MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE YEARS ENDED
December 31, 2023 and 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 April 8, 2024 and should be read in conjunction with the audited consolidated financial statements and notes for the year ended December 31, 2023 and 2022 (the "Financial Statements"). Additional information relating to the Corporation including the Corporation's Annual Information Form ("AIF") for the year ended December 31, 2023, is available under the Corporation's profile on SEDAR+ at www.sedarplus.ca. This MD&A and the Financial Statements were reviewed by High Arctic's Audit Committee and approved by the Board of Directors on April 8, 2024. All amounts are expressed in thousands of Canadian dollars ("CAD") unless otherwise noted and have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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. Please refer to abbreviations listed on the last page of this MD&A.

In the following discussion, the three months ended December 31, 2023 may be referred to as the "Quarter" or "Q4 2023", and similarly the year ended December 31, 2023 may be referred to as "FY 2023". The comparative three months ended December 31, 2022 may be referred to as "Q4 2022" and similarly, the year ended December 31, 2022 may be referred to as "FY 2022". References to other quarters may be presented as "QX 20XX" with X/XX being the quarter/year to which the commentary relates.

CORPORATE PROFILE

Headquartered in Calgary, Alberta, Canada, High Arctic provides oilfield services to exploration and production companies operating in Papua New Guinea ("PNG") and Canada. High Arctic is a publicly traded corporation listed on the Toronto Stock Exchange in Canada under the symbol "HWO". High Arctic conducts its business operations in three separate operating segments: Drilling Services, Ancillary Services and Production Services.

It is important to highlight that a significant portion of the Production Services segment asset base was sold through two asset sale transactions during the third quarter of 2022. Subsequent to these disposals, the Corporation retained meaningful assets in its Production Services segment, as of December 31, 2023, through its property and equipment ownership of $817 and $8,182 in equity investments. High Arctic carries on with operations through its snubbing assets located in Colorado, United States (US), hydraulic workover rig assets located in PNG and its 49% investment in Seh' Chene Well Services Limited Partnership ("Seh' Chene Partnership") in Canada. In addition, the Corporation has maintained a snubbing services investment in Canada by obtaining a 42% equity interest in Team Snubbing Service Inc. ("Team Snubbing", a private entity) as a result of the transactions.

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 in the country. High Arctic has operated in PNG since 2007 and controls the largest fleet of tier-one heli-portable drilling rigs in the country, with two owned rigs and one rig managed by High Arctic under operating and maintenance contracts for one of the Corporation's customers.

Ancillary Services

The Ancillary Services segment consists of High Arctic's oilfield rental equipment in Canada and PNG. In PNG, the oilfield rental fleet includes matting, cranes, forklifts, trucks, camps, tanks, and vehicles and primarily services the oil and gas producers operating in PNG.

The rentals business in Canada is primarily focused on pressure control and now, subsequent to the Delta Acquisition, operates under the Delta Rental Services brand.

On December 28, 2023, High Arctic completed the acquisition (the "Delta Acquisition") of all the shares of Delta Rental Services Ltd. ("Delta"). Delta was a privately-owned rentals company focused on pressure control equipment and equipment supporting the high-pressure stimulation of oil and gas wells along with other well site rental equipment. Given that the Delta Acquisition took place late in 2023, the Delta Acquisition had no material impact on the results from the Delta Acquisition on High Arctic's Ancillary Services segmented results or the net income from continuing operations for Q4 2023.

On July 31, 2023, the Corporation completed the sale of its Canadian nitrogen assets previously included in its Ancillary Services segment. A majority of personnel supporting the nitrogen operations also departed the Corporation and moved over to the acquirer. As a result, the Corporation has exited the nitrogen line of business and accordingly, for the years presented in this MD&A, the operating results of the Corporation's nitrogen assets have been presented as discontinued operations.

Production Services

As referenced above, on July 27, 2022, the Corporation closed the sale of certain assets of High Arctic's Canadian well servicing business (the "Well Servicing Transaction"). Additionally, on July 27, 2022, the Corporation closed the sale of certain assets of its Canadian snubbing business (the "Snubbing Transaction") to Team Snubbing. Collectively the two dispositions in 2022 are referred to as the "Sale Transactions". Subsequent to the closing of the Sale Transactions, the remaining Production Services assets include the Corporation's snubbing assets in the U.S., its strategic equity investments in Team Snubbing and Seh' Chene Partnership, and its hydraulic workover rig in PNG.

Corporate

The Corporate segment consists of High Arctic's remaining business including monetary investments and borrowings, executive leadership, and certain corporate administrative services.

2023 FOURTH QUARTER AND FULL YEAR HIGHLIGHTS

- Acquired Delta late in Q4 2023 which expanded High Arctic's geographical coverage in Alberta and offers both operational synergies and potential for cross deployment of underutilized assets in the Canadian rentals business.
- Realized a third continuous quarter of full utilization of PNG Rig 103 in Q4 2023, pursuant to a 3-year contract that was renewed in 2022.
- Improved liquidity with a working capital balance of $63.0 million, which includes a cash balance of $50.3 million, and long-term debt of $3.5 million.
- Generated Adjusted EBITDA from continuing operations of $11.8 million in FY 2023 and $3.2 million in Q4 2023.
- Realized a net loss from continuing operations of $12.8 million in FY 2023 and net income from continuing operations of $2.7 million in Q4 2023. The loss was primarily due to a non-cash impairment loss of $20.5 million on PNG asset carrying values.
- Sold the Corporation's Canadian Nitrogen transportation, hauling and pumping services business for cash consideration of $1.35 million.

2023 Strategic Objectives

Through 2023, High Arctic continued its relentless focus on quality and remains driven to be recognized as a trusted service provider in the energy industry. High Arctic works towards this by defining and measuring results against strategic priorities. Our 2023 strategic priorities and highlights of progress include:

- Safety excellence and quality service delivery:
    - High Arctic extended its recordable incident free activity in PNG to 7 years and over 3.5 million work hours.
    - In Canada, High Arctic completed 2023 without any recordable incidents, contributing to the Corporation's first calendar year with a zero Total Recordable Incident Frequency ("TRIF") Rate.
- Return idled assets to service in PNG:
    - Successfully reactivated Rig 103 and returned it to continuous reliable service.
    - Returned idled rental assets to service in PNG including cranes, trucks and material handling equipment.
- Scaling our Canadian business:
    - High Arctic completed the acquisition of Delta, representing a multi-fold increase in the Canadian rentals business in terms of revenue, deployable assets, personnel and geographic coverage.
- Opportunities for growth and corporate transactions that enhance shareholder value:
    - Acquired Delta, immediately adding free cash flow and operational synergies to the Canadian Rentals business.
    - Leveraged the Corporation's capability in the provision and development of labour and skilled personnel through the re-launch of the PNG Industry Manpower Solutions brand in PNG.
    - Announced an intention to reorganize and separate the Canadian and PNG businesses under focused local leadership and open up the separated businesses to a wider array of regional transaction opportunities in their respective markets.
- Examination of the Corporation's optimal capital structure and dividend policy:
    - Pursuant to the intended reorganization the Corporation announced an intention to distribute surplus cash to shareholders by way of a tax-efficient return of capital.
    - Intended spin-out of the PNG business from the Corporation to the Corporation's shareholders is anticipated to improve access to broader sources of cost-efficient capital for growth.

- High Arctic paid out dividends of $2.2 million in 2023 and repurchased 18,296 shares for cancellation. Monthly dividends were suspended on October 23, 2023 to preserve cash to maximize the opportunity to tax-efficiently return capital.

