Unaudited Interim Condensed Consolidated Financial Statements of

Polaris Infrastructure Inc.

June 30, 2018 and 2017

(Expressed in United States dollars)

Polaris Infrastructure Inc.

June 30, 2018 and 2017

Table of Contents

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

	Note Ref		As at June 30, 2018		As at December 31, 2017
Assets					
Current assets					
Cash			34,484,634	$	37,217,120
Accounts receivable	9		14,489,899		12,161,961
Prepaid expenses	10		1,283,968		787,976
			50,258,501		50,167,057
Restricted cash	11		1,504,896		1,509,164
Other assets, net	10		1,515,792		802,204
Exploration and development properties	12		11,549,061		11,542,734
Geothermal properties	13		1,518,054		15,780,153
Property, plant and equipment, net	14		331,635,712		323,478,425
Intangible assets, net	15		3,873,463		3,978,151
Total assets		$	401,855,479	$	407,257,888
Liabilities and Total Equity					
Current liabilities					
Accounts payable and accrued liabilities	16	$	6,002,448	$	9,119,281
Current portion of long-term debt, net	17		13,616,969		12,720,843
			19,619,417		21,840,124
Other liabilities					
Long-term debt, net	17		149,254,340		156,353,737
Decommissioning liabilities	18		3,723,848		3,718,733
Deferred tax liability, net			42,199,225		38,136,676
Total liabilities			214,796,830		220,049,270
Non-controlling interests	19		(383,396)		(415,746)
Equity attributable to the owners of the Company					
Share capital	19		598,761,540		598,719,423
Contributed surplus	19		11,177,363		11,120,419
Accumulated deficit			(422,496,858)		(422,215,478)
Total equity attributable to the owners of the Company			187,442,045		187,624,364
Total equity			187,058,649		187,208,618
Total liabilities and total equity		$	401,855,479	$	407,257,888

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

Polaris Infrastructure Inc.

Interim Condensed Consolidated Statements of Operations and Comprehensive Earnings (Unaudited)

(expressed in United States dollars)

		Three Months Ended		Six Months Ended	
	Note Ref	**June 30, 2018**	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
Revenue	4	$ 17,656,705	$ 15,913,061	$ 32,386,812	$ 29,281,045
Direct costs					
Other direct costs	6	(1,681,009)	(1,548,867)	(3,194,793)	(3,149,088)
Depreciation and amortization of plant assets	6	(5,788,362)	(5,414,569)	(11,334,769)	(10,797,271)
General and administrative expenses	6	(359,608)	(1,320,001)	(1,238,853)	(2,272,186)
Other operating costs		(36,461)	(88,871)	(119,339)	(200,968)
Operating income		9,791,265	7,540,753	16,499,058	12,861,532
Interest income		161,254	148,651	291,901	238,707
Finance costs	7	(3,849,591)	(4,353,890)	(8,088,602)	(8,649,878)
Other losses	8	(149,484)	(102,300)	(185,371)	(234,377)
Earnings and comprehensive earnings before income taxes		5,953,444	3,233,214	8,516,986	4,215,984
Income tax expense		(2,017,410)	(2,020,410)	(4,062,548)	(4,179,345)
Total earnings and comprehensive earnings		$ 3,936,034	$ 1,212,804	$ 4,454,438	$ 36,639
Total earnings and comprehensive earnings attributable to:					
Owners of the Company		$ 3,910,381	$ 1,188,744	$ 4,422,088	$ 21,797
Non-controlling interests		$ 25,653	$ 24,060	$ 32,350	$ 14,842
Basic and diluted earnings per share		$0.25	$0.08	$0.28	$0.00

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

Polaris Infrastructure Inc.

