MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED
June 30, 2026 and 2025

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 6, 2026 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, 2026 and 2025 (the "Financial Statements") and the audited consolidated financial statements and notes for the years ended December 31, 2025 and 2024. Additional information relating to the Corporation, including the Corporation's Annual Information Form ("AIF") for the year ended December 31, 2025, 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 6, 2026. 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 - IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board.

Readers are cautioned that this MD&A contains certain forward-looking information and forward-looking statements (collectively "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, 2026 may be referred to as the "quarter" or "Q2 2026" and the comparative three months ended June 30, 2025 may be referred to as "Q2 2025". 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, 2026 may be referred to as "YTD" or "YTD-2026". 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.

Corporate Profile

Headquartered in Calgary, Alberta, Canada, High Arctic's operations involve the provision of pressure control equipment and equipment and related labour services 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, US, through a minority interest equity investment in Team Snubbing Services Inc. ("Team Snubbing").

High Arctic conducts its business activities through two reporting segments. The rental services segment consists of its rental equipment assets and related labour services in Western Canada. The investments and corporate segment contain all other assets and activity, namely, High Arctic's equity investment in Team Snubbing, industrial property, head office functional support, and other monetary investments and borrowings.

Highlights

- Revenue increased with planned customer well completions, enabled by first half weighed capital expenditure program;
- Customer relationships strengthened with Q2 2026 operational execution;
- Profit margin percentage compressed due to mix of rental services and increased Q1 2026 equipment maintenance costs;
- Significant net income turnaround from 42% equity investment in Team Snubbing, an increase of $1.15 million over YTD-2025;
- G&A expenses increased $0.15 million over YTD-2025 with appointment of full-time Interim CEO last August, and professional fees, and
- Liquidity of $4.4 million, comprised of $3.0 million cash and cash equivalents and undrawn bank facility.

Second Quarter 2026 Summary

- Revenue of $2,941 for Q2 2026 increased by $550 or 23% compared to Q2 2025. The increase in revenue is attributable to improved customer demand and stable pricing for our rental service offerings.
- High Arctic generated oilfield services operating margin of $1,302 for Q2 2026 with a corresponding operating margin percentage of 46.2% compared to $1,126 and 49.1% for the prior year comparative quarter. Operating margin was impacted by higher revenues as noted, offset by the reduction in operating margin percentage which was driven by a higher concentration of lower margin well stimulation services. Well stimulation services typically involve a higher labour component, contracted through a third-party.
- Adjusted EBITDA for Q2 2026 was $504, or 17% of revenue, compared to the prior year comparative quarter of $482 and 20% of revenue. Adjusted EBITDA was primarily impacted by the same factors impacting oilfield services operating margin as noted above.
- Operating loss was $126 in the current year quarter compared to a loss of $254 in Q2 2025. The decrease in operating loss is attributable to the same factors impacting oilfield services operating margin, partially offset by 9% higher general and administrative expenses.
- Net income was $3 in Q2 2026 compared to a net loss of $295 in Q2 2025. This increase in net income was a result of the same factors impacting operating income (loss), Team Snubbing's $456 stronger performance in Q2 2026 versus Q2 2025 offset by the $362 fair value adjustment recorded in Q2 2025 relating to the contingent consideration payable pursuant to the 2023 Delta Services Ltd. ("Delta") acquisition.
- The Corporation maintained operational excellence and safety throughout the quarter as evidenced by the continuation of lost time and recordable incident free work.
- High Arctic exited Q2 2026 with net working capital of $4,579, including $3,025 of cash and cash equivalents, an undrawn credit facility and $2,916 in long-term debt.

First Half 2026 Summary

- YTD revenue of $5,676 increased by $950 or 20% compared to YTD-2025. Consistent with Q2 2026 results, the increase in revenue is attributable to improved customer demand and stable pricing for our rental service offerings.
- High Arctic generated oilfield services operating margin of $2,424 for YTD-2026 with a corresponding operating margin percentage of 44.6% compared to $2,313 and 51.1% for the prior year comparative period. Operating margin was impacted by higher revenues as noted above, offset by the reduction in operating margin percentage which was driven by a higher concentration of lower margin well stimulation services combined with an increase in equipment repairs and maintenance expense.
- Adjusted EBITDA for YTD-2026 was $892, or 16% of revenue, compared to the prior year comparative period of $986 and 21% of revenue. Adjusted EBITDA was primarily impacted by the same factors impacting oilfield services operating margin and 9% higher YTD-2026 general and administrative expenses.
- Operating loss for YTD-2026 was $330 compared to a loss of $382 for YTD-2025. The decrease in operating loss is attributable to the same factors impacting oilfield services operating margin, as noted above, partially offset with modestly higher general and administrative expenses.
- Net income was $858 for YTD-2026 compared to a net loss of $415 for YTD-2025. This $1,273 differential was primarily driven by Team Snubbing's $1,153 stronger YTD-2026 performance, $382 in gains on equipment disposals, partially offset by the $362 gain recorded in YTD-2025 on the fair value adjustment on the contingent consideration payable to pursuant to the 2023 Delta acquisition.
- During the first half of 2026, working capital increased $935 and long-term debt decreased by $87.

