



MANAGEMENT'S DISCUSSION & ANALYSIS

**FOR THE THREE AND SIX MONTHS ENDED
June 30, 2025 and 2024**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis ("MD&A") is a summary review of financial and operational performance, strategy, outlook, risks, liquidity, capital resources, and other relevant operational matters of High Arctic Energy Services Inc. ("High Arctic" or the "Corporation"). This MD&A is based on information available to August 11, 2025 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, 2025 and 2024 (the "Financial Statements") and the audited consolidated financial statements and notes for the years ended December 31, 2024 and 2023. Additional information relating to the Corporation, including the Corporation's Annual Information Form ("AIF") for the year ended December 31, 2024, 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 11, 2025. Throughout the MD&A, all amounts are expressed in thousands of Canadian dollars ("CAD") unless otherwise noted and have been prepared in accordance with IFRS 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 additional 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, 2025 may be referred to as the "quarter" or "Q2 2025" and the comparative three months ended June 30, 2024 may be referred to as "Q2 2024". 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, 2025 may be referred to as "YTD" or "YTD-2025". 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 expressed in thousands of Canadian dollars unless otherwise stated.

Corporate Profile

Headquartered in Calgary, Alberta, Canada, High Arctic's operations involve the provision of pressure control equipment and equipment supporting the high-pressure stimulation of oil and gas wells and other oilfield equipment on a rental basis to exploration and production companies in Canada. High Arctic is also vested in the energy service pressure control snubbing business in western Canada and Alaska, through a minority interest equity investment.

High Arctic conducts its business activities through two reporting segments. The rental services segment consists of its rental equipment assets in western Canada. The investments and corporate segment contains all other assets and activity, namely, High Arctic's equity investment in Team Snubbing Services Inc. ("Team Snubbing"), industrial property, head office functional support, and other monetary investments and borrowings.

The Corporation's reporting segments were adjusted in the first quarter of 2025 to better align with the existing oversight and evaluation of the operating and financial performance of the business activities. See Note 2(f) and Note 18 of the Financial Statements for additional information.

2024 Corporate Reorganization and Spinoff of the PNG Business

During 2024, the Corporation completed a corporate reorganization which, amongst other matters, resulted in the transfer of its legacy Papua New Guinea ("PNG") business into a separate publicly traded company, High Arctic Overseas Holdings Corp. ("HOH"). The Corporation's existing North American business, focused on providing services to the Canadian upstream energy services industry, remained as the primary operating business of the Corporation. The corporate reorganization, which included a Plan of Arrangement (the "Arrangement") was approved by a vote of shareholders of the Corporation on June 17, 2024 and was completed on August 12, 2024.

On August 12, 2024, in conjunction with the completion of the Arrangement:

- The Corporation transferred all of the outstanding ordinary shares of High Arctic Energy Services Cyprus Limited, the subsidiary that owned and operated the Corporation's PNG business, to HOH;
- Each shareholder of the Corporation received as consideration, one quarter (1/4) of one common share of the Corporation, resulting in a de facto four-to-one share consolidation. Additionally, each shareholder also received one quarter (1/4) of one post-Arrangement common share of HOH, for each pre-Arrangement common share of the Corporation held;
- HOH became a reporting issuer in Alberta, British Columbia, Manitoba, Ontario, and Saskatchewan with its common shares listed on the TSX Venture Exchange ("TSXV"). The common shares of HOH began trading on the TSXV on August 16, 2024, under the symbol TSXV: HOH; and
- The Corporation completed a \$37.8 million return of capital to shareholders, \$0.76 per pre-Arrangement common share.

As a result of the Arrangement transaction, the 2024 results of the legacy PNG business have been presented as a discontinued operation in the Corporation's Financial Statements and throughout this MD&A.

2025 Q2 Highlights

- Revenue from continuing operations of \$2,391, a decrease of 6% compared to Q2 2024.
- Achieved an increase in oilfield services operating margin percentage for Q2 2025 of 49.1% compared to 45.5% in Q2 2024.
- Realized adjusted EBITDA from continuing operations of \$482 in the quarter, 20% of revenue.
- Maintained operational excellence and safety, as evidenced by the continuation of recordable incident-free work.
- Achieved expected reductions in general and administrative expenses, a reduction of 52% compared to Q2 2024.
- High Arctic's 42% equity share of Team Snubbing's net loss for Q2 2025 was \$348, lower than the \$889 incurred in Q2 2024. The change was primarily attributable to improved profitability in the Alaskan operations, partially offset by reduced results in the Canadian operations.
- Exited Q2 2025 with positive working capital of \$3,380, inclusive of cash of \$2,428.

2025 YTD Highlights

- Revenue from continuing operations of \$4,726, a decrease of 14% compared to YTD-2024.
- Achieved an increase in oilfield services operating margin percentage for YTD-2025 of 51.1% compared to 47.7% for YTD-2024.
- Realized adjusted EBITDA from continuing operations of \$986 for YTD-2025, 21% of revenue.
- Maintained operational excellence and safety, as evidenced by the continuation of recordable incident-free work.
- Achieved expected reductions in general and administrative expenses, a reduction of 56% compared to the YTD-2024 period.
- High Arctic's share of Team Snubbing's net loss for YTD-2025 was \$336 comparable to a loss of \$399 for YTD-2024. The modest change was primarily a result of improved operating activity in Alaska, offset by lower demand in the Canadian operations driven by the deferral of activity by a key customer.