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

(expressed in United States dollars, except for share information)

	Common Stock		Contributed	Accumulated	Total Attributable to the Owners	Non-Controlling	
	Shares	Amount	Surplus	Deficit	of the Company	Interests	Total Equity
Balance at January 1, 2017	**15,673,278**	**598,692,253**	**11,964,215**	**(415,746,829)**	**194,909,639**	**(251,372)**	**194,658,267**
Share-based compensation	-	-	(1,172,866)	-	(1,172,866)	-	(1,172,866)
Dividends payable	-	-	-	(3,761,570)	(3,761,570)	-	(3,761,570)
Total loss and comprehensive loss	-	-	-	21,797	21,797	14,842	36,639
Balance at June 30, 2017	**15,673,278**	**598,692,253**	**10,791,349**	**(419,486,602)**	**189,997,000**	**(236,530)**	**189,760,470**
Share-based compensation	2,000	27,170	329,070	-	356,240	-	356,240
Dividends paid	-	-	-	(4,545,530)	(4,545,530)	-	(4,545,530)
Non - controlling interest ownership adjustment				174,589	174,589	(174,283)	306
Total earnings (loss) and comprehensive earnings (loss)	-	-	-	1,642,065	1,642,065	(4,933)	1,637,132
Balance at December 31, 2017	**15,675,278**	**598,719,423**	**11,120,419**	**(422,215,478)**	**187,624,364**	**(415,746)**	**187,208,618**
Share-based compensation	3,021	42,117	56,944	-	99,061	-	99,061
Dividends paid	-	-	-	(4,703,468)	(4,703,468)	-	(4,703,468)
Total earnings and comprehensive earnings	-	-	-	4,422,088	4,422,088	32,350	4,454,438
Balance at June 30, 2018	**15,678,299**	**598,761,540**	**11,177,363**	**(422,496,858)**	**187,442,045**	**(383,396)**	**187,058,649**

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

Polaris Infrastructure Inc.

Interim Condensed Consolidated Statements of Cash Flows (Unaudited)

(expressed in United States dollars)

	Six Months Ended	
	June 30, 2018	**June 30, 2017**
Net inflow (outflow) of cash related to the following activities		
Operating		
Total earnings (loss) and comprehensive earnings (loss) attributable to owners of the Company	$ 4,422,088	$ 21,797
Deduct items not affecting cash:		
Non-controlling interests in net loss of subsidiary	32,350	14,842
Deferred income tax expense	4,062,548	4,179,345
Finance costs recognized	7,073,115	7,696,605
Depreciation and amortization	11,343,043	10,809,514
Accretion of decommissioning liability	34,511	24,743
Change in decommissioning liabilities	(29,396)	(7,730)
Accretion on debt	610,825	643,730
Share-based compensation	(312,338)	816,713
Unrealized foreign exchange loss	(41,170)	27,564
Changes in non-cash working capital:		
Accounts receivable	(2,327,938)	(508,824)
Prepaid expenses	(495,992)	(302,005)
Accounts payable and accrued liabilities	649,126	(1,100,411)
Interest and return enhancement paid	(7,260,224)	(7,326,628)
	17,760,548	14,989,255
Investing		
Change in restricted cash	4,268	(3,869)
Change in accounts payable and accrued liabilities related to San Jacinto project	(3,350,088)	2,714,102
Changes in other assets	(721,862)	(33,099)
Additions to exploration and development	(6,327)	(52,388)
Additions to geothermal properties	(4,581,589)	(9,304,738)
Additions to property, plant and equipment	(543,680)	(1,361,271)
	(9,199,278)	(8,041,263)
Financing		
Dividends paid	(4,703,468)	(3,761,570)
Repayment of debt	(6,590,607)	(4,928,877)
	(11,294,075)	(8,690,447)
Foreign exchange loss on cash held in foreign currency	319	2,333
Net decrease in cash	(2,732,486)	(1,740,122)
Cash, beginning of period	37,217,120	45,739,008
Cash, end of period	$ 34,484,634	$ 43,998,886

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

1. Organization

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

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

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

2. Basis of presentation

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting,* as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed. Accordingly, the interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2017.