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)	2026	2025	2026	2025
Results from operations:				
Revenue	2,941	2,391	5,676	4,726
Net income (loss)	3	(295)	858	(415)
Per share (basic & diluted) (1) (3)	*0.00*	*(0.02)*	*0.07*	*(0.03)*
Oilfield services operating margin (2)	1,302	1,126	2,424	2,313
Oilfield services operating margin as a % of revenue (2)	*46.2%*	*49.1%*	*44.6%*	*51.1%*
EBITDA (2)	602	333	2,042	798
Per share (basic & diluted) (1) (3)	*0.05*	*0.03*	*0.16*	*0.06*
Adjusted EBITDA (2)	504	482	892	986
Per share (basic & diluted) (1) (3)	*0.04*	*0.04*	*0.07*	*0.08*
Operating loss (2)	(126)	(254)	(330)	(382)
Per share (basic & diluted) (1) (3)	*(0.01)*	*(0.02)*	*(0.03)*	*(0.03)*
Cash flow from operations:				
Cash flow from (used in) operating activities	205	(477)	1,020	407
Per share (basic & diluted) (1) (3)	*0.02*	*(0.04)*	*0.08*	*0.03*
Funds flow from (used in) operating activities (2)	484	310	836	805
Per share (basic & diluted) (1) (3)	*0.04*	*0.02*	*0.07*	*0.06*
Capital expenditures	803	411	1,318	793

(thousands of Canadian Dollars, except per share amounts and common shares outstanding)	June 30, 2026	December 31, 2025
Financial position:		
Working capital (2)	4,579	3,644
Cash and cash equivalents	3,025	3,294
Total assets	29,873	29,883
Long-term debt (non-current)	2,916	3,003
Shareholders' equity	23,065	22,043
Per share (4)	*1.82*	*1.74*
Common shares outstanding (4)	12,696,959	12,696,959

(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 14(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) The number of weighted average common shares used in per share basic and diluted calculations for the three months ended June 30, 2026, was 12,696,959 and for the three months ended June 30, 2025, was 12,696,959. The number of weighted average common shares used in per share basic and diluted calculations for the six months ended June 30, 2026, was 12,696,959 and for the six months ended June 30, 2025, was 12,608,988. For periods when the Corporation incurs a net loss or equivalent negative measure, certain potentially dilutive instruments were excluded from the calculation of diluted per share metrics as the inclusion would be anti-dilutive.

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

Outlook

High Arctic's business is driven by its customers' decisions to drill new oil and natural gas wells combined with subsequent activity to complete these wells for production. This drilling and completion activity is tied to expectations for commodity prices and pipeline egress to access markets. As such, the financial and operational performance of High Arctic's business and the non-operated equity investment in Team Snubbing are highly dependent on these customer factors, in combination with fundamentals associated with both drilling and well completions in the WCSB and in the US state of Alaska.

In the WCSB, High Arctic rental equipment and service operations continue to experience a high level of customer demand in central Alberta as certain customers accelerate their capital spending to drill, complete and tie-in more of their Duvernay wells. This work is conveniently located in close proximity to High Arctic's primary operations centre. In terms of High Arctic's capital expenditure levels, the second half of 2026 is expected to be significantly lower. Equipment deliveries were first half loaded to benefit from timing associated with customer well planning.

For High Arctic's non-operated interest in Team Snubbing, investment net income expectations are that first half operational execution has built positive momentum that will carry through the second half of 2026. While the WCSB continues to look challenging in terms of delayed natural gas well completions, Alaska has positive oil well workover production trends. High Arctic expects Team Snubbing to continue to build its customer relationships in Alaska and end the year in a favourable position with three rig packages marketed and labour contract opportunities.

While global economic and geopolitical uncertainty persists and in many respects is escalating, Canada's energy industry has opportunities for future growth through new pipeline egress to overseas and USA markets. Recent energy infrastructure initiatives to expand throughput of existing pipelines and build new capacity to access tidewaters are developments highlighting a mandate at the federal level for Canada to become a global energy superpower. These initiatives include the announcement of both the West Coast Oil Pipeline from Alberta to the B.C. coast and the Northern Shield Energy Corridor, the US approval of the Bridger Pipeline Expansion, completion of the Trans Mountain pipeline system expansion in 2024, and the commencement, and subsequent output ramp-up of West coast LNG exports in 2025, all of which are positive developments supporting improved long-term fundamentals for High Arctic's business in the upstream energy services sector.

In summary, the Corporation's strategic objectives carry forward priorities and accomplishments from the first half of 2026. They focus on safe and value based operational execution for customers, cost control, and equipment offerings to enable lasting market opportunities to drive organic growth and enhanced shareholder value.

