Unaudited Interim Condensed Consolidated Financial Statements of

Polaris Infrastructure Inc.

June 30, 2015 and 2014

(Expressed in United States dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Polaris Infrastructure Inc.

June 30, 2015 and 2014

Table of Contents

Polaris Infrastructure Inc.
Interim Condensed Consolidated Balance Sheets (Unaudited)
(expressed in United States dollars)

	Note Ref	As at June 30, 2015	As at December 31, 2014
Assets			
Current assets			
Cash	11	$ 71,724,598	$ 15,291,540
Accounts receivable	9	9,858,234	10,133,314
Prepaid expenses	10	2,406,981	1,148,711
		83,989,813	26,573,565
Restricted cash	11	1,513,113	463,623
Other assets, net	10	234,255	222,603
Asset held for sale		-	1,500,000
Exploration and development properties	12	10,858,256	10,670,080
Geothermal properties	13	1,478,388	942,386
Property, plant and equipment, net	14	356,603,175	377,393,370
Intangible assets, net	15	4,577,194	4,735,028
Embedded derivative related to long-term debt	17	8,090,753	-
Total assets		$ 467,344,947	$ 422,500,655
Liabilities and Total Equity			
Current liabilities			
Accounts payable and accrued liabilities	16	$ 6,425,408	$ 7,559,913
Current portion of long-term debt, net	17	17,323,906	198,419,179
		23,749,314	205,979,092
Other liabilities			
Long-term debt, net	17	175,644,191	44,636,776
Embedded derivative related to long-term debt	17	-	2,654,153
Warrant liability related to debentures	17	-	219,185
Decommissioning liabilities	18	3,974,562	3,931,506
Deferred tax liability, net	23	27,600,167	26,470,636
Total liabilities		230,968,234	283,891,348
Non-controlling interests	19	85,814	85,814
Equity attributable to the owners of the Company			
Share capital	19	598,651,764	470,390,330
Contributed surplus	19	10,432,331	32,261,600
Accumulated deficit		(372,793,196)	(364,128,437)
Current year profit/loss		(8,664,759)	(23,879,369)
Total shareholders' equity		236,290,899	138,523,493
Total equity		236,376,713	138,609,307
Total liabilities and total equity		$ 467,344,947	$ 422,500,655

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Polaris Infrastructure Inc.
Interim Condensed Consolidated Statements of Operations and Comprehensive Loss (Unaudited)

(expressed in United States dollars)

	Note Ref	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Revenue	4	$ 12,817,347	$ 11,720,327	$ 25,151,713	$ 22,443,631
Direct costs					
Other direct costs	6	(1,682,055)	(1,723,519)	(3,202,134)	(3,211,809)
Depreciation and amortization of plant assets	6	(6,680,554)	(6,515,746)	(13,306,457)	(12,929,052)
General and administrative expenses		(1,885,544)	(1,781,344)	(3,050,690)	(3,196,208)
Other operating costs	6	2,450	(107,478)	(139,543)	(290,574)
Operating income (loss)		2,571,644	1,592,240	5,452,889	2,815,988
Interest income		20,714	18,284	27,792	161,842
Finance costs	7	5,497,261	(7,762,685)	(1,110,065)	(13,347,741)
Impairment loss	6	(10,095,556)	-	(10,095,556)	-
Other (losses) gains	8	(4,967,769)	(3,029,808)	(1,810,288)	1,764,136
Loss and comprehensive loss before income taxes		(6,973,706)	(9,181,969)	(7,535,228)	(8,605,775)
Current and deferred tax expense	23	711,171	(1,865,110)	(1,129,531)	(3,751,777)
Total loss and comprehensive loss		$ (6,262,535)	$ (11,047,079)	$ (8,664,759)	$ (12,357,552)
Total loss and comprehensive loss attributable to:					
Owners of the Company		$ (6,262,535)	$ (10,977,930)	$ (8,664,759)	$ (12,288,403)
Non-controlling interests		$ -	$ (69,149)	$ -	$ (69,149)
Basic and diluted loss per share		($0.76)	($59.17)	($2.04)	($66.25)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Polaris Infrastructure Inc.

Interim Condensed Consolidated Statements of Changes in Total Equity (Unaudited)

(expressed in United States dollars)

	Note Ref	Common Stock Shares	Common Stock Amount	Contributed Surplus	Accumulated Deficit	Total Attributable to the Owners of the Company	Non-Controlling Interests	Total Equity
Balance, December 31, 2013		**184,430**	**$ 470,205,473**	**$ 32,310,106**	**$ (340,249,068)**	**$ 162,266,511**	**$ 154,963**	**$ 162,421,474**
Share-based compensation	19	1,117	184,857	(48,506)	-	136,351	-	136,351
Total loss and comprehensive loss		-	-	-	(12,288,403)	(12,288,403)	(69,149)	(12,357,552)
Balance, June 30, 2014		**185,547**	**$ 470,390,330**	**$ 32,261,600**	**$ (352,537,471)**	**$ 150,114,459**	**$ 85,814**	**$ 150,200,273**
Share-based compensation	19	-	-	-	-	-	-	-
Total loss and comprehensive loss		-	-	-	(11,590,966)	(11,590,966)	-	(11,590,966)
Balance, December 31, 2014		**185,547**	**$ 470,390,330**	**$ 32,261,600**	**$ (364,128,437)**	**$ 138,523,493**	**$ 85,814**	**$ 138,609,307**
Shares issued in Private Placement	19	9,299,250	77,816,125	(21,708,086)	-	56,108,039	-	56,108,039
Shares issued in Debenture conversion to equity	19	5,465,840	45,738,142	-	-	45,738,142	-	45,738,142
Fee shares issued in Private Placement	19	562,520	4,707,167	(941,433)	-	3,765,734	-	3,765,734
Share-based compensation	19	-	-	820,250	-	820,250	-	820,250
Total loss and comprehensive loss		-	-	-	(8,664,759)	(8,664,759)	-	(8,664,759)
Balance, March 31, 2015		**15,513,157**	**$ 598,651,764**	**$ 10,432,331**	**$ (372,793,196)**	**$ 236,290,899**	**$ 85,814**	**$ 236,376,713**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Polaris Infrastructure Inc.

Interim Condensed Consolidated Statements of Cash Flows (Unaudited)

(expressed in United States dollars)

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Net inflow (outflow) of cash related to the following activities		
Operating		
Total loss and comprehensive loss	$ (8,664,759)	$ (12,288,403)
Deduct items not affecting cash:		
Non-controlling interests in net loss of subsidiary	-	(69,149)
Deferred income tax expense	1,129,531	3,751,777
Finance costs recognized	14,352,382	9,322,541
Depreciation and amortization	13,330,619	12,950,517
Accretion of decommissioning liability	18,389	41,200
Change in decommissioning liabilities	24,667	107,477
Loss on impairment of exploration and development and geothermal properties	8,595,556	-
Gain on disposal of asset held for sale	-	(2,615,342)
Impairment loss on asset held for sale	1,500,000	-
Embedded derivatve valuation (gain) loss	(10,703,521)	2,056,841
Gain on valuation of warrant liabilities	(219,185)	(1,083,611)
Loss on valuation of prepayment option	-	1,357,000
Accretion on debt	2,043,903	1,430,529
Share-based compensation	820,250	136,351
Unrealized foreign exchange gain	(1,200,545)	(169,278)
Changes in non-cash working capital:		
Accounts receivable	275,080	(414,186)
Prepaid expenses	(1,258,270)	(765,423)
Accounts payable and accrued liabilities	(2,652,411)	(82,344)
Interest paid	(5,943,103)	(9,393,599)
	11,448,583	4,272,898
Investing		
Change in restricted cash	(1,049,490)	1,346,586
Change in accounts payable and accrued liabilities related to San Jacinto project	(1,037,347)	(1,357,383)
Changes in other assets	(35,816)	286
Additions to exploration and development	(188,176)	(216,774)
Additions to geothermal properties	(779,637)	(3,680,461)
Additions to property, plant and equipment	(710,348)	2,296
Proceeds from asset held for sale	-	5,900,000
	(3,800,814)	1,994,550
Financing		
Proceeds from the issuance of common shares	62,252,899	-
Capitalized transaction costs	(2,974,954)	-
Repayment of debt	(10,492,656)	(9,127,824)
Payments on derivative obligations	-	(887,044)
	48,785,289	(10,014,868)
Foreign exchange gain on cash held in foreign currency	-	-
Net increase (decrease) in cash	56,433,058	(3,747,420)
Cash, beginning of year	15,291,540	22,549,994
Cash, end of period	$ 71,724,598	$ 18,802,574

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

1. Organization

Polaris Infrastructure Inc. (the "Company") is a corporation existing under the British Columbia Business Corporations Act. The registered office of the Company is located at 666 Burrard Street, Suite 1700, Vancouver, British Columbia V6C 2X8.