Select Comparative Financial Information

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

(thousands of Canadian Dollars, except per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Operating results from continuing operations:				
Revenue – continuing operations	2,391	2,533	4,726	5,521
Net loss - continuing operations	(295)	(1,709)	(415)	(1,527)
Per share (basic & diluted) ⁽¹⁾	(0.02)	(0.14)	(0.03)	(0.12)
Oilfield services operating margin - continuing operations ⁽²⁾	1,126	1,110	2,313	2,541
Oilfield services operating margin as a % of revenue ⁽²⁾	49.1%	45.5%	51.1%	47.7%
EBITDA - continuing operations ⁽²⁾	333	(1,465)	792	(1,233)
Per share (basic & diluted) ^{(1) (4)}	0.03	(0.12)	0.06	(0.10)
Adjusted EBITDA - continuing operations ⁽²⁾	482	187	986	280
Per share (basic & diluted) ^{(1) (4)}	0.04	0.02	0.08	0.02
Operating loss - continuing operations ⁽²⁾	(254)	(1,363)	(382)	(2,433)
Per share (basic & diluted) ^{(1) (4)}	(0.02)	(0.11)	(0.03)	(0.20)
Cash flow from continuing operations:				
Cash flow from (used in) operating activities – continuing operations	(477)	(761)	407	(490)
Per share (basic & diluted) ^{(1) (4)}	(0.04)	(0.06)	0.03	(0.04)
Funds flow from (used in) operating activities – continuing operations ⁽²⁾	310	(293)	805	(96)
Per share (basic & diluted) ^{(1) (4)}	0.02	(0.02)	0.06	(0.01)
Capital expenditures - continuing operations	411	507	793	815

As at

(thousands of Canadian Dollars, except per share amounts and common shares outstanding)	As at	
	Jun 30, 2025	Dec 31, 2024
Financial position:		
Working capital ⁽²⁾	3,380	2,692
Cash and cash equivalents	2,428	3,123
Total assets	28,755	30,867
Long-term debt (non-current)	3,090	3,178
Shareholders' equity	21,068	21,105
Per share ⁽⁵⁾	1.66	1.70
Common shares outstanding ⁽³⁾⁽⁵⁾	12,696,959	12,448,166

⁽¹⁾ The weighted average number of common shares used in calculating both basic and diluted net income (loss) per share, EBITDA (Earnings before interest, tax, depreciation and amortization) per share, Adjusted EBITDA per share, operating income (loss) per share, cash flow from operating activities per share, and funds flow from operating activities per share is detailed in Note 13(b) of the Financial Statements.

⁽²⁾ Readers are cautioned that oilfield services operating margin, oilfield services operating margin as percentage of revenue, EBITDA (earnings before interest, tax, depreciation, and amortization), Adjusted EBITDA, operating income (loss), funds flow from operating activities and working capital do not have standardized meanings prescribed by IFRS. See "Non-IFRS Measures" for additional details on the calculations of these measures.

⁽³⁾ Pursuant to the de facto four-to-one consolidation of the Corporation's outstanding common shares effective August 12, 2024, the number of common shares outstanding and all per-share amounts have been retroactively adjusted to effect the common share consolidation for all prior period comparatives.

⁽⁴⁾ The number of weighted average common shares used in per share basic calculations for the three months ended June 30, 2025, was 12,696,959 (13,217,959 diluted per share) and for the three months ended June 30, 2024, was 12,286,101 (12,593,400 diluted per share). The number of weighted average common shares used in the per share basic calculation for the six month ended June 30, 2025 was 12,608,988 (13,183,988 diluted per share) and for the six months ended June 30, 2024 was 12,283,338 (12,608,906 diluted per share).

⁽⁵⁾ Shareholders' equity per share calculated based on common shares outstanding as at the relevant date.

Outlook

The first half of 2025 has been an important period for High Arctic to address priorities following the 2024 reorganization and spinout. General and administrative expenses have been reduced as planned. The rentals business has provided a foothold in the WCSB from which to reset strategy, beginning with tactical equipment additions. High Arctic's 42% equity investment in Team Snubbing is significant with reported assets totalling \$9.2 million as at June 30, 2025. Team Snubbing generated revenue in the first half of 2025 of \$14.0 million, a 15% increase over the prior year comparative period. Although High Arctic's revenues, Adjusted EBITDA and liquidity are not directly impacted by the results of Team Snubbing because of its minority equity ownership, the management of the liquidity/capitalization of Team Snubbing, including its debt leverage levels continues to be a challenge and top priority for High Arctic. All of these areas remain as a primary focus for the balance of 2025.

High Arctic's business is driven by the underlying economics associated with its customers' cash flows. These cash flows are driven by their oil and natural gas commodity price hedging and expectations. As customers embark on drilling new oil and natural gas wells, High Arctic's business outlook is reliant on decisions on the subsequent activity to complete these wells for production. Therefore, the financial and operational performance of High Arctic's rental assets and investment in the snubbing industry are highly dependent on fundamentals associated with both drilling and hydraulic fracturing completion trends in the WCSB.

As the industry exited the seasonal second quarter spring breakup period in Canada, activity and well licensing has softened when compared to 2024 levels. Customer capital allocation decisions to complete wells continue to show signs of deferral. These deferrals have been influenced by factors that include industry consolidation with successor entities revisiting previously planned projects, OPEC moves to increase oil supply, global trade tariffs, and geopolitical risks that have collectively served to increase investment uncertainty.

While global economic uncertainty persists, Canada has opportunity for future and is benefiting from recent energy infrastructure developments. The completion of the Trans Mountain pipeline system expansion in 2024, and recent commencement of west coast LNG exports are positive developments supporting improved long-term fundamentals for High Arctic's business and the upstream energy services.

In summary, the Corporation expects to continue to execute on the initial phases of its strategic objectives, with progress to date being evidenced by strong safety performance, balance sheet preservation, general and administrative expense reductions, selective capital expenditure investments, and oversight of its equity investments.

2025 Strategic Objectives

The Corporation's 2025 strategic objectives include:

- Relentless focus on safety excellence and quality service delivery;
- Grow the core businesses through selective and opportunistic investments;
- Actively manage direct operating costs and general and administrative costs;
- Steward capital to preserve balance sheet strength and financial flexibility; and
- Execute on accretive acquisitions in Canada to drive shareholder value.