2026 Strategic Objectives

High Arctic's 2026 strategic objectives are as follows:

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

Operating Results

Rental Services Segment

(thousands of Canadian Dollars, unless otherwise noted)	Three months ended June 30, 2026	2025	Six months ended June 30, 2026	2025
Revenue	2,817	2,293	5,430	4,530
Oilfield services expenses	(1,515)	(1,167)	(3,006)	(2,217)
Oilfield services operating margin (1)	1,302	1,126	2,424	2,313
Operating margin (%) (1)	46.2%	49.1%	44.6%	51.1%

(1) See "Non-IFRS Measures"

The rental services segment consists of High Arctic's oilfield rental equipment and labour services in Canada, centered upon pressure control equipment and equipment supporting the high-pressure stimulation of oil and gas wells in the WCSB.

Revenue for Q2 2026 of $2,817 was $524 or 23% higher than the prior year comparative quarter. Revenue for the six months ended June 30, 2026, of $5,430 was $900 or 20% higher than the prior year comparative period. The increase in revenue experienced for both Q2 2026 and YTD-2026, versus the comparable periods in 2025, was driven primarily by stronger customer activity experienced throughout 2026. The increase in gross operating expenses for both Q2 2026 compared to Q2 2025 and YTD-2026 was the result of the increase in revenues, the impact of customer sales mix, increased utilization of third-party rental services and for the YTD-2026 period, higher repairs and maintenance related expenses incurred in Q1 2026.

Oilfield services operating margin for Q2 2026 of 46.2% was approximately three percent lower (on a gross basis) than the 49.1% realized in Q2 2025. Operating margin in Q2 2026 was negatively impacted by increased utilization of third-party rental services in the current year quarter as compared to the prior year quarter. This increased utilization of third-party rental equipment combined with higher repairs and maintenance related expenses incurred in Q1 2026 negatively impacted the YTD-2026 margin when compared to YTD-2025 operating margin.

Other Rental Services Items

During Q1 2026, the Corporation recognized a gain of $340 related to assets disposed of pursuant to a rent-to-own agreement. Additional details related to this transaction are fully described later in this MD&A.

Investments and Corporate Segment

The investments and corporate segment contain all other assets and activity of the Corporation, namely, High Arctic's equity investment in Team Snubbing, its equity investment in the Seh' Chene Well Servicing Partnership ("Seh' Chene Partnership"), 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 20, Segmented Information, in the Corporation's Financial Statements.

Clairmont Industrial Property

Revenue attributable to the Corporation's industrial property in Clairmont, Alberta, was $124 for Q2 2026 compared to $98 in the prior year comparative quarter (YTD-2026 revenue of $246 compared to revenue of $196 for YTD-2025). The change in revenue is due largely to the reclassification of the reimbursement of property taxes from the lessee as a component of revenue in Q4 2025; previously, the reimbursement was included as a reduction of the underlying operating expense. Gross lease revenue was positively impacted by 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. The Corporation's proportionate share of Team Snubbing's net income for Q2 2026 was $108 compared to a loss of $348 experienced in Q2 2025. Team Snubbing realized revenues for Q2 2026 of $8,112 compared to $5,897 for the prior year comparative quarter and YTD-2026 revenue of $21,289 compared to revenue of $13,989 for YTD-2025, an increase of 38% and 52% respectively. See Note 9 in the Corporation's Financial Statements for additional details.

Team Snubbing realized improved financial and operational performance for both Q2 2026 and YTD-2026, versus the comparable periods in 2025. The improvements in both revenue and net income for the Q2 2026 and YTD-2026 are primarily attributable to improved customer activity in Team Snubbing's operations in Alaska, US. Activity levels in the US operations were favourably impacted by steady customer demand, comprised of well workovers on the Alaskan North Slope combined with complex workovers and plug and abandonment work in southern Alaska that concluded in early Q2 2026. Canadian activity levels have been comparable to what was witnessed in 2025 driven primarily by persistently low AECO natural gas pricing. As a result of the improved 2026 YTD financial and operational performance, Team Snubbing continued to make meaningful debt repayments to its primary lender and accordingly continued to reduce debt and improve its working capital position in the quarter.

General and Administrative Expenses ("G&A")

(thousands of Canadian Dollars, unless otherwise noted)	Three months ended June 30, 2026	2025	Six months ended June 30, 2026	2025
G&A	922	847	1,778	1,628
Percent of revenue (%)	31.4%	35.4%	31.3%	34.4%

High Arctic recorded G&A expenses of $922 in Q2 2026 compared to $847 in the comparative quarter. G&A expenses for Q2 2026 were impacted by higher professional fees, property taxes, insurance costs and salaries with appointment of a full-time CEO in August of 2025.

G&A expenses as a percentage of revenue declined in 2026 because of increased revenue. Management continues to scale business capabilities, enhance procedures and controls, and align its G&A cost structure following the 2024 reorganization and spin out of its legacy PNG operations.

Depreciation and Amortization Expenses

Depreciation and amortization expenses of property and equipment, intangibles and right-of-use assets totaled $595 in Q2 2026 compared to $575 for Q2 2025 (YTD-2026 expense of $1,165 compared to an expense of $1,159 for YTD-2025). Depreciation and amortization expenses are relatively consistent quarter over quarter and are impacted by the normal course decline in these expenses, offset in part, by the impact of new capital spending which was directed towards property and equipment.

