POLARIS

POLARIS INFRASTRUCTURE INC.

Management's Discussion and Analysis
For the Three and Nine Months Ended September 30, 2017 **November 7, 2017**

INTRODUCTORY COMMENTS

General

The following management's discussion and analysis ("MD&A") focuses on significant factors that affected Polaris Infrastructure Inc. and its subsidiaries ("Polaris Infrastructure," "we" or the "Company") during the relevant reporting period and to the date of this report. It contains a review and analysis of the financial results for the three and nine months ended September 30, 2017, identifies business risks that the Company faces and comments on the financial resources required for the development of its business.

This MD&A supplements, but does not form part of, the unaudited interim condensed consolidated financial statements of the Company and the notes thereto for the three and nine months ended September 30, 2017, and the consolidated financial statements and MD&A for the year ended December 31, 2016. Additional information relating to the Company such as the Annual Information Form ("AIF") can be found on the System for Electronic Disclosure and Retrieval ("SEDAR") at www.sedar.com. Unless stated otherwise, the information in this MD&A is current as at November 7, 2017.

All amounts, unless specifically identified as otherwise, both in the consolidated financial statements and this MD&A are expressed in U.S. dollars.

Certain measures in this document do not have any standardized meaning as prescribed by International Financial Reporting Standards ("IFRS") and, therefore, are not considered generally accepted accounting principles ("GAAP") measures. Where non-GAAP measures or terms are used, definitions are provided. In this document and in the Company's consolidated financial statements, unless otherwise noted, all financial data is prepared in accordance with IFRS.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") is a non-GAAP metric used by many investors to compare companies on the basis of ability to generate cash from operations. The Company uses Adjusted EBITDA to assess its operating performance without the effects of (as applicable): current and deferred tax expense, finance costs, interest income, other gains and losses, impairment loss, depreciation and amortization of plant assets, share-based compensation and other non-recurring items. The Company adjusts for these factors as they may be non-cash, unusual in nature and are not factors used by management for evaluating the performance of the Company. The Company believes the presentation of this measure will enhance an investor's understanding of its operating performance. Adjusted EBITDA is not intended to be representative of cash provided by operating activities or results of operations determined in accordance with GAAP.

Forward-looking Statements

This MD&A contains forward-looking information or future-oriented financial information and, as such, is based on an assumed set of economic conditions and courses of action. Please refer to the cautionary note at the end of this MD&A regarding the risks associated with the forward-looking information and the risk factors set out under the headings "RISKS AND UNCERTAINTIES" in this MD&A, and "Forward Looking Statements" and "Risk Factors" in the Company's AIF for the year ended December 31, 2016 available on SEDAR at www.sedar.com.

BUSINESS OVERVIEW AND STRATEGY

Polaris Infrastructure is a Toronto-based company engaged in the operation, acquisition and development of renewable energy projects in Latin America. Currently, the Company operates a 72 MW geothermal project located in Nicaragua.

Polaris Infrastructure's mission is to be a Latin America-focused renewable power project developer and operator, while providing superior shareholder returns. Senior management has extensive experience in critical areas of renewable finance, development and operations. The board of directors of the Company (the "Board") is comprised of individuals with a broad range of industry and business expertise who are well qualified to provide oversight and strategic direction to the Company.

Events, transactions and activities relating to Polaris Infrastructure's renewable energy properties which occurred during the three and nine months ended September 30, 2017 and to the date of this MD&A are discussed below.

Recent Developments

San Jacinto Operations Commentary

Average generation at the San Jacinto geothermal power plant (the "San Jacinto project") during the third quarter of 2017 was broadly in line with management's expectation entering the quarter. Net power generation was 56.7 MW, up from 54.6 MW in the prior year quarter, and down from 59.2 MW in the second quarter of 2017. The year over year increase reflects incremental steam flows from the two new production wells that were connected in August 2016. The decrease versus the prior quarter reflects in part the fact that the second quarter of 2017 benefited from an unusually positive cycling effect, while the third quarter of 2017 experienced modest organic declines, combined with a temporary impact related to injection system reconfigurations.

