Consolidated Financial Statements of

Ram Power, Corp.

December 31, 2014 and 2013

(Expressed in United States dollars)

Ram Power, Corp.

December 31, 2014 and 2013

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Independent Auditor’s Report

To the Shareholders of
Ram Power, Corp.

We have audited the accompanying consolidated financial statements of Ram Power, Corp., which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013, and the consolidated statement of operations and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ram Power, Corp as at December 31, 2014 and December 31, 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates that Ram Power, Corp.'s continuance as a going concern is dependent upon adequate financing and reaching profitable level of operation of San Jacinto Project at its capacity. The fact that the Ram Power, Corp. has incurred a loss of $23,948,518 for the year ended December 31, 2014, and accumulated deficit of $364,128,437 as at December 31, 2014 with current portion of long term debt amounting to $198,419,179, indicates the existence of a material uncertainty that may cast significant doubt about Ram Power, Corp.'s ability to continue as a going concern.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
March 30, 2015

Ram Power, Corp.
Consolidated Balance Sheets
(expressed in United States dollars)

	Note Ref	As at December 31, 2014	As at December 31, 2013
Assets			
Current assets			
Cash	11	$ 15,291,540	$ 22,549,994
Accounts receivable	9	10,133,314	8,122,558
Prepaid expenses	10	1,148,711	888,336
Asset held for sale	6	-	5,900,000
		26,573,565	37,460,888
Restricted cash	11	463,623	1,910,209
Other assets, net	10	222,603	245,516
Asset held for sale	6	1,500,000	1,500,000
Exploration and development properties	12	10,670,080	10,234,853
Geothermal properties	13	942,386	19,759,799
Property, plant and equipment, net	14	377,393,370	380,440,443
Intangible assets, net	15	4,735,028	5,050,696
Prepayment option related to debentures	17	-	1,357,000
Total assets		$ 422,500,655	$ 457,959,404
Liabilities and Total Equity			
Current liabilities			
Accounts payable and accrued liabilities	16	$ 7,559,913	$ 11,763,639
Current portion of long-term debt, net	17	198,419,179	19,367,399
		205,979,092	31,131,038
Other liabilities			
Long-term debt, net	17	44,636,776	239,841,360
Derivative liability related to long-term debt	17	2,654,153	1,969,178
Warrant liability related to debentures	17	219,185	956,277
Warrant liability related to equity financing	19	-	603,693
Decommissioning liabilities	18	3,931,506	6,420,458
Deferred tax liability, net	23	26,470,636	14,615,926
Total liabilities		283,891,348	295,537,930
Non-controlling interests	19	85,814	154,963
Equity attributable to the owners of the Company			
Share capital	19	470,390,330	470,205,473
Contributed surplus	19	32,261,600	32,310,106
Accumulated deficit		(364,128,437)	(340,249,068)
Total shareholders' equity		138,523,493	162,266,511
Total equity		138,609,307	162,421,474
Total liabilities and total equity		$ 422,500,655	$ 457,959,404

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

Approved by the Board of Directors

(signed) Antony Mitchell
Executive Chairman

(signed) Daryl S. Clark
Director

Ram Power, Corp.
Consolidated Statements of Operations and Comprehensive Loss
(expressed in United States dollars)

	Note Ref	Year Ended December 31, 2014	Year Ended December 31, 2013
Revenue	4	$ 48,183,646	$ 46,210,054
Direct costs			
Other direct costs	6	(6,630,440)	(6,164,893)
Depreciation and amortization of plant assets	6	(26,143,794)	(24,500,650)
General and administrative expenses	6	(7,014,601)	(9,609,351)
Other operating costs	6	(982,070)	96,295
Operating income (loss)		7,412,741	6,031,455
Interest income		210,381	257,705
Finance costs	7	(25,684,918)	(29,304,937)
Impairment loss	6	-	(20,348,852)
Other gains (losses)	8	5,967,991	653,782
Loss and comprehensive loss before income taxes		(12,093,805)	(42,710,847)
Current and deferred tax expense	23	(11,854,713)	(8,224,431)
Total loss and comprehensive loss		$ (23,948,518)	$ (50,935,278)
Total loss and comprehensive loss attributable to:			
Owners of the Company		$ (23,879,369)	$ (50,703,046)
Non-controlling interests		$ (69,149)	$ (232,232)
Basic and diluted loss per share		($0.06)	($0.17)

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

Ram Power, Corp.

Consolidated Statements of Changes in Total Equity

(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, 2012		**292,111,899**	**$ 463,292,311**	**$ 31,756,496**	**$ (289,546,022)**	**$ 205,502,785**	**$ 387,195**	**$ 205,889,980**
Share-based compensation	19	5,366,668	830,130	897,868	-	1,727,998	-	1,727,998
Shares issued in connection with the Corporate Credit Facility	17	4,403,760	1,124,696	-	-	1,124,696	-	1,124,696
Broker warrants issued in connection with Debenture Offering	17	-	-	354,380	-	354,380	-	354,380
Shares issued in connection with Rights Offering	17	67,084,960	5,053,913	(794,215)	-	4,259,698	-	4,259,698
Broker warrants issued in connection with Rights Offering	17	-	(95,577)	95,577	-	-	-	-
Total loss and comprehensive loss		-	-	-	(50,703,046)	(50,703,046)	(232,232)	(50,935,278)
Balance, December 31, 2013		**368,967,287**	**$ 470,205,473**	**$ 32,310,106**	**$ (340,249,068)**	**$ 162,266,511**	**$ 154,963**	**$ 162,421,474**
Share-based compensation	19	2,233,334	184,857	(48,506)	-	136,351	-	136,351
Total loss and comprehensive loss		-	-	-	(23,879,369)	(23,879,369)	(69,149)	(23,948,518)
Balance, December 31, 2014		**371,200,621**	**$ 470,390,330**	**$ 32,261,600**	**$ (364,128,437)**	**$ 138,523,493**	**$ 85,814**	**$ 138,609,307**

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

Ram Power, Corp.

Consolidated Statements of Cash Flows

(expressed in United States dollars)

	Year Ended December 31, 2014	Year Ended December 31, 2013
Net inflow (outflow) of cash related to the following activities		
Operating		
Total loss and comprehensive loss	$ (23,879,369)	$ (50,703,046)
Deduct items not affecting cash:		
Non-controlling interests in net loss of subsidiary	(69,149)	(232,232)
Deferred income tax expense	11,854,713	8,224,431
Finance costs recognized	18,379,313	21,725,696
Depreciation and amortization	26,187,541	24,632,841
Accretion of decommissioning liability	61,395	74,890
Change in decommissioning liabilities	162,910	(423,975)
Loss on impairment of exploration and development and geothermal properties	-	20,348,852
Loss on disposal of assets	(2,615,342)	444,521
Loss on issuance of stock in lieu of cash interest payment	-	(91,362)
Loss on issuance of restricted shares	-	173,879
Derivative liability loss	3,217,544	880,208
Gain on valuation of warrant liabilities	(1,340,785)	(4,431,225)
Loss on valuation of prepayment option	1,357,000	4,624,518
Accretion on debt	2,694,134	5,161,025
Share-based compensation	136,351	1,554,120
Unrealized foreign exchange gain	(4,017,744)	(1,552,429)
Changes in non-cash working capital:		
Accounts receivable	(2,010,756)	(1,328,793)
Prepaid expenses	(260,375)	(96,905)
Accounts payable and accrued liabilities	(1,073,071)	(878,232)
Interest paid	(15,626,136)	(19,687,607)
	13,158,174	8,419,175
Investing		
Decrease in restricted cash	1,346,586	2,473,581
Change in accounts payable and accrued liabilities related to San Jacinto project	(5,536,969)	2,900,513
Changes in other assets	(20,836)	(225,845)
Additions to exploration and development	(435,227)	(470,413)
Additions to geothermal properties	(3,782,412)	(19,303,718)
Additions to property, plant and equipment	(181,226)	(7,946,785)
Proceeds from asset held for sale	5,900,000	2,191,655
	(2,710,084)	(20,381,012)
Financing		
Proceeds from the issuance of common shares	-	4,259,726
Proceeds from debt issuance	-	49,663,086
Capitalized transaction costs	-	(3,245,172)
Repayment of debt	(16,678,360)	(66,179,754)
Payments on derivative obligations	(1,028,184)	(1,316,406)
	(17,706,544)	(16,818,520)
Net decrease in cash	(7,258,454)	(28,780,357)
Cash, beginning of year	22,549,994	51,330,351
Cash, end of year	$ 15,291,540	$ 22,549,994

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

1. Organization

Ram Power, Corp. (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 is engaged in the acquisition, exploration, development and operation of geothermal energy projects.

The Company, through its subsidiary Polaris Energy Nicaragua, S.A. ("PENSA"), a subsidiary 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 ("MEM") to develop and operate the San Jacinto Project.

