MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE-MONTHS ENDED
March 31, 2022 and 2021

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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 May 12, 2022 and should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes for the three-months ended March 31, 2022 and 2021 (the "**Financial Statements**") and the audited consolidated financial statements and notes for the years ended December 31, 2021 and 2020. Additional information relating to the Corporation including the Corporation's Annual Information Form ("**AIF**") for the year ended December 31, 2021, 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 May 12, 2022. All amounts are expressed in thousands of Canadian dollars ("**CAD**").

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 on page 17 under the "Non-IFRS Measures" section.

Corporate Profile

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

High Arctic is a participant in, and manager of the Seh' Chene Limited Partnership ("**Seh' Chene**") 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 services 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 March 31, 2022 may be referred to as the "**Quarter**" or "**Q1-2022**". The comparative three-months ended March 31, 2021 may be referred to as "**Q1-2021**". References to other quarters may be presented as "**QX-20XX**" with X being the quarter/year to which the commentary relates.

2022 First Quarter Highlights

- First quarter revenue of $28.7 million, EBITDA of $2.9 million, compared to $17.8 million and $1.2 million respectively in Q1-2021 and an improvement over Q4-2021 with $23.6 million and $1.2 million respectively.
- High Arctic recommenced drilling services activity in PNG during Q1-2022. PNG activity was the primary driver for growth in the Quarter as consolidated revenues rose by $10.9 million and 62% over Q1-2021.
- Oilfield operating services margin as a percent of revenue was modestly lower in Q1-2022 at 18.5% (Q1-2021 – 18.9%). Drilling and Ancillary services segments experienced improved margins, however, profitability decreased in High Arctic's Canadian Production Services segment primarily due to cost inflation, elimination of Canadian Emergency Wage Subsidy (CEWS), and non-capital cost of preparing equipment for service.
- In April 2022 High Arctic announced a 3-year renewal of a key Production Services contract which includes a 20% increase to the base hours rig rate, increases to ancillary equipment and service pricing, provisions for fuel adjustments, and alignment of parameters to current market conditions.
- High Arctic announced recommencement of a monthly dividend payment of $0.005 per share commencing in May 2022.
- Strong liquidity with a working capital balance of $30.6 million, cash of $11.4 million, increasing access to funds under the revolving credit facility covenants and long-term debt of $7.7 million.

Select Comparative Financial Information

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

	For the three-months ended March 31	
($ thousands, except per share amounts)	**2022**	2021
Revenue	**28,696**	17,767
Net loss	**(2,671)**	(5,197)
Per share (basic and diluted) (2)	**(0.05)**	(0.11)
Oilfield services operating margin (1)	**5,310**	3,362
Oilfield services operating margin as a % of revenue (1)	**18.5%**	18.9%
EBITDA (1)	**2,944**	1,208
Adjusted EBITDA (1) (3)	**2,884**	874
Adjusted EBITDA as % of revenue (1)	**10.1%**	4.9%
Operating loss	**(2,818)**	(6,145)
Cash provided by (used in) operating activities	**300**	(1,085)
Per share (basic and diluted) (2)	**0.01**	(0.02)
Funds provided by operations (1)	**2,243**	590
Per share (basic and diluted) (2)	**0.05**	0.01
Capital expenditures	**1,582**	765
	As at	
($ thousands, except share amounts)	**March 31, 2022**	December 31, 2021
Working capital (1)	**30,649**	29,724
Cash, end of period	**11,442**	12,037
Total assets	**182,042**	185,452
Long-term debt	**7,697**	7,779
Total long-term financial liabilities, excluding long-term debt (1)	**12,602**	13,414
Shareholders' equity	**145,400**	148,851
Per share (basic and diluted) (2)	**2.98**	3.05
Common shares outstanding, thousands	**48,733**	48,733

(1) Readers are cautioned that Oilfield services operating margin, EBITDA (Earnings before interest, tax, depreciation and amortization), Adjusted EBITDA, Funds provided by operations, oilfield services operating margin, and working capital do not have standardized meanings prescribed by IFRS – see "Non-IFRS Measures" on page 17 for calculations of these measures.

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

(3) Adjusted EBITDA includes the impact of wage and rent subsidies recorded in 2021.

Outlook

High Arctic is focused on expanding its underlying quality service capacity within each of its existing core operations to deploy idle equipment in coordination with surging customer demand and prices. In Canada, demand exceeds our current crewing capacity and measures are in place to respond to this positive opportunity but will take time as sustained utilization and better compensation are necessary to attract personnel to our industry. In PNG, as previously updated, the short-term project that reactivated drilling operations was safely and successfully completed in Q2-2022. High Arctic remains active with its PNG Ancillary Services segment assets and is providing the services of its drilling personnel to key customers while planning for a rig resumption of its PNG based Drilling Services segment during the second half of 2022.