Select Comparative Financial Information

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

		Year ended Dec 31,	
(thousands of Canadian Dollars, except per share amounts)	2023	2022	2021
Operating results from continuing operations:			
Revenue – continuing operations [1]	**61,933**	77,368	73,429
Net loss - continuing operations	**(12,834)**	(36,127)	(19,149)
Per share (basic & diluted) [3]	***(0.25)***	*(0.74)*	*(0.39)*
Oilfield services operating margin - continuing operations [2]	**21,263**	11,126	14,470
Oilfield services operating margin as a % of revenue [2]	***34.3%***	*14.4%*	*19.7%*
EBITDA - continuing operations [2]	**(8,126)**	(8,859)	3,887
Adjusted EBITDA - continuing operations [2]	**11,797**	5,519	4.376
Adjusted EBITDA as a % of revenue [2]	***19.0%***	*7.1%*	*6.0%*
Operating income (loss) - continuing operations [2]	**1,348**	(16,233)	(19,972)
Cash flow from continuing operations:			
Cash flow from (used in) continuing operating activities	**11,394**	7,717	(2,339)
Per share (basic & diluted) [3]	***0.23***	*0.16*	*(0.05)*
Funds flow from (used in) continuing operating activities [2]	**11,922**	(3,125)	3,155
Per share (basic & diluted) [3]	***0.24***	*(0.06)*	*0.06*
Dividends declared	**2,190**	2,193	9,747
Per share (basic & diluted) [3]	***0.05***	*0.05*	*0.20*
Capital expenditures	**1,959**	4,037	7,228
		As at December 31	
(thousands of Canadian Dollars, except per share amounts)	2023	2022	2021
Financial position:			
Working capital [2]	**62,985**	59,461	29,724
Cash and cash equivalents	**50,331**	19,559	12,037
Total assets	**123,137**	133,957	185,452
Long-term debt (non-current)	**3,352**	4,028	7,779
Shareholders' equity	**99,332**	115,231	148,851
Per share (basic) [3]	***2.04***	*2.37*	*3.05*
Common shares outstanding	**49,122,302**	48,691,864	48,733,145

(1) Revenue generated from the Canadian well services and snubbing assets sold in the Sale Transactions, during the year ended December 31, 2022 totaled $36,100. Oilfield services expenses, incurred from the Canadian well services and snubbing assets sold in the Sale Transactions, during the year ended December 31, 2022 totaled $29,396. The Canadian snubbing assets were sold for an equity interest in the purchaser, Team Snubbing, on July 27, 2022. As a result, subsequent to this date, revenue and expenses in connection with High Arctic's 42% ownership interest in Team Snubbing are being reflected in income from equity investments.

(2) Readers are cautioned that Oilfield services operating margin, EBITDA (Earnings before interest, tax, depreciation, and amortization), Adjusted EBITDA, Operating loss, Funds flow from operating activities, Dividend payments per share, Working capital does not have a standardized meaning prescribed by IFRS – see "Non IFRS Measures" on page 17 for calculations of these measures.

(3) The number of common shares used in calculating net loss per share, cash flow from (used in) operating activities, funds flow from operating activities per share, dividend payments per share, and shareholders' equity per share is determined as explained in Note 14 of the Financial Statements.

Intention to Return Capital and Reorganize

On May 11, 2023, the Corporation announced that the Board of Directors intended to recommend to shareholders a tax efficient return of capital to a maximum of $38.2 million relating to the Q3 2022 sale of High Arctic's Canadian well servicing assets, and a reorganization of the Corporation.

After receipt of feedback from our shareholders and in consultation with its advisors, the Corporation has determined that a split of High Arctic into two publicly listed companies would meet both the goals of strategic business management and the governance concerns of High Arctic's stakeholders. The Corporation is now working on a plan to reorganize and if it meets board, stock exchange and regulatory approvals, it would be put forward for consideration and approval at a special meeting of the Shareholders. The plan to reorganize is expected to include the following key elements:

- a spinoff of the international business to shareholders as a Canadian publicly listed company,
- maintaining the Corporation as a Canadian publicly listed company focused on growing the Canadian business,
- distribution of a return of capital to shareholders of between $33.0 million and $38.2 million before July 26, 2024, and
- the further right sizing of the general and administrative infrastructure to align with the new corporate structure.

Outlook

High Arctic has begun to refocus its Canadian business. The acquisition of Delta in December and its integration with our legacy rentals business in Canada, has delivered scale for a cash-positive operation. Over the past two years, the Corporation has divested underperforming and non-core assets and business. Now the Corporation's Canadian business consists of a high-margin equipment rental business centered upon pressure control, a minority interest in Canada's largest oilfield snubbing services business, Team Snubbing Services Inc., and industrial properties at Clairmont and Whitecourt in Alberta, Canada.

High Arctic's investment in Team Snubbing positively impacted our financial results. In Canada, Team Snubbing has reported consistent growth in service hours and revenue generation quarter over quarter in 2023 and the outlook for Q1 2024 and into the traditional spring break-up is for a continuation of this positive trend. Team's Snubbing's international partnership is planning with customers for high utilization operations for its two snubbing packages in 2024 as Alaska heads into spring. Coupling the outlook for Team Snubbing with the strategic growth of our rentals business through the acquisition of Delta, the Corporation anticipates strong demand for its equipment in 2024 and the delivery of improved financial performance in 2024.

During 2024, Canada is poised to expand oil and gas takeaway capacity to global markets. This is being accomplished through pipeline projects that finally access tidewater markets. These developments are expected to add a degree of prosperity and stability to the upstream energy services activity. So too, the evolving attitudes to energy security and decarbonization are stimulating investment in both alternative energy supply and carbon sequestration. Our Canadian business is now well positioned to benefit from these positive developments.

The outlook for the Corporation's PNG business in 2024 remains subdued. In the Drilling Services segment, Rig 103 realized full utilisation in Q4 2023 and it is expected to continue to operate through the first half of 2024. On Friday April 5, 2024 the Corporation received notice from its principal customer requesting High Arctic to suspend and cold-stack Rig 103 following the completion of the remaining approved well on their drilling schedule. The Ancillary Services segment's rental fleet of equipment continues to generate strong utilization and pricing and our manpower solutions continues to contribute a strong revenue stream at appropriate margins. With no additional wells for Rig 103, the Corporation expects associated PNG rental revenues to scale back in the second half of 2024 as well.

In the longer term, PNG is on the precipice of a new round of large-scale projects in the natural resources sector. The New-Porgera gold mine has recently commenced mining activity, representing the first of the major international investment projects. The others include the Papua LNG project headed up by French super-major TotalEnergies, which is anticipated to be the next major project. A final investment decision on Papua-LNG is progressing slowly with TotalEnergies and the PNG Government releasing a joint statement on April 7, 2023 guiding towards a decision in 2025. There is expectation for increased drilling activity through the latter half of this decade, not only to develop wells for the supply of gas to the Papua-LNG export facility, but also to explore for and appraise other discoveries. The recent signing of a fiscal stability agreement between the P'nyang gas field joint venture and the government of PNG is another positive signal for that project to follow Papua-LNG.

There are a number of other petroleum projects and substantive nation-building projects including infrastructure, electrification, telecommunications and defense projects planned for the development of PNG. These projects will require access to transport and material handling machinery, quality worksite mats and temporary road mats and a substantive amount of labour including skilled equipment operators, qualified tradespeople and engineers, geoscientists and other professionals. High Arctic's PNG business continues to position itself to be a meaningful supplier of services, equipment and manpower for this market.

Recent civil unrest in PNG has led to extra security measures and to this point, our operations have not been directly impacted.

Cost discipline and growth in Canada is supporting the Corporation's aims to optimize a tax-efficient return of capital to shareholders. High Arctic is moving to set a new direction in Canada as we continue to work on a plan to reorganize and separate the PNG and Canadian businesses.

2024 Strategic Objectives

High Arctic's 2024 Strategic Objectives build on the platforms created and directions taken in 2023, and include:

- Continued relentless focus on safety excellence and quality service delivery,
- Distribute surplus capital and prepare for the spin out of the PNG Business to shareholders,
- Create appropriate capital and corporate structures for the current businesses, that provide the opportunity to consider transactions which would create value for the Corporation's shareholders,
- Grow the core businesses through selective and opportunistic investments,
- Steward capital to preserve balance sheet strength and financial flexibility, and
- Accretive acquisitions in Canada that allow the Corporation to optimize its available tax loss carry-forwards.