These unaudited interim condensed consolidated financial statements have been prepared on a going concern basis, using historical cost convention.

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

These unaudited interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company (the "Board") on August 7, 2018.

3. Summary of significant accounting policies

Principles of consolidation

Except for the adoption of IFRS 15 described below, these interim condensed consolidated financial statements include the accounts of the Company and its controlled subsidiaries. All significant intercompany balances and transactions are eliminated upon consolidation.

These interim condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of the Company for the year ended December 31, 2017, as presented in Note 3 to the audited consolidated financial statements.

New Accounting Standards Adopted During the Year

IFRS 15 – Revenue from Contracts with Customers

The Company has adopted IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") effective January 1, 2018 on a modified retrospective basis in accordance with the transitional provisions of IFRS 15. Results for reporting periods beginning after January 1, 2018 are presented under IFRS 15, while prior reporting period amounts have not been restated and continue to be reported under IAS 18 – Revenue ("IAS 18") (accounting standard in effect for those periods).

The Company has concluded that the adoption of IFRS 15 does not change the Company's approach to revenue recognition and did not result any measurement adjustments nor adjustments to the opening deficit balance at January 1, 2018. Revenue disclosures are provided in Note 4 to these financial statements.

(expressed in United States dollars unless otherwise noted)

New Accounting Standards Previously Adopted

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) and earlier versions of IFRS 9. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 and is available for earlier adoption. The Company early adopted IFRS 9 in a prior year.

Accounting Standards issued but not yet effective

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 Leases, which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied or is applied at the same date as IFRS 16. The Company has not yet evaluated the impact of IFRS 16 on its consolidated financial statements.

4. Revenue

Revenue for the three months ended June 30, 2018 and 2017 of $17,656,705 and $15,913,061, respectively, and for the six months ended June 30, 2018 and 2017 of $32,386,812 and $29,281,045, respectively, was earned from the sale of energy to Nicaraguan power distributors Distribuidora De Electricidad del Norte, S.A. ("Disnorte") and Distribuidora De Electricidad del Sur, S.A. ("Dissur"), subsidiaries of the Spanish utility TSK-Melfosur Internacional ("TMI"), at the Company's San Jacinto Project.

The Company has determined that it has one performance obligation which is the delivery of electricity to its two customers. There is no revenue recognized from unfulfilled performance obligations. Note 9 to these financial statements provides details on the Company's contract balances related to this revenue.

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 Latin America. 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. The Company has presented the geographic information in the following tables.

	Three Months Ended		Six Months Ended	
Revenue	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Canada	$ -	$ -	$ -	$ -
United States	-	-	-	-
Nicaragua	17,656,705	15,913,061	32,386,812	29,281,045
	$ 17,656,705	$ 15,913,061	$ 32,386,812	$ 29,281,045

Comprehensive income (loss)	Three Months Ended		Six Months Ended	
before income taxes	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Canada	$ 42,751	$ (896,177)	$ (418,935)	$ (1,441,354)
United States	(49,289)	(80,989)	(58,979)	(151,885)
Nicaragua	5,959,982	4,210,380	8,994,900	5,809,223
	$ 5,953,444	$ 3,233,214	$ 8,516,986	$ 4,215,984

(expressed in United States dollars unless otherwise noted)

Assets and liabilities	As at June 30, 2018	As at December 31, 2017
Canada	$ 12,638,763	$ 14,228,220
United States	265,651	343,516
Nicaragua	388,951,065	392,686,152
Total assets	$ 401,855,479	$ 407,257,888
Canada	$ 1,919,209	$ 1,195,909
United States	249,898	249,898
Nicaragua	349,427,871	355,645,024
Total non-current assets	$ 351,596,978	$ 357,090,831
Canada	$ 4,057,322	$ 4,404,332
United States	2,612,307	2,600,424
Nicaragua	208,127,201	213,044,514
Total liabilities	$ 214,796,830	$ 220,049,270

