POLARIS

POLARIS INFRASTRUCTURE INC.
Management's Discussion and Analysis
For the Three Months Ended March 31, 2019 **May 3, 2019**

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 months ended March 31, 2019, 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 months ended March 31, 2019, and the consolidated financial statements and MD&A for the year ended December 31, 2018. 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 May 3, 2019.

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, 2018 available on SEDAR at www.sedar.com.

POLARIS

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Management's Discussion and Analysis

For the Three Months Ended March 31, 2019 **May 3, 2019**

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, a 5 MW run-of-river hydroelectric facility in Peru, and is completing the construction of two hydroelectric projects in Peru with commercial operation expected in Q4 2019.

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 properties which occurred during the three months ended March 31, 2019 and to the date of this MD&A are discussed below.

Recent Developments

Operations Commentary

Average generation at the San Jacinto geothermal power plant (the "San Jacinto project") during the first quarter of 2019 was above management's expectation entering the quarter, due primarily to lower than anticipated downtime. Net power generation was 64.3 MW, significantly higher than the 53.9 MW in the same period of the prior year, and down slightly from 64.9 MW in the fourth quarter of 2018. The year-over-year increase continues to reflect the additional steam flows from new wells connected in the first half of fiscal 2018. As of the date hereof, maintenance for the year had been completed successfully and the project is at full operating capacity.

The Canchayllo facility saw production for the quarter result in net 8.86 MWh with a monthly average of 2.93 MWh. Given the commitment under the power purchase agreement ("PPA") of 25 total MWh for the year, the facility is progressing well towards meeting of target operating results.

2018/2019 Maintenance Program

Maintenance of the Unit 3 turbine was successfully completed in February 2018 and resulted in downtime of approximately two and a half weeks, where average generation was limited to approximately 36.6 MW (net). We are pleased to have recently completed important preventative maintenance activities on Unit 4 turbine in 2019 at the San Jacinto project, which is expected to continue to provide consistent operation throughout the balance of this fiscal year.

Dividend

On May 6, 2019, the Board authorized and declared the Company's thirteenth quarterly dividend, namely a dividend of $0.15 per outstanding Company Share. This dividend will be paid on May 30, 2019 to shareholders of record at the close of business on May 15, 2019.

The Board of Polaris Infrastructure remains committed to paying a quarterly dividend and will evaluate further dividend payments as appropriate.

OPERATING PROJECTS

San Jacinto-Tizate – San Jacinto, Nicaragua

The Company, through its subsidiary, Polaris Energy Nicaragua S.A. ("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 138,823 MWh (average 64.3 MW (net)) and 116,458 MWh (average 53.9 MW (net)) for the three months ended March 31, 2019 and 2018, respectively. These production figures are net of all plant downtime, both planned and unplanned. For the three months ended March 31, 2019 and 2018, the San Jacinto project generated revenue of $18.2 million and $14.7 million, respectively.

As of March 31, 2019, the Company held cash of $33.0 million, $7.1 million in a reserve account to fund operating capital expenditures and maintenance activities and $13.1 million held as debt service reserves. During the three months ended March 31, 2019, PENSA repaid $3.4 million of principal on its San Jacinto project credit facilities. As at March 31, 2019, PENSA had $153.8 million outstanding on those credit facilities.

Canchayllo – Canchayllo, Peru

Canchayllo is a run-of-river hydro project with a rated capacity of approximately 5 MW located in the Canchayllo district of Peru. The plant was put into operation on January 1, 2015 and has a US dollar-denominated PPA with the Peruvian Ministry of Energy and Mines ("MEM") that is effective until December 31, 2034. The current price of the PPA is $47.40 per MWh and has an inflation adjustment mechanism until the end of the PPA. The plant is expected to produce approximately 28,000 to 31,000 MWh per year. For the three months ended March 31, 2019, the Canchayllo project generated revenue of $0.4 million with total MWh production for the quarter of net 8.86. As of March 31, 2019, there was $4.9 million outstanding on the Canchayllo credit facilities, of which $0.167 million was repaid in the quarter.

PROJECTS UNDER CONSTRUCTION

Generación Andina (El Carmen and 8 de Agosto projects)

El Carmen (~ 8 MW expected capacity) and 8 de Agosto (~ 20 MW expected capacity) are two run-of-river hydro projects in the Huanuco region of Peru that are in late stages of construction. Both projects are expected to be completed in the fourth quarter of 2019.