Oil and gas commodity prices have reached ten-year highs in the early months of 2022 driven by the easing of government-imposed restrictions related to the Covid-19 pandemic, and the crisis in Ukraine. The resulting economic and trade sanctions imposed on Russia by certain nations party to NATO and other OECD countries, has created a major re-organization of the global energy supply paths. Europe, who are already experiencing an underperformance of renewable energy supply, has been moving quickly to source new suppliers of gas, oil and even coal to enable the further sanctioning of Russia.

Overall, macro trade and economic conditions and the resulting high commodity prices have been beneficial to customers in High Arctic's two major markets and the Corporation appears well placed geographically and through its top-tier customers to benefit from increased activity through the second half of 2022 and beyond. Though the impact of Covid-19 cases amongst crews remains unpredictable, and market volatility from evolving global events lingers, High Arctic anticipates improvement in annual revenue and profit margins over the near to medium term.

Papua New Guinea continues to be key to High Arctic's long-term business strategy due to the significant LNG investments made by large oil and gas companies in the country and high barriers to entry due to the technical expertise required to operate the heli-portable drilling rigs in remote locations. High Arctic anticipates further investments in LNG infrastructure in PNG in the coming years and other projects to increase oil and gas production. High Arctic anticipates future drilling rig activity levels have potential to exceed our past peaks. This view is supported by the growing LNG supply deficit through 2040 as highlighted by the Shell LNG market update published in February 2022, the advancement of geothermal interest in PNG, and the expansion of our customer base to include all the active E&P companies in the country. We anticipate further announcements firming the development of the Elk-Antelope field for the Papua LNG project, and the development of P'nyang and other PNG-LNG fields to support an expansion of the PNG-LNG export facility, later this year.

In Canada, certain large infrastructure pipeline projects are positive for the oil and gas industry. Following the Enbridge Line 3 Replacement Project to the U.S. which entered service October 1, 2021, there is the LNG Canada pipeline project and the Trans Mountain Expansion under construction and upon completion will provide long awaited tidewater access to Asian markets. Additionally, in the near future, political focus on imports from countries outside North America may turn back towards the security of increased domestic supply. High Arctic's Production Services segment stands to benefit from the stimulus to drilling activity that will follow through resulting well completion work, ongoing well maintenance and end of life abandonment works. The corporation expects to use the anticipated demand growth to push further margin increases as the labor constrained services market is already driving prices upwards.

The Corporation expects efforts to realize the COP-26 declaration signed at the summit by 30 countries, to remain of global importance and focus. We expect efforts to decarbonize oil and gas production to remain, and that this current period in the market provides a significant opportunity for the hydrocarbon industry to secure its long-term position in a carbon abated world. We will continue to focus on appropriate efforts to reduce the climate impact of our operations.

Strategy

Our 2022 strategic priorities build on the platform we created in 2021 and include:

- Safety excellence and quality service delivery,
- Actions aimed at generating free cash flow including:
    - Increased utilization of the Corporation's world-class fleet of equipment,
    - Improved efficiency and work force productivity, and
    - Operating cost control.
- Development of new and existing employees to grow our workforce to meet demand,
- Pursuit of opportunities that secure the Corporation's future as a lower emissions energy services provider,
- Pursuit of opportunities for growth and corporate transactions in well understood markets that enhance shareholder value, and
- Disciplined capital stewardship to improve returns for shareholders including, divestitures, dividends and common share buybacks.

Discussion of Operations

First Quarter 2022 Summary:

- For the three-months period ended March 31, 2022, High Arctic's consolidated revenues increased by $10,929 or 62% to $28,696, primarily due to higher Drilling and Ancillary revenues. Revenues in High Arctic's Canadian Production Services segment were flat as a result of lower activity offset by higher revenue per hour.
- Net loss of $2,671 in Q1-2022 was lower by 49% as compared to net loss of $5,197 in Q1-2021, mainly due to increased activity in PNG and lower depreciation expense of $1,360 in Q1-2022.
- Oilfield services operating margin as a percent of revenue of 18.5% (2021 – 18.9%) was lower in Q1-2022 due to lower profitability in High Arctic's Production Services segment in Canada. The Production Services segment collected $812 lower CEWS and experienced operational constraints relating to tight labour supply, rigs shutdown due to Covid-19 outbreaks, isolated poor weather conditions, high fuel costs, and higher equipment repair & maintenance expenditure to return equipment to service.
- In Q1-2022 High Arctic's net cash generated from operating activities was $300, with funds provided from operation of $2,243.

Operating Results

Drilling Services Segment

	Three-months ended March 31	
($ thousands, unless otherwise noted)	**2022**	2021
Revenue	**9,574**	752
Oilfield services expense	**7,477**	832
Oilfield services operating margin (1)	**2,097**	(80)
Operating margin (%)	**21.9%**	(10.6%)

(1) See "Non-IFRS Measures" on page 17

In Q1-2022, High Arctic recommenced drilling services activity in PNG after nearly two-years of substantial inactivity. Drilling segment revenues increased by $8,822 versus Q1-2021 and $3,283 versus Q4-2021. Field activities were achieved without incident building on the 5 years and 2.5 million hours worked without a recordable incident in PNG.

