MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED
September 30, 2021 and 2020

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Management's Discussion and Analysis ("**MD&A**") is a summary review of core operations, strategy, outlook, risks, the results of operations, liquidity and capital resources of High Arctic Energy Services Inc. ("**High Arctic**" or the "**Corporation**"). This MD&A is based on information available to November 10, 2021 and should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes for the three and nine months ended September 30, 2021 and 2020 (the "**Financial Statements**") and the audited consolidated financial statements and notes for the years ended December 31, 2020 and 2019. Additional information relating to the Corporation including the Corporation's Annual Information Form ("**AIF**") for the year ended December 31, 2020, is available under the Corporation's profile on SEDAR at www.sedar.com. This MD&A and the Financial Statements were reviewed by High Arctic's Audit Committee and approved by the Board of Directors on November 10, 2021. The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts are expressed in thousands of Canadian dollars ("**CAD**"), unless otherwise noted.

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

Corporate Profile

Headquartered in Calgary, Alberta, Canada, High Arctic primarily provides oilfield services to oil and gas exploration and production companies operating in Canada, and Papua New Guinea ("**PNG**") where operations have been significantly curtailed since Q2-2020. High Arctic is a publicly traded company listed on the Toronto Stock Exchange under the symbol "HWO".

High Arctic is a participant in, and manager of the Seh' Chene Well Services Limited Partnership ("**Seh' Chene**" or "**Partnership**") with the Saa Dene Group of northern Alberta being the majority participant in a Joint Arrangement. It is Seh' Chene's mission to execute dependable high-quality energy services, focused on environmental stewardship, while creating opportunity for local Indigenous communities and individuals.

High Arctic conducts its business operations in three separate operating segments: Drilling Services; Production Services; and Ancillary Services. These operating segments are all supported by a Corporate segment.

Drilling Services

The Drilling Services segment consists of High Arctic's drilling activities in PNG including the provision of personnel to assist our customer's drilling related operations. High Arctic has operated in PNG since 2007 and controls the largest fleet of tier-1 heli-portable drilling rigs in the country, 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.

Ancillary Services

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

In the following discussion, the three months ended September 30, 2021 may be referred to as the "**Quarter**" or "**Q3-2021**", and similarly the nine months ended September 30, 2021 may be referred to as "**YTD-2021**". The comparative three months ended September 30, 2020 may be referred to as "**Q3-2020**", and similarly the nine months ended September 30, 2020 may be referred to as "**YTD-2020**". References to other quarters may be presented as "**QX-20XX**" with X being the quarter/year to which the commentary relates. All amounts are expressed in thousands of Canadian dollars, unless otherwise noted.

Q3-2021 and YTD-2021 Highlights

- PNG continues to be a strategic investment for the Corporation. During Q3-2021 we began mobilizing equipment and personnel within our drilling services segment and expect to commence wellsite activity in the latter half of Q4-2021. In the process, we extended recordable incident free activity in PNG out to 5 years and over 2.5 million work hours.

- Growth in High Arctic's Canadian production services and ancillary services were assisted by operating rate improvements but hindered by Covid-19 outbreaks in August and September and soft utilization in one of our main well servicing contracts. High Arctic has subsequently enacted a Covid vaccination or negative-test requirement to ensure the employee is safe to work. Despite a difficult quarter, our well servicing utilization of 41% remained above the industry average of 38%.

- Consolidated Q3-2021 revenues were $18.7 million ($18.5 million in Q3-2020). The Corporation generated EBITDA of $1.3 million and $3.3 million during Q3-2021 and YTD-2021, respectively.

- Cost reduction initiatives undertaken in 2020 delivered $2.7 million or 26.6% lower general and administrative costs during the first nine months of 2021.

- In October of 2021, the Corporation announced a special one-time dividend payment of $0.20 per share to holders of common shares and paid dividends of $9.7 million on November 5, 2021. The dividend emphasizes High Arctic's strong balance sheet position and ability to return surplus cash to shareholders. Post dividend, the Corporation has a substantive net cash balance and with improving EBITDA, increasing access to funds under a $45 million loan facility to fund growth initiatives.

Select Comparative Financial Information

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

($ thousands, except per share amounts)	For the three months ended September 30 2021	2020	For the nine months ended September 30 2021	2020
Revenue	**18,654**	18,529	**52,798**	74,250
Operating loss	**(4,597)**	(4,897)	**(14,848)**	(15,897)
Net loss	**(4,784)**	(6,079)	**(13,999)**	(14,389)
Per share (basic and diluted) [(2)]	**(0.10)**	(0.12)	**(0.29)**	(0.29)
Oilfield services operating margin [(1)]	**3,886**	5,917	**10,516**	17,501
Oilfield services operating margin as a % of revenue [(1)]	**20.8%**	31.9%	**19.9%**	23.6%
EBITDA [(1)]	**1,294**	2,948	**3,254**	9,760
Adjusted EBITDA [(1)]	**1,412**	3,476	**3,082**	7,375
Adjusted EBITDA as % of revenue [(1)]	**7.6%**	18.8%	**5.8%**	9.9%
Cash provided by operating activities	**737**	1,192	**1,675**	17,763
Per share (basic and diluted) [(2)]	**0.02**	0.02	**0.03**	0.36
Funds provided by operating activities [(1)]	**1,077**	2,357	**2,307**	5,461
Per share (basic and diluted) [(2)]	**0.02**	0.05	**0.05**	0.11
Dividends	**-**	-	**-**	1,638
Per share (basic and diluted) [(2)]	**-**	-	**-**	0.03
Capital expenditures	**2,658**	590	**4,108**	3,824

($ thousands, except per share amounts)	As at September 30, 2021	December 31, 2020
Working capital [(1)]	**32,863**	44,577
Cash, end of period	**20,210**	32,598
Total assets	**188,192**	214,159
Long-term debt	**-**	10,000
Long-term financial liabilities, excluding long-term debt	**7,310**	7,782
Shareholders' equity	**163,267**	177,221
Per share (basic and diluted) [(2)]	**3.35**	3.57
Common shares outstanding, thousands	**48,734**	48,760

(1) Readers are cautioned that Oilfield services operating margin, EBITDA (Earnings before interest, tax, depreciation and amortization), Adjusted EBITDA, Funds provided by operating activities, certain figures as a percentage of revenue, and working capital do not have standardized meanings prescribed by IFRS – see "Non IFRS Measures" section of this MD&A for calculations of these measures.

(2) The number of common shares used in calculating net loss per share, cash provided by operating activities per share, funds provided by operating activities per share, dividends per share and shareholders' equity per share is determined as explained in Note 7(b) of the Financial Statements.

Outlook

The 2021 rally in oil and gas commodity prices has continued throughout the year resulting in sustained pricing above pre-pandemic levels in the third quarter. There are strong fundamentals for High Arctic to expect substantive activity growth in 2022 across its segments and geographies. These include the economic recovery in the Canadian and global economy, a recovery in global demand for energy, shortage of gas storage in key foreign markets, sustained high energy prices for oil and natural gas, a resurgence in demand for energy services in Canada and High Arctic's revenue generating activity in Papua New Guinea recommencing.

