POLARIS INFRASTRUCTURE INC.

ANNUAL INFORMATION FORM

For Fiscal Year Ended December 31, 2018

March 6, 2019

FORWARD LOOKING STATEMENTS

This Annual Information Form contains certain "forward-looking information" within the meaning of applicable Canadian securities laws. Forward-looking information can generally be identified by the use of words such as "approximately", "may", "will", "could", "believes", "expects", "intends", "should", "plans", "potential", "project", "anticipates", "estimates", "scheduled" or "forecasts", or other comparable terminology that state that certain events will or will not occur. It represents the projections and expectations of the Company relating to future events or results, as of the date of this Annual Information Form.

Forward-looking information may include, but is not limited to, financial and other projections as well as statements with respect to future events or future performance, management's expectations regarding growth, results of operations, business prospects and opportunities. In addition, statements relating to estimates of recoverable energy "resources" or energy generation capacities are forward-looking information, as they involve implied assessment, based on certain estimates and assumptions, that electricity can be profitably generated from the described resources in the future.

Forward-looking information is based on information currently available to management and reflects management's current beliefs and assumptions including, without limitation, those concerning geological, geophysical, geochemical and other conditions, geothermal resources, development and performance of operating facilities, the reliability of technical data, expected completion dates for projects under construction, expected capacity of and energy sales from new energy projects, the Company's ability to comply with local, state and federal regulations, support and demand for renewables, the Company's ability to obtain and maintain necessary permits, approval and licenses, the availability of capital to fund exploration and development, financial market conditions, general economic conditions, the successful and timely development and construction of new projects, the absence of material capital project or financing cost overruns, sufficient liquidity and capital resources, the continuation of observed weather patterns and trends, the absence of significant counterparty defaults, and the absence of a material change in political conditions or public policies and directions by governments materially negatively affecting the Company.

A number of known and unknown risks, uncertainties and other factors may cause actual results or performance to materially differ from those expressed, implied or presented by the forward-looking information. These are referred to in the "Risk Factors" section of this Annual Information Form and include, among others: failure to discover and establish economically recoverable and sustainable resources through exploration and development programs; imprecise estimation of probability simulations prepared to predict prospective resources or energy generation capacities; variations in project parameters and production rates; defects and adverse claims in the title to the Company's properties; failure to obtain or maintain necessary licenses, permits and approvals from government authorities; the impact of change in foreign currency exchange and interest rates; changes in government regulations and policies, including laws governing development, production, taxes, labor standards and occupational health, safety, toxic substances, resource exploitation and other matters; availability of government initiatives to support renewable energy generation; increase in industry competition; fluctuations in the market price of energy; impact of significant capital cost increases; unexpected or challenging geological conditions; changes to regulatory requirements, both regionally and internationally, governing development, geothermal resources, production, exports, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, project safety and other matters; economic, social and political risks arising from potential inability of end-users to support the Company's properties; insufficient insurance coverage; inability to obtain equity or debt financing; fluctuations in the market price of the Common Shares; impact of issuance of additional equity securities on the trading price of the Common Shares; inability to retain key personnel; the risk of volatility in global financial conditions, as well as significant decline in general economic conditions; uncertainty of political stability in Nicaragua

and Peru; uncertainty of the ability of Nicaragua and Peru to sell power to neighboring countries; economic insecurity in Nicaragua and Peru; and other development and operating risks.

Although the Company believes that the expectations and assumptions on which forward-looking information is based are reasonable under the current circumstances, readers are cautioned not to rely unduly on this forward-looking information since no assurance can be given that it will prove to be correct. Forward-looking information contained in this Annual Information Form is made as at the date of this Annual Information Form and the Company does not undertake any obligation to update or revise any Forward-Looking Information, whether as a result of events or circumstances occurring after the date hereof, unless so required by legislation.

Contents

1. INTRODUCTION

1.1 Currency and Other Information

All references to "dollars" or "$" are to United States dollars unless otherwise indicated (references to "Cdn$" are to Canadian dollars). The information contained herein is accurate only as of December 31, 2018, unless otherwise indicated.

