POLARIS

POLARIS INFRASTRUCTURE INC.
Management's Discussion and Analysis
For the Year Ended December 31, 2017 **March 6, 2018**

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 year ended December 31, 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 consolidated financial statements of the Company and the notes thereto for the year ended December 31, 2017. 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 March 6, 2018.

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, 2017 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 geothermal properties which occurred during the year ended December 31, 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 fourth quarter of 2017 was in line with management's expectation entering the quarter. Net power generation was 57.8 MW, down from 60.0 MW in the prior year quarter, and up from 56.7 MW in the third quarter of 2017. The year over year decrease reflects the higher than normal steam flows stemming from new wells that were connected in the second half of 2016. In addition, removing SJ 9-2 from injection service, in August 2017, had a negative impact on generation of approximately 2 MW in the fourth quarter of 2017, and is further discussed below. The increase versus the prior quarter reflects in part the fact that the third quarter of 2017 was impacted by negative cycling effects, while the fourth quarter was impacted relatively positively in that respect. Overall, steam flows have been relatively consistent over the second half of 2017.

Following planned maintenance of the Unit 4 turbine at the San Jacinto project in February 2017, planned 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 32 MW (net). Given similar maintenance was completed in February 2017, on a year-over-year comparative basis, the impact of turbine maintenance on 2018 first quarter results should be minor. We are pleased to have completed these important preventative maintenance activities on both turbines at the San Jacinto project, which leaves us well positioned for consistent operation throughout the balance of 2018.

After being taken out of service as an injection well in August 2017, SJ 9-2 was put back into injection service in January 2018. The well did not achieve sufficient pressure and flow rates to be used as a production well. Removing SJ 9-2 in August 2017 from injection service had an estimated negative impact on generation of approximately 2 MW. Since being put back into injection service in January 2018, we have observed an approximately corresponding increase in generation.

2017/2018 San Jacinto Drilling Program

The Company's wholly-owned subsidiary, Polaris Energy Nicaragua S.A. ("PENSA"), commenced the 2017/2018 drilling program at the San Jacinto project in late April 2017. The primary objective of the 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 2017/2018 drilling program consists of three new production wells, a new injection well and certain above-ground investments, with a total program budget of approximately $29.6 million.

Drilling of the second new production well as part of the 2017/2018 San Jacinto drilling program, SJ 12-4, was completed on November 1, 2017. A total loss of drilling fluids was experienced, indicating a zone of high permeability and the well was completed at a depth of 2,624 metres measured depth. After a period of thermal recovery, SJ 12-4 was successfully discharged on January 16, 2018. Based on testing completed to date, we estimate initial productive capacity of SJ 12-4 is between 4 to 6 MW. It is important to note that geothermal wells take time to reach stabilization and hence initial estimates for SJ 12-4 may change. Further updates will be provided over the next several months as the well is connected to the San Jacinto plant and approaches stabilization.

The third new production well of the 2017/2018 San Jacinto drilling program, SJ 12-5, was completed in early January 2018. A total loss of drilling fluids was experienced, indicating a zone of high permeability and the well was completed at a depth of 2,416 metres measured depth. Tests concluded during and after drilling suggest that SJ 12-5 has higher permeability and temperature than SJ 12-4. SJ 12-5 was connected to the plant in early March 2018, following completion of planned turbine maintenance activities, though due to separation capacity constraints, the well has been restricted and SJ 12-3 was temporarily taken out of service. Accordingly, it remains difficult to meaningfully estimate the sustained level of generation to expect from SJ 12-5. Based on testing completed to date, as well as the limited ability to draw conclusions while connected to the plant, we estimate the productive capacity of SJ 12-5 is between 8 to 12 MW. It is important to note that geothermal wells take time to reach stabilization and hence initial estimates for SJ 12-5 may change.

To best accommodate and efficiently process anticipated steam flows of all production wells, including SJ 12-4 and SJ 12-5, as well as SJ 12-3, which is currently off-line, we will commission a new separator station in May 2018, on pad 12. This infrastructure investment, along with permanent piping to be installed, will allow for optimization of above-ground operations, and ultimately the connection of all wells to the San Jacinto plant in May 2018.

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.