Share-based Compensation

Share-based compensation expense is the charge to income over the service period relating to stock option or unit plans which generally contemplate the issuance of common shares upon vesting. The Corporation recorded $35 of expense in Q2 2026 compared to $56 in Q2 2025 (YTD-2026 expense of $57 compared to an expense of $104 for YTD-2025).

On April 2, 2026, 475,000 stock options were granted to directors, officers and management at an exercise price of $0.87 per common share.

Interest and Finance Expenses

(thousands of Canadian Dollars)	Three months ended June 30, 2026	2025	Six months ended June 30, 2026	2025
Interest on long-term debt	34	36	69	73
Finance expense – lease liabilities	15	18	32	37
Accretion on contingent consideration	34	58	67	114
Other expenses	8	51	33	53
Interest and finance expenses	91	163	201	277
Notes and other receivables accretion income	48	56	101	115
Interest income	39	48	81	108
Foreign currency gain (loss)	8	(2)	8	(11)

Interest expense is pursuant to a mortgage secured by lands and buildings owned by High Arctic located within Alberta, Canada. The reduction in interest expense for the current year quarter relative to the prior year comparative quarter is due to the normal course repayments of the outstanding mortgage balance resulting in modestly lower interest charges. The mortgage has a remaining initial term of less than one year 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, 2026, the total principal balance outstanding was $3,091 (December 31, 2025: $3,178).

Finance expense associated with lease liabilities for Q2 2026 was $15 compared to $18 in Q2 2025. The decrease in finance expense is due to a reduction in average lease obligations in the current year quarter compared to the prior year comparative quarter.

Accretion expense, which relates to the Corporation's contingent consideration payable for Q2 2026 was $34 compared to $58 in Q2 2025. The reduction in accretion expense for Q2 2026, compared to Q2 2025, is the result of the normal course payment of the second year payable in the first quarter of 2026. Additional details related to the Corporation's contingent consideration payable are provided later in this MD&A.

Other expenses of $8 for Q2 2026 includes stand-by fees associated with the Corporation's credit facility.

Notes and Other Receivables

As at June 30, 2026, the Corporation has three notes and other receivables outstanding, with a combined carrying value of $2,166 for which accretion income is required to be recognized. The carrying value of each note or receivable is adjusted over the individual items terms, resulting in the recognition of accretion income of $48 for the three months ended June 30, 2026 (three months ended June 30, 2025: $56). The reduction in accretion income in the current year quarter is due to the normal course reduction in the notes and other receivables as amounts are collected throughout the year. A summary of the individual terms is detailed below.

1) Team Snubbing 2022 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 commencing in July 2024. As at June 30, 2026, the carrying value of the note receivable was $1,312.

2) Team Snubbing 2026 Receivable

During Q1 2026, the Corporation provided property and equipment to Team Snubbing pursuant to a rent-to-own agreement. The property and equipment had a fair value of $941 with an exchange amount of $893, representing the present value of the expected cash flows under the agreement. The agreement requires Team Snubbing to make monthly payments and in addition provides Team Snubbing with the option to purchase the equipment at predetermined values no earlier than September 30, 2026 and no later than December 31, 2026, with December 31, 2026, being the expiration of the agreement.

In conjunction with this transaction, the Corporation recognized a gross receivable, the ("2026 receivable") from Team Snubbing of $941, with the present value being $893, resulting in $48 in non-cash accretion which will be recognized as interest income over the term of the agreement. The Corporation disposed of property and equipment with a net book value of $307, resulting in a gain on this transaction of $586, of which $340 or 58% has been included as a component of net income, with 58% being the Corporation's non-ownership percentage of its investment in Team Snubbing. The remainder of the gain of $246 or 42%, with 42% being the Corporation's ownership interest in Team Snubbing, has been recognized as a reduction to the carrying value of the Corporation's equity investment in Team Snubbing.

3) 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, with principal repayments commencing December 2024 in three equal payments. 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, 2026 the carrying value of the note receivable was $283.

Interest Income

Interest income from notes receivable, cash invested in interest bearing accounts and GICs totalled $39 during Q2 2026 (Q2 2025: $48). As at June 30, 2026, the Corporation had $3,025 maintained in a savings account earning an interest rate of approximately 2.5%.

Foreign Exchange Gains and Losses

Foreign exchange gains and losses are the result of 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 Corporation currently has minimal USD-denominated assets and liabilities; as such, gains and losses associated with the revaluation of USD-denominated assets and liabilities and the underlying exposure to changes in the US and CAD dollar are not expected to have a significant impact on the Corporation's net earnings.

Contingent Consideration Payable

On December 28, 2023, High Arctic completed the acquisition of all the shares of Delta for cash consideration of $3,430 and contingent consideration of $2,952. The contingent consideration is payable in a combination of cash and common shares of the Corporation over a thirty-six-month period following the transaction's close. Common shares of the Corporation can be issued to settle a component of the contingent consideration if the Corporation's capital structure provides the ability to do so. As at June 30, 2026, the Corporation does not anticipate that any additional common shares would be issued as a component of existing or future settlements.