The Company's name was changed from "Ram Power, Corp." to "Polaris Infrastructure Inc." and a change of the Company's Toronto Stock Exchange ("TSX") stock symbol from "RPG" to "PIF" was effective on May 19, 2015.

The Company is engaged in the acquisition, exploration, development and operation of geothermal energy projects.

The Company, through its subsidiaries Polaris Energy Nicaragua, S.A. ("PENSA") and San Jacinto Power International Corporation ("SJPIC"), subsidiaries of Polaris Geothermal, Inc. ("Polaris"), owns and operates a 72 megawatt ("MW") (net) capacity geothermal facility (the "San Jacinto Project"), located in northwest Nicaragua, near the city of Leon. PENSA has entered into the San Jacinto Exploitation Agreement with Nicaraguan Ministry of Energy and Mines to develop and operate the San Jacinto Project.

2. Basis of presentation and going concern

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting,* as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed. Accordingly, the interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2014.

These unaudited interim condensed consolidated financial statements have been prepared on a going concern basis, using historical cost convention, except for derivative financial instruments, which are measured at fair value. The Company's assets held for sale are measured at fair value, less costs to sell. The Company's exploration and development properties and geothermal properties are measured at cost unless impaired or designated to be sold, at which time they are measured at the recoverable amount.

In these unaudited interim condensed consolidated financial statements, unless otherwise indicated, all dollar amounts are expressed in United States ("US") dollars, the Company's functional and reporting currency.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company (the "Board") on August 13, 2015.

3. Summary of significant accounting policies

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its controlled subsidiaries. All significant intercompany balances and transactions are eliminated upon consolidation.

Recent Accounting Standards and Interpretations Adopted in 2015

<u>IFRS 3 – Business Combinations</u>

IFRS 3, "Business Combinations" ("IFRS 3") was amended by the IASB on December 12, 2013. The amendments clarify the accounting for contingent consideration in a business combination and modify the scope exception for joint ventures to exclude the formation of all types of joint arrangements and clarify that the scope exception applies only to the financial statements of the joint arrangement itself. The amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of these amendments did not have a material impact on the Company's results of operations, financial position or disclosures

<u>IFRS 8 – Operating Segments</u>

IFRS 8, "Operating Segments" ("IFRS 8") was amended by the IASB on December 12, 2013. The amendments add a disclosure requirement for the aggregation of operating segments and clarify the reconciliation of the total reportable segments' assets to the entity's assets. The amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of these amendments did not have a material impact on the Company's results of operations, financial position or disclosures.

(expressed in United States dollars unless otherwise noted)

IFRS 13 – Fair Value Measurement

IFRS 13, "Fair Value Measurement" ("IFRS 13") was amended by the IASB on December 12, 2013. The amendments clarify that the portfolio exception applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they are financial assets or financial liabilities. The amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of these amendments did not have a material impact on the Company's results of operations, financial position or disclosures.

IAS 19 – Employee Benefits

IAS 19, "Employee Benefits" ("IAS 19") was amended by the IASB on November 13, 2013. The amendments provide additional guidance to IAS 19 Employee Benefits on the accounting for contributions from employees or third parties set out in the formal terms of a defined benefit plan. The amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of these amendments did not have a material impact on the Company's results of operations, financial position or disclosures.

IAS 19 was further amended on July 30, 2014. The amendments to IAS 19 clarify the application of the requirements of IAS 19 on determination of the discount rate to a regional market consisting of multiple countries sharing the same currency. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments did not have a material impact on the Company's results of operations, financial position or disclosures.

IAS 24 – Related Party Disclosures

IAS 24, "Related Party Disclosures" ("IAS 24") was amended by the IASB on December 12, 2013. The amendments clarify the identification and disclosure requirements for related party transactions when key management personnel services are provided by a management entity. The amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of these amendments did not have a material impact on the Company's results of operations, financial position or disclosures.

4. Revenue

Revenue for the three months ended June 30, 2015 and 2014 of $12,817,347 and $11,720,327, respectively, and for the six months ended June 30, 2015 and 2014 of $25,151,713 and $22,443,631, respectively, was earned from the sale of energy to Nicaraguan power distributor Distribuidora De Electricidad del Norte, S.A. ("Disnorte") and Distribuidora De Electricidad del Sur, S.A. ("Dissur"), a subsidiary of the Spanish utility TSK-Melfosur Internacional ("TMI"), at the Company's San Jacinto project.

During the six months ended June 30, 2015 and 2014, the Company did not sell any Certified Emission Reductions ("CERs").

5. Segment information

The Company currently operates in one reportable operating segment, being the acquisition, exploration, development and operation of geothermal projects, which is conducted principally in Nicaragua, the US and Canada. The Company's chief operating decision maker evaluates the performance of the Company's reportable operating segment, and makes recommendations to the Board to allocate available resources based on various criteria, including the availability of proven resources, costs of development, availability of financing, actual and expected financial performance, and existing debt covenants, on a project-by-project basis.

The following geographic data include revenue, comprehensive loss before income taxes, and assets and liabilities based on location:

	Three Months Ended		Six Months Ended	
Revenue	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Canada	$ -	$ -	$ -	$ -
United States	-	-	-	-
Nicaragua	12,817,347	11,720,327	25,151,713	22,443,631
	$ 12,817,347	$ 11,720,327	$ 25,151,713	$ 22,443,631

(expressed in United States dollars unless otherwise noted)

Comprehensive loss before income taxes	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Canada	$ (5,695,393)	$ (3,621,225)	$ (3,101,332)	$ (1,741,850)
United States	(118,886)	(3,009,172)	(373,729)	(758,299)
Nicaragua	(1,159,427)	(2,551,572)	(4,060,167)	(6,105,626)
	$ (6,973,706)	$ (9,181,969)	$ (7,535,228)	$ (8,605,775)

Assets and liabilities	As at June 30, 2015	As at December 31, 2014
Canada	$ 34,979,025	$ 1,565,767
United States	1,548,087	841,735
Nicaragua	430,817,835	420,093,153
Total assets	$ 467,344,947	$ 422,500,655
Canada	$ 535,917	$ 568,654
United States	360,058	360,058
Nicaragua	382,459,159	394,998,378
Total non-current assets	$ 383,355,134	$ 395,927,090
Canada	$ 2,681,760	$ 47,146,756
United States	2,872,365	3,257,195
Nicaragua	225,414,109	233,487,397
Total liabilities	$ 230,968,234	$ 283,891,348

6. General and administrative and other expenses

(a) Direct costs

Direct costs related to the production of energy consist of the following:

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Depreciation and amortization	$ 6,680,554	$ 6,515,746	$ 13,306,457	$ 12,929,052
Employee costs	716,888	757,361	1,433,941	1,464,080
General liability insurance	565,176	710,677	1,059,860	1,273,485
Maintenance	387,332	249,174	690,874	449,670
Other direct costs	12,659	6,307	17,459	24,574
	$ 8,362,609	$ 8,239,265	$ 16,508,591	$ 16,140,861

(b) General and administrative expenses

The Company's general and administrative expenses for the three and six months ended June 30 2015 and 2014 consisted of:

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Salaries and benefits	$ 342,266	$ 545,087	$ 705,716	$ 1,127,353
Share-based compensation	820,250	115,498	820,250	136,351
Facilities and support	130,415	154,857	281,455	301,371
Professional fees	541,714	889,685	1,072,786	1,431,624
Taxes and licenses	6,619	11,335	9,610	18,123
Supplier taxes	3,020	2,674	3,531	3,466
Insurance	93,256	92,702	185,088	181,922
Depreciation of other assets	12,628	10,622	24,164	21,467
Other general and adminstrative expenses	13,488	(14,543)	5,485	37,407
Gross general and administrative expenses	1,963,656	1,807,917	3,108,085	3,259,084
Total allocation to exploration and development and geothermal properties	(78,112)	(26,573)	(57,395)	(62,876)
Net general and administrative expenses	$ 1,885,544	$ 1,781,344	$ 3,050,690	$ 3,196,208

(expressed in United States dollars unless otherwise noted)