Following conclusion of drilling in late July 2017, SJ 4-2, the first new well from the 2017/2018 San Jacinto drilling program, was connected to the plant in late August 2017. Preliminary mass flows and testing indicate that SJ 4-2 is producing approximately 1.5 to 2 MW of annualized generation. The PENSA team is actively exploring options to stimulate SJ 4-2 and achieve a modest increase in average generation. We hope to be in position to conclude on next steps during the second quarter of 2018.

Dividend

On February 7, 2018, the Board authorized and declared the Company's eighth quarterly dividend, namely a dividend of $0.15 per outstanding common share. This dividend was paid on February 27, 2018 to shareholders of record at the close of business on February 16, 2018.

The $0.15 dividend per share related to the fourth quarter of 2017 equates to approximately a 44% payout ratio. Considering the $0.12, $0.14 and $0.15 dividends related to the first, second and third 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. Given the magnitude and relative success of drilling efforts throughout 2016 and 2017, we anticipate a substantial reduction in drilling-related capital expenditure in 2018 and 2019. 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 490,765 MWh (average 56.0 MW (net)) and 459,990 MWh (average 52.4 MW (net)) for the years ended December 31, 2017 and 2016, respectively. These production figures are net of all plant downtime, both planned and unplanned. For the year ended December 31, 2017 and 2016, the San Jacinto project generated revenue of $60.1 million and $54.7 million, respectively.

As of December 31, 2017, PENSA held cash of $8.0 million to fund plant operations, $4.0 million in a reserve account to fund drilling and maintenance activities and $12.4 million held as debt service reserves. During the year ended December 31, 2017, PENSA repaid $9.9 million of principal on its San Jacinto project credit facilities. As at December 31, 2017, PENSA had $171.2 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 of December 31, 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 December 31, 2017 and March 6, 2018 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

Selected Annual Information

The information provided below highlights the Company’s annual results for the past three years.

(in thousands, except for loss per share)	For the Year Ended December 31, 2017	For the Year Ended December 31, 2016	For the Year Ended December 31, 2015
Average production	56 MW (net)	52.4 MW (net)	49.5 MW (net)
Revenue	$ 60,107	$ 54,659	$ 50,149
Adjusted EBITDA [1]	50,343	45,473	39,149
Impairment (loss)	-	-	(40,440)
Total loss and comprehensive loss attributable to owners of the Company	1,664	(4,261)	(37,494)
Total loss per share attributable to owners of the Company	$0.11	($0.27)	($3.78)
Cash	37,217	45,739	61,592
Restricted cash	1,509	1,505	1,502
Total current assets	50,167	58,682	68,465
Total assets	407,258	409,248	415,863
Total long-term liabilities	198,209	199,829	197,409
Total equity attributable to the owners of the Company	187,624	194,910	203,098

(1) Refer to Use of Non-GAAP Measures section for further details with respect to calculation of Adjusted EBITDA.

Review of Results for the Year Ended December 31, 2017

During the year ended December 31, 2017 and 2016, the San Jacinto project generated average production of 56.0 MW (net) and 52.4 MW (net), respectively. The Company’s revenue of $60.1 million was 10% higher than in 2016, driven by a 7% increase in average generation combined with the 3% annual tariff increase under the PPA effective for 2017.

Direct costs of energy production for the year ended December 31, 2017 (other than depreciation and amortization expense) of $6.4 million were up by $0.2 million versus the same period in 2016, principally due slightly higher employee and maintenance costs, partially offset by a decrease in insurance premiums. Depreciation and amortization expense associated with energy production (included in direct costs) was $21.7 million for the year ended December 31, 2017, down from $22.2 million in the prior year. The decrease was driven by the extension of estimated useful life of certain property, plant and equipment (“PP&E”).

General and administrative expenses for the year ended December 31, 2017 increased $0.6 million to $4.3 million for the year ended December 31, 2017, as a result of increased share-based compensation expense and professional fees, relating primarily to corporate tax structuring activities.

For the year ended December 31, 2017, Adjusted EBITDA totaled $50.3 million, as compared to $45.5 million for the same period in 2016, an increase of $4.8 million. The overall improvement was a result of a $5.3 million increased contribution from the San Jacinto, partly offset by an increase in general and administrative costs (ignoring share-based compensation) of $0.6 million. *See Use of Non-GAAP*

Performance Measures section below for reconciliation of Adjusted EBITDA to Total loss and comprehensive loss.