1.2 Scientific and Technical Information

Certain disclosure in this Annual Information Form ("AIF") for the Company's Casita Project (as defined below) are based on the technical report entitled "Casita San Cristobal Geothermal Projected-Updated Resource Assessment" dated February 10, 2012, prepared by Jacobs Engineering ("Jacobs").

Geothermal properties and operations differ from mining or oil and gas properties, and Canadian securities regulators have not prescribed a form of technical report for geothermal properties. Accordingly, the foregoing technical report has not been prepared in accordance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101") or National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities ("NI 51-101"). Furthermore, the authors of this technical report are not qualified persons for the purposes of NI 43-101 or qualified reserves evaluators or auditors for the purposes of NI 51-101. Instead, the foregoing technical report has been prepared in accordance with accepted practices within the geothermal energy industry. Reference should be made to the full text of the technical report, available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com or upon request and without charge from the Corporate Secretary of Polaris Infrastructure at 77 Bloor Street West, Suite 600, Toronto, Ontario, M5S 1M2.

2. CORPORATE STRUCTURE

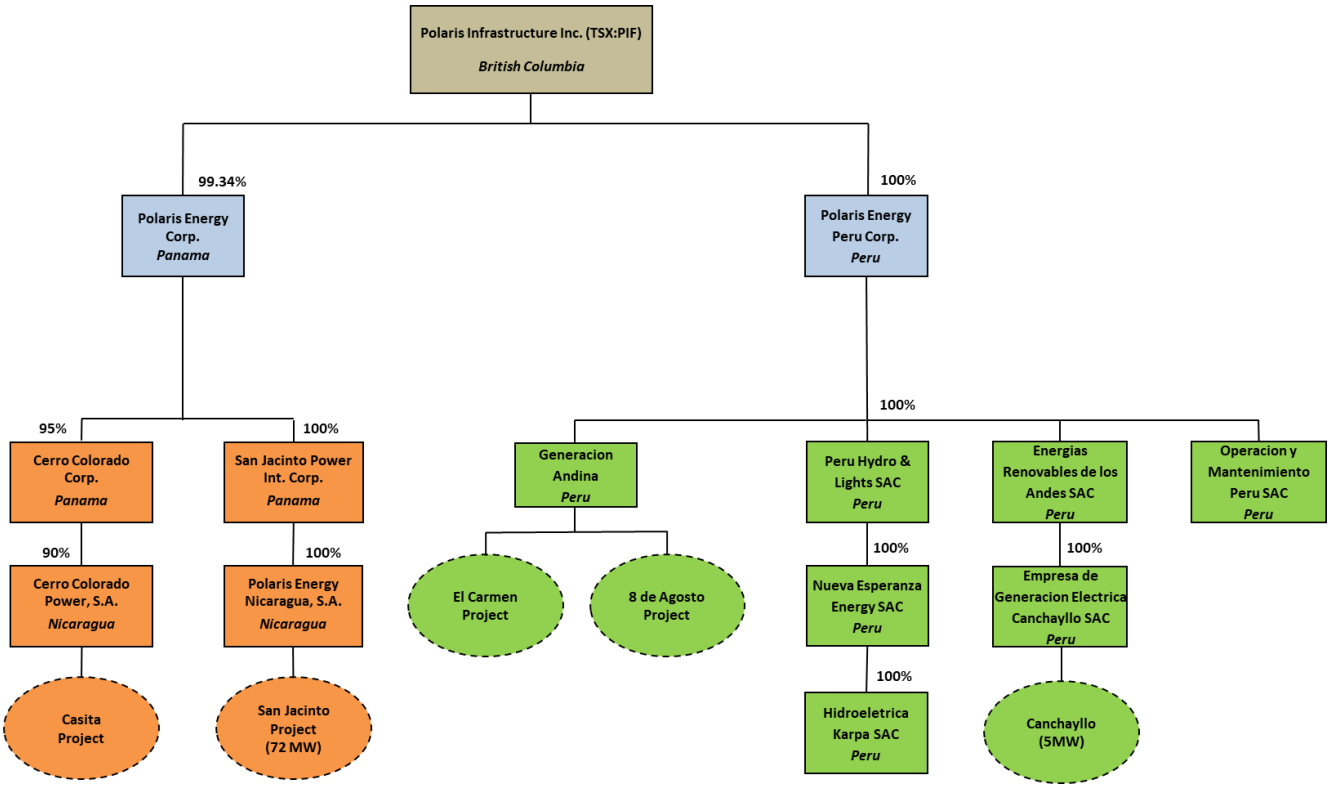
2.1 Name, Address and Incorporation

Polaris Infrastructure Inc. (the "Company", "Polaris Infrastructure") is a corporation existing under the *Business Corporations Act* (British Columbia) ("BCBCA"). The registered office of the Company is located at Suite 1700, 666 Burrard Street, Vancouver, British Columbia V6C 2X8 and the administrative office of the Company is located at 77 Bloor Street West, Suite 600, Toronto, Ontario, M5S 1M2.

The Company was originally incorporated under the laws of British Columbia on April 26, 1984 under the name "Chablis Resources Ltd.". The Company underwent a number of reorganizations, business combinations between that the time of its incorporation and October of 2009 when, upon the completion of a plan of arrangement approved in accordance with the BCBCA, the Company changed its name to "Ram Power, Corp.". The Company then changed its name to "Polaris Infrastructure Inc." on May 13, 2015, as part of a recapitalization transaction.

2.2 Intercorporate Relationships

The following chart sets out the Company's material subsidiaries as of the date of this AIF and their respective jurisdictions of incorporation:



NOTE: North America projects are not under active development.

3. GENERAL DEVELOPMENT OF THE BUSINESS

3.1 Overview

Polaris Infrastructure is a Toronto-based company engaged in the operation, acquisition, and development of renewable energy projects in Latin America. Currently the Company operates a 72 MW geothermal project located in Nicaragua. The Company closed on the acquisition of run-of-river ("**ROR**") hydro assets (both operational and under construction) in Peru on October 30th, 2018. Total current Peruvian operating capacity is 5 MW, with projects under construction of 28 MW (expected) and a portfolio of early stage development projects expected to aggregate to approximately 189MW.

