MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED
June 30, 2024 and 2023

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 August 14, 2024 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes for the three and six months ended June 30, 2024 and 2023 (the "Financial Statements") and the audited consolidated financial statements and notes for the years ended December 31, 2023 and 2022. 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 August 14, 2024. All amounts are expressed in thousands of Canadian dollars ("CAD") unless otherwise noted and have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting.

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 June 30, 2024 may be referred to as the "quarter" or "Q2 2024" and the comparative three months ended June 30, 2023 may be referred to as "Q2 2023". References to other quarters may be presented as "QX 20XX" with X/XX being the quarter/year to which the commentary relates. Additionally, the six months ended June 30, 2024 may be referred to as "YTD" or "YTD-2024". References to other six-month periods ended June 30 may be presented as "YTD-20XX" with XX being the year to which the six-month period ended June 30 commentary relates.

All figures quoted throughout this document are in thousands of Canadian dollars unless otherwise stated.

CORPORATE REORGANIZATION AND SPINOFF OF THE PNG BUSINESS

On June 17, 2024, the Corporation held its Annual and Special General Meeting where the Corporation's shareholders approved, amongst other things, a special resolution approving a reorganization of the Corporation by way of a plan of arrangement ("the Arrangement") and return of capital of up to $0.76 per common share of High Arctic (the "Return of Capital"). Pursuant to the reorganization of the Corporation, the PNG business was spun out to the current High Arctic shareholders through a new publicly-listed entity High Arctic Overseas Holdings Corp. ("SpinCo") that will trade on the TSX Venture Exchange under the trading symbol HOH. On June 27, 2024, the Corporation received a final order approving the Arrangement from the Alberta Court of King's Bench. On August 1, 2024, the Corporation was able to fulfill the last major condition in the Arrangement which was the receipt of conditional approval from the TSX Venture Exchange to have the SpinCo shares trade on its exchange. All other terms and conditions to the Arrangement were satisfied subsequent to receipt of conditional approval from the TSX Venture Exchange and the Arrangement was completed on August 12, 2024. The shares of SpinCo are expected to commence trading on the TSX Venture Exchange on or about August 16, 2024.

As at June 30, 2024, the Corporation concluded that based on the events during the three-month period ended June 30, 2024, the completion of the Arrangement and the reorganization of the Corporation as planned was highly probable and therefore classified the PNG business as assets and liabilities held for distribution in this MD&A and Financial Statements. Also, given the PNG business represents a separate geographical area of operations, it is presented as discontinued operations.

ACQUISTIONS AND DISPOSITIONS

On December 28, 2023, High Arctic completed the acquisition (the "Delta Acquisition") of all the shares of Delta Rental Services Ltd. ("Delta") for cash consideration of $3,430 and contingent consideration of $2,952 that includes a combination of cash and shares, payable over a three-year period.

On June 19, 2023, High Arctic entered into an agreement to sell its Canadian Nitrogen transportation, hauling and pumping services business to a private company (the "Nitrogen Transaction") for cash consideration of $1,350. The transaction closed on July 31, 2023.

CORPORATE PROFILE

Headquartered in Calgary, Alberta, Canada, High Arctic's continuing operations involve the rental of pressure control and other oilfield equipment to exploration and production companies operating in Canada. High Arctic conducts its continuing business operations in two separate operating segments: Ancillary Services and Production Services, supported by a Corporate segment. The Corporation also has a Drilling Services segment, the activity from which is included in discontinued operations and classified in this MD&A and Financial Statements as assets and liabilities held for distribution. Discontinued operations and assets and liabilities held for distribution also includes activity from the Ancillary Services segment outside North America.

Ancillary Services

The Ancillary Services segment included in continuing operations consists of High Arctic's oilfield rental equipment in Canada centred upon pressure control equipment and equipment supporting the high-pressure stimulation of oil and gas wells in the WCSB and now, subsequent to the Delta Acquisition, operates under the Delta Rental Services brand.

High Arctic's oilfield rental equipment business in PNG has been captured in discontinued operations and pursuant to the Nitrogen Transaction, the operating results of the Corporation's legacy nitrogen business have also been accounted for as discontinued operations.

Production Services

The Production Services segment consists of the Corporation's snubbing assets in the U.S. and its strategic equity investments in Team Snubbing Services Inc. ("Team Snubbing"), and the Seh' Chene Well Services Limited Partnership ("Seh' Chene Partnership").

Corporate

The Corporate segment provides executive leadership, finance and treasury expertise and corporate administrative services to support High Arctic's other business segments.