Canadian production services in general are at an inflection point. Crew constraints, cost inflation and equipment recertification needs have created an environment that we expect will drive not only top line pricing increases, but margin growth. The Corporation has recently realised improved pricing for services. A lasting pricing trend combined with continuous customer work is necessary to restore workforce expansion, shareholder returns and capital investment justification.

In Papua New Guinea work started on the mobilization of Rig 115, heli-transportable camps, and associated support equipment to commence operations on a remote exploration well abandonment. The Camps are established, and occupancy levels are increasing as personnel continue to mobilize and the main rig equipment progresses towards the well site where operations are expected to commence late in Q4. The location of the work site positions the rig well for additional work on exploration commitment wells in nearby licence blocks, however further drilling plans have not yet been announced.

We remain optimistic for announcements of meaningful drilling projects in PNG during 2022. We note that several key developments are progressing that support long term confidence. The Santos – Oil Search merger is progressing towards Shareholder votes in December following completion of due diligence and the first PNG regulatory approval hurdle having been achieved. The Papua LNG project team remobilisation is underway, progressing pre-feed studies towards a project FID in early 2023. The PNG-LNG partners have approved the Angore field development as backfill to support current production levels. The PNG Government and PNG-LNG operator ExxonMobil have signed a Heads of Agreement for a P'nyang gas agreement. The development of P'nyang has been seen as a possible catalyst to expand the existing LNG plant. Arran Energy has announced intention to FID its Stanley Gas Condensate Development early in 2022. In the short term, we have been receiving requests for rental equipment and skilled manpower to support customer production maintenance and optimization activities.

In Canada, utilization of High Arctic's services continues to trend upwards save for operating hours lost to confirmed Covid-19 cases amongst crews, and soft utilisation under one long-standing well servicing contract. In this instance, High Arctic continues to engage in customer discussions to explore improvements in the efficient use of our services and mutually beneficial economic returns.

Near term activity heading into the traditional peaks of winter are expected to increase across High Arctic's operating segments in Canada given the improving and stabilizing economic environment, and predictions for a cold winter. We expect our customers, buoyed by the sustained high commodity prices and improved balance sheets, to increase activity to sustain and moderately boost existing well production. Many public E&P companies have recently announced intentions for increased 2022 budgets including provisions for increases in the cost of oilfield services.

High Arctic is confident that the steps it has taken engaging with customers and employees to implement an employee Covid-19 restriction exemption program will substantially reduce the risk of site shutdowns in Canada and PNG. The program, which requires proof of vaccination or a current negative antigen test result, is aimed to ensure the employee is safe to work, and in compliance with site access controls.

First revenue from our Q3 purchase of automated tubular handling catwalk machines has commenced inline with expectations. We expect this revenue to increase in the new year as more upgraded units are deployed at improved rates, and the revenue split with the seller concludes. We continue to actively explore opportunities to make investments or acquisitions that strengthen our service base and enhance shareholder value.

High Arctic was eligible for various government subsidies during YTD-2021, which are described in this MD&A including the Canada Emergency Wage Subsidy ("CEWS"). The Corporation will continue to apply for programs where eligibility criteria are met, however, CEWS concluded on October 23, being replaced with the Canada Worker Lockdown Benefit. Any subsidies received in future quarters are expected to be minor.

Strategy

Our 2021 Strategic Priorities build on the platform we created in 2020 and include:

- Safety excellence and focus on quality service delivery through consistent global standards;
- Cost control focused on operating cash flow, while balancing strategic priorities to fuel growth;
- Investment initiatives that secure the Corporation's future as a lower emissions energy services provider;
- Growth and divestiture opportunities that enhance shareholder value, align with our core service offerings, and reside in well understood markets; and
- Disciplined working capital management and capital stewardship to improve returns for shareholders that include dividends and common share buybacks.

Demonstrated throughout 2021, the Corporation executed on its priorities, including:

- Safety and quality service with no incidents in PNG, and a comprehensive Covid-19 policy.
- Ensuring general and administrative costs are managed in line with activity contributing to YTD-2021 funds provided by operating activities of $2,307.
- A one-time special dividend of $9,747 and share buybacks of $102, to return value back to shareholders.
- Strong working capital management with $32,863 working capital and $20,210 cash as at September 30, 2021.

Discussion of Operations

Third Quarter 2021 Summary:

- Preparation activities for Rig 115 in PNG commenced during Q3-2021 with crews assembling, camps established and mobilization efforts underway.
- Consolidated revenues of $18,654 were flat in Q3-2021 relative to Q3-2020 revenues of $18,529. High Arctic achieved increased activity in snubbing and well service operations, which were offset by confirmed Covid-19 cases resulting in crews being stood down in Canada, and lower PNG drilling revenues.
- In the latter half of Q3-2021 High Arctic noted improvement in market conditions allowing for higher revenue per hour rates going into Q4-2021.
- Q3-2021 oil services operating margin was $3,886 (20.8% of revenues) versus $5,917 (31.9% of revenues) in Q3-2020. Lower profitability is reflective of access to $1,644 less in government subsidies (CEWS) which is recorded in oilfield services expense in Q3-2021, and lower contribution from PNG.
- Utilization for High Arctic's 49 registered Concord Well Servicing rigs was 41% in the Quarter versus industry utilization of 38% (source: Canadian Association of Oilwell Energy Contractors "CAOEC").
- Adjusted EBITDA and Funds provided by operating activities were positive for the three-month period ended September 30, 2021 at $1,412 and $1,077 respectively.
- Cash balance as at September 30, 2021 was $20,210 and the Corporation held no long-term debt.
- Net loss for Q3-2021 was $4,784 as compared to $6,079 in Q3-2020, due to lower depreciation expense from equipment fully depreciated in 2020.
- All activities in the US have ceased and Corporation owned property and equipment is in the process of being relocated to Canada or disposed.

Year to Date September 30, 2021 Summary

- For the nine months ended September 30, 2021, High Arctic's revenue declined by 28.9% to $52,798 from $74,250 in the corresponding 2020-period. Lower revenues in 2021 is primarily attributable to no drilling activities in PNG.
- Oilfield services operating margin profitability decreased to $10,516 (19.9% of revenues) from $17,501 (23.6% of revenues) YTD-2020 primarily due to access to $1,786 less in government subsidies (CEWS) in 2021, and lower contribution from PNG.
- Utilization for High Arctic's 49 registered Concord Well Servicing rigs was 44% YTD-2021 versus industry utilization of 35% (source: Canadian Association of Oilwell Energy Contractors "CAOEC").
- High Arctic continues to prioritize cost controls as part of cost reduction initiatives undertaken in the 2020 - year, with YTD-2021 general & administrative costs decreasing by $2,692 from $10,126 in 2020 to $7,434 in 2021.
- High Arctic repurchased and cancelled 78,304 common shares, all during Q3-2021, under its NCIB program. Minimal share repurchases, and cancellations have been completed as of the date of the MD&A.

- Cash decreased by $12,388 YTD-2021 primarily as a result of the repayment of $10,000 of long-term debt from cash on hand and capex purchases primarily relating to catwalks currently deployed with an existing High Arctic customer. No amount is drawn under the revolving loan facility as of the date of our MD&A.