Discussion of Operations

Fourth Quarter 2023 Summary

- Drilling Rig 103 operated continuously through Q4 2023, driving substantive increases in both the Drilling Services and Ancillary Services segments from pull through rentals associated with drilling activity coupled with increased contribution from Canadian rentals. This delivered the following financial results:
  - Revenue for the Quarter from continuing operations was $18,114, up marginally from Q3 2023 and an increase of $6,024 compared to Q4 2022 at $12,090, and
  - Adjusted EBITDA from continuing operations of $3,240 was achieved in Q4 2023, comparable to Q3 2023 and an increase of $4,408 over Q4 2022.
- The improved operations in Q4 2023 combined with increased investment income in the Quarter and the impact of PNG inventory adjustment and obsolescence provision of $3,704 recorded in Q4 2022 drove the following improved financial results for the Corporation:
  - Net income of $2,745 from continuing operations in Q4 2023 compared to a net loss from continuing operations of $9,229 realized in Q4 2022, and
  - Increased oilfield services operating margins from (26.8%) in Q4 2022 to 33.4% in Q4 2023.

Year to date December 31, 2023 Summary

- Revenue from continuing operations for 2023 was $61,933, a decrease of $15,435 compared to the revenue from continuing operations for 2022 at $77,368. The decrease is a result of revenue increases in the Drilling Services and Ancillary Services segments partially offsetting a revenue decrease of $36,100 in the Production Services segment as a result of the 2022 Sale Transactions' impact on Production Services segment results.
- Adjusted EBITDA from continuing operations was $11,797 in 2023, a significant increase of $6,278, or 114% when compared to 2022. This increase is primarily attributable to the 2022 Sale Transactions as the sale of these underperforming businesses has positively impacted the EBITDA generating capability of High Arctic. Additionally, meaningful EBITDA was generated in FY 2023 with the increase in active drilling in PNG and the increased deployment of rental equipment in PNG.
- High Arctic generated a net loss of $12,834 from continuing operations in 2023 compared to a net loss of $36,127 in the corresponding period of 2022. This reduction in net loss was primarily attributable to improved PNG operating results and the sale of the underperforming Canadian assets and business disposed of in both 2022 and 2023. The Corporation would have recorded positive net income in 2023 had it not recorded an impairment loss of $20,500 in Q3 2023 on its PNG Operations cash generating unit ("CGU").
- Oilfield services operating margins improved as a percent of revenue from 14.4% in 2022 to 34.3% in 2023. This improvement is primarily a result of the strength in the Ancillary Services segment and the 2022 Sale Transactions impact on Production Services segment results and the impact of the inventory adjustment and obsolescence provision of $3,704 recorded in Q4 2022.
- Supported by operational performance during 2023, High Arctic strengthened its balance sheet as working capital increased by $3,524 and $2,190 was returned to shareholders in the form of dividends.

Operating Results

Drilling services segment

	Three months ended Dec 31,		Years ended Dec 31,	
(thousands of Canadian Dollars, unless otherwise noted)	2023	2022	2023	2022
Revenue	14,257	10,126	47,910	30,671
Oilfield services expense	(11,122)	(13,498)	(36,597)	(29,330)
Oilfield services operating margin(1)	3,135	(3,372)	11,313	1,341
Operating margin (%)	***22.0%***	*(33.3%)*	***23.6%***	*4.4%*

(1) See "Non-IFRS Measures"

Revenues in the Quarter increased by $4,131 or 41% over Q4 2022 with full utilization of PNG Rig 103. Customer owned Rig 103 was fully active in Q4 2023 whereas in Q4 2022 revenue was earned from work performed preparing Rig 103 for operations and a high level of activity from the provision of skilled personnel for key customers in PNG.

Revenues for FY 2023 increased over the comparable period in 2022 also because of higher drilling rig utilization as the reactivation of Rig 103 pursuant to its 3-year term contract exceeded work in early 2022 for High Arctic owned Rig 115. Slightly offsetting the increased revenue from the higher drilling rig utilization was a reduced level of revenue from the provision of manpower. High Arctic continues to develop its labour resourcing capabilities for customers and in 2022 benefitted from a specific customer project completed in the second half of the year.

Operating margin as a percentage of revenues increased in both Q4 2023 and FY 2023. This was attributable to increased activity resulting from the full utilization of PNG Rig 103 from mid-March 2023 to the end of 2023. Additionally, the inventory adjustment and obsolescence provision of $3,704 recorded in Q4 2022 negatively impacted operating margin in both Q4 2022 and FY 2022.

The Corporation owns two heli-portable drilling rigs (Rigs 115 and 116) which remain preserved and maintained ready for deployment.

Ancillary services segment

	Three months ended Dec 31,		Years ended Dec 31,	
(thousands of Canadian Dollars, unless otherwise noted)	2023	2022	2023	2022
Revenue – continuing operations	3,857	1,963	14,023	12,198
Oilfield services expense – continuing operations	(925)	(1,422)	(4,016)	(4,882)
Oilfield services operating margin(1)	2,932	541	10,007	7,316
Operating margin (%)	***76.0%***	*27.6%*	***71.4%***	*60.0%*

(1) See "Non-IFRS Measures"

The Ancillary Services segment consists of High Arctic's oilfield rental equipment in Canada and PNG. After the Q3 2022 Sale Transactions and the Q4 2023 Delta Acquisition, rental equipment in Canada is centred upon pressure control equipment and equipment supporting the high-pressure stimulation of oil and gas wells in the WCSB.

Revenues from continuing operations increased $1,894 or 96% in the Quarter when compared to Q4 2022 primarily due to increased deployment of rental equipment in PNG. Margins for the same period improved from 27.6% to 76.0% in the Quarter primarily because of PNG equipment mix and Canadian cost structure improvements.

In 2023, Ancillary Services benefited from rental equipment utilization associated with active Rig 103 drilling operations in PNG, overcoming lower revenue from Canada due to the 2022 Sale Transactions.

Nitrogen Assets – Discontinued Operations
On July 31, 2023, the Corporation closed the sale of all nitrogen business assets, which were located in Canada, previously included in its Ancillary Services segment. Accordingly, for the three and twelve-month periods presented in this MD&A, the operating results of the Corporation's nitrogen assets have been presented as discontinued operations.

The results of the operations of the disposed nitrogen assets are as follows:

	Three months ended Dec 31,		Years ended Dec 31,	
(thousands of Canadian Dollars, unless otherwise noted)	2023	2022	2023	2022
Revenue	-	1,009	1,307	2,652
Oilfield services expenses	-	(184)	(1,191)	(1,861)
General and administrative expenses	-	(549)	(292)	(646)
Depreciation expense	-	(150)	(129)	(601)
Net loss from discontinued operations	**-**	126	**(305)**	(456)

Production services segment

	Three months ended Dec 31,		Years ended Dec 31,	
(thousands of Canadian Dollars, unless otherwise noted)	2023	2022	2023	2022
Revenue	-	1	-	36,100
Oilfield services expense	(19)	(412)	(57)	(33,631)
Oilfield services operating margin(1)	(19)	(411)	(57)	2,469
Operating margin (%)	***nm***	*nm*	***nm***	*6.8%*

(1) See "Non-IFRS Measures"

The Production Services segment consists of High Arctic's hydraulic workover rig package (Rig 102) in PNG, its snubbing units in Colorado, U.S., and its equity investment in the Seh' Chene Energy Partnership in Canada. There was no activity in the three- and twelve-month periods ended December 31, 2023. The same applies for the Q4 2022 period.

The Q3 2022 Sale Transactions impacted Production Services as certain assets were sold through two transactions. The Canadian snubbing assets were sold for an equity interest in the purchaser, Team Snubbing. While no longer reported in the Production Services segment reporting, High Arctic's 42% ownership interest and earnings therefrom are captured and reported as an equity investment.

