Divergent Energy Services Corp.

Management Discussion and Analysis
As at March 31, 2017 and for the three month periods ending March 31, 2017 and 2016

(Amounts are in USD $000's, except number of shares and per share data)

Dated: May 17, 2017

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INTRODUCTION

This Management's Discussion & Analysis ("MD&A") of the financial condition and results of operations of Divergent Energy Services Corp. ("the Corporation") for the period ended March 31, 2017, contains information current to and is dated May 17, 2017. It should be read in conjunction with the Unaudited Condensed Consolidated Interim Financial Statements for the three month period ended March 31, 2017("Q1 2017") and the Audited Consolidated Financial Statements dated December 31, 2016, and notes thereto as well as other information which is available on SEDAR at www.sedar.com. All amounts contained herein are in thousands (000's) of United States Dollars unless otherwise indicated.

The Corporation's Unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting". The Corporation's significant accounting policies under International Financial Reporting Standards ("IFRS") are included in Note 3 to the annual financial statements, with the addition of policies as noted in the Q1 2017 Unaudited Condensed Consolidated Interim Financial Statements; both can be found on SEDAR at www.sedar.com.

This MD&A contains certain statements that constitute forward-looking statements under the meaning of applicable securities laws. Please see "Forward-Looking Statements" at the end of this document, for a discussion concerning the Corporation's use of such information.

This MD&A and Q1 2017 Unaudited Condensed Consolidated Interim Financial Statements were reviewed by the Audit Committee of the Corporation's Board of Directors on May 17, 2017, and approved by the Corporation's Board on May 17, 2017. The following MD&A for the Corporation has been prepared by management as of May 17, 2017, and is a review of the financial condition and results of operations of the Corporation.

This MD&A has been prepared in accordance with the requirements of National Instrument 51-102 and covers the period from January 1, 2017, to March 31, 2017, unless otherwise noted.

CORPORATE PROFILE

Divergent is a publicly traded entity on the Canadian Venture Exchange ("TSX-V") under the symbol "DVG". Except where the context otherwise requires, "Divergent" or the "Corporation", shall refer to Divergent Energy Services Corp. and its consolidated subsidiaries.

The Corporation's business consists of one operating segment consisting of Artificial lift systems. The Project management and financing segment was discontinued after winding it down from fiscal 2015 and is accounted for as discontinued operations until its ultimate dissolution.

Divergent's products are sold primarily into the US. The Corporation offers normal and customary trade terms to its customers, no significant part of which is of an extended nature. Special inventory requirements are not necessary, and customer merchandise return rights do not extend beyond normal warranty provisions. The market for the Corporation's products is highly competitive. The Corporation has not been actively involved in Mexico since January 2015.

SUMMARY DESCRIPTION OF BUSINESS

Artificial Lift Systems ("ALS")

The ALS division provides electric submersible pumping products including the commercialization of an electromagnetic reciprocating submersible pump technology. Divergent currently services Wyoming and Colorado from its facility in Gillette, WY, which generates 100% of the revenue for the division. Three distinct product lines are currently offered:

- Electric Submersible Pump Systems ("ESP")

  ESP products and services primarily target production operations in the oil and gas industry. ESP products are designed to lift large volumes of fluid from both oil and gas wells.

- Electric Submersible Progressing Cavity Pump Systems ("ESPCP")

  ESPCP products and services primarily target production operations in the oil and gas industry. Divergent pioneered the introduction of ESPCP's to the Powder River Basin.

- Linear Electromagnetic Submersible Pumps ("Linear Pump")

  The Linear Pump uses permanent magnet motor technology that duplicates conventional rod pump movement without rod strings or surface lifting equipment. All moving parts are contained within the submersible pump housing, eliminating rod and tubing wear, making the Linear Pump ideal for placement into horizontal wellbores. The Linear Pump is installed similar to an ESP at the bottom of the well on production tubing with electric cable running to the surface. Testing and product development has been conducted in a Saskatchewan oil well, and the product line is expected to begin generating revenue in Q3 2017.

Project Management and Financing ("PMF")

The PMF division formerly operated in Mexico through the Corporation's 100% owned subsidiary CDN Oilfield Technologies & Solutions, S. de R.L. de C.V. ("COTS Mexico"). The division provided working capital for oilfield construction and infrastructure projects from which it generated financing fees. Management has discontinued the operations in Mexico effective December 31, 2016 and is in the process of dissolving the legal entity in Mexico since it has collected the remaining outstanding advances from completed projects.