2024 SECOND QUARTER HIGHLIGHTS

- Transformational developments from shareholder approvals on June 17, 2024:
    - $37.8 million return of capital to shareholders completed on July 17, 2024 funded through sale proceeds on 2022 disposal of Canadian well servicing assets, and
    - Reorganization of capital structure to provide shareholders separate holdings in two publicly-traded entities, with dedicated leadership, governance structure and solid financial positioning.
        - The continuing Canadian business and listing on the TSX (ticker HWO), and
        - The spinoff of the PNG business and new listing on the TSX Venture Exchange (ticker HOH).
- Continued integration of the Delta Acquisition with the legacy High Arctic rental business that now operates under the Delta Rental Services banner with deployment of additional underutilized assets into our expanded geographical coverage in Alberta.
- Increased revenue from continuing operations by $1,869 or 281% in the quarter when compared to revenue of $664 from Q2 2023 as a result of the impact of the Delta Acquisition on the 2024 results.
- Achieved positive Adjusted EBITDA from continuing operations of $187 in the quarter versus negative Adjusted EBITDA for Q2 2023 of ($934).
- Narrowed the operating loss from continuing operations from $1,400 in Q2 2023 to $1,363 in Q2 2024 as a result of the contribution from the Delta Acquisition which was mostly offset by $763 of additional G&A expenses incurred relating to the corporate reorganization.

2024 YEAR TO DATE HIGHLIGHTS

- Similar to the discrete quarter results, High Arctic's revenue from continuing operations increased 314% to $5,521 compared to revenue of $1,332 achieved in the first six months of 2023 as a result of the Delta Acquisition on 2024 results.
- Achieved strong oilfield services operating margins from continuing operations of 49.4% for the first half of 2024.
- Narrowed the use of funds flow from operations from continuing operating activities as the YTD-2024 saw a use of $96 compared to a use of $747 for the first six months of 2023 driven by strong operational performance from the Delta Acquisition offset by the significant additional G&A expenses incurred in 2024 due to the corporate reorganization initiatives.
- Working capital at the end of the quarter totaled $4,368, including cash of $3.3 million (after giving affect to the Return of Capital distribution). This positioning stands to support organic growth and be an initial basis for acquisition growth through selective and opportunistic investments.

Select Comparative Financial Information

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

	Three months ended June 30		Six months ended June 30	
(thousands of Canadian Dollars, except per share amounts)	2024	2023	2024	2023
Operating results from continuing operations:				
Revenue – continuing operations	**2,533**	664	**5,521**	1,332
Net loss - continuing operations	**(1,709)**	(1,546)	**(1,527)**	(1,706)
Per share (basic & diluted) (1)	***(0.04)***	*(0.03)*	***(0.03)***	*(0.03)*
Oilfield services operating margin - continuing operations (2)	**1,204**	309	**2,729**	760
Oilfield services operating margin as a % of revenue (2)	***47.5%***	*46.5%*	***49.4%***	*57.1%*
EBITDA - continuing operations (2)	**(1,465)**	(1,613)	**(1,233)**	(1,755)
Adjusted EBITDA - continuing operations (2)	**187**	(934)	**280**	(1,331)
Operating loss - continuing operations (2)	**(1,363)**	(1,400)	**(2,433)**	(2,438)
Cash flow from continuing operations:				
Cash flow from continuing operating activities	**(761)**	626	**(490)**	33
Per share (basic & diluted) (1)	***(0.02)***	*0.01*	***(0.01)***	*0.00*
Funds flow from (used in) continuing operating activities (2)	**(293)**	(659)	**(96)**	(747)
Per share (basic & diluted) (1)	***(0.01)***	*(0.01)*	***(0.00)***	*(0.02)*
Return of Capital, declared (4)	**37,842**	730	**37,842**	1,460
Per share (basic)	***0.77***	*0.015*	***0.77***	*0.030*
Per share (diluted)	***0.751***	*0.014*	***0.750***	*0.028*
Capital expenditures	**507**	317	**815**	425

	As at	
(thousands of Canadian Dollars, except per share amounts and common shares outstanding)	June 30, 2024	Dec 31, 2023
Financial position:		
Working capital (2)	**4,368**	62,985
Cash and cash equivalents (3)	**41,087**	50,331
Total assets	**120,993**	123,137
Long-term debt (non-current)	**3,265**	3,352
Shareholders' equity	**64,160**	99,332
Per share (basic) (1)	***1.31***	*2.04*
Per share (fully diluted) (1)	***1.27***	*1.94*
Common shares outstanding	**49,792,700**	49,122,302

(1) 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 13 of the Financial Statements (continuing operations).

(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 and Working capital do not have standardized meanings prescribed by IFRS – see the "Non IFRS Measures" section in this MD&A for calculations of these measures.

(3) Cash and cash equivalents includes $37,842 distributed to High Arctic shareholders on July 17, 2024 as a return of capital distribution.

(4) 2023 figures are cash dividends declared.

Outlook

For some time, the Corporation has both pursued or entertained potential business combination transactions. The distinctly different profiles of the North American and PNG businesses have proven to be the main impediment to unearthing transactions acceptable to all parties and in the best interests of High Arctic Shareholders. Finding unique companies desirous of being linked to both distinct businesses has proven futile. Companies to whom association with our North American Business may be attractive are a distinctly broader group and do not overlap with the international companies with whom the PNG business and its risk profile may fit well.