Operating Results

Drilling Services Segment

($ thousands, unless otherwise noted)	**Three months ended September 30 2021**	Three months ended September 30 2020	**Nine months ended September 30 2021**	Nine months ended September 30 2020
Revenue	**$ 2,718**	$ 4,751	**$ 4,362**	$ 23,880
Oilfield services expense	**2,430**	3,162	**4,159**	17,606
Oilfield services operating margin [1]	**$ 288**	$ 1,589	**$ 203**	$ 6,274
Operating margin (%)	***10.6%***	*33.4%*	***4.7%***	*26.3%*

(1) See "Non-IFRS Measures" section of this MD&A.

For the three-month period ended September 30, 2021, drilling services revenues decreased 42.8% as we commenced initial works in preparation of reestablishing rig operations in PNG following the stoppage of drilling services and deferral of non-essential work by customers due to the Covid-19 outbreak. In addition to reducing revenues, the stoppage lowered profitability margins YTD-2021 as certain fixed costs were unable to be eliminated in line with reduced activity.

The Corporation owns two heli-portable drilling rigs (Rigs 115 and 116) and has an agreement to operate an additional two rigs (Rigs 103 and 104) on behalf of a major oil and gas exploration company in PNG. In Q3-2021, partial mobilization revenues and expenses were realized related to Rig 115, with drilling activity anticipated to commence in the latter half of Q4-2021. During the 2021-periods, Rigs 103, 104, and 116 all remained cold stacked, whereas during Q1-2020, Rig 103 was operational.

Production Services Segment

($ thousands, unless otherwise noted)	**Three months ended September 30 2021**	Three months ended September 30 2020	**Nine months ended September 30 2021**	Nine months ended September 30 2020
Revenue	**$ 13,100**	$ 12,596	**$ 41,803**	$ 43,985
Oilfield services expense	**11,140**	8,806	**35,236**	36,462
Oilfield services operating margin [1]	**$ 1,960**	**$ 3,790**	**$ 6,567**	**$ 7,523**
Operating margin (%)	***15.0%***	***30.1%***	***15.7%***	***12.4%***

(1) See "Non-IFRS Measures" section of this MD&A.

Operating Statistics - Canada	**Three months ended September 30 2021**	Three months ended September 30 2020	**Nine months ended September 30 2021**	Nine months ended September 30 2020
Service rigs:				
Average fleet [2]	**49**	50	**49**	50
Utilization [3]	**41%**	39%	**44%**	43%
Operating hours	**18,175**	17,956	**58,764**	59,613
Revenue per hour ($)	**602**	564	**595**	589
Snubbing packages:				
Average fleet [4]	**8**	8	**8**	8
Utilization [3]	**22%**	17%	**23%**	19%
Operating hours	**1,569**	1,228	**4,978**	4,358

(2) Average service rig fleet represents the average number of rigs registered with the CAOEC during the period.
(3) Utilization is calculated on a 10-hour day using the number of rigs registered with the CAOEC during the period.
(4) Average snubbing rig fleet represents the average number of packages marketed during the period.

Within the Production Services Segment, well servicing revenues were slightly higher at $10,973 in Q3-2021 as compared to $10,128 in Q3-2020 despite negative impacts of the confirmed Covid-19 cases and soft activity levels with a key customer. Snubbing revenues continue to have positive momentum in Q3-2021 and were $2,127 as compared to $1,743 in Q3-2020, reflective of higher activity in 2021. These increases were partially offset by no revenue generated from US activities while $726 was earned during Q3-2020.

In Q3-2021, the production services segment operating margin percentage decreased to 15.0% from 30.1% in Q3-2020, primarily due to $1,644 lower wage subsidies received, impacts of confirmed Covid-19 cases in Q3-2021, and a non-cash inventory provision of $250.

YTD-2021, revenues declined 5% from YTD-2020. Lower revenues in 2021 are due to no activity in the US segment partially offset by higher Canadian snubbing and well servicing revenues. In contrast, operating margins increased to 15.7% YTD-2021 from 12.4% in YTD-2020, mainly due to cost reduction measures enacted in 2020.

Service Rigs

Servicing rig operating hours rose by 219 hours and revenue per hour increase by $38 in Q3-2021 compared to Q3-2020. In the latter half of Q3-2021, High Arctic's revenue per hour began to increase heading into Q4-2021, due to improved oil and gas prices and overall market conditions which allowed High Arctic to negotiate price increases with certain customers.

Management hopes to continue to maximize utilization of its fleet under these more favourable market conditions and the recently implemented employee Covid-19 restriction exemption program. Utilization rates in Q3-2021 were 41%, as compared to 39% utilization in Q3-2020 and industry utilization of 38% (source: Canadian Association of Oilwell Energy Contractors "CAOEC").

For the nine months ended September 30, 2021, operating hours, revenue per hour, and utilization rates were marginally different compared to the corresponding 2020-period. This occurred despite the impact of confirmed Covid-19 cases in Q3-2021.

Snubbing packages

Snubbing operations continue to pick up positive momentum since the market lows in Q2-2020. Operating hours increased by 27.8% to 1,569 hours in Q3-2021 from 1,228 operating hours in Q3-2020. Snubbing utilization rates for Q3-2021 were 22% as compared to 17% in Q3-2020.

YTD-2021, snubbing operating hours and utilization rates were 4,978 hours and 23%, respectively, which are higher compared to 4,358 hours and 19% in YTD-2020 as market conditions increase demand for snubbing services.

US geographic segment

Due to previously persistent poor market conditions, High Arctic made the decision in Q3-2020 to cease operations in North Dakota and Colorado where the Corporation has 2 service rigs and 6 snubbing packages. There have been no service rig hours or snubbing package hours in the US during 2021, management is in the process of relocating viable equipment to Canada and plans to dispose of all remaining assets.

Ancillary Services Segment

	Three months ended September 30		**Nine months ended September 30**	
($ thousands, unless otherwise noted)	**2021**	2020	**2021**	2020
Revenue	**$ 2,836**	$ 1,182	**$ 6,633**	$ 6,385
Oilfield services expense	**1,198**	644	**2,887**	2,681
Oilfield services operating margin (1)	**$ 1,638**	$ 538	**$ 3,746**	$ 3,704
Operating margin (%)	***57.8%***	***45.5%***	***56.5%***	***58.0%***

(1) See "Non-IFRS Measures" section of this MD&A.

High Arctic's oilfield rental equipment in Canada and PNG, as well as its Canadian nitrogen operations are provided through its Ancillary Services segment.

For the three and nine-months ended September 30, 2021, ancillary services segment revenues were higher than 2020, while the Corporation is seeing improvements in oilfield services operating margin percentage in Q3-2021. Strong profitability in the segment resulted from growth in demand for equipment rentals in PNG, increasing to $1,333 in Q3-2021 relative to $347 in Q3-2020. In addition, sales efforts targeted at existing and new customers increased

nitrogen service revenues by $398 and $771 in Q3-2021 and YTD-2021, respectively, as compared to the corresponding 2020-periods.