3.2 Three Year History

The following is a summary of the general development of Polaris Infrastructure's business over its last three financial years.

Year	Key Developments
2018	• Following completion of necessary infrastructure investments, both SJ 12-4 and SJ 12-5 wells were connected to the San Jacinto facility in the first half of 2018. • Infrastructure improvements were carried out via the commissioning of a new cyclonic separator (HPS3) to increase separation capacity and efficiency at PAD 12 where the new wells are located and tied into. • The acquisition of Union Energy Group Corp. ("**UEG**") closed October 30th, 2018. As part of the UEG acquisition, the Company acquired ROR hydro assets including: Canchayllo, a 5MW operating facility; the El Carmen and 8 de Agosto hydroelectric projects, currently under development with 28MW expected total generating capacity; and another 189MW of expected longer term development potential in Peru. The Company filed a Business Acquisition Report (Form 51-102F4) with respect to this acquisition on January 10, 2019.
2017	• Completed a series of geotechnical surface studies, as well as update of the San Jacinto steamfield conceptual model. The data collected from this exercise provided additional information to facilitate management and growth of the San Jacinto steamfield, including the decisions taken with respect to the 2017/2018 Drilling Program. • 2017/2018 Drilling Program was undertaken and substantially completed. A new injection well, SJ 11-2 was drilled and brought into service in August 2017. Three new production wells, SJ 4-2, SJ 12-4 and SJ 12-5, were successfully drilled. SJ 4-2 was connected to the San Jacinto plant in September 2017. SJ 12-4 was completed in November 2017 and SJ 12-5 was completed in December 2017, and both wells were successfully flow-tested in late January, 2018. Following completion of necessary infrastructure investments, both SJ 12-4 and SJ 12-5 are expected to be connected to the San Jacinto plant in the first half of 2018. • Maintenance of the unit 4 turbine at the San Jacinto facility was completed in February 2017, on time and under budget. • Installation and connection of a new separator station, HPS2, on pad 5 in February 2017 at the San Jacinto facility. HPS2 served to increase the separation capacity of the project, and assisting with debottlenecking of the above-ground infrastructure.
2016	• 2015/2016 Drilling Program was substantially completed. Involved the drilling of SJ 14-1 (injection well) and SJ 9-4 (production well), the mechanical workover of four existing injection wells, as well as certain above-ground infrastructure investments. New production wells, SJ 6-3 and SJ 9-4 were connected to the San Jacinto plant in August 2016. • Maintenance of the unit 3 turbine at the San Jacinto facility was completed in July 2016, on time and under budget.