As discussed more fully below, the third quarter of 2017 also saw the connection of two new wells to the San Jacinto project; one production well (SJ 4-2) and one injection well (SJ 11-2), as well as an injection well (SJ 9-2) being taken out of service.

2017 San Jacinto Drilling Program

The Company's wholly-owned subsidiary, Polaris Energy Nicaragua S.A. ("PENSA"), commenced the 2017 drilling program at the San Jacinto project in late April 2017. The primary objective of the 2017 drilling program is to increase average generation as close as possible to the 72 MW (net) level supported by both the purchase price agreement ("PPA") as well as installed turbine capacity at the San Jacinto project. The 2017 drilling program consists of three new production wells, a new injection well and certain above-ground investments, with a total program budget of approximately $29.1 million.

Drilling of the second new production well as part of the 2017 San Jacinto drilling program, SJ 12-4, was completed on November 1, 2017. As contemplated in the drilling plan, a total loss of drilling fluids was experienced, indicating a zone of high permeability and the well was completed at a depth of approximately 2,630 metres measured depth. Reaching the targeted zone of permeability via SJ 12-4 reflects an expansion of the steamfield to the north, and bodes well for planned drilling of SJ 12-5, which will further extend the production zone to the north. After a heating-up period, we estimate SJ 12-4 will be in position to complete flow-testing in early 2018, and will provide further updates as appropriate. The Company expects to have SJ 12-4 connected to the San Jacinto power plant late in the second quarter of 2018, following completion of certain above-ground piping and infrastructure investments

The new injection well, SJ 11-2, was completed in early June 2017, on-time and on-budget, and was connected to the San Jacinto project in August 2017, as planned. We believe the successful completion of SJ 11-2 will be a long-term strategic benefit to the San Jacinto project given its very high level of injection capacity and its distance from the production field.

After SJ 11-2 was put into service, we removed SJ 9-2 from injection service completely and restricted flow into another injection well, SJ 10-1. There is reason to believe that SJ 9-2 could be converted into a production well in the future and we are now allowing for temperature and pressure build-up, and hope to run a production test in the next several months.

In an optimal arrangement, injection wells provide pressure support to the production wells, but at a distance sufficient to allow time for the relatively cooler reinjected geothermal fluids to heat back up to production temperature. Given that SJ 9-2 was an "infield" injection well and that SJ 10-1 has a reasonably strong connection to several production wells, we believe the injection system reconfiguration implemented during the third quarter of 2017 resulted in a decrease in average steam flows from several production wells. This injection-system related decrease partially explains the decline in average production from the second to the third quarter of 2017. This reduction, however, is viewed as temporary and that over time, pressure support should come from SJ 11-2.

Ultimately, we believe that the reduced cooling risk associated with SJ 9-2 being taken out of service as an injection well, combined with the possibility of it being converted to a production well, will provide a long-term benefit to the San Jacinto project.

Following conclusion of drilling in late July 2017, SJ 4-2 was connected to the plant in late August 2017. Preliminary mass flows and testing indicate that SJ 4-2 is producing steam flows of approximately 14 tones per hour (tph) and approximately 1.5 to 2 MW of annualized generation.

Binary Unit

PENSA continues to make progress with respect to plans to commission and install a 10 MW (net) binary unit at the San Jacinto project. Bids from the three engineering, procurement and construction firms invited into the process were received in August 2017. Pending conclusion of the 2017 drilling program, technical and commercial evaluation of the bids will be completed, with ongoing assistance from owner's engineer, Power Engineers. Discussions with the Nicaragua grid operator with respect to the PPA are ongoing.

Quarterly Dividend

On November 7, 2017, the Board authorized and declared the Company's seventh quarterly dividend, namely a dividend of $0.15 per outstanding common share. This dividend will be paid on November 27, 2017 to shareholders of record at the close of business on November 16, 2017.

The $0.15 dividend per share related to the third quarter of 2017 equates to approximately a 45% payout ratio. Considering the $0.12 and $0.14 dividends related to the first and second quarters of 2017, respectively, the year to date payout ratio is 44%, though this reflects the impact of downtime in the first quarter of 2017 associated with planned turbine maintenance.