Execution of the strategic plan is ongoing, with a particular focus on objectives that are directly controllable by High Arctic. The timing to execute on certain underlying objectives remains challenging as a result of recent divisive global geopolitical developments and resulting global economic uncertainties. These developments include changes, and potential changes, in global trade policies and tariffs, threats of additional or retaliatory tariffs, and policy shifts as a result of new government leadership in many jurisdictions around the world including the recently elected minority government in Canada that may prove to have a significant impact on long-term investment in Canada's energy industry.

Western Canadian oil and gas activity levels, despite volatility in underlying commodity prices, have benefited from resurgent Canadian upstream activity to meet, sustain, and grow oil and natural gas export infrastructure capacity. This includes tidewater access off the west coast of Canada through the 2024 Trans Mountain pipeline expansion, the LNG Canada pipeline that has commenced operations and land pipeline expansion to the US through completed projects such as the proposed Line 3 expansion.

Discussion of Operations

2025 Q2 Summary

- Revenue from continuing operations for Q2 2025 was \$2,391 compared to \$2,533 in Q2 2024.
 - Revenue was negatively impacted by softening demand driven primarily by deferral of some completions activity as customers have taken a cautious approach to the timing of the deployment of their 2025 capital budgets given recent commodity price volatility and general economic uncertainty.
 - High Arctic obtained some larger high-pressure stimulation work from a new customer in Q2 2025 that served to partially offset some of these market headwinds.
- Oilfield services operating margin from continuing operations was \$1,126 in the current year quarter consistent with the \$1,110 realized in the prior year quarter.
 - Operating margin percentage improved to 49.1% for Q2 2025 compared to 45.5% for Q2 2024, benefiting from a reduction in lower margin third-party rentals in the current year quarter.
- Adjusted EBITDA from continuing operations was \$482 in the current year quarter compared to \$187 in the prior year quarter. EBITDA from continuing operations benefitted the significant reduction in general and administrative expenses.
- Operating loss from continuing operations of \$254 for Q2 2025 compared to \$1,363 in Q2 2024. The decrease in operating loss is attributable to significantly reduced general and administrative expense. Prior year quarter general and administrative expenses were impacted by elevated corporate and professional fees related to the Arrangement.
- Net loss from continuing operations was \$295 in Q2 2025 compared to net loss from continuing operations of \$1,709 in Q2 2024. Net loss from continuing operations was impacted by the same items impacting operating loss, as above, combined with a reduced loss from equity-accounted investments, a reduction to contingent consideration partially offset with reduced interest income.

2025 YTD Summary

- Revenue from continuing operations for YTD-2025 was \$4,726 compared to \$5,521 in YTD-2024.
 - Revenue was negatively impacted by softening demand driven primarily by deferral of some completions activity as customers have taken a cautious approach to the timing of the deployment of their 2025 capital budgets given volatility in oil and natural gas prices and global economic uncertainty, including impacts from ongoing geopolitical events.
- Year to date oilfield services operating margin from continuing operations was \$2,313 in 2025 compared to \$2,541 for YTD-2024.
 - Operating margin percentage improved to 51.1% for YTD-2025 compared to 47.7% for YTD-2024, benefiting from a reduction in lower margin third-party rentals in the current year quarter.
- Year to date Adjusted EBITDA from continuing operations was \$986 compared to \$280 in the prior year period. Adjusted EBITDA from continuing operations benefitted from the significant reduction in general and administrative expenses.
- Operating loss from continuing operations for YTD-2025 was \$382 compared to \$2,433 in YTD-2024. The decrease in operating loss is attributable to significantly reduced general and administrative expenses. YTD-2024 general and administrative expenses were impacted by elevated corporate and professional fees related to the Arrangement and integration costs related to the acquisition of Delta.
- Net loss from continuing operations for YTD-2025 was \$415 compared to \$1,527 in YTD-2024. Net loss from continuing operations was impacted by the same items impacting operating loss, as above, combined with reduced interest income.

Operating Results

Rental services segment

(thousands of Canadian Dollars, unless otherwise noted)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Revenue	2,293	2,439	4,530	5,333
Expenses	(1,167)	(1,329)	(2,217)	(2,792)
Oilfield services operating margin ⁽¹⁾	1,126	1,110	2,313	2,541
<i>Oilfield services operating margin (%) ⁽¹⁾</i>	<i>49.1%</i>	<i>45.5%</i>	<i>51.1%</i>	<i>47.7%</i>

⁽¹⁾ See "Non-IFRS Measures"

The rental services segment consists of High Arctic's rental equipment in western Canada, with a focus on pressure control equipment and equipment supporting the high-pressure stimulation of oil and gas wells in the WCSB.

Revenue for the three months ended June 30, 2025, of \$2,293 was \$146 or 6% lower than the prior year comparative quarter. Revenue for the six months ended June 30, 2025, of \$4,530 was \$803 or 15% lower than the prior year comparative period. The decrease in revenue experienced for both Q2 2025 and YTD-2025, versus the comparable periods in 2024, was driven primarily by reduced customer demand, influenced by the timing of activity and heightened volatility in oil and gas prices. This volatility, and resulting economic uncertainty caused many oil and gas companies to delay drilling and well completions work into late 2025 or early 2026. High Arctic obtained some larger high-pressure stimulation work from a new customer in Q2 2025 that served to offset some of these market headwinds.

Oilfield services operating margins for both the three and six month periods ended June 30, 2025, are approximately three and a half percent higher (on a gross basis) than the comparable periods in 2024. This increase in operating margin percentage is attributable to reduced direct operating costs combined with reduced utilization of third-party rental equipment. The reduction in operating costs in the current year quarter was driven by reduced revenues combined with an ongoing focus to aggressively manage expenses in light of the current economic environment. The reduction in third-party rental equipment expenses is due to reduced overall customer demand.