- Following the May 2015 Recapitalization Transaction (as defined below) Management achieved significant reductions with respect to general and administrative costs, as well as non-core North America project costs.
- Discussions with The World Bank Group ("the World Bank") and the Nicaragua Ministry of Energy and Mines ("MEM") continued with respect the Casita Project. These discussions focused on terms of risk mitigation capital (namely forgivable grants) and the key associated terms.

4. DESCRIPTION OF BUSINESS

4.1 General Description of the Business

The Company is a renewable energy company focused on the development, production and sale of electricity from geothermal and hydroelectric energy. The Company is currently operating a 72 MW capacity (net) geothermal electrical energy production facility located in northwest Nicaragua near the city of Leon (the "**San Jacinto facility**"), and is also involved with the exploration and possible development of a second production facility in the Department of Chinandega in Nicaragua (the "Casita Project"). Furthermore, the Company now operates a ROR hydro facility of 5 MW in Canchayllo, Peru, and is actively developing two additional ROR hydro projects expected to total 28 MW known as El Carmen and 8 de Agosto, both in Peru, with an expected commercial operation date of October 31st, 2019.

Overview of Geothermal Energy

Geothermal energy is a clean, renewable energy source that, because it does not utilize combustion in the production of electricity, releases significantly lower levels of emissions than result from energy generation from burning of fossil fuels. Geothermal energy is derived from the natural heat of the earth when water comes sufficiently close to hot molten rock to heat the water to temperatures of 150°C or more. The heated water then ascends toward the surface of the earth where, if geological conditions are suitable for its commercial extraction, it can be extracted by drilling geothermal wells. The geothermal reservoir is a renewable source of energy if natural ground water sources and the re-injection of extracted geothermal fluids are adequate over the long term to replenish the geothermal reservoir after the withdrawal of geothermal fluids.

Relative to fossil fuel-fired power plants, geothermal energy projects typically have high capital costs associated with exploration (primarily as a result of well field development), but tend to have relatively low operating costs, principally consisting of maintenance expenditures.

Overview of ROR Hydro Energy

ROR hydroelectricity is considered ideal for streams or rivers that can sustain a minimum flow or those regulated by a lake or reservoir upstream. A small dam is usually built to create a head-pond ensuring that there is enough water entering the penstock pipes that lead to the turbines which are at a lower elevation. Projects with pondage, as opposed to those without pondage, can store water for daily load demands. In general, projects divert some or most of a river's flow (up to 95% of mean annual discharge)

through a pipe and/or tunnel leading to electricity-generating turbines, then return the water back to the river downstream.

ROR projects are dramatically different in design and appearance from conventional hydroelectric projects. Traditional hydro dams store enormous quantities of water in reservoirs, sometimes flooding large tracts of land. By contrast, ROR projects typically require the storage of comparatively small quantities of water, which is why ROR projects can have less impact on the environment.

A power station utilizing the ROR flows for generation of power with sufficient pondage for supplying water for meeting diurnal or weekly fluctuations of demand should not materially alter the normal course of the river. When developed with care to footprint size and location, ROR hydro projects can create sustainable energy while minimizing impacts to the surrounding environment and nearby communities.