2. Basis of presentation and going concern

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

As at December 31, 2014 the Company had $15,291,540 in cash, of which $14,065,452 is restricted for use in the San Jacinto Project. As at and for the year ended December 31, 2014 the Company had accumulated losses of $364,128,437 and a net decrease in cash of $7,258,454. The Company also had negative working capital of $179,405,528 as at December 31, 2014 as a result of project debt compliance issues entitling the lenders to accelerate the loans at their discretion. Because of continuing losses and negative working capital, the Company's continuance as a going concern is dependent upon its ability to obtain waivers or restructure the San Jacinto project credit facilities (including by way of lowering the requirement to achieve a minimum level of electricity production at the San Jacinto project from the current minimum of 55 MW (net)/day) and obtain adequate additional financing. The Company will need to raise additional capital through the strategic process in order to continue funding operating and exploration and development expenditures. However, it is not possible to predict whether financing efforts will be successful on terms acceptable to the Company (or at all) or if the Company will attain profitable levels of operations. These consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern.

These 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 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 March 30, 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.

Cash

Cash includes deposit accounts and cash restricted for current use. Cash restricted for current use is held for use in the San Jacinto project, which use is governed by the Phase I and Phase II long-term debt agreements held by the Company's subsidiaries (Note 17). The funds represent amounts which will be spent or distributed to the Company within twelve months or less.

Revenue recognition

The Company's sales of electricity are recognized as revenue at the time of generation and delivery to the purchasing party as metered at the point of interconnection with the transmission system. At the time of metering, the amount of revenue can be estimated reliably and it is probable that economic benefits will flow to the Company.

Sales of certified emission reductions ("CERs" or "carbon credits") are recognized as revenue when persuasive evidence of an arrangement exists, the sales price is fixed or determinable, title of ownership and risks of reward and loss have passed to the purchaser, and collectability is reasonably assured. Sales are reported net of discounts.

Business combinations

Business combinations are accounted for using the acquisition method. The acquired identifiable net assets are measured at their fair value at the date of acquisition. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Any deficiency of the purchase price below the fair value of the net assets acquired is recorded as a gain in the consolidated statements of operations and comprehensive loss. Associated transaction costs are expensed when incurred.

Intangible assets

Intangible assets are developed internally or acquired as part of a business combination. Internally-developed assets are recognized at cost and primarily arise as a result of the rights retained after donating transmission assets constructed as part of the development of geothermal properties to public utility companies. Intangible assets acquired as part of a business combination are recognized separately from goodwill if the asset is separable or arises from contractual or legal rights. Intangible assets are also recognized when acquired individually or with a group of other assets. Intangible assets are initially recorded at their estimated fair value. Intangible assets with finite lives are amortized over their useful economic lives, usually the term of the power purchase agreement ("PPA") to which the assets relate, on a straight-line basis and are reviewed for impairment at least annually. The Company has no identifiable intangible assets for which the expected useful lives are indefinite.

Impairment of long-lived assets

The carrying value of long-term assets, excluding goodwill, is reviewed quarterly for indicators that the carrying value of an asset or cash-generating unit ("CGU") may not be recoverable. If indicators of impairment exist, the recoverable amount of the asset or CGU is estimated. If the carrying value of the asset or CGU exceeds the recoverable amount, the asset or CGU is written down with an impairment recognized in the consolidated statements of operations and comprehensive loss.

Exploration and development properties, geothermal properties, and property, plant and equipment ("PP&E") are aggregated into CGUs based on their ability to generate largely independent cash flows, usually on a project-by-project basis.

The recoverable amount of an asset or CGU is identified as the greater of its fair value less costs to sell, and its value in use. Fair value is determined to be the amount for which the asset could be sold in an arm's length transaction. Value in use is calculated by estimating the discounted present value of the future net cash flows expected to be derived from the continued use of the asset or CGU.

For exploration and development properties, geothermal properties and PP&E, the recoverable amount is the value in use determined by estimating future net cash flows on a discounted basis. Future cash flows are calculated using estimated future production, pricing, relevant operating costs, and future capital expenditures, discounted using a pre-tax market-based asset-specific rate, if available, or if not available, an estimated risk-adjusted weighted average cost of capital. Key assumptions used in the calculation of the value in use are based on pricing and production information from the Company's PPAs and management's assumptions derived from past experience and future expectations.

Reversals of impairments, excluding goodwill, are recognized when there has been a subsequent increase in the recoverable amount. In this event, the carrying amount of the asset or CGU is increased to its revised recoverable amount with an impairment reversal recognized in the consolidated statements of operations and comprehensive loss. The recoverable amount is limited to the original carrying amount less depreciation, depletion and amortization, as if no impairment had been recognized for the asset or CGU for prior periods.

Exploration and development properties

Recurring costs of maintaining the Company's exploration and development properties not currently under active development are recognized as an expense. Costs directly associated with the exploration and development of geothermal properties under active development are initially capitalized. Exploration and development costs are those expenditures where technical feasibility and commercial viability have not yet been determined. These costs include unproven property acquisition costs, geological and geophysical costs, decommissioning costs, exploration, and development drilling, sampling and appraisal costs. Costs incurred prior to acquiring the legal rights to explore an area are charged directly to the consolidated statements of operations and comprehensive loss as exploration and development expense included with other operating costs.

When an area is determined to be technically feasible and commercially viable, the accumulated costs are transferred to geothermal properties. When an area is determined not to be technically feasible and commercially viable or the Company decides not to continue with its activity, the unrecoverable costs are charged to the consolidated statements of operations and comprehensive loss as exploration and development expense included with other operating costs.

Geothermal properties

Once technical feasibility and commercial viability are reached, all costs directly associated with the development of geothermal properties are transferred on a project-by-project basis to geothermal properties. The Company believes the point at which a project reaches commercial viability is the point when the full resource capacity requirement related to each project's PPA has been reached and construction of a power plant is ready to begin.

Amounts capitalized under geothermal properties represent expenditures incurred for the development of new facilities including acquisition of geothermal concessions, construction in progress, site preparation, engineering costs, lease costs, drilling costs and decommissioning costs and transfers of exploration and development assets. Amounts are initially valued at cost and are tested for impairment based on the expected service potential of the asset when development is substantially complete. Once commercial operation is reached, after the commissioning period is complete and the asset is operating in the manner intended by management, all costs directly associated with the development of geothermal properties are transferred, on a project-by-project basis, to PP&E. Annually, geothermal properties are evaluated for impairment as long-lived assets.

For divestitures of properties, a gain or loss is recognized in the consolidated statements of operations and comprehensive loss. Exchanges of properties are measured at fair value, unless the transaction lacks commercial substance or fair value cannot be reliably measured. Where the exchange is measured at fair value, a gain or loss is recognized in the consolidated statements of operations and comprehensive loss.

PP&E

PP&E is recorded at cost and includes assets available for use. Assets available for use are depreciated over the shorter period of their useful lives and the remaining term of a relevant PPA. Spare parts are included in PP&E and are valued at acquisition cost less a provision for obsolescence.

For divestitures of PP&E, a gain or loss is recognized in the consolidated statements of operations and comprehensive loss. Exchanges of properties are measured at fair value, unless the transaction lacks commercial substance or fair value cannot be reliably measured. Where the exchange is measured at fair value, a gain or loss is recognized in the consolidated statements of operations and comprehensive loss.

Expenditures related to renewals or betterments that improve the productive capacity or extend the life of an asset are capitalized, and any part of an asset that has been replaced is derecognized.

Borrowing costs

Borrowing costs related to project financing are capitalized during the construction phase of qualifying assets. Borrowing costs related to corporate financings are generally expensed unless the proceeds are directly used to fund specific exploration and development, geothermal properties and PP&E.

Fixed assets

Costs associated with office furniture, fixtures, leasehold improvements and information technology are carried at cost and depreciated on a straight-line basis over the estimated lives of the assets, which range from three to seven years.

Assets held for sale

Assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use.

This condition is met when the sale is highly probable and the asset is available for immediate sale in its present condition.

Assets classified as held for sale are measured at the lower of their carrying value or fair value less costs to sell, with impairments recognized in the consolidated statements of operations and comprehensive loss in the period measured. Assets held for sale are presented in current or non-current assets within the consolidated balance sheets based on the date of expected sale. The Company presents assets held for sale as non-current when circumstances beyond its control are preventing completion of the sale. Assets held for sale are not depreciated, depleted or amortized.

Provisions

Provisions are recognized when present obligations, as a result of a past event, will probably lead to an outflow of required economic resources, and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. All provisions are measured, and reviewed at each reporting date, on the basis of the discounted expected future cash outflows and adjusted to reflect the current best estimate.

Contingencies

When a contingency is substantiated by confirming events, can be reliably measured, and will likely result in an economic outflow, a liability is recognized in the consolidated financial statements as the best estimate required to settle the obligation. A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured reliably or will likely not result in an economic outflow. Contingent assets are only disclosed when the inflow of economic benefits is probable. When the economic benefit becomes virtually certain, the asset is no longer contingent and is recognized in the consolidated financial statements.

