

*MATERIAL CHANGE REPORT*

**Item 1 Name and Address of Company**

Polaris Infrastructure Inc. (“**Polaris**”)  
77 Bloor Street West, Suite 600  
Toronto, Ontario  
Canada M5S 1M2

**Item 2 Date of Material Change**

October 30, 2018

**Item 3 News Release**

A news release with respect to the material change referred to in this report was issued in Canada through the facilities of Cision and filed on SEDAR on October 30, 2018.

**Item 4 Summary of Material Change**

On October 30, 2018, Polaris announced that it closed the acquisition of all of the issued and outstanding shares of Union Energy Group Corp. (“**UEG**”) pursuant to a share purchase agreement dated October 30, 2018 with Union Group International Holdings Limited (“**UGIH**”), whereby UGIH sold all of its equity interest in UEG to Polaris for up to 1,200,000 common shares of Polaris (“**Shares**”) and 300,000 warrants to purchase Shares (the “**Acquisition**”).

**Item 5 Full Description of Material Change**

**5.1 Full Description of Material Change**

Polaris announced that it successfully closed the Acquisition. As part of the Acquisition, Polaris has acquired the following assets:

- Canchayllo – a single 5 MW project in operation since 2015;
- Generación Andina – two projects in the late stages of construction totaling 28 MW of generating capacity (“**Generación Andina projects**”);
- Karpa – a single 20 MW project with a power purchase agreement in place; and
- a portfolio of early stage development projects aggregating to approximately 189 MW.

The purchase consideration in connection with the Acquisition consists of: (i) following closing and the receipt of a Peruvian tax certificate, 600,000 Shares (equal to approximately

3.7% of pro forma Shares outstanding); (ii) over a two-year period post-closing, 300,000 purchase warrants exercisable at a 20% premium to the closing Share price; and (iii) upon completion of construction of the Generación Andina projects, 600,000 Shares and \$396,000 in cash.

Concurrently with the Acquisition, UEG completed a reorganization of its direct and indirect subsidiaries (the “**Reorganization**”). In connection with the Reorganization, Polaris entered into a series of share purchase agreements with former shareholder lenders (the “**Shareholder Lenders**”) and indirect subsidiaries of UEG, pursuant to which Polaris has agreed to issue the following consideration to the Shareholder Lenders in exchange for the disposition all of such Shareholders’ Lenders equity interest in the indirect subsidiaries of UEG:

- payment of common shares in the capital of Polaris to certain Shareholder Lenders on the basis of USD\$250,000 per each GWh in excess of 180 GWh generated by the Generación Andina projects measured based on the annual average delivery to the Peruvian National Grid during the first two years following the latter of the dates on which each of the Generación Andina projects achieves commercial operation (“**COD**”), and which amount shall be (i) up to a aggregate maximum of USD\$7,400,000 and (ii) payable on the date that is no later than 90 days following the two year anniversary date of COD; and
- cash payments by Polaris to certain Shareholder Lenders of an aggregate amount of USD\$275,049 upon achievement of commercial operation of the 8 de Agosto Generación Andina project and an aggregate amount of USD\$121,836 upon achievement of commercial operation of the El Carmen Generación Andina project.

Polaris has agreed to invest the necessary capital to bring the Generación Andina projects to completion. It is anticipated that the Generación Andina projects and the transmission line will require net additional capital investment of approximately \$35 million from Polaris in order to achieve commercial operations. This amount will be funded by Polaris over the 12-month construction period with present and future cash on hand.

Certain vendors will receive additional Shares of Polaris if, after the first two years of commercial operation, the Generación Andina projects have exceeded targeted levels of generation based on a predetermined formula. A maximum of approximately 970,000 additional Shares of Polaris would be issued to certain vendors, were generation to achieve the top end of the target range.

## **5.2 Disclosure for Restructuring Transactions**

Not applicable.

### **Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

Shane Downey, Chief Financial Officer of Polaris, is an executive officer of Polaris and is knowledgeable about the material change and this report. Mr. Downey can be contacted at 647-875-2110 or [sdowney@polarisinfrastructure.com](mailto:sdowney@polarisinfrastructure.com).

**Item 9 Date of Report**

November 9, 2018.