El Carmen has a US dollar-denominated PPA with MEM with an inflation adjustment that is effective until October 2039. The starting price of the PPA is $55.90 per MWh. The plant is expected to produce approximately 40,000 to 50,000 MWh per year once it achieves commercial operation.

8 de Agosto has a US dollar-denominated PPA with MEM with an inflation adjustment that is effective until October 2039. The starting price of the PPA is $53.90 per MWh. The plant is expected to produce approximately 130,000 to 140,000 MWh per year once it achieves commercial operation.

The PPAs for both projects are with the MEM and are valid provided that the projects achieve commercial operation by no later than October 28th, 2019.

Both projects will be connected to the national grid through a 60 km transmission line that will be completed at the same time as the two power projects. Once both El Carmen and 8 de Agosto are online, the transmission line will only be at approximately 50% of its capacity. While not anticipated in the short-term, it is possible that the excess capacity on the transmission can be sold to other projects that may be developed in the region.

Construction of the Generación Andina projects will require contributions from the Company totaling approximately $38 million, $14 million of which was contributed to the end of March 31, 2019. In addition, the Company incurred $1.86 million in costs and expenses, including legal fees in connection with the acquisition of UEG and its subsidiaries. The aggregate contributions and costs incurred (the "Additional Project Capital"), which includes the $1.86 million in transaction costs and expenses, will accrue a 15% annual return from October 30, 2018, the acquisition date, up to COD of both projects under the terms of the Generación Andina amended and restated term facility agreement with Deutsche Investitions- und Entwicklungsgesellschaft and Nederlandse Financierings-Maatschappij voor de Ontwikelingslanden N.V., which amount will be capitalized upon COD. After COD, a 15% return on investment on the Additional Project Capital is payable to the Company semi-annually out of cash flows from the Generación Andina projects, after debt service.

As at March 31, 2019, there was $25.5 million outstanding on the Generación Andina credit facilities.

Generación Andina Projects Construction Update

The Company has engaged several firms to complete the works including local contractor GCZ Ingenieros S.A.C. ("GCZ"). GCZ is a Lima-based firm that has over 20 years of experience in the construction of small to medium size run-of-river hydro projects in Peru.

Typically, the dry season in Peru starts at the beginning of May which is the case this year. Accordingly, we are now fully mobilized onsite and the more construction intensive activities are underway. We estimate the overall progress to be at 80%-85% complete.

The main focus areas are transmission line easement negotiations, the new tunnels at both El Carmen and 8 de Agosto, and repairing the intake at 8 de Agosto. Transmission line easement negotiations on the total 175kV are progressing as planned and are expected to be completed by June. The tunneling work commenced recently and is approximately 22% and 16% complete for El Carmen and 8 de Agosto respectively. The repair work at the 8 de Agosto commenced this past week given that it could not be started until water levels were sufficiently reduced. Other activities include finishing penstock, power houses, valve chambers and access roads for both projects. Furthermore, ongoing mobilization of important social & environmental management continues, including progress towards obtaining the necessary permits as well as the continued engagement of the various local community groups.

DEVELOPMENT PROPERTIES

San Jacinto Binary Project

The Company has assessed thoroughly the ability to extract waste heat from the brine that is currently produced from the production wells and then re-injected into the field. Such brine is of a sufficient temperature that the Organic Rankin Cycle can be used to produce approximately 10-12 MWs of additional power. A separate power contract would need to be negotiated in the event the Company decided to pursue the addition of a binary unit to the current plant. Based on initial capital cost estimates and anticipated power contract pricing, the project looks attractive economically and is something that can be considered in the medium term.

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., an 85.5% owned subsidiary of the Company, was awarded the Casita project exploration concession with an area of 100 km^2. There are currently no plans in fiscal 2019 to progress this project as completion of Peru projects remains the focus. As at March 31, 2019, the Company has incurred costs of $11.6 million and current estimates expect an additional $115 million required in drilling and construction costs to achieve commercial operation of the Casita project.

Karpa

The Karpa project is a development stage project with a 20 MW (expected) capacity located in the Huanuco region of Peru. Karpa has a US dollar denominated PPA with MEM with an inflation adjustment provision at $55.90 per MWh. The Company continues to evaluate the project and its viability, especially given recent merchant market conditions in Peru; obtaining an extension of the COD date from MEM will be challenging. Accordingly, the Company is currently focusing more of its efforts on other development opportunities in the country in the short term.