Decommissioning liabilities

The Company recognizes decommissioning liabilities in the period in which they are incurred if a reasonable estimate of fair value can be determined. The associated decommissioning costs before salvage values are capitalized as part of the carrying amount of the long-lived asset. The liability is accreted over the estimated time period until the settlement of the obligation, and the asset is amortized over its estimated useful life. The decommissioning liability is classified based on expected timing of settlement.

Decommissioning liabilities include present obligations where the Company will be required to retire tangible long-lived assets such as producing well sites and power plants. The decommissioning liability is measured at the present value of the expenditure expected to be incurred. Changes in the estimated liability resulting from revisions to estimated timing or amount of cash flows, or changes in the discount rate are recognized as a change in the decommissioning liability and the related long-lived asset.

Increases in decommissioning liabilities resulting from the passage of time are recorded as accretion of decommissioning liabilities included in finance costs in the consolidated statements of operations and comprehensive loss.

Actual expenditures incurred are charged against the accumulated decommissioning liability.

Foreign currency translation

The functional and reporting currency of the Company and its wholly owned subsidiaries is the US dollar, as a significant portion of revenue, assets, liabilities and financing are denominated in US dollars. Foreign currency transactions are translated using the exchange rate in effect on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are included in the consolidated statements of operations and comprehensive loss.

Monetary assets and liabilities of the Company that are denominated in foreign currencies are translated into its functional currency at the rate of exchange in effect at the period end date. Any gains or losses are recorded in the consolidated statements of operations and comprehensive loss.

Income taxes

Income tax is recognized in the consolidated statements of operations and comprehensive loss except to the extent that it relates to items recognized directly in shareholders' equity. Income taxes for the current and prior periods are measured at the amount expected to be recoverable from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period.

The Company follows the liability method of accounting for income taxes. Under this method, deferred income taxes are recorded for the effect of any temporary difference between the accounting and income tax basis of an asset or liability.

Deferred income tax is calculated using the enacted or substantively enacted income tax rates expected to apply when the assets are realized or liabilities are settled. The effect of a change in enacted or substantively enacted tax rates is recognized in the consolidated statements of operations and comprehensive loss or in shareholders' equity, depending upon the item to which the adjustment relates.

Deferred income tax assets are recognized to the extent future recovery is probable. Deferred income tax assets are reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the assets to be recovered.

Deferred income tax liabilities and assets are not recognized for temporary differences arising on:

- Investments in subsidiaries and associates and interests in joint ventures where the timing of the reversal of the temporary difference can be controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future;
- The initial recognition of non-deductible goodwill; or
- The initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting net income nor taxable income.

Use of estimates

The timely preparation of consolidated financial statements requires that management make estimates and use judgment regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period. Such estimates primarily relate to unsettled transactions and events as at the date of the consolidated financial statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Significant estimates and judgments made by management in the preparation of these consolidated financial statements are outlined below.

<u>Critical accounting judgments</u>

Exploration and development properties, geothermal properties, and PP&E are aggregated into CGUs on a project-by-project basis based on their ability to generate largely independent cash flows and are used for long-lived asset and goodwill impairment testing. The determination of the Company's CGUs is subject to management's judgment.

The decision to transfer assets from exploration and development to geothermal properties is based on the stages of development of the Company's projects, and management uses judgment, in part based on certification of resource capacity and available financing, to determine a project's technical feasibility and commercial viability. The decision to cease capitalization of costs and transfer assets from geothermal properties to PP&E is based on the asset being in the location and condition necessary for it to be capable of operating in the manner intended by management, and management uses judgment in determining the point at which this has occurred based on the point after the commissioning period at which the asset reaches commercial operation.

<u>Sources of measurement uncertainty</u>

Amounts used for long-lived asset and goodwill impairment calculations are based on estimates of future cash flows of the Company. By their nature, estimates of cash flows, including estimates of future capital expenditures, revenue, operating expenses, plant capacity, discount rates and market pricing are subject to measurement uncertainty. Accordingly, the impact on the consolidated financial statements of future periods could be material.

Estimated future cash flows are used in determining the fair value of certain exploration and development properties, geothermal properties and PP&E, and for use in the final purchase price allocation of business combinations and impairment analysis.

Amounts recorded as decommissioning liabilities are based on estimates of future costs to restore the land and decommission assets at completion of projects, and estimated discount rates. The determination of the costs and discount rates is subject to management's judgment.

The estimated fair values of derivative instruments resulting in financial liabilities, by their very nature, are subject to measurement uncertainty. The most significant source of estimation uncertainty related to the Company's derivatives is estimated discounted future earnings before interest, tax, depreciation and amortization ("EBITDA") for the San Jacinto project, which is used in determining the fair value of the embedded derivative liability related to long-term debt.

Compensation costs accrued for long-term share-based compensation plans are subject to the estimation of ultimate amounts paid using pricing models, such as the Black-Scholes model which is based on significant assumptions such as volatility, dividend yield and expected term.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of each reporting period to determine the likelihood that they will be realized from future taxable income.

In assessing whether the going concern assumption is appropriate, management must estimate future cash flows for twelve months following the end of the reporting period by taking into account available information about the future. Management has considered a wide range of factors relating to expected cash flows from its operating projects, estimated operating and capital expenditures, debt repayment schedules, and potential sources of replacement financing. These cash flow estimates are subject to uncertainty.

Share-based compensation

The Company measures the compensation cost to be recognized for share-based awards based on the estimated fair value of the award on the date of grant. Share-based compensation expense is recognized over the applicable vesting period. The Company uses the Black-Scholes option valuation model to estimate the fair value of awards. In estimating this fair value, the Company uses certain assumptions, as disclosed in Note 20, consisting of the expected life of the option, risk-free interest rate, dividend yield, and volatility. The use of a different estimate for any one of these components could have a material impact on share-based compensation expense.

Government grants

An unconditional government grant related to an asset is recognized as a reduction in the carrying amount of the asset when the grant becomes receivable.

Grants that compensate the Company for expenses incurred are recognized in the consolidated statements of operations and comprehensive loss as other income in the same periods in which the expenses are recognized. Grants that compensate the Company for the cost of an asset are recognized in the consolidated statements of operations and comprehensive loss as a reduction of depreciation expense over the useful life of the asset.

Leases

Leases or other arrangements entered into for the use of an asset are classified as either finance or operating leases.

Finance leases transfer to the Company substantially all the risks and benefits incidental to ownership of the leased asset. Finance leases are capitalized at the commencement of the lease term at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Capitalized leased assets are amortized over the shorter of the estimated useful lives of the assets and the lease terms. All other leases are classified as operating leases and the payments are amortized on a straight-line basis over the lease term.

Comprehensive income or loss

Comprehensive income includes net income as well as certain gains and losses required to be recognized in comprehensive income, but excluded from net income. These gains and losses are recognized in other comprehensive income and include, but are not limited to, unrealized gains or losses on available-for-sale investments, and the effective portion of gains or losses on derivatives designated as cash-flow hedges. These unrealized gains and losses are reclassified from accumulated other comprehensive loss to the consolidated statements of operations and comprehensive loss when realized.

Non-controlling interests

Non-controlling interests in the Company's subsidiaries are classified as a separate component of equity. Each period, net income or loss and components of other comprehensive income or loss are attributed to both the Company and non-controlling interest based on their respective percentage interests.

Financial instruments

The Company classifies and measures all financial assets as either fair value or amortized cost.

The Company determines the classification of its financial assets at initial recognition. Financial assets are classified and measured at amortized cost when they meet the following criteria:

- The Company plans to hold the financial assets in order to collect contractual cash flows; and
- Payments received on the financial assets are solely payments of principal and interest on the principal amount outstanding.

Financial assets are classified and measured at fair value unless they meet the criteria for amortized cost. All financial assets of the Company meet the criteria for amortized cost.

The Company measures its financial liabilities initially at fair value net of transaction costs, and subsequently at amortized cost using the effective interest method, except for financial liabilities measured at fair value through profit or loss ("FVTPL").

The Company may designate financial liabilities at FVTPL when doing so results in more relevant information because:

- It eliminates or reduces measurement or recognition inconsistency that would arise from measuring the liabilities and recognizing gains and losses on them on different bases or
- A group of financial liabilities is managed and evaluated on a fair value basis, in accordance with the Company's risk management or investment strategy.

This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by International Accounting Standards ("IAS") IAS 39, "Financial Instruments: Recognition and Measurement", as well as embedded derivatives.

Financial liabilities classified as FVTPL are subsequently remeasured at each period end, with changes in fair value recognized in the consolidated statements of operations and comprehensive loss.

Financial assets and liabilities at amortized cost are subsequently measured at amortized cost using the effective interest rate method, with any gains or losses recognized in the statement of operations and comprehensive loss.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recognized at the proceeds received, net of direct issue costs.

The Company early adopted IFRS 9 with its conversion to IFRS.

