POLARIS INFRASTRUCTURE INC.
Management's Discussion and Analysis
For the Three and Nine Months Ended September 30, 2019 **November 6, 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", "us", "our", 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, 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 and nine months ended September 30, 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 November 6, 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.

BUSINESS OVERVIEW AND STRATEGY

Polaris Infrastructure is a Toronto-based company engaged in the acquisition, development and operation of renewable energy projects in Latin America. Currently we operate a 72 MW (net) geothermal project in Nicaragua, and a 5 MW run-of-river hydroelectric facility in Peru. In addition, we have completed the construction of two hydroelectric projects in Peru.

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 and nine months ended September 30, 2019 and to the date of this MD&A are discussed below.

Recent Developments

Completion of the construction of the hydroelectric plants El Carmen and 8 de Agosto progressed as planned during the third quarter of 2019. El Carmen declared commercial operation on November 4, 2019 and has commenced the delivery of electricity to the grid. We are now in the process of finalizing grid synchronization tests for 8 de Agosto and anticipate this to be finalized by mid-November 2019. Once these tests are complete, both projects will be delivering electricity and the Company will have successfully executed on its plan to conclude the construction in the fourth quarter of this year. This is an important strategic milestone for the Company, increasing the number of operating plants from two to four and improving the diversification of cash flows by geography and generation type. Accordingly, energy can be delivered through the lines and we expect to begin recognizing the corresponding revenue during the fourth quarter of 2019.

As the Power Purchase Agreements ("PPAs") for both projects stipulate in service dates required of October 28, 2019, formal extensions are required from the Peruvian Ministry of Energy and Mines ("MINEM") for such PPAs to remain valid. Such extensions were formally requested approximately six months ago and are in the late stages of receiving the anticipated approval. The technical division of MINEM (General Electricity Direction) has informally agreed to the extensions and has communicated specific extension dates of January 2020 for 8 de Agosto and March 2020 for El Carmen. This has resulted in the continuation of the approval process before the political divisions of MINEM, through the issuance of a formal letter by the technical division of MINEM. The MINEM now is required to finalize its internal approval process before granting the official extension.

Operations Update

Average net power generation for the nine months ended September 30, 2019 at the San Jacinto geothermal power plant (the "San Jacinto project") was 61.2 MW, similar to the 61.1 MW generated in the same period of 2018. Net power generation for the third quarter of 2019 was 60.2 MW, down from 65.4 MW in the third quarter of 2018. This decrease was due to several factors, including anticipated natural declines and the fact that well SJ 12-5 had only been on-line since April 2018 and geothermal fields can take between 12 to 18 months to stabilize after new large wells are brought onto production. In addition, certain wells that exhibit cyclical behavior, particularly well SJ 9-3, were off-line more in the current quarter than the same quarter in 2018. Despite the decrease in net power generation noted during the third quarter of 2019, year-over-year net power generation remains consistent with 2018 due to lower than anticipated downtime incurred in April, along with additional steam flows in early 2019 from new wells connected in the first half of fiscal 2018.

We are in the final stages of completing a numerical model that projects behavior of the field under several key scenarios, ranging from drilling zero wells through the life of the contract versus more aggressive capital reinvestment scenarios. Based on initial iterations of the model, and without further significant drilling or significant capital investment in the field, we can reasonably expect between 1% to 3% annual decline from the levels seen in the current quarter, which we consider to be a semi-stabilized state. We do, however, see opportunities to improve the steam production by way of increasing the steam to brine ratio through either injection system re-configuration or certain well enhancement projects. Such well enhancement projects include the perforation of well SJ 6-3 that would be included in our annual maintenance capital expenditures, which is significantly lower than drilling capital expenditures, and could result in increased steam production.

We anticipate finalizing the numerical model by the end of 2019.

The Canchayllo facility's net production for the three and nine months ended September 30, 2019 was 4.3 MW (9,410 MWh) and 3.9 MW (25,369 MWh), respectively. Given the commitment under the PPA of 25,000 total MWh for the year, the facility is progressing well towards meeting target operating results. The facility has averaged approximately 29,308 MWh per year since it started operations in 2015.

Dividend

On November 6, 2019 the Board authorized and declared the Company's fifteenth quarterly dividend, namely a dividend of $0.15 per outstanding common share in the capital of the Company (a "Share"). This dividend will be paid on November 29, 2019 to shareholders of record at the close of business on November 18, 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

Through our subsidiary, Polaris Energy Nicaragua S.A. ("PENSA"), we own and operate 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 company TSK-Melfosur Internacional. PENSA 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 San Jacinto project generated 400,805 MWh (average 61.2 MW (net)) and 400,012 MWh (average 61.1 MW (net)) for the nine months ended September 30, 2019 and 2018, respectively. These production figures are net of all plant downtime, both planned and unplanned. For the nine months ended September 30, 2019 and 2018, the San Jacinto project generated revenue of $52.3 million and $50.5 million, respectively.