An example of this type of business combination was achieved in the Canadian market amidst reorganization deliberations with the Delta Acquisition in December of 2023. Its integration with our legacy rentals business in Canada has enabled the Corporation to increase scale at the operating margin level through the first half of 2024. Delta has performed in line with our pre-transaction expectations during this first half year and we expect a strong performance through the balance of 2024 as we continue to market and deploy our underutilized assets into our expanded geographical coverage.

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 and well stimulation, a minority interest in Canada's largest oilfield snubbing services business, Team Snubbing Services Inc., ("Team Snubbing") and industrial properties at Clairmont and Whitecourt in Alberta, Canada. With the recent completion of the Arrangement, High Arctic is now poised to execute on an exciting new chapter in its corporate history and looks to grow the Canadian business through selective and opportunistic investments as well as consider accretive acquisitions in Canada.

As Team Snubbing moves into the second half of 2024, we are looking forward to developments from the changes made in Q2 2024 after their acquisition of control of Team Snubbing International Inc. ("Team International") that took place on April 1, 2024. The changes made in the quarter include the restructuring of the management and operational teams and the deployment of additional purpose-built assets to meet market needs of their customers and the environment they operate in. The navigation through this initiative in such a short period has proven the capability and depths of the Team Snubbing management team and the 'Team Culture'. Team Snubbing and High Arctic are very proud of what has been accomplished in a short time frame and are excited to build on the larger geographical foundation that has been established.

Post the Arrangement, coupling the outlook for Team Snubbing and our integrated rentals business along with the industry macro developments around pipeline projects that will finally access tidewater markets and expand oil and gas takeaway for Canada in 2024, the Corporation anticipates strong demand for its equipment. Our Canadian business will be well positioned to deliver upon a growth strategy that creates value for our shareholders.

Post the Arrangement, the PNG business, High Arctic Overseas Holding Corp., begins with intact senior leadership and management, a new and independent Board of Directors, its own public listing on the TSX Venture exchange, a strong capital structure, no long-term debt and positive working capital of approximately US$19 million, including US$13 million in cash. Having successfully completed its current drilling program in PNG during the second quarter, drilling operations will be idle and are expected to remain idle to close out 2024. Ancillary services for rental equipment and manpower solutions remain active and are expected to provide meaningful cash flow to partially cover regional fixed infrastructure and personnel support costs. Near term priorities include sustainment of safety culture and people expertise, a deep and productive national workforce, and positioning for significant business development around world-class LNG projects.

2024 Strategic Objectives

High Arctic's 2024 Strategic Objectives build on the platforms created and directions taken in 2023, and with the distribution of surplus capital and completion of the spin out of the PNG business, the ongoing objectives include:

- Continued relentless focus on safety excellence and quality service delivery,
- 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
- Execute accretive acquisitions in Canada that allow the Corporation to optimize its available tax loss carry-forwards.

Operating Results

Ancillary services segment

	Three months ended June 30		Six months ended June 30	
(thousands of Canadian Dollars, unless otherwise noted)	2024	2023	2024	2023
Revenue	**2,533**	664	**5,521**	1,332
Oilfield services expense	**(1,329)**	(355)	**(2,792)**	(572)
Oilfield services operating margin(1)	**1,204**	309	**2,729**	760
Operating margin (%)	***47.5%***	*46.5%*	***49.4%***	*57.1%*

(1) See "Non-IFRS Measures"

The Ancillary Services segment consists of High Arctic's oilfield rental equipment in Canada centred upon pressure control equipment and equipment supporting the high-pressure stimulation of oil and gas wells in the WCSB.

The significant increase in revenue for the three- and six-month periods ended June 30, 2024 versus the comparable periods in 2023 is a result of the contribution from the Delta business that was acquired in late 2023. Specifically, revenues increased $1,869 or 281% in the quarter when compared to Q2 2023 and increased $4,189 or 314% when compared to YTD revenues from 2023. Operating margins achieved were 47.5% and 49.4% for the three- and six-month periods ended June 30, 2024. Second quarter operating margins were lower than Q1-2024 largely due to lower industry-wide activity levels customary for the annual spring break up period. The 57.1% operating margin reported for the six months ended June 30, 2023 was the result of a high proportion of Q1 2023 sales coming from higher margin pressure control equipment direct rental contracts.

Production services segment

The Production Services segment operations consist of High Arctic's idled snubbing units in Colorado, U.S., and its equity investments in the Seh' Chene Partnership and Team Snubbing Services Inc. in Canada. Though the Seh' Chene Partnership has experienced limited business activity since the 2022 Canadian sales transactions, the partnership is still active and the Corporation together with its partner look to reposition its customer offerings and explore other avenues for business activity.

Team Snubbing Services Inc.

Also included in High Arctic's production services segment is its equity investment in 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 Q2 2024 Financial Statements (Note 7), Team Snubbing achieved gross revenues of $4,719 for Q2 2024 versus gross revenues of $3,161 for the comparative period in 2023. This increase in revenues is a result of increased job count activity as Team Snubbing had an increased number of snubbing packages available for operation during Q2 2024, versus the same period in Q2 2023.