This payout ratio continues to reflect not only all debt service requirements, but also allows for capital being put aside to finance management's estimate of sustaining capital expenditure, which contemplates drilling of future production and/or injection wells, as well as ongoing steamfield and turbine maintenance. PENSA is not expected to be subject to corporate income taxes in Nicaragua until 2022-2023. The Board of Polaris Infrastructure remains committed to paying a quarterly dividend and will evaluate further dividend increases as appropriate.

OPERATING PROJECT

San Jacinto-Tizate – San Jacinto, Nicaragua

The Company, through its subsidiary, PENSA, owns and operates a 72 MW (net) capacity geothermal facility. The San Jacinto project is located in northwest Nicaragua, near the city of Leon, approximately 90 km northwest of Managua. The San Jacinto project exploitation agreement covers an area of 40 km^2.

PENSA has a PPA in place for the San Jacinto project with Nicaraguan power distributors Disnorte-Dissur, subsidiaries of the Spanish utility TSK-Melfosur Internacional. PENSA has entered into the San Jacinto Exploitation Agreement with the Nicaraguan Ministry of Energy and Mines to develop and operate the San Jacinto project. Under the PPA, the company generated 363,234 MWh (average 55.4 MW (net)) and 327,471 MWh (average 49.8 MW (net)) for the nine months ended September 30, 2017 and 2016, respectively. These production figures are net of all plant downtime, both planned and unplanned. For the nine months ended September 30, 2017 and 2016, the San Jacinto project generated revenue of $44.5 million and $39.0 million, respectively, and Adjusted EBIDTA of $37.4 million and $32.2 million, respectively. *See Use of Non-GAAP Performance Measures section below for reconciliation of Adjusted EBITDA to Total earnings (loss) and comprehensive earnings (loss).*

As of September 30, 2017, PENSA held cash of $7.9 million to fund plant operations, $5.3 million in a reserve account to fund drilling and maintenance activities and $11.9 million as debt service reserves. During the nine months ended September 30, 2017, PENSA repaid $7.4 million of principal on its San Jacinto project credit facilities. As at September 30, 2017, PENSA had $173.7 million outstanding on those credit facilities.

EXPLORATION AND DEVELOPMENT PROPERTIES

Casita Project

The Casita-San Cristobal project (the "Casita project") is located in northwest Nicaragua in the Department of Chinandega. In 2008, through an international bid, Cerro Colorado Power, S.A. ("CCPSA"), an 85.5% owned subsidiary of the Company, was awarded the Casita project exploration concession with an area of 100 km^2.

The Company has entered into discussions with The World Bank Group (the "World Bank") and the Nicaragua Ministry of Energy and Mines with respect to financing for purposes of completing an initial drilling program at the Casita project. To the extent the Company is able to complete the contemplated financing, it would enable an exploration drilling campaign at the Casita project without requiring cash flow from our San Jacinto project, and on a non-recourse basis to both the Company and PENSA. Discussions with the World Bank and the Nicaraguan Ministry of Energy and Mines are ongoing and we will provide further updates as appropriate.

As at September 30, 2017, the Company had $11.5 million in accumulated costs related to the Casita project.

Other Exploration and Development Projects

The Company's Orita geothermal project is located in Imperial County, California, close to the Salton Sea geothermal area. The Company's Clayton Valley geothermal project is located in Esmeralda County, Nevada. The Company's portfolio of geothermal exploration properties also consists of Reese River in Southern California and South Meager Creek in British Columbia.

The Company has been pursuing a course of action to sell various lease interest and otherwise reduce annual costs associated with these non-core assets, with strategic focus on maximizing the cash flow and profitability of the Company's producing assets in Nicaragua.

SUBSEQUENT EVENTS

Any events occurring between September 30, 2017 and November 7, 2017 related to the Company's projects and operations are incorporated in the "Business Overview and Strategy" section above under the heading "Recent Developments."

FINANCIAL OVERVIEW

Summary of Unaudited Quarterly Results

The information provided below highlights the Company's quarterly results for the past two years.