(c) Other operating costs

Recurring costs of maintaining the Company's exploration and development properties not currently under active development resulted in other operating costs for the three and six months ended June 30, 2015 and 2014 consisting of:

Six Months Ended June 30, 2015	South Meager	Orita	Sierra	Other	Total
Decommissioning Liabilities	$ (16,211)	$ (5,304)	$ (3,152)	$ -	$ (24,667)
Lease costs	(1,522)	(10,297)	(100,924)	(21,075)	(133,818)
Turbocare storage costs	-	-	-	(20,085)	(20,085)
Property taxes	(161)	-	-	-	(161)
Consulting and other	(900)	(7,408)	(175)	-	(8,483)
Refunds	-	-	26,854	20,817	47,671
Total other operating costs	$ (18,794)	$ (23,009)	$ (77,397)	$ (20,343)	$ (139,543)

Six Months Ended June 30, 2014	Geysers	South Meager	Orita	Sierra	Other	Total
Decommissioning Liabilities	$ (64,219)	$ (30,783)	$ (7,824)	$ (4,650)	$ -	$ (107,476)
Lease costs	(20,545)	-	(30,171)	(113,764)	(2,657)	(167,137)
Turbocare storage costs	-	(164)	-	-	(20,085)	(20,249)
Property taxes	5,290	-	-	-	-	5,290
Consulting and other	(26,704)	(641)	(8,857)	-	4,729	(31,473)
Refunds	1,034	-	29,437	-	-	30,471
Total other operating costs	$ (105,144)	$ (31,588)	$ (17,415)	$ (118,414)	$ (18,013)	$ (290,574)

(d) Impairment loss

The Company's impairment loss for the three and six months ended June 30, 2015 and 2014 consisted of

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Impairment of property, plant and equipment	$ 8,595,556	$ -	$ 8,595,556	$ -
Impairment loss on assets held for sale	1,500,000	-	1,500,000	-
	$ 10,095,556	$ -	$ 10,095,556	$ -

As at June 30, 2015, the recoverable amount of the San Jacinto project, which is classified as property, plant and equipment and treated as a single cash generating unit, was calculated on a value in use basis using the cash flow forecast used in the May 2015 capital raise at the Company and debt restructuring at Polaris Infrastructure Inc. and its subsidiaries, PENSA and SJPIC. The recoverable amount of the San Jacinto project was previously measured using an assumption of 8 MW of additional production per makeup well. This assumption was based on an average MW per well assumption of the current 8 production wells in use at the San Jacinto project. During negotiations for raising capital and restructuring the San Jacinto credit facilities, the investors and lenders determined 5 MW per well was more reasonable assumption. The change in assumption reduced the recoverable amount of the project to $360,374,302 and resulted in the carrying value of $368,969,858 exceeding the recoverable amount as of June 30, 2015. As a result, the Company recognized an impairment loss on the San Jacinto project in the amount of $8.6 million for the three and six months ended June 30, 2015, which is recognized in the consolidated statements of operations and comprehensive loss as impairment loss.

The discount rate used in the determination of the recoverable amount of the San Jacinto project was calculated using an after-tax cost of equity rate, determined using market factors from companies within the electric power industries, and an after-tax cost of debt derived from a current risk-free rate and credit risk premium. The applicable debt to capital ratio was also determined using market data. The resulting after-tax, risk-adjusted, weighted average cost of capital was converted to a pre-tax basis, as required by IFRS, and a country and asset risk premium were assigned to arrive at a discount rate of 11.3% for the San Jacinto project.

The projected cash flows and estimated recoverable amount can be affected by any one or more changes in the estimates used. Changes in production per makeup well and discount rates have the greatest impact on value, where a 1% change in the real discount rate used would change recoverable amount by $19 million, and a 1 MW change in production of makeup wells would change the recoverable amount by $21 million.

(expressed in United States dollars unless otherwise noted)

The Company recognized an impairment loss on the steam turbine originally acquired in connection with the acquisition of Western Geothermal Power, Inc. ("WGPI") in October of 2009. The Company was informed during the second quarter 2015 that the previously identified buyer is no longer interested in purchasing the turbine. Although the Company is still committed to sell and continues to actively market the turbine, after several years of doing so, none of the potential buyers have submitted formal offers and efforts to sell the turbine for its carrying value or a lesser amount have been unsuccessful. Based on the recent news from the previously identified buyer, the thin market for refurbished turbines and the Company's inability to sell the turbine after many years, the Company recognized an impairment loss of $1.5 million during the three and six months ended June 30, 2015, resulting in a $nil value for the asset held for sale as at June 30, 2015.

7. Finance costs

The Company's finance costs for the three and six months ended June 30, 2015 and 2014 consisted of:

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Interest on debt	$ 4,022,015	$ 4,683,634	$ 8,357,119	$ 9,328,135
Return enhancement on subordinated debt	656,122	615,701	1,295,641	1,262,344
Accretion on debt	1,406,255	680,364	2,043,903	1,374,139
Embedded derivatve valuation (gain) loss	(11,521,114)	1,587,696	(10,744,906)	794,497
Accretion of decommissioning liabilities	7,691	16,415	18,389	41,200
Other finance costs	(68,230)	178,875	139,919	547,426
	$ (5,497,261)	$ 7,762,685	$ 1,110,065	$ 13,347,741

Cash paid for interest during the three months ended June 30, 2015 and 2014 was $2,964,398 and $5,663,142, respectively. Cash paid for interest during the six months ended June 30, 2015 and 2014 was $5,943,103 and $9,393,599, respectively.

The Company incurred legal expenses in connection with the Phase I and II credit facilities, which are included as part of other finance costs in the interim condensed consolidated statements of operations and comprehensive loss for the three and six months ended June 30, 2015 and 2014.

The Debenture interest payment of $1,863,073 due December 31, 2014 was capitalized as part of the principal balance of the debentures on January 8, 2015 in accordance with the terms of the debenture indenture agreement. In addition, the Debenture interest accrued through May 13, 2015 of $1,374,071 was included as part of the amounts converted to equity as part of the Private Placement transaction (see Note 17(b)),

The gains and losses on the derivative obligation related to long-term debt are described in Note 17.

8. Other gains and losses

The Company's other gains and losses for the three and six months ended June 30, 2015 and 2014 consisted of:

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Gain on valuation of warrant liabilities (Note 17 & Note 19)	$ 200,496	$ 334,583	$ 219,185	$ 1,083,612
Gain on valuation of prepayment option	-	(1,357,000)	-	(1,357,000)
Foreign exchange (losses) gains	(3,150,326)	(1,789,381)	699,563	(131,178)
Gain (loss) on disposal of assets	-	(177,670)	(39,583)	2,410,294
Other (losses) gains	(2,017,939)	(40,340)	(2,689,453)	(241,592)
Other (losses) gains	$ (4,967,769)	$ (3,029,808)	$ (1,810,288)	$ 1,764,136

The final award amount of $1,906,046 awarded to the drilling vendor in the arbitration described in Note 22 and associated legal costs were recognized in other gains and losses. Legal costs associated with the arbitration previously recognized in general and administrative expenses of $112,641 and $91,227 for the three months ended June 30, 2015 and 2014, respectively, and $784,155 and $235,843 for the six months ended June 30, 2015 and 2014, respectively, were reclassified to other losses.

(expressed in United States dollars unless otherwise noted)

The Company completed the sale of the Geysers project on April 21, 2014 for gross proceeds of $6.4 million. The Company recognized a gain on sale of $2,615,342 for the six months ended June 30, 2014.

9. Accounts receivable

The Company's accounts receivable of $9,858,234 and $10,133,314 as at June 30, 2015 and 2014, respectively, consisted of amounts due from its customer, Disnorte and Dissur, a subsidiary of the Spanish utility TMI, related to the operations of the San Jacinto Project. Payment terms are 45 days from invoice date.

10. Prepaid expenses and other assets, net

The following is a summary of the Company's prepaid expenses and other assets, net as at:

(a) Prepaid expenses

	June 30, 2015	December 31, 2014
Prepaid insurance	$ 1,645,771	$ 848,694
Recoverable taxes	596,957	95,844
Other prepaids	164,253	204,173
	$ 2,406,981	$ 1,148,711

(b) Other assets, net

	June 30, 2015	December 31, 2014
Fixed assets, net	$ 96,886	$ 83,007
Other deposits	137,369	139,596
	$ 234,255	$ 222,603

Other fixed assets consist of furniture, fixtures and equipment at the Company's Managua office with lives of three to seven years. Depreciation on other fixed assets of $24,164 and $21,467 was recorded for the six months ended June 30, 2015 and 2014, respectively.