Determination of fair value

In estimating the fair value of an asset or a liability, the Company uses Level 1 inputs, which are quoted prices in active markets for identical assets or liabilities the Company can access at the measurement date to the extent it is available. Where Level 1 inputs are not available, the Company engages third party qualified valuation specialists to perform the valuation. The Company works closely with the qualified external valuation specialists to establish the appropriate valuation techniques and inputs to the model. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in the notes to these consolidated financial statements.

Derivatives

Derivative financial instruments, including embedded derivatives, are recorded on the consolidated balance sheets at fair value, with realized and unrealized gains and losses recorded in the statements of operations and comprehensive loss.

Transaction costs

Transaction costs related to share issuances, other liabilities, loans and receivables are capitalized and amortized over the expected life of the instrument using the effective interest method.

Earnings per share

The Company presents basic and diluted earnings per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held.
Diluted EPS is determined by adjusting the income or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, and for the effects of all dilutive potential common shares.

Segment reporting

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. Reportable operating segments of the Company are identified based on internal reports that are generated and regularly reviewed by the chief operating decision maker in order to allocate resources and to assess performance.

Recent Accounting Standards and Interpretations Adopted in 2014

<u>IAS 32 – Financial Instruments: Presentation</u>

IAS 32, “Financial Instruments: Presentation” (“IAS 32”) was amended in December 2011 and addresses inconsistencies when applying offsetting requirements, as well as related disclosure requirements. The amendment is effective for annual periods beginning on or after January 1, 2014. The IAS 32 amendment did not have a material impact on the Company’s results of operations, financial position or disclosures.

<u>IFRIC 21 – Levies</u>

International Financial Reporting Interpretations Committee (“IFRIC”) 21, “Levies” (“IFRIC 21”) was issued by the IASB in May 2013. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and is applied retrospectively. IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. IFRIC 21 did not have a material impact on the Company’s results of operations, financial position or disclosures.

IAS 36 – Impairment of Assets

IAS 36, "Impairment of Assets" ("IAS 36") was amended by the IASB In May 2013. The amendments in IAS 36 are effective for annual periods beginning on or after January 1, 2014 and are applied retrospectively. The amendments reverse the unintended requirement in IFRS 13 to disclose the recoverable amount of every cash generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under these amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. As the amendments impact certain disclosure requirements only and the Company does not have goodwill or indefinite-lived intangible assets, the amendments do not have a material impact on the Company's results of operations, financial position or disclosures.

IAS 39 – Financial Instruments: Recognition and Measurement

IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39") was amended in June 2013. The amendments in IAS 39 are effective for annual periods beginning on or after January 1, 2014 and are applied retrospectively. The amendments provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. The amendments require retrospective application. The IAS 39 amendment did not have a material impact on the Company's results of operations, financial position or disclosures.

Accounting Standards issued but not yet effective

IFRS 3 – Business Combinations

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 is not expected to have an impact on the Company's results of operations, financial position or disclosures

IFRS 8 – Operating Segments

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 is not expected to have an impact on the Company's results of operations, financial position or disclosures.

IFRS 9 – Financial instruments

IFRS 9, "Financial instruments" ("IFRS 9") was issued by the IASB on July 24, 2014 and will replace IAS 39, "Financial instruments: recognition and measurement" (IAS 39). Final amendments to IFRS 9 released on July 24, 2014 introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of the amendments to this standard on its results of operations, financial position or disclosures.

IFRS 11 – Joint Arrangements

IFRS 11, "Joint Arrangements" ("IFRS 11") was amended by the IASB on May 6, 2014. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have a material impact on the Company's results of operations, financial position or disclosures.

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 is not expected to have a material impact on the Company's results of operations, financial position or disclosures.

IFRS 15 – Revenue from Contracts and Customers

IFRS 15, "Revenue from Contracts and Customers" ("IFRS 15") was issued by the IASB on May 28, 2014, and will replace IAS 18, "Revenue", IAS 11, "Construction Contracts", and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2017. The Company is currently evaluating the impact of IFRS 15 on its results of operations, financial position or disclosures.

IAS 1 – Presentation of Financial Statements

IAS 1, "Presentation of Financial Statements" ("IAS 1") was amended by the IASB on December 18, 2014. The amendments to existing IAS 1 requirements relate to materiality; order of the notes; subtotals; accounting policies; and disaggregation. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have a material impact on the Company's results of operations, financial position or disclosures.

IAS 16 – Property, Plant, and Equipment

IAS 16, "Property, Plant, and Equipment" ("IAS 16") was amended by the IASB on May 12, 2014. The amendments to IAS 16 clarify that the use of revenue-based methods to determine the depreciation of an asset is not appropriate. However, the amendments provide limited circumstances when a revenue-based method can be an appropriate basis for amortization. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have an 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 is not expected to 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 is not expected to have an 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 is not expected to have an impact on the Company's results of operations, financial position or disclosures.

IAS 38 – Intangible Assets

IAS 38, "Intangible Assets" ("IAS 38") was amended by the IASB on May 12, 2014. The amendments to IAS 38 clarify that an amortization method based on revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. However, the amendments provide limited circumstances when a revenue-based method can be an appropriate basis for amortization. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have an impact on the Company's results of operations, financial position or disclosures.

(expressed in United States dollars unless otherwise noted)

4. Revenue

Revenue for the year ended December 31, 2014 and 2013 of $48,183,646 and $46,210,054, 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 year ended December 31, 2014 and 2013, 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 Company has presented the geographic information in the following tables.

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

	Year Ended	
Revenue	December 31, 2014	December 31, 2013
Canada	$ -	$ -
United States	-	-
Nicaragua	48,183,646	46,210,054
	$ 48,183,646	$ 46,210,054

Comprehensive loss	Year Ended	
before income taxes	December 31, 2014	December 31, 2013
Canada	$ 341,025	$ (10,903,884)
United States	(2,080,846)	(22,955,167)
Nicaragua	(10,353,984)	(8,851,796)
	$ (12,093,805)	$ (42,710,847)

Assets and liabilities	As at December 31, 2014	As at December 31, 2013
Canada	$ 1,565,767	$ 4,424,242
United States	841,735	7,881,076
Nicaragua	420,093,153	445,654,086
Total assets	$ 422,500,655	$ 457,959,404
Canada	$ 568,654	$ 1,935,400
United States	360,058	1,770,734
Nicaragua	394,998,378	416,792,382
Total non-current assets	$ 395,927,090	$ 420,498,516
Canada	$ 47,146,756	$ 50,611,922
United States	3,257,195	5,866,192
Nicaragua	233,487,397	239,059,816
Total liabilities	$ 283,891,348	$ 295,537,930

(expressed in United States dollars unless otherwise noted)

6. General and administrative and other expenses

(a) Direct costs

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

	Year Ended December 31, 2014	Year Ended December 31, 2013
Depreciation and amortization	$ 26,143,794	$ 24,500,650
Employee costs	2,907,578	2,938,234
General liability insurance	2,391,402	2,030,979
Maintenance	1,270,444	1,055,139
Other direct costs	61,016	140,541
	$ 32,774,234	$ 30,665,543

(b) General and administrative expenses

The Company's general and administrative expenses for the year ended December 31, 2014 and 2013 consisted of:

	Year Ended December 31, 2014	Year Ended December 31, 2013
Salaries and benefits	$ 2,178,871	$ 4,352,270
Share-based compensation	136,351	1,727,999
Facilities and support	562,084	865,960
Professional fees	3,758,187	2,293,474
Taxes and licenses	20,197	59,742
Supplier taxes	16,367	6,116
Insurance	392,848	329,780
Depreciation of other assets	43,749	132,191
Other general and adminstrative expenses	24,021	14,281
Gross general and administrative expenses	7,132,675	9,781,813
Total allocation to exploration and development and geothermal properties	(118,074)	(172,462)
Net general and administrative expenses	$ 7,014,601	$ 9,609,351

(c) Other operating costs

Recurring costs of maintaining the Company's exploration and development properties not currently under active development resulted in net costs of $846,264 and $96,295 for the year ended December 31, 2014 and 2013, respectively.