The contingent consideration is to be paid in three instalments being Year 1 (calculated based on fiscal 2024 financial results), Year 2 (calculated based on fiscal 2025 financial results) and Year 3 (calculated based on fiscal 2026 financial results). Payment of each respective year will occur during the first quarter of the fiscal year subsequent to the most recently completed fiscal year.

The contingent consideration is based on Delta achieving specific profitability targets and is adjusted for capital expenditures incurred. The seller will receive a percentage of the profitability target achieved based on the following schedule:

Calculation of Contingent Consideration Percentage Multiplier:

Percent of profitability target achieved	Percentage multiplier
Less than 50% of profitability target	= 0x
50% to 95% of profitability target	= 1x minus (2 multiplied by (100% - % of profitability target achieved))
95% to 120% of profitability target	= 1x
Greater than 120% of profitability target	= 1.2x plus (1.5 multiplied by (% of profitability target achieved – 120%))

As at June 30, 2026, the contingent consideration payable outstanding was $1,404. In the first quarter of 2026, the Corporation settled the 2025 financial liability (Year 2 liability) of $1,147 through a cash payment of $854 and the net settlement of amounts owing to the Corporation related to the note receivable of $293.

Other Comprehensive Income (Loss)

	Three months ended June 30,		Six months ended June 30,	
(thousands of Canadian Dollars)	2026	2025	2026	2025
Foreign currency translation gain (loss) from foreign operations	-	(8)	6	1
Share of other comprehensive income (loss) from equity investments	(26)	-	101	-
Total	(26)	(8)	107	1

The Corporation recognized an other comprehensive loss of $26 for Q2 2026 compared to a loss of $8 in the prior year comparative quarter. As detailed above, included in other comprehensive income is a foreign currency translation gain of $nil for Q2 2026 (Q2 2025: $8 loss) associated with the translation of the Corporation's wholly owned subsidiaries that have a functional currency other than CAD. In addition, the Corporation recognized a comprehensive loss of $26 during Q2 2026 (Q2-2025: $nil) associated with its proportionate share of Team Snubbing's other comprehensive income.

Liquidity and Capital Resources

	Three months ended June 30,		Six months ended June 30,	
(thousands of Canadian Dollars)	2026	2025	2026	2025
Cash provided by (used in):				
Operating activities	205	(477)	1,020	407
Investing activities	(235)	(128)	(1,032)	(817)
Financing activities	(135)	(140)	(270)	(275)
Effect of exchange rate changes on cash	7	(10)	13	(10)
Increase (decrease) in cash	(158)	(755)	(269)	(695)

(thousands of Canadian Dollars, unless otherwise noted)	As at Jun 30, 2026	As at Dec 31, 2025
Current assets	7,786	7,662
Working capital[(1)]	4,579	3,644
Working capital ratio[(1)]	2.4:1	1.9:1
Cash and cash equivalents	3,025	3,294

(1) See "Non-IFRS Measures"

Operating Activities

Cash generated from operating activities for Q2 2026 was $205, compared to a use of $477 from operating activities in Q2 2025. Funds from operating activities totaled $484 in Q2 2026 compared to $310 for Q2 2025 (see "Non-IFRS Measures"). In Q2 2026, changes in non-cash operating working capital totaled an outflow of $279 compared to an outflow of $787 in Q2 2025.

For YTD-2026, cash from operating activities was $1,020 compared to $407 for YTD-2025. Funds flow from operating activities totaled $836 for YTD-2026 compared to $805 for YTD-2025 (see "Non-IFRS Measures"). For YTD-2026, changes in non-cash operating working capital totaled an outflow of $184 compared to an inflow of $398 for YTD-2025.

Changes in cash from operating activities and funds flow from operating activities for Q2 2026 compared to Q2 2025, and for YTD-2026 compared to YTD-2025, were largely the result of improved financial results for Q2 2026 compared to Q2 2025 combined with the impact of changes in non-cash working capital (as noted above).

Investing Activities
During Q2 2026, the Corporation's net cash used in investing activities totaled $235 compared to an outflow of $128 for the prior year comparative quarter (YTD-2026 outflow of $1,032 compared to an outflow of $817 for YTD-2025). In the second quarter of 2026 and 2025, the majority of investing related cash outflows related to sustaining and growth capital expenditures for the rental services segment. Offsetting investing cash outflows was the receipt of payments on notes and other receivables and proceeds received on the disposition of assets.

The change in cash flows from investing activities for Q2 2026 compared to the prior year comparative quarter is due to increased property and equipment expenditures partially offset with the increased payments received related to notes receivable. The change in cash flows from investing activities for YTD-2026 compared to the prior year comparative period is due to increased property and equipment expenditures, an increased payment on the contingent consideration obligation relating to the Delta acquisition, partially offset with the increased payments received related to notes receivable.

Financing Activities
During Q2 2026, the Corporation's net cash used in financing activities of $135 was consistent with the prior year comparative quarter of $140. For YTD-2026, net cash used in financing activities of $270 was comparable to $275 for YTD-2025. Cash flows related to financing activities consist of the normal course payments and receipts on the Corporation's lease liabilities and long-term debt.