(in thousands, except for income (loss) per share)	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Average production	56.7 MW (net)	59.2 MW (net)	50.4 MW (net)	60.0 MW (net)
Revenue	$ 15,266	$ 15,913	$ 13,368	$ 15,694
Direct cost of energy production	(7,015)	(6,963)	(6,983)	(7,037)
General and administrative expenses	(800)	(1,320)	(952)	(851)
Other operating costs	(93)	(89)	(112)	(47)
Adjusted EBITDA	12,910	13,581	10,895	13,295
Finance costs	(4,356)	(4,354)	(4,296)	(4,340)
Net earnings (loss) attributable to owners of the Company	890	1,189	(1,167)	1,756
Earnings (Loss) per share (basic and diluted) attributed to owners of the Company	$0.06	$0.08	($0.07)	$0.11
Cash	40,887	43,999	48,378	45,739
Restricted cash	1,510	1,508	1,505	1,505
Total equity attributable to Owners of the Company	188,932	189,997	192,056	194,910

(in thousands, except for income (loss) per share)	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
Average production	54.6 MW (net)	46.5 MW (net)	48.4 MW (net)	47.7 MW (net)
Revenue	$ 14,260	$ 12,145	$ 12,560	$ 12,101
Direct cost of energy production	(6,351)	(7,524)	(7,510)	(7,958)
General and administrative expenses	(927)	(947)	(943)	(1,236)
Other operating costs	(82)	(70)	(43)	29
Adjusted EBITDA	11,961	9,837	10,379	9,427
Finance costs	(6,201)	(4,239)	(4,247)	(2,515)
Net loss attributable to owners of the Company	(1,642)	(2,305)	(2,070)	(1,447)
Loss per share (basic and diluted) attributed to owners of the Company	($0.10)	($0.15)	($0.13)	($0.09)
Cash	42,415	47,641	56,110	61,592
Restricted cash	1,507	1,508	1,509	1,502
Total equity attributable to Owners of the Company	194,680	197,741	199,794	203,098

Review of Results

Three months ended September 30, 2017 versus September 30, 2016

During the three months ended September 30, 2017 and 2016, the San Jacinto project generated average production of 56.7 MW (net) and 54.6 MW (net), respectively. These production figures are net of all plant downtime, both planned and unplanned. The Company's revenue of $15.3 million was up from $14.3 million for the same period in 2016, principally as a result of incremental generation from two new production wells connected mid-third quarter of 2016, and the 3% annual tariff increase effective for 2017.

Direct costs of energy production (other than depreciation and amortization) for the three months ended September 30, 2017 were $1.6 million, versus $1.5 million for the same period in 2016, principally as a result of increased maintenance costs. Depreciation and amortization expense associated with energy production (included in direct costs) for the three months ended September 30, 2017 of $5.4 million was $0.6 million higher than the same period in 2016, driven by the addition of new property, plant and equipment associated with drilling and infrastructure investments, as well as planned turbine maintenance.

General and administrative expenses for the three months ended September 30, 2017 decreased $0.1 million to $0.8 million from $0.9 million for the three months ended September 30, 2016, principally as a result of decreased share-based compensation expense.

For the three months ended September 30, 2017, Adjusted EBITDA totaled $12.9 million, as compared to $12.0 million for the same period in 2016. The increase was principally the result of increased revenue from the San Jacinto plant, alongside a modest increase in costs. *See Use of Non-GAAP Performance Measures section below for reconciliation of Adjusted EBITDA to Total earnings (loss) and comprehensive earnings (loss).*

For the three months ended September 30, 2017, finance costs of $4.4 million were recognized, a decrease of $1.8 million compared to the three months ended September 30, 2016, primarily driven by adjustments in the third quarter of 2016 to expected future cash outflows payable to the subordinated lenders in connection with the return enhancement feature, which is based on project EBITDA. Otherwise, interest expense was relatively consistent period over period, with the impact of an increase in interest rates broadly offsetting the decrease associated with reduced loan principal.

The Company recognized net earnings of $0.9 million for the three months ended September 30, 2017 compared to a net loss of $1.7 million for the same period in 2016. The period over period variance is driven by a $1.8 million decrease in finance costs and a $1.0 million increase in revenue.