6. General and administrative and other expenses

(a) Direct costs

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

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Depreciation and amortization	$ 5,788,362	$ 5,414,569	$ 11,334,769	$ 10,797,271
Employee costs	663,885	637,013	1,374,112	1,414,297
General liability insurance	579,900	408,080	999,642	817,645
Maintenance	424,516	502,335	792,900	900,464
Other direct costs	12,708	1,439	28,139	16,682
	$ 7,469,371	$ 6,963,436	$ 14,529,562	$ 13,946,359

(b) General and administrative expenses

The Company's general and administrative expenses for the three and six months ended June 30, 2018 and 2017 consisted of:

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Salaries and benefits	$ 399,160	$ 326,866	$ 754,164	$ 665,554
Share-based compensation	(441,327)	625,667	(347,495)	816,713
Facilities and support	171,067	102,535	335,895	256,789
Professional fees	128,186	150,190	279,161	309,536
Insurance	98,736	100,646	197,255	205,548
Depreciation of other assets	3,780	6,032	8,274	12,244
Other general and adminstrative expenses	6	2,617	11,599	5,802
Gross general and administrative expenses	359,608	1,314,553	1,238,853	2,272,186
Total allocation to exploration and development and geothermal properties	-	5,448	-	-
Net general and administrative expenses	$ 359,608	$ 1,320,001	$ 1,238,853	$ 2,272,186

(expressed in United States dollars unless otherwise noted)

7. Finance costs

The Company's finance costs for the three and six months ended June 30, 2018 and 2017 consisted of:

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Interest on debt	$ 3,362,621	$ 3,871,081	$ 7,073,115	$ 7,696,605
Accretion on debt	302,862	319,888	610,825	643,730
Accretion of decommissioning liabilities	19,741	12,409	34,511	24,743
Other finance costs	164,367	150,512	370,151	284,800
	$ 3,849,591	$ 4,353,890	$ 8,088,602	$ 8,649,878

Cash paid for interest and return enhancement during the three months ended June 30, 2018 and 2017 was $3,738,902 and $3,711,469, respectively. Cash paid for interest and return enhancement during the six months ended June 30, 2018 and 2017 was $7,260,224 and $7,326,628, respectively.

8. Other gains and losses

The Company's other gains and losses for the three and six months ended June 30, 2018 and 2017 consisted of:

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Foreign exchange losses	$ (133,169)	$ (102,000)	$ (181,138)	$ (235,661)
Other gains (losses)	(16,315)	(300)	(4,233)	1,284
	$ (149,484)	$ (102,300)	$ (185,371)	$ (234,377)

9. Accounts receivable

The Company's accounts receivable of $14,489,899 as at June 30, 2018 and $12,161,961 as at December 31, 2017, consisted of amounts due from its customers, Disnorte and Dissur, subsidiaries of the Spanish utility TMI, related to the operations of the San Jacinto Project. Payment terms are 45 days from invoice date.

10. Prepaid expenses and other assets, net

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

(a) Prepaid expenses

	June 30, 2018	December 31, 2017
Prepaid insurance	$ 924,172	$ 427,797
Other prepaids	359,796	360,179
	$ 1,283,968	$ 787,976

(b) Other assets, net

	June 30, 2018	December 31, 2017
Recoverable taxes	$ 230,479	$ 714,529
Debentures receivable	571,181	-
Investment in affiliate	178,289	-
Other deposits	55,515	64,104
Fixed assets, net	25,475	23,571
Other	454,853	-
	$ 1,515,792	$ 802,204

(expressed in United States dollars unless otherwise noted)

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 $8,274 and $12,244 was recorded for the six months ended June 30, 2018 and 2017, respectively.