As of September 30, 2019, we held total cash of $40.1 million, of which $3.6 million was held in a reserve account to fund operating capital expenditures and maintenance activities and $17.5 million was held as debt service reserves. During the nine months ended September 30, 2019, PENSA repaid $10.3 million of principal on its San Jacinto project credit facilities. As at September 30, 2019, PENSA had $147.6 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 MINEM that is effective until December 31, 2034. The current price of the PPA is $50.5 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 nine months ended September 30, 2019, the Canchayllo project generated revenue of $1.1 million with total production for the year of 3.9 MW (net). As of September 30, 2019, there was $4.5 million outstanding on the Canchayllo credit facilities, with repayments of $0.5 million during the year.

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. As previously noted, completion of the construction of the hydroelectric plants El Carmen and 8 de Agosto progressed as planned during the third quarter of 2019. El Carmen declared commercial operation on November 4, 2019 and has commenced the delivery of electricity to the grid. We are now in the process of finalizing grid synchronization tests for 8 de Agosto and anticipate this to be finalized by mid-November 2019. Once these tests are complete, both projects are expected to be delivering electricity and we will have successfully executed on our plan to conclude the construction in the fourth quarter of this year.

El Carmen has a US dollar-denominated PPA with MINEM 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 MINEM 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.

Both projects are connected to the national grid through a 60 km transmission line owned by us. Once the El Carmen and 8 de Agosto projects are on-line, the transmission line will be at approximately 50% of its capacity. While not anticipated in the short-term, it is possible that in the future the excess capacity on the transmission line can be sold to other projects that may be developed in the region.

Construction of the Generación Andina projects is expected to require contributions of approximately $46.3 million, of which we had contributed $38.6 million to the end of September 30, 2019. In addition, in 2018, we incurred $1.9 million in costs and expenses, including legal fees in connection with the acquisition of Union Energy Group ("UEG") and its subsidiaries. The aggregate contributions and costs incurred (the "Additional Project Capital"), which includes the $1.9 million in transaction costs and expenses previously mentioned, 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 will be payable to us semi-annually, out of cash flows from the Generación Andina projects, after debt service.

As at September 30, 2019, there was $19.3 million outstanding on the Generación Andina credit facilities.

DEVELOPMENT PROPERTIES

San Jacinto Binary Project

We have thoroughly assessed the ability to extract waste heat from the brine that is currently produced from the production wells at San Jacinto, and then re-injected into the field. Such brine is of a sufficient temperature that we expect 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 that we decide 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.

Casita Project

The Casita-San Cristobal project (the "Casita project") is located, in the Department of Chinandega, in northwest Nicaragua. In 2008, 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. During the nine months ended September 30, 2019, we reassessed the conditions required to advance the project, concluding that securing development funding on an attractive basis in the near term was unlikely. Accordingly, the historical capitalized costs of $11.6 million was written-off and recognized as an impairment loss as of September 30, 2019.

Karpa

The Karpa project is a development stage project with a 20 MW (expected) capacity, located in the Huanuco region of Peru. We are currently evaluating the project and its viability, and due to the current conditions of the merchant market, we have focused our efforts on other development opportunities in the region.

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

We have 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 our producing assets in Nicaragua and Peru.

On November 1, 2019, we entered into an agreement with a third party to sell the right, title and interest in the Orita project, including the geothermal leases for a purchase price of $0.3 million plus interest. As of September 30, 2019, the Orita project had no carrying value and a decommissioning liability of approximately $2.0 million, which will be released once the paperwork with the relevant authorities is completed.

SUBSEQUENT EVENTS

Any events occurring between September 30, 2019 and November 6, 2019 related to our 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 our quarterly results for the past two years:

