Divergent Energy Services Corp.

Management Discussion and Analysis
As at March 31, 2018 and for the three month periods ending March 31, 2018 and 2017

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

Dated: May 28, 2018

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INTRODUCTION

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, 2018, contains information current to and is dated May 23, 2018. It should be read in conjunction with the Unaudited Condensed Consolidated Interim Financial Statements for the three month period ended March 31, 2018 ("Q1 2018") and the Audited Consolidated Financial Statements dated December 31, 2017, 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 2018 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 2018 Unaudited Condensed Consolidated Interim Financial Statements were reviewed by the Audit Committee of the Corporation's Board of Directors on May 28, 2018, and approved by the Corporation's Board on May 28, 2018. The following MD&A for the Corporation has been prepared by management as of May 28, 2018, 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, 2018, to March 31, 2018, unless otherwise noted.

NON GAAP MEASURES

In this MD&A, we refer to financial measures that do not have any standardized meaning as prescribed by General Accepted Accounting Principles ("GAAP"). These non-GAAP financial measures are relevant to an understanding of the financial statements and are not presented elsewhere in the financial statements. These measures have been described and presented in order to provide shareholders and potential investors with additional measures for analyzing our ability to generate funds to finance our operations and information regarding our liquidity. Users are cautioned that non-GAAP financial measures presented by the Corporation may not be comparable with measures provided by other entities. Below are the non-GAAP measures that Divergent uses.

Adjusted EBITDA means earnings before interest, taxes, depreciation, amortization and accretion. EBITDA is not a recognized measure under GAAP. Management believes that in addition to net earnings, EBITDA is a useful supplemental measure as it provides an indication of the results of the Corporation's business prior to consideration to how the activities are financed, amortized or how the results may be taxed in various jurisdictions.

Readers should be cautioned, however, EBITDA should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of Divergent's performance. Divergent's method of calculating EBITDA may differ from other organizations and, accordingly, EBITDA may not be comparable to measures by other organizations.

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.

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 Pump ("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 once proven commercially viable which is not expected to occur within fiscal 2018.

QUARTERLY CONDENSED CONSOLIDATED FINANCIAL RESULTS

Selected Financial Information

For the three months ended March 31,	2018	2017
Revenue – from continuing operations	$1,930	$2,163
Income (loss) from continuing operations	73	(582)
Loss from discontinued operations	(316)	(80)
Net loss for the period	(243)	(662)
Total assets	3,035	2,990
Total liabilities	8,932	8,423
Shareholders' deficiency	(5,897)	(5,433)
Income (loss) per share basic and diluted - from continuing operations	0.00	(0.01)
Loss per share basic and diluted – from discontinued operations	(0.00)	(0.00)
Net loss per share – basic and diluted	(0.00)	(0.01)

RECENT DEVELOPMENTS

The Corporation amended the terms of its previously issued 10% secured debentures to extend the maturity date of the Debentures from December 31, 2017 to December 31, 2021. In consideration for the Debenture holders approving the extension, the Corporation issued on January 1, 2018 an aggregate of 5,750,000 additional common share purchase warrants, exercisable at a price of $0.13 on or before December 31, 2021. Of the additional common share purchase warrants issued, 1,377,000 were issued to directors and officers of the Corporation.

In October 2017 Divergent signed a three-year exclusive services contract with a client in the Powder River Basin which 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 operating cash flows of the entire Corporation and allow the sales team to focus on new growth opportunities. The improved margins posted in all the quarters of 2017 are expected to continue and we expect the contract will provide the necessary cash flow for the expansion of the business.

The agreement that provides Divergent with the exclusive rights to deploy the technology continues to be reviewed. Divergent is seeking an ownership interest in the intellectual property of the Linear Pump rather than act solely as the exclusive distributor.