General and Administrative ("G&A")

	Three months ended September 30		Nine months ended September 30	
($ thousands, unless otherwise noted)	**2021**	2020	**2021**	2020
G&A	**2,474**	2,441	**7,434**	10,126
% of revenue	***13.3%***	*13.2%*	***14.1%***	*13.6%*

G&A costs in Q3-2021 were flat compared to Q3-2020 despite lower government support and cost restructuring activities having been substantially completed by the end of Q2-2020. YTD 2021, G&A costs were 26.6% lower mainly due to lower compensation costs as a result of reduced management and administrative personnel in the organization compared to first half of 2020, and a higher provision for expected credit losses recorded in the 2020-period relating to higher credit risk associated with the oil and gas industry due to the effects of both the Covid-19 pandemic and the oil price crisis in 2020.

As reflected in the reduction in G&A, High Arctic remains committed to ensuring these costs are managed and balanced within the overall strategic plan for the Corporation.

Depreciation

Depreciation expense on property and equipment and right-of-use assets totaled $5,876 in Q3-2021, and $17,634 for YTD-2021, compared to $8,200 and $23,023 for Q3-2020 and YTD-2020, respectively. Lower depreciation in the 2021 periods is reflective of certain property and equipment being fully depreciated in the 2020-year.

Share-based Compensation

Share-based compensation expense is the charge to income over the service period relating to stock option or unit plans which generally contemplate the issuance of common shares upon vesting. The recognition methodology used typically front end loads the expense in the early period of the expense realization, with reductions being recorded when significant cancellations or unanticipated forfeitures take place. During the three and nine months ended September 30, 2021, share-based compensation amounted to $133 and $296, respectively, compared to $173 and $249 in the corresponding 2020-periods.

Interest and Finance Expense

	Three months ended September 30		Nine months ended September 30	
($ thousands)	**2021**	2020	**2021**	2020
Interest on facility and standby fees	**$ 45**	$ 105	**$ 195**	$ 309
Finance expense – lease liabilities	**96**	176	**295**	403
Other	**10**	(55)	**23**	98
Total	**$ 151**	$ 226	**$ 513**	$ 810

The Corporation fully repaid cash drawn from its revolving loan facility in March 2021 and therefore Q3-2021 expense was limited to standby fees and related administrative expense associated with the facility.

Finance expense on lease liabilities associated with the time value of money for the three and nine months ended September 30, 2021 was $96 was $295, respectively (Q3-2020: $176 and YTD-2020: $403), as the liability is initially recorded at its present value.

Income Taxes

($ thousands, unless otherwise noted)	Three months ended September 30 2021	2020	Nine months ended September 30 2021	2020
Loss before income taxes	**$ (4,733)**	$ (5,478)	**$ (14,893)**	$ (14,073)
Current income tax expense	**(280)**	(1,003)	**(557)**	(1,448)
Deferred income tax recovery	**229**	402	**1,451**	1,132
Total income tax (recovery) expense	**(51)**	(601)	**894**	(316)
Effective tax rate	***1.1%***	*11.0%*	***(6.0%)***	*2.2%*

Tax rates in the 2021 were impacted by withholding taxes paid in PNG and a decrease in the deferred tax liability due to non-capital losses in PNG. Tax rates were also impacted by unrecognized deferred tax assets with respect to deductible temporary differences in Canada.

Other Comprehensive Loss

The Corporation recorded a $1,921 foreign currency translation gain in other comprehensive loss for the Quarter (Q3-2020: $1,756 loss) associated with subsidiaries with functional currencies other than CAD. The Corporation recorded a $96 foreign currency translation loss for YTD-2021 (YTD 2020: $2,832 foreign currency translation gain). Gain in Q3-2021 occurred due to the weakening of the CAD compared to the USD in the quarter.

Summary of Quarterly Results

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

	2021			2020				2019
($ thousands, except per share)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	18,654	16,377	17,767	16,584	18,529	16,109	39,612	42,883
Adjusted EBITDA [(1)(2)]	1,412	796	874	1,154	3,476	1,147	2,752	3,593
Net loss	(4,784)	(4,018)	(5,198)	(11,468)	(6,079)	(6,145)	(2,165)	(2,796)
Per share – basic and diluted	*(0.10)*	*(0.08)*	*(0.11)*	*(0.23)*	*(0.12)*	*(0.13)*	*(0.04)*	*(0.06)*
Adjusted net loss[(1)(2)]	(4,784)	(4,018)	(5,198)	(11,468)	(6,079)	(6,145)	(2,165)	(2,796)
Per share – basic and diluted	*(0.10)*	*(0.08)*	*(0.11)*	*(0.23)*	*(0.12)*	*(0.13)*	*(0.04)*	*(0.05)*
Cash provided by (used in) operating activities	(654)	2,023	(1,085)	2,389	1,192	7,678	8,893	1,214
Funds provided by operations [(1)]	1,077	640	590	859	2,357	871	2,233	3,114

(1) See "Non-IFRS Measures" section of this MD&A.
(2) Adjusted net loss and adjusted EBITDA includes CEWS and rent subsidies recorded during 2021 and 2020.

Revenue was flat in Q3-2021 as compared to Q3-2020 revenues, continued growth in activity in the Canadian region was slowed by confirmed Covid-19 cases among work crews. Covid-19 pandemic constraints continue to impact High Arctic operations in 2021 which began late in Q1-2020. The resulting negative impact on operations and prolonged suspension of drilling activity in PNG is only slowly returning as at the date of this MD&A. Due to the global economic downturn in the prior year, management undertook a restructuring process to control costs to address the reduction to revenues and operating cash flows. During the pandemic the Corporation's activity and pricing has been significantly impacted by the global supply and demand imbalance of oil and natural gas. During 2021, as pandemic restrictions are being lifted in many locations, oil and gas prices have rebounded. High Arctic's outlook is encouraged by the recovery, and management anticipates improved activity in both Canada and PNG in the coming months.

Seasonal conditions impact the Corporation's Canadian operations whereby frozen ground during the winter months tends to provide an optimal environment for drilling and many well servicing activities and consequently first quarter activity 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.

Liquidity and Capital Resources

($ thousands)	**Three months ended September 30 2021**	2020	**Nine months ended September 30 2021**	2020
Cash (used in) provided by:				
Operating activities	**$ 737**	$ 1,192	**$ 1,675**	$ 17,763
Investing activities	**(2,191)**	(689)	**(2,850)**	(247)
Financing activities	**(509)**	(642)	**(11,301)**	5,907
Effect of exchange rate changes on cash	**445**	(121)	**88**	516
Increase (decrease) in cash	**$ (1,518)**	$ (260)	**$ (12,388)**	$ 23,939

($ thousands, unless otherwise noted)	**As at September 30, 2021**	December 31, 2020
Working capital (1)	**32,863**	44,577
Working capital ratio (1)	***4.0 : 1***	*5.0 : 1*
Net cash (1)	**20,210**	22,598
Undrawn availability under debt facilities (2)	**45,000**	35,000

(1) See "Non-IFRS Measures" section of this MD&A.
(2) Subject to covenant ratios, see "Credit Facility" section of this MD&A.

