Divergent Energy Services Corp.

Management Discussion and Analysis
As at September 30, 2017 and for the three and nine month periods ended September 30, 2017 and 2016

(Amounts are in USD $000's, except per share data)

Dated: November 22, 2017

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INTRODUCTION

This Management's Discussion & Analysis discussion ("MD&A") of the financial condition and results of operations of Divergent Energy Services Corp. ("the Corporation" or "Divergent") for the period ended September 30, 2017, contains information current to and is dated November 22, 2017. This MD&A should be read in conjunction with the Unaudited Condensed Consolidated Interim Financial Statements for the three and nine month periods ended and as at September 30, 2017, ("Q3 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 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 IFRS are included in Note 3 to the annual financial statements, with the addition of policies as noted in the Q3 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 Q3 2017 Unaudited Condensed Consolidated Interim Financial Statements were reviewed by the Audit Committee of the Corporation's Board of Directors on November 22, 2017, and approved by Divergent's Board of Directors on November 22, 2017. The following MD&A for the Corporation has been prepared by management as of November 22, 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 September 30, 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 namely Artificial Lift Systems.

The Project management and financing segment was discontinued effective December 31, 2016.

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.

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. There are three distinct product lines as follows:

- **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. ESPCPs are specially designed for abrasion resistance in tough pumping applications and able to move viscous fluids at high flow rates.

- **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 surface. Testing and product development has been conducted in a Saskatchewan oil well, and the product line is expected to begin generating revenue in the future.

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 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:

	Three Months Ended September 30 2017	2016	Nine Months Ended September 30 2017	2016
Revenue – continuing operations	$1,778	$3,969	$6,081	$8,728
Revenue – discontinued operations	-	-	-	-
Loss from continuing operations	(1,127)	(60)	(2,565)	(1,714)
Loss from discontinued operations	(4)	(104)	(171)	(1,193)
Net loss for the period	(1,131)	(164)	(2,736)	(2,907)
Total assets	3,062	5,220	3,062	5,220
Total liabilities	8,860	9,024	8,860	9,024
Shareholders' deficiency	(5,798)	(3,804)	(5,798)	(3,804)
Loss per share basic and diluted – continuing operations	(0.01)	(0.00)	(0.02)	(0.02)
Loss per share basic and diluted – discontinued operations	(0.00)	(0.00)	(0.00)	(0.01)
Loss per share – basic and diluted	($0.01)	($0.00)	($0.02)	($0.03)

RECENT DEVELOPMENTS

The Corporation successfully negotiated a four-year extension of its debentures and anticipates being able to service the debt with cash flow from its operations in the United States. A key component to the ongoing US operations is the award of a three-year exclusive services contract in Wyoming; a contract that will provide a stable base of cash flow from which the Corporation can expand its operations.

QUARTER OVERVIEW

CONTINUING OPERATIONS

REVENUE, COST OF SALES AND GROSS PROFIT

	ALS- US Three Months Ended September 30, 2017	2016
Sales	$1,778	$ 3,969
Cost of sales	1,282	3,376
Gross profit	$496	$ 593
Gross profit %	28%	15%

	ALS - US	
	Nine Months Ended September 30,	
	2017	2016
Sales	$6,081	$ 8,728
Cost of sales	4,336	7,165
Gross profit	$1,745	$ 1,563
Gross profit %	29%	18%

For the three and nine month periods ended September 30, 2017, ALS – US

- Activity levels decreased significantly during the quarter, revenues were down 55% from 2016, as a result of the single largest client in the Powder River Basin more evenly distributing the work share awarded to its service providers. The redistribution of market share and an evaluation process between the suppliers during Q3 2017 led to Divergent becoming the exclusive provider for conventional ESP services for the next three (3) years commencing October 1, 2017. This contract will increase our market-share and provide an anticipated upswing in the demand for the Corporation's services.
- Revenues in the quarter continued to be impacted by the largest client continuing to use up equipment it had previously held in inventory with a competitor. When the competitor ceased operations in the Powder River Basin, the client requested that the inventory be transferred to our facility in Gillette, WY and to be used up as quickly as possible. Although not an ideal situation, the effect is temporary and our willingness to accommodate their request also played a role in being awarded the three year exclusive contract previously mentioned.
- Gross margins increased by 13% and 11%, for the three and nine month periods ended September 30, 2017 compared to the same periods in 2016 as the Corporation continues to benefit from improved pricing and operational efficiencies.

General and administrative expenses ("G&A")

	2017	2016	% Change
For the three months ended March 31,	$800	$821	(3%)
For the three months ended June 30,	699	587	19%
For the three months ended September 30,	654	738	(11%)
For the nine months ended September 30,	$2,153	$2,146	1%

G&A expenses in the third quarter decreased by 11% in 2017 from 2016 due to the reduction to professional and consulting fees. As the Corporation grows we expect the G&A to continue to decrease as a percentage of sales. Management anticipates that operations can continue to expand with limited need to increase overhead.