QUARTER OVERVIEW

CONTINUING OPERATIONS

- The Corporation recorded adjusted EBITDA of $177 for Q1 2018
- Results from operating activities improved 82% for the three months ended March 31, 2018 compared to the previous period of Q1 2017
- General and administrative expenses decreased 22% for the three months ended March 31, 2018 as compared to Q1 2017 as management continues its mandate to control costs and streamline processes

RESULTS FROM OPERATING ACTIVITIES

THREE MONTHS ENDED MARCH 31,

	2018	**2017**	% Change
Revenue	$1,930	$2,163	(11%)
Cost of sales	1,260	1,441	(13%)
Gross profit	670	722	(7%)
General and administrative expense	674	869	(22%)
Stock based compensation	29	41	(29%)
	(703)	(910)	(23%)
Results from operating activities	($33)	($188)	82%
Adjusted EBITDA	$177	($389)	146%

The Corporation successfully entered a multi-year contract that created a step change in Q4 2017 whereby service quality is rewarded with profitability and not simply focused on top line revenue. The overall effect has reduced recorded revenue and increased the gross profit percentage.

REVENUE, COST OF SALES AND GROSS PROFIT

ALS

	Three Months Ended March 31,	
	2018	**2017**
Sales	$1,930	$ 2,163
Cost of sales	1,260	1,441
Gross profit	$ 670	$ 722
Gross profit %	35%	33%

For the three months ended March 31, 2018,

- Activity during the first quarter was hampered by repeated winter storms that restricted access to many well sites. The number of pumps installed was approximately 20% less than expected.
- The decrease in pricing was expected and built into the pricing model of the multi-year contract signed in the Q4 2017.

General and administrative expenses

	2018	2017	% Change
For the three months ended March 31,	$674	$869	(22%)

General and administrative ("G&A") expenses were in line with activity levels. Reductions were implemented where available and in areas that would not hinder the Corporation's ability to operate safely and respond quickly to an upswing in demand. The Corporation expects G&A to continue to drop as a percentage of sales as the business grows. The significant decreases were as follows:

a) Vehicle costs decreased $60 due to newness of fleet and associated repairs and maintenance.

b) Training costs decreased $20 as the average experience level with field personnel increased.

c) Professional fees decreased $50 due to a continued effort by management to use internal resources.

Product development

	2018	2017	% Change
For the three months ended March 31,	$4	$205	(98%)

The Corporation incurred minimal product development costs related to the Linear Pump for the three months ended March 31, 2018. Although costs related to testing are expected to reduce over time as the Linear Pump approaches commercial viability we foresee additional costs exceeding the amount for Q1 2018 for the remaining three quarters of 2018.

Stock based compensation

	2018	2017	% Change
For the three months ended March 31,	$29	$41	(29%)

The reduction of the Stock based compensation expense by 29% is substantially due to the reduction in head count in the current period of Q1 2018 compared to Q1 2017, and that additional stock options were issued after Q1 2018.

Net Finance Income (Expense)

	2018	2017
Foreign exchange income (loss)	$185	($42)
Interest expense	(116)	(106)
Accretion expense	(12)	(41)
Net finance income (expense)	$57	($189)

The variance in foreign exchange is primarily due to the weakening of the Canadian dollar versus the US dollar over the three month period ended March 31, 2018 whereby the gain in foreign exchange was $185 as compared to a loss of $42 for Q1 2017. The three month periods ended March 31, 2018 and 2017 amounts for interest and accretion expense have not significantly changed.

The debenture interest of CAD $142 for Q1 2018 (CAD $142 - Q1 2017) was paid in common shares of the Corporation; Q1 2018 – 1,720,639 common shares and Q1 2018 – 891,708 common shares.

Income Tax Recovery

The Corporation recovered $53 (2017 - $Nil) of deferred income taxes with respect to the issue of warrants for the three month period ended March 31, 2018. The recovery was related to the deferred taxes for the issue of the 5,750,000 warrants for the debenture extension to December 31, 2021. The Corporation has non-capital losses for income tax purposes which expire from 2025 and 2036 and have not been recognized in the financial statements.

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 Project management and financing division. The operating results of the Project management and financing 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.