The Bank of PNG continues to encourage the use of the local market currency Kina or PGK. 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 USD account within the conditions of the Bank of PNG currency regulations. The Corporation continues to use PGK for local transactions when practical. Included in the Bank of PNG's conditions is for PNG drilling contracts to be settled in PGK, unless otherwise approved by the Bank of PNG for the contracts to be settled in USD. 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 USD 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 PGK which would expose the Corporation to exchange rate fluctuations related to the PGK. In addition, this may delay the Corporation's ability to receive USD which may impact the Corporation's ability to settle USD denominated liabilities and repatriate funds from PNG on a timely basis. The Corporation also requires the approval from the PNG Internal Revenue Commission ("**IRC**") to repatriate funds from PNG and make payments to non-resident PNG suppliers and service providers. While delays can be experienced for the IRC approvals, such approvals have been received in the past.

Operating Activities

In Q3-2021, cash from operating activities was $737 (Q3-2020: $1,192) of which $1,077 are funds provided by operations ($2,357 in Q3-2020) and $340 cash outflow from working capital changes (Q3-2020: $1,165), mainly due to payments for accounts payable and accrued liabilities during the Quarter.

YTD-2021 cash provided by operations of $1,675 (YTD-2020: $17,763) of which $2,307 are funds provided by operations (Q3-2020: $5,461), less $632 cash outflow from working capital changes (YTD:2020: $12,302 cash inflow) predominantly due to increased prepaid expenses in the 2021-period.

Investing Activities

Capital expenditures during the Quarter of $2,658 (Q3-2020: $590) were partially offset by proceeds on disposal of $152 (Q2-2020: $44). The balance of the change in cash flow used in investing activities related to working capital balance changes for capital items.

YTD-2021 capital expenditures amounted to $4,108 (YTD-2020: $3,824), proceeds of disposal were $983 (YTD-2020: $4,952), with working capital changes representing the balance of the change in cash flow used in investing activities.

Financing Activities

During Q1-2021, the Corporation repaid the $10,000 amount outstanding on its $45,000 revolving loan facility from December 31, 2020. The Corporation did not draw further on its available revolving loan facility during YTD-2021.

High Arctic suspended dividends in March 2020, and as such no dividends were paid during the YTD-2021 or Q2-2020. In October 2021, the corporation announced a one-time special dividend of $0.20 per common share and paid out $9,747 on November 5, 2021.

Credit Facility

The Corporation has a $45,000 revolving loan facility which has a maturity date of August 31, 2023, is renewable with the lender's consent, and is secured by a general security agreement over the Corporation's assets.

Interest on the facility, which is independent of standby fees, is charged monthly at the lender's prime rate plus an applicable margin which fluctuates based on the Funded Debt to EBITDA ratio (defined below). The applicable margin can range between 0.75% – 1.75% depending on the level of principal outstanding; the higher the ratio the higher the margin. Standby fees also fluctuate based on the Funded Debt to EBITDA ratio and range between 0.40% – 0.60% of the undrawn balance; the higher the ratio the higher the standby fee percentage.

The facility is subject to two financial covenants which are reported to the lender on a quarterly basis. The first covenant requires the Funded Debt to EBITDA ratio to be less than 3.0 to 1 and the second covenant requires the EBITDA to Interest Expense ratio (defined below) to be a minimum of 3.0 to 1. Both are calculated on the last day of each fiscal quarter on a rolling four quarter basis. As at September 30, 2021, the Corporation was in compliance with these two financial covenants.

Ratio	Covenant	September 30, 2021
Funded Debt to EBITDA [1]	< 3.0x	-
EBITDA to Interest Expense [1]	>3.0x	7.0

[(1)] As at September 30, 2021 the Corporation had access to $8.7 million of the revolving facility.

Funded Debt to EBITDA is defined as the ratio of consolidated Funded Debt to the aggregate EBITDA for the trailing four quarters. Funded Debt is the amount of debt provided and outstanding at the date of the covenant calculation. Interest Expense excludes any impact related to lease liabilities. EBITDA for the purposes of calculating the covenants is defined as a trailing 12-month net income (loss) plus interest expense, current tax expense, deferred income tax expense (recovery), depreciation and amortization, share-based compensation expense, restructuring costs in the 2020-year, and non-cash inventory write-downs, less gains from foreign exchange and sale or purchase of assets and lease payments.

Commitments and Contingencies

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 $7,280 at September 30, 2021 (December 31, 2020: $7,857) by a customer for the Corporation's operations in PNG. The inventory is owned by this party and has not been recorded on the books of High Arctic. At the end of the contract, the Corporation must make a payment to the customer equivalent to any inventory shortfall and return the balance of inventory on hand.

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 units under the Corporation's approved equity compensation plans.

Common shares issued and outstanding:	**Nine months ended September 30, 2021** **Shares**	**Amount ($ thousands)**	Year ended December 31, 2020 Shares	Amount ($ thousands)
Balance, beginning of period	48,759,660	169,220	49,623,432	173,070
Exercise of performance share units	52,289	751	273,328	99
Normal course issuer bid	(78,304)	(274)	(1,137,100)	(3,949)
Balance, end of period	**48,733,645**	**169,697**	**48,759,660**	**169,220**

To the date of this MD&A, no further common shares have been issued. No preferred shares have been issued by the Corporation.

On December 8, 2020, the Corporation received approval from the Toronto Stock Exchange to acquire for cancellation up to 2,437,983 common shares, representing approximately 10% of the Corporation's public float at the date of approval, under a Normal Course Issuer Bid ("**NCIB**"). The NCIB is valid for one year, commencing on December 11, 2020 and terminates on December 10, 2021. Pursuant to the NCIB, in total 78,304 shares were purchase and cancelled in the third quarter of 2021.

The Corporation's previous NCIB commenced on December 2, 2019 and terminated on December 1, 2020. Pursuant to the previous NCIB, in total 1,137,100 common shares were purchased and cancelled.

As at September 30, 2021, there were 751,500 stock options outstanding at a weighted average exercise price of $2.01 as well as 641,032 units under the Corporation's Performance Share Unit Plan and 637,497 units under the Deferred Share Unit plan.

Industry Indicators and Market Trends

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.

	2021			**2020**				**2019**
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Oil and natural gas prices								
($ Average for the period):								
West Texas Intermediate ("WTI") (USD $/bbl) (1)	71	66	58	39	41	28	46	57
West Canada Select ("WCS") (CAD $/bbl)(1)	72	67	57	36	42	22	34	54
Canadian Light Sweet Oil ("CLS") (CAD $/bbl) (1)	84	76	69	45	49	31	52	67
AECO (CAD $/MMbtu) (1)	3.58	3.07	3.13	2.65	2.27	2.00	2.03	2.48
Other industry indicators:								
Total wells drilled in W. Canada(2)	1,417	654	1,178	719	361	746	1,179	1,175
Avg service rig utilization rates(2)	38%	29%	39%	31%	22%	10%	38%	38%
Avg drilling rig utilization rates (2)	39%	24%	27%	16%	9%	4%	35%	23%

(1) Source: Sproule
(2) Source: wells drilled PSAC; utilization rates CAOEC

In Q3-2021, WTI, WCS and CLS average prices continued trending upward to higher pricing relative to pre-pandemic 2019 levels.