Stock based compensation

	2017	2016	% Change
For the three months ended March 31,	$42	$47	(11%)
For the three months ended June 30,	69	112	(38%)
For the three months ended September 30,	38	52	(27%)
For the nine months ended September 30,	$149	$211	(30%)

Stock based compensation has decreased for the three and nine months periods ended September 30, 2017 compared to those periods of 2016 due to forfeiture of options in the current year and due to the reduction in volatility in the stock price which impacts option fair value.

Product development costs

	2017	2016	% Change
For the three months ended March 31,	$206	$178	(16%)
For the three months ended June 30,	26	43	40%
For the three months ended September 30,	49	25	(96%)
For the nine months ended September 30,	$281	$246	(14%)

Product development costs include the purchase of prototype and second-generation electromagnetic motors, freight, testing and third party services associated with deployment of the Linear Pumps. As the product line nears anticipated commercialization in fiscal 2018 these costs are expected to continue to decrease.

Net Finance Expense (Income)

	Three months ended September 30,		Nine months ended September 30,	
	2017	**2016**	**2017**	**2016**
Foreign exchange loss (gain)	$721	($300)	$1,241	$160
Interest expense	115	121	360	346
Accretion expense	46	42	128	122
Net finance expense (income)	$882	($137)	$1,729	$628

The Corporation recorded net finance (expense) and income of ($882) and $137 for the three months ended September 30, 2017 and 2016, respectively. For the nine months ended September 30, 2017 and 2016, the net finance expense was ($1,729) and ($628), respectively.

The USD denominated loans between the Corporation and its subsidiaries are no longer being recognized as net investments. Thus the foreign exchange gains or losses are being recognized in net income versus accumulated other comprehensive income.

The interest expense contained in the Net finance expense (income) is substantially composed of the Debenture interest which has been paid in common shares as set out below:

2017	**Common shares Issued**	**Interest expense**
For the three months ended March 31,	891,703	$111
For the three months ended June 30,	843,272	110
For the three months ended September 30,	1,294,027	111
For the nine months ended September 30,	3,029,002	$332

2016	**Common shares Issued**	**Interest expense**
For the three months ended March 31,	512,021	$111
For the three months ended June 30,	623,293	110
For the three months ended September 30,	935,044	110
For the nine months ended September 30,	2,070,358	$331

Income Tax Expense

The Corporation's current income tax expense and deferred income tax expense was $Nil and $Nil for the three and nine month periods ended September 30, 2017. The Corporation has non-capital losses for income tax purposes of $9,350 which expire in 2028 through 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	$3,000	$-	$-	$3,000
2034	195	526	2,066	2,787
2035	208	912	598	1,718
2036	-	1,845	-	1,845
	3,403	$3,283	$2,664	$9,350

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.

	Three Months Ended September 30, 2017	**2016**	**Nine Months Ended September 30, 2017**	**2016**
Selling, general and administrative	$4	$32	$131	$119
Amortization	-	-	1	7
Stock based compensation	-	6	10	29
Loss on disposal of assets	-	-	-	73
Allowance for doubtful accounts	-	-	-	760
Foreign exchange loss (gain)		37		117
Loss from discontinued operations before income taxes	(4)	(75)	(142)	(1,105)
Income tax expense – current taxes	-	(29)	(29)	(88)
Loss from discontinued operations	**($4)**	**($104)**	**($171)**	**($1,193)**

Income tax expense

The Mexican subsidiary has current income tax expense of $Nil and $29 for the three and nine month periods ended September 30, 2017 which relates to interest on an accrued income tax payable on an uncertain tax position which has yet to be settled.

Cash flows from discontinued operations

	Nine Months Ended September 30, 2017	**2016**
Cash from (used in) operating activities	$185	($116)
Cash generated from (used in) investing activities	-	-
Cash flows from discontinued operations	**$185**	**($116)**

SUBSEQUENT EVENTS

Effective November 1, 2017, and subject to the final approval of the TSX Venture Exchange (the "TSXV"), and pursuant to the terms of the debenture indenture (the "Indenture"), as amended, the Corporation is amending the terms of its previously issued 10% secured debentures (the "Debentures") to extend the maturity date of the Debentures from December 31, 2017 to December 31, 2021 (the "Amendment"). The Amendment has been approved by an extraordinary resolution of the holders of the Debentures (the "Debenture holders") and Divergent will enter into a supplemental indenture with Computershare Trust Company of Canada, as Debenture trustee, to reflect the Amendment. In consideration for the Debenture holders approving the Amendments, the Corporation has agreed, subject to the final approval of the TSXV, to issue on or before January 1, 2018 to the Debenture holders an aggregate of 5,750,000 warrants to purchase 5,750,000 common shares in the capital of the Corporation at an exercise price of $0.13 on or before December 31, 2021. 1,377,000 of such warrants will be issued to Directors and/or Officers of the Corporation.