Investments and corporate segment

The investments and corporate segment contains all other assets and activity, namely, High Arctic's equity investment in Team Snubbing, investment in the Seh' Chene Well Servicing Partnership ("Seh' Chene Partnership"), idled snubbing units in Colorado, US, industrial property in Clairmont, Alberta, head office functional support, and monetary investments and borrowings. Select analysis and discussion of these results follows by major heading. Readers are advised to reference Note 18, Segmented Information, in the Corporation's Financial Statements.

Clairmont Industrial Property

Revenue attributable to the Corporation's industrial property in Clairmont, Alberta, was \$98 for Q2 2025 compared to \$94 in the prior year comparative quarter. The increase in revenue is due to inflation escalators that are provided for under the lease agreement.

Team Snubbing Equity Investment

The Corporation accounts for the results of its 42% interest in Team Snubbing using the equity method of accounting, with Team Snubbing's net loss recorded as loss from equity investments in the respective reporting period. The Corporation's proportionate share of Team Snubbing's net loss for Q2 2025 was \$348 compared to \$889 for Q2 2024 (YTD-2025 loss of \$336 compared to a loss of \$399 for YTD-2024). As detailed in the Corporation's Financial Statements (Note 9), Team Snubbing's revenues for Q2 2025 were \$5,897 compared to \$4,719 in the prior year comparative quarter (YTD-2025 revenue of \$13,989 compared to revenue of \$12,179 for YTD-2024). The increase in revenues and smaller net loss realized in 2025 is a result of increased activity levels experienced in Team Snubbing's international operations in Alaska. Offsetting this increase in 2025 revenues was a modest decline in revenue from Team Snubbing's Canadian operations as some oil and gas companies delayed work to later in 2025.

Seh' Chene Partnership

The Seh' Chene Partnership has experienced limited business activity since the 2022. The partnership is still active and the Corporation, together with its partner, look to reposition their customer offerings and explore other avenues to generate business activity in the future.

US Snubbing Assets

The Corporation has a fleet of snubbing equipment, which includes both stand-alone and rig-assist units located in Greeley, Colorado, US. The equipment was originally positioned to provide fluid pumping, cleanup, pipe movement, equipment transportation, completion, well repair and well control services to producers in the Rockies region of the US. This equipment is currently pending a review of market conditions.

General and administrative expenses ("G&A")

(thousands of Canadian Dollars, unless otherwise noted)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
G&A	847	1,780	1,628	3,695
Percent of revenue (%)	35.4%	70.3%	34.4%	66.9%

G&A expenses for Q2 2025 were \$847 compared to \$1,780 for Q2 2024. The reduction in G&A expenses in Q2 2025 is the result of the prior year comparative quarter including \$763 in costs associated with the Arrangement transaction plus the impact of efforts the Corporation has undertaken to reduce its administrative cost structure. Similarly, G&A expenses for YTD-2025 of \$1,628 were considerably less than the \$3,695 (\$2,449 being net of the \$1,246 in costs associated with the Arrangement transaction) of G&A incurred YTD-2024. Management continues to manage its G&A expense levels to align with its western Canadian focused rentals business.

Depreciation and amortization expenses

Depreciation and amortization expenses of property and equipment, intangibles and right-of-use assets totaled \$575 in Q2 2025 compared to \$707 for Q2 2024, a decrease of \$132 or 19%. Depreciation and amortization expenses for YTD-2025 totaled \$1,159 compared to \$1,328 for YTD-2024. Depreciation and amortization expense was impacted by the normal course reduction in these expenses offset in part by the impact of new capital spending which was directed primarily towards property and equipment.

Share-based compensation expense

Share-based compensation expense is the charge to income over the service period relating to stock option or unit plans which generally contemplate the issuance of common shares upon vesting. The Corporation recognized \$56 of expense in Q2 2025 compared to \$80 in Q2 2024, and \$104 YTD-2025 compared to \$139 YTD-2024. Share-based compensation expense was consistent with the prior periods as there have been no new additional grants of equity-based compensation awards since 2024.

Interest and finance expenses and income

(thousands of Canadian Dollars)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Interest on long-term debt	36	38	73	76
Finance expense – lease liabilities	18	21	37	42
Accretion expense on contingent consideration	58	-	114	-
Other expenses	51	3	53	8
Interest and finance expenses	163	62	277	126
Accretion income on notes receivable	56	66	115	130
Interest and other income	48	467	108	1,038
Foreign exchange gain (loss)	(2)	80	(11)	271

Interest expense on long-term debt for Q2 2025 and YTD-2025 was \$36 and \$73 respectively. This was consistent with the prior year comparative quarter. Interest expense is the result of mortgage financing related to lands and buildings owned by High Arctic located within Alberta, Canada.

Finance expense associated with lease liabilities for Q2 2025 and YTD-2025 was \$18 and \$37 respectively, consistent with the comparative periods in 2024.

Accretion expense of \$58 and \$114 was recognized in Q1 2025 and YTD-2025 respectively and is related to the contingent consideration payable recognized in conjunction with the acquisition of Delta.

Contingent Consideration Payable

In 2023, as part of the consideration for the acquisition of Delta, High Arctic initially recognized a contingent consideration payable in the amount of \$2,952. The calculation of the contingent consideration payable is based on the historical Delta business achieving specific profitability targets, adjusted for certain capital expenditures incurred. In accordance with the purchase agreement, the seller will receive a set percentage of the profitability target achieved. The percentage increases when the profitability target is exceeded by 20% and is reduced if the profit is less than 95% of target. No contingent consideration is payable if less than 50% of the profitability target is achieved. The contingent consideration is payable in a combination of cash and shares of the Corporation.

Based on actual results for the six months ended June 30, 2025, combined with the Corporation's estimate of future profitability and capital expenditure levels, as compared to the targets established in the purchase agreement, a fair value adjustment of \$362 reducing the contingent consideration payable has been recognized in the Corporation's net loss for the three and six months ended June 30, 2025. As at June 30, 2025, the contingent consideration payable outstanding, net of \$205 in remaining unrecognized interest accretion expense, was \$2,109 of which \$1,132 was a current liability and \$977 being a long-term liability.