11. Restricted cash

	June 30, 2018	December 31, 2017
Casita exploitation application guarantee	$ 50,000	$ 50,000
San Jacinto guarantees	1,080,000	1,080,000
Reclamation bonds - US and Canada	363,910	369,565
Other restricted cash	10,986	9,599
	$ 1,504,896	$ 1,509,164

In addition to amounts recorded as restricted cash, cash in the amount of $24,102,515 and $24,373,990 held by the Company as at June 30, 2018 and December 31, 2017, 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.

12. Exploration and development properties

The Company incurred the following costs in connection with its exploration and development properties.

	Balance at December 31, 2017	2018 Additions	Balance at June 30, 2018
Intangible			
Casita	$ 11,442,269	$ 6,327	$ 11,448,596
Total- Intangible	11,442,269	6,327	11,448,596
Tangible			
Casita	100,465	-	100,465
Total-Tangible	100,465	-	100,465
Total Exploration and Development Properties			
Casita	$ 11,542,734	6,327	11,549,061
Total	$ 11,542,734	$ 6,327	$ 11,549,061

13. Geothermal properties

Development costs related to the San Jacinto project that are not yet in operation were $1,518,054 as at June 30, 2018 and $15,780,152.at December 31, 2017. The decrease relates to costs for the San Jacinto Project that were placed into service during the six months ended June 30, 2018 and transferred to property, plant and equipment.

14. Property, plant and equipment, net

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

	December 31, 2017	2018 Activity	2018 Transfers from Geothermal Properties	June 30, 2018
San Jacinto project	$ 498,767,905	$ 182,779	$ 18,843,688	$ 517,794,372
Accumulated depreciation	(139,676,290)	(11,230,081)		(150,906,371)
Accumulated impairment	(38,940,166)	-		(38,940,166)
Capital spares	3,326,976	360,901		3,687,877
	$ 323,478,425	$ (10,686,401)	$ 18,843,688	$ 331,635,712

Property, plant and equipment currently in operation are being depreciated on a straight-line basis over the remaining term of their estimated useful lives. Depreciation expense of $11,230,081 and $10,693,331 for the six months ended June 30, 2018 and 2017, respectively, was recorded in the consolidated statements of operations and comprehensive loss.

(expressed in United States dollars unless otherwise noted)

15. Intangible assets

Amortization expense related to the transmission assets for the San Jacinto project donated to the Nicaraguan utility, ENATREL in December 2011, for the six months ended June 30, 2018 and 2017 was $104,688 and $103,939, respectively

16. Accounts payable and accrued liabilities

	June 30, 2018	December 31, 2017
Trade payables	$ 1,929,015	$ 1,256,615
Construction payables	24,997	640,174
Construction accrued liabilities	625,974	3,360,885
Interest payable	493,907	530,406
Other accrued liabilities	2,928,555	3,331,201
	$ 6,002,448	$ 9,119,281

17. Long-term debt, net

	Phase I Senior Debt	Phase I Subordinated Debt	Phase II Senior Debt	Phase II Subordinated Debt	Total Phase I and Phase II Debt	Loan from Former Shareholder	Total
Loans and other borrowings – December 31, 2017	$36,332,030	$13,441,909	$ 99,887,513	$18,549,210	$168,210,662	$ 863,918	$169,074,580
Accrued interest expense	-	-	-	-	-	11,120	11,120
Return enhancement	-	6,492	-	(199,932)	(193,440)	-	(193,440)
Accretion of deferred transaction costs	235,153	-	375,673	-	610,826	-	610,826
Repayments of debt	(1,896,340)	(513,863)	(3,691,912)	(488,492)	(6,590,607)	-	(6,590,607)
Effect of foreign exchange on loans	-	-	-	-	-	(41,170)	(41,170)
Loans and other borrowings – June 30, 2018	$34,670,843	$12,934,538	$ 96,571,274	$17,860,786	$162,037,441	$ 833,868	$162,871,309
Current	$ 3,931,675	$ 1,101,134	$ 6,732,600	$ 1,017,692	$ 12,783,101	$ 833,868	$ 13,616,969
Non-current	30,739,168	11,833,404	89,838,674	16,843,094	149,254,340	-	149,254,340
Unamortized transaction costs/return enhancement	1,617,667	(1,556,202)	4,252,414	(1,740,552)	2,573,327	-	2,573,327
Principal balance	$36,288,510	$11,378,336	$ 100,823,688	$16,120,234	$164,610,768	$ 833,868	$165,444,636
Maturity date	12/15/2024	12/15/2025	12/15/2028	6/15/2029		12/31/2011	