Other Peru Development Projects

The early stage development pipeline in Peru consists of four small scale projects (i.e. < 20 MW per project) totaling approximately 70 MW and one large scale project of approximately 119 MW.

Other US 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 includes Reese River in Southern California and South Meager Creek in British Columbia.

The Company has been pursuing a course of action to divest itself of various lease interests 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 and now Peru.

SUBSEQUENT EVENTS

Any events occurring between March 31, 2019 and May 3, 2019 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 earnings (loss) per share)	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
Revenue	$ 18,601	$ 18,286	$ 18,151	$ 17,657
Direct cost of energy production	(7,528)	(8,052)	(7,562)	(7,469)
General and administrative expenses	(1,238)	(2,561)	(475)	(360)
Other operating costs	(99)	(287)	(52)	(36)
Adjusted EBITDA	15,875	14,860	15,503	15,138
Finance costs	(4,571)	(4,395)	(4,108)	(3,850)
Net earnings attributable to owners of the Company	3,380	3,735	3,980	3,910
Earnings per share (basic) attributed to owners of the Company	$0.21	$0.23	$0.25	$0.25
Earnings per share (diluted) attributed to owners of the Company	$0.20	$0.23	$0.25	$0.25
Cash	33,011	37,809	39,916	34,485
Restricted cash	5,908	8,612	1,507	1,505
Total equity attributable to Owners of the Company	200,040	198,804	189,104	187,442

(in thousands, except for earnings (loss) per share)	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Revenue	$ 14,730	$ 15,559	$ 15,266	$ 15,913
Direct cost of energy production	(7,060)	(7,164)	(7,015)	(6,963)
General and administrative expenses	(879)	(1,187)	(800)	(1,320)
Other operating costs	(83)	(84)	(93)	(89)
Adjusted EBITDA	12,348	12,940	12,886	13,581
Finance costs	(4,239)	(4,335)	(4,356)	(4,354)
Net earnings (loss) attributable to owners of the Company	512	752	890	1,189
Earnings per share (basic and diluted) attributed to owners of the Company	$0.03	$0.05	$0.06	$0.08
Cash	34,756	37,217	40,887	43,999
Restricted cash	1,509	1,509	1,510	1,508
Total equity attributable to Owners of the Company	185,850	187,624	188,932	189,997

Review of Results for the Quarter Ended March 31, 2019

During the three months ended March 31, 2019 and 2018, the San Jacinto project generated average production of 64.3 MW (net) and 53.9 MW (net), respectively, reflecting the increased steam flows from wells connected in 2017 and 2018. These production figures are net of all plant downtime, both planned and unplanned. The Company's revenue of $18.6 million was up by $3.9 million versus 2018, principally as result of a 19% increase in average production, the 3% annual tariff increase under the PPA, and a 2.5% increase from the addition of the Canchayllo project revenues of $0.4 million.

Direct costs of energy production (other than depreciation and amortization) for the three months ended March 31, 2019 of $1.7 million were up by $0.2 million compared to the same period in 2018 as a result of increased maintenance, property and municipal taxes, and insurance costs as well as addition of

Canchayllo project. Depreciation and amortization expense associated with energy production (included in direct costs) for the three months ended March 31, 2019 of $5.8 million was $0.3 million higher than the same period in 2018, driven by the increase in average PP&E balance stemming from drilling costs put into service and the addition of the Canchayllo project.

General and administrative expenses for the three months ended March 31, 2019 increased $0.4 million to $1.2 million, compared to the same period in 2018, principally as result of costs recognized in connection with the UEG acquisition.

For the three months ended March 31, 2019, Adjusted EBITDA totaled $15.9 million, as compared to $12.3 million for the same period in 2018. The increase was a result of increased contributions from the San Jacinto plant as well as a full quarter contribution from Canchayllo, offset by modest increases in general and administrative costs (ignoring share-based compensation and acquisition costs). *See Use of Non-GAAP Performance Measures section below for reconciliation of Adjusted EBITDA to Total loss and comprehensive loss.*

On a quarter over quarter basis, Adjusted EBITDA was up from $14.9 million to $15.9 million principally as a result of a $0.3 million increase in revenue, a $0.5 million decrease in direct costs related to employee and maintenance costs and a $0.2 million decrease in general and administrative expenses.

For the three months ended March 31, 2019, finance costs of $4.6 million were recorded, an increase of $0.3 million from the prior year period, reflecting an increase as a result of debt acquired for the Canchayllo and Generación Andina projects and an increase in market interest rates, offset by a decrease associated with reduction in average loan balance.