Notes Receivable

As at June 30, 2025, the Corporation has two notes receivable outstanding, with a combined principal balance outstanding of \$2,987 for which accretion income is recognized. The carrying value of each note is adjusted for accretion over the individual note terms with \$56 and \$115 recorded during the three and six month period ended June 30, 2025 respectively (Q2 2024 - \$66 and YTD-2024 - \$130). See below for a summary of the individual note receivables.

Team Snubbing Note Receivable

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 which commenced in July 2024. As at June 30, 2025, the principal balance outstanding, net of \$240 in remaining unrecognized interest accretion income, was \$2,160 (December 31, 2024 - \$2,548).

Delta Rentals Note Receivable

In 2023, as part of the assets acquired in the acquisition of Delta, 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. As at June 30, 2025, the principal amount outstanding, net of \$29 in remaining unrecognized interest accretion income, was \$558 (December 31, 2024 - \$543).

Interest Income

Interest income from the Team Snubbing note receivable and cash invested in savings accounts and GICs totalled \$48 and \$108 during Q1 2025 and YTD-2025 respectively (Q2 2024 – \$467, YTD-2025 \$1,038). The reduction in interest income is the result of reduced cash and cash equivalent balances as at June 30, 2025 (\$2,428) compared to June 30, 2024 (\$41,087) and lower market interest rates realized in 2025. The reduction in cash and cash equivalent balances is the result of the payment of the \$37,842 return of capital dividend. As at June 30, 2025, the Corporation had \$2,428 maintained in a savings account earning an interest rate of approximately 2%.

Foreign Exchange Gains and Losses

Foreign exchange gains and losses are driven by changes in the US dollar ("USD") to CAD foreign currency exchange rate related to the revaluation of the Corporation's USD-denominated assets and liabilities. The appreciation of the CAD dollar during the second quarter of 2025 resulted in a loss of \$2 on the translation of the Corporation's net USD-denominated assets compared to a gain of \$80 in Q2 2024. As the appreciation of the CAD dollar occurred primarily in Q2 2025, similar results were achieved for YTD-2025 with a foreign exchange loss of \$11 recorded for YTD-2025 compared to a gain of \$271 for YTD-2024.

Other comprehensive income (loss)

The Corporation recorded a \$8 foreign currency translation loss in other comprehensive income (loss) for Q2 2025 (Q2 2024 - \$413 gain) associated with the translation of its subsidiaries that have a functional currency other than CAD. The loss in Q2 2025 is the result of the change in the USD to CAD exchange rate from December 31, 2024, to June 30, 2025. As the movement in the USD to CAD exchange rate occurred primarily in Q2 2025, similar results were achieved for YTD-2025 with a foreign currency translation gain of \$1 recorded for YTD-2025 (YTD-2024 - \$1,278).

Liquidity and Capital Resources

(thousands of Canadian Dollars)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
<u>Cash from (used in) continuing operations:</u>				
Operating activities	(477)	(761)	407	(490)
Investing activities	(128)	(507)	(817)	(815)
Financing activities	(140)	(127)	(275)	(258)
Effect of foreign exchange rate changes on cash	(10)	415	(10)	1,080
Decrease in cash from continuing operations	(755)	(980)	(695)	(483)

(thousands of Canadian Dollars, unless otherwise noted)	As at	As at
	June 30, 2025	Dec 31, 2024
Current assets	6,104	7,221
Working capital ⁽¹⁾	3,380	2,692
Working capital ratio ⁽¹⁾	2.2:1	1.6:1
Cash and cash equivalents	2,428	3,123

⁽¹⁾ See "Non-IFRS Measures"

Operating activities

In Q2 2025, cash used in operating activities from continuing operations was \$477 compared to \$761 for Q2 2024. Funds flow from operating activities from continuing operations totaled \$310 in the quarter compared to a use or outflow of \$293 in the prior year comparative quarter (see "Non-IFRS Measures"). In Q2 2025, changes in non-cash operating working capital from continuing operations totaled an outflow of \$787 compared to an outflow of \$468 in Q2 2024.

For YTD-2025, cash from operating activities from continuing operations was \$407 compared to a usage of \$490 for YTD-2024. Funds flow from operating activities from continuing operations totaled \$805 for YTD-2025 compared to a use or outflow of \$96 for YTD-2024 (see "Non-IFRS Measures"). For YTD-2025, changes in non-cash operating working capital from continuing operations totaled an outflow of \$398 compared to an outflow of \$394 for YTD-2024.

Changes in cash from operating activities from continuing operations and funds flow from operating activities from continuing operations for Q2 2025 compared to Q2 2024, and for YTD-2025 compared to YTD-2024, were largely the result of reduced general and administrative expenses combined with the impact of changes in non-cash working capital (as noted above).

Investing activities

During the second quarter, the Corporation's net cash used in investing activities from continuing operations totaled \$128 compared to a usage of \$507 in the prior year comparative quarter. For YTD-2025, net cash used in investing activities from continuing operations totaled \$817 compared to a usage of \$815 in the prior year comparative quarter.

The change in cash flows from investing activities from continuing operations for Q2 2025 compared to the prior year comparative quarter is due to payments received related to notes receivable that partially offset property and equipment expenditures. The change in cash flows from investing activities from continuing operations for YTD-2025 compared to the prior year comparative period is due to payments received on notes receivable offset by property and equipment expenditures and the payment of the year one contingent consideration payable. Investing cash outflows related to the purchase of property and equipment for Q2 2025 were \$411 (Q2 2024: \$507) and for YTD-2025 were \$793 (YTD-2024: \$815).