Other operating costs for the year ended December 31, 2014 and 2013 were comprised of the following:

Year Ended December 31, 2014	Geysers	South Meager	Orita	Sierra	Other Pre-Exploration Projects	Total
Decommissioning liabilities	$ (64,219)	$ (34,539)	$ (40,239)	$ (23,912)	$ -	$ (162,909)
Lease costs	(20,545)	(37,341)	(318,543)	(305,592)	(2,657)	(684,677)
Turbocare storage costs	-	(164)	-	-	(51,920)	(52,083)
Property taxes	5,290	-	-	-	-	5,290
Deposit refunds	1,034	-	29,437	-	-	30,471
Consulting and other	(26,704)	(2,909)	(24,455)	(69,737)	5,643	(118,161)
Total other operating costs	$ (105,144)	$ (74,952)	$ (353,800)	$ (399,241)	$ (48,933)	$ (982,070)

(expressed in United States dollars unless otherwise noted)

Year Ended December 31, 2013	Geysers	South Meager	Orita	Sierra	Other Pre-Exploration Projects	Total
Decommissioning liabilities	$ 274,825	$ 27,142	$ 76,532	$ 45,475	$ -	$ 423,974
Lease costs	(97,646)	(49,727)	(308,703)	(208,777)	(90,640)	(755,493)
Turbocare storage costs	-	-	-	-	(39,390)	(39,390)
Salaries allocation	(25,863)	-	(2,464)	-	(47)	(28,374)
Deposit refunds	-	-	173,448	85,383	62,018	320,849
Pipe sale	-	-	-	23,000	-	23,000
Insurance	-	-	(17,799)	(8,376)	-	(26,175)
Property taxes	(256,382)	-	-	-	-	(256,382)
Government grant receipt	-	-	-	400,000	-	400,000
Consulting and other	132,263	(1,491)	(33,436)	(59,625)	(3,425)	34,286
Total other operating income (costs)	$ 27,197	$ (24,076)	$ (112,422)	$ 277,080	$ (71,484)	$ 96,295

(d) Impairment loss

The Company is in the process of selling a steam turbine originally acquired in connection with the acquisition of Western Geothermal Power, Inc. ("WGPI") in October of 2009. As at December 31, 2011, the Company had identified a buyer and classified the asset held for sale as a current asset. As at December 31, 2012, the buyer experienced delays in their ability to purchase the asset, and the Company reclassified the asset held for sale to noncurrent assets. In 2012, the Company capitalized $570,639 in selling costs related to the asset. The Company recognized a loss on valuation of the asset held for sale of $nil for the year ended December 31, 2014 and 2013. The value of the asset held for sale was $1.5 million as at December 31, 2014 and December 31, 2013.

7. Finance costs

The Company's finance costs for the year ended December 31, 2014 and 2013 consisted of:

	Year Ended December 31, 2014	Year Ended December 31, 2013
Interest on debt	$ 18,379,313	$ 21,725,696
Accretion on debt	2,694,134	5,161,025
Derivative obligations loss	3,217,544	880,208
Accretion of decommissioning liabilities	61,395	74,890
Other finance costs	1,332,532	1,463,118
	$ 25,684,918	$ 29,304,937

Cash paid for interest during the year ended December 31, 2014 and 2013 was $15,626,136 and $19,687,607, 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 years ended December 31, 2014 and 2013.

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.

The Corporate Credit Facility interest payments due in January and February 2013 were paid with 4,403,760 shares of the Company's common stock in lieu of cash (Note 17).

8. Other gains and losses

The Company's other gains and losses for the years ended December 31, 2014 and 2013 consisted of:

(expressed in United States dollars unless otherwise noted)

	Year Ended	
	December 31, 2014	December 31, 2013
Gain on valuation of warrant liabilities (Note 17 & Note 19)	$ 1,340,785	$ 4,431,225
Loss on valuation of prepayment option	(1,357,000)	(4,624,518)
Gain on foreign exchange	3,580,093	1,572,211
Gain (loss) on disposal of assets	2,410,294	(444,521)
Loss on issuance of stock in lieu of cash interest payment (Note 17)	-	(91,362)
Other losses	(6,181)	(189,253)
Other gains	$ 5,967,991	$ 653,782

The recoverable amount of the Geysers project was estimated using a fair value less costs to sell approach as at March 31, 2014 and December 31, 2013 with a resulting value of $8.6 million and $5.9 million, respectively. 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 year ended December 31, 2014.

The Company sold 100% of its interest in its subsidiaries Western Geopower, Inc., Skyline Geothermal Holdings, Inc., and Etoile Holdings, Inc., which, in turn, includes all membership interests in Mayacamas Energy LLC and Skyline Geothermal LLC. These subsidiaries possess the full development interest in the Geysers project, including all geothermal leases (covering 3,809 acres), development design plans, and permits for a proposed 26 net megawatt power plant. Also included is land and geothermal mineral rights ownership of the Mayacamas property purchased by the Company in 2010. This property contains 4 of the 5 existing geothermal wells immediately available for production or injection. Finally, the acquisition includes a 50% undivided interest in the geothermal mineral rights relating to the property that contains the 5th existing well also purchased by Ram in 2010. The other 50% interest in this property is contained within an acquired leasehold interest

9. Accounts receivable

The Company's accounts receivable of $10,133,314 and $8,122,558 as at December 31, 2014 and 2013, 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. Amounts receivable from sale of the back pressure units of $0.4 million were included in accounts receivable balance as of December 31, 2013.

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

	December 31, 2014	December 31, 2013
Prepaid insurance	$ 848,694	$ 795,940
Recoverable taxes	95,844	55,206
Other prepaids	204,173	37,190
	$ 1,148,711	$ 888,336

(b) Other assets, net

	December 31, 2014	December 31, 2013
Fixed assets, net	$ 83,007	$ 103,451
Other deposits	139,596	142,065
	$ 222,603	$ 245,516

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 $43,749 and $132,191 was recorded for the years ended December 31, 2014 and 2013, respectively.

(expressed in United States dollars unless otherwise noted)

11. Restricted cash

	December 31, 2014	December 31, 2013
Casita exploitation application guarantee	$ 50,000	$ 50,000
San Jacinto guarantees	-	29,087
Clayton Valley letter of credit	-	1,317,500
Reclamation bonds - US	400,765	500,765
Other restricted cash	12,858	12,857
	$ 463,623	$ 1,910,209

In addition to amounts recorded as restricted cash, cash in the amount of $14,065,452 and $19,919,705 held by the Company as at December 31, 2014 and 2013, 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. The Clayton Valley letter of credit was released from restricted cash in April 2014 as described in Note 21.

12. Exploration and development properties

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

	Balance at December 31, 2013	2014 Additions	Balance at December 31, 2014
Intangible			
Casita	$ 10,134,388	$ 435,227	$ 10,569,615
Total- Intangible	10,134,388	435,227	10,569,615
Tangible			
Casita	100,465	-	100,465
Total-Tangible	100,465	-	100,465
Total Exploration and Development Properties			
Casita	10,234,853	435,227	10,670,080
Total	$ 10,234,853	$ 435,227	$ 10,670,080

13. Geothermal properties

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

	December 31, 2013	2014 Activity	2014 Transfer to PP&E	December 31, 2014
San Jacinto Binary Plant	$ 509,512	$ 50,000	$ -	$ 559,512
San Jacinto Drilling Costs	19,250,287	2,756,243	(21,867,291)	139,239
San Jacinto Major Maintenance Costs	-	976,169	(732,534)	243,635
	$ 19,759,799	$ 3,782,412	$ (22,599,825)	$ 942,386

(expressed in United States dollars unless otherwise noted)

14. Property, plant and equipment, net

The following is a summary of the activity related to the Company's PP&E:

	December 31, 2013	2014 Activity	December 31, 2014
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	732,534
Accumulated depreciation	(44,693,182)	(25,828,125)	(70,521,307)
Spare parts inventory	1,303,426	181,227	1,484,653
	$ 380,440,443	$ (3,047,073)	$ 377,393,370

PP&E assets currently in operation are being depreciated on a straight-line basis. Substantially all of the PP&E assets are depreciated over the remaining term of the relevant power purchase agreement ("PPA"). Depreciation expense of $25,828,125 and $24,184,981 for the years ended December 31, 2014 and 2013 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 $315,669 for the years ended December 31, 2014 and 2013.

16. Accounts payable and accrued liabilities

	December 31, 2014	December 31, 2013
Trade payables	$ 3,725,938	$ 5,859,332
Construction accrued liabilities	769,165	2,085,214
Interest payable	1,476,415	632,302
Other accrued liabilities	1,588,395	3,186,791
	$ 7,559,913	$ 11,763,639

17. Long-term debt, net

	Phase I Senior Debt (a)	Phase I Subordinated Debt (a)	Phase II Senior Debt (a)	Phase II Subordinated Debt (a)	Debentures (b)	Corporate Credit Facility (c)	Loan from Former Shareholder (d)	Total
Loans and other borrowings – December 31, 2011	$ 62,727,663	$15,000,000	$ 73,842,317	$20,000,000	$ -	$ 44,655,164	$ 923,340	$ 217,148,484
Debt proceeds	-	-	56,000,000	-	-	-	-	56,000,000
Interest expense	-	-	-	-	-	-	25,076	25,076
Accretion of deferred transaction costs and warrants	1,373,427	-	952,602	-	-	2,980,022	-	5,306,051
Repayments of debt	(4,373,471)	-	-	-	-	-	-	(4,373,471)
Effect of foreign exchange on loans	-	-	-	-	-	-	20,419	20,419
Loans and other borrowings – December 31, 2012	59,727,619	15,000,000	130,794,919	20,000,000	-	47,635,186	968,835	274,126,559
Debt proceeds	-	-	-	-	49,663,086	-	-	49,663,086
Transaction costs and embedded derivatives					(1,673,133)			(1,673,133)
Interest expense	-	-	-	-	-	-	24,163	24,163
Accretion of deferred transaction costs and embedded derivatives	1,270,154	-	1,247,235	-	278,822	2,364,814	-	5,161,025
Repayments of debt	(8,378,739)	(1,666,667)	(4,830,000)	(1,304,348)	-	(50,000,000)	-	(66,179,754)
Effect of foreign exchange on loans	-	-	-	-	(1,849,939)	-	(63,248)	(1,913,187)
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
					$ 44,636,776			
Current	$ 45,679,686	$12,500,000	$121,482,056	$17,882,477	$ -	$ -	$ 874,960	$ 198,419,179
Non-current	$ -	$ -	$ -	$ -	$ 44,636,776	$ -	$ -	$ 44,636,776
Principal balance	$ 49,145,938	$12,500,000	$128,240,000	$17,882,476	$ 45,699,358	$ -	$ 874,960	$ 254,342,732
Unamortized transaction costs	$ (3,466,252)	$ -	$ (6,757,944)	$ -	$ (1,062,582)	$ -	$ -	$ (11,286,777)
Maturity date	12/15/2020	12/15/2021	3/15/2024	9/15/2024	3/27/2018	9/30/2013	12/31/2011	