For the year ended December 31, 2017, finance costs of $17.3 million were recorded, a decrease of $1.7 million compared to the year ended December 31, 2016. The decrease is attributed to a reduction in interest expense driven by the lower average principal balance of debt outstanding.

The Company recognized net earnings of $1.7 million for the year ended December 31, 2017 compared to a net loss of $4.3 million for the same period in 2016. This milestone achievement reflects the first fiscal year in the Company's history where positive earnings have been achieved, and reflects fundamentally the improvement in operating results stemming from the drilling program undertaken in 2015/2016.

Results of the Company are not subject to seasonality. Variation in revenue from quarter to quarter is primarily a function of fluctuations in power generation, which is in turn a function of natural geological resource characteristics and management decisions with respect to maintenance activities.

During the year ended December 31, 2017, the Company incurred costs of $28.2 million for additions to its exploration and development, geothermal properties and property and PP&E, virtually all of which was related to the San Jacinto project.

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)	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Average production	57.8 MW (net)	56.7 MW (net)	59.2 MW (net)	50.4 MW (net)
Revenue	$ 15,559	$ 15,266	$ 15,913	$ 13,368
Direct cost of energy production	(7,164)	(7,015)	(6,963)	(6,983)
General and administrative expenses	(1,187)	(800)	(1,320)	(952)
Other operating costs	(84)	(93)	(89)	(112)
Adjusted EBITDA	12,959	12,909	13,581	10,895
Finance costs	(4,335)	(4,356)	(4,354)	(4,296)
Net earnings (loss) attributable to owners of the Company	752	890	1,189	(1,167)
Earnings (Loss) per share (basic and diluted) attributed to owners of the Company	$0.05	$0.06	$0.08	($0.07)
Cash	37,217	40,887	43,999	48,378
Restricted cash	1,509	1,510	1,508	1,505
Total equity attributable to Owners of the Company	187,624	188,932	189,997	192,056

(in thousands, except for income (loss) per share)	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Average production	60.0 MW (net)	54.6 MW (net)	46.5 MW (net)	48.4 MW (net)
Revenue	$ 15,694	$ 14,260	$ 12,145	$ 12,560
Direct cost of energy production	(7,037)	(6,351)	(7,524)	(7,510)
General and administrative expenses	(851)	(927)	(947)	(943)
Other operating costs	(47)	(82)	(70)	(43)
Adjusted EBITDA	13,294	11,961	9,837	10,379
Finance costs	(4,340)	(6,201)	(4,239)	(4,247)
Net loss attributable to owners of the Company	1,756	(1,642)	(2,305)	(2,070)
Loss per share (basic and diluted) attributed to owners of the Company	$0.11	($0.10)	($0.15)	($0.13)
Cash	45,739	42,415	47,641	56,110
Restricted cash	1,505	1,507	1,508	1,509
Total equity attributable to Owners of the Company	194,910	194,680	197,741	199,794

Review of Results for the Quarter Ended December 31, 2017

During the three months ended December 31, 2017 and 2016, the San Jacinto project generated average production of 57.8 MW (net) and 60.0 MW (net), respectively, reflecting largely the higher than normal steam flows stemming from new wells that were connected in the second half of 2016. These production figures are net of all plant downtime, both planned and unplanned. The Company's revenue of $15.6 million was down by $0.1 million versus 2016, principally as result of a 4% decrease in average production, offset by the 3% annual tariff increase under the PPA effective for 2017.

Direct costs of energy production (other than depreciation and amortization) for the three months ended December 31, 2017 of $1.7 million were virtually unchanged from the same period in 2016. Depreciation and amortization expense associated with energy production (included in direct costs) for the three months ended December 31, 2017 of $5.5 million was $0.1 million higher than the same period in 2016, driven by the increase in average PP&E balance stemming from drilling costs put into service.

General and administrative expenses for the three months ended December 31, 2017 increased $0.3 million to $1.2 million, principally as result of a $0.2 million increase in share-based compensation expense and a $0.1 million increase in professional costs.

For the three months ended December 31, 2017, Adjusted EBITDA totaled $13.0 million, as compared to $13.3 million for the same period in 2016. The decrease was a result of reduced contribution from the San Jacinto plant, combined with a modest increase in general and administrative costs. *See Use of Non-GAAP Performance Measures section below for reconciliation of Adjusted EBITDA to Total loss and comprehensive loss.*

For the three months ended December 31, 2017, finance costs of $4.3 million were recorded, unchanged from the prior year period, reflecting a decrease associated with reduction in average loan balance being offset by an increase associated with changes in market interest rates.