QUARTERLY CONDENSED CONSOLIDATED FINANCIAL RESULTS

Selected Financial Information

For the three months ended March 31,	2017	2016
Revenue – from continuing operations	$2,163	$2,119
Revenue – from discontinued operations	-	-
Loss from continuing operations	(582)	(1,335)
Loss from discontinued operations	(80)	(864)
Net loss for the period	(662)	(2,199)
Total assets	2,990	4,897
Total liabilities	8,423	8,084
Shareholders' deficiency	(5,433)	(3,187)
Loss per share basic and diluted - from continuing operations	(0.01)	(0.02)
Loss per share basic and diluted – from discontinued operations	(0.00)	(0.01)
Net loss per share – basic and diluted	(0.01)	($0.03)

QUARTER OVERVIEW

CONTINUING OPERATIONS

For the three month period ended March 31, 2017:

- Revenues increased to $2,163 from $2,119, an increase of 2%.
- The Corporation reported a loss from continuing operations of $582 compared to $1,335 in the comparative period.

FINANCIAL REVIEW

REVENUE, COST OF SALES AND GROSS PROFIT

	ALS- US		ALS – Canada		PMF Discontinued Operations	
	Three Months Ended March 31,		Three months Ended March 31,		Three Months Ended March 31,	
	2017	2016	2017	2016	2017	2016
Sales	$2,163	$ 2,119	$ -	$ -	$ -	$ -
Cost of sales	1,441	1,678	-	-	-	-
Gross profit	$ 722	$ 441	$ -	$ -	$ -	$ -
Gross profit %	33%	21%	N/A	N/A	N/A	N/A

For the three months ended March 31, 2017, ALS – US

- Activity during the first quarter was hampered by repeated winter storms that restricted access to many well sites. In addition, a significant client required us to install pumps they held in inventory from a competitor that had recently ceased operations in Gillette. Accommodating this request led to a reduction in sales invoice value until the inventory was exhausted. Revenue was below management's expectations with a modest increase of 2% from the comparative period.
- Gross profit margin increased relative to the comparative period, largely due to improved pricing that was implemented on January 1, 2017. Margins in the range of 30% to 35% are expected to be sustainable.

For the three months ended March 31, 2017, ALS – Canada

- One Linear Pump was installed on March 24, 2017 for testing purposes. Once proven to be commercially viable, it is expected that this pump will be purchased by the client and either remain in the existing well or be moved to another well of the client's choosing.
- Canadian operations are in the pre-commercialization phase, therefore all costs are allocated to Product Development Expenses and not to Cost of Sales.

The PMF segment has been discontinued and did not earn revenues for the three months ended March 31, 2017 (2016 - $Nil). The Corporation is in the process of dissolving the legal entity in Mexico.

Selling, general and administrative expenses

	2017	2016	% Change
For the three months ended March 31,	$869	$723	20%

Selling, general and administrative ("SG&A") expenses were in line with forecast activity levels, however the reduced job activity led to SG&A being a higher percentage of sales than what would have been expected. Reductions to expenditures were implemented where available and in areas that would not hinder the Corporation's ability to respond quickly to an upswing in demand. The Corporation expects SG&A to continue to drop as a percentage of sales as the business grows. The significant increases to expenses were as follows:

a) Costs increased $45 due to the lease cost of our Gillette, WY facility

b) Training costs increased $25 in preparation for Oil ESP sales and installation

c) Professional fees increased $15 to dissolve our Mexico entity

Product development

	2017	2016	% Change
For the three months ended March 31,	$205	$178	15%

The Corporation incurred product development costs related to equipment purchases and field services for the Linear Pump installed on March 24, 2017. Costs related to testing are expected to reduce over time as the Linear Pump approaches commercial viability.

Stock based compensation

	2017	2016	% Change
For the three months ended March 31,	$41	$46	(11%)

The reduction of the Stock based compensation expense by 11% or $5 is substantially due to the reduction in head count in the current period of Q1 2017 compared to Q1 2016.

Net Finance Expense

	2017	2016
Foreign exchange loss	($42)	($680)
Interest expense	(106)	(110)
Accretion expense	(41)	(39)
Net finance expense	($189)	($829)

The variance in foreign exchange is primarily due to the strengthening of the Canadian dollar versus the US dollar over the three month period ended March 31, 2017 whereby the loss in foreign exchange has reduced from $680 to $42 from the comparative period. Q1 2017 interest and accretion expense have not significantly changed from the comparative three month period of Q1 2016.