During the three months ended September 30, 2017, the Company incurred costs of $8.9 million for additions to its exploration and development, geothermal properties and property, plant and equipment ("PP&E"), with $7.0 million of costs incurred related to the San Jacinto drilling program, $0.9 million related to turbine maintenance activities, $0.3 million related to the Casita project and the balance related to general capital expenditure at the San Jacinto project.

Nine months ended September 30, 2017 versus September 30, 2016

During the nine months ended September 30, 2017 and 2016, the San Jacinto project generated average production of 55.4 MW (net) and 49.8 MW (net), respectively. These production figures are net of all plant downtime, both planned and unplanned. The Company's revenue of $44.5 million was up from $39.0 million for the same period in 2016, principally as a result of incremental generation from new production wells connected in mid-third quarter of 2016, and the 3% annual tariff increase effective for 2017.

Direct costs of energy production (other than depreciation and amortization) for the nine months ended September 30, 2017 of $4.7 million were up marginally versus the same period in 2016. Depreciation and amortization expense associated with energy production (included in direct costs) for the nine months ended September 30, 2017 of $16.2 million was $0.6 million lower than the same period in 2016, driven by changes in estimated useful life, and partially offset by the addition of new property, plant and equipment associated with drilling and infrastructure investments, as well as planned turbine maintenance.

General and administrative expenses for the nine months ended September 30, 2017 increased $0.3 million to $3.1 million from $2.8 million for the nine months ended September 30, 2016, principally as a result of a $0.1 million increase in share-based compensation expense combined with small increases in other general and administrative expenses.

For the nine months ended September 30, 2017, Adjusted EBITDA totaled $37.4 million, as compared to $32.2 million for the same period in 2016. The increase was principally the result of higher revenue from the San Jacinto plant. *See Use of Non-GAAP Performance Measures section below for reconciliation of Adjusted EBITDA to Total earnings (loss) and comprehensive earnings (loss).*

For the nine months ended September 30, 2017, finance costs of $13.0 million were recognized, a decrease of $1.7 million compared to the nine months ended September 30, 2016. The decrease is principally the result of adjustments in the third quarter of 2016 to expected future cash outflows payable to the subordinated lenders in connection with the return enhancement feature.

The Company recognized net earnings of $0.9 million for the nine months ended September 30, 2017 compared to a net loss of $6.1 million for the same period in 2016. The period over period variance is driven by a $5.6 million increase in revenue, combined with a $1.7 million decrease in finance costs.

During the nine months ended September 30, 2017, the Company incurred costs of $19.6 million for additions to its exploration and development, geothermal properties and PP&E with $15.9 million of costs incurred related to drilling activities at the San Jacinto project, $0.9 million related to turbine maintenance activities, $0.4 million related to the Casita project and the balance related to general capital expenditures at the San Jacinto project.

NON-GAAP PERFORMANCE MEASURES

The following table is derived from and should be read in conjunction with the unaudited interim consolidated statement of operations and comprehensive earnings (loss). This supplementary disclosure is intended to more fully explain disclosures related to Adjusted EBITDA and provides additional information related to the operating performance of the Company. Investors are cautioned that this measure should not be construed as an alternative to GAAP consolidated total earnings (loss) and comprehensive earnings (loss).

	Three Months Ended		Nine Months Ended	
(in thousands)	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Net earnings (loss) and comprehensive earnings (loss) attributable to Owners of the Company	$ 890	$ (1,642)	$ 911	$ (6,017)
Add (deduct):				
Net earnings (loss) attributable to non-controlling interest	(16)	(12)	(1)	(48)
Current and deferred tax expense	2,050	2,100	6,230	5,696
Finance costs	4,356	6,201	13,006	14,687
Interest income	(178)	(51)	(417)	(219)
Other losses	257	303	491	469
Depreciation and amortization of plant assets	5,443	4,865	16,240	16,807
Share-based compensation	108	197	924	803
Adjusted EBITDA	$ 12,910	$ 11,961	$ 37,384	$ 32,178

LIQUIDITY AND CAPITAL RESOURCES

The following is a summary and explanation of the Company's cash flow activities:

	Nine Months Ended	
(in thousands)	September 30, 2017	September 30, 2016
Net cash from (used in)		
Operating activites	$ 25,830	$ 14,760
Investing activites	(17,498)	(24,412)
Financing activities	(13,175)	(9,507)
Foreign exchange gain on cash held in foreign currency	(9)	(18)
Decrease in cash	$ (4,852)	$ (19,177)

Operating Activities

Net cash from operating activities for the nine months ended September 30, 2017 was $25.8 million, versus $14.8 million for the same period in 2016. The increase resulted from an increase in revenue combined with a net working capital impact, attributable largely to early revenue collections of $3.6 million in late December 2015, which served to reduce operating cash inflows in the nine months ended September 30, 2016. The period over period change is not attributable to seasonal fluctuations.