The pricing changes from 2020 are the result of improvement in economic conditions since Q1-2020, as well as the impact of supply and demand imbalances, drawdowns on previously substantively full storage facilities, a cold northern winter, rising LNG demand in Asia, energy shortages in Europe, measured increases in oil production from OPEC Plus (OPEC and ten of the world's major non-OPEC oil-exporting nations), global vaccine rollouts and, heading into Q3-2021, an improving world outlook for energy demand in line with the pandemic recovery outlook.

Pressure on oil and natural gas prices have had a material impact on drilling and well completion activities in Canada since 2015, given the lack of take away pipeline capacity prior to the Covid-19 pandemic, and combined with lower exploration and production company investment confidence, continues to collectively curtail activity relative to historical industry activity levels. Q3-2021 average industry rig utilization rates have improved since Q3-2020. With the policies of governments in the US and Canada combined with continued pipeline constraints in Canada the future of the oil and gas industry continues to face headwinds particularly as it relates to Canada as evidenced by the cancelation of the permit allowing the Keystone XL pipeline to cross the border from Canada into the US by the Biden administration in January 2021, and the attempts to shut down Enbridge Line 5 in Michigan, US. Despite these headwinds, demand for oil and gas remains resulting in higher prices and a positive outlook in the short to medium term for the industry.

In Q2-2021, the Federal Government passed the 2021 Federal Budget which includes extension of CEWS and Canada Emergency Rent Subsidy ("**CERS**") programs until September 25, 2021, which has since been extended to October 23, 2021. These benefits were replaced with the Canada Worker Lockdown Benefit and other benefits which target industries hit hardest by Covid-19 lockdowns. Federal Government continues to focus efforts to achieve net-zero greenhouse gas emissions by the year 2050, putting added incentives and pressure on the Oil and Gas industry in Canada to reduce emissions.

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 USD to CAD exchange rate.

	2021			2020				2019
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Oil and natural gas prices								
(Averages for the quarterly periods):								
Brent Crude Oil (USD $/bbl) (1)	73	69	61	45	43	33	51	63
Japan LNG (USD $/mmbtu) (2)	11.68	8.75	9.60	6.65	6.82	10.07	9.91	10.04
USD/CAD average exchange rate (3)	1.26	1.23	1.27	1.30	1.33	1.38	1.34	1.32

(1) Source: Sproule
(2) Source: YCharts
(3) Source: Bank of Canada

The Corporation's PNG activity has historically been based on longer term, USD denominated contracts and therefore is less affected over the short term by volatility in oil and gas prices. The USD/CAD exchange rate increased in Q3-2021 which has positively impacted 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.

During Q3-2021, Brent Crude Oil continued to climb breaching USD $70/bbl in Q3-2021 and continuing to climb. Japan LNG prices continue to climb in Q3-2021 with prices breaching USD $20/mmbtu in the quarter and spot pricing over $35/mmbtu subsequently observed ahead of winter.

Financial Instruments and Risk Management

Financial and other risks

The Corporation is exposed to financial risks arising from its financial assets and liabilities. This includes the risk associated with the developments relating to Covid-19. Pandemic and/or endemic risk is the risk that operations and/or administration are forced to run at less than full capacity due to an absence or reduction of members of the workforce, either through forced closures by government both within countries and across national borders, by internally imposed rotational schedules and/or quarantine or illness of the workforce. Further, cyber-security risks increase as employees work from home. Such restrictions could significantly impact the ability for the Corporation to operate, and therefore impact financial results.

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:

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 the long-term debt is a floating rate credit facility and fluctuates in response to changes in the prime interest rates. The Corporation had no risk management contracts that would be affected by interest rates in place at September 30, 2021.

Commodity price risk

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

These prices are sensitive to not only the relationship between the Canadian and US dollar, but more importantly local, regional and world economic events. This includes implications from declining oil demand and over supply, climate change driven transitions to lower emission energy sources, the Covid-19 pandemic which creates a scenario of both downward and fluctuating price pressure as well as the implications of changes to government and government policy including the policy directions that will be taken by the US government and ongoing negotiations in PNG to build LNG expansion with industry.

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

The Corporation had no risk management contracts that would be affected by commodity prices in place at September 30, 2021.

Foreign currency risk and PNG foreign currency restrictions

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 Corporation has exposure to US dollar ("**USD**") fluctuations and other currencies such as the PNG Kina ("**PGK**") through its international operations. As a result, the Corporation is exposed to foreign exchange gains and losses through the settlement of foreign currency denominated transactions, which is recorded in net earnings (loss), as well as the conversion of the Corporation's subsidiaries with functional currencies other than CAD, into CAD for financial reporting presentation purposes, which is recorded as part of other comprehensive income (loss) within shareholders' equity.

The majority of the Corporation's international revenue and expenses are effectively transacted in USD and the Corporation does not actively engage in foreign currency hedging. For the three and nine months ended September 30, 2021, a $0.10 change in the exchange rate of the Canadian dollar relative to the USD would have resulted in a change to the net loss amounting to $144 and $517, respectively (September 30, 2020: $189 and $331, respectively).

The average CAD to USD exchange rate for the Quarter was $1.26 compared to $1.33 during Q3-2020. As at September 30, 2021, the CAD to USD exchange rate was $1.27 versus $1.27 as at December 31, 2020.

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

As at September 30, 2021 USD $218 (December 31, 2020 – USD $894) was on deposit with a large international bank

in PNG. The Bank of PNG ("**BPNG**") has provided approval for High Arctic to maintain a USD bank account in accordance with the BPNG currency regulations.

The Corporation has received approval from the BPNG for its existing drilling services contracts with its key customers in PNG to be denominated and settled in USD. However, if such approval is withdrawn in the future, or new contracts do not receive BPNG approval, funds may be converted into PGK and the Corporation would be required to access the foreign currency market in PNG to meet its foreign currency obligations, thus exposing the Corporation to greater foreign exchange exposure for the PGK.

The BPNG currency regulations also limit the amount of foreign currency that companies can maintain to meet their forecasted three-month cash flow requirements, with excess funds required to be held in PGK. While no significant issues have been experienced to date, there is no guarantee such restrictions will not exist or will not impact the Corporation's ability to transact or repatriate funds.

The Corporation's financial instruments have the following foreign exchange exposure at September 30, 2021:

Balances shown in thousands of foreign currencies	USD (1)	PGK (2)	Australian Dollars ("**AUD**") (3)
Cash	12,894	1,243	180
Accounts receivable	1,023	1,900	5
Accounts payable and accrued liabilities	(938)	(5,284)	(819)
Total – Foreign Currency Balance	12,979	(2,141)	(634)

(1) As at September 30, 2021, one USD was equivalent to 1.2741 CAD.
(2) As at September 30, 2021, one PGK was equivalent to 0.3588 CAD.
(3) As at September 30, 2021, one AUD was equivalent to 0.9162 CAD.

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 is predominantly with customers who explore for and develop petroleum reserves and are subject to industry credit risk consistent with the industry. The Corporation assesses the credit worthiness of its customers on an ongoing basis and monitors the amount and age of balances outstanding.