High Arctic's proportionate share of Team Snubbing's net loss for Q2 2024 was $889 versus a net of loss of $430 for the comparable period in 2023, representing an increase in net loss of $459 or 107%. This net loss realized in the quarter was primarily due to Team Snubbing's consolidation of Team International for the first time following their April 1, 2024 acquisition of control of Team International. Team International's operations generated a loss in the three-month period ended June 30, 2024 due to lower than anticipated activity levels in the quarter, with only one snubbing package in operation for one month in Alaska due to unseasonably cold and other localized weather events that affected the execution of some customers' planned workover schedules in Q2 plus additional one-time costs incurred restructuring the management and operational teams. The restructuring initiative consolidated Team International's workforce, "right sizing" it to the needs of the overall customer base.

PNG Business Spin-off – Discontinued Operations

The operating results of the Corporation's PNG business, which includes activity from its Drilling Services and international Ancillary Services segments, reported herein as discontinued operations for the three and six months ended June 30, 2024 and 2023 are as follows.

(thousands of Canadian Dollars)	Three months ended June 30, 2024	2023	Six months ended June 30, 2024	2023
Revenue	**10,431**	16,570	**25,448**	24,673
Oilfield services expense	**(6,336)**	(10,413)	**(15,533)**	(16,074)
General and administrative expense	**(1,967)**	(733)	**(2,868)**	(1,790)
Depreciation and amortization expenses	**(2,022)**	(2,728)	**(3,115)**	(5,052)
Interest and finance income (expense)	**66**	(110)	**85**	(127)
Foreign exchange gain (loss)	**91**	(13)	**13**	(4)
Gain (loss) on sale of property and equipment	**-**	7	**-**	7
Pre-tax income for the period	**263**	2,580	**4,030**	1,633
Income tax (expense)	**(305)**	(945)	**(699)**	(468)
Net income (loss) from discontinued operations	**(42)**	1,635	**3,331**	1,165

The assets and liabilities associated with the PNG business are now being shown as assets held for distribution the Corporation's financial statements.

Nitrogen Business 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-month period 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:

(thousands of Canadian Dollars, unless otherwise noted)	Three months ended June 30 2024	2023	Six months ended June 30 2024	2023
Revenue	-	448	-	1,202
Oilfield services expenses	-	(484)	-	(1,059)
General and administrative expenses	-	(99)	-	(214)
Depreciation expense	-	(51)	-	(111)
Gain of sale of property and equipment	-	-	-	1
Net loss from discontinued operations	**-**	(186)	**-**	(181)

General and Administrative ("G&A")

(thousands of Canadian Dollars, unless otherwise noted)	Three months ended June 30 2024	2023	Six months ended June 30 2024	2023
G&A	**1,780**	1,320	**3,695**	2,215
Percent of revenue (%)	***70.3%***	*198.8%*	***66.9%***	*166.3%*

The Corporation's G&A levels have been elevated in recent quarters as a result of professional and other fees associated with the Arrangement and other aspects of the corporate reorganization that was completed subsequent to the end of the quarter. G&A costs for Q2 2024 totaled $1,780 of which $763 was non-recurring G&A related to the reorganization. For the six months ended June 30, 2024, G&A was $3,695 of which $1,246 was non-recurring G&A related to the reorganization. Removing these non-recurring G&A charges related to the reorganization for the three and six months ended June 30, 2024, would result in G&A as a percentage of revenue being 40.2% and 44.4% respectively.

High Arctic's second quarter 2024 G&A was higher than Q2 2023 by $460 primarily because of higher corporate and professional fees incurred by High Arctic related to the reorganization work. G&A as a percentage of revenue declined from 198.8% in Q2 2023 to 70.3% in Q2 2024 as a result of the higher revenue.

With the completion of the reorganization, the focus of the remaining business solely on Canada, and the Corporation executing on its specific business plans, High Arctic intends to reduce its fixed G&A costs in a meaningful way in future quarters.

Depreciation
Depreciation expenses on property and equipment and right-of-use assets totaled $707 in Q2 2024, compared to $423 during Q2 2023, an increase of $284 or 68%. Depreciation expense for the six months ended June 30, 2024 totaled $1,328, compared to $831 during the same period in 2023, an increase of $497 or 60%. These increases are the result of the additional property and equipment cost base associated with the Delta Acquisition which has, in turn, increased depreciation expense.

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 $80 of expense in Q2 2024 compared to a $34 recovery in Q2 2023 and $139 of expense for the first half of 2024, compared to $152 for the comparative period. This decrease was primarily due to the departure of two directors in 2023 and no new share unit or option grants to management or directors throughout 2023 and in the first half of 2024.