Oilfield services operating margin was $2,097 or 21.9% of revenues, as compared $1,460 or 23.2% in Q4-2021. The operating margin as a percent of revenues were lower in Q1-2022 relative to Q4-2021 as crews deployed reached peak operating levels and drilling rig re-commissioning activity delayed operations commencement. There was no drilling rig activity during in Q1-2021.

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 Q1-2022 drilling activity recommenced for Rig 115. Rigs 103, 104, and 116 all remained cold stacked.

Production Services Segment

	Three-months ended March 31	
($ thousands, unless otherwise noted)	**2022**	2021
Revenue	**15,059**	15,375
Oilfield services expense	**14,815**	12,957
Oilfield services operating margin (1)	**244**	2,418
Operating margin (%)	**1.6%**	15.7%

(1) See "Non-IFRS Measures" on page 17

	Three-months ended March 31	
Operating Statistics – Canada	**2022**	2021
Service rigs:		
Average fleet (2)	**51**	49
Utilization (3)	**45%**	48%
Operating hours	**20,448**	21,120
Revenue per hour ($)	**658**	600
Snubbing rigs:		
Average fleet (4)	**7**	8
Utilization (3)	**17%**	28%
Operating hours	**1,062**	2,009

(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 packages marketed during the period.

Within the Production Services segment well servicing and snubbing operations experienced $316 lower revenues in the Quarter relative to Q1-2021 primarily due to rigs shutdown from Covid-19 outbreaks, crew shortages, and isolated poor weather conditions. For the three-months ended March 31, 2022, operating margin as a percent of revenue was 1.6% relative to 15.7% in Q1-2022 as the Corporation was no longer receiving CEWS ($812 was received during Q1-2021), retained one key long term well servicing contract on pandemic level pricing (renewed at higher pricing effective April 1, 2022 – refer to "2022 First Quarter Highlights" in this MD&A), incurred higher operating costs relating to fuel, consumables and field labour, and incurred higher equipment repair and maintenance costs related to equipment recertification and preparation for deployment.

Service Rigs

Continuing with the Corporation's Q4-2021 view of long-term improvement in Canadian oil and gas pricing, the corporation continued its program to prepare idle equipment for service and rationalise the location of rigs between operating base areas to exploit improving demand for service, raising the marketed rig count for the second consecutive quarter.

Results from this action was tempered by continuing labour tightness, Covid-19 enforced shutdowns and environmental factors, resulting in the Corporation being unable to meet the full market demand for its services. High Arctic's utilization for its 51 service rigs in Q1-2022 was 45% versus industry utilization of 48% (source: Canadian Association of Oilwell Energy Contractors "CAOEC"), and Q1-2021 utilization of 48%. Operating hours correspondingly decreased by 3% or 672 hours.

High Arctic achieved higher revenue per hour of $658 on its service rigs in Q1-2022, higher than Q4-2021 ($630 per hour), and higher than Q1-2021 of ($600 per hour) reflecting the Corporation's work with key customers to address inflationary cost pressures and grow margins. Effective April 1, 2022 High Arctic renewed a large volume contract with a key customer in Cold Lake, which will result in higher revenue per hour for the remainder of 2022.

High Arctic expects that the continued tightening of supply in the Canadian market will continue to raise spot market pricing and drive margin growth. The Corporation will continue work to optimize operations in order to increase equipment utilization, prepare equipment to deploy, grow the number of available crews, and lift profitability by both margin and volume.

Snubbing packages

Snubbing operating hours and utilization for the three-months period ended March 31, 2022 were 1,062 hours and 17%, respectively, lower as compared to 2,009 hours and 28% in Q1-2021. Lower activity in the period is attributable to High Arctic's operating constraints due to increasing tightening in available skilled snubbing personnel as they shift to other markets, and a stagnant Canadian market where demand for snubbing services is not increasing in line with service or drilling rigs. High Arctic expects market conditions to continue to slowly improve for Canadian snubbing during 2022, and improve utilization for the Corporation's available and maintained snubbing packages.

Ancillary Services Segment

	Three-months ended March 31	
($ thousands, unless otherwise noted)	**2022**	2021
Revenue	**4,725**	2,196
Oilfield services expense	**1,756**	1,171
Oilfield services operating margin (1)	**2,969**	1,025
Operating margin (%)	**62.8%**	46.7%

(1) See "Non-IFRS Measures" on page 17

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

For the three-months ended March 31, 2022, Ancillary Services revenues and oilfield service operating margin increased by $2,529 and $1,944, respectively, relative to Q1-2021 due primarily to higher oilfield equipment rentals utilized in the support for drilling operations in PNG, and continuing the growth coming out of Q4-2021 (revenue of $4,227 and operating margin of 55%).