In providing for expected credit losses ("**ECL**"), the Corporation uses the historical default rates within the industry between investment grade and non-investment grade customers as well as forward looking information to determine the appropriate loss allowance provision.

The net carrying amount of accounts receivable represents the estimated maximum credit exposure on the accounts receivable balance. The Corporation 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 3 large multinational/regional customers which individually accounted for greater than 10% of its consolidated revenues during the nine-months periods ended September 30, 2021 with sales of $8,655, $4,305, and $4,218, respectively (2020: two customers with revenues of $18,627 and $15,456, respectively).

As at September 30, 2021, these 3 customers represented a total of $4,252 or 33% of outstanding accounts receivable (December 31, 2020: two customers represented a total of $2,158 or 17% of outstanding accounts receivable).

For the three-months period ended September 30, 2021, the Corporation provided services to 1 large multinational/ regional customer which individually accounted for greater than 10% of its consolidated revenues in the period with sales of $4,056 (2020: one customer with revenues of $4,645).

The aging of the Corporation's accounts receivable is as follows:

($ thousands)	**As at** **September 30, 2021**	December 31, 2020
Days outstanding:		
Less than 31 days	**8,621**	8,045
31 to 60 days	**2,620**	3,131
61 to 90 days	**1,128**	1,208
Greater than 90 days	**1,092**	1,272
Provision for expected credit losses	**(645)**	(770)
Total	**12,816**	12,886

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

Liquidity risk is currently being impacted by uncertainty within capital markets given the Covid-19 pandemic on global economies, economic recession possibilities, contraction of available capital and reliance on continued fiscal stimulus by governments around the world.

The Corporation's processes for managing liquidity risk include preparing and monitoring capital and operating budgets, working capital management, coordinating and authorizing project expenditures, authorization of contractual agreements, managing compliance to debt finance agreements, and remaining attentive to the relationship with High Arctic's lender. The Corporation seeks to manage its financing based on the results of these processes.

Further, the Corporation currently has up to $45,000 in remaining availability under its credit facility, subject to the bank stipulated margin requirement, to enable execution of strategic direction, see "Credit Facility" section of this MD&A for calculation of the credit facility ratio requirements.

Critical Accounting Judgements and Estimates

Information on the Corporation's critical accounting estimates and judgements can be found in the notes to the annual audited consolidated financial statements for the year ended December 31, 2020.

In March 2020, the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus. The outbreak and subsequent measures intended to limit the pandemic contributed to significant economic activity declines and volatility in commodity and financial markets. The pandemic continued to adversely impact global commercial activity, including significantly reducing worldwide demand for energy, impacting High Arctic's customers and High Arctic's business. At and about the same time, crude oil prices were also severely impacted by increased global supply due to disagreements over production restrictions between the OPEC and non-OPEC members, primarily Saudi Arabia and Russia.

While these first quarter 2020 developments significantly restricted global commerce and created an oil commodity price crisis, subsequent developments have set the basis for recovery. The supply impasse between Russia and Saudi Arabia quickly shifted to a significant supply reduction arrangement within OPEC Plus (OPEC and ten of the world's major non-OPEC oil-exporting nations) and Russia that has played an important role in an oil price recovery to pre-pandemic levels.

This was aided by many non-OPEC oil producers in North America and elsewhere for whom the stark economic outlook rooted in record low oil prices and pandemic driven demand uncertainty, brought about fiscal measures to immediately control oil supply. The global discipline required to maintain a balanced oil and gas supply focus, rather than exploitive production growth, will be required for the commodity price recovery to sustain. This recovery has also been heavily supported by governments in many regions around the world through fiscal and monetary policy objectives to reinforce consumer confidence and broad-based financial liquidity.

While the commodity price recovery trend is encouraging, a continuing focus on supply balance for oil and gas producers is warranted, and a high level of uncertainty persists. This impacts High Arctic as the company pursues its strategy and allocates resources to support its principal markets in Canada driven by customer oil and natural gas production and in PNG where its customers are weighing final investment decisions on large LNG production expansion

projects. In addition to Covid-19 pandemic and endemic risks, political risk associated with High Arctic's principal markets are also being influenced by the Biden administration in the US, the re-elected administration in Canada, ongoing policy setting and pipeline export infrastructure within Canada, and ongoing negotiations with industry by the PNG government.

In addition, the global focus on ESG and addressing climate change has created a rotation of investment capital away from the oil and gas industry in certain markets with the potential to increase High Arctic's cost of capital and reduce access to growth funding.

The full extent of the impact of Covid-19 on the Corporation's operations and future financial performance will depend on future developments that are uncertain and unpredictable, including ongoing efforts to inoculate large portions of the global population, the speed and efficacy of vaccine distribution, government and health agency response to vaccine complications, the continued duration and spread of Covid-19 including the emergent variants of the virus, restrictions imposed by governments in attempts to control its spread, the continued impact on capital and financial markets on a macro-scale and any new information that may emerge concerning the severity of the virus. These uncertainties may persist beyond the primary inoculation of populations against the virus in the places where the Corporation operates.

The pandemic presents uncertainty and risk with respect to the Corporation, its performance, and estimates and assumptions used by Management in the preparation of financial results.

The pandemic and current market conditions have increased the complexity of estimates and assumptions used to prepare the Financial Statements, particularly related to:

i) Recoverable amounts of CGUs as it relates to impairment testing on property and equipment;

ii) Estimated credit losses as it relates to accounts receivable, particularly from customers who operate in the energy sector and are impacted by these same Covid-19 issues;

iii) Tax provisions where estimates are made of annual taxable income and estimates regarding recoverability of deferred tax assets; and

iv) Classification of long-term debt as non-current where judgement is made regarding compliance with material adverse change conditions.

Controls and Procedures ("DC&P") and Internal Controls over Financial Reporting ("ICFR")

As at September 30, 2021, an evaluation of the effectiveness of High Arctic's DC&P as defined under the rules adopted by the Canadian securities regulatory authorities was carried out under the supervision and with the participation of management, including the Chief Executive Officer ("**CEO**") and the Chief Financial Officer ("**CFO**"). Based on this evaluation, the CEO and CFO concluded that as at September 30, 2021, the design and operation of the Corporation's DC&P was effective.

ICFR is a process designed by or under the supervision of management and effected by the Board, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate ICFR, which no matter how well designed, has inherent limitations and can provide only reasonably assurance with respect to the preparation and fair presentation of published financial statements. Under the supervision and with the participation of the CEO and CFO, management conducted an evaluation of the effectiveness of its ICFR as at September 30, 2021.

Based on this evaluation, the CEO and CFO concluded that as at September 30, 2021, High Arctic's ICFR was effective. The Internal Control – Integrated Framework (2013) as issued by the Committee of Sponsoring Organizations of the Treadway Commission was utilized for this purpose. As at September 30, 2021 there was no change in our ICFR that materially affected or is reasonably likely to materially affect our ICFR.