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Phase I Facility				
Interest recorded as financing cost	$ 1,065,054	$ 1,202,673	$ 2,215,494	$ 2,395,575
Accretion recorded as financing cost	116,365	123,617	235,153	248,834
Phase II Facility				
Interest recorded as financing cost	2,292,047	2,664,215	4,846,501	5,292,634
Accretion recorded as financing cost	186,497	196,271	375,672	394,896
Other				
Interest recorded as financing cost	5,520	4,193	11,120	8,396
Total				-
Interest recorded as financing cost	$ 3,362,621	$ 3,871,081	$ 7,073,115	$ 7,696,605
Accretion recorded as financing cost	302,862	319,888	610,825	643,730

(a) Credit agreements

As at June 30, 2018 and June 30, 2017, the interest rate on the Phase I and Phase II senior facilities was LIBOR + 6.0% (8.34%) and LIBOR + 6.5% (7.75%), respectively. Interest on the Phase I and Phase II Subordinated Debt is fixed at 6% annually.

All debt drawn on the Phase I and II Credit Agreements is non-recourse to the Company and all its subsidiaries other than PENSA and SJPIC.

(b) Loan from former shareholder

The Company assumed a loan from a former shareholder of Western Geothermal Power, Inc in connection with a historical business combination. The loan is denominated in Canadian dollars and interest is calculated annually at the Royal Bank of Canada's prime rate. The loan matured on December 31, 2011, but the former shareholder appears to have ceased operations. As at June 30, 2018, the Company continues to accrue interest at the Royal Bank of Canada's prime rate of 3.45%. No interest was paid for this loan during the six months ended June 30, 2018 and 2017.

18. Decommissioning liabilities

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

	South Meager	Orita	Sierra	Total
December 31, 2017	$ 1,151,187	$ 1,772,302	$ 795,244	$ 3,718,733
Revision in estimate	(3,390)	(17,951)	(8,055)	(29,396)
Accretion	9,732	17,104	7,675	34,511
June 30, 2018	$ 1,157,529	$ 1,771,455	$ 794,864	$ 3,723,848

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

		Discount Rates	
	Undiscounted Costs	June 30, 2018	December 31, 2017
South Meager	1,190,676	1.85%	1.69%
Orita	1,841,147	2.52%	1.91%
Sierra	826,133	2.52%	1.91%

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 and Deferred Stock
Balance at December 31, 2016	15,673,278	15,673,278	8,268	26,191	-
Stock options forfeited or expired	-	-	(268)	-	-
Stock options vested	-	-	184,543	-	-
RSUs and DSUs vested	-	-	-	-	77,566
Warrants expired	-	-	(3,021)	-	-
Shares issued	2,000	2,000	-	-	-
Balance at December 31, 2017	15,675,278	15,675,278	189,522	26,191	77,566
RSUs and DSUs vested	-	-	-	-	81,566
Stock options vested	-	-	8,000	-	-
Warrants expired	-	-	-	(26,191)	-
Shares issued	3,021	3,021	-	-	-
Balance at June 30, 2018	15,678,299	15,678,299	197,522	-	159,132

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

The Company's Omnibus Long-Term Incentive Plan (the "LTIP") adopted in June 2012 and most recently approved in June 2017, provides that stock options may be granted to directors, senior officers, employees and consultants of the Company or any of its affiliates and employees of management companies engaged by the Company. Options granted under the LTIP are for a contractual term not to exceed five years from the date of their grant, and vesting is determined by the Company's Board.