Investing Activities

Net cash used for investing activities during the nine months ended September 30, 2017 was $17.5 million, versus $24.4 million for the same period in 2016. The higher use of cash in the nine months ended September 30, 2016 principally relates to costs incurred in the 2015/2016 San Jacinto drilling program, which exceed those incurred with respect to the 2017 drilling program, which substantially began only in the second quarter of 2017.

Financing Activities

Net cash used for financing activities for nine months ended September 30, 2017 was $13.2 million, versus $9.5 million for the same period in 2016. The increased use of cash relates primarily to the $2.6 million increase in dividends paid in the nine months ended September 30, 2017, as well as to increased mandatory repayment associated with the San Jacinto project credit facilities. Nicaragua withholding taxes related to future repatriation of capital from PENSA to the Company, are anticipated to be limited to an effective rate of 1.5% to 2% of the total amount of each distribution, for the foreseeable future.

Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they become due. The Company manages liquidity risk by seeking to arrange for it to have sufficient cash, available credit facilities and other financial resources to allow it to meet its obligations. The Company forecasts cash flows for a period of at least 12 months to identify financial requirements.

Having completed the 2015/2016 San Jacinto drilling program, the Company and has adequate liquidity to fund the balance of the 2017 San Jacinto drilling program, possible binary unit investment as well as routine capital expenditures associated with maintaining the San Jacinto project.

The following are maturities for the Company's non-derivative and derivative financial liabilities as at September 30, 2017:

(in thousands)	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years	Total
Accounts payable and accrued liabilities	$ 8,459	$ -	$ -	$ -	$ 8,459
Debt, current and long-term	12,220	28,826	37,037	96,447	174,530
Interest obligations	12,924	22,964	17,952	20,901	74,741
	$ 33,603	$ 51,790	$ 54,989	$ 117,348	$ 257,730

The following are annual principal obligations on the San Jacinto project credit facilities for the remaining term of the loans:

(in $ thousands)	
2017	2,464
2018	11,857
2019	13,709
2020	16,203
2021	18,055
2022	19,908
2023	21,761
2024	17,074
2025	14,703
2026	13,811
2027	14,534
2028	8,203
2029	1,384
Total	173,666

Interest on the San Jacinto project credit facilities is due and payable quarterly, and is currently estimated to be approximately $3.3 million each quarter. The Company plans to make payments of interest on the San Jacinto project credit facilities out of its current cash and cash generated by operations.

The Company believes operating cash flow will be sufficient to allow the Company to fulfill its current obligations and continue to operate for the foreseeable future. Should additional capital requirements or the replacement of debt be necessary, the Company expects it could satisfy these requirements through debt restructurings, capital raises or asset sales. However, the outcome of these matters cannot be predicted with certainty at this time.

SHARE CAPITAL AND FINANCINGS

As of November 7, 2017, the Company had 15,675,278 common shares outstanding.

As of November 7, 2017, the Company had 52,380,650 outstanding warrants expiring March 22, 2018, with an exercise price of Cdn$600. The warrants issued under the debentures were adjusted as part of the Share Consolidation, resulting in an exchange basis of 2,000 warrants for one common share of the Company. The warrant price was also adjusted from $0.30 to $600 for each common share acquired in connection with the exchange of warrants.