11. Restricted cash

	June 30, 2015	December 31, 2014
Casita exploitation application guarantee	$ 50,000	$ 50,000
San Jacinto guarantees	1,080,000	-
Reclamation bonds - US and Canada	370,255	400,765
Other restricted cash	12,858	12,858
	$ 1,513,113	$ 463,623

In addition to amounts recorded as restricted cash, cash in the amount of $37,040,299 and $14,065,452 held by the Company as at June 30, 2015 and December 31, 2014, respectively, is restricted for use in the San Jacinto project, and is included in the Company's available cash as these amounts are available for current use.

In April 2015, the Company funded compliance guarantees required under the terms of the San Jacinto PPA in the amount of $1,080,000 and included these amounts as restricted cash as at June 30, 2015.

(expressed in United States dollars unless otherwise noted)

12. Exploration and development properties

The Company incurred the following costs in connection with its exploration and development properties that have not yet reached technical feasibility and commercial viability.

	Balance at December 31, 2014	2015 Additions	Balance at June 30, 2015
Intangible			
Casita	$ 10,569,615	$ 188,176	$ 10,757,791
Total- Intangible	10,569,615	188,176	10,757,791
Tangible			
Casita	100,465	-	100,465
Total-Tangible	100,465	-	100,465
Total Exploration and Development Properties			
Casita	10,670,080	188,176	10,858,256
Total	$ 10,670,080	$ 188,176	$ 10,858,256

13. Geothermal properties

The Company has the following properties under development that have reached technical feasibility and commercial viability but are not yet in operation.

	December 31, 2014	2015 Activity	2015 Transfers to PP&E	June 30, 2015
San Jacinto Binary Plant	$ 559,512	$ -	$ -	$ 559,512
San Jacinto Drilling Costs	139,239	779,637	-	918,876
San Jacinto Major Maintenance Costs	243,635	-	(243,635)	-
	$ 942,386	$ 779,637	$ (243,635)	$ 1,478,388

14. Property, plant and equipment, net

The following is a summary of the activity related to the Company's property, plant and equipment:

	December 31, 2014	2015 Activity	2015 Impairment	June 30, 2015
Land- San Jacinto	$ 2,678,299	$ -	$ -	$ 2,678,299
San-Jacinto Phase I BP Units	25,500,184	-	-	25,500,184
San Jacinto Phase I	184,154,528	-	-	184,154,528
San Jacinto Phase II	211,497,188	-	-	211,497,188
San Jacinto Drilling Costs	21,867,291	-	-	21,867,291
San Jacinto Major Maintenance	732,534	650,322	-	1,382,856
Accumulated depreciation	(70,521,307)	(13,148,622)	-	(83,669,930)
Accumulated impairment	-	-	(8,595,556)	(8,595,556)
Spare parts inventory	1,484,653	303,662	-	1,788,315
	$ 377,393,370	$ (12,194,638)		$ 356,603,175

property, plant and equipment assets currently in operation are being depreciated on a straight-line basis. Substantially all of the property, plant and equipment assets are depreciated over the remaining term of the relevant power purchase agreement ("PPA"). Depreciation expense of $13,148,623 and $12,771,218 for the six months ended June 30, 2015 and 2014, respectively, was recorded in the consolidated statements of operations and comprehensive loss.

15. Intangible assets

Amortization expense related to the transmission assets for the San Jacinto project donated to the Nicaraguan utility, ENATREL in December 2011, was $157,834 for the six months ended June 30, 2015 and 2014.

(expressed in United States dollars unless otherwise noted)

16. Accounts payable and accrued liabilities

	June 30, 2015	December 31, 2014
Trade payables	$ 2,270,520	$ 3,725,938
Construction accrued liabilities	2,330,570	769,165
Interest payable	576,869	1,476,415
Other accrued liabilities	1,247,449	1,588,395
	$ 6,425,408	$ 7,559,913

17. Long-term debt, net

	Phase I Senior Debt	Phase I Subordinated Debt	Phase II Senior Debt	Phase II Subordinated Debt	Debentures	Loan from Former Shareholder	Total
Loans and other borrowings – December 31, 2013	$ 52,619,034	$ 13,333,333	$ 127,212,154	$ 18,695,652	$ 46,418,836	$ 929,750	$ 259,208,759
Interest expense	-	-	-	-	-	17,296	17,296
Accretion of deferred transaction costs and embedded derivatives	1,162,504	-	1,199,902	-	331,729	-	2,694,135
Repayments of debt	(8,101,852)	(833,333)	(6,930,000)	(813,175)	-	-	(16,678,360)
Interest capitalized to principal	-	-	-	-	1,863,073	-	1,863,073
Effect of foreign exchange on loans	-	-	-	-	(3,976,862)	(72,086)	(4,048,948)
Loans and other borrowings – December 31, 2014	$ 45,679,686	$ 12,500,000	$ 121,482,056	$ 17,882,477	$ 44,636,776	$ 874,960	$ 243,055,955
Capitalized interest expense	-	2,181,791	-	2,471,355	1,374,071	9,431	6,036,648
Deferred transaction costs	(161,782)	-	(434,046)	-	-	-	(595,828)
Accretion of deferred transaction costs and embedded derivatives	442,119	-	538,011	-	1,063,307	-	2,043,437
Repayments of debt	(4,080,656)	-	(6,412,000)	-	-	-	(10,492,656)
Conversion to equity	-	-	-	-	(45,738,142)	-	(45,738,142)
Effect of foreign exchange on loans	-	-	-	-	(1,336,012)	(5,305)	(1,341,317)
Loans and other borrowings – June 30, 2015	$ 41,879,367	$ 14,681,791	$ 115,174,021	$ 20,353,832	$ -	$ 879,086	$ 192,968,097
Current	$ 3,320,600	$ 1,761,815	$ 8,976,800	$ 2,385,605	$ -	$ 879,086	$ 17,323,906
Non-current	38,558,767	12,919,976	106,197,221	17,968,227	-	-	175,644,191
Unamortized transaction costs	3,185,915	-	6,653,979	-	-	-	9,839,894
Principal balance	$ 45,065,282	$ 14,681,791	$ 121,828,000	$ 20,353,832	$ -	$ 879,086	$ 202,807,991
Maturity date	12/15/2024	12/15/2025	12/15/2028	6/15/2029		12/31/2011	

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Phase I Facility				
Interest recorded as financing cost	$ 1,033,467	$ 1,172,063	$ 2,114,062	$ 2,350,444
Accretion recorded as financing cost	177,198	295,674	442,585	601,327
Phase II Facility				
Interest recorded as financing cost	$ 2,490,630	$ 2,484,453	$ 4,868,986	$ 4,988,828
Accretion recorded as financing cost	246,762	301,690	538,011	606,677
Debentures				
Interest recorded as financing cost	$ 497,918	$ 1,027,118	$ 1,374,071	$ 1,988,863
Accretion recorded as financing cost	982,295	83,000	1,063,307	166,135
Total				
Interest recorded as financing cost	$ 4,022,015	$ 4,683,634	$ 8,357,119	$ 9,328,135
Accretion recorded as financing cost	1,406,255	680,364	2,043,903	1,374,139

(a) Credit agreements

Summary of Phase I and Phase II Credit Agreements

As at June 30, 2015 and 2014, interest rates on the Phase I senior facilities (the “Phase I Senior Debt”) were 6.79% and 6.73%, respectively. During second quarter 2015, accrued interest and fees of $2,181,791 were capitalized to the Phase I subordinated facility (the “Phase I Subordinated Debt”). Interest on Phase I Subordinated Debt is fixed at 6% annually.

As at June 30, 2015 and 2014, interest rates on the Phase II senior facility (the “Phase II Senior Debt”) were 6.79% and 6.73%, respectively. During second quarter 2015, accrued interest and fees of $2,527,744 were capitalized to the Phase II subordinated facility (the “Phase II Subordinated Debt”). Interest on Phase II Subordinated Debt is fixed at 6% annually.

The Company, through its wholly-owned subsidiaries, PENSA and SJPIC, amended the San Jacinto project credit facilities. The amendments include a revision of the payment schedule (including increasing the term of the credit facilities by four years), a potential reduction in the Phase I and II Senior Debt facilities interest rates of up to 1.5% over three years (provided certain conditions are met), changing the Phase I and II Subordinated Debt facilities interest rates to 6% annually, reduction of the percentage of EBITDA payable to the subordinated lenders to 3% annually, the deletion of certain hourly output covenants and the postponement of certain financial covenants. The amendments to the credit facilities are being accounted for as a modification, and transaction costs of $595,827 were recognized as a reduction to the carrying amount of the debt and are being accreted over the remaining term of the Phase I and Phase II Senior Debt facilities.