Selected Financial Information

(in thousands, except for earnings (loss) per share)	September 30, 2019	June 30, 2019	March 31, 2019	As Restated December 31, 2018
Revenue	$ 17,586	$ 17,269	$ 18,601	$ 18,286
Direct cost of energy production	(7,798)	(7,691)	(7,528)	(7,979)
General and administrative expenses	(970)	(1,501)	(1,238)	(2,561)
Other operating costs	(120)	(94)	(99)	(287)
Adjusted EBITDA	14,282	14,497	15,875	14,860
Finance costs	(4,812)	(4,111)	(4,571)	(4,395)
Loss on impairment of assets and goodwill	-	(11,564)	-	-
Net earnings (loss) attributable to owners of the Company	2,634	(6,958)	3,380	8,802
Earnings (loss) per share (basic) attributed to owners of the Company	$0.16	($0.43)	$0.21	$0.54
Earnings (loss) per share (diluted) attributed to owners of the Company	$0.16	($0.41)	$0.20	$0.52
Cash	40,102	55,534	33,011	37,809
Restricted cash	4,757	3,957	5,908	8,612
Total equity attributable to Owners of the Company	196,108	195,756	200,040	203,871

(in thousands, except for earnings (loss) per share)	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Revenue	$ 18,151	$ 17,657	$ 14,730	$ 15,559
Direct cost of energy production	(7,562)	(7,469)	(7,060)	(7,164)
General and administrative expenses	(475)	(360)	(879)	(1,187)
Other operating costs	(52)	(36)	(83)	(84)
Adjusted EBITDA	15,538	15,138	12,348	12,938
Finance costs	(4,108)	(3,850)	(4,239)	(4,335)
Net earnings attributable to owners of the Company	3,980	3,910	512	752
Earnings per share (basic and diluted) attributed to owners of the Company	$0.25	$0.25	$0.03	$0.05
Cash	39,916	34,485	34,756	37,217
Restricted cash	1,507	1,505	1,509	1,509
Total equity attributable to Owners of the Company	189,104	187,442	185,850	187,624

Review of Results

Three months ended September 30, 2019 versus September 30, 2018

We reported revenue of $17.6 million during the three months period ended September 30, 2019, compared to $18.2 million in the same period of 2018. Revenue was $0.6 million lower in the third quarter of 2019 mainly due to the decrease in net power generation, to 60.2 MW in the 2019 period from 65.4 MW in the 2018 period. The decrease in net power generation was mainly the result of cyclical behavior noted at certain wells that were off-line more often in the third quarter of 2019, than in the same period of 2018, coupled with the fact that well SJ 12-5 had only been online since April 2018 and geothermal fields can take between 12 to 18 months to stabilize after new large wells are brought onto production. This decrease was partially offset by the 3% annual tariff increase under the San Jacinto 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) was $0.2 million for the three months ended September 30, 2019. The slight increase compared to the same period in 2018 relates to the addition of the Canchayllo project. Depreciation and amortization expense associated with energy production (included in direct costs) for the three months ended September 30, 2019 was $5.6 million, which was $0.1 million lower than the same period in 2018 as a result of Canchayllo project depreciation adjustments recognized in the third quarter of 2019.

General and administrative expenses for the three months ended September 30, 2019 increased to $1.0 million from $0.5 million in the same period of 2018, mainly as a result of the additional costs of managing the Peruvian entities after the acquisition completed in October 2018.

For the three months ended September 30, 2019, Adjusted EBITDA totaled $14.3 million, compared to $15.5 million for the same period in 2018. The $1.2 million decrease was a result of the decrease in contributions from the San Jacinto plant, and modest increases in direct project costs and general and administrative expenses (ignoring share-based compensation and acquisition costs). *See the 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, 2019, finance costs of $4.8 million were recorded, an increase of $0.7 million from the prior year period. This increase reflects the accretion on the debentures of the Company (the "Debentures"), which were issued in May 2019, coupled with debt acquired for the Canchayllo project, and an increase in market interest rates. The overall increase was partially offset by a reduction in the average loan balance. Interest of $0.4 million incurred on the Generación Andina debt was capitalized during the three months ended September 30, 2019.

We recognized earnings of $2.6 million for the three months ended September 30, 2019 compared to earnings of $4.0 million for the same period in 2018. The $1.4 million decrease in earnings was driven primarily by the decrease in contributions from the San Jacinto plant, modest increases in direct project costs and general and administrative expenses and increased finance costs related to the Debentures and debt acquired for the Canchayllo project.

During the three months ended September 30, 2019, the Company incurred costs of $14.5 million for additions to its construction and progress and PP&E, primarily related to the Generación Andina projects.

Nine months ended September 30, 2019 versus September 30, 2018

During the nine months ended September 30, 2019, the San Jacinto project generated average production of 61.2 MW (net), a slight increase from the 61.1 MW (net) generated in the same period in 2018, which was the combined result of anticipated natural declines, coupled with an increase in cycling of well SJ 9-3 as well as the stabilization of the field after sufficient time for well SJ 12-5 having been online. These production figures are net of all plant downtime, both planned and unplanned.