As of November 7, 2017, there were 171,329 outstanding stock options, with a weighted average exercise price of Cdn$14.48 and 3.8 year remaining contractual life. The outstanding stock options' exercise prices range from Cdn$10.00 to Cdn$460.00, and expire from November 2017 to December 2021. Of the outstanding stock options, 16,200 are exercisable. The Company had 159,132 restricted shares outstanding as of November 7, 2017. The Company had 4,839 deferred shares outstanding as of November 7, 2017, none of which had vested.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Recent Pronouncements Issued and Early Adoption of Standards

The Company has reviewed new and revised accounting pronouncements that have been issued and are effective for periods beginning on or after January 1, 2017. For details with respect to accounting standards issued but not yet effective please refer to Note 3 of the interim condensed consolidated financial statements of the Company and the notes thereto for the period ended September 30, 2017.

Critical accounting estimates

The timely preparation of the consolidated financial statements requires that management make estimates and use judgment regarding the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period. Such estimates primarily relate to unsettled transactions and events as at the date of the consolidated financial statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur.

Critical accounting judgments

Exploration and development properties, geothermal properties, and PP&E are aggregated into cash-generating units ("CGUs") on a project-by-project basis based on their ability to generate largely independent cash flows, and are used for long-lived asset impairment testing. The determination of the Company's CGUs is subject to management's judgment.

The decision to transfer assets from exploration and development to geothermal properties is based on the stages of development of the Company's projects, and management uses judgment, in part based on certification of resource capacity and available financing, to determine a project's technical feasibility and commercial viability. The decision to cease capitalization of costs and transfer assets from geothermal properties to PP&E is based on the asset being in the location and condition necessary for it to be capable of operating in the manner intended by management, and management uses judgment in determining the point at which this has occurred based on the point after the commissioning period at which the asset reaches commercial operation.

Sources of measurement uncertainty

Estimated future cash flows are used in determining the fair value of certain exploration and development properties, geothermal properties and PP&E for use in the final purchase price allocation of business combinations and impairment analysis.

Amounts recorded as decommissioning liabilities are based on estimates of future costs to restore the land and decommission assets at completion of projects, and estimated discount rates. The determination of the costs and discount rates is subject to management's judgment.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of each reporting period to determine the likelihood that they will be realized from future taxable income.

In assessing whether the going concern assumption is appropriate, management must estimate future cash flows for at least twelve months following the end of the reporting period by taking into account available information about the future. Management has considered a wide range of factors relating to expected cash flows from its operating projects, estimated operating and capital expenditures, debt repayment schedules, and potential sources of replacement financing. These cash flow estimates are subject to uncertainty.

CONTROL MATTERS

Disclosure Controls and Procedures

Management is responsible for establishing and maintaining adequate disclosure controls and internal controls over financial reporting as defined under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings of the Canadian Securities Administrators.

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in the Company's annual filings, interim filings, or other reports filed with Canadian securities regulatory authorities is recorded, processed, summarized and reported in a timely fashion. The disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in such reports is then accumulated and communicated to the Company's management, including the Chief Executive Officer and the Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

Based on the evaluation of disclosure controls and procedures, the Chief Executive Officer and the Chief Financial Officer have concluded for the reasons discussed herein that the Company's disclosure controls and procedures and internal controls over financial reporting are effective as at September 30, 2017.

Internal Controls over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting of the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company's internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual or interim financial statements.

RISKS AND UNCERTAINTIES

The risks and uncertainties described in the Company's AIF for the year ended December 31, 2016 are considered by management to be the most important in the context of the Company's business. The risks and uncertainties included in the AIF are not inclusive of all the risks and uncertainties the Company may be subject to and other risks may apply.

The risks and uncertainties discussed in the Company's current AIF and other filings with Canadian provincial securities regulatory authorities should be read in conjunction with the risks and uncertainties discussed throughout this MD&A. The Company's AIF and other filings with Canadian provincial securities regulatory authorities are available on SEDAR at www.sedar.com.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of applicable Canadian Securities legislation, which may include, but is not limited to, financial and other projections as well as statements with respect to future events or future performance, management's expectations regarding our growth, results of operations, and business prospects and opportunities. In addition, statements relating to estimates of recoverable geothermal energy "resources" or energy generation capacities are forward-looking information, as they involve implied assessment, based on certain estimates and assumptions, that electricity can be profitably generated from the described geothermal resources in the future. Such forward-looking information reflects management's current beliefs and is based on information currently available to management. Often, but not always, forward-looking statements can be identified by the use of words such as "plan", "expect", "is expected", "budget", "estimates", "goals", "intend", "targets", "aims", "likely", "typically", "potential", "probable", "projects", "continue", "strategy", "proposed", or "believes" or variations (including negative variations) of such words and phrases or may be identified by statements to the effect that certain actions "may", "could", "should", "would" or "shall" be taken, occur or be achieved.