Interest, finance expenses and loss from equity investments

	Three months ended June 30		Three months ended June 30,	
(thousands of Canadian Dollars)	2024	2023	2024	2023
Interest on long-term debt and standby fees	**38**	45	**76**	93
Finance expense – lease liabilities	**21**	19	**42**	30
Other expenses	**3**	4	**8**	11
Interest and finance expense	**62**	68	**126**	134
Notes receivable accretion	**66**	48	**130**	91
Interest income	**467**	510	**1,038**	927
Loss from equity investments	**889**	430	**399**	57

Interest expense is pursuant to a mortgage secured by lands and buildings owned by High Arctic located within Alberta, Canada. The mortgage has a remaining initial term of under three years with a fixed interest rate of 4.30% and payments occurring monthly. The Corporation's mortgage financing contains certain non-financial covenants requiring lenders' consent including changes to the underlying business. As at June 30, 2024, the mortgage principal balance was $3,440.

Finance expense on lease liabilities associated with the time value of money for Q2 2024 was $21 versus $19 in Q2 2023 and $42 for the six months ended June 30, 2024, versus $30 for the same period the year prior. The increase is due to the additional lease obligations in 2024 recognized as part of the Delta Acquisition.

As part of the sale of the Canadian snubbing assets in 2022, 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. In 2023, as part of the consideration for the Delta Acquisition, High Arctic received an interest-free note receivable for $880 with a three-year term, accruing from December 28, 2023, and principal repayments commencing December 2024. The carrying value of the note is determined by discounting the anticipated future cash flow impact of the note using an effective interest rate of 5.0% which approximates the credit risk associated with the principal amount outstanding of the note. The carrying value of each note is being adjusted for accretion over the individual note terms with $66 and $130 recorded during the three- and six-month periods ended June 30, 2024 ($48 and $91 for the three and six months ended June 30, 2023).

Interest income from cash invested in high-interest accounts and Guaranteed Investment Certificates ("GICs") totalled $467 during Q2 2024 (Q2 2023 – $510) and $1,038 for the first half of 2024 (2023: $927). As at June 30, 2024, the Corporation had $348 invested in GICs earning 3.28 to 4.25% and $32,898 maintained in a high-interest savings account earning an interest rate of 5.15%.

Income (loss) 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 or loss generated from these investments into its earnings in the respective reporting period. In the second quarter of 2024, the Corporation recorded a loss from its equity investments of $889 (2023: $430), $399 for the six months ended June 30, 2024 (2023: $57). On April 1, 2024, Team Snubbing acquired control of Team International and as a result, was required to consolidate Team International's second quarter 2024 financial results with its own. The inclusion of losses from Team International for the second quarter of 2024 more than offset the net income generated by Team Snubbing for the first half of 2024.

Other Comprehensive gain (loss)
The Corporation recorded a $413 foreign currency translation gain in other comprehensive income for the quarter (Q2 2023: $1,049 loss) associated with the translation of its subsidiaries that have a functional currency other than CAD. The gain incurred in the quarter was primarily the result of the period end USD strengthening, relative to CAD, from 1.355 at March 31, 2024, to 1.3687 at June 30, 2024. The foreign currency gain recorded for the six months ended June 30, 2024 was $1,278 (2023: $1,094 loss), the result of the USD strengthening, relative to CAD, from the year end 2023 rate of 1.3226 USDCAD.

Liquidity and capital resources

	Three months ended June 30		Six months ended June 30	
(thousands of Canadian Dollars)	2024	2023	2024	2023
Cash provided by (used in) continued operations:				
Operating activities	**(761)**	626	**(490)**	33
Investing activities	**(507)**	(317)	**(815)**	27,676
Financing activities	**(127)**	(812)	**(258)**	(1,676)
Effect of exchange rate changes on cash	**415**	(5)	**1,080**	4
Increase (decrease) in cash from continuing operations	**(980)**		**(483)**	26,037

(thousands of Canadian Dollars, unless otherwise noted)	As at June 30, 2024 [(2)]	As at Dec 31, 2023
Current assets (excluding assets held for distribution)	**45,785**	79,438
Working capital[(1)]	**4,368**	62,985
Working capital ratio[(1)]	**1.1:1**	4.8:1
Cash and cash equivalents	**41,087**	50,331
Net cash[(1)]	**37,647**	46,804

(1) See “Non-IFRS Measures”
(2) Continuing operations

Operating Activities
In Q2 2024, cash used in operating activities from continuing operations was ($761), as compared with $626 of cash generated from operating activities from continuing operations in Q2 2023. Funds used in operating activities from continuing operations totaled ($293) in the quarter, versus ($659) for Q2 2023 (see “Non-IFRS Measures”). In Q2 2024, changes in non-cash operating working capital from continuing operations totaled ($468) versus $1,285 in Q2 2023.

For the six months ended June 30, 2024, cash used in operating activities from continuing operations was ($490), as compared with $33 of cash generated from operating activities from continuing operations in Q2 2023. Funds used in operating activities from continuing operations totaled ($96) for the six months ended June 30, 2024, versus ($747) for the same period in 2023. Over the six months ended June 30, 2024, changes in non-cash operating working capital from continuing operations totaled ($394) versus $780 for the comparable period in 2023.