The Phase I and Phase II Credit Agreements are secured by substantially all of the assets of the San Jacinto project, and contain both affirmative and negative covenants. As at June 30, 2015, the Company was in compliance with the requirements of the Phase I and Phase II Credit Agreements. All debt drawn on the Phase I and II Credit Agreements is non-recourse to the Company and all of its subsidiaries other than Polaris, PENSA and SJPIC.

Embedded derivatives

As at June 30, 2015 and December 31, 2014, the fair value of the embedded derivatives related to the Phase I and II Credit Agreements was $8,090,753 and ($2,654,153), respectively. The Company capitalized accrued return enhancement amounts of $2,908,582 and paid $1,230,840 for the six months ended June 30, 2015 and 2014, respectively in connection with the Phase I or Phase II Subordinated Facility return enhancements.

The valuation of the embedded derivative liability resulted in a gain of $9,449,265 and a loss of $2,056,841 for the six months ended June 30, 2015 and 2014, respectively. These derivative obligations gains and losses were recognized as a component of finance costs in the consolidated statements of operations and comprehensive loss.

The Company identified certain other embedded derivatives related to the Phase I and II Credit Agreements, all of which had $nil value as at June 30, 2015 and December 31, 2014.

(b) Debentures

The Company and Equity Financial Trust Company (“Trustee”) entered into a C$50,855,000 debenture indenture dated March 27, 2013, providing for the issuance of 8.50% secured debentures (“Debentures”) with maturity on March 27, 2018. Each Debenture Warrant entitles the holder to purchase one share of the Company’s common stock at CDN$0.30 and expires on March 27, 2018. The Company also issued 6,763,715 broker’s warrants, which expired on March 27, 2015. The Company incurred transaction costs in the offering of $3,583,826, including warrants issued to brokers with a fair value of $354,380.

Management identified two embedded derivatives in the Debenture offering, including the Debenture Warrants and a prepayment option. The fair value of the Debenture Warrants on the date of issuance of $4,021,996 was recorded as a liability on the consolidated balance sheet. The fair value of the prepayment option on the date of issuance of $5,932,689 was recorded as an asset on the consolidated balance sheet. The initial value of the prepayment option asset Debenture Warrants liability, together with the transaction costs of $3,583,826, resulted in a net debt discount of $1,673,133, which was recorded as a reduction to the Debentures and was accreted using the effective interest method over the term.

The Company and Trustee entered into a first supplemental indenture dated January 8, 2015 to add the amount of the interest payment that had been due on December 31, 2014, being C$2,161,338, to the principal amount of debentures outstanding. In accordance with the terms of the indenture agreement, an extraordinary majority of the holders of debentures authorized the amendment of the terms of the indenture agreement to allow for the conversion of the debentures into common shares of the Company. Upon satisfaction of the escrow release conditions on May 13, 2015, the outstanding principal of CDN$53,016,338 and accrued and unpaid interest of CDN$1,642,054 was converted into 10,931,678,292 pre-consolidation shares at a price of CDN$0.005 per common share of the Company.

The completion of the Transaction resulted in certain adjustments being made to the Company's outstanding common share purchase warrants in accordance with the terms of the warrant indenture dated March 27, 2013 between the Company and CST Trust Company, as warrant agent. Previously the exercise price of the warrants was CDN$0.30 per Pre-Consolidation Share. In accordance with the adjustment terms of the warrant indenture agreement, the exercise price is now CDN$600 per Post-Consolidation Share and the exchange ratio of the warrants has been adjusted to 2,000 warrants for each post-consolidation share. As a result of these adjustments, and due to the insignificant trading volume of the warrants, the warrants were delisted from the TSX.

As at June 30, 2015, the fair value of the Debenture Warrants was $nil. The valuation of the Debenture Warrant liability resulted in a gain of $219,185 and $479,919 for the six months ended June 30, 2015 and 2014, respectively. As at June 30, 2015, the fair value of the prepayment option was $nil. The valuation of the prepayment option resulted in a loss of $nil and $1,357,000 for the six months ended June 30, 2015 and 2014, respectively. These gains and losses are recognized as a component of other gains and losses in the consolidated statements of operations and comprehensive loss.

Upon conversion of the debentures, the remaining debt discount of $928,215 was recognized as accretion expense. Accretion expense of $1,063,307 and $166,135 was recorded for the six months ended June 30, 2015 and 2014, respectively, as a component of finance costs in the consolidated statements of operations and comprehensive loss.

The Debenture interest payment of $1,863,073 due December 31, 2014 was capitalized as part of the principal balance of the debentures on January 8, 2015 in accordance with the terms of the debenture indenture agreement.

(c) Loan from former shareholder

The Company assumed a loan from a former shareholder of WGPI in connection with a historical business combination. The loan is denominated in Canadian dollars and interest is calculated annually at the Royal Bank of Canada's prime rate. The loan matured on December 31, 2011, but the former shareholder appears to have ceased operations. As at June 30, 2015, the Company continues to accrue interest at the Royal Bank of Canada's prime rate of 2.85%. No interest was paid for this loan during the six months ended June 30, 2015 and 2014.

18. Decommissioning liabilities

Reconciliation of the provision for decommissioning liabilities by property is as follows:

	South Meager	Orita	Sierra	Total
December 31, 2014	$ 1,134,951	$ 1,754,191	$ 1,042,364	$ 3,931,506
Revision in estimate	16,211	5,304	3,152	24,667
Accretion	4,424	8,760	5,205	18,389
Transferred in sale	-	-		-
June 30, 2015	$ 1,155,586	$ 1,768,255	$ 1,050,721	$ 3,974,562

The following assumptions were used in the determination of the Company's decommissioning liabilities:

	Undiscounted Costs		Discount Rates	
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
South Meager	1,171,571	1,171,571	0.55%	1.06%
Orita	1,812,964	1,812,964	1.00%	1.10%
Sierra	1,077,285	1,077,285	1.00%	1.10%

(expressed in United States dollars unless otherwise noted)

19. Share capital

The Company's capital transactions are presented in the statement of changes in total equity and as follows:

	Number of Shares Authorized	Number of Shares Issued and Fully Paid	Number of Shares Reserved for Issue Under Stock Options (Exercisable)	Number of Shares Reserved for Issue Under Warrants	Number of Shares Reserved for Issue Under Restricted Stock Agreements
Balance at December 31, 2013	184,430	184,483	7,836	98,494	1,117
Stock options vested	-	-	779	-	-
Stock options forfeited or expired	-	-	(3,244)	-	-
Shares issued in connection with employee restricted shares	1,117	1,117	-	-	(1,117)
Warrants expired	-	-	-	(66,135)	-
Balance at December 31, 2014	185,547	185,600	5,371	32,359	-
Stock options forfeited or expired	-	-	(181)	-	-
Warrants expired	-	-	-	(6,166)	-
Shares issued in Private Placement	9,299,250	9,299,250	-	-	-
Shares issued in Debenture conversion to equity	5,465,840	5,465,840	-	-	-
Fee shares issued in Private Placement	562,520	562,520	-	-	-
Balance at June 30, 2015	15,513,157	15,513,210	5,190	26,193	-

In May 2015, the Company completed an equity financing and recapitalization transaction (the "Private Placement"). The first step of the Private Placement was completed when the Company closed a private placement offering on April 30, 2015 of 18,598,500,000 subscription receipts (the "Subscription Receipts") at a price per Subscription Receipt of CDN$0.004 ("Subscription Price") for gross proceeds of approximately CDN$74 million. Each Subscription Receipt entitled the holder to receive, without payment of additional consideration, one pre-Consolidation Share (as defined below) common share in the capital of the Company (each a "Pre-Consolidation Share"), upon the satisfaction of certain release conditions. The escrow release conditions were fully satisfied on May 13, 2015, and the Subscription Receipts were converted into common shares and the proceeds of the private placement were released to the Company.