Forward-looking information in this MD&A include among others: estimated CFAD; the future development of the San Jacinto project; additional changes to the steamfield to increase production; the costs of construction of a Binary Unit for the San Jacinto project; development of the Casita project including obtaining the necessary permits and financing to begin exploitation drilling and initial development; potential strategic alternatives and the potential sale of the Company's Orita project, Clayton Valley project and other geothermal and exploration and development properties.

A number of known and unknown risks, uncertainties and other factors may cause the Company's actual results or performance to materially differ from any future results or performance expressed or implied by the forward-looking information. Such factors include, among others: failure to discover and establish economically recoverable and sustainable geothermal resources through the Company's exploration and development programs; imprecise estimation of probability simulations prepared to predict prospective geothermal resources or energy generation capacities; variations in project parameters and production rates; defects and adverse claims in the title to the Company's properties; failure to obtain or maintain necessary licenses, permits and approvals from government authorities; the impact of changes in foreign currency exchange and interest rates; changes in government regulations and policies, including laws governing development, production, taxes, labor standards and occupational health, safety, toxic substances, resource exploitation and other matters; availability of government initiatives to support renewable energy generation; increase in industry competition; fluctuations in the market price of energy; impact of significant capital cost increases; unexpected or challenging geological conditions; changes to regulatory requirements, both regionally and internationally, governing development, geothermal resources, production, exports, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, project safety and other matters; economic, social and political risks arising from potential inability of end-users to support the Company's properties; insufficient insurance coverage; inability to obtain equity or debt financing; fluctuations in the market price of the common shares and warrants of the Company; impact of issuance of additional equity securities on the trading price of the common shares and warrants of the Company; inability to retain key personnel; the risk of volatility in global financial conditions, as well as significant decline in general economic conditions; uncertainty of political stability in Nicaragua; uncertainty of the ability of Nicaragua to sell power to neighboring countries; economic insecurity in Nicaragua; and other development and operating risks, as well as those factors discussed in the section entitled "Risks and Uncertainties" in this MD&A. There may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. These factors are not intended to represent a complete list of the risk factors that could affect the Company. These factors should be considered carefully and readers of this MD&A should not place undue reliance on forward-looking information.

Such forward-looking information is based on a number of material factors and assumptions, including: the Company's historical financial and operating performance; that contracted parties provide goods and/or services on the agreed timeframes; the success and timely completion of planned exploration and expansion programs, including the Company's ability to comply with local, state and federal regulations dealing with operational standards and environmental protection measures; the Company's ability to negotiate and obtain PPAs on favorable terms; the Company's ability to obtain necessary regulatory approvals, permits and licenses in a timely manner; the availability of materials, components or supplies; the Company's ability to solicit competitive bids for drilling operations and obtain access to critical resources; the growth rate in net electricity consumption; continuing support and demand for non-hydroelectric renewables; continuing availability of government initiatives to support the development of renewable energy generation; the accuracy of volumetric reserve estimation methodology and probabilistic analysis used to estimate the quantity of potentially recoverable energy; environmental, administrative or regulatory barriers to the exploration and development of geothermal resources of the Company's properties; geological, geophysical, geochemical and other conditions at the Company's properties; the reliability of technical data, including extrapolated temperature gradient, geophysical and geochemical surveys and geothermometer calculations; the accuracy of capital expenditure estimates; availability of all necessary capital to fund exploration, development and expansion programs; the Company's competitive position; the ability of the Company to continue as a going concern and general economic conditions.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking information contained herein is provided as at the date of this MD&A and the Company disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise, except as required by applicable laws. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information due to the inherent uncertainty therein.

Additional information about the Company, including the Company's AIF for the year ended December 31, 2016 is available on SEDAR at www.sedar.com and on the Company's website at www.polarisinfrastructure.com.