Working Capital
As at June 30, 2026, the Corporation's working capital balance was $4,579 compared to $3,644 as at December 31, 2025. The increase in working capital was driven by positive EBITDA generated during YTD-2026 combined with the addition of the Team Snubbing 2026 receivable pursuant to the rent-to-own agreement and the sale of the Corporation's US snubbing assets.

Long-term Debt

(thousands of Canadian Dollars)	As at June 30, 2026	As at December 31, 2025
Current	175	175
Non-current	2,916	3,003
Total	3,091	3,178

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 six months with a fixed interest rate of 4.30% with payments occurring monthly. The mortgage financing contains certain non-financial covenants requiring lenders' consent including changes to the underlying business. As at June 30, 2026 and December 31, 2025, the Corporation was compliant with all covenants associated with the mortgage financing.

Credit Facility
On December 29, 2025, the Corporation entered into a revolving credit facility (the "Facility") with a Canadian financial institution (the "Lender") for a maximum principal amount of $3,000. The Facility is secured by a general security agreement, which specifically provides the Lender with a first priority lien over the majority of the Corporation's personal property, inclusive of the Corporation's trade accounts receivable (the "Borrowing Base"). The availability of the Facility is limited to eligible trade accounts receivable, subject to monthly borrowing base certificates and eligibility requirements, with eligibility requirements based on the age and credit worthiness of the Corporation's trade accounts receivables.

As at June 30, 2026 and December 31, 2025, there were no amounts drawn on the Facility. As at June 30, 2026, in accordance with the Borrowing Base calculation, the maximum amount available under the Facility was $1,396 (December 31, 2025: $1,424).

The Facility matures on December 28, 2026. Amounts drawn under the Facility are due on demand at the discretion of the Lender, while the Corporation maintains the ability to draw on, and make repayments at its discretion.

The interest rate on any drawn amounts is Canadian prime plus 2.25%. The Facility requires the payment of standby fees on any undrawn amounts.

The Facility has a number of financial covenants which include the Corporation maintaining certain financial ratios related to current assets and current liabilities, debt obligations to earnings before interest, income taxes, depreciation and amortization expenses, as defined in the Facility agreement, and a debt service coverage ratio. The Corporation was in compliance with all financial and non-financial covenants as at June 30, 2026 and December 31, 2025.

Off-Balance Sheet Arrangements
As at June 30, 2026 and December 31, 2025, the Corporation did not have any material off-balance sheet arrangements.

Acquisitions and Dispositions
For the three and six months ended June 30, 2026 and 2025, and for the year ended December 31, 2025, the Corporation did not execute any acquisition or divestiture transactions.

Related Party Transactions
Refer to Note 21 of the Corporation's Financial Statements for disclosures related to related parties.

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-based compensation plan.

	Six months ended June 30, 2026		Year ended December 31, 2025	
(Common shares issued and outstanding) [1]	Shares	Amount	Shares	Amount
Balance, beginning of period	12,696,959	$133,426	12,448,166	$133,153
Issuance of common shares	-	-	248,793	273
Balance, end of period	12,696,959	$133,426	12,696,959	$133,426

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

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 2023 acquisition of Delta.

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

Stock Options

As at June 30, 2026, 928,333 stock options have been granted at a weighted average exercise price of $1.06. As at June 30, 2026, of the issued and outstanding stock options 225,000 were exercisable at weighted average exercise price of $1.19.

Summary of Quarterly Results

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

	Three months ended							
(thousands of Canadian Dollars, except per share amounts)	Jun 30, 2026	Mar 31, 2026	Dec 31, 2025	Sept 30, 2025	Jun 30, 2025	Mar 31, 2025	Dec 31, 2024	Sept 30, 2024
Revenue	2,941	2,735	2,985	2,930	2,391	2,335	2,443	2,506
Net income (loss)	3	855	(160)	931	(295)	(120)	(715)	125
Net earnings (loss) per share – basic and diluted[1]	0.00	0.07	(0.01)	0.07	(0.02)	(0.01)	(0.06)	0.01

(1) See "Non-IFRS Measures"

Revenue from operations is typically the highest in Q1 and Q3, traditionally the busiest periods for energy services in Canada, as customers execute major drilling and completions work ahead of the spring break-up usually experienced in Q2. Energy services activity is typically curtailed in Q2 due to restrictions on the movement of heavy equipment due to road bans in certain locations. Activity levels are usually subdued in Q4 due to the onset of winter weather conditions combined with lost workdays associated with year-end holiday time off.

Fluctuations in net income reported quarter-over-quarter have largely been due to the impacts of G&A expenses related to the arrangement transaction completed in Q2 2024 and fluctuations in net income / (losses) from the Corporation's equity investment in Team Snubbing. Team Snubbing results have historically fluctuated as a result of the seasonality in oil and gas activity levels which negatively impact results in the second quarter. Additionally, Team Snubbing incurred significant costs in 2024 associated with the start-up of its operations in Alaska, US. With Team Snubbing's Alaskan activity levels increasing in 2025, significant net income was realized by High Arctic in both Q1 2026 and Q3 2025 as material earnings from the Corporation's equity investment in Team Snubbing of $709 for Q1 2026 and $756 for Q3 2025 were realized. The loss reported in the fourth quarter of 2024 is primarily a result of net losses associated with Team Snubbing of $396 combined with G&A expenses related to the arrangement transaction of $207.