For Canadian well servicing assets, these were disposed of for cash consideration, leaving High Arctic with well servicing equipment and capability in PNG.

High Arctic continues to pursue discussions with active E&P companies in PNG towards deployment of Rig 102 after refurbishing the service rig package and actively bidding for projects.

Team Snubbing
High Arctic accounts for the results of its 42% equity interest in Team Snubbing using the equity method of accounting, with Team Snubbing's net earnings recorded as income from equity investments in the respective reporting period. As reported in the Corporation's 2023 Financial Statements (Note 9), Team Snubbing achieved gross revenues of $21,252 for FY 2023 versus gross revenues of $6,050 for the comparative period in 2022. This increase in revenues is a result of increased job count activity as Team Snubbing had eight snubbing packages available for operation during 2023, versus five in 2022. 2022 also represented just five months of activity with the current fleet of snubbing units as the Snubbing Transaction closed on July 27, 2022. High Arctic's proportionate share of net income for 2023 was $803 versus $1 for the comparable period in 2022 due to higher customer demand and stronger operational performance.

General and Administrative ("G&A")

	Three months ended Dec 31,		Years ended Dec 31,	
(thousands of Canadian Dollars, unless otherwise noted)	2023	2022	2023	2022
G&A	**2,808**	1,797	**9,466**	9,478
Percent of revenue (%)	***15.5%***	*14.9%*	***15.3%***	*12.3%*

G&A costs for Q4 2023 were lower than Q3 2023 however G&A costs increased by $1,011 when compared to Q4 2022 primarily as a result of higher corporate and professional fees incurred by High Arctic relating to its work towards a revised reorganization plan, costs related to the acquisition of Delta and as a result of the special meeting the Corporation was obliged to hold on January 10, 2024. High Arctic also recorded an increase in the expected credit loss provision ("ECL") for its Canadian receivables in the Quarter. These additional costs impacted G&A as a percentage of revenue higher in the Quarter given the increased revenue levels achieved in Q4 2023.

Throughout 2023, the Corporation focused on reducing its recurring and controllable G&A costs, many of which are fixed in nature These efforts taken have been offset by the additional corporate and professional costs mentioned above and the increased ECL provision. As a percentage of revenue, G&A increased from 12.3% in 2022 to 15.3% in 2023 as a result of the reduced revenue base in 2023 due to the Sale Transactions and the higher corporate and professional fees incurred in 2023.

Depreciation

Depreciation expenses on property and equipment and right-of-use assets totaled $1,292 in Q4 2023 compared to $2,837 during Q4 2022, a decline of $1,545 or 54%. This decline is a result of the impairment recorded in Q3 2023 that reduced the cost base of High Arctic's property and equipment which has, in turn, reduced depreciation expense. Full year 2023 depreciation expense of $9,953 was lower than the FY 2022 depreciation expense of $17,097 primarily as a result of the reduced cost base of High Arctic's property and equipment and right-of-use assets following the Sale Transactions in 2022 and as a result of the impairment recorded in Q3 2023.

Impairment

As at September 30, 2023, the Corporation identified indicators of potential impairment in its PNG Operations CGU. The indicators noted have created uncertainty around future drilling activity levels in PNG for the Corporation. The Corporation performed an impairment test to determine the recoverable amount of the PNG Operations CGU and it was determined that the recoverable amount of the PNG Operations CGU was below its carrying value of $52,050 resulting in an impairment of $20,500 in Q3 2023, reducing the net carrying value of oilfield property and equipment.

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 recorded $228 in Q4 2023 compared to $251 in Q4 2022. This decrease was primarily due to the net settlement of DSUs upon the departure of two directors in 2023 and no new PSU or options grants to management or directors throughout 2023. FY 2023 share-based compensation expense of $496 was lower than the FY 2022 share-based compensation expense of $784 for the same reasons as mentioned above.

Interest, finance expenses, Interest and income from equity investments

	Three months ended Dec 31,		Years ended Dec 31,	
(thousands of Canadian Dollars)	2023	2022	2023	2022
Interest on long-term debt and standby fees	(38)	(84)	(172)	(442)
Finance expense – lease liabilities	(13)	(18)	(196)	(198)
Notes receivable accretion	51	81	192	(761)
Other expenses	25	(55)	(16)	(92)
Interest and finance expense	25	(76)	(192)	(1,493)
Interest income	553	139	2,018	210
Income (loss) from equity investments	352	(423)	803	1

In December 2021, the Corporation obtained long-term mortgage financing of $8,100 on certain High Arctic owned land and buildings in Canada. As part of the 2022 Sale Transactions $3,565 of principal was repaid in December 2022, resulting in a reduced mortgage liability and a commensurate lower interest expense in 2023. As part of the sale of all Canadian nitrogen business assets, $500 of principal was re-paid in July 2023. As at December 31, 2023, the mortgage principal balance was $3,527.

Finance expense on lease liabilities associated with the time value of money for Q4 2023 was a recovery of $32 versus an expense in Q4 2022 of $18. The recovery in Q4 2023 is a result of a recovery made reducing a 2023 lease charge in the Quarter. The finance expense incurred on lease liabilities in 2023 was $151, comparable to the $198 incurred in 2022 as High Arctic had higher lease obligations in 2022 prior to the Sales Transactions.

As part of the Snubbing Transaction, the Corporation received a convertible promissory note for $3,365 with a five-year term, annual interest rate of 4.5% accruing from January 1, 2023, and principal payments commencing in July 2024. The carrying value is being adjusted for accretion over the term of the note with $51 and $192 recorded during the three and twelve-month periods ended December 31, 2023, respectively (2022: $81 and ($761) respectively).

Interest income from cash invested in high-interest accounts and Guaranteed Investment Certificates ("GICs") totalled $553 during Q4 2023 (Q4 2022 – $139). As at December 31, 2023, the Corporation has $33,066 invested in GICs earning 5.3% and $920 maintained in a high-interest savings account earning an interest rate of 2.58%.

Income from equity investments represents High Arctic's equity interest in Team Snubbing and the Seh' Chene Partnership using the equity method of accounting. High Arctic records its proportionate interest of net income generated from these investments into its earnings in the respective reporting period. FY 2023 and Q4 2023 income from equity investments improved significantly as a result of the higher snubbing package utilization combined with the stronger operational performance realized in 2023 by Team Snubbing.

Income taxes

	Three months ended Dec 31,		Years ended Dec 31,	
(thousands of Canadian Dollars, unless otherwise noted)	2023	2022	2023	2022
Net income (loss) before income tax from continuing operations	2,268	(7,898)	(16,253)	(27,239)
Current income tax expense	(435)	(2,510)	(1,385)	(3,687)
Deferred income tax recovery (expense)	912	1,305	4,804	(5,201)
Total income tax recovery (expense)	477	(1,205)	3,419	(8,888)
Effective tax rate	*21.0%*	*(14.2%)*	*20.6%*	*(32.1%)*

The Corporation's current income tax expense is primarily due to withholding taxes incurred in foreign jurisdictions where High Arctic has its international operations. These withholding taxes are based on revenues and not on pre-tax income and as a result makes comparing effective tax rates from one period to another difficult. The increased total income tax recovery for 2023 relates to a recovery of $3,889 due to the impairment recorded in Q3-2023 and the full reversal of the deferred tax liability incurred as part of the Delta Acquisition. The total income tax expense recorded in 2022 was due to the write-down of deferred tax assets in Canada given the Well Servicing Transaction and Snubbing Transaction.

Other Comprehensive Gain (Loss)

The Corporation recorded a $873 foreign currency translation loss in other comprehensive loss for 2023 (2022: $4,432 gain) associated with the translation of its subsidiaries that have a functional currency other than CAD. The loss incurred in 2023 was primarily a result of a weaker US Dollar ("USD") at the end of 2023. The USDCAD exchange rate at year end 2022 was 1.3544 compared to the USDCAD exchange rate of 1.3226 at year end 2023.