The comparative period decrease in cash from operating activities from continuing operations for both the three and six months ended June 30, 2023 and 2024 was largely the result of higher G&A costs, substantially related to the Corporation’s reorganization initiative more than offsetting increased rental business margins.

Investing Activities
During the quarter, the Corporation’s cash spent on investing activities from continuing operations totaled $507, compared to $317 for the same period the year prior. In addition to sustaining and growth capital spending related to its rental business, the Corporation’s Q2 2024 investing activity also included spending on new information systems and information technology infrastructure necessary to support two separate entities after the completion of the Arrangement. Year to date spending through June 30, 2024 totaled $815 on these same projects. During the first six months of 2023, the Corporation received $27,676 net, primarily as a result of the receipt of the final cash proceeds of $28,000 from the 2022 sale of the Corporation’s Canadian well servicing assets.

Financing Activities
During the quarter, the Corporation’s cash used in financing activities was $127, significantly lower when compared to Q2 2023 at $812. During Q2 2024, the Corporation paid $42 (Q2 2023: $43) towards principal payments on its mortgage financing (see “Mortgage Financing” below) and $85 against lease liability payments (Q2 2023: $39). The largest contributor to the decline in cash used in financing activities in the quarter was due to the $730 returned to shareholders in the form of cash dividends in Q2 2023 compared to nil in Q2 2024. In Q2 2024, the Corporation declared the reduction of stated capital and the Return of Capital which was paid subsequent to quarter end.

For the six months ended 2024, the Corporation's cash used in financing activities was $258, compared to $1,676 for the same period in 2023. During the first half of 2024, the Corporation paid $87 (2023: $99) towards principal payments on its mortgage financing, and $171 (2023: $92) against lease liability payments. The comparative period decrease in cash used in financing activities year to date through June 30, 2023 was largely due to the $1,460 cash dividend payments made during the first half of 2023 and the $25 spent to purchase the Corporation's common shares for cancellation.

Mortgage financing

(thousands of Canadian Dollars)	As at June 30, 2024	As at Dec 31, 2023
Current	**175**	175
Non-current	**3,265**	3,352
Total	**3,440**	3,527

The Corporation has mortgage financing secured by lands and buildings owned by High Arctic located within Alberta, Canada. The mortgage has a remaining initial term of under three 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. At June 30, 2024, the Corporation was compliant with all covenants associated with the mortgage financing.

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.

	Six months ended June 30, 2024		Year ended Dec 31, 2023	
(Common shares issued and outstanding)	Shares	Amount	Shares	Amount
Balance, beginning of period	**49,122,302**	**$169,992**	48,691,864	$169,554
Exercise of performance share units	**282,185**	**422**	448,734	502
Exercise of deferred share units	**388,213**	**581**	-	-
Return of Capital (1)	**-**	**(37,842)**	-	-
Purchase of common shares for cancellation	**-**	**-**	(18,296)	(64)
Balance, end of period	**49,792,700**	**$133,153**	48,122,302	$169,992

(1) On June 28, 2024, the Corporation announced the reduction of stated capital of the common shares for the purpose of distribution to shareholders of a return of capital of $0.76 per common share of High Arctic. The return of capital, which totaled $37.8 million, was paid to the Corporation's shareholders on July 17, 2024.

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 of 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 and 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 Q1 2023.

Subsequent to June 30, 2024, all of the then outstanding 38,214 performance share units were settled for cash and cancelled and the NCIB approved on December 12, 2023, was terminated as part of the completion of the Arrangement. As at the date of this MD&A, no stock options or units under the Corporation's Stock Option Plan, Performance Share Unit Plan nor Deferred Share Unit plan were outstanding.

670,398 common shares have been issued from December 31, 2023 to the date of this MD&A.

On August 12, 2024, each shareholder of the Corporation ("Shareholder") received as consideration, one-quarter of one (1/4) common share of SpinCo ("SpinCo Common Share") and one-quarter of one (1/4) common share of post-Arrangement High Arctic (the "New High Arctic Common Share") for each common share of High Arctic ("Common Share") held. Following completion of the Arrangement, the Corporation had 12,448,166 New High Arctic Common Shares outstanding.

Summary of Quarterly Results – Continuing operations

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

	Three months ended							
(thousands of Canadian Dollars) (except per share)	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022
Revenue (2)	**2,533**	2,988	1,038	1,014	664	668	418	5,436
Net income (loss)(2)	**(1,709)**	182	(684)	326	(1,546)	(160)	(1,649)	(3,382)
Earnings (loss) per share – basic and diluted(1)	**(0.04)**	0.00	(0.01)	0.01	(0.03)	0.00	(0.03)	(0.07)

(1) See "Non-IFRS Measures"

(2) Revenue generated from the Canadian well services and snubbing assets sold in 2022 for Q3 2022 was $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 in Q2 2024 was down from the prior quarter due to lower industry-wide activity levels customary for the annual spring break up period. For the periods from Q4 2022 to Q4 2023, the Corporation reported a modest increase in revenue from its ancillary services segment (Canadian oilfield equipment rentals), the large increase from Q4 2023 to Q1 2024 attributed to the addition of revenue from the Delta Acquisition which closed in late December 2023. Revenue in Q3 2022 includes $4,959 from the Canadian well services and snubbing assets sold in 2022. Q3 2022 revenue, excluding revenue from the Canadian well services and snubbing assets, was $477.