General and Administrative ("G&A")

	Three-months ended March 31	
($ thousands, unless otherwise noted)	**2022**	2021
G&A	**2,426**	2,488
% of revenue	**8.5%**	14.0%

G&A costs for Q1-2022 were flat as compared to Q1-2021. With the increasing Q1-2022 revenue, G&A costs as a percent of revenue were lower at 8.5% compared to 14.0% in Q1-2021. Due to the nature of the Corporation's 2020 management restructure, the higher revenues in PNG during Q1-2022 require only marginal increases in administrative support.

As reflected in the flat 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 $5,564 in Q1-2022 compared to $6,924 during Q1-2021. Lower depreciation in 2022 is reflective of certain equipment becoming fully depreciated in 2021.

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 Corporation recognized higher share-based compensation in Q1-2022 of $138, relative to Q1-2021 expense of $95, due to grants of PSUs and RSUs in Q1-2022 whereas no grants were issued during Q1-2021.

Interest and Finance Expense

	Three-months ended March 31	
($ thousands)	**2022**	2021
Interest and standby fees – bank loan	**125**	99
Finance expense – lease liabilities	**88**	98
Other	**12**	19
Total	**225**	216

In December 2021, the Corporation obtained long-term mortgage financing of $8,100 on certain High Arctic owned and occupied land and buildings in Canada, which resulted in slightly higher interest expense in Q1-2022.

In Q1-2021, the Corporation repaid in full $10,000 cash drawn from its revolving loan facility.

Finance expense on lease liabilities associated with the time value of money for the three-months period ended March 31, 2022 was $88 (Q1-2021: $98), as the liability is initially recorded at its present value.

Other interest and finance expense primarily relates to bank charges in the respective periods.

Income Taxes

	Three-months ended March 31	
($ thousands, unless otherwise noted)	**2022**	2021
Loss before income taxes	**(2,845)**	(5,932)
Current income tax expense	**(507)**	(169)
Deferred income tax expense (recovery)	**681**	904
Total income tax expense	**174**	735
Effective tax rate	**(6.1%)**	(12.4%)

Higher current income tax expense in 2022 is reflective of increased activity in PNG resulting in increased withholding tax in foreign jurisdictions. Tax rates in 2022 and 2021 were impacted by foreign tax on income earned in foreign jurisdictions as well as unrecognized deferred tax assets with respect to deductible temporary differences in Canada.

Other Comprehensive Loss

The Corporation recorded a $918 foreign currency translation loss in other comprehensive loss for the Q1-2022 (Q1-2021: $936) associated with subsidiaries with functional currencies other than CAD.

The CAD weakened compared to the USD at March 31, 2022, relative to December 31, 2021, and this resulted in a net loss on the net assets held in the subsidiaries with USD as their functional currency.

Liquidity and Capital Resources

	Three-months ended March 31	
($ thousands)	**2022**	2021
Cash provided by (used in):		
Operating activities	**300**	(1,085)
Investing activities	**(418)**	93
Financing activities	**(521)**	(10,408)
Effect of exchange rate changes on cash	**44**	(181)
Decrease in cash	**(595)**	(11,581)

($ thousands, unless otherwise noted)	**As at March 31 2022**	December 31 2021
Current assets	**46,992**	45,132
Working capital [(1)]	**30,649**	29,724
Working capital ratio [(1)]	**2.9:1**	2.9:1
Cash	**11,442**	12,037
Net cash [(1)]	**3,421**	3,962
Undrawn availability under revolving credit facility	**37,000**	37,000

(1) See “Non-IFRS Measures” on page 17

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 historically received such approval for its 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 Q1-2022, cash generated from operating activities was $300 (Q1-2021: $1,085 cash used in operating activities), of which $2,243 are funds provided by operations (Q1-2021: $590), see “Non-IFRS Measures” on page 17, and $1,943 cash outflow from working capital changes (Q1-2021: $1,675) mainly due to increase in accounts receivable during the Quarter.

Investing Activities

During Q1-2022, the Corporation’s cash used in investing activities was $418 (Q1-2021: $93 cash from investing activities). Capital expenditures were $1,582 (Q1-2021: $765) partially offset by $1,037 proceeds on disposal of property and equipment (Q1-2021: $571), and $127 cash inflow relating to working capital balance changes for capital items (Q1-2021: $287).

Financing Activities

In Q1-2022, the Corporation’s cash used in financing activities was $521 (Q1-2021: $10,408). During the quarter the Corporation paid $54 towards principal payments on its mortgage financing, see “Mortgage Financing” below (Q1-2021: $10,000 loan payment on Credit Facility), and $467 lease liability payments (Q1-2021: $408) in the Quarter.

Credit Facility

In December 2021, the Corporation amended its revolving credit facility from a borrowing limit of $45,000 to $37,000 and site-specific assets held as mortgage security for separate mortgage financing have been carved out. In addition, up to $5,000 of the revolving loan shall be available by way of account overdraft outside of covenant requirements described below.

The Corporation's revolving credit facility 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 prime plus an applicable margin which fluctuates based on the Funded Debt to Covenant 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 Covenant EBITDA ratio and range between 0.40% and 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 Covenant EBITDA ratio to be less than 3.0 to 1 and the second covenant requires Covenant EBITDA to Interest Expense ratio 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 March 31, 2022, the Corporation was in compliance with these two financial covenants.