Liquidity and capital resources

	Three months ended Dec 31,		Years ended Dec 31,	
(thousands of Canadian Dollars)	2023	2022	2023	2022
Cash provided by (used in) continued operations:				
Operating activities	8,002	227	11,394	7,717
Investing activities	(3,825)	(61)	24,180	6,684
Financing activities	76	(4,523)	(3,933)	(6,737)
Effect of exchange rate changes on cash	(723)	256	(720)	(256)
Increase (decrease) in cash from continuing operations	3,530	(4,101)	30,921	7,408

(thousands of Canadian Dollars, unless otherwise noted)	As at Dec 31, 2023	As at Dec 31, 2022
Current assets	79,438	69,278
Working capital(1)	62,985	59,461
Working capital ratio(1)	4.8:1	7.1:1
Cash and cash equivalents	50,331	19,559
Net cash(1)	46,804	15,345

(1) See "Non-IFRS Measures"

The Bank of PNG ("BPNG") 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 BPNG to maintain its USD account within the conditions of the BPNG currency regulations. The Corporation continues to use PGK for local transactions when practical. Included in the BPNG's conditions is for PNG drilling contracts to be settled in PGK, unless otherwise approved by the BPNG 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 BPNG of PNG approval for contracts to be settled in USD on a contract-by-contract basis, however, there is no assurance the BPNG will grant these approvals.

If such approvals are not received, 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, all such approvals have eventually been received in the past.

Operating Activities

In Q4 2023, cash generated from operating activities from continuing operations was $8,003, as compared with $227 of cash generated from operating activities from continuing operations in Q4 2022. Funds flow from continuing operations totaled $3,452 in the Quarter whereas $8,315 of funds were used in continuing operations in Q4 2022 (see "Non-IFRS Measures"). In Q4 2023, changes in non-cash working capital totaled $4,550 versus $8,542 in Q4 2022.

For the year ended December 31, 2023, cash generated from operating activities from continuing operations was $11,394, up from $7,717 in the corresponding period of 2022. Funds flow from continuing operations totaled $11,922 in the year ended December 31, 2023 whereas $3,125 of cash was used in continuing operations in 2022 (see "Non-IFRS Measures"). In 2023, there was a $528 cash outflow from working capital changes compared to an inflow of $10,842 in 2022.

Investing Activities

During the year ended December 31, 2023, the Corporation's cash from investing activities from continuing operations was $24,180 (2022: $6,684) reflecting the receipt of the final cash proceeds of $28,000 from the Well Servicing Transaction in Q1 2023, and $1,598 proceeds on disposal of property and equipment (2022: $11,397) offset by $3,430 of cash used to acquire Delta and capital expenditures totaling $1,959 (2022: $4,037) and a cash outflow of $Nil relating to working capital balance changes for investing activities (2022: $676 outflow).

Financing Activities

During the year ended December 31, 2023, the Corporation's cash used in financing activities was $3,933 (2022: $6,737). During the period, the Corporation paid $2,190 in dividends (2022: $2,193), $687 (2022: $3,861) towards principal payments on its mortgage financing (see "Mortgage Financing" below), $1,148 against lease liability payments (2022: $866), $25 towards the purchase of common shares for cancellation (2022: $60) and a $243 outflow relating to non-cash working capital balance changes (2022: $243 inflow). During 2022, the Corporation incurred higher long-term debt repayments with the Sale Transactions.

Mortgage financing

(thousands of Canadian Dollars)	As at Dec 31, 2023	As at Dec 31, 2022
Current	175	186
Non current	3,352	4,028
Total	3,527	4,214

The Corporation has mortgage financing secured by lands and buildings owned by High Arctic located within Alberta, Canada. The mortgage has a remaining term of 3 years with a fixed interest rate of 4.30% with payments occurring monthly.

The Corporation's mortgage financing contains certain non-financial covenants requiring lenders consent including changes to the underlying business. In conjunction with the Nitrogen Transaction, the terms of the Corporation's mortgage financing were amended. The amendments resulted in a one-time repayment of $500 of mortgage principal on July 28, 2023, the release of the sold assets from the general security of the mortgage and reduced reporting obligations.

Commitments and Contingencies

As part of the Corporation's contractual rig management and operations, the Corporation has been supplied equipment and an inventory of spare parts with a total value of $8,114 at December 31, 2023 (December 31, 2022 - $8,309) by a customer for the Corporation's operations in PNG, the underlying value is denominated in USD. The capital equipment and inventory are owned by this party and have not been recorded on the books of High Arctic. Written notice is required to end the contract. When notice to terminate is communicated, the Corporation must return the balance of capital equipment and inventory and make a payment to the customer equivalent to any shortfall. As at December 31, 2023, the Corporation has recorded a current obligation of $3,424 (December 31, 2022 - $3,270) as a result of consuming third-party owned inventory in operations which it is required to replenish on or prior to the termination of the contractual arrangement.

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.

	Years ended Dec 31, 2023		Year ended Dec 31, 2022	
(Common shares issued and outstanding)	Shares	Amount	Shares	Amount
Balance, beginning of period	48,691,864	$169,554	48,733,145	$169,697
Purchase of common shares for cancellation	(18,296)	(64)	(41,281)	(143)
Exercise of PSUs	448,734	502	-	-
Balance, end of period	49,122,302	$169,992	48,691,864	$169,554

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

On December 13, 2023, the Corporation received approval from the Toronto Stock Exchange to acquire for cancellation up to 1,000,000 common shares, or approximately 2.0 percent of the Corporation's outstanding shares, under a Normal Course Issuer Bid ("NCIB"). The NCIB is valid for one year, commencing on December 15, 2023 and terminating on December 14, 2024. Pursuant to this NCIB, no shares were purchased and cancelled in 2023. As at the date of this MD&A, no shares have been purchased and cancelled in 2024

The Corporation's previous NCIB commenced on December 15, 2022 and terminated on December 14, 2023. Pursuant to this previous NCIB, 18,296 common shares were purchased and cancelled in 2023.

At December 31, 2023, 117,000 stock options were outstanding at an average exercise price of $1.39 per share, as well as 320,597 units under the Corporation's Performance Share Unit Plan and 938,536 units under the Deferred Share Unit plan were outstanding. As at the date of this MD&A, 40,500 stock options were outstanding.

No common shares have been issued from December 31, 2023 to the date of this MD&A.

Summary of Quarterly Results – Continuing operations

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

	Three months ended							
(thousands of Canadian Dollars) (except per share)	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022
Revenue (2)	18,114	17,814	17,234	8,771	11,792	11,899	25,023	28,123
Adjusted EBITDA(1)	3,240	3,246	4,413	897	(716)	558	2,979	2,835
Net income (loss)(2)	2,667	(15,039)	89	(630)	(8,798)	(4,409)	(20,233)	(2,571)
Earnings (loss) per share – basic and diluted(1)	0.06	(0.31)	0.00	(0.01)	(0.18)	(0.09)	(0.42)	(0.05)
Cash flow from operating activities(1)	8,003	1,993	1,082	316	541	930	6,001	247
Funds flow from (used in) operating activities(1)	3,452	3,265	3,914	1,291	(7,995)	(661)	2,502	2,191

(1) See "Non-IFRS Measures"

(2) Revenue generated from the Canadian well services and snubbing assets sold in the Sale Transactions for Q1-2022: $15,060; Q2-2022: $16,079 and Q3-2022 $4,959. The Canadian snubbing assets were sold for an equity interest in the purchaser, Team Snubbing, on July 27, 2022. As a result, subsequent to this date, revenue and expenses in connection with High Arctic's 42% ownership interest in Team Snubbing are being reflected in income from equity investments.