	2018	2017
Selling, general and administrative expenses	$-	$46
Stock based compensation (Note 8)	-	5
	-	(51)
Loss from discontinued operations before income taxes	-	(51)
Income tax expense		
Current income taxes	316	29
	(316)	(29)
Loss from discontinued operations, net of tax	($316)	($80)

The Corporation's income taxes for the three month period ended March 31, 2018 was $316 (2017 - $29) which relate to additional net liabilities upon dissolution of the Mexico subsidiary and the recovery of tax related interest.

The Corporation has taken certain tax positions in its Mexican tax filings using the best estimate based on a qualitative assessment of all relevant factors. These filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, actual amounts recorded may differ from that estimated and recorded by management.

The Corporation has recorded $1,494 (2017 - $1,179) of liabilities related to the discontinued operations of its Mexican subsidiary. The Mexican subsidiary was legally dissolved on February 19, 2018 however the liabilities will continue to exist for an additional five years from the date of dissolution.

SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

USD	Q1-2018	Q4-2017	Q3-2017	Q2-2017
Revenue – Continuing operations	$1,930	$2,101	$1,778	$2,140
Income (loss) for the period – Continuing operations	73	816	(1,127)	(856)
Income (loss for the period) – Discontinued operations	(316)	(179)	(4)	(87)
Net earnings (loss) for the period	(243)	637	(1,131)	(943)
Comprehensive loss per share (basic and diluted)	(0.00)	($0.02)	($0.01)	($0.01)

USD	Q1-2017	Q4-2016	Q3-2016	Q2-2016
Revenue – Continuing operations	$2,163	$2,796	$3,969	$2,640
Loss for the period – Continuing operations	(582)	(1,047)	(94)	(371)
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)

OUTLOOK

Following two consecutive quarters of improved operational and financial performance, we have begun active sales in Colorado as part of our strategy to take advantage of the upswing in demand across Wyoming and northern Colorado. Early stages of servicing clients in these regions can be done from our Gillette facility until an additional facility is required. The northern states of the US are experiencing a resurgence in drilling activity that has already translated into higher demand for artificial lift products. The US remains the Corporation's key focus region for growth due to the US's favorable economic environment and recent predictions that the US will account for 80% of global increased production to meet the increased demand for oil over the next 5 years.

PRODUCT DEVELOPMENT

The timeline to get back into a well and continue testing has extended beyond any timeline anticipated by management. The combination of weak oil pricing, reduced operating budgets, and a growing adversity to risk has kept many potential clients from approving a test despite their acceptance that the technology will save them money in the long run. Although oil prices have risen globally, that is not the case for Canadian crude and it is expected that Canadian producers may continue to demonstrate risk aversion to testing new technology until they return to profitability. Divergent's focus for expansion and ongoing testing has been focused on the industry partner previously involved with testing and in the United States due to its oil industry demonstrating more resilience than Canada's.

The exclusivity agreement with the overseas supplier of the linear motor has not yet met management's expectations. Prior to signing any extensions to the previous three-year agreement, Divergent believes an ownership position is in the best interest of all stakeholders due to the amount of risk and cost associated with ongoing tests.

We have presented the Linear Pump to a number of clients, with very attractive incentives and pay for performance mechanisms, and anticipate at least one installation in 2018. 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:

- Reduced power consumption using a high efficiency electromagnetic motor vs surface lifting equipment (pump jack). Data from the 2016 and 2017 tests have been analyzed and calculations indicate potential savings of up to 33%.
- 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.
- 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.

The Corporation's vision is to be a premier supplier of submersible pumping products that increase production while reducing costs and carbon footprint. Divergent's Technical Advisory Committee continues to evaluate emerging artificial lift technologies and make determinations on whether Divergent can capture the intellectual property. A number of opportunities currently are under review by the committee. The commercialization of the Linear Pump remains a primary focus as the product is complementary to our existing electric submersible pump 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. The Corporation's Technical Advisory Committee continues to evaluate emerging technologies.

Cash and Liquidity

The Corporation had cash balances of $326 and $549 as at March 31, 2018 and December 31, 2017 respectively.