(expressed in United States dollars unless otherwise noted)

	Year Ended December 31, 2014	Year Ended December 31, 2013
Phase I Facility		
Interest recorded as financing cost	$ 4,581,126	$ 5,622,021
Accretion recorded as financing cost	1,162,504	1,270,154
Phase II Facility		
Interest recorded as financing cost	$ 9,946,251	$ 10,507,900
Accretion recorded as financing cost	1,199,902	1,247,235
Corporate Credit Facility		
Interest recorded as financing cost	$ -	$ 2,483,333
Accretion recorded as financing cost	-	2,364,814
Debentures		
Interest recorded as financing cost	$ 3,851,936	$ 3,112,443
Accretion recorded as financing cost	331,729	278,822
Total		
Interest recorded as financing cost	$ 18,379,313	$ 21,725,696
Accretion recorded as financing cost	2,694,134	5,161,025

(a) Credit agreements

Summary of Phase I and Phase II Credit Agreements

As at December 31, 2014 and 2013, interest rates on the Phase I senior facilities (the “Phase I Senior Debt”) were 6.74% and 6.74%, respectively. Interest rates on the $5,833,333 and $6,666,667 principal of the Phase I subordinated facility (the “Phase I Subordinated Debt”) are fixed at 7.16% and 5.79%, respectively.

As at December 31, 2014 and 2013, interest rates on the Phase II senior facility (the “Phase II Senior Debt”) were 6.74% and 6.74%, respectively. Interest on the Phase II subordinated facility (the “Phase II Subordinated Debt”) is fixed at 4.95%.

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 December 31, 2014, the Company was not in compliance with the financial ratio, plant production and repayment requirements of the Phase I and Phase II Credit Agreements, which are considered immediate events of default, allowing the Phase I and Phase II lenders to accelerate the loans at their discretion. As a result, the amounts outstanding under these agreements have been classified as short-term liabilities. 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 December 31, 2014 and December 31, 2013, the fair value of the embedded derivatives related to the Phase I and II Credit Agreements was $2,654,153 and $1,969,178, respectively. The Company paid $1,028,183 and $1,316,405 for the years ended December 31, 2014 and 2013, respectively in connection with the Phase I or Phase II Subordinated Facility return enhancements.

The valuation of the embedded derivative liability resulted in a loss of $3,217,544 and $880,208 for the year ended December 31, 2014 and 2013, respectively. These derivative obligations 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 of December 31, 2014 and December 31, 2013.

(b) Debentures

On March 27, 2013, the Company issued 50,855 units (“Units”) at CDN$1,000 per unit, with gross proceeds of $49,663,086. Each unit consisted of a CDN$1,000 secured debenture (“Debentures”) of the Company and 1,000 share debenture warrants (“Debenture Warrants”). The Debentures are secured by certain assets of the Company and its subsidiaries. The interest rate on the Debentures is 8.5% per annum, accrued monthly and payable semi-annually beginning June 30, 2013, 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 ("Broker's Warrants"), which entitle the holder to purchase one share of the Company's common stock at CDN$0.30, expiring 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. The Debentures are subject to covenants and are redeemable prior to the scheduled maturity under certain conditions.

Management identified two embedded derivatives in the Debenture offering, including the Debenture Warrants and a prepayment option. Both derivatives were valued using internally-developed valuation models based on certain inputs, including a risk-free rate, credit spread, stock price and volatility. Because the Debenture Warrants are denominated in a currency other than the Company's functional currency, and are subject to variability in connection with changes in the Canadian foreign exchange rate, their total value is recorded as a liability. The fair value on the date of issuance of $4,021,996 was recorded as a liability on the consolidated balance sheet. As at December 31, 2014, the fair value of the Debenture Warrants was $219,185. 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. As at December 31, 2014, the fair value of the prepayment option was $nil. The valuation of the Debenture Warrant liability resulted in a gain of $737,092 and $3,098,823 for the years ended December 31, 2014 and 2013, respectively. The valuation of the prepayment option resulted in a loss of $1,357,000 and $4,624,518 for the years ended December 31, 2014 and 2013, respectively. These gains and losses are recognized as a component of other gains and losses in the consolidated statements of operations and comprehensive loss.

The initial value of the prepayment option asset of $5,932,689 and the Debenture Warrants liability of $4,021,996, 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 is accreted using the effective interest method over the term. Accretion expense of $331,729 and $278,097 was recorded for the year ended December 31, 2014 and 2013, respectively, as a component of finance costs in the consolidated statements of operations and comprehensive loss.

The Broker's Warrants were valued using a Black Scholes model, which resulted in a value of $354,380. Assumptions used in the Black Scholes model at March 27, 2013 were CDN$0.24 stock price, CDN$0.30 exercise price, 2 year life, 55% volatility, discount rate of 1%, dividend yield of 0% and exchange rate of 0.9765.

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) Corporate credit facility

On March 27, 2013, the Company repaid the Corporate Credit Facility in full, including accrued interest, from the net proceeds of the Debenture issuance and Company funds.

The Company issued a total of 4,403,760 shares of the Company's common stock as payment-in-kind ("PIK") related to interest payments due in January and February 2013. The fair value of the 4,403,760 shares at the date of issuance was $1,124,696 and the total interest paid in-kind was $1,033,334. As a result, for the year ended December 31, 2013, the Company recorded a loss of $91,362 as a component of other gains and losses in the consolidated statements of operations and comprehensive loss related to the fair value of the shares issued in excess of the liability extinguished.

Fees of $1 million due February 2013 included in prepaid expenses as at December 31, 2012 were expensed as part of interest expense in financing costs during the year ended December 31, 2013.

(d) Loan from former shareholder

As at December 31, 2014, the Company continues to accrue interest at the Royal Bank of Canada's prime rate of 3%. No interest was paid for this loan during the three and year ended December 31, 2014 and 2013.

(expressed in United States dollars unless otherwise noted)

18. Decommissioning liabilities

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

	Geysers	South Meager	Orita	Mayacamas	Sierra	Total
December 31, 2013	$ 580,992	$ 1,083,868	$ 1,690,653	$ 2,060,337	$ 1,004,608	$ 6,420,458
Revision in estimate	65,665	34,540	40,240	(1,446)	23,911	162,910
Accretion	5,752	16,543	23,298	1,957	13,845	61,395
Transferred in sale	(652,409)	-	-	(2,060,848)		(2,713,257)
December 31, 2014	$ -	$ 1,134,951	$ 1,754,191	$ -	$ 1,042,364	$ 3,931,506

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

	Undiscounted Costs		Discount Rates	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Geysers	$ -	$ 1,684,910	N/A	3.96%
South Meager	1,171,571	1,171,571	1.06%	1.95%
Orita	1,812,964	1,812,964	1.10%	1.75%
Mayacamas	-	2,071,479	N/A	0.38%
Sierra	1,077,285	1,077,285	1.10%	1.75%

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, 2012	292,111,899	292,111,899	12,821,785	128,418,100	-
Stock options vested	-	-	9,240,199	-	-
Stock options forfeited or expired	-	-	(6,390,363)	-	-
Shares issued in connection with the Corporate Credit Facility	4,403,760	4,403,760	-	-	-
Broker's warrants issued in debenture offering	-	-	-	6,763,715	-
Warrants issued in debenture offering	-	-	-	50,855,000	-
Shares issued in rights offering	67,084,960	67,084,960	-	-	-
Broker's warrants issued in rights offering	-	-	-	5,366,796	-
Shares issued in connection with employee restricted shares	5,366,668	5,366,668	-	-	-
Restricted shares vested	-	-	-	-	2,233,334
Warrants adjustment	-	-	-	5,581,104	-
Balance at December 31, 2013	368,967,287	368,967,287	15,671,621	196,984,715	2,233,334
Stock options vested	-	-	1,557,199	-	-
Stock options forfeited or expired	-	-	(6,487,145)	-	-
Shares issued in connection with employee restricted shares	2,233,334	2,233,334	-	-	(2,233,334)
Warrants expired	-	-	-	(132,270,643)	-
Balance at December 31, 2014	371,200,621	371,200,621	10,741,675	64,714,072	-

During the years ended December 31, 2014 and 2013, the Company issued 2,233,334 and 5,366,668 shares, respectively, in connection with restricted share units ("RSUs"), which is further explained in Note 19(a).