Advantages include:

- Like all hydroelectric power, ROR hydro harnesses the natural potential energy of water. Moreover, ROR hydroelectric plants do not typically have reservoirs, thus eliminating the methane and carbon dioxide emissions caused by the decomposition of organic matter in the reservoir of a conventional hydroelectric dam. This is a particular advantage in tropical countries where methane generation can be a problem.
- Without a reservoir, flooding of the upper part of the river does not take place. As a result, people can remain living at or near the river and existing habitats are generally not flooded.
- Smaller, well-sited ROR projects can be developed with minimal environmental impacts.

Distribution Methods

The Company currently sells all geothermal and hydroelectric energy produced pursuant to the terms of the respective PPAs.

Specialized Skill and Knowledge

The core management team of Polaris Infrastructure and the Company's operating subsidiaries in Nicaragua and Peru, PENSA and Generacion Andina, respectively, include individuals with extensive project development experience in the renewable energy industry, including in land acquisition, permitting, geothermal exploration and drilling, ROR hydro management, power plant construction, negotiation of PPAs, transmission, project operation and maintenance, asset management and financing.

Competitive Conditions

Geothermal and hydro energy production in Latin American countries is both abundant and cost-competitive. The energy matrices in Nicaragua and Peru are quite different.

The energy matrix in Nicaragua is comprised of approximately 50% generators that burn bunker fuel oil or diesel and 50% renewable energy. Management believes that the San Jacinto project is competitive with the other renewable energy projects in terms of pricing. Our competitive position with respect to oil

fired generation is clearly dependent on the commodity price situation. At current oil prices we believe that our facility at San Jacinto is a cheaper alternative to oil fired generation.

The energy matrix in Peru is comprised of primarily hydro and natural gas. Accordingly, power prices in Peru are lower than in Nicaragua. Management believes that our hydro projects are in line from a pricing perspective with other hydro projects in the country.

Economic Dependence

The Company's operating geothermal power plant is the San Jacinto facility. Substantially all revenues expected to be realized from the operation of the San Jacinto facility will come from the sale of energy and capacity under the San Jacinto PPA. Under this PPA, the off-taker is required to purchase all of the electricity and capacity, up to 72 MW (net) from the San Jacinto facility through January 30, 2029. The government of Nicaragua holds a 16% ownership interest in the off-taker.

As well, the Company's operating ROR Hydro facility is the Canchayllo facility. Substantially all revenues expected to be realized from the operation of Canchayllo will come from the sale of energy and capacity under the PPA. Under this PPA, the off-taker is required to purchase all of the electricity and capacity, up to 5 MW (net) from the Canchyllo facility through December 31st, 2034.

The Company's strategy around acquiring Canchayllo as well as the expected 28 MWs with El Carmen, 8 de Agosto, Karpa (20 MWs) and another 180 MWs (expected) of projects in the pipeline was that management believes the potential return on capital invested offers an attractive return to shareholders when taking into consideration the risks and the stage of development of the assets. This was the principal driver and rationale for pursuing the transaction. In addition, management believes that shareholders will benefit in the long run from the diversification of both country of origin as well as the type of renewable energy production facility that drive operating earnings and cash flow.

Employees

At the date of this AIF, the Company has 134 full time employees, of whom two are employed directly by Polaris Infrastructure, 104 are employed at PENSA's San Jacinto facility and 12 at PENSA's office in Managua, Nicaragua. Peruvian headcount includes four staff in Lima at Generacion Andina's office with another 12 at Generacion Andina's operating facility in Canchayllo. As operations require, the Company also retains geoscientists, engineers and other consultants on an independent contract basis.

Foreign Operations

The Company's primary activities are carried out in Nicaragua and Peru, as such, the Company's operations may be affected by possible political or economic instability and government regulations relating to the energy industry and foreign investors therein. Geothermal and hydro energy production may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, maintenance of property, environmental legislation, land use, land claims of local people, water use and property safety. The effect of these factors on the Company cannot be accurately predicted.

Revenue Generation

During the year ended December 31, 2018, the Company generated $68.8 million dollars in revenue as a result of the operations of the San Jacinto and Canchayllo facilities.