Cash used in operating activities was $205 in Q1 2018. The changes in non-cash working capital items includes a decrease in trade receivables and advances of $41, an increase in inventories of $56, a decrease in prepaid expenses of $3, a decrease in accounts payable of $252 and an increase of liabilities relating to discontinued operations of $315.

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

The Corporation has an accumulated deficit of $29,923 at March 31, 2018. The Corporation has experienced a history of net losses and using cash in its operations.

The Corporation has negative working capital at March 31, 2018, of $2,045. In addition, the Corporation has accounts payable in excess of a year old amounting to $1,100. There is material uncertainty as to whether the Corporation will be able to repay these obligations and future obligations without obtaining additional future debt or equity financings.

During the year ended December 31, 2017 the Corporation's Debentures, amounting to CAD $5,750 were extended to the maturity date of 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.

In addition, the Corporation has economic dependence on a single customer in the United States which comprises approximately 96% (2017 - 90%) of revenue and accounts receivable of $589 (December 31, 2017 - $311) for the three months ended March 31, 2018.

The Corporation's management and Board of Directors continue to seek alternative debt and equity financings in order to fund additional projects and operations in North America and to provide for the 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, 2018, the Corporation had the following commitments outstanding in relation to its debenture debt:

(In 000's)	**Total**
Total due in 2021	$4,280

Lease Commitments

As at March 31, 2018, the Corporation had the following commitments outstanding in relation to its operating lease commitments:

Year (In 000's)	**Total**
2018	$267
2019	314
2020	287
2021	165
Total	$1,033

Summary of Share Capital

As at March 31, 2018, the Corporation had 110,622,807 common shares issued and outstanding with stated share capital value of $17,526. 6,026,000 warrants and 6,785,000 stock options, of which 4,454,999 are exercisable, were outstanding at March 31, 2018. As at May 23, 2018, the common shares outstanding are 110,622,811.

RELATED PARTIES

The following transactions were in the normal course of operations and entered into with the same terms as non-related parties and are recorded at their agreed to exchange amounts which reflect fair values:

a) The 10% debenture of CAD $5,750 includes CAD $1,423 from directors and officers of the Corporation. Interest paid to directors and officers for Q1 2018 amounts to CAD $35 (2017 – CAD $3).

b) Officers and directors advanced the Corporation CAD $195, of which CAD $70 was converted into common shares of a private placement. 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 $4 is included in accounts payable and accrued liabilities.

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 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 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.

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'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, 2018. 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, 2017.

Leases –To be adopted in 2019

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 from Contracts with Customers (IFRS 15) – Adopted January 1, 2018

In May 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 and is effective for annual periods beginning on or after January 1, 2018. The Corporation recognizes revenue when it transfers control of the product or services to a customer which is on delivery and installation of the product at the customer site. Pricing is based on agreed contracted rates, and collectability is reasonably assured. The Corporation's revenue transactions do not contain financing components and payments are typically due within 30 days of revenue recognition. The Corporation has assessed the impact of adopting IFRS 15 on the Consolidated Financial Statements and there have been no material differences identified as part of the Corporation's assessments.

Financial Instruments (IFRS 9) – Adopted January 1, 2018

The Corporation adopted IFRS 9, which replaced IAS 39 – Financial Instruments: Recognition and Measurement, in its financial statements beginning January 1, 2018. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities, however it eliminates the previous IAS 39 categories for financial assets held to maturity, loans and receivables and assets available for sale. Under IFRS 9 there are three principle classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVRPL"). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. IFRS replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39. The adoption of IFRS 9 did not have a material impact on the Corporation's 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

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

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

CORPORATE OFFICE

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LAWYERS

Burstall Winger Zammit LLP
Calgary, Alberta

AUDITORS

KPMG LLP
Calgary, Alberta

STOCK EXCHANGE

TSX Venture
Calgary, Alberta

TRANSFER AGENT AND REGISTRAR

Computershare
Calgary, Alberta