The financial covenant calculations at March 31, 2022 are:

Covenant	Covenant	**As at March 31, 2022**
Funded debt to Covenant EBITDA (1)	< 3.0x	-
Covenant EBITDA to Interest expense (1)	>3.0x	16.4

(1) As at March 31, 2022 the Corporation had access to $16.7 million of the revolving facility.

Funded Debt to Covenant EBITDA is defined as the ratio of consolidated Funded Debt to the aggregate Covenant 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. Covenant 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, and non-cash inventory write-downs, less gains from foreign exchange and sale or purchase of assets and lease payments.

Mortgage Financing

($ thousands)	**As at March 31, 2022**	As at December 31, 2021
Current	**324**	296
Non-current	**7,697**	7,779
Total	**8,021**	8,075

In December 2021, the Corporation entered into a mortgage arrangement with the Business Development Bank of Canada (BDC) for $8,100, secured by lands and buildings owned and occupied by High Arctic within Alberta. The mortgage financing provides the Corporation with long term liquidity and adds to existing cash balances. The mortgage has an initial term of 5 years with a fixed interest rate of 4.30% and an amortization period of 25 years with payments occurring monthly. The mortgage liability and associated financing costs are carved out of all revolving credit facility financial covenant calculations.

The Corporation capitalized $25 in financing fees incurred to set up the loan in 2021 and applied this to the long-term debt liability. Financing fees will be amortized over the expected life of the mortgage financing.

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 $7,140 at March 31, 2022 (December 31, 2021: $7,244) 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 incentive shares and units under the Corporation's approved equity compensation plans.

	Three-months ended March 31, 2022		Year ended December 31, 2021	
Common shares issued and outstanding:	**Shares**	**Amount**	Shares	Amount
Balance, beginning of period	**48,733,145**	**$ 169,697**	48,759,660	$ 169,220
Exercise of performance share units	**-**	**-**	52,289	751
Normal course issuer bid	**-**	**-**	(78,804)	(274)
Balance, end of period	**48,733,145**	**$ 169,697**	48,733,145	$ 169,697

The common shares do not have a par value and all issued shares are fully paid.

On December 13, 2021, the Corporation received approval from the Toronto Stock Exchange to acquire for cancellation up to 2,420,531 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 15, 2021 and terminating on December 14, 2022. Pursuant to the NCIB no shares have been purchased and cancelled.

The Corporation's previous NCIB commenced on December 11, 2020 and terminated on December 10, 2021. Pursuant to this previous NCIB, in total 78,804 common shares were purchased and cancelled in 2021.

At March 31, 2022, 475,000 stock options were outstanding at an average exercise price of $2.01 per share, as well as 1,128,579 units under the Corporation's Performance Share Unit Plan and 869,023 units under the Deferred Share Unit plan.

No further common shares have been issued from December 31, 2021 to the date of this MD&A.

Summary of Quarterly Results

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

	2022	2021				2020		
($ thousands, except per share)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	28,696	23,644	18,654	16,377	17,767	16,584	18,529	16,109
Adjusted EBITDA[(1)(2)]	2,884	1,836	1,412	796	874	1,154	3,476	1,147
Net loss [(2)]	(2,671)	(4,608)	(4,784)	(4,018)	(5,197)	(11,468)	(6,079)	(6,145)
Per share – basic and diluted	(0.05)	(0.10)	(0.10)	(0.08)	(0.11)	(0.23)	(0.12)	(0.13)
Cash provided by (used in) operating activities	300	(3,472)	737	2,023	(1,085)	2,389	1,192	7,678
Funds provided by operations[(1)]	2,243	1,390	1,077	640	590	859	2,357	871

(1) See "Non-IFRS Measures" on page 17
(2) Adjusted EBITDA and Net loss includes the impact of wages subsidies (CEWS) and rent subsidies recorded during 2021and 2020

Revenue rose in Q1-2022 relative to Q4-2021 due to drilling services activity in PNG. Drilling in PNG was paused since Q2-2020 due to the impact of Covid-19 in the region. Coming out of the pandemic management has initiated discussion with customers to improve pricing in line with market conditions. The Corporation enters 2022 with higher global commodity prices as a result of global supply and demand imbalances, exacerbated by the direct effects of the crisis in Ukraine as well as the sanctions imposed on Russia by NATO nations and other OECD countries. Oil prices reached decade highs as a result, despite continued negative impacts globally from the pandemic. High Arctic's outlook is encouraged by the recovery, and management anticipates improved activity in PNG looking forward through 2022 and beyond. Management also expects a more modest improvement in Canada due to ongoing labour shortages.

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 thus reducing demand for services in Canadian operations. Therefore, the second quarter is generally the weakest quarter of the year for the Corporation's operations in Canada.

Industry Indicators and Market Trends

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.