Social and Environmental Programs, Nicaragua & Peru

PENSA has implemented social policies to benefit communities and people that are influenced by the San Jacinto facility. These policies are focused on understanding the community's needs and developing strategic and sustainable projects under the areas of (i) social infrastructure, (ii) education, (iii) environment, (iv) health, (v) sports and (vi) agriculture.

PENSA has taken an active role in contributing to schools in the Telica Municipality, Department of León. PENSA is focusing on technological education and, therefore, created an alliance with World Vision that is benefiting more than 500 elementary students from five schools in the municipality of Telica, León. The *¡Quiero Leer Para Aprender!* ("I Want to Learn so I can Read") program seeks to prioritize elementary school girls and boys to improve their communication, reading comprehension and critical thinking skills as well as improve the skills of teaching staff for the application of technology in their education methodology. The implementation of this project has been possible thanks to funding from PENSA as well as donations from officer, directors and key shareholders in Canada.

PENSA implemented the San Jacinto-Tizate Community Water Rehabilitation Project, co-funded by the Development Bank of Austria (OeEB), Inter-American Development Bank (IDB), the NGO Catholic Relief Services (CRS) and PENSA. This water project represented an investment of $1.2 million and is benefiting the five nearby communities. PENSA has also donated equipment for the local health post such as a dentistry station and an ultrasound station.

In addition, PENSA invests in various agricultural projects that generate additional income for the local communities. For example, one agricultural project has now benefited 37 local bean producers by educating them with respect to agricultural best practices, substantially improving crop yields.

PENSA also invests in environmental protection campaigns, having planted over 100,000 trees since 2005, promotes cleanups in town with students and the community, has a forest fire prevention program and also an environmental training program for the protection and conservation of ecosystems aimed at students and PENSA employees.

Given the recent acquisition of the Peruvian operations, the Company is undertaking a rigorous review of its Peruvian social and environmental programs with the assistance of the Company's experienced Nicaraguan Social & Environmental Team with the aim of developing Peruvian programs similar to those undertaken and operating successfully in Nicaragua.