In a private offering on March 27, 2013, the Company issued 50,855,000 Debenture Warrants and 6,763,715 Broker's Warrants as further described in Note 17.

(a) Stock options and restricted share units

The Company's Stock Option Plan (the "Plan") 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 Plan 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.

(expressed in United States dollars unless otherwise noted)

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	1,799,606	2005 - 2009	2010 - 2014	$2.31 - $7.70	various
(2)	Issued October 22, 2009	6,225,000	October 22, 2009	October 21, 2014	$3.50	1.96
(3)	Issued March 23, 2010	955,000	March 23, 2010	March 22, 2015	$3.02	1.67
(4)	Issued August 10, 2010	1,125,000	August 10, 2010	August 9, 2015	$2.40	1.00
(5)	Issued August 23, 2010	400,000	August 23, 2010	August 22, 2015	$2.43	1.05
(6)	Issued September 13, 2010	500,000	September 13, 2010	September 12, 2015	$2.30	1.01
(7)	Issued September 16, 2010	350,000	September 16, 2010	September 15, 2015	$2.34	1.03
(8)	Issued November 17, 2010	225,000	November 17, 2010	November 16, 2015	$2.33	1.03
(9)	Sierra Converted options September 1, 2010	502,167	2005 - 2010	2010 - 2011	$1.32 - $8.40	various
(10)	Issued June 15, 2011	485,000	June 15, 2011	June 14, 2016	$0.46	0.20
(11)	Issued September 30, 2011	16,630,000	September 30, 2011	September 29, 2016	$0.38	0.10
(12)	Issued November 16, 2012	7,157,237	November 16, 2012	November 15, 2017	$0.23	0.11

The Company did not grant stock options during the years ended December 31, 2014 and 2013. Stock options granted 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 12 is based on the historical share price volatility of the Company over the year 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	$3.50	$3.50	70%	5.00	2.57%	-	0%
(3)	March 23, 2010	$3.02	$3.02	65%	5.00	2.80%	-	0%
(4)	August 17, 2010	$2.40	$2.40	57%	4.00	2.06%	-	0%
(5)	August 23, 2010	$2.43	$2.43	57%	4.00	1.85%	-	0%
(6)	September 13, 2010	$2.30	$2.30	57%	4.00	1.97%	-	0%
(7)	September 16, 2010	$2.34	$2.34	57%	4.00	2.02%	-	0%
(8)	November 17, 2010	$2.33	$2.33	56%	4.00	2.09%	-	0%
(10)	June 15, 2011	$0.46	$0.46	67%	4.00	2.02%	-	0%
(11)	September 30, 2011	$0.27	$0.38	68%	4.00	1.24%	-	0%
(12)	November 16, 2012	$0.26	$0.23	69%	3.00	1.23%	-	0%

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. During the years ended December 31, 2014 and 2013, 1,557,199 and 9,240,199 stock options vested, respectively. The Company initially estimated a forfeiture rate of 12%. In December 2013, the Company reviewed actual forfeiture rates compared to the estimated forfeiture rates on the stock options granted prior to series 12 and adjusted to reflect historical trends by series.

The following table reconciles stock options outstanding as at December 31, 2014 and 2013:

(expressed in United States dollars unless otherwise noted)

	For the Year Ended December 31, 2014	Weighted Average Exercise Price (CDN)	For the Year Ended December 31, 2013	Weighted Average Exercise Price (CDN)
Balance at beginning of period	17,228,819	$ 0.74	25,421,941	$ 0.68
Forfeited during the period	(5,473,087)	0.77	(8,085,648)	0.50
Expired during the period	(1,014,058)	3.47	(107,474)	4.72
Balance at end of period	10,741,675	$ 0.47	17,228,819	$ 0.74

The following table summarizes the information related to stock options outstanding as at December 31, 2014:

	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 - 1.99	10,056,675	2.1	$ 0.33	10,056,675	$ 0.33
2.00 - 2.99	550,000	0.7	2.39	550,000	2.39
3.00 - 3.99	135,000	0.2	3.02	135,000	3.02
	10,741,675	2.0	$ 0.47	10,741,675	$ 0.47

For the years ended December 31, 2014 and 2013, the Company recognized shared-based compensation expense, with a corresponding increase in contributed surplus, of $136,351 and $531,218 for the years ended December 31, 2014 and 2013, respectively.

Under the Company's Omnibus Long-Term Incentive Plan (the "LTIP") adopted June 18, 2012, the Company granted 6.7 million RSUs on June 24, 2013 to employees, directors and officers of the Company. There is no performance criteria associated with the RSUs and they vested 1/3 on December 31, 2013, 1/3 on March 31, 2014 and 1/3 on December 31, 2013. The Company delivered shares in exchange for the RSUs as soon as possible after each vesting date. The restriction period terminates on December 31, 2016. The valuation of the RSUs included a fair value of CDN$0.16 per RSU, and foreign exchange rate of CDN$0.9542 to $1, resulting in total value at grant date of $1,022,902. The RSUs were recognized over the vesting period, and the Company recognized shared-based compensation expense, with a corresponding increase in contributed surplus, of $nil and $1,022,902 for the year ended December 31, 2014 and 2013, respectively. During the year ended December 31, 2014, the Company issued 2,233,334 shares in connection with RSUs vested on December 31, 2013 and recognized an increase in share capital and a corresponding decrease in contributed surplus of $184,857.

The Company issued 900,000 fully-vested shares to a former executive of the Company and recognized share-based compensation expense with a corresponding increase in share capital, of $173,880 for the year ended December 31, 2013.

(b) Warrants

Fair value of the 128.4 million warrants issued in conjunction with the May 2011 equity financing was $nil and $603,693 as at December 31, 2014 and December 31, 2013, respectively. The revaluation of the warrant liability resulted in a gain of $603,693 and $1,332,402 for the years ended December 31, 2014 and 2013, 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.

(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.

(expressed in United States dollars unless otherwise noted)

(d) Per share amounts

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

	Year Ended	
	December 31, 2014	December 31, 2013
Total loss and comprehensive loss attributable to owners of the Company	$ (23,879,369)	$ (50,703,046)
Basic and diluted weighted average number of shares outstanding	371,145,552	299,231,333
Basic and diluted loss per share	($0.06)	($0.17)

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

	December 31, 2014	December 31, 2013
Exercisable stock options outstanding	10,741,675	15,671,621
Warrants	64,714,072	191,403,611
Total anti-dilutive instruments	75,455,747	207,075,232

(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 year ended December 31, 2014 and 2013 were $69,149 and $232,232.

20. Related party transactions

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

	Year Ended	
	December 31, 2014	December 31, 2013
Short-term employee benefits	$ 1,159,091	$ 1,783,230
Post-employment benefits	-	7,333
Other long-term benefits	193	1,201
Termination benefits	-	579,837
Share-based payment	128,081	1,208,815
Total key management compensation	$ 1,287,365	$ 3,580,416

(expressed in United States dollars unless otherwise noted)

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

	December 31, 2014	December 31, 2013
No later than one year	$ 609,307	$ 960,135
For years 2 - 5	1,425,190	2,924,195
Thereafter	310,000	250,000
Total commitments for expenditures	$ 2,344,497	$ 4,134,330

Non-cancelable operating lease commitments

	December 31, 2014	December 31, 2013
No later than one year	$ 103,194	$ 175,072
For years 2 - 5	139,234	55,041
Thereafter	-	-
Total operating lease commitments	$ 242,428	$ 230,113

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 ("COD") of Phase I of the San Jacinto project. This agreement is extendable by mutual agreement of the parties.

In connection with the PPA, $3.6 million was expensed in 2011 related to an extension agreement for completion of the San Jacinto Phase I project. The Company paid $2.5 million of the amount due in 2011. As at December 31, 2014 and December 31, 2013, the Company had accrued $nil and $1.1 million, respectively, in accounts payable and accrued liabilities on the consolidated balance sheet. $1.1 million was offset against revenue billings from the San Jacinto project between January and June 2014.

Under the terms of the PPA, PENSA was released from the obligation to hold letters of credit in favor of Disnorte and Dissur. As a result, $2.5 million was reclassified out of restricted cash in January 2013 on the consolidated balance sheet of the Company.

In May 2008, the Company entered into a PPA with Northern California Power Agency ("NCPA"), with an amendment in May 2011 for the sale of 26 MW of power for a period of 25 years from the Geysers geothermal project in Sonoma County, California. On May 1, 2013, the Company received formal notification terminating the PPA from the NCPA for failure to meet certain development milestones in 2013. The Company sold the Geysers project in April 2014.