Financing activities

During the second quarter, the Corporation's net cash used in financing activities from continuing operations of \$140 was comparable to \$127 in the prior year comparative quarter. For YTD-2025, net cash used in financing activities from continuing operations of \$275 was comparable to \$258 for YTD-2024. Financing related cash flows relate to payments on the Corporation's lease liabilities and long-term debt.

Working capital

As at June 30, 2025, the Corporation's working capital balance was \$3,380 compared to \$2,692 as at December 31, 2024. The increase in working capital is largely due to positive EBITDA generated during YTD-2025 combined with a portion of the year one contingent consideration associated with the acquisition of Delta being settled in common shares during the first quarter of 2025.

Long-term debt

(thousands of Canadian Dollars)	As at June 30, 2025	As at Dec 31, 2024
Current	175	175
Non-current	3,090	3,178
Total	3,265	3,353

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 two years with a fixed interest rate of 4.30%; payments occur monthly. The mortgage financing contains certain non-financial covenants requiring the lender's consent, including changes to the underlying business. As at June 30, 2025, the Corporation was compliant with all covenants associated with the mortgage financing.

Off-balance sheet arrangements

As at June 30, 2025, and December 31, 2024, the Corporation did not have any material off-balance sheet arrangements.

Outstanding share capital

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 under the Corporation's approved equity compensation plans.

(Common shares issued and outstanding) ⁽¹⁾	Six months ended Jun 30, 2025		Year ended Dec 31, 2024	
	Shares ⁽²⁾	Amount	Shares ⁽²⁾	Amount
Balance, beginning of period	12,448,166	\$133,153	12,280,568	\$169,992
Exercise of performance share units	-	-	70,545	422
Exercise of deferred share units	-	-	97,053	581
Return of capital ⁽³⁾	-	-	-	(37,842)
Issuance of common shares	248,793	273	-	-
Balance, end of period	12,696,959	\$133,426	12,448,166	\$133,153

⁽¹⁾ The Corporation's common shares do not have a par value and all issued shares are fully paid.

⁽²⁾ Pursuant to the de facto four-to-one consolidation of the Corporation's outstanding common shares effective August 12, 2024, the number of common shares outstanding and all per-share amounts have been retroactively adjusted to effect the common share consolidation for all prior period comparatives.

⁽³⁾ 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 pre-Arrangement common share of High Arctic. The return of capital was paid to the Corporation's shareholders on July 17, 2024.

On March 5, 2025, the Corporation issued 248,793 shares as part of the settlement of the first-year contingent consideration payable pursuant to the acquisition of Delta.

As at the date of this MD&A, the number of common shares of the Corporation outstanding was 12,696,959.

PNG Business Spinoff – Discontinued Operations

The operating results of the Corporation's PNG business are reported herein as discontinued operations as a result of the Arrangement transaction previously discussed. A summary of the results of the PNG business for the three and six months ended June 30, 2025 and 2024 are as follows:

(thousands of Canadian Dollars)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Revenue	-	10,431	-	25,448
Oilfield services expenses	-	(6,336)	-	(15,533)
General and administrative expenses	-	(1,967)	-	(2,868)
Depreciation and amortization expenses	-	(2,022)	-	(3,115)
Interest and finance income	-	66	-	85
Foreign exchange gain	-	91	-	13
Income before income tax	-	263	-	4,030
Income tax expense	-	(305)	-	(699)
Net income (loss) from discontinued operations	-	(42)	-	3,331

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:

(thousands of Canadian Dollars, except per share amounts)	Three months ended							
	Jun 30, 2025	Mar 31, 2025	Dec 31, 2024	Sept 30, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023	Sept 30, 2023
Revenue	2,391	2,335	2,443	2,506	2,533	2,988	1,037	1,015
Net income (loss)	(295)	(120)	(715)	125	(1,709)	182	219	498
Net earnings (loss) per share – basic and diluted	(0.02)	(0.01)	(0.06)	0.01	(0.14)	0.01	0.02	0.04

For the quarters Q1 2024 to Q2 2025 inclusive, the Corporation realized an increase in revenue compared to the 2023 comparative periods due to the addition of revenue from the acquisition of Delta which closed in late December 2023. Since the acquisition of Delta the Corporation's quarterly revenue has been generally steady as the expanded Delta product offering of high-pressure stimulation work is less impacted by road bans that restrict activity in the second quarter.

Fluctuations in net income (loss) reported quarter-over-quarter have largely been due to the impacts of G&A expenses related to the Arrangement transaction and income and losses associated with the Corporation's equity investment in Team Snubbing. The losses reported in the second quarters of 2025 and 2024 were the result of net losses associated with Corporation's equity investment in Team Snubbing which totaled \$348 and \$889, respectively. The loss reported in the fourth quarter of 2024 is primarily a result of net losses associated with the Corporation's equity investment in Team Snubbing which totaled \$396 and additional G&A expenses related to the Arrangement transaction of \$207. The quarterly fluctuations with respect to Team Snubbing net earnings are a result of the seasonality in oil and gas activity levels and the inclusion of losses from Team International for the last three quarters of 2024. Variations in G&A expenses are directly related to the Corporation's reorganization activities as previously discussed.

Seasonality of Operations

The western Canadian oil and gas industry is subject to seasonality with drilling and well completion activity usually peaking during the winter months in the first and fourth quarters of a given calendar year. As temperatures rise in the spring, the ground thaws and becomes unstable, resulting in government road bans, which severely restrict activity in the second quarter. These seasonal trends typically lead to quarterly fluctuations in the Corporation's operating results, including the results of the Corporation's equity investment in Team Snubbing, which should be considered in any quarter-over-quarter analysis of the Corporation.