The Company recognized earnings of $0.8 million for the three months ended December 31, 2017 compared to $1.8 million for the same period in 2016. The $1.0 million decrease in earnings was driven primarily by a reduction in operating income. There were no indicators of impairment as at December 31, 2017, and accordingly no impairment loss was booked in fourth quarter 2017.

During the three months ended December 31, 2017, the Company incurred costs of $8.6 million for additions to its exploration and development, geothermal properties and PP&E, virtually all of which was related to 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 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.

	Three Months Ended		Year Ended	
(in thousands)	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Net earnings (loss) and comprehensive earnings (loss) attributable to Owners of the Company	$ 752	$ 1,756	$ 1,664	$ (4,261)
Add (deduct):				
Net earnings (loss) attributable to non-controlling interest	11	5	10	(43)
Current and deferred tax expense	2,024	1,888	8,254	7,584
Finance costs	4,335	4,340	17,341	19,027
Interest income	(119)	(68)	(536)	(286)
Other losses	121	(163)	612	306
Depreciation and amortization of plant assets	5,493	5,373	21,732	22,180
Share-based compensation	342	163	1,266	966
Adjusted EBITDA	$ 12,959	$ 13,294	$ 50,343	$ 45,473

LIQUIDITY AND CAPITAL RESOURCES

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

	Year Ended	
(in thousands)	December 31, 2017	December 31, 2016
Net cash from (used in)		
Operating activites	$ 34,561	$ 25,416
Investing activites	(25,097)	(27,900)
Financing activities	(17,990)	(13,355)
Foreign exchange gain on cash held in foreign currency	4	(14)
Increase (decrease) in cash	$ (8,522)	$ (15,853)

Operating Activities

Net cash from operating activities for the year ended December 31, 2017 of $34.6 million increased by $9.1 million from the same period in 2016, principally resulting from a $5.4 million increase in revenue and a $5.5 million net decrease in working capital, partially offset by an increase in return enhancement paid with respect to subordinated debt facilities. The decrease in net working capital reflects a return to normal working capital movements in 2017, following the non-typical early collection of accounts receivable in December 2015, that resulted in a large decrease in working capital in 2016.

Investing Activities

Net cash used for investing activities during the year ended December 31, 2017 of $25.1 million decreased $2.8 million compared to the same period in 2016. The decreased use of cash principally relates to the timing of cash payments associated with the San Jacinto drilling program in 2017 relative to 2016.

Financing Activities

Net cash used for financing activities for year ended December 31, 2017 of $18.0 million increased by $4.6 million compared to the same period in 2016. The increased use of cash in 2017 reflects normal course repayment of project debt principal as well as dividends paid. 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 balance of the 2017/2018 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 December 31, 2017:

(in thousands)	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years	Total
Accounts payable and accrued liabilities	$ 9,119	$ -	$ -	$ -	$ 9,119
Debt, current and long-term	12,721	29,912	37,963	91,470	172,066
Interest obligations	12,708	22,415	17,245	19,072	71,440
	$ 34,548	$ 52,327	$ 55,208	$ 110,542	$ 252,625

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

(in $ thousands)	
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	171,202

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. 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 March 6, 2018, the Company had 15,675,278 common shares outstanding.

As of March 6, 2018, 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 March 6, 2018, there were 678,108 outstanding stock options, with a weighted average exercise price of Cdn$16.16 and 4.7 year remaining contractual life. The outstanding stock options' exercise prices range from Cdn$10.00 to Cdn$16.89, and expire from May 2020 to December 2022. Of the outstanding stock options, 189,522 are exercisable. The Company had 159,132 restricted shares outstanding as of March 6, 2018, 77,566 of which had vested. The Company had 4,839 deferred shares outstanding as of March 6, 2018, 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, 2018. For details with respect to accounting standards issued but not yet effective please refer to Note 3(b) of the consolidated financial statements of the Company and the notes thereto for the year ended December 31, 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.

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, 2017.

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, 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, 2017 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: 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, 2017 is available on SEDAR at www.sedar.com and on the Company's website at www.polarisinfrastructure.com.