(expressed in United States dollars unless otherwise noted)

The following table reconciles stock options outstanding as at June 30, 2018 and December 31, 2017:

	For the six months ended June 30, 2018	Weighted Average Exercise Price	For the year ended December 31, 2017	Weighted Average Exercise Price (CDN)
Balance at beginning of period	678,108	$ 16.16	171,397	$ 14.65
Granted during the period	-	-	510,000	16.89
Exercised during the period	-	-	(3,021)	14.60
Forfeited during the period	-	-	(68)	460.00
Expired during the period	-	-	(200)	460.00
Balance at end of period	678,108	$ 16.16	678,108	$ 16.16

The following table summarizes the information related to stock options outstanding as at June 30, 2018:

	Outstanding Options			Exercisable Options	
Range $CDN	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price ($CDN)	Number of Options Outstanding	Weighted Average Exercise Price ($CDN)
0.00 - 99.99	678,108	4.2	$ 16.16	197,522	$ 15.52
	678,108	4.2	$ 16.16	197,522	$ 15.52

For the six months ended June 30, 2018 and 2017, the Company recognized share-based compensation expense associated with options, with a corresponding increase in contributed surplus, of $63,904 and $100,959, respectively.

There are no performance criteria associated with restricted share units ("RSUs"). During the second quarter 2017, the Company revised its RSU agreements, allowing the participant to elect to receive either shares or a cash equivalent amount in exchange for the RSUs after each vesting date. As a result, the Company recorded a liability in connection with the RSUs, which will be remeasured to the fair value of the RSUs at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period. The Company recognized share-based compensation expense associated with RSUs of $(396,061) and $706,806 for the six months ended June 30, 2018 and 2017, respectively.

Deferred share units ("DSUs") granted to directors of the Company may be redeemed within the 90 days following termination from the Company by providing a notice of redemption specifying an election to receive either a cash payment or Company shares or both. The Company recognized a (reduction)/increase in the fair value of the liability and related shared-based compensation expense associated with DSUs of $(15,538) and $8,948 for the six months ended June 30, 2018 and 2017, respectively.

(b) 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)

(c) Per share amounts

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

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Total earnings (loss) and comprehensive earnings (loss) attributable to owners of the Company	$ 3,910,381	$ 1,188,744	$ 4,422,088	$ 21,797
Basic weighted average number of shares outstanding	15,678,299	15,673,278	15,677,982	15,673,278
Basic earnings (loss) per share	$0.25	$0.08	$0.28	$0.00

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Total earnings (loss) and comprehensive earnings (loss) attributable to owners of the Company	$ 3,910,381	$ 1,188,744	$ 4,422,088	$ 21,797
Diluted weighted average number of shares outstanding	15,731,657	15,693,453	15,748,220	15,689,337
Diluted earnings (loss) per share	$0.25	$0.08	$0.28	$0.00

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

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Stock options - 11/16/2012 grant date	-	200	-	200
Deferred stock units	-	-	-	4,839
Warrants	-	26,191	-	26,191
Total anti-dilutive instruments	-	26,391	-	31,230

(d) Non-controlling interests

The Company owns 99.34% of Polaris Energy Corp (“PEC”), while PEC owns 95% of Cerro Colorado Corp. (“CCC”), both of which are Panamanian companies. CCC owns 90% of Cerro Colorado Power S.A., a Nicaraguan company, which holds the concession to the Casita geothermal project. Earnings attributed to the non-controlling interest owners in these subsidiaries for the six months ended June 30, 2018 and 2017 were $32,350 and $14,842, respectively.