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 is a respondent in a legal claim pending in arbitration for approximately $1 million arising out of a contract dispute with one of its drilling vendors. PENSA has issued a counterclaim for more than that amount and management is uncertain whether PENSA will be obligated to pay damages. 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 December 31, 2014.

(expressed in United States dollars unless otherwise noted)

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 December 31, 2014.

23. Income taxes

(a) Income tax recognized in comprehensive loss

The Company has recorded the following deferred tax expense for the years ended December 31, 2014 and 2013:

	Year Ended	
	December 31, 2014	December 31, 2013
Current tax		
Current tax expense (benefit) in respect of current year	$ -	$ -
Deferred tax		
Deferred tax expense recognized in the current year	11,854,713	8,224,431
Total income tax expense from continuing operations	$ 11,854,713	$ 8,224,431

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates to income before tax. Income tax rates changed from 25.00% in 2013 to 26.00% in 2014 due to an increase in the provincial statutory income tax rates. These differences result from the following:

	Year Ended	
	December 31, 2014	December 31, 2013
Comprehensive loss for the year before income taxes and non-controlling interests	$ (12,093,805)	$ (42,710,847)
Income before tax	$ (12,093,805)	$ (42,710,847)
Statutory tax rate	26.00%	25.00%
Expected income tax	(3,140,336)	(11,477,352)
Increase (decrease) resulting from:		
Non-taxable items	1,250,405	2,047,555
Change in unrecoginized assets	12,522,456	21,122,986
Change in tax rates and rate differences	(1,800,908)	(4,129,501)
Expiration of tax losses	2,838,450	146,051
Other		444,622
Prior period tax adjustments	184,646	70,070
Deferred tax expense (recovery)	$ 11,854,713	$ 8,224,431

(b) Recognized deferred tax assets and liabilities

Deferred tax assets are attributable to the following:

	December 31, 2014	December 31, 2013
Tax loss carryforwards	$ 1,536,645	$ 1,511,475
Deferred tax assets	1,536,645	1,511,475
Set off of tax	(1,536,645)	(1,511,475)
Net deferred tax asset	$ -	$ -

(expressed in United States dollars unless otherwise noted)

Deferred tax liabilities are attributable to the following:

	December 31, 2014		December 31, 2013
Long-term debt	$	(1,358,202)	$	(1,234,448)
FX on foreign currency election		(178,442)		(181,223)
Resource amounts		-		(95,804)
Geothermal properties		(26,470,640)		(14,615,926)
Deferred tax liabilities		(28,007,284)		(16,127,401)
Set off of tax		1,536,645		1,511,475
Net deferred tax liability	$	(26,470,639)	$	(14,615,926)

Deferred tax assets have not been recognized in respect of the following items:

		December 31, 2014		December 31, 2013
Deductible temporary differences	$	33,201,711	$	64,196,178
Tax losses		51,533,186		35,864,124
	$	84,734,897	$	100,060,302

The Canadian tax losses expire between 2015 and 2034. The U.S. tax losses expire between 2032 and 2034. Deferred tax assets have been recognized in respect of these losses to the extent that it is probable that future taxable profit will be available against which the Company can utilize the benefits. The losses incurred in Canada and the US prior to October 19, 2009 are subject to restrictions imposed as a result of the acquisition of control rules.

The Company does not expect to utilize any of the net operating losses carried forward in Nicaragua because the Company's subsidiary in Nicaragua is not subject to income taxes for a period of 10 years. The Nicaraguan subsidiary was granted a tax-free holiday under the tax laws related to the commercial production of electricity from renewable resources.

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 year ended December 31, 2014 and 2013.

(expressed in United States dollars unless otherwise noted)

Measured at Fair Value

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	-	-	-	-	-

As at December 31, 2013	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Prepayment option related to debentures	$ (1,357,000)	$ (1,357,000)	$ -	$ -	$ (1,357,000)
Derivative liability related to long-term debt	(1,969,178)	(1,969,178)	-	-	(1,969,178)
Warrant liability related to debentures	(956,277)	(956,277)	(956,277)	-	-
Warrant liability related to equity financing	(603,693)	(603,693)	(603,693)	-	-

	Prepayment Option Asset		Derivative Liability		Warrant Liabilitiy	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Beginning balance - January 1	$ 1,357,000	$ -	$ (1,969,178)	$ (2,405,376)	$ (956,277)	$ -
Total gain (loss):						
Included in finance costs	-	-	(3,217,544)	(880,208)	-	-
Included in other gains and losses	(1,357,000)	(4,624,518)	-	-	479,919	3,065,719
Transfers out of level 3	-	-	-	-	476,358	-
Issuance	-	5,981,518	-	-	-	(4,021,996)
Payments/accruals on derivative obligations	-	-	2,532,569	1,316,406	-	-
Ending balance	$ -	$ 1,357,000	$ (2,654,153)	$ (1,969,178)	$ -	$ (956,277)

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 and equity financing are valued using quoted market prices. Warrant liabilities related to debentures were first valued using a Black Scholes valuation method and subsequently were listed on an exchange, which resulted in a change in valuation method and a transfer from Level 3 to Level 1.

As at December 31, 2014 and December 31, 2013, 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 December 31, 2014 was 6.74%. The Phase I Subordinated Facility, with principal of $5,833,333 and $6,666,666, bears interest at fixed rates of 7.16% and 5.79%, respectively. The Company determined that a hypothetical 10 basis point increase in the 3-month LIBOR would result in an increase of $49,146 and $57,248 in financing costs for the year ended December 31, 2014 and 2013, 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 December 31, 2014 was 6.74%. The Phase II Subordinated Facility bears interest at a fixed rate of 4.95%. The Company determined that a hypothetical 10 basis point increase in the 3-month LIBOR would result in an increase of $128,240 and $135,170 in financing costs for the year ended December 31, 2014 and 2013, respectively.

From the remediation result date and if the plant is operating at production levels above 60 MW (net), 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. The plant is operating at production levels below 60 Mw (net) and the Company is not required to enter into interest rate swaps at this time. Management believes the Company is not exposed to significant interest rate risk on the loans and, therefore, the Company does not currently hold any financial instruments that mitigate this risk.

(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 December 31, 2014 and 2013, the Company had cash, accounts payable and long-term debt in aggregate of CDN$54,273,406 and CDN$49,929,457, 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 $4,678,368 and $4,694,368 for the year ended December 31, 2014 and 2013, respectively. The Company does not enter into any foreign exchange contracts to mitigate this risk.

(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.

(expressed in United States dollars unless otherwise noted)

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 December 31, 2014 and December 31, 2013 was $10,133,314 and $8,122,558, 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 December 31, 2014:

	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years	Total
Accounts payable and accrued liabilities	$ 7,559,914	$ -	$ -	$ -	$ 7,559,914
Debt, current and long-term	208,586,984	-	45,699,358	-	254,286,342
Interest obligations	18,359,302	8,128,358	5,080,224	-	31,567,884
Warrant liability related to equity financing	-	-	219,185	-	219,185
Decommissioning liabilities	-	-	-	3,931,506	3,931,506
Operating and geothermal lease commitments	712,501	1,342,157	222,267	310,000	2,586,925
	$ 235,218,701	$ 9,470,515	$ 51,221,034	$ 4,241,506	$ 300,151,756

Interest on the San Jacinto project credit facilities is due and payable quarterly, and is currently estimated to be approximately $3.5 million each quarter. Interest payments on the San Jacinto project credit facilities may be made from cash generated by PENSA from operations at the San Jacinto Project; however PENSA is currently limited in its ability to distribute any of such cash to its parent companies in the Ram Power group and as a result the ability of Ram Power to pay interest on its Debentures is more constrained. Interest on the Debentures is due and payable semi-annually in June and December and is estimated to be approximately $4.1 million annually.

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. The Company's ability to make payments of interest on its Debentures is dependent on the Company raising cash through future asset sale or debt or equity financings.

As at December 31, 2014 the Company had $15,291,540 in cash, of which $14,065,452 is restricted for use in the San Jacinto Project. As at and for the year ended December 31, 2014 the Company had accumulated losses of $364,128,437 and a net decrease in cash of $7,258,454. The Company also had negative working capital of $179,405,528 as at December 31, 2014 as a result of project debt compliance issues entitling the lenders to accelerate the loans at their discretion. Because of continuing losses and negative working capital, the Company's continuance as a going concern is dependent upon its ability to obtain waivers or restructure the San Jacinto project credit facilities (including by way of lowering the requirement to achieve a minimum level of electricity production at the San Jacinto project from the current minimum of 55 MW (net)/day) and obtain adequate additional financing. The Company will need to raise additional capital through the strategic process in order to continue funding operating and exploration and development expenditures. However, it is not possible to predict whether financing efforts will be successful on terms acceptable to the Company (or at all) or if the Company will attain profitable levels of 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.