RELATED PARTY TRANSACTIONS

The following transactions were in the normal course of operations and entered into and recorded at the agreed to exchange amount which reflects fair value:

Debenture interest was paid through the issue of common shares to a certain officer and directors amounting to $36 for the three month period ended and $82 for the nine month period ended September 30, 2017 (for the three and nine month periods ended September 30, 2016, $11 and $34, respectively).

Officers and directors advanced the Corporation CAD $195, of which CAD $70 was converted into common shares of the private placement during Q2 2017. The remaining advances of CAD $125 is included in accounts payables and accrued liabilities. The advances are due on demand and bear interest at 10%. Interest of CAD $5 is included in accounts payable and accrued liabilities.

STATEMENT OF EQUITY – ACCUMULATED OTHER COMPREHENSIVE INCOME

In the three and nine month periods ended September 30, 2017, accumulated other comprehensive income increased by $774 and $880, respectively as compared to the same periods in 2016. 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	Q3-2017	Q2-2017	Q1-2017	Q4-2016
Revenue – continuing operations	$1,778	$2,140	$2,163	$2,796
Revenue – discontinued operations	-	-	-	-
Loss for the period – continuing operations	(1,127)	(856)	(582)	(1,047)
Loss for the period - discontinued operations	(4)	(87)	(80)	(603)
Net loss for the period	(1,131)	(943)	(662)	(1,650)
Comprehensive loss per share – basic and diluted	($0.01)	($0.01)	($0.01)	($0.02)

USD	Q3-2016	Q2-2016	Q1-2016	Q4-2015
Revenues – continuing operations	$3,969	$2,640	$2,119	$1,969
Revenue – discontinued operations	-	-	-	-
Loss for the period – continuing operations	(94)	(371)	(1,335)	(695)
Loss for the period – discontinued operations	(70)	(172)	(864)	(330)
Net loss for the period	(164)	(543)	(2,199)	(1,025)
Comprehensive loss per share (basic and diluted)	($0.00)	($0.01)	($0.02)	($0.01)

OUTLOOK

ONGOING OPERATIONS

The recent signing of a three-year exclusive services contract with a client in the Powder River Basin will provide a strong base of activity and revenue from the methane-based market in Wyoming. We anticipate that the contract is of sufficient value to support the entire Corporation and allow the sales team to focus on new growth opportunities. The improved margins posted in all three quarters of 2017 are expected to continue and will provide the necessary cash flow for the expansion of the business. Immediate opportunities are available within Wyoming from oil producing clients that are interested in utilizing our services. The main barrier to growth has been a limited inventory of motors and pumps for use in oil wells, however with the successful extension of our debenture for four years, we anticipate that our supply chain partners will support our growth by bringing on increased inventory levels in Gillette, WY. Future opportunities for growth may include Kansas, Oklahoma, Texas, North Dakota, and Utah in the United States.

PRODUCT DEVELOPMENT

We continue to make progress with the Linear Pump technology with our overseas partner. The exclusivity agreement currently in place that provides Divergent with the rights to deploy the technology is currently being re-negotiated. Our partner is undergoing a corporate restructuring and will be creating a new corporate entity to continue the development and commercialization of the product. In the interim while the new entity is being registered, we have agreed to enter into a letter of intent to extend the exclusivity once the new entity is registered and the new company is able to sign off on the new exclusivity agreement.

The Linear Pump project continues to seek candidate wells for the next phase of testing. The well that had been supplied by our client partner has fulfilled its purpose and the focus has now turned to a well that produces a larger percentage of oil versus water, and may be at a depth and pumping rate that is different from the previous test. We also continue to pursue installations of the Linear Pump with other clients that have expressed an interest in providing Divergent with an oil well to further test the Linear Pump so that they can validate its numerous benefits. Based on the lead-time for delivery of certain components, any installation will most likely occur after the 2017 holiday season. The next round of testing will be focused on delivering results of extending operating time and proving out the cost reduction benefits of the pump:

- Operating cost reductions through reduced service rig interventions to repair worn and broken sucker rods.
- Capital cost reductions through reduced tubing wear caused by the reciprocating motion of the 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.

Pricing on the Linear Pump system is competitive to most rod pumping applications and the Corporation has numerous incentive plans for early adopters that don't place the full burden of the test on the client.

