 115 are cold stacked in Port Moresby maintained in ready to deploy condition. Both Rig 115 and 116 are being offered for services both within PNG and abroad.

Financial Risk Management

Credit Risk, Customers and Economic Dependence

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

The Corporation's accounts receivable is 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/regional oil and gas producers. Notwithstanding its large customer base, the Corporation provides services to two large customers (2018 – three) which individually accounted for greater than 10% of its consolidated revenues during the quarter ended March 31, 2019. Sales to these two customers were approximately \$23.5 million and \$6.3 million for the quarter ended March 31, 2019 (2018 - \$20.6 million and \$6.7 million). As at March 31, 2019, these two customers represented 48% and 8% respectively of outstanding accounts receivable (March 31, 2018 – two customers represented a total of 60%). Management has assessed the two customers as creditworthy and the Corporation has had no history of collection issues with these customers.

The Corporation's accounts receivable is aged as follows:

Days outstanding:	March 31, 2019	December 31, 2018
Less than 31 days	19.2	17.4
31 to 60 days	17.1	11.3
61 to 90 days	1.6	5.0
Greater than 90 days	6.3	2.9
Allow ance for doubtful accounts	(0.1)	(0.1)
Total	44.1	36.5

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.

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 quarter ended March 31, 2019, a 0.10 basis point change in the value of the Canadian dollar relative to the U.S. dollar would have resulted in a \$0.1 million change in net earnings (loss) for the quarter as a result of changes in foreign exchange.

The Corporation's financial instruments have the following foreign exchange exposure at March 31, 2019:

(millions)	U.S. Dollar ⁽¹⁾ (in USD)	PNG Kina ⁽²⁾ (in Kina)	Australian Dollar ⁽³⁾ (in AUD)
Cash and cash equivalents	11.6	1.3	0.2
Trade and other receivables	18.2	1.5	-
Trade and other payables	(8.7)	(4.1)	(0.5)
Total	21.1	(1.3)	(0.3)

(1) As at March 31, 2019, one U.S. dollar was equivalent to 1.3363 Canadian dollars.

(2) As at March 31, 2019, one PNG Kina was equivalent to 0.2970 Canadian dollars.

(3) As at March 31, 2019, one Australian dollar was equivalent to 0.9483 Canadian dollars.

As at March 31, 2019 U.S. \$2.2 million was on deposit with a large international bank in PNG. The Bank of PNG ("BPNG") has provided approval for High Arctic to maintain a U.S. dollar bank account in accordance with the BPNG currency regulations and again approved the U.S. dollar denomination and settlement of all new agreements executed this quarter, however, if such approval is withdrawn in the future these funds may be converted into PNG Kina and the Corporation would be required to access the foreign currency market in PNG to meet its foreign currency obligations, thus exposing the Corporation to greater foreign exchange exposure for the Kina. The BPNG currency regulations also limit the amount of foreign currency that companies can maintain in order to meet their forecasted three-month cash flow requirements, with excess funds required to be held in Kina.

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 or 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 the investment.

Critical Accounting Estimates and Judgements

Information on the Corporation's critical accounting policies, estimates and judgements can be found in the notes to the annual audited consolidated financial statements for the year ended December 31, 2018.

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, 2018.

IFRS 16 – Leases

The Corporation applied IFRS 16, Leases ("IFRS 16") with an initial application date of January 1, 2019. As a result, the Corporation has changed its accounting policy for lease contracts as detailed in the "Significant Accounting Policies".

The Corporation applied IFRS 16 using the modified retrospective approach. As the standard allows for prospective application, the comparative periods for 2018 have not been restated. For leases entered into prior to January 1, 2019 the Corporation has chosen to measure the right-of-use asset at an amount equal to the lease liability.

a) Definition of a lease

Previously, the Corporation determined at contract inception whether an agreement was or contained a lease under IAS 17 and IFRIC 4. Under IFRS 16, the Corporation assesses whether a contract is or contains a lease based on the definition of a lease as explained in "Significant Accounting Policies".

b) Lessee arrangements

As a lessee, the Corporation previously classified leases as operating or finance leases based on their assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Corporation. Under IFRS 16, the Corporation recognizes right-of-use assets and lease liabilities for most leases. The Corporation decided to apply recognition exemptions to short-term leases.