Income Tax Expense

The Corporation's income taxes for the three month period ended March 31, 2017 was $Nil in current income tax expense and $Nil for deferred income tax expense. The Corporation has non-capital losses for income tax purposes of $9,501 which expire from 2025 and 2036. Those non-capital losses have not been recognized in the financial statements and are as follows:

Year of Expiry	USA	Mexico	Canada	Total
2028 to 2033	$3,151	$-	$-	$3,151
2034	195	526	2,066	2,787
2035	208	912	598	1,718
2036	-	1,845	-	1,845
	3,554	$3,283	$2,664	$9,501

DISCONTINUED OPERATIONS

The Corporation's management commenced the winding down of operations in Mexico in December 2015, and during the fiscal year 2016 closed the PMF division. The operating results of the PMF segment are presented below as discontinued operations, and it should be noted that the comparative results from operations have been restated to show the discontinued operations separately from continuing operations.

	2017	2016
Selling, general and administrative expenses	$46	$47
Amortization	-	4
Stock based compensation	5	12
Allowance for doubtful accounts	-	762
Foreign exchange (gain) loss	-	10
	51	835
Loss from discontinued operations before income taxes	(51)	(835)
Income tax expense		
Current income taxes	29	29
	(29)	(29)
Loss from discontinued operations	$(80)	($864)

Income Tax Expense

The Mexican subsidiary has current income tax expense of $29 which relates to interest on an accrued income tax payable which has yet to be settled.

In addition, the Mexican Tax authorities challenged certain deductions taken in the 2011 taxation year that they believe should have been deferred until the taxation year ending December 31, 2012. The potential result of this assessment was an additional $750 in taxes owed for fiscal 2011 and a further $730 in assessed penalties and interest. Management has successfully appealed this reassessment, based on the fact the Mexican Tax authorities had missed their deadline for filing this reassessment.

Management has been advised by external legal and taxation experts that it is "more likely than not" that the Corporation will win their appeal to have the tax reassessment dismissed. Accordingly, management has not recognized any liability in respect to this tax reassessment.

Cash flows from discontinued operations

	2017	2016
Cash from (used in) operating activities	$210	($46)
Cash generated from investing activities	-	48
Cash flows from discontinued operations	$210	$2

Statement of Equity – Accumulated other comprehensive income

In the three month period ended March 31, 2016, Accumulated other comprehensive income increased by $70. The increase was substantially from foreign currency translation of the intercompany loans to COTS Mexico and Extreme from the functional currency of CAD to the reporting currency in USD.

SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

USD	Q1-2017	Q4-2016	Q3-2016	Q2-2016
Revenue – Continuing operations	$2,163	$2,796	$3,969	$2,640
Revenue – Discontinued operations	-	-	-	-
Loss for the period – Continuing operations	(582)	(1,047)	(94)	(371)
Income (loss for the period) – Discontinued operations	(80)	(603)	(70)	(172)
Net loss for the period	(662)	(1,650)	(164)	(543)
Comprehensive loss per share (basic and diluted)	($0.01)	($0.02)	($0.00)	($0.01)

USD	Q1-2016	Q4-2015	Q3-2015	Q2-2015
Revenue – Continuing operations	$2,119	$1,969	$1,192	$1,240
Revenue – Discontinued operations	-	-	-	144
Loss for the period – Continuing operations	(1,335)	(695)	(596)	(1,098)
Loss for the period – Discontinued operations	(834)	(330)	(286)	(63)
Net loss for the period	(2,199)	(1,025)	(882)	(1,161)
Comprehensive loss per share (basic and diluted)	($0.02)	($0.01)	($0.01)	($0.01)

OUTLOOK

With over 50 days of operating time, the Linear Pump will attract new clients with different oil well types (depths and rates) that will validate numerous benefits:

- Operating cost reductions through reduced service rig interventions to repair worn and broken sucker rods.
- Reduced power consumption using a high efficiency electromagnetic motor vs surface lifting equipment (pump jack).
- Increased production rates when installed lower in the well - a challenging installation for conventional rod pumps. The linear pump can be installed vertically, slant, or horizontal which allows for the pump to be placed lower in the well. The deeper a pump is installed, the lower the fluid level can be drawn down resulting in increased oil production.
- Reduced environmental impact with the elimination of surface lifting equipment.
- Lower carbon footprint with the reduction of steel used.