The San Jacinto project reported revenue of $53.5 million for the nine months ended September 30, 2019, compared to revenue of $50.5 million reported in the same period of 2018. The $3.0 million increase was the combined result of a 1% increase in average production, the 3% annual tariff increase under the PPA, and a 2% increase from the addition of the Canchayllo project revenues of $1.1 million.

Direct costs of energy production (other than depreciation and amortization) for the nine months ended September 30, 2019 of $5.5 million were up by $0.5 million compared to the same period in 2018, principally as a result of the addition of the Canchayllo project. Depreciation and amortization expense associated with energy production (included in direct costs) for the nine months ended September 30, 2019 of $17.5 million was $0.4 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 nine months ended September 30, 2019 increased $2.0 million to $3.7 million, compared to $1.7 million reported in the same period in 2018. The increase was mainly due to higher share-based compensation expense related to the restricted share units, which value increased as a result of the increase in the Company's share price, coupled with the higher expenses arising from the addition of the Peru companies acquired in late October 2018.

For the nine months ended September 30, 2019, Adjusted EBITDA totaled $44.6 million, compared to $43.0 million for the same period in 2018. The increase was a result of increased contributions from the San Jacinto plant as well as the contributions from Canchayllo, offset by modest increases in direct costs and general and administrative expenses (ignoring share-based compensation and acquisition costs). *See the 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, 2019, finance costs of $13.5 million were recorded, an increase of $1.3 million from the prior year period, reflecting an increase as a result of accretion on the Debentures, which were issued in May 2019, debt acquired for the Canchayllo project, and an increase in market interest rates, offset by a decrease associated with reduction in average loan balance. Interest of $1.2 million incurred on the Generación Andina debt was capitalized during the nine months ended September 30, 2019.

We recognized a loss of $0.9 million for the nine months ended September 30, 2019 compared to earnings of $8.4 million for the same period in 2018. The $9.3 million decrease in earnings was driven primarily by an $11.6 million impairment loss related to the Casita project, offset by an increase in revenues from the San Jacinto and Canchayllo projects, and a reduction in income tax expense, partly offset by increases in direct costs, general and administrative expenses and finance costs.

During the nine months ended September 30, 2019, we incurred costs of $27.8 million for additions to its construction and progress and PP&E, primarily related to the Generación Andina projects.

On a quarter over quarter basis (Q3 2019 compared to Q2 2019), Adjusted EBITDA was down from $14.5 million to $14.3 million principally as a result of a slight decrease in revenue and slight increases in direct costs and general and administrative expenses, primarily driven by the addition of the Peruvian entities.

NON-GAAP PERFORMANCE MEASURES

The following table is derived from and should be read in conjunction with the 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 our operating performance. Investors are cautioned that this measure should not be construed as an alternative to GAAP consolidated Total earnings (loss) and comprehensive earnings (loss).

Reconciliation of Adjusted EBITDA to Total earnings (loss) and comprehensive earnings (loss)

	Three Months Ended		Nine Months Ended	
(in thousands)	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Net earnings and comprehensive earnings (loss) attributable to Owners of the Company	$ 2,634	$ 3,980	$ (945)	$ 8,402
Add (deduct):				
Net earnings (loss) attributable to non-controlling interest	-	30	(1,653)	62
Current and deferred tax expense	1,885	1,938	5,030	6,000
Finance costs	4,812	4,108	13,494	12,197
Interest income	(351)	(247)	(867)	(539)
Other losses	(281)	254	(205)	439
Acquisition costs	-	-	199	-
Impairment loss	-	-	11,564	-
Depreciation and amortization of plant assets	5,748	5,721	17,535	17,056
Share-based compensation	(165)	(246)	435	(594)
Adjusted EBITDA	$ 14,282	$ 15,538	$ 44,586	$ 43,023

LIQUIDITY AND CAPITAL RESOURCES

The following is a summary and explanation of our cash flow activities:

	Nine Months Ended	
(in thousands)	September 30, 2019	September 30, 2018
Net cash from (used in)		
Operating activities	$ 31,672	$ 29,387
Investing activities	(29,156)	(10,083)
Financing activities	(271)	(16,610)
Foreign exchange gain on cash held in foreign currency	49	5
Increase (decrease) in cash	$ 2,294	$ 2,699

Operating Activities

Net cash from operating activities for the nine months ended September 30, 2019 of $31.7 million increased by $2.3 million from the same period in 2018, principally resulting from a $2.9 million increase in revenue related to the San Jacinto project.

Investing Activities

Net cash used for investing activities increased for the nine months ended September 30, 2019 by $19.1 million from construction costs related to the Generación Andina projects, which are near completion; whereas costs incurred in 2018 related to the routine drilling program at San Jacinto.