	2022	2021				2020		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Oil and natural gas prices								
(Averages for each period):								
Brent Crude Oil (USD $/bbl)(1)	97	80	73	69	61	45	43	33
Japan LNG (USD $/mmbtu)(2)	16.57	13.47	11.68	8.75	9.60	6.65	6.82	10.07
$ USD/CAD exchange rate(1)	1.25	1.26	1.26	1.23	1.27	1.30	1.33	1.38

(1) Source: Sproule
(2) Source: YCharts

The Corporation's PNG activity has historically been based on longer term, USD denominated contracts and therefore is less affected over the short-term volatility in oil and gas prices. The USD/CAD exchange rate was lower in Q1-2022 which has had a negative impact on 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, which have rebounded strongly.

In Q1-2022, the Brent Crude Oil price average increased to USD $97/bbl. Japan LNG prices continued to climb in Q1-2022 with average prices breaching USD $16/mmbtu in the quarter, and spot prices regularly exceeding $35/mmbtu.

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.

	2022	2021				2020		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Oil and natural gas prices								
($ Average for each the period):								
West Texas Intermediate ("WTI") (USD $/bbl)(1)	94	77	71	66	58	39	41	28
West Canada Select ("WCS") (CAD $/bbl)(1)	101	79	72	67	57	36	42	22
Canadian Light Sweet Oil ("CLS") (CAD $/bbl)(1)	118	92	84	76	69	45	49	31
AECO (CAD $/MMbtu)(1)	4.77	4.74	3.75	3.07	3.13	2.65	2.27	2.00
Other industry indicators:								
Avg service rig utilization rates(2)	48%	42%	38%	29%	39%	31%	22%	10%
Avg drilling rig utilization rates(2)	51%	41%	39%	24%	27%	16%	9%	4%

(1) Source: Sproule
(2) Source: utilization rates CAOEC

In Q1-2022, WTI, WCS and CLS average prices continued to rally, with average oil prices increasing for five consecutive quarters. The above trend increases this quarter has been driven by the consequences of the crisis in Ukraine and OPEC's determination to stick to planned 400,000 bbl/d increases per month, despite calls from the US and other governments to increase production further.

In Canada, industry activity has continued to pick up in Q1-2022, both consistent with seasonal cycles and in response to the high commodity prices and demand increase. Long-term, Canada continues to be constrained by the lack of take away pipeline capacity, and lower exploration and production company investment confidence, under the policies of governments in the US and Canada. The development of additional pathways to market, and a shift in political focus from energy transition to energy security may combine to provide a sustainable positive counterpoint.

Financial 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 and other related 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:

a) 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 long-term debt includes a floating rate credit facility and fluctuates in response to changes in the prime interest rates. Long-term debt also includes mortgage financing with a fixed rate term subject to renewal interest rate changes. The Corporation had no risk management contracts that would be affected by interest rates in place on March 31, 2022.

b) 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 crisis in Ukraine, geopolitical events impacting security of supply, the current 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 current US President 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 March 31, 2022.

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-month period ended March 31, 2022, a $0.10 cent 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 $335 as a result of changes in foreign exchange (2021: $228).

The average CAD to USD exchange rate for the Quarter was $1.27 compared to $1.27 during Q1-2021. As at March 31, 2022, the CAD to USD exchange rate was $1.25 versus $1.26 as at December 31, 2021.

The impact of exchange rates for the Quarter resulted collectively in a $28 foreign exchange gain (Q1-2021 - $35 loss) being recorded in the statements of earnings (loss) on various foreign currency denominated transactions and on the translation of foreign denominated monetary assets and liabilities.

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 March 31, 2022 USD $1,031 (December 31, 2021 – USD $384) 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 historically received approval from the BPNG for most of its 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 March 31, 2022:

($ thousands)	USD (1)	PGK (2)	Australian Dollars ("AUD") (3)
Cash	1,985	1,778	259
Accounts receivable	2,933	26,967	5
Accounts payable and accrued liabilities	(1,146)	(17,389)	(664)
Total – Canadian Dollars	3,772	11,356	(400)

(1) As at March 31, 2022, one USD was equivalent to 1.25 CAD.
(2) As at March 31, 2022, one PGK was equivalent to 0.36 CAD.
(3) As at March 31, 2022, one AUD was equivalent to 0.94 CAD.

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 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 who individually accounted for greater than 10% of its consolidated revenues during the three-months period ended March 31, 2022 with sales of $7,789, $4,574, and $2,983, respectively (2021: four customers with revenues of $4,206, $2,435, $2,277 and $2,073, respectively).

As at March 31, 2022, these 3 customers represented a total of $12,545 or 51% of outstanding accounts receivable (December 31, 2021: two customers represented a total of $2,737 or 13% of outstanding accounts receivable).

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

($ thousands)	**As at March 31, 2022**	As at December 31, 2021
Less than 31 days	**13,036**	11,803
31 to 60 days	**10,366**	6,415
61 to 90 days	**719**	2,522
Greater than 90 days	**863**	675
Provision for expected credit losses	**(614)**	(701)
Total	**24,370**	20,714

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, geopolitical events, 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 $37,000 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 judgements and estimates can be found in Note 2 Basis of Presentation - Critical Accounting Judgements and Estimates in the annual audited consolidated financial statements for the year ended December 31, 2021.