Encouraged by the continued interest in the Linear Pump by industry participants, we believe the ongoing results of the current installation will help to create greater awareness and opportunity for commercialization. The factory currently has the capacity to produce approximately 100 electromagnetic motors per year by mostly manual means, with plans to automate the facility and be able to produce up to 3000 units per year. Pricing on the Linear Pump system is competitive to most rod pumping applications.

Following the doubling of sales in 2016, Divergent is well positioned to capitalize on improving demand for artificial lift services. The improved margins posted in Q1 2017 are expected to continue and will provide cashflow for the expansion of the business. In response to the increase in activity and improved pricing, management has begun planning for an expansion facility in Colorado to meet the rising demand for services. Future opportunities may include Kansas, Oklahoma, Texas, North Dakota, and Utah in the United States as well as Manitoba, Saskatchewan, Alberta and British Columbia in Canada.

The outlook for 2017 is as follows:

- Additional Linear Pump installations are expected in both Canada and the United States, with efforts focused on commercial sales now that the Linear Pump is demonstrating solid results.
- Formation of a Technical Advisory Committee comprised of subject matter experts that will provide additional guidance from design and fabrication to control systems and automation.
- Growing activity and revenue from ESP product sales in Wyoming and Colorado. Should the current demand trends continue and the corporation is able to secure proper expansion capital, the market conditions are conducive for a potential increase in activity of up to 50% over 2016 job counts. This increase would come from expanding the regions that we service and taking on market share from competitors.
- Divergent continues to be the largest provider of ESP products and services for CBM gas producers in the region, with a reputation for quality service that is creating demand from a growing list of clients in the oil well ESP market.
- Continue to attract highly skilled and motivated people who increase the depth of our service offering and enable us to grow our business, including the expansion of our service into Colorado.

The Corporation's vision is to be a premier supplier of submersible pumping products that increase production while reducing costs and carbon footprint. The commercialization of our Linear Pump is complimentary to our existing electric submersible pump ("ESP") business, and will provide oil and gas companies the opportunity to capitalize on the Linear Pump's many benefits while differentiating Divergent within a competitive and growing market.

Cash and Liquidity

The Corporation had cash balances of $104 and $100 as at March 31, 2017 and December 31, 2016 respectively.

Cash used in operating activities was $388 in 2017 prior to changes in non-cash working capital items. The changes in non-cash working capital items includes a decrease in trade receivables and advances of $534, a decrease in inventories of $225, a decrease in prepaid expenses of $28, an decrease in accounts payable of $509 and an increase in income taxes payable of $29.

The unaudited condensed consolidated interim financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Corporation will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The unaudited condensed consolidated interim financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these financial statements, then adjustments would be necessary to the classification and carrying amounts of the assets and liabilities and the reported revenues and expenses.

The material uncertainties that cast significant doubt on the Corporation's ability to continue as a going concern are set forth below.

The Corporation's debentures, amounting to CAD $5,750, mature December 31, 2017. There is uncertainty as to whether the Corporation will be able to repay these obligations without obtaining additional debt or equity financings.

The Corporation has $104 in cash at March 31, 2017, a working capital deficit of $5,880 and expects to generate negative cash flow from operations until the end of Q2 2017 in the amount of approximately $500. The Corporation will require, in addition to the previously mentioned $500, $500 for the deployment of the commercial version of the Linear Electromagnetic Submersible Pump.

The Corporation's management and Board of Directors continue to seek alternatives of debt and equity financings in order to fund additional projects and operations in North America and to provide for the ultimate repayment of the debentures.

FINANCIAL INSTRUMENTS

Interest Rate Risk

Interest rate risk arises from changes in market interest rates that may affect the fair value or future cash flows from the Corporation's financial assets or liabilities. The Corporation is exposed to interest rate risk on certain debt instruments and short term investments to the extent of changes in the underlying market interest rates. Cash flow exposure to interest rate risk is minimal at this time as substantially all of the Corporation's borrowings bear interest at fixed rates.