(i) Leases classified as operating under IAS 17

- At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Corporation's incremental borrowing rate as at January 1, 2019. Right-of-use assets were measured at an amount equal to the lease liability.
- The Corporation used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.
 - Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review;
 - Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term;
 - Excluded initial direct costs from measuring the right-of-use asset at the date of initial application;
 - By class of underlying assets, elected to combine lease and non-lease components as a single lease component; and
 - Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(ii) Leases classified as finance leases under IAS 17

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability as at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

c) Lessor arrangements

The Corporation is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Corporation accounted for its leases in accordance with IFRS 16 from the date of initial application.

d) Impact on financial statements

On transition to IFRS 16, the Corporation recognized the following changes (using its incremental borrowing rate calculated as of January 1, 2019 of 4.45%):

	As reported on December 31, 2018	Adjustments	Balance on Adoption January 1, 2019
Assets			
Right-of-use Asset	-	8.0	8.0
Property and Equipment	184.4	(0.6)	183.8
Liabilities			
Lease Liability	-	(11.2)	(11.2)
Unfavourable Lease Liability	(2.8)	2.8	-
Accounts Payable and Accrued Liabilities	(21.6)	0.5	(21.1)
Finance Lease Obligation	(0.5)	0.5	-
Total Outstanding March 31, 2019	159.5	0.0	159.5

Unfavourable Lease Liability and Finance Lease Obligation are replaced by Lease Obligation with the adoption of IFRS 16. The change in Accounts Payable and Accrued Liabilities relates to the current portion of the onerous and unfavourable lease liabilities.

The following is a reconciliation of the December 31, 2018 commitment note to the Corporation's lease liabilities as at January 1, 2019:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Corporation's consolidated financial statements	14.5
Discount using the incremental borrowing rate at January 1, 2019	11.0
Fixed Payments for Non-lease Components	0.3
Short-term leases	(0.1)
Lease liability as of January 1, 2019	11.2

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, 2019 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 AIF for the year ended December 31, 2018, 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, other costs related to consolidating facilities, 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, 2019 and 2018:

\$ millions	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Net earnings (loss) for the period	(1.0)	4.4
Add:		
Interest and finance expense	0.2	0.1
Income taxes	-	1.8
Depreciation	7.0	6.4
EBITDA	6.2	12.7
Adjustments to EBITDA:		
Other expenses	-	-
Share-based compensation	0.3	0.6
Loss (gain) on sale of assets	(0.8)	-
Foreign exchange (gain) loss	(0.2)	0.4
Adjusted EBITDA	5.5	13.7

Adjusted Net Earnings

Adjusted net earnings is calculated based on net earnings prior to the effect of costs not incurred in the normal course of business, such as consolidating facilities, 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 (loss) as presented is not intended to represent net earnings (loss) or other measures of financial performance calculated in accordance with IFRS. Adjusted net earnings (loss) per share and Adjusted net earnings (loss) per share – diluted are calculated as Adjusted net earnings (loss) divided by the number of weighted average basic and diluted shares outstanding, respectively. The following tables provide a quantitative reconciliation of net earnings (loss) to Adjusted net earnings (loss) for the three months ended March 31, 2019 and 2018:

\$ millions	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Net earnings (loss) for the period	(1.0)	4.4
Adjusted net earnings (loss)	(1.0)	4.4

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 (loss) 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, 2019	Three Months Ended March 31, 2018
Revenue	46.5	53.7
Less:		
Oilfield services expense	37.3	35.7
Oilfield Services Operating Margin	9.2	18.0
Oilfield Services Operating Margin (%)	20%	34%

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 (used in) 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 (used in) operations) is a useful supplemental measure as it provides an indication of the funds generated (used in) 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 (used in) 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 (used in) 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 (used in) operations for the three months ended March 31:

\$ millions	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Net cash generated from operating activities	-	4.8
Less:		
Net changes in items of non-cash working capital	4.8	7.1
Funds provided from operations	4.8	11.9

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, 2019	December 31, 2018
Current assets	78.7	80.4
Less:		
Current liabilities	(26.0)	(23.6)
Working capital	52.7	56.8

Net cash

Net 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 cash as follows:

\$ millions	As At	
	March 31, 2019	December 31, 2018
Cash and cash equivalents	23.0	31.5
Less:		
Long-term debt	-	-
Net cash	23.0	31.5

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; commodity prices and the impact that they have on industry activity; estimated capital expenditure programs for fiscal 2019 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; the Corporation’s ability to maintain a U.S. dollar bank account and conduct its business in U.S. dollars in PNG; and the Corporation’s ability to repatriate excess funds from PNG as approval is received from the Bank of PNG and the PNG Internal Revenue Commission.

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.