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, 2025	Mar 31, 2025	Dec 31, 2024	Sept 30, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023	Sept 30, 2023
Oil and natural gas prices:								
Average for each period:								
West Texas Intermediate (WTI) (USD/bbl) ⁽¹⁾	63	71	70	75	81	77	78	82
West Canada Select (WCS) (CAD/bbl) ⁽¹⁾	76	84	81	85	92	78	77	93
Canada Light Sweet Oil (CLS) (CAD/bbl) ⁽¹⁾	87	95	93	98	106	95	98	107
AECO (CAD/mmbtu) ⁽¹⁾	1.72	2.13	1.48	0.70	1.17	2.18	2.30	2.61
USDCAD Exchange Rate	1.3738	1.4433	1.3990	1.3637	1.3684	1.3488	1.3619	1.3412
Cdn Average Rig Count ⁽²⁾	128	214	193	207	134	208	180	187

⁽¹⁾ Source: Sproule

⁽²⁾ Source: JuneWarren-Nickles

During Q2 2025 the average WTI, WCS and CLS index prices all traded down when compared to Q1 2025. In Q2 2025 crude oil prices were volatile due largely to increased supply announced by OPEC+, ongoing global economic uncertainty that was driven by political tensions and trade disputes and heightened tensions in the Middle East that escalated during the quarter and saw both Israel and the US attack Iran. In general, average prices traded down on fears of a broad global economic slowdown as a result of threatened US tariffs announced on April 2nd and successive OPEC+ meetings that resulted in the cartel adding more supply into the market starting in May. The Trans Mountain pipeline expansion has increased Canadian oil transportation capacity, which in turn has positively impacted oil price differentials on certain Canadian oil products. The combination of these factors should be favourable to the Canadian energy industry, providing oil and gas producers with support for continued upstream capital investment.

Relative to historical pricing levels, AECO and US natural gas pricing was weak during Q2 2025 but was significantly improved compared to the last nine months of 2024. In particular, Canadian based natural gas pricing has been impacted disproportionately relative to other North American pricing points as a result of the greater physical distance Canadian AECO pricing is from certain natural gas markets, combined with variations in regional natural gas storage levels. AECO pricing will likely see less volatility and potentially firmer pricing going forward with LNG Canada commencing LNG shipments in July 2025.

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 or risks 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:

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 as at June 30, 2025.

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 given that the majority of 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.

The market price for oil and gas are sensitive to 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 fundamentals, policy and related production quotas undertaken by OPEC including the role taken by Russia, climate change 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, transitional, and future phases of energy industry changes.

The Corporation had no risk management contracts that would be affected by commodity prices in place as at June 30, 2025.

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 are 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 expected credit losses, 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 provided services to one customer who individually accounted for greater than 10% of its consolidated revenues during the three months ended June 30, 2025 with total sales of \$909 (2024 - three customers with total sales of \$846).

The Corporation provided services to one customer who individually accounted for greater than 10% of its consolidated revenues during the six months ended June 30, 2025 with total sales of \$911 (2024 - one customer with total sales of \$676).

As at June 30, 2025, one customer represented a total of \$932 or 39% of outstanding accounts receivable (December 31, 2024 – two customers represented a total of \$750 or 27% of outstanding accounts receivable).

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

	As at June 30, 2025	As at Dec 31, 2024
(thousands of Canadian Dollars)		
Less than 31 days	1,529	1,180
31 days to 60 days	526	552
61 days to 90 days	99	444
Greater than 90 days	234	611
Provision for expected credit losses	(27)	(38)
Total	2,361	2,749

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.

The Corporation's future financial results and longer-term success are dependent upon managing and realizing its working capital, its ability to secure additional capital from debt or equity financing, and/or complete other arrangements to fund the Corporation's activities while the Corporation generates recurring positive cash flows from operations. The Corporation will continue to monitor its liquidity position in future periods.

Critical Accounting Judgements and Estimates and Material Accounting Policies

Information on the Corporation's critical accounting judgements and estimates can be found in Note 2 of the Financial Statements. Additional information on the Corporation's critical accounting judgments and estimates can also be found in Note 2 of the audited annual consolidated financial statements for the year ended December 31, 2024. 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 Corporation's material accounting policies can be found in Note 3 of the audited annual consolidated financial statements for the year ended December 31, 2024.

The audited consolidated financial statements of Team Snubbing for the year ended December 31, 2024, included a note stating that they are prepared on a going concern basis which contemplates that Team Snubbing will be able to continue its operations in the foreseeable future and realize its assets and discharge its liabilities in the normal course of operations. This note identified the following factors which may cast doubt on the appropriateness of the going concern assumption, specifically: Team Snubbing's negative working capital as at December 31, 2024; a loss from operations for the year then ended; a loss before taxes for the year then ended; and uncertain status of credit facility renewals as of the date of the approval of the consolidated financial statements. If in the future the going concern assumption is not appropriate for Team Snubbing then the carrying value of the equity investment in and the note receivable from Team Snubbing, as reflected in the Corporation's financial statements, would be subject to impairment and that impairment amount may be material.

Future Accounting Pronouncements

Future accounting policy changes

In April 2024, the IASB issued IFRS 18, Presentation and Disclosures in Financial Statements, to replace IAS 1, Presentation of Financial Statements, effective January 1, 2027, with early adoption permitted. The new standard sets out the requirements for presentation and disclosures in the financial statements. Management is presently reviewing the impact the standard will have on the Financial Statements.

In May 2024, the IASB issued amendments to IFRS 9, Financial Instruments, and IFRS 7, Financial Instruments: Disclosures, to address the classification and measurement of financial instruments, with an emphasis to clarify the date of recognition and derecognition of financial asset and liabilities, effective January 1, 2026, with early adoption permitted. Management is currently reviewing the impact of these amendments, but they are not expected to have a material impact on the Corporation's Financial Statements.