Commitments

Long-Term Debt

As at March 31, 2017, the Corporation had the following commitments outstanding in relation to its motor vehicle and debenture debt:

(In 000's)	**Total**
2017	4,204
2018	2
Total	$4,206

Lease Commitments

As at March 31, 2017, the Corporation had the following commitments outstanding in relation to its operating lease commitments:

Year (In 000's)	**Total**
2017	$270
2018	318
2019	273
2020	255
2021	170
2022	9
Total	$1,295

Summary of Share Capital

As at March 31, 2017, the Corporation had 99,953,227 common shares issued and outstanding with stated share capital value of $16,557. 5,750,000 warrants and 8,705,000 stock options, of which 3,099,998 are exercisable, were outstanding at March 31, 2017. As at May 17, 2017, the common shares outstanding are 99,953,227.

RELATED PARTIES

The following transaction was in the normal course of operations and entered into and recorded at the agreed to exchange amount which reflects fair value. During the period debenture interest was paid to an officer and a director amounting to 20,160 common shares of the Corporation (CAD $3).

RISKS AND UNCERTAINTIES - FINANCIAL RISK MANAGEMENT

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework including developing and monitoring the Corporation's risk management policies. The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Corporation's activities.

Credit Risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's receivables from customers.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the current economic circumstances. Approximately 91 percent (Q1 2016: 98 percent) of ESP sales are attributable to one counterparty.

The Group has established allowances for impairment of trade receivables in 2017 - $Nil (2016 - $Nil).

Liquidity risk

Liquidity risk is the risk that the Corporation may encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation. See discussion on the Corporation's cash and liquidity above.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The level of market risk to which the Corporation is exposed to, depends on market conditions, expectations of future price or market rate movements and the composition of the Corporation's financial assets and liabilities. The Corporation regularly monitors market risk exposure, tolerances and control processes in order to manage the exposure related to changes in market risk to stay within acceptable market risk limits.

Currency Risk

The Corporation is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Corporation entities, primarily the US dollar, CDN dollar and Mexican Peso. The Corporation does not hedge its foreign currency transactions but does endeavor to contract its business to US dollar equivalency.

Interest on borrowings is denominated in the currency of the borrowing. Generally, borrowings are denominated in Canadian dollars.

Interest Rate Risk

Interest rate risk arises from changes in market interest rates that may affect the fair value or future cash flows from the Corporation's financial assets or liabilities. The Corporation is exposed to interest rate risk on certain debt instruments and short term investments to the extent of changes in the underlying market interest rates. Cash flow exposure to interest rate risk is minimal at this time as substantially all of the Corporation's borrowings bear interest at fixed rates.

Contingencies

From time to time, the Group is subject to legal proceedings, assessments and claims in the ordinary course of business. At this time, in the opinion of management, none of these matters are reasonably expected to result in a material adverse effect on the Group's financial position.

In addition, the Mexican Tax authorities are challenging certain deductions taken in the 2011 taxation year that they believe should have been deferred until the taxation year ending December 31, 2012. The potential result of this assessment is an additional $750 in taxes owed for fiscal 2011 and a further $730 in assessed penalties and interest. Management has successfully appealed this reassessment, based on the fact the Mexican Tax authorities had missed their deadline for filing this reassessment. Subsequent to March 31, 2017, the Mexican Tax Court of Appeal has ruled in favour of the Corporation and has dismissed the appeal of the Mexican Tax authorities. (TBD)

Capital Management

The Corporation's objective when managing its capital is to strike a balance between maintaining investor, creditor and market confidence while sustaining future development of the Corporation.

The Corporation has identified the need for additional equity financing however it has not been successful in raising additional capital.

The Corporation's existing debt agreements do not require maintenance of any financial covenants. There were no changes to the Corporation's approach to capital management during the three month period ended March 31, 2017. The Corporation is not subjected to any internally or externally imposed capital requirements.

Subsequent Event

On May 10, 2017, the Corporation received CAD $175,000 from its directors and officers in exchange for notes payable, bearing interest at 10% per annum. No collateral is held against the notes, and the amount, along with interest is repayable December 31, 2017.

Critical Accounting Policies and Estimates

The Corporation prepares its interim condensed consolidated financial statements in accordance with IFRS. In preparing its financial statements, management is required to make various estimates and judgments in determining the reported amounts of assets and liabilities, revenues and expenses, as well as the disclosure of commitments and contingencies. Management bases its estimates and judgments on its own experience and various other assumptions believed to be reasonable at the time and under the circumstances in existence when the financial statements were prepared. Anticipating future events cannot be done with certainty; therefore, these estimates may change as new events occur, more experience is acquired or the Corporation's operating environment changes. More detailed information regarding the accounting estimates believed by management to require the most difficult, subjective or complex judgments and which are material to the Corporation's financial reporting results are discussed in the Corporation's financial statements for the year ended December 31, 2016.