Revenue remained consistent in Q4 2023 relative to both Q3 2023 and Q2 2023 primarily as a result of the Rig 103 drilling operations that were ongoing for all three quarters. The net income achieved in Q4 2023 represents a full quarter of results from the continuing business and includes a meaningful equity income contribution of $352 from the Team Snubbing investment. The net loss from continuing operations in Q3 2023 was attributable to asset impairment expenses of $20,500 associated with High Arctic's PNG Operations CGU partially offset by a $3,865 deferred income tax recovery, and a $615 gain on sale of the Canadian nitrogen business assets. The relatively large net loss from continuing operations incurred in Q4 2022 and Q3 2022 were primarily a result of the inventory adjustments of $3,900 relating to stock held in PNG and the $8,679 equipment impairment and $7,921 write-down of deferred income tax asset respectively. Funds flow from operating activities has generally improved over the course of the eight quarters presented as underperforming businesses have been sold and PNG Rig 103 drilling operations have been consistent for the last three quarters.

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.

	Three months ended							
	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022
Oil and LNG prices – Average for each period:								
Brent crude oil (US$/bbl)[(1)]	83	86	78	82	89	98	112	97
Japan LNG (US$/mmbtu)[(2)]	13.26	12.58	13.49	18.21	20.67	20.60	17.07	16.57
USD/CAD exchange rate[(1)]	1.36	1.34	1.34	1.35	1.35	1.37	1.29	1.25

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

Pricing for oil and natural gas production in PNG is generally tied to world prices such as Brent Crude and Japan LNG, which rebounded strongly from lows experienced in 2020 and early 2021 when global demand was negatively impacted by COVID-19. Current commodity price levels provide a sustainable environment in which to invest in exploring for and developing new oil and gas reserves.

More recently global commodity prices have stabilized in the high 70's to low 80's down from their 2022 highs. In the Quarter, Brent Crude Oil price average decreased slightly to USD 83/bbl as demand weakened slightly over the Quarter mostly on negative economic data out of China. The conflict in the Middle East that began early in Q4 has created significant volatility in oil pricing since October 2023 but a significant risk premium has not yet been witnessed in Brent pricing to date. OPEC has confirmed its plans to maintain their current production cuts which continue to provide firm price support for the commodity. Japanese LNG prices increased 5% to USD 13.26/mmbtu in the Quarter mostly on seasonal demand uptick.

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 strengthened against the CAD in Q4 2023 from an average of USDCAD 1.34 in Q3 2023 to 1.36 in Q4 2023 which positively impacted the Corporation's financial results from its PNG operations for the Quarter.

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.

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.

	Three months ended							
	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022
Oil and natural gas prices – Average for each period:								
West Texas Intermediate (WTI) (US$/bbl)[(1)]	78	82	74	76	83	92	108	94
West Canada Select (WCS) (CA$/bbl)[(1)]	77	93	79	69	77	94	122	101
Canada Light Sweet Oil (CLS) (CA$/bbl)[(1)]	98	107	95	100	108	117	136	118
AECO (CA$/mmbtu)[(1)]	2.30	2.61	2.43	3.23	5.24	4.46	7.26	4.77

(1) Source: Sproule

In Q4 2023, WTI, WCS, CLS prices all declined 5-8% in the Quarter. This decline was due to an increase in production to record levels in the United States, Canada's largest export customer, of approximately 13.3 million bbl/d coupled with relatively flat oil demand experienced in the period. Recessionary fears in North America that were present earlier in 2023 abated in the latter half of the year which helped to support the broader energy commodity complex.

In Canada, industry activity remained steady throughout the Quarter and was relatively consistent when compared to Q4 2022. North American commodity prices remain in a profitable range assisted by the favourable USD/CAD exchange rate, the aforementioned strong demand outlook and a political focus attempting to balance energy transition and energy security. All of these factors are favourable to the energy industry and provide impetus to justify upstream capital investment.

Financial Risk Management

Financial and other risks
The Corporation is exposed to financial risks arising from its financial assets and liabilities. This includes pandemic and/or endemic disease risk or 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. This risk was significant in 2021 in relation to COVID-19. Further, geopolitical risks are the potential risks that a business may face due to changes in global events, policies, or regulations. These could impact the Corporation's workforce and operations by limiting market access and increasing costs. Also, cyber-security risks increase as the Corporation outsources its IT servers to cloud providers and employees work remotely. Such restrictions could significantly impact the ability of 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:

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 currently has mortgage financing with a fixed interest rate of 4.30%. The Corporation is exposed to interest rate risk upon renewal or expiration of the initial term. In addition, the Corporation is also exposed to interest rate risk on any future borrowing as rates fluctuate in response to changes in monetary policy and the prime interest rates. The Corporation had no risk management contracts that would be affected by interest rates in place at December 31, 2023.

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 and geopolitical events. This includes implications from changing oil demand and supply, policy direction taken by OPEC including the role taken by Russia, climate change driven transitions to lower emission energy sources, the implications of changes to government and government policy 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 December 31, 2023.

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 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.

During 2023 and 2022, a 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 months and year ended December 31, 2023, 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 $478 and $853, respectively (December 31, 2022: $26 and $341, respectively).

The average USD to CAD ("USDCAD") exchange rate for the Quarter was 1.365 compared to 1.35 during Q4 2022. As at December 31, 2023, the US dollar weakened considerably late in the Quarter and was weaker at 1.3226 USDCAD compared to the prior year-end rate of 1.3544.

The impact of exchange rates for the Quarter resulted collectively in a $442 foreign exchange loss (Q4 2022 - $9) being recorded in the statements of loss on various foreign currency denominated transactions and on the translation of foreign denominated monetary assets and liabilities. Similarly, during FY 2023, $514 in foreign exchange losses were recorded (FY 2022 - $191).

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 December 31, 2023, USD $5,635 (December 31, 2022 - USD $564) was on deposit with a large international bank in PNG. BPNG has provided approval for High Arctic to maintain a USD bank account in accordance with the BPNG currency regulations.

Historically, the Corporation has 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 in order 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.

As at December 31, 2023, the Corporation cash balances in PNG totaled $8,680. Dividends paid out of PNG are subject to a dividend withholding tax of 15% and are held at source. As a result of this PNG tax legislation, a restriction therefore exists on the total amount of funds High Arctic could repatriate if a dividend were declared and paid. Assuming the Corporation declared a dividend for the full amount of its cash balances held at December 31, 2023, the dividend would attract a withholding tax in PNG of approximately $1,302 and the funds repatriated from PNG would be reduced accordingly.

The Corporation's financial instruments have the following foreign exchange exposure as at December 31, 2023:

(in thousands)	USD[1]	PGK[2]	Aus Dollar (AUD)[3]
Cash	10,234	4,621	373
Accounts receivable	9,698	4,823	10
Accounts payable and accrued liabilities	(8,055)	(29)	(20)
Total	11,877	9,415	363

(1) As of Dec 31, 2023, one USD was equivalent to 1.3226 CAD.
(2) As at Dec 31, 2023, one PGK was equivalent to 0.3511 CAD.
(3) As at Dec 31, 2023, one AUD was equivalent to 0.9001 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 range of customers comprised of small independent, intermediate and large multinational oil and gas producers in North America and predominantly large global customers in PNG.

The Corporation provided services to one large multinational customer who individually accounted for greater than 10% of its consolidated revenues during the year ended December 31, 2023 with total sales of $51,827 (2022: three customers with revenues of $44,481).

As at December 31, 2023, two customers represented a total of $15,139 or 92% of outstanding accounts receivable (December 31, 2022 - three customers represented a total of $6,415 or 58% of outstanding accounts receivable).

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

(thousands of Canadian Dollars)	As at Dec 31, 2023	As at Dec 31, 2022
Less than 31 days	6,680	3,049
31 days to 60 days	6,842	2,636
61 days to 90 days	2,854	2,173
Greater than 90 days	1,284	3,279
Provision for expected credit losses	(192)	(45)
Total	17,468	11,092

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 increase in inflation across global economies, economic recession possibilities, contraction of available capital and monetary tightening policies implemented 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 bankers and other creditors. The Corporation seeks to manage its financing based on the results of these processes.