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 month periods ended June 30, 2025, 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, refer to the Corporation's Annual Information Form ("AIF") dated March 31, 2025, in respect of the year ended December 31, 2024, and other information and documents, all of which are 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, 2024 AIF, which are specifically incorporated by reference herein. The AIF is available on SEDAR+ at www.sedarplus.ca, and copies of the AIF 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 income (loss) adjusted for income taxes, interest and finance expense, depreciation and amortization expenses. Management believes that, in addition to net income (loss) reported in the consolidated statements of income (loss) and comprehensive income (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 income (loss) calculated in accordance with IFRS. Refer to table in "Adjusted EBITDA from continuing operations" below for a reconciliation of net income (loss) from continuing operations, as disclosed in the consolidated statements of income (loss) and 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, fair value adjustments and other costs related to reorganization or restructurings, consolidating facilities or excess of insurance proceeds over costs.

Management believes the adjustments for these items provides a more comparable measure of the Corporation's operational financial performance between periods. Adjusted EBITDA from continuing operations 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 income (loss) from continuing operations, as disclosed in the consolidated statements of income (loss) and comprehensive income (loss), to EBITDA from continuing operations and Adjusted EBITDA from continuing operations for the three and six months ended June 30, 2025 and 2024:

(thousands of Canadian Dollars)	Three months ended Jun 30,		Six months ended Jun 30,	
	2025	2024	2025	2024
Net loss from continuing operations	(295)	(1,709)	(415)	(1,527)
<u>Adjustments to net loss:</u>				
Interest income	(48)	(467)	(108)	(1,038)
Interest and finance expenses	163	62	277	126
Accretion on notes receivable	(56)	(66)	(115)	(130)
Income tax expense (recovery)	-	8	-	8
Depreciation and amortization expenses from continuing operations	575	707	1,159	1,328
Gain on disposal of property and equipment	(6)	-	(6)	-
EBITDA from continuing operations	333	(1,465)	792	(1,233)
<u>Adjustments to EBITDA:</u>				
Share-based compensation expense	56	80	104	139
Foreign exchange loss (gain)	2	(80)	11	(271)
Fair value adjustment to contingent consideration	(362)	-	(362)	-
Loss from equity investments	348	889	336	399
G&A related to reorganization or restructurings ⁽¹⁾	105	763	105	1,246
Adjusted EBITDA from continuing operations	482	187	986	280

⁽¹⁾ 2024 adjustments relate to G&A costs related to the corporate reorganization, net of any recoveries from HOH.

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 rental services

revenue less oilfield services expenses. Oilfield services operating margin 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 of income (loss) and comprehensive income (loss), to oilfield services operating margin and oilfield services operating margin % for the three and six month periods ended June 30, 2025, and 2024.

Oilfield services operating margin percentage

Oilfield services operating margin percentage is a non-IFRS measure in line with oilfield services operating margin discussed above. Oilfield services operating margin percentage is used by management to analyze overall operating performance. Oilfield services operating margin % is calculated as oilfield services operating margin divided by rental services revenue.

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

(thousands of Canadian Dollars, unless otherwise noted)	Three months ended June 30,		Six months ended Jun 30,	
	2025	2024	2025	2024
Rental services revenue	2,293	2,439	4,530	5,333
Oilfield services expenses	(1,167)	(1,329)	(2,217)	(2,792)
Oilfield services operating margin	1,126	1,110	2,313	2,541
Oilfield services operating margin %	49.1%	45.5%	51.1%	47.7%

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 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 income (loss) and comprehensive income (loss) to operating income (loss) from continuing operations for the three and six months ended June 30, 2025, and 2024:

(thousands of Canadian Dollars)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Revenue from continuing operations	2,391	2,533	4,726	5,521
Oilfield services expenses from continuing operations	(1,167)	(1,329)	(2,217)	(2,792)
G&A expenses from continuing operations	(847)	(1,780)	(1,628)	(3,695)
Depreciation and amortization expenses from continuing operations	(575)	(707)	(1,159)	(1,328)
Share-based compensation expense	(56)	(80)	(104)	(139)
Operating loss from continuing operations	(254)	(1,363)	(382)	(2,433)

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, 2025, and 2024:

(thousands of Canadian Dollars)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Net cash from (used in) continuing operating activities	(477)	(761)	407	(490)
Adjusted for: Changes in non-cash working capital balances – operating	787	468	398	394
Funds flow from (used in) continuing operations	310	(293)	805	(96)

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 to analyze the operating liquidity available to the Corporation. Working capital 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, 2025, and December 31, 2024:

(thousands of Canadian Dollars)	As at Jun 30, 2025	As at Dec 31, 2024
Current assets	6,104	7,221
Current liabilities	(2,724)	(4,529)
Working capital	3,380	2,692
Working capital ratio	2.2:1	1.6:1

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 the energy industry inclusive of commodity prices, producer activity levels (inclusive of drilling and completions activity) and general energy supply and demand fundamentals that may impact the energy industry as a whole and more specifically as it relates to the Corporation’s customers in western Canada and Alaska, United States; expectations related to current and future LNG export projects; the impact (if any) of geo-political events, changes in government, changes to tariff’s or related trade policies and the potential impact on the Corporation’s ability to execute its 2025 strategic objectives; fluctuations in interest rates and commodity prices; 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 Corporation’s ability to seek and execute accretive acquisitions including the timing thereof and the potential operational and financial benefits; management of general and administrative costs; the maintenance of a strong balance sheet and related financial flexibility; the performance of the Corporation’s investment in Team Snubbing; operational and financial performance of the Corporation’s Canadian rental equipment business in 2025; scaling the Canadian business, execution on one or more corporate transactions; and estimated credit risks.

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; obtain equity and debt financing on satisfactory terms and manage its liquidity risk.

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 elsewhere in this MD&A, along with the risk factors set out in the most recent AIF 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
bbl	- Barrel
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
G&A	- General and administrative expenses
ICFR	- Internal controls over financial reporting
IFRS	- International Financial Reporting Standards
MD&A	- Management discussion and analysis
Nm	- Not meaningful
mmbtu	- Million British thermal units
OPEC	- Organization of Petroleum Exporting Countries
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	- Western Canadian Select
WCSB	- Western Canadian Sedimentary Basin
WTI	- West Texas Intermediate
YTD	- Year to date