In addition the following accounting standards and amendments have been issued but not yet adopted:

Leases
On January 13, 2016, the IASB issued IFRS 16, "*Leases*" ("IFRS 16"), which requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements, and may continue to be treated as operating leases. IFRS 16 is effective for years beginning on or after January 1, 2019, with early adoption permitted. The Corporation is currently evaluating the impact of adopting IFRS 16 on the consolidated financial statements.

Revenue
On May 28, 2014, the IASB issued IFRS 15, "*Revenue From Contracts With Customers"* ("IFRS 15") replacing IAS 11, "*Construction Contracts*", IAS 18, "*Revenue*" and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The standard may be applied retrospectively or using a modified retrospective approach. The Corporation has assessed the impact of adopting IFRS 15 on the Consolidated Financial Statements, however since there have been no material differences identified as part of the Corporation's preliminary assessments, management does not expect any changes when IFRS 15 is adopted.

Financial Instruments
On July 24, 2014, the IASB issued the final version of IFRS 9, "*Financial Instruments*" ("IFRS 9") to replace IAS 39, "*Financial Instruments: Recognition and Measurement*" ("IAS 39"). IFRS 9 introduces a single approach to determine whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements; however, where the fair value option is applied to financial liabilities, the change in fair value resulting from an entity's own credit risk is recorded in accumulated other comprehensive Income rather than net earnings, unless this creates an accounting mismatch. In addition, a new expected credit loss model for calculating impairment on financial assets replaces the incurred loss impairment model used in IAS 39. The new model will result in more timely recognition of expected credit losses. IFRS 9 is effective for years beginning on or after January 1, 2018. Early adoption is permitted. The Corporation is currently assessing the impact of adopting IFRS 9 on the Consolidated Financial Statements.

OFF BALANCE SHEET ARRANGEMENTS

The Corporation has no off balance sheet arrangements, other than operating leases.

Forward-looking Statements

This MD&A contains certain statements that constitute forward-looking statements. These statements relate to future events or the Corporation's future performance. All statements, other than statements of historical fact, that address activities, events or developments that the Corporation or a third party expects or anticipates will or may occur in the future, are forward-looking statements. These include the Corporation's future growth, results of operations, performance and business prospects and opportunities; prevailing economic conditions; commodity prices; sourcing, pricing and availability of raw materials, components and parts, equipment, suppliers, facilities and skilled personnel; dependence on major customers; uncertainties in weather and temperature affecting the duration of the service periods and the activities that can be completed; regional competition; and other factors, many of which are beyond the Corporation's control. These other factors include future prices of oil and natural gas and oil and natural gas industry activity, including the effect of changes in commodity prices on oil and natural gas exploration and development activity, the ability to complete strategic acquisitions and realize the anticipated benefits of any acquisitions that are completed, the Corporation's outlook regarding the competitive environment it operates in, and the assumptions underlying any of the foregoing. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", *"should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors, many of which are beyond the Corporation's control, including those discussed under "Risks and Uncertainties" and elsewhere in this MD&A that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A. The Corporation does not intend, and does not assume any obligation, to update these forward-looking statements, whether as a result of new information, future events or otherwise, except as required under applicable securities laws. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.*

Corporate Information

DIRECTORS AND OFFICERS

DIRECTORS AND OFFICERS

Ken Bagan (2) (3)
Chairman of the Board

Cam Barton (1)
Director

John Grisdale (2) (3) (4)
Director

Martin Hall (1) (2)
Director

Rob Riecken (1) (2) (3) (4)
Director

Ken Berg (4)
Chief Executive Officer
President, Director

Scott Hamilton
Chief Financial Officer

(1) Member of the Audit Committee
(2) Member of the Governance and Nominating Committee
(3) Member of the HR and Compensation Committee
(4) Member of the Health, Safety and Environment Committee

CORPORATE OFFICE

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AUDITORS

KPMG LLP
Calgary, Alberta

STOCK EXCHANGE

TSX Venture
Calgary, Alberta

TRANSFER AGENT AND REGISTRAR

Computershare
Calgary, Alberta