Subsequent to the closing of the Sale Transactions in 2022, the Corporation's revolving credit facility was terminated. High Arctic intends to fund working capital and capital expenditure needs from cash balances with a view to establishing new arrangements geared towards its Canadian and Papua New Guinea businesses in due course.

Critical Accounting Judgements and Estimates

As a routine element of the financial statement preparation process, management is required to make estimates and assumptions based on information available as at the financial statement date. These estimates and assumptions affect the reported amounts of assets and liabilities, and the possible disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenue and expenses for the period.

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 audited annual consolidated financial statements for the year ended December 31, 2023. Although estimates and assumptions must be made during the financial statement preparation process, it is management's opinion that none of the estimates or assumptions were highly uncertain at the time they were made. The most significant estimates in High Arctic's Financial Statements relate to, but are not limited to, the following:

Accounts receivable – Expected credit loss

The Corporation estimates the amount of expected credit losses for trade receivables with no financing component using a provision matrix. The provision matrix is based on historical loss experience and is adjusted for forward-looking estimates based on current and future economic conditions using internal and externally sourced data. Judgement is required when applying this information to the expected credit loss and any adjustments as a result of new information.

The Corporation uses the simplified approach of the expected credit loss model for trade receivables with no significant financing component which requires measuring the loss allowance at an amount equal to the lifetime expected credit losses at initial recognition and throughout its life.

Inventory obsolescence provision

The Corporation measures inventories at the lower of the cost and net realizable value. The cost of inventories may not be recoverable if inventories are damaged or can no longer be used in the field and are therefore obsolete. Judgement is required when determining which inventory requires a provision for obsolescence.

The Corporation inspects inventory throughout the year and adjusts provisions for obsolete inventory each reporting period. Inventory that is identified as damaged or obsolete is eventually scrapped and removed from the inventory listing.

Identification of CGUs & impairment of property and equipment
Property and equipment are tested for impairment when events and/or changes in circumstances indicate that the carrying amount may not be recoverable which involves both judgement and estimation. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, defined as CGUs.

The classification of assets and allocation of corporate assets in CGUs requires significant judgement and interpretation. Further, the factors considered in CGU classification include the integration between assets, shared infrastructures, the existence of common sales points, geography and the way management monitors and makes decisions about its operations. As such, the determination of a CGU involves considerable judgement and could have a significant impact on impairment losses and reversals.

The assessment of impairment or impairment reversal indicators is based on significant judgment of whether there are internal and external factors that would indicate that a CGU and specifically the non-financial assets within the CGU, either are impaired or are no longer impaired. These factors include revenue and earnings before interest, taxes, depreciation and amortization ("EBITDA") forecasts, expected industry activity levels, commodity price developments and market capitalization. The Corporation's CGUs consist of the Canadian Rentals Operations and PNG Operations as at December 31, 2023.

The recoverable amount is the higher of a CGU's fair value less costs of disposal and value in use (being the present value of the expected future cash flows of the relevant CGU). Estimates of revenues and EBITDA forecasts used in the evaluation of impairment of assets are made using management's current operating forecasts, expected utilization, rates and costs of available equipment (margin), terminal values and discount rates. An impairment loss is recognized for the amount by which the CGU's carrying amount exceeds its expected recoverable amount.

Disposal of non-current assets
Once a disposal group is identified as held for sale, all associated assets are reclassified as current and presented separately in the statement of financial position. In addition, any liabilities directly associated with assets held for sale are also reclassified and presented as a separate financial statement line item. An asset or disposal group identified as held for sale may also be considered a discontinued operation if a component of an entity is disposed. A component must comprise operations and cash flows that can be clearly distinguished operationally and for financial reporting purposes. A component must also represent a major line of business or a geographical segment. Judgment is required in determining whether an asset or disposal group identified as held for sale is considered a discontinued operation.

In 2023, High Arctic sold all its nitrogen transportation, hauling and pumping business. The Corporation applies judgement to determine whether a component of the Corporation that either has been disposed of, or is classified as held for sale, meets the criteria of a discontinued operation. The key area that involves management judgement in this determination is whether the component represents a separate major line of business. There were no retained liabilities directly associated with the sale of this business and management determined that this represented a major line of business for the Corporation. As such, the Corporation has accounted for Nitrogen Transaction as a discontinued operation.

In 2022 High Arctic sold specific assets associated with its well servicing and snubbing services operations in Canada. The Corporation applies judgement to determine whether a component of the Corporation that either has been disposed of, or is classified as held for sale, meets the criteria of a discontinued operation. The key area that involves management judgement in this determination is whether the component represents a separate major line of business.

The Corporation has concluded that the disposal of well servicing assets and snubbing assets do not meet the definition of discontinued operations because they do not represent the disposal of a separate major line of business. This is because the Corporation continues to conduct activities in its Production Services line of business through its investments in Team Snubbing and Seh' Chene Partnership, and its well servicing assets in PNG. The Corporation also continues to own snubbing equipment and to assess opportunities in the United States.

Business combinations – goodwill and intangible assets
The Corporation measures the assets acquired, liabilities assumed and consideration paid in a business combination at fair value at the date of acquisition. Estimates and assumptions are used to calculate these fair values and changes to assumptions can have a significant impact on the determined fair values of assets acquired, liabilities assumed and consideration paid, which in turn can impact the amount recorded as goodwill or gain on acquisition.

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

As disclosed in the Corporation’s Q2 2023 amended and restated MD&A, during the period from August 31, 2023 to October 26, 2023, an evaluation of the effectiveness of High Arctic’s ICFR 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”). The Corporation identified a material weakness in the ICFR as it related to insufficient management review of complex accounting and financial reporting matters, including related disclosures.

As a result of the control weakness, incorrect amounts were reported in its operating segments note disclosure under IFRS 8. The Corporation restated its consolidated financial statements for the year ended December 31, 2022, and its Q4 2022 MD&A and its Q2 2023 MD&A. Based on this evaluation, the CEO and CFO concluded that as at December 31, 2022, and June 30, 2023, High Arctic’s ICFR was not effective due to the material weakness noted above. The Corporation identified the weakness and remediated the deficiency by adding an additional level of review for all of its consolidated financial statement notes and MD&A disclosures.

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 reasonable assurance with respect to the preparation and fair presentation of published financial statements. Aside from the additional level of review for all of its consolidated financial statement note and MD&A disclosures mentioned above, there have been no other changes to High Arctic’s internal controls over financial reporting during the twelve months ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

As at December 31, 2023, 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 of and with the participation of management, including the CEO and the CFO. Based on this evaluation, the CEO and CFO concluded that as at December 31, 2023, the design and operation of the Corporation’s DC&P 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.

For information regarding the corporate governance policies and practices of High Arctic, the reader should refer to High Arctic’s 2023 Annual Report, High Arctic’s Annual Information Form dated April 8, 2024 in respect of the year ended December 31, 2023, High Arctic’s Information Circular in respect of the May 11, 2023 Annual General and Special Meeting of shareholders and High Arctic’s Information Circular in respect of the January 10, 2024 Special Meeting of shareholders each of which is available under the Corporation’s profile on SEDAR+ at www.sedarplus.ca.

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, 2023 AIF, which are specifically incorporated by reference herein. The AIF is available on SEDAR+ at www.sedarplus.ca, 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 from continuing operations before interest, taxes, depreciation, and amortization (“EBITDA from continuing operations”)

EBITDA from continuing 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. EBITDA from continuing operations 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 from continuing operations 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 from continuing operations is not intended to represent or be construed as an alternative to net earnings (loss) calculated in accordance with IFRS. Note that EBITDA from continuing operations is inclusive of government wage subsidies and rental subsidies recorded. Refer to table in Adjusted EBITDA from continuing operations below that provides a reconciliation of net earnings (loss), as disclosed in the consolidated statements of loss and comprehensive loss, to EBITDA from continuing operations.