Financing Activities

Net cash used by financing activities for the nine months ended September 30, 2019 of $0.3 million decreased by $16.3 million compared to the same period in 2018, as a result of proceeds from issuance of the Debentures, completed in May 2019.

Liquidity Risk

Liquidity risk is the risk that we will be unable to meet our financial obligations as they become due. We manage liquidity risk by seeking to arrange to have sufficient cash, available credit facilities and other financial resources to allow us to meet our obligations. We forecast cash flows for a period of at least 12 months to identify financial requirements.

We believe that we have 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 during the fourth quarter of 2019, as expected. 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 we continue to monitor the situation closely.

During the nine months ended September 30, 2019, certain provisions of the San Jacinto project PPA related to the payment guarantee were not fully complied with. Management has previously agreed with the lenders to waive any potential non-compliance with the agreement through December 31, 2019.

The following are the maturities for the non-derivative and derivative financial liabilities as at September 30, 2019:

(in thousands)	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years	Total
Accounts payable and accrued liabilities	$ 14,283	$ -	$ -	$ -	$ 14,283
Debt, current and long-term	16,282	38,595	61,018	100,159	216,054
Interest obligations	11,018	18,026	11,881	8,954	49,879
	$ 41,583	$ 56,621	$ 72,899	$ 109,113	$ 280,216

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

(in $ thousands)	*San Jacinto*	*Canchayllo*	*Generacion Andina*
2019	3,427	167	-
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	$ 148,400	$ 4,519	$ 43,969

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. We plan to make payments of interest on the San Jacinto and Canchayllo project credit facilities out of our current cash and cash generated by operations. The Generación Andina credit facility bears no interest.

We believe that operating cash flow will be sufficient to allow us to fulfill our current obligations and continue to operate for the foreseeable future. Should additional capital requirements or the replacement of debt be necessary, we expect we 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 6, 2019, we had 15,706,299 common shares outstanding.

As of November 6, 2019, we had 300,000 share purchase warrants ("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 Share per Warrant.

As of November 6, 2019, there were 600,386 outstanding stock options, with a weighted average exercise price of Cdn$15.66 and 3.2 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 September 2024.

Of the outstanding stock options, 202,417 are exercisable. We had 155,132 restricted shares outstanding as of November 6, 2019, all of which had vested.

Peru Acquisition Commentary

On October 30, 2018, we acquired from Union Group International Holdings Limited ("Union Group") 100% of the issued and outstanding shares of 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 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 November 6, 2019, the Peruvian Tax Certificate has not been delivered to the Company. With respect to the Peruvian tax certificates, the counterparty continues to work through challenging local government protocol in order to finalize on issuance of required certificate as a precursor to Polaris' release of Shares;
- 300,000 Warrants 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 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 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; 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, we 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 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

We have 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 and the notes thereto for the period ended September 30, 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 (a) of the consolidated financial statements and the notes thereto for the year ended December 31, 2018.

CONTROL MATTERS

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

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in our 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 in such reports is then accumulated and communicated to our management, including the Chief Executive Officer and the Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

The Company has filed certificates signed by its Chief Executive Officer and Chief Financial Officer certifying certain matters with respect to the design of disclosure controls and procedures, and the design of internal controls over financial reporting as at September 30, 2019.

Internal Controls over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. 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.

Internal controls 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 assets;

(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 are being made only in accordance with authorizations of management and directors; and

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

There has been no change in the internal controls over financial reporting during the nine months period ended on September 30, 2019 that has materially affected, or is reasonably likely to materially affect, the internal controls over financial reporting.

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 our business. The risks and uncertainties included in the AIF are not inclusive of all the risks and uncertainties the we may be subject to and other risks may apply.

The risks and uncertainties discussed in our 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 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 wells and 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 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 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 our 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 our 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 or hydroelectric 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 our properties; insufficient insurance coverage; inability to obtain equity or debt financing; fluctuations in the market price of our Shares and Warrants; impact of issuance of additional equity securities on the trading price of our 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 we operate; 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 us. 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: our 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 our ability to comply with local, state and federal regulations dealing with operational standards and environmental protection measures; our ability to negotiate and obtain PPAs on favorable terms; our ability to obtain necessary regulatory approvals, permits and licenses in a timely manner; the availability of materials, components or supplies; our 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 or hydroelectric resources of our properties; geological, geophysical, geochemical and other conditions at our properties; the reliability of technical data, including hydrological, 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; our competitive position; the ability to continue as a going concern and general economic conditions.

Although we have 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 we disclaim 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 our website at www.polarisinfrastructure.com.