The Company recognized earnings of $3.4 million for the three months ended March 31, 2019 compared to $0.5 million for the same period in 2018. The $2.9 million increase in earnings was driven primarily by increased production from the San Jacinto project, the addition of Canchayllo project revenues, and a reduction in income tax expense, offset by increases in direct costs, general and administrative expenses and finance costs.

During the three months ended March 31, 2019, the Company incurred costs of $5 million for additions to its construction and progress and PP&E, primarily related to the Generación Andina projects.

NON-GAAP PERFORMANCE MEASURES

The following table is derived from and should be read in conjunction with the consolidated statement of operations and comprehensive 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 loss and comprehensive loss.

(in thousands)	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Net earnings and comprehensive earnings (loss) attributable to Owners of the Company	$ 3,380	$ 512
Add (deduct):		
Net earnings (loss) attributable to non-controlling interest	-	7
Current and deferred tax expense	1,423	2,045
Finance costs	4,571	4,239
Interest income	(227)	(131)
Other losses	588	36
Acquisition costs	135	-
Decommissioning liabilities adjustments	34	(19)
Depreciation and amortization of plant assets	5,835	5,546
Share-based compensation	136	94
Adjusted EBITDA	$ 15,875	$ 12,329

LIQUIDITY AND CAPITAL RESOURCES

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

(in thousands)	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Net cash from (used in)		
Operating activites	$ 8,120	$ 9,878
Investing activites	(6,969)	(7,022)
Financing activities	(5,949)	(5,316)
Foreign exchange gain on cash held in foreign currency	1	(1)
Increase (decrease) in cash	$ (4,797)	$ (2,461)

Operating Activities

Net cash from operating activities for the quarter ended March 31, 2019 of $8.1 million decreased by $1.8 million from the same period in 2018, principally resulting from a $2.5 million increase in revenue offset by increases in interest and return enhancement paid with respect to San Jacinto debt facilities, as well as a reduction in collection of outstanding accounts receivable related to the San Jacinto project.

Investing Activities

Net cash used for investing activities dropped for the quarter ended March 31, 2019 by $0.053 million and was relatively consistent with the same period in 2018. The costs incurred in 2019 relate to the Generacion Andina projects, while the costs incurred in 2018 relate to the San Jacinto drilling program.

Financing Activities

Net cash used for financing activities for quarter ended March 31, 2019 of $5.9 million increased by $0.6 million compared to the same period in 2018. Repayment of debt was the most significant contributor to this variance. 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.

The Company has adequate liquidity to fund the routine capital expenditures associated with maintaining the San Jacinto project as well as completing the two hydroelectric projects in Peru with expected COD in fiscal Q4 2019. Total Days outstanding of receivables at San Jacinto increased marginally in 2018 as a result of current political instability in Nicaragua. To date in 2019, total days outstanding of receivables has been stable, however the Company continues to monitor the situation closely.

The following are maturities for the Company's non-derivative and derivative financial liabilities as at March 31, 2019:

(in thousands)	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years	Total
Accounts payable and accrued liabilities	$ 21,211	$ -	$ -	$ -	$ 21,211
Debt, current and long-term	15,012	39,700	47,168	102,194	204,074
Interest obligations	12,067	20,218	14,039	11,801	58,125
	$ 48,290	$ 59,918	$ 61,207	$ 113,995	$ 283,410

The following are annual principal obligations on the Company's project credit facilities for the remaining terms of the loans:

(in $ thousands)	*San Jacinto*	*Canchayllo*	*Generacion Andina*
2019	10,282	668	-
2020	16,203	714	1,000
2021	18,055	766	2,010
2022	19,908	818	2,030
2023	21,760	876	2,050
2024	16,898	936	2,071
2025	14,703	242	2,092
2026	13,811	-	2,113
2027	14,534	-	2,134
2028	7,717	-	2,155
2029	1,384	-	2,177
2030	-	-	2,198
2031	-	-	2,220
2032	-	-	2,243
2033	-	-	2,265
2034	-	-	2,288
2035	-	-	2,310
2036	-	-	2,334
2037	-	-	4,726
2038	-	-	3,553
Total	$ 155,255	$ 5,020	$ 43,967

Interest on the San Jacinto project credit facilities is due and payable quarterly, and is currently estimated to be approximately $3.2 million each quarter. Interest on the Canchayllo credit facilities is due and payable quarterly and is currently estimated to be $0.1 million each quarter. The Company plans to make payments of interest on the San Jacinto and Canchayllo project credit facilities out of its current cash and cash generated by operations. The Generación Andina credit facility bears no interest.