As part of the closing of the Private Placement, the following steps occurred:

- The Company's name was changed from "Ram Power, Corp." to "Polaris Infrastructure Inc." and a change of the Company's Toronto Stock Exchange ("TSX") stock symbol from "RPG" to "PIF" was effective on May 19, 2015.
- The Company's outstanding CDN$53,016,338 aggregate principal amount of 8.5% senior secured debentures, together with approximately CDN$1,642,054 of accrued and unpaid interest were converted into approximately 10,931,678,292 Pre-Consolidation Shares at a conversion price of CDN$0.005 per share;
- A binding agreement was entered into giving effect to certain amendments to the US$245 million credit facilities of the Company's wholly-owned subsidiary, PENSA., which owns and operates the San Jacinto project located in the northwest of Nicaragua near the city of Leon.
- The Company's common shares were consolidated (the "Share Consolidation") at a ratio of 2,000 Pre-Consolidation Shares for each post-consolidation common share in the capital of the Company (each a "Post-Consolidation Share"). A total of approximately 31,026,418,906 Pre-Consolidation Shares were issued and outstanding immediately prior to the Share Consolidation, which resulted in a total of approximately 15,513,157 Post-Consolidation Shares issued and outstanding following completion of the Share Consolidation. The Company's common shares began trading on the TSX on a post-Share Consolidation basis on May 19, 2015.
- The board of directors of the Company was reconstituted to consist of the following five directors: Marc Murnaghan, Jorge Bernhard and Jaime Guillen (each of whom is a newly appointed director of the Company), and Antony Mitchell and James Lawless (each of whom is an existing director of the Company); and
- Marc Murnaghan was appointed as Chief Executive Officer of the Company.

The subscription price of the shares of CDN$0.004 was less than the spot price of CDN$0.005. The fair value of the shares issued of CDN$92,992,500 will be recognized as share capital and the difference between the fair value and proceeds received of CDN$18,598,500 will be recognized as reduction to contributed surplus.

(expressed in United States dollars unless otherwise noted)

As part of the private placement, the Company incurred transaction costs of $6,144,860, and were accounted for as a deduction from equity in contributed surplus.

Fee shares were issued to upon closing of the Private Placement equal 1,125,040,000 pre-consolidation shares at issue price of CDN$0.004 per fee share for a total fee value of CDN$4,500,160. This amount was recorded as transaction costs and the fair value of the shares issued of CDN$5,625,200 was recorded to share capital. The difference between the amount invoiced and the fair value is recorded to contributed surplus.

During the six months ended June 30, 2015 and 2014, the Company issued nil and 2,233,334 shares, respectively, in connection with restricted share units ("RSUs"), which is further explained in Note 19(a).

(a) Stock options, restricted share units and deferred share units

The Company's Omnibus Long-Term Incentive Plan (the "LTIP") adopted in June 2012 and amended in May 2015 provides that stock options may be granted to directors, senior officers, employees and consultants of the Company or any of its affiliates and employees of management companies engaged by the Company. Options granted under the LTIP are for a contractual term not to exceed five years from the date of their grant, and vesting is determined by the Company's Board.

The following stock options were in existence during the current and prior periods:

	Option Series	Number of Options Granted	Grant Date	Expiry Date	Exercise Price ($CDN)	Fair Value at Grant Date
(1)	Polaris and Western Converted options October 19, 2009	900	2005 - 2009	2010 - 2014	$4,620 - $15,400	various
(2)	Issued October 22, 2009	3,113	October 22, 2009	October 21, 2014	$7,000	$3,925
(3)	Issued March 23, 2010	478	March 23, 2010	March 22, 2015	$6,040	$3,333
(4)	Issued August 10, 2010	563	August 10, 2010	August 9, 2015	$4,800	$2,003
(5)	Issued August 23, 2010	200	August 23, 2010	August 22, 2015	$4,860	$2,095
(6)	Issued September 13, 2010	250	September 13, 2010	September 12, 2015	$4,600	$2,020
(7)	Issued September 16, 2010	175	September 16, 2010	September 15, 2015	$4,680	$2,065
(8)	Issued November 17, 2010	113	November 17, 2010	November 16, 2015	$4,660	$2,057
(9)	Sierra Converted options September 1, 2010	251	2005 - 2010	2010 - 2011	$2,640 - $16,800	various
(10)	Issued June 15, 2011	243	June 15, 2011	June 14, 2016	$920	$408
(11)	Issued September 30, 2011	8,315	September 30, 2011	September 29, 2016	$750	$198
(12)	Issued November 16, 2012	3,579	November 16, 2012	November 15, 2017	$460	$225
(13)	Issued May 15, 2015	24,000	May 15, 2015	May 14, 2020	$10	$7

Stock options granted during the six months ended June 30, 2015 and in previous periods were valued using a Black-Scholes pricing model. Where relevant, the expected life used in the model was adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioral considerations. Due to the short time the Company had been in existence at the time of the grants, expected volatility for Series 2 through 7 is based on a weighted average historical share price volatility of the Company and a selection of peers. Volatility for Series 8 through 13 is based on the historical share price volatility of the Company over the years previous to the grant date. Inputs into the model are as follows:

Options Series	Grant date	Grant Date Share Price (CDN)	Exercise Price (CDN)	Volatility	Expected Life	Risk-Free Interest Rate	Expected Dividend Yield	Revised Forfeiture Percentage
(2)	October 22, 2009	$7,000.00	$7,000.00	70%	5.00	2.57%	-	0%
(3)	March 23, 2010	$6,040.00	$6,040.00	65%	5.00	2.80%	-	0%
(4)	August 17, 2010	$4,800.00	$4,800.00	57%	4.00	2.06%	-	0%
(5)	August 23, 2010	$4,860.00	$4,860.00	57%	4.00	1.85%	-	0%
(6)	September 13, 2010	$4,600.00	$4,600.00	57%	4.00	1.97%	-	0%
(7)	September 16, 2010	$4,680.00	$4,680.00	57%	4.00	2.02%	-	0%
(8)	November 17, 2010	$4,660.00	$4,660.00	56%	4.00	2.09%	-	0%
(10)	June 15, 2011	$920.00	$920.00	67%	4.00	2.02%	-	0%
(11)	September 30, 2011	$540.00	$750.00	68%	4.00	1.24%	-	0%
(12)	November 16, 2012	$520.00	$460.00	69%	3.00	1.23%	-	0%
(13)	May 15, 2015	$10.00	$10.00	104%	5.00	1.00%	-	12%

Stock options granted in series 2 through 8 and 10 vest 33% at the one year anniversary of the grant date and 1/24th of the balance of such options vest on the 22nd day of each month thereafter. Stock options granted in series 11 vested 33% on each of March 30, 2012, October 30, 2012 and March 30, 2013. Stock options granted in series 12 vested 33% on each of May 16, 2013, November 16, 2013 and May 16, 2014.Stock options granted in series 13 vested 33% on each of May 14, 2016, May 14, 2017 and May 14, 2018. During the six months ended June 30, 2015 and 2014, nil and 1,557,199 stock options vested, respectively. The Company initially estimated a forfeiture rate of 12%. The Company periodically reviews actual forfeiture rates compared to estimated forfeiture rates on stock options granted which have not fully vested and adjusts to reflect historical trends by series.

(expressed in United States dollars unless otherwise noted)

The following table reconciles stock options outstanding as at June 30, 2015 and 2014:

	For the Six Months Ended June 30, 2015	Weighted Average Exercise Price (CDN)	For the Six Months Ended June 30, 2014	Weighted Average Exercise Price (CDN)
Balance at beginning of period	5,374	$ 1,480.00	8,614	$ 1,480.00
Granted during the period	24,000	10.00	-	-
Forfeited during the period	(116)	680.00	(1,070)	1,400.00
Expired during the period	(68)	6,040.00	(39)	5,780.00
Balance at end of period	29,190	$ 164.37	7,505	$ 1,480.00

The following table summarizes the information related to stock options outstanding as at June 30, 2015:

	Outstanding Options			Exercisable Options	
Range $CDN	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price ($CDN)	Number of Options Outstanding	Weighted Average Exercise Price ($CDN)
0.00 - 99.99	24,000	4.9	$10.00	-	-
100.00 - 999.99	4,915	1.6	659.51	4,915	659.51
1000.00 - 4999.99	275	0.2	4,787.27	275	4,787.27
	29,190	4.3	$ 164.37	5,190	$ 878.22

For the six months ended June 30, 2015 and 2014, the Company recognized shared-based compensation expense, with a corresponding increase in contributed surplus, of $10,090 and $115,498, respectively.