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, 2026	Mar 31, 2026	Dec 31, 2025	Sept 30, 2025	Jun 30, 2025	Mar 31, 2025	Dec 31, 2024	Sept 30, 2024
Oil and natural gas prices – Average for each period:								
West Texas Intermediate (WTI) (USD/bbl)(1)	93	72	59	65	63	71	70	75
West Canada Select (WCS) (CAD/bbl)(1)	108	79	67	75	76	84	81	85
Canada Light Sweet Oil (CLS) (CAD/bbl)(1)	131	94	77	85	87	95	93	98
AECO (CAD/mmbtu)(1)	1.90	2.00	2.28	0.61	1.72	2.13	1.48	0.70
USDCAD Exchange Rate (2)	1.3838	1.3714	1.3901	1.3836	1.3737	1.4433	1.3990	1.3637
Cdn Average Rig Count (3)	147	188	185	176	128	214	193	207

(1) Source: Sproule
(2) Average for the respective quarter
(3) Source: JuneWarren-Nickles, ATB or Baker Hughes

WTI, WCS and CLS index prices in Q2 2026 were primarily driven by geopolitical disruptions in the Middle East, particularly the conflict involving Iran and the temporary impairment of crude shipments through the Strait of Hormuz. Supply uncertainty, OPEC+ production restraint and declining global inventories supported WTI prices above USD100/bbl for much of the quarter. These bullish factors were partially offset by demand destruction from higher prices, resilient U.S. shale production and expectations that disrupted supplies would gradually return to market as geopolitical tensions eased.

AECO natural gas prices in Q2 2026 were supported by growing LNG export demand, stronger North American gas fundamentals, and increasing domestic consumption in Alberta. However, continued production growth from the Montney and Duvernay plays, coupled with pipeline maintenance and egress constraints, kept the Western Canadian market oversupplied and limited upward price movement. As a result, AECO pricing improved modestly from the depressed levels seen in 2024 but remained constrained relative to North American benchmarks.

Historically, 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. Future AECO pricing is expected to experience reduced volatility and potentially stronger pricing, supported by LNG Canada's commencement of shipments in Q3 2025 and continued ramp-up toward the facility's design capacity.

Financial Risk Management

Financial and other risks

The Corporation is exposed to financial risks arising from its financial assets and liabilities. These include geopolitical risks which are 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. Cyber-security risks increase as the Corporation outsources its IT servers to cloud providers and employees work remotely.

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 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 on December 15, 2026. In addition, the Corporation is also exposed to interest rate risk on any future borrowing, including its undrawn credit facility, 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, 2026.

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 almost all the Corporation's customers are oil and gas producers. High Arctic's customers' 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, ongoing conflict in the Middle East, 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 as at June 30, 2026.

Credit risk, customers, and economic dependence

Credit risk is the risk of a financial loss occurring as a result of a default by a counterparty 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 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, 2026 with total sales of $1,429 (three months ended June 30, 2025: one customer with total sales of $909).

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, 2026 with total sales of $1,746 (six months ended June 30, 2025: one customer with total sales of $911).

As at June 30, 2026, one customer represented a total of $1,392 or 53% of outstanding accounts receivable (December 31, 2025: two customers represented a total of $1,499 or 51% of outstanding accounts receivable).

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

(thousands of Canadian Dollars)	As at June 30, 2026	As at December 31, 2025
Less than 31 days	1,738	967
31 days to 60 days	373	857
61 days to 90 days	500	999
Greater than 90 days	48	234
	2,659	3,057
Provision for expected credit losses	(23)	(109)
Total	2,636	2,948

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 its working capital, and its ability to secure additional capital from debt or equity financings or complete 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 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 judgements and estimates can also be found in Note 2 of the audited annual consolidated financial statements for the year ended December 31, 2025. 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, 2025.

The audited consolidated financial statements of Team Snubbing for the year ended December 31, 2025 include 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, 2025 and non-compliance with certain bank indebtedness. 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.

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, 2026, 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 Annual Information Form ("AIF") dated March 31, 2026, in respect of the year ended December 31, 2025, 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, 2025, 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 operations before interest, taxes, depreciation, and amortization ("EBITDA")

EBITDA from operations is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. EBITDA from operations is defined as net income (loss) adjusted for income taxes, interest and finance expenses, 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 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 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 operations below that provides a reconciliation of net income (loss), as disclosed in the consolidated statements of comprehensive income (loss) to EBITDA from operations.