Impacts of the Covid-19 pandemic described in "Global Developments and High Arctic's Strategic Objectives" section of the 2021 annual MD&A, as well as emissions, carbon and other regulations impacting climate and climate related matters are constantly evolving. With respect to Environmental Social Governance (ESG) and climate reporting, the International Sustainability Standards Board has issued a IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. In addition, the Canadian Securities Administrators have issued a proposed national instrument 51-107 Disclosure of Climate-related Matters. The cost to comply with these standards, and others that may be developed, has not yet been quantified.

There remains significant uncertainty around the expected policies to be enforced by large governmental bodies in regard to oil and gas production. While the recovery trend is encouraging and a continuing focus on supply balance for oil and gas producers is warranted, there are significant headwinds surrounding policies to meet climate change emission targets.

These political and pandemic developments impact High Arctic as the Corporation pursues its strategy and allocates resources to support its principal markets in Canada driven by customers' oil and natural gas production and in PNG where its customers are restarting drilling operations, and new LNG supply is being contemplated. In addition, the global focus to address 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 direct and indirect costs of climate change relating to High Arctic and its customers is uncertain. Climate change may have an adverse impact on High Arctic and its customers, and creates uncertainty surrounding the estimated useful life and impairment of property and equipment.

At March 31, 2022, High Arctic determined that no indicators of impairment existed within the Corporation's CGUs.

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

As at March 31, 2022, 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 March 31, 2022, 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 March 31, 2022.

Based on this evaluation, the CEO and CFO concluded that as at March 31, 2022, 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 March 31, 2022 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 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 December 31, 2021 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, 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”)

EBITDA is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. EBITDA is defined as net loss adjusted for income taxes, interest and finance expense, and depreciation. Management believes that, in addition to net loss reported in the 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 or be construed as an alternative to net earnings (loss) calculated in accordance with IFRS. Note that EBITDA is inclusive of government wage subsidies and rental subsidies recorded. Refer to table in Adjusted EBITDA below that provides a reconciliation of net earnings (loss), as disclosed in the consolidated statements of loss and comprehensive loss, to EBITDA.

Covenant EBITDA for purposes of long-term debt covenants

Covenant EBITDA, as defined in High Arctic’s revolving loan facility agreement, is used in determining the Corporation’s compliance with its covenants. Covenant 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, foreign exchange loss, and non-cash inventory write-downs, less lease liability payments, and gains from foreign exchange and sale or purchase of assets. Interest expense excludes any impact of IFRS 16. Note that Covenant EBITDA for purposes of long-term debt covenants is inclusive of CEWS and rental subsidies recorded.

Adjusted EBITDA

Adjusted EBITDA is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Adjusted EBITDA is defined 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, other costs related to consolidating facilities, excess of insurance proceeds over costs and foreign exchange gains or losses. Note that adjusted EBITDA is inclusive of CEWS, and rental subsidies recorded.

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 or be construed as an alternative to net earnings (loss) in accordance with IFRS.

The following table provides a quantitative reconciliation of consolidated net earnings (loss), as disclosed in the consolidated statements of loss and comprehensive loss, to EBITDA and Adjusted EBITDA for the three-months ended March 31, 2022 and 2021:

($ thousands)	Three-months ended March 31 2022	2021
Net loss	**(2,671)**	(5,197)
Add:		
Interest and finance expense	**225**	216
Income tax (recovery) expense	**(174)**	(735)
Depreciation	**5,564**	6,924
EBITDA	**2,944**	1,208
Adjustments to EBITDA:		
Share-based compensation	**138**	95
Investment income	**(93)**	-
Gain on sale of property and equipment	**(77)**	(464)
Foreign exchange gain	**(28)**	35
Adjusted EBITDA	**2,884**	874

Oilfield services operating margin

Oilfield services operating margin is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Oilfield services operating margin is used by management to analyze overall operating performance. Management believes this non-IFRS financial measure provides useful information to investors and others in understating the Corporation's operating performance. Oilfield services operating margin is calculated as revenue less oilfield services expense. Oilfield services operating margin as presented is not intended to represent or be construed as an alternative to revenue or net earnings (loss) in accordance with IFRS.