Fluctuations in net income reported quarter-over-quarter are largely due to the impacts of Corporate segment administrative spending related to the reorganization, income and losses associated with the Corporation's equity investments (Team Snubbing) and specific one-time asset impairments. Non-recurring G&A associated with the Corporation's reorganization was $763 for Q2 2024 (Q2 2023: $77) and $1,246 for the first six months of 2024 (2023: $124). Q2 2024 net income includes losses recognized from the Corporation's equity investments of $889 (Q2 2023: $430), compared to income recognized in Q1 2024 of $490 (a net income impact difference of $1,778 between Q1 and Q2 2024). Similarly, Q2 2023 net income includes losses recognized from equity investments of $430, compared to income recognized in Q1 2023 of $487 (a net income impact difference of $917 between Q1 and Q2 2023). Net income for the second half of 2022 includes the impact of impairments associated with the Corporation's sale of its well servicing and snubbing assets.

Industry Indicators and Market Trends

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							
	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022
Oil and natural gas prices – Average for each period:								
West Texas Intermediate (WTI) (US$/bbl)(1)	**81**	77	78	82	74	76	83	92
West Canada Select (WCS) (CA$/bbl)(1)	**92**	78	77	93	79	69	77	94
Canada Light Sweet Oil (CLS) (CA$/bbl)(1)	**106**	95	98	107	95	100	108	117
AECO (CA$/mmbtu)(1)	**1.17**	2.18	2.30	2.61	2.43	3.23	5.24	4.46

(2) Source: Sproule

In Q2 2024, WTI, WCS and CLS index pricing all increased from the prior quarter. This increased price environment was consistent with broader macro environment. In the quarter, the higher oil pricing realized was also very volatile as continued concerns about the Chinese economy, geopolitical events from the middle east and oil inventory reports from the US fluctuated week to week. Further, the extension of OPEC supply cuts that were announced in the beginning of June supported the oil price. During the quarter, recessionary fears in North America and in Europe dissipated further as inflation data in most OECD countries continued to move closer to central bank target ranges and economic output, whilst somewhat muted, continued to grow.

In Canada, industry activity remained steady throughout the quarter and was relatively consistent when compared to recent second quarter performances. North American oil 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. The startup on May 1, 2024 of the Trans Mountain pipeline expansion increased takeaway capacity from Canada which reduced the price differential on Canadian oil products and lifted the Canadian oil prices to a higher degree than the US WTI.

Low AECO natural gas pricing has been witnessed in Canada and North America, with Canada pricing being impacted disproportionately given the greater distance Canada's AECO pricing point is from the natural gas markets. This lower pricing trend has accelerated over the last three quarters. The main driver for this lower pricing environment is due to a significantly oversupplied natural gas market in North America as both US and Canadian natural gas inventory levels remain high, while key LNG export projects face delays and the primary export markets of Europe, have maintained adequate gas inventories.

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 June 30, 2024.

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, and the implications of changes to government and government policy.

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 June 30, 2024.

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 creditworthiness of its customers on an ongoing basis and monitors the amount and age of balances outstanding.

In providing for 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.

The Corporation's continuing operations provided services to three large customers who individually accounted for greater than 10% of its consolidated revenues during the three months ended June 30, 2024 with total sales of $846 (2023: one customer with total sales of $250). The Corporation's continuing operations provided services to one large customer who individually accounted for greater than 10% of its consolidated revenues during the six months ended June 30, 2024 with total sales of $676 (2023: three customers with total sales of $621).

As at June 30, 2024, two customers represented a total of $1,041 or 39% of outstanding accounts receivable from continuing operations (December 31, 2023 and inclusive of the Corporation's discontinued operations – two customers represented a total of $15,139 or 92% of outstanding accounts receivable).

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

(thousands of Canadian Dollars)	As at June 30, 2024	As at Dec 31, 2023
Less than 31 days	**1,438**	6,680
31 days to 60 days	**525**	6,842
61 days to 90 days	**269**	2,854
Greater than 90 days	**569**	1,284
Provision for expected credit losses	**(107)**	(192)
Total	**2,694**	17,468

Liquidity Risk

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

The Corporation's processes for managing liquidity risk include preparing and monitoring capital and operating budgets, 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.

Upon the cash dividend payment of $37.8 million subsequent to June 30, 2024, the Corporation has a lower level of working capital available to support its continuing operations. The Corporation's future financial results and longer-term success are dependent upon its working capital, its ability to secure additional capital from debt or equity financings or completing other arrangements to fund the Corporation's activities while the Corporation attempts to generate recurring positive cash flows from operations. The Corporation will continue to monitor its liquidity position in future periods.