Adjusted EBITDA from continuing operations

Adjusted EBITDA from continuing 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. Adjusted EBITDA from continuing operations is defined based on EBITDA from continuing operations (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, equity earnings from investments, other costs related to consolidating facilities, excess of insurance proceeds over costs and foreign exchange gains or losses. Note that Adjusted EBITDA from continuing operations is inclusive of the CEWS and rental subsidy programs which ended in October 2022.

Management believes the addback for these items provides a more comparable measure of the Corporation's operational financial performance between periods. Adjusted EBITDA from continuing operations as presented is not intended to represent or be construed as an alternative to net loss in accordance with IFRS.

The following table provides a quantitative reconciliation of consolidated net loss from continuing operations, as disclosed in the consolidated statements of loss and comprehensive loss, to EBITDA from continuing operations and Adjusted EBITDA from continuing operations for the three and twelve months ended December 31, 2023 and 2022:

	Three months ended Dec 31,		Years ended Dec 31,	
(thousands of Canadian Dollars)	2023	2022	2023	2022
Net income (loss) from continuing operations	**2,745**	(9,229)	**(12,834)**	(36,127)
Add:				
Interest income	**(553)**	(139)	**(2,018)**	(210)
Interest and finance expenses (recovery)	**(25)**	76	**192**	1,493
Income tax expense (recovery)	**(477)**	595	**(3,419)**	8,888
Depreciation from continuing operations	**1,292**	2,837	**9,953**	17,097
EBITDA from continuing operations	**2,982**	(5,860)	**(8,126)**	(8,859)
Adjustments to EBITDA:				
Inventory adjustments	**-**	3,871	**-**	3,871
Share-based compensation expense	**228**	251	**496**	784
Loss (income) from equity investments	**(352)**	422	**(803)**	(1)
Asset impairment expense	**-**	109	**20,500**	9,667
Loss (gain) on sale of property and equipment	**(60)**	30	**(784)**	(134)
Foreign exchange loss	**442**	9	**514**	191
Adjusted EBITDA from continuing operations	**3,240**	(1,168)	**11,797**	5,519

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 understanding the Corporation's operating performance. Oilfield services operating margin is not intended to represent revenue, 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 as presented is not intended to represent or be construed as an alternative to revenue or net earnings (loss) in accordance with IFRS. The table disclosed under "Oilfield services operating margin %" below provides a quantitative reconciliation of revenue, as disclosed in the consolidated statements of loss and comprehensive loss, to oilfield services operating margin and oilfield operating margin % for the three and twelve months ended December 31, 2023 and 2022.

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 %:

	Three months ended Dec 31,		Years ended Dec 31,	
(thousands of Canadian Dollars, unless otherwise noted)	2023	2022	2023	2022
Revenue from continuing operations	18,114	12,090	61,933	77,368
Oilfield services expenses from continuing operations	(12,066)	(15,332)	(40,670)	(66,242)
Oilfield services operating margin	6,048	(3,242)	21,263	11,126
Oilfield services operating margin %	33.4%	(26.8%)	34.3%	14.4%

Operating income (loss) from continuing operations

Operating income (loss) from continuing 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. Operating income (loss) from continuing operations 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 income (loss) from continuing operations is not intended to represent revenue, net earnings (loss), or other measures of financial performance calculated in accordance with IFRS. Operating income (loss) from continuing operations is calculated as revenue less oilfield services expense, general and administrative expense, depreciation, and share-based compensation. Operating income (loss) from continuing operations 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 income (loss) from continuing operations for the three and twelve months ended December 31, 2023 and 2022:

	Three months ended Dec 31,		Years ended Dec 31,	
(thousands of Canadian Dollars)	2023	2022	2023	2022
Revenue from continuing operations	18,114	12,090	61,933	77,368
Oilfield services expenses from continuing operations	(12,066)	(15,332)	(40,670)	(66,242)
G&A expenses from continuing operations	(2,808)	(1,797)	(9,466)	(9,478)
Depreciation from continuing operations	(1,292)	(2,837)	(9,953)	(17,097)
Share based compensation	(228)	(251)	(496)	(784)
Operating income (loss) from continuing operations	1,720	(8,127)	1,348	(16,233)

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 flow from continuing operations

Funds flow from continuing 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 flow from continuing operations is defined as net cash generated (used in) from continuing 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 generated from operating activities before changes in non-cash working capital adjustments 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 generated from (used in) operating activities, as disclosed in the consolidated statements of cash flows, to funds flow from (used in) continuing operations for the three and twelve months ended December 31, 2023 and 2022:

	Three months ended Dec 31,		Years ended Dec 31,	
(thousands of Canadian Dollars)	2023	2022	2023	2022
Net cash generated from continuing operating activities	8,002	227	11,394	7,717
Changes in non-cash working capital balances - operating	(4,550)	(8,542)	(528)	(10,842)
Funds flow from continuing operations	3,452	(8,315)	11,922	(3,125)

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 December 31, 2023 and 2022:

(thousands of Canadian Dollars)	As at Dec 31, 2023	As at Dec 31, 2022
Current assets	79,438	69,278
Current liabilities	(16,453)	(9,817)
Working capital	62,985	59,461
Working capital ratio	4.8:1	7.1:1

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:

(thousands of Canadian Dollars)	As at Dec 31, 2023	As at Dec 31, 2022
Cash and cash equivalents	50,331	19,559
Less: Long term debt(1)	(3,527)	(4,214)
Net cash	46,804	15,345

(1) Long-term debt includes current portion of $175 (2022: $186) and non-current portion of $3,352 (2022: $4,028)

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, the outlook for energy services; continued impact of Russia-Ukraine conflict; the impact of conflict in the middle east; 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; expectations regarding the Corporation's ability to manage its liquidity risk; raise capital and manage its debt finance agreements; projections of market prices and costs; factors upon which the Corporation will decide whether or not to undertake a specific course of operational action or expansion; the Corporation's ongoing relationship with its major customers; the return of capital to the Corporation's shareholders and intended reorganization including spinoff of the PNG Business to shareholders as a Canadian publicly listed company, distribution of a return of capital to shareholders, and obtaining applicable regulatory and shareholder approvals; right sizing of the general and administrative infrastructure to align with the new corporate structure; expansion of Canadian oil and gas takeaway capacity to global markets; the performance of the Corporation's investment in Team Snubbing, and whether Team Snubbing can realize high utilization operations for its two snubbing packages in 2024 in Alaska; strong demand for the Corporations Canadian rental equipment in 2024 and the delivery of improved financial performance in 2024, Papua New Guinea being on the precipice of a new round of large-scale projects in the natural resources sector; if and the timing of when a final investment decision will be made on the Papua-LNG project; whether the development of the P'nyang gas field will follow Papua-LNG; whether Rig 103 will continue to operate through the first half of 2024 and beyond that through the term of its contract; if the Corporation's primary customers will add approved wells to its current drilling schedule, and the Corporation's expectation of maintaining current financial performance if they do; the Corporation's ability to position itself to be a significant supplier of services, equipment and manpower for other projects in PNG deploying idle heli-portable drilling rigs 115 and 116; future work with other exploration companies in PNG; scaling the Canadian business; executing on one or more corporate transactions; estimated credit risks and the utilization of 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: maintain its ongoing relationship with major customers; successfully market its services to current and new customers; devise methods for, and achieve its primary objectives; source and obtain equipment from suppliers; successfully manage, operate, and thrive in an environment which is facing much uncertainty; remain competitive in all its operations; attract and retain skilled employees; and obtain equity and debt financing on satisfactory terms.

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.sedarplus.ca.

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
CLS	- Canadian Light Sweet
DCP	- Disclosure controls and procedures
EBITDA	- Earnings before interest, tax, depreciation, and amortization
FY	- Financial Year
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 of America
USD	- United States dollars
USDCAD	- Exchange rate that represents the amount of CAD required to buy one USD
WCS	- West Canada Select
WCSB	- Western Canadian Sedimentary Basin
WTI	- West Texas Intermediate