The outlook for the remainder of 2017 and throughout 2018 is as follows:

- Additional Linear Pump installations are expected in both Canada and the United States.
- Complete the 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.
- Increasing activity and revenue from conventional ESP products in Wyoming and Colorado. Stable oil prices and improved access to a wider range inventory will allow us to capitalize on the demand that currently exists within our existing geographical service areas.
- 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 neighboring states

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 complementary 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 $542 and $100 as at September 30, 2017 and December 31, 2016 respectively.

Cash used in operating activities was $842 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 $657, a decrease in inventories of $403, a decrease in prepaid expenses of $66 and a decrease in accounts payable of $435.

Divergent issued common shares through a private placement for gross proceeds of CAD $750 and net proceeds of CAD $709, net of issue costs.

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, were to mature on December 31, 2017. The Corporation reached an agreement with the Debenture holders on November 1, 2017 to extend the maturity date to December 31, 2021 in exchange for 5,750,000 common share purchase warrants with an exercise price of CAD $0.13 expiring on December 31, 2021(See Note 15).

The Corporation has $542 in cash at September 30, 2017 and a working capital deficit of $6,220. Since the extension of the Debentures occurred after September 30, 2017 the Debentures are presented as current liabilities. However future balance sheets of the Corporation will present the Debentures as long-term liabilities which will reduce the working capital deficiency by $4,562.

The Corporation expects to spend $500 for the deployment of the commercial version of the Linear Electromagnetic Submersible Pump.

FINANCIAL INSTRUMENTS

Commitments

Long-Term Debt (including Debentures)

As at September 30, 2017, the Corporation had debentures of CAD $5,750 outstanding and maturing on December 31, 2017. Effective November 1, 2017 the maturity date was extended to December 31, 2021.

Lease Commitments

As at September 30, 2017, the Corporation had the following commitments outstanding in relation to its operating lease commitments:

Year (In 000's)	**Total**
2017	$90
2018	318
2019	273
2020	255
2021	170
2022	9
Total	$1,115

Summary of Share Capital

As at September 30, 2017, the Corporation had 107,090,526 common shares issued and outstanding with stated share capital value of $17,300. 6,026,000 warrants and 7,285,001 stock options, of which 4,218,331 are exercisable, were outstanding at September 30, 2017. As at November 22, 2017, the common shares outstanding are 107,090,526.

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. The Corporation has experienced significant credit risk in Mexico and has ceased any future operations as a result.

Trade receivables and advances

The accounts receivable include a customer of the Artificial Lift Systems segment which represents 62% at September 30, 2017 (Q3 2016 – 70%).

As at September 30, 2017 approximately 90% (Q3 2016: 95%) of the Artificial Lift Systems segment sales are attributable to one customer. The project management and finance fees are attributable to one customer in Q3 2017 is Nil (Q3 2016 – 100%). The Group has established allowances for impairment of trade receivables and advances in 2017 of $Nil (2016 - $768 included in discontinued operations).

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 risk 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. In addition please see the Cash and Liquidity section on Page 8.

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 financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns. The Corporation is dependent upon a small number of large well-established organizations for its business. The level of market risk to which the Corporation is exposed is dependent 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 and the CDN dollar. 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 Corporation 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 have a material adverse effect on the Corporation's financial position.

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 nine month period ended September 30, 2017. The Corporation is not subjected to any internally or externally imposed capital requirements.

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 statement of financial position. 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 does not believe there will be any material effect on the Consolidated Financial Statements.

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.

Emerging Markets

The Corporation had operations in Mexico where there were inherent risks associated with an emerging market. The Corporation had implemented various controls relative to operations of its Mexican subsidiary, including controls ensuring compliance with the Corruption of Foreign Public Officials Act. The Corporation has ceased entering new contractual obligations in Mexico since 2015.

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

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

Cam Barton (1) (2) (3)
Director

Don Luft (4)
Director

Martin Hall (1) (2)
Director

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

Ken Berg (4)
Chief Executive Officer
President, Director

Scott Hamilton
Chief Financial Officer

(1) Member of the Audit Committee, Mr. Hall is Chair.
(2) Member of the Governance and Nominating Committee, Mr Barton is Chair.
(3) Member of the HR and Compensation Committee, Mr. Riecken is Chair.
(4) Member of the Health, Safety and Environment Committee, Mr. Luft is Chair.

All members of the Board of Directors are independent with the exception of Mr. Berg

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Burstall Winger Zammit LLP
Calgary, Alberta

AUDITORS
KPMG LLP
Calgary, Alberta

STOCK EXCHANGE
TSX Venture
Calgary, Alberta

TRANSFER AGENT AND REGISTRAR
Computershare
Calgary, Alberta