Adjusted EBITDA

Adjusted EBITDA is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Adjusted EBITDA is defined as EBITDA (as defined above) prior to the effect of share-based compensation, certain 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, certain fair value adjustments, and other 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 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 income (loss), as disclosed in the consolidated statements of comprehensive income (loss), to EBITDA and Adjusted EBITDA for the three and six months ended June 30, 2026, and 2025:

	Three months ended June 30,		Six months ended June 30,	
(thousands of Canadian Dollars)	2026	2025	2026	2025
Net income (loss)	3	(295)	858	(415)
Adjustments to net income (loss):				
Interest and other income	(39)	(48)	(81)	(108)
Interest and finance expenses	91	163	201	277
Accretion income on notes and other receivables	(48)	(56)	(101)	(115)
Depreciation and amortization expenses	595	575	1,165	1,159
EBITDA	602	339	2,042	798
Adjustments to EBITDA:				
Share-based compensation expense	35	56	57	104
Loss (income) from equity investments	(108)	348	(817)	336
Foreign exchange loss (gain)	(8)	2	(8)	11
Gain on disposal of property and equipment (1)	(17)	(6)	(42)	(6)
Gain on assets disposed of pursuant to a rent-to-own agreement	-	-	(340)	-
Fair value adjustment to contingent consideration	-	(362)	-	(362)
G&A related to reorganization or restructurings (2)	-	105	-	105
Adjusted EBITDA	504	482	892	986

(1) For the three and six month periods ended June 30, 2025 the gain on disposal of property and equipment was reported as a reduction of EBITDA.

(2) G&A costs related to the Corporation's corporate reorganization which was completed in 2024 but for which costs were incurred throughout 2024 and 2025.

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 of comprehensive income (loss), to oilfield services operating margin and oilfield operating margin % for the three and six months ended June 30, 2026, and 2025.

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)	2026	2025	2026	2025
Revenue	2,817	2,293	5,430	4,530
Oilfield services expenses	(1,515)	(1,167)	(3,006)	(2,217)
Oilfield services operating margin	1,302	1,126	2,424	2,313
Oilfield services operating margin %	46.2%	49.1%	44.6%	51.1%

Operating income (loss)

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

The table disclosed below provides a quantitative reconciliation of revenue, as disclosed in the consolidated statements of comprehensive income (loss) to operating income (loss) for the three and six months ended June 30, 2026, and 2025:

	Three months ended June 30,		Six months ended June 30,	
(thousands of Canadian Dollars)	2026	2025	2026	2025
Revenue	2,941	2,391	5,676	4,726
Oilfield services expenses	(1,515)	(1,167)	(3,006)	(2,217)
G&A expenses	(922)	(847)	(1,778)	(1,628)
Depreciation and amortization expenses	(595)	(575)	(1,165)	(1,159)
Share-based compensation	(35)	(56)	(57)	(104)
Operating loss	(126)	(254)	(330)	(382)

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 operating activities

Funds flow from operating activities 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 operating activities is defined as net cash generated from operating activities adjusted for changes in non-cash working capital. Management believes that, in addition to net cash generated from operating activities as reported in the consolidated statements of cash flows, cash 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) operations for the three and six months ended June 30, 2026, and 2025:

	Three months ended June 30,		Six months ended June 30,	
(thousands of Canadian Dollars)	2026	2025	2026	2025
Net cash generated from operating activities	205	(477)	1,020	407
Changes in non-cash working capital balances – operating	279	787	(184)	398
Funds flow from operations	484	310	836	805

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, 2026 and December 31, 2025:

(thousands of Canadian Dollars)	As at June 30, 2026	As at December 31, 2025
Current assets	7,786	7,662
Current liabilities	(3,207)	(4,018)
Working capital	4,579	3,644
Working capital ratio	2.4:1	1.9:1

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 completions and tie-in 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 expansion of oil throughput on existing pipelines, new oil pipeline capacity and LNG export projects and the impact, if any, on future pricing; the impact, if any, of geo-political events, changes in government, changes to tariffs or related trade policies and the potential impact on the Corporation's ability to execute its 2026 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; the nature and the timing of the settlement of future contingent consideration payments; 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 capital expenditure levels; including the anticipated weighting of equipment deliveries in the first half of the year; 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 expenses; the maintenance of a strong balance sheet, its liquidity position and related financial flexibility; the performance of the Corporation's non-operated equity investment in Team Snubbing and Team Snubbing's ability to continue as a going concern;

expectations regarding Team Snubbing's ability to expand operations in Alaska, including rig packages marketed and labour contract opportunities; operational and financial performance of the Corporation's Canadian rental and related labour services business in 2026; the Corporation's expectations for customer activity levels for 2026; expectations regarding future natural gas pricing, included the potential impact of LNG Canada exports on AECO pricing; scaling the Corporation's 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, that commodity prices will continue at levels supportive of customer activity; and the Corporation's 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, and successfully renew or refinance its mortgage facility upon expiry; and that Team Snubbing will continue as a going concern and be able to meet its financial obligations.

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
AECO	- Alberta Energy Company natural gas spot price
bbl	- Barrel
CAD	- Canadian dollars
CLS	- Canadian Light Sweet
DC&P	- Disclosure controls and procedures
EBITDA	- Earnings before interest, tax, depreciation, and amortization
FY	- Financial Year
G&A	- General and administrative expenses
ICFR	- Internal controls over financial reporting
IFRS	- International Financial Reporting Standards
MD&A	- Management discussion and analysis
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	- West Canada Select
WCSB	- Western Canadian Sedimentary Basin
WTI	- West Texas Intermediate