Under the LTIP, the Company granted 322,623 restricted share units ("RSUs") to employees of the Company with the following terms:

Grant Date	Restriction Period Termination Date	RSUs Granted	Fair Value per RSU at Grant Date ($CDN)	Total Fair Value at Grant Date (CDN)	Foreign Exchage Rate	Total Fair Value at Grant Date (USD)	Vesting Schedule
5/15/2015	6/30/2018	12,000	$ 10.00	$ 120,000	0.8326	$ 99,912	1/3 vest 6/30/2016, 1/3 vest 6/30/2017, 1/3 vest 6/30/2018
5/13/2015	5/13/2019	310,623	10.00	3,106,230	0.8368	2,599,293	1/4 vest 5/13/2015, 1/4 vest 5/13/2016, 1/4 vest 5/13/2017, 1/4 vest 5/13/2018
		322,623		$ 3,226,230		$ 2,699,205	

There is no performance criteria associated with the RSUs. The Company will deliver shares in exchange for the RSUs as soon as possible after each vesting date. The fair value of the RSUs are recognized over the vesting period, and the Company recognized shared-based compensation expense, with a corresponding increase in contributed surplus, of $810,160 and $nil for the six months ended June 30, 2015 and 2014, respectively.

The Company also granted 6,452 deferred share units ("DSUs") in the amount of CDN$100,000 on June 30, 2015. There is no performance criteria associated with the DSUs and they are effective on the first day of the fiscal quarter following the grant. The DSUs granted are thus effective July 1, 2015 and expire June 30, 2016. The total fair value of $80,170 (CDN$100,000 at the June 30, 2015 Bank of Canada exchange rate of 0.8017) will be recognized as share-based compensation expense with a corresponding increase in share-based compensation liabilities over the one year service period from July 1, 2015 through June 30, 2015. Participants may redeem DSUs within the 90 days following termination from the Company by providing a notice of redemption specifying an election to receive either a cash payment or Company shares or both. Until the liability is settled, the Company will remeasure the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period.

(expressed in United States dollars unless otherwise noted)

(b) Warrants

Fair value of the 128.4 million warrants issued in conjunction with the May 2011 equity financing was $nil as at June 30, 2015 and December 31, 2014. The revaluation of the warrant liability resulted in a gain of $nil and $22,794 for the six months ended June 30, 2015 and 2014, respectively. The gain was included in other gains and losses in the consolidated statements of operations and comprehensive loss. The warrants expired May 18, 2014.

The warrants issued under the Debentures were adjusted as part of the Share Consolidation, resulting in an exchange basis of 2,000 warrants for one common share of the Company. The warrant price was also adjusted from $0.30 to $600 for each common share acquired in connection with the exchange of warrants.

(c) Contributed surplus

The Company's contributed surplus consists of amounts ascribed to equity-settled employee benefits and other share-based payments, such as broker warrants. Additionally, for each transaction related to its stock, the Company allocates the consideration received between share capital and contributed surplus. The amount allocated to share capital is calculated as the number of shares issued multiplied by the market price of the Company's stock on the date of issuance, and the residual is allocated to contributed surplus.

(d) Per share amounts

The following table summarizes the common shares used in calculating net loss per common share:

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Total loss and comprehensive loss attributable to owners of the Company	$ (6,262,535)	$ (10,977,930)	$ (8,664,759)	$ (12,288,403)
Basic and diluted weighted average number of shares outstanding	8,270,440	185,547	4,250,328	185,491
Basic and diluted loss per share	($0.76)	($59.17)	($2.04)	($66.25)

The following instruments are anti-dilutive and not included in the calculation of diluted earnings per share:

	June 30, 2015	June 30, 2014
Exercisable stock options outstanding	5,190	7,506
Warrants	26,190	32,357
Total anti-dilutive instruments	31,380	39,863

(e) Non-controlling interests

The Company, through its subsidiary Polaris, owns 99.34% of Polaris Energy Company and 95% of Cerro Colorado Company, both of which are Panamanian companies. Losses attributed to the non-controlling interest owners in these two subsidiaries for the six months ended June 30, 2015 and 2014 were $nil and $69,149, respectively.

20. Related party transactions

Certain insiders of the Company at the time of the Private Placement received Common Shares in connection with the Conversion as a consequence of their ownership of, or control and direction over, Debentures, namely funds or accounts managed by Sprott Asset Management Inc. (collectively, "Sprott") and two directors of the Company (immediately prior to the closing of the Private Placement), Antony Mitchell and Murray Sinclair. Each of Sprott, Mr. Mitchell or Mr. Sinclair participated in the Conversion on the same terms as all other holders of Debentures. Following the Private Placement, neither Sprott nor Mr. Sinclair are insiders of the Company.

(expressed in United States dollars unless otherwise noted)

The following amounts related to transactions and compensation of key management and the Company's Directors:

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Short-term employee benefits	$ 957,144	$ 416,254	$ 1,153,091	$ 797,363
Other long-term benefits	30	45	82	97
Termination benefits	337,500	-	337,500	-
Share-based payment	820,250	157,606	820,250	174,297
Total key management compensation	$ 2,114,924	$ 573,905	$ 2,310,923	$ 971,757

21. Commitments

The Company enters into agreements for geothermal concessions, capital asset purchases, and building leases. The minimum annual payments required are as follows:

Commitments for expenditure for leases of exploration and development properties

	June 30, 2015	June 30, 2014
No later than one year	$ 31,000	$ 570,485
For years 2 - 5	124,000	2,003,496
Thereafter	310,000	250,000
Total commitments for expenditures	$ 465,000	$ 2,823,981

Non-cancelable operating lease commitments

	June 30, 2015	June 30, 2014
No later than one year	$ 29,886	$ 79,386
For years 2 - 5	139,234	55,041
Total operating lease commitments	$ 169,120	$ 134,427

Power purchase agreements

In March 2006, the Company entered into a PPA with Nicaraguan power distributor, Disnorte and Dissur, for the sale of up to 72 MW of power for a period of 20 years from the commercial operation date of Phase I of the San Jacinto project. This agreement is extendable by mutual agreement of the parties.

In December 2012, the Company terminated the PPA with Nevada Power Company ("NV Energy") for the sale of 32 MW of power for a period of 20 years from the Clayton Valley geothermal project in Esmeralda County, Nevada. In April 2014, the $1.3 million held as an indemnification security in favor of NV Energy was released out of restricted cash and became available for general corporate purposes.

22. Contingencies

Legal proceedings

One of the Company's indirect subsidiaries, PENSA, was a respondent in a legal claim arising out of a contract dispute with one of its drilling vendors. PENSA issued a counterclaim and management was previously uncertain whether PENSA would be obligated to pay damages, while the claim was pending formal arbitration. The Company did not previously record a provision for the claim as the amount and timing of payment of damages was not certain or estimable. The arbitrator issued the final award in July 2015, awarding the drilling vendor a total of $1,906,046. This amount was recognized as an expense in other gains and losses in the statement of operations and comprehensive loss for the six months ended June 30, 2015. All legal fees associated with the matter have been reclassified to other gains and losses for all periods presented.

PENSA is also a respondent in a legal claim pending for approximately $0.1 million arising out of a dispute with a previous Director. The Company has not recorded a provision for this claim as the amount and timing of payment of damages, if any, is not certain or estimable as of June 30, 2015.

(expressed in United States dollars unless otherwise noted)

23. Income taxes

Income tax expense or recovery is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income or loss of the interim period. The Company's consolidated effective tax recovery rate was -14.99% and -43.60% for the six months ended June 30, 2015 and 2014, respectively. The taxable profit or loss of the Company's subsidiary, PENSA, is determined in a different currency than the Company's functional currency, which gives rise to temporary differences that result in a recognized deferred tax liability and unused tax losses. The unused tax losses are not recognized and the resulting tax expense is solely a result of foreign exchange differences from converting the tax basis of the San Jacinto assets to USD each period at the current exchange rate and is unrelated to financial statement pre-tax income or loss. In addition, in 2015, and consistent with historical years, the corporation has not recognized a deferred tax asset in respect of impairment losses previously recognized for exploration and development and geothermal properties, and unused tax losses and tax credits, resulting in a nil effective tax rate for our Canadian and U.S. operations.

24. Financial instruments and risk management

(a) Fair value of financial assets and liabilities

The Company has classified its financial assets and liabilities into a three-tier fair value hierarchy, which prioritizes the inputs in measuring fair value as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between Levels 1 or 2 for the three and six months ended June 30, 2015 and 2014.