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 May 3, 2019, the Company had 15,706,234 common shares outstanding.

As of May 3, 2019, the Company had 300,000 Warrants to be issued in connection with the UEG acquisition, expiring on October 30, 2020, with an exercise price of Cdn$11.77, which may be exchanged for one Company Share per Warrant.

As of May 3, 2019, there were 641,449 outstanding stock options, with a weighted average exercise price of Cdn$15.81 and 3.5 year remaining contractual life. The outstanding stock options' exercise prices range from Cdn$9.93 to Cdn$16.89, and expire from December 2021 to December 2023.

Of the outstanding stock options, 214,959 are exercisable. The Company had 155,132 restricted shares outstanding as of May 3, 2018, all of which had vested.

Peru Acquisition Commentary

On October 30, 2018, the Company acquired from Union Group International Holdings Limited ("Union Group") 100% of the issued and outstanding shares of Union Energy Group Corp ("UEG"), which owns, operates and develops run-of-river hydro projects located in Peru.

Consideration for the UEG acquisition consisted of the following:

- 600,000 common shares in the capital of the Company ("Company Shares"), to be delivered to Union Group on the later of the acquisition date and the date on which Union Group delivers to the Company a tax basis certificate obtained from the Peruvian Tax Administration (SUNAT) to certify the cost of the purchased shares (the "Peruvian Tax Certificate"). As of the date of this MD&A, the Peruvian Tax Certificate has not been delivered to the Company;
- 300,000 common share purchase warrants of the Company (each, a "Warrant") to be delivered to Union Group on the later of the acquisition date and the date on which Union Group delivers to the Company the Peruvian Tax Certificate. Each Warrant affords Union Group the right to purchase a Company Share at an exercise price of CAD$11.76888 for a period of two years following the acquisition date;
- Subject to the fulfillment of certain conditions by Union Group, up to 600,000 Company Shares, to be delivered to Union Group on the earlier of: (i) the date that is ten days following the date on which the latter of (A) the El Carmen hydroelectric project located in the Monzon district, Huamalies province, Peru (the "El Carmen Project"), and (B) the 8 de Agosto hydroelectric project located in the Monzon district, Huamalies province, Peru (the "8 de Agosto Project" and, together with the El Carmen Project, the "Projects") achieve commercial operation as certified by the System Economic Operation Committee of Peru ("COD"); and (ii) the date that is 30 months from the acquisition date

In connection with a reorganization of the direct and indirect subsidiaries of UEG (the "Subsidiaries") that occurred concurrently with the closing of the acquisition of UEG, Polaris agreed to issue the following consideration to former shareholder lenders of the Subsidiaries (the "Shareholder Lenders") in exchange for the disposition of all of such Shareholder Lenders' equity interest in the Subsidiaries:

- Payment of Company Shares to certain Shareholder Lenders on the basis of $250,000 per each GWh in excess of 180 GWh generated by the Projects measured based on the annual average delivery to the Peruvian national grid during the first two years following COD, and which amount shall be (i) up to an aggregate maximum of $7,400,000, and (ii) payable on the date that is no later than 90 days following the two year anniversary date of COD.

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, 2019. For details with respect to new accounting standards please refer to Note 3 of the interim condensed consolidated financial statements of the Company and the notes thereto for the period ended March 31, 2019.

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.

Significant estimates and judgments made by management in the preparation of these consolidated financial statements are outlined in Note 3(b) of the consolidated financial statements of the Company and the notes thereto for the year ended December 31, 2018.

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 December 31, 2018.

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, 2018 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 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 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 includes, but is not limited to: the future development of the San Jacinto project; additional changes to the steamfield to increase production; the future development and execution of the recently acquired hydro projects in Peru; 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 resources through the Company's exploration and development programs; imprecise estimation of probability simulations prepared to predict prospective resources or energy generation capacities; inability to complete hydro projects in the required time to meet COD; 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 Company Shares and Warrants; impact of issuance of additional equity securities on the trading price of the Company Shares and Warrants; 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 countries where the Company operates; uncertainty of the ability of Nicaragua and Peru to sell power to neighboring countries; economic insecurity in Nicaragua and Peru; 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 carefully considered 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 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, 2018 is available on SEDAR at www.sedar.com and on the Company's website at www.polarisinfrastructure.com.