Critical Accounting Judgements and Estimates

Information on the Corporation's critical accounting judgements and estimates can be found in Note 2 Basis of Presentation – Critical Accounting Judgements and Estimates in the 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.

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

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. There have been no changes to High Arctic's internal controls over financial reporting during the three and six months ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

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 June 17, 2024 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, depreciation and amortization expenses. 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. 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 comprehensive income (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, foreign exchange gains or losses and other non-recurring costs related to reorganization or restructurings, consolidating facilities or excess of insurance proceeds over costs.

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 income (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 comprehensive income (loss), to EBITDA from continuing operations and Adjusted EBITDA from continuing operations for the three and six months ended June 30, 2024 and 2023:

	Three months ended June 30		Six months ended June 30	
(thousands of Canadian Dollars)	2024	2023	2024	2023
Net loss from continuing operations	**(1,709)**	(1,546)	**(1,527)**	(1,706)
Adjustments to net (loss):				
Interest income	**(467)**	(510)	**(1,038)**	(927)
Interest and finance expense	**62**	68	**126**	134
Accretion on notes receivable	**(66)**	(48)	**(130)**	(91)
Income tax expense (recovery)	**8**	-	**8**	4
Depreciation and amortization from continuing operations	**707**	423	**1,328**	831
EBITDA from continuing operations	**(1,465)**	(1,613)	**(1,233)**	(1,755)
Adjustments to EBITDA:				
Share-based compensation expense	**80**	(34)	**139**	152
Loss from equity investments	**889**	430	**399**	57
Gain on sale of property and equipment	**-**	(6)	**-**	(136)
Foreign exchange (gain) loss	**(80)**	212	**(271)**	227
G&A related to reorganization	**763**	77	**1,246**	124
Adjusted EBITDA from continuing operations	**187**	(934)	**280**	(1,331)

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 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 income (loss) or other measures of financial performance calculated 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 comprehensive income (loss), to oilfield services operating margin and oilfield operating margin % for the three and six months ended June 30, 2024 and 2023.

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 June 30		Six months ended June 30	
(thousands of Canadian Dollars, unless otherwise noted)	2024	2023	2024	2023
Revenue from continuing operations	**2,533**	664	**5,521**	1,332
Oilfield services expenses from continuing operations	**(1,329)**	(355)	**(2,792)**	(572)
Oilfield services operating margin	**1,204**	309	**2,729**	760
Oilfield services operating margin %	***47.5%***	*46.5%*	***49.4%***	*57.1%*

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 calculated as revenue less oilfield services expenses, general and administrative expenses, depreciation and amortization expenses, and share-based compensation expense. 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 comprehensive income (loss) to operating income (loss) from continuing operations for the three and six months ended June 30, 2023 and 2022:

	Three months ended June 30		Six months ended June 30	
(thousands of Canadian Dollars)	2024	2023	2024	2023
Revenue from continuing operations	**2,533**	664	**5,521**	1,332
Oilfield services expenses from continuing operations	**(1,329)**	(355)	**(2,792)**	(572)
G&A expenses from continuing operations	**(1,780)**	(1,320)	**(3,695)**	(2,215)
Depreciation from continuing operations	**(707)**	(423)	**(1,328)**	(831)
Share based compensation	**(80)**	34	**(139)**	(152)
Operating loss from continuing operations	**(1,363)**	(1,400)	**(2,433)**	(2,438)

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 six months ended June 30, 2024 and 2023:

	Three months ended June 30		Six months ended June 30	
(thousands of Canadian Dollars)	2024	2023	2024	2023
Net cash generated from (used in) continuing operating activities	**(761)**	626	**(490)**	33
Changes in non-cash working capital balances - operating	**(468)**	1,285	**(394)**	780
Funds flow from (used in) continuing operations	**(293)**	(659)	**(96)**	(747)

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 divided 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 June 30, 2024 and December 31, 2023:

(thousands of Canadian Dollars)	As at June 30, 2024	As at Dec 31, 2023
Current assets (excluding assets held for distribution)	**45,785**	79,438
Current liabilities (excluding liabilities held for distribution)	**(41,417)**	(16,453)
Working capital	**4,368**	62,985
Working capital ratio	**1.1:1**	4.8:1

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 June 30, 2024	As at Dec 31, 2023
Cash and cash equivalents	**41,087**	50,331
Less: Long term debt[1]	**(3,440)**	(3,527)
Net cash	**37,647**	46,804

(1) Long-term debt includes current portion of $175 (December 31, 2023: $175) and non-current portion of $3,265 (December 31, 2023: $3,352)

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; market fluctuations in interest rates, commodity prices, and foreign currency exchange rates; 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; listing of the SpinCo common shares following the reorganization; right sizing of the general and administrative infrastructure to align with the new corporate structure; the performance of the Corporation's investment in Team Snubbing, and whether Team Snubbing can realize high utilization in its Canadian operations and for its snubbing packages in Alaska in 2024; strong demand for the Corporation's Canadian rental equipment in 2024, 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
Nm	- Not meaningful
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
YTD	- Year to date