Measured at Fair Value

As at June 30, 2015	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Prepayment option related to debentures	$ -	$ -	$ -	$ -	$ -
Derivative liability related to long-term debt	(2,774,239)	(2,774,239)	-	-	(2,774,239)
Warrant liability related to debentures	-	-	-	-	-
Warrant liability related to equity financing	-	-	-	-	-

As at December 31, 2014	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Prepayment option related to debentures	$ -	$ -	$ -	$ -	$ -
Derivative liability related to long-term debt	(2,654,153)	(2,654,153)	-	-	(2,654,153)
Warrant liability related to debentures	(219,185)	(219,185)	(219,185)	-	-
Warrant liability related to equity financing	-	-	-	-	-

	Prepayment Option Asset		Derivative Liability		Warrant Liabilitiy	
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
Beginning balance - January 1	$ -	$ 1,357,000	$ (2,654,153)	$ (1,969,178)	$ -	$ (956,277)
Total gain (loss):						
Included in finance costs	-	-	(1,415,727)	(3,217,544)	-	-
Included in other gains and losses	-	(1,357,000)	-	-	-	479,919
Transfers out of level 3	-	-	-	-	-	476,358
Issuance	-	-	-	-	-	-
Payments/accruals on derivative obligations	-	-	1,295,641	2,532,569	-	-
Ending balance	$ -	$ -	$ (2,774,239)	$ (2,654,153)	$ -	$ -

Valuation Techniques

Prepayment option related to debentures were valued using internally-developed valuation models and the inputs included risk-free interest rate, credit spread, stock price and volatility. Changes in the inputs would have a significant impact on the fair value.

Derivative liabilities were valued using discounted cash flows incorporating risk-free rates and credit spreads with management assumptions for EBITDA. These liabilities would change in value based upon changes in EBITDA, risk-free rate and credit spread.

Warrant liabilities related to debentures are valued using a Black Scholes valuation method. Warrant liabilities related to debentures were first valued using a Black Scholes valuation method, then subsequently were listed on an exchange, which resulted in a change in valuation method and a transfer from Level 3 to Level 1. The warrants were delisted during the second quarter 2015, resulting in a transfer from Level 1 back to Level 3.

As at June 30, 2015 and December 31, 2014, the carrying amounts of accounts receivable, restricted cash, accounts payable and accrued liabilities, and current portion of long-term debt are at fair value or approximate fair value due to the short term to maturity. The fair value of long term-debt approximates carrying value. The carrying value of the long-term debt is net of unamortized transaction costs and amount allocated to the warrants as further explained in Note 17.

(b) Financial risk management

The Company is exposed to financial risks arising from its financial assets and liabilities. The financial risks include market risks relating to interest rates, foreign exchange rates and commodity prices.

(c) Interest rate risk

The Phase I Senior Facility bears interest at an applicable margin of 6.5% with quarterly interest payments that are variable based upon 3-month LIBOR. The total rate as at June 30, 2015 was 6.79%. The Phase I Subordinated Facility, with principal of $12,919,976, bears interest at a fixed rate of 6%. The Company determined that a hypothetical 10 basis point increase in the 3-month LIBOR would result in an increase of $45,065 and $53,197 in financing costs for the six months ended June 30, 2015 and 2014, respectively.

The Phase II Senior Facility bears interest at an applicable margin of 6.5% with quarterly interest payments that are variable based upon 3-month LIBOR. The total rate as at June 30, 2015 was 6.79%. The Phase II Subordinated Facility bears interest at a fixed rate of 6%. The Company determined that a hypothetical 10 basis point increase in the 3-month LIBOR would result in an increase of $121,828 and $133,490 in financing costs for the six months ended June 30, 2015 and 2014, respectively.

Under the amendments to the Phase I and Phase II Credit Agreements, the borrowers are required to enter into interest rate swaps for at least 100% and 50% of the outstanding balance of the Phase I and Phase II Senior Credit Facilities, respectively. Management believes the Company is not exposed to significant interest rate risk on the loans, but is working with the San Jacinto project lenders to enter into the required interest rate swaps.

(d) Currency risk

The Company operates internationally and is exposed to risks from changes in foreign currency rates. The functional currency of the Company is the US dollar and currently most of the Company's transactions are denominated in US dollars. As at June 30, 2015 and 2014, the Company had cash, accounts payable and long-term debt in aggregate of CDN$721,847 and CDN$51,924,316, respectively.

The Company determined that a 10% change in the Canadian dollar against the US dollar would have impacted total loss and comprehensive loss by $57,870 and $4,863,751 for the six months ended June 30, 2015 and 2014, respectively. The Company does not enter into any foreign exchange contracts to mitigate this risk.

(expressed in United States dollars unless otherwise noted)

(e) Commodity prices

The Company’s commodities consist of power produced and CERs earned. The Company is not exposed to commodity price risk with respect to the power it produces as all power currently produced is sold under the terms of a 20-year PPA which establishes a fixed price and escalator.

In addition, the Company is party to a PPA for the sale of power from the San Jacinto at substantially fixed prices for 20 years, subject to certain adjustments. This contract mitigates the risk of commodity price fluctuations.

The prices of CER’s have fluctuated widely during recent years and are determined by economic and geopolitical factors. Any movement in CER prices could have an effect on the Company’s consolidated financial statements.

(f) Credit risk

Credit risk is the risk of financial loss to the Company if a partner or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist of accounts receivable.

The Company deposits its cash with reputable financial institutions, for which management believes the risk of loss to be remote. Most of the Company's accounts receivable relate to PENSA’s PPA with the Nicaraguan power distributors Disnorte and Dissur. As both Disnorte and Dissur are subsidiaries of the same company, currently PENSA has one customer for all of its power sales. This party is subject to normal industry credit risks. Management does not believe that this represents a significant credit risk as the customer is a power distributor in the country of Nicaragua, and the government is committed to the stability of the sector. Credit risk concentration with respect to trade receivables is therefore mitigated but not eliminated due to the relationship between the Company and the Government of Nicaragua. The Company manages this risk by seeking out alternative customers both in Nicaragua and in other Central American countries so that, in the event of a credit failure on the part of its current customer, it would have alternative arrangements. The Company is entitled to sell its power to alternative customers in the event that its current customer fails to pay for power generated and such failure to pay continues for a period of 60 days.

Maximum credit risk is calculated as the total value of accounts receivable as at the balance sheet date less any liability amounts where there is a legal right to offset. The Company’s maximum credit risk as at June 30, 2015 and December 31, 2014 was $9,858,234 and $10,133,314, respectively.

(g) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they become due. The Company manages liquidity risk by ensuring that it has sufficient cash, credit facilities and other financial resources available to meet its obligations. The Company forecasts cash flows for a period of 12 months to identify financial requirements. These requirements are met through a combination of cash flows from operations, credit facilities and accessing capital markets.

The following are maturities for the Company’s non-derivative and derivative financial liabilities as at June 30, 2015:

	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years	Total
Accounts payable and accrued liabilities	$ 6,425,408	$ -	$ -	$ -	$ 6,425,408
Debt, current and long-term	17,380,758	19,855,223	27,431,568	138,140,433	202,807,982
Interest obligations	12,911,096	23,608,206	20,575,636	36,623,469	93,718,407
Decommissioning liabilities	-	-	-	3,974,562	3,974,562
Operating and geothermal lease commitments	60,886	185,543	77,690	310,000	634,119
	$ 36,778,148	$ 43,648,972	$48,084,894	$ 179,048,464	$ 307,560,478

Interest on the San Jacinto project credit facilities is due and payable quarterly, and is currently estimated to be approximately $3.2 million each quarter. The Company plans to make payments of interest on the San Jacinto project credit facilities out of its current cash and cash generated by operations.

25. Capital management

The Company's capital structure is comprised of net long-term debt, as further disclosed in Note 17, less cash, and shareholders' equity (consisting of issued capital and contributed surplus offset by accumulated deficit). The Company's objectives when managing its capital structure are to:

i) maintain financial flexibility to preserve the Company's access to capital markets and its ability to meet its financial obligations; and

ii) finance internally generated growth as well as potential acquisitions.

In order to facilitate the management of capital, the Company prepares annual expenditure budgets, which are updated as necessary and are reviewed and approved by the Company's Board.

In preparing its budgets, the Company considers externally-imposed capital requirements pursuant to the terms of the Phase I and Phase II Credit Agreements entered into by Polaris' subsidiaries, PENSA and SJPIC (Note 17). These externally-imposed capital requirements will affect the Company's approach to capital management. The Company's externally-imposed capital requirements include maintaining minimum debt service coverage and solvency ratios for PENSA and SJPIC, and restrictions on the use of revenue from the San Jacinto project.