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 several 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 December 31, 2020 AIF, which are specifically

incorporated by reference herein. The AIF is available on SEDAR at www.sedar.com, copies 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:

Earnings before interest, taxes, depreciation and amortization ("EBITDA")

Management believes that, in addition to net loss reported in the interim condensed consolidated statements of loss and comprehensive loss, EBITDA is a useful supplemental measure of the Corporation's performance prior to consideration of how operations are financed or how results are taxed or how depreciation and amortization affects results. EBITDA is not intended to represent net earnings (loss) calculated in accordance with IFRS. Note that EBITDA is inclusive of government wage subsidies and rental subsidies recorded.

Adjusted EBITDA

Adjusted EBITDA is calculated based on EBITDA (as defined above) prior to the effect of share-based compensation, gains or losses on sales or purchases of assets or investments, business acquisition costs, impairment charges, excess of insurance proceeds over costs and foreign exchange gains or losses. Note that Adjusted EBITDA is inclusive of government wage subsidies and rental subsidies recorded.

Management believes the adjustment 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 (loss) or other measures of financial performance calculated in accordance with IFRS.

The following table provides a quantitative reconciliation of consolidated net loss to EBITDA and Adjusted EBITDA for the three and nine months ended September 30, 2021 and 2020:

	Three months ended September 30		**Nine months ended September 30**	
($ thousands)	**2021**	2020	**2021**	2020
Net loss	**$ (4,784)**	$ (6,079)	**$ (13,999)**	$ (14,389)
Add:				
Interest and finance expense	**151**	226	**513**	810
Income taxes	**51**	601	**(894)**	316
Depreciation	**5,876**	8,200	**17,634**	23,023
EBITDA	**$ 1,294**	$ 2,948	**$ 3,254**	$ 9,760
Adjustments to EBITDA:				
Share-based compensation	**133**	173	**296**	249
Gain on sale of property and equipment	**88**	238	**(421)**	(2,555)
Foreign exchange loss (gain)	**(103)**	117	**(47)**	(79)
Adjusted EBITDA	**$ 1,412**	$ 3,476	**$ 3,082**	$ 7,375

EBITDA for purposes of long-term debt covenants

EBITDA, as defined in High Arctic's revolving loan facility agreement, is used in determining the Corporation's compliance with its covenants. EBITDA is defined as the trailing 12-month net income (loss) plus interest expense, current tax expense, depreciation, amortization, deferred income tax expense (recovery), share based compensation expense, up to $1,000 of restructuring costs in a twelve-month trailing period, and non-cash inventory write-downs in

Q3-2021 of $250, less gains from foreign exchange and sale or purchase of assets. Interest expense excludes any impact of IFRS 16. Note that EBITDA for long-term debt covenants is inclusive of CEWS and rental subsidies recorded.

Adjusted net earnings (loss)

Adjusted net earnings (loss) is calculated based on net earnings (loss) prior to the effect of costs not incurred in the normal course of business, such as impairment, and gains and transaction costs incurred for acquisitions. Management utilizes Adjusted net earnings (loss) to present a measure of financial performance that provides for better comparability. 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. For the three and nine months ended September 30, 2021, net loss was the same as adjusted net loss of $4,784 and $13,999, respectively ($6,079 and $14,389, respectively in 2020).

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 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.

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

	Three months ended September 30		**Nine months ended September 30**	
($ thousands, unless otherwise noted)	**2021**	2020	**2021**	2020
Revenue	**$ 18,654**	$ 18,529	**$ 52,798**	$ 74,250
Less:				
Oilfield services expense	**14,768**	12,612	**42,282**	56,749
Oilfield services operating margin	**$ 3,886**	$ 5,917	**$ 10,516**	$ 17,501
Oilfield services operating margin %	**20.8%**	31.9%	**19.9%**	23.6%

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 interim condensed consolidated statements of cash flows, cash provided by 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 not intended to represent cash flow generated from operating activities as calculated in accordance with IFRS.

The following tables provide a quantitative reconciliation of cash flow generated from operating activities to funds provided from operations for the three and nine months ended September 30, 2021 and 2020:

($ thousands)	Three months ended September 30 2021	2020	Nine months ended September 30 2021	2020
Net cash generated from operating activities	**$ 737**	$ 1,192	**$ 1,675**	$ 17,763
Less:				
Changes in operating non-cash working capital	**(340)**	(1,165)	**(632)**	12,302
Funds provided from operations	**$ 1,077**	$ 2,357	**$ 2,307**	$ 5,461

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:

($ thousands)	As at September 30, 2021	December 31, 2020
Current assets	**43,804**	55,589
Less:		
Current liabilities	**(10,941)**	(11,012)
Working capital	**32,863**	44,577

Net cash

Net cash is used by management to analyze the amount by which cash and cash equivalents (if applicable) 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 table provides a quantitative reconciliation of cash to net cash as follows:

($ thousands)	As at September 30, 2021	December 31, 2020
Cash	**20,210**	32,598
Less:		
Long-term debt	**-**	(10,000)
Net cash	**20,210**	22,598

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 include, among other things, continued improvement in energy services outlook, impact of high commodity prices on demand for and market prices for the Corporation's services; impact of the Covid-19 Delta variant; ability to prioritize a strong balance sheet and liquidity position; activity increases in the medium and long-term in PNG; opportunities to invest and enhance shareholder value; Canada Worker Lockdown Benefit subsidy amounts; improving and stabilizing economic environment, climate and weather predictions and their effect on energy demand; improving customer pricing trends; the Corporation's ability to maintain a USD bank account and conduct its business in USD in PNG; market fluctuations in interest rates, commodity prices, and foreign currency exchange rates; restrictions to repatriate funds held in PGK; customer activity to boost production; expectations regarding the Corporation's ability to raise capital and manage its debt obligations; estimated capital expenditure programs; projections of market prices and costs; expectations for improving customer demand in the near-term, 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; a final Papua LNG investment decision; expectations for the speed and efficacy of distributions relating to Covid-19 vaccines; and estimated credit risks and tax losses.

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.

Abbreviations

The following is a summary of abbreviations used in this Management Discussion and Analysis:

AIF	- Annual information form
AUD	- Australian dollars
bbl	- Barrel
BPNG	- Bank of PNG
CAD	- Canadian dollars
CAOEC	- Canadian Association of Oilwell Energy Contractors
CEO	- Chief Executive Officer
CEWS	- Canada Emergency Wage Subsidy
CERS	- Canada Emergency Rent Subsidy
CFO	- Chief Financial Officer
CLS	- Canadian Light Sweet
DCP	- Disclosure controls and procedures
ECL	- Expected credit losses
EBITDA	- Earnings before interest, tax, depreciation and amortization
ESG	- Environmental, Social and Corporate Governance
ICFR	- Internal controls over financial reporting
IFRS	- International Financial Reporting Standards
IRC	- Internal Revenue Commission of PNG
LNG	- Liquified natural gas
MD&A	- Management discussion and analysis
mmbtu	- Million British thermal units
NCIB	- Normal course issuer bid
OPEC	- Organization of petroleum exporting countries
PGK	- Papua New Guinea kina
PNG	- Papua New Guinea
US	- United States
USD	- United States dollars
WCS	- West Canada Select
WCSB	- Western Canadian sedimentary basin
WTI	- West Texas Intermediate