Oilfield services operating margin %

Oilfield services operating margin % is a non-IFRS measure in line with oilfield services operating margin discussed above. 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 %:

($ thousands, unless otherwise noted)	Three-months ended March 31 2022	2021
Revenue	**28,696**	17,767
Less:		
Oilfield services expense	**23,386**	14,405
Oilfield services operating margin	**5,310**	3,362
Oilfield services operating margin %	***18.5%***	*18.9%*

Operating loss

Operating loss is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Operating loss is used by management to analyze overall operating performance. Management believes this non-IFRS financial measure provides useful information to investors and others in understating the Corporation's operating performance. Operating loss is calculated as revenue less oilfield services expense, general and administrative expense, depreciation, and share-based compensation. Operating loss as presented is not intended to represent or be construed as an alternative to revenue or net earnings (loss) or other measures of financial performance calculated in accordance with IFRS. The table disclosed below provides a quantitative reconciliation of revenue, as disclosed in the consolidated statements of loss and comprehensive loss, to operating loss for the three-months March 31, 2022 and 2021:

($ thousands)	Three-months ended March 31 2022	2021
Revenue	**28,696**	17,767
Less:		
Oilfield services expense	**23,386**	14,405
General and administrative expense	**2,426**	2,488
Depreciation	**5,564**	6,924
Share-based compensation	**138**	95
Operating loss	**(2,818)**	(6,145)

Percentage of revenue

Certain figures are stated as a percentage 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

Funds provided from operations is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Funds provided from operations is defined as net cash (used in) provided from operating activities adjusted for changes in non-cash working capital. Management believes that, in addition to net cash generated from operating activities as reported in the consolidated statements of cash flows, cash provided by operating activities before changes in non-cash 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 or be construed as an alternative to net cash generated from operating activities as calculated in accordance with IFRS.

The following tables provide a quantitative reconciliation of net cash (used in) generated from operating activities, as disclosed in the consolidated statements of cash flows, to funds provided from operations for the three-months March 31, 2022 and 2021:

	Three-months ended March 31	
($ thousands)	**March 31, 2022**	December 31, 2021
Net cash generated from operating activities	**300**	(1,085)
Less: Changes in non-cash working capital balances – operating	**(1,943)**	(1,675)
Funds provided from operations	**2,243**	590

Working capital

Working capital is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. 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. Working capital ratio is defined as current assets dividend by current liabilities. This measure is not intended to represent or be construed as an alternative to current assets as calculated in accordance with IFRS.

The following tables provide a quantitative reconciliation of current assets, as disclosed in the consolidated statements of financial position, to working capital as at March 31, 2022 and December 31, 2021:

($ thousands)	As at March 31, 2022	December 31, 2021
Current assets	**46,992**	45,132
Less:		
Current liabilities	**(16,343)**	(15,408)
Working capital	**30,649**	29,724
Working capital ratio	**2.9:1**	2.9:1

Total long-term financial liabilities, excluding long-term debt

Total long-term financial liabilities, excluding long-term debt is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Total long-term financial liabilities, excluding long-term debt is used by management as another measure to analyze the operating liquidity and total commitments the Corporation has outstanding. It is defined as total non-current liabilities less long-term debt.

The following tables provide a quantitative reconciliation of non-current liabilities, as disclosed in the consolidated statements of financial position, to total long-term financial liabilities, excluding long-term debt as at March 31, 2022 and December 31, 2021:

($ thousands)	As at March 31, 2022	December 31, 2021
Long-term debt	**7,697**	7,779
Lease liability	**7,311**	7,364
Deferred tax liability	**5,291**	6,050
Total non-current liabilities	**20,299**	21,193
Less:		
Long-term debt	**(7,697)**	(7,779)
Total long-term financial liabilities, excluding long-term debt	**12,602**	13,414

Net cash

Net cash is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. 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 defined as cash and cash equivalents less total long-term debt.

The following tables provide a quantitative reconciliation of cash, as disclosed in the consolidated statements of financial position, to net cash as at March 31, 2022 and December 31, 2021:

	As at	
($ thousands)	**March 31, 2022**	December 31, 2021
Cash	**11,442**	12,037
Less:		
Long-term debt [(1)]	**(8,021)**	(8,075)
Net cash	**3,421**	3,962

[(1)] Long-term debt includes current portion of $324 ($296 Q4-2021) and non-current portion of $7,697 ($7,779 Q4-2021)

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, long-term improvement in Canadian oil and gas pricing, impact of high commodity prices on demand for and market prices for the Corporation’s services; continued impact of Covid-19; impact of the crisis in Ukraine; ability to prioritize a strong balance sheet and liquidity position; improved activity in PNG through 2022 and beyond; modest improvement in the Corporation’s activity in Canada; opportunities to invest and enhance shareholder value; improving economic environment; climate and weather predictions and their effect on energy demand; 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; continued tightening of supply of services in Canada; slowly improving Canadian snubbing market; 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 key customers; treatment under governmental regulatory regimes and political uncertainty and civil unrest; a final Papua LNG investment decision; development of the P’nyang gas field; developments in Ukraine; effect of economic and trade sanctions on Russia; OPEC’s ability and desire to increase future production; development of additional pathways to market in Canada, and a shift in political focus from energy transition to energy security; 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
CAD	- Canadian dollars
CAOEC	- Canadian Association of Oilwell Energy Contractors
CLS	- Canadian Light Sweet
DCP	- Disclosure controls and procedures
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
NATO	- North Atlantic Treaty Organization
NCIB	- Normal course issuer bid
OECD	- Organization for Economic Cooperation and Development
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