20. Related party transactions

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

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Short-term employee benefits	$ 139,476	$ 142,127	$ 280,092	$ 277,878
Share-based payment	74,983	186,350	159,736	377,021
Total key management compensation	$ 214,459	$ 328,477	$ 439,828	$ 654,899

21. Commitments

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

Geothermal property lease commitments

		June 30, 2018
No later than one year	$	30,000
For years 2 - 5		120,000
Thereafter		300,000
Total commitments for expenditures	$	450,000

Non-cancelable operating lease commitments

		June 30, 2018
No later than one year	$	31,380
For years 2 - 5		78,450
Thereafter		-
Total operating lease commitments	$	109,830

22. Contingencies

Legal proceedings

PENSA is a respondent in a legal claim pending for approximately $0.1 million arising out of a dispute with a previous Director. The Company has not recorded a provision for this claim as the amount and timing of payment of damages, if any, is not certain or estimable as of June 30, 2018.

23. Financial instruments and risk management

(a) Fair value of financial assets and liabilities

As at June 30, 2018 and December 31, 2017, 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 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 and II Senior Facilities bear interest at an applicable margin of 6% with quarterly interest payments that are variable based upon 3-month LIBOR. The total rate as at June 30, 2018 was 8.34%. The Phase I and II Subordinated Facilities bears interest at a fixed rate of 6%. The Company determined that a hypothetical 10 basis point increase in 3-month LIBOR would result in an increase of $68,556 in financing costs for the six months ended June 30, 2018. The Company does not enter into any interest rate hedging contracts to mitigate this risk.

(d) Currency risk

The Company operates internationally and is exposed to risks from changes in foreign currency exchange rates. The functional currency of the Company is the US dollar and currently most of the Company’s transactions are denominated in US dollars. As at June 30, 2018, the Company had net Canadian dollar denominated assets of CDN$248,293.

(expressed in United States dollars unless otherwise noted)

The Company determined that a 10% change in the Canadian dollar against the US dollar would have impacted total loss and comprehensive loss by $18,855 for the six months ended June 30, 2018. The Company does not enter into any foreign exchange contracts to mitigate this risk.

(e) Commodity prices

The Company's commodity consists of power produced. 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.

(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. The Company's accounts receivable related 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 a concentration of credit risk. This party is subject to normal industry credit risks. Management does not believe that this represents a significant credit risk as the customer is a power distributor in the country of Nicaragua, and the government is committed to the stability of the sector. Credit risk concentration with respect to trade receivables is therefore mitigated but not eliminated due to the relationship between the Company and the Government of Nicaragua. The Company manages this risk by seeking out alternative customers both in Nicaragua and in other Central American countries so that, in the event of a credit failure on the part of its current customer, it would have alternative arrangements. The Company is entitled to sell its power to alternative customers in the event that its current customer fails to pay for power generated and such failure to pay continues for a period of 60 days.

Maximum credit risk is calculated as the total value of accounts receivable as at the balance sheet date less any liability amounts where there is a legal right to offset. The Company's maximum credit risk as at June 30, 2018 and December 31, 2017 was $14,489,899 and $12,161,961, respectively.

(g) Liquidity risk

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

The following are maturities for the Company's non-derivative and derivative financial liabilities as at June 30, 2018:

	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years	Total
Accounts payable and accrued liabilities	$ 6,002,448	$ -	$ -	$ -	$ 6,002,448
Debt, current and long-term	13,616,969	32,085,057	39,815,065	79,927,545	165,444,636
Interest obligations	12,900,688	22,369,108	16,570,965	16,228,340	68,069,101
	$ 32,520,105	$54,454,165	$56,386,030	$ 96,155,885	$239,516,185

Interest on the San Jacinto Project credit facilities is due and payable quarterly and is currently estimated to be approximately $3.3 million each quarter. The Company plans to make payments of interest on the San Jacinto project credit facilities out of its current cash and cash generated by operations.

24. Capital management

The Company's capital structure is comprised of net long-term debt, as further disclosed in Note 17, 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 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 solvency ratios for PENSA and SJPIC and restrictions on the use of revenue from the San Jacinto project.