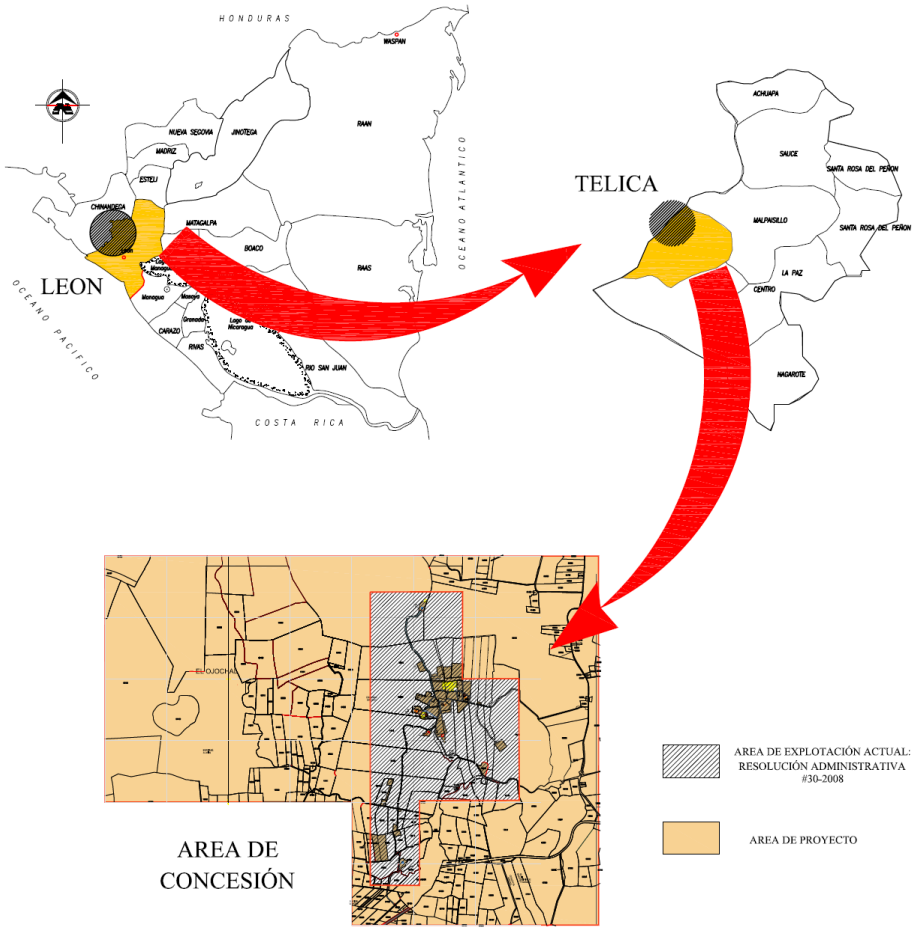
4.2 Operating Facilities

San Jacinto facility– San Jacinto, Nicaragua

Facility Description and Location

The San Jacinto facility is located in the northwest of Nicaragua, near the city of Leon, approximately 90 km northwest of Managua. The San Jacinto facility Exploitation Agreement (as defined below) covers an area of 40 km^2.

The San Jacinto facility has been developed under an exploitation agreement (the "San Jacinto Exploitation Agreement") between PENSA and the MEM signed on January 25, 2001. The term of the San Jacinto Exploitation Agreement is for 30 years, extendable for an additional 30-year term (currently terminates on January 25, 2031). The generation license held by PENSA allows for generation of 72 MW (net) from the San Jacinto facility for a 30-year term that commenced in December 18, 2003 (currently terminates on December 18, 2033). Under the San Jacinto PPA, which presently expires on January 30, 2029, PENSA is able to sell 100% of generation and capacity up to 72 MW (net).



History of the San Jacinto Facility

The first geoscientific studies in the area of the San Jacinto facility concession were conducted in 1953 and consisted of measurements of heat flow from the surface manifestations at San Jacinto and Tizate. Steam was also observed to be flowing from shallow wells in the area. From 1969 to 1971, the United

States Agency for International Development implemented a geothermal exploration program over the western part of Nicaragua, managed by Texas Instruments Inc. Based on the results of this program, the San Jacinto-Tizate area was identified as having high priority for development. Through the late 1970's and early 1980's further geophysical surveys and surface studies were undertaken by a number of agencies. This work indicated that a high temperature (250°C to 300°C) resource existed in the San Jacinto-Tizate area, with an apparent high resistivity zone at 1,500 to 1,600 metres, which was interpreted to correspond to the bottom of the productive reservoir.

2015/2016 Drilling Program

The 2015/2016 drilling program began in October 2015 and concluded in August 2016. This program consisted of two new production wells, one new injection well and the mechanical work-over of four existing injection wells, with the objective of bringing average generation closer to the 72 MW (net) capacity under the San Jacinto PPA and generation license.

Well SJ 9-4

PENSA commenced drilling of the third and final new production well, SJ 9-4, on June 21, 2016 and concluded drilling at 1,525 metres, on July 21, 2016, approximately one week ahead of schedule. The well was connected to the plant on August 24, 2016, and average power generation is approximately 10 MW. Additional time on-line and monitoring of average steam flows will be required in order to conclude on expected the long-term operating performance of SJ 9-4.

Well SJ 6-3

Drilling of the first new well of the 2015/2016 drilling program, SJ 6-3, commenced October 12, 2015 and was completed December 29, 2015. The well was drilled off of an existing pad (pad 6), which allowed for existing infrastructure to be utilized in tying the well into the power plant. SJ 6-3 was connected to the plant on August 1, 2016, following a gradual but consistent, seven-month process of thermal recovery. The longer than expected drilling time resulted in a correspondingly greater volume of cold fluids being injected into the well during drilling, which caused the well to take longer than would otherwise be required to achieve thermal recovery. We estimate that SJ 6-3 is contributing approximately 1.5 to 2 MW of power generation, and we are cautiously optimistic that ongoing thermal recovery and increased pressure levels may allow average generation to move closer to 3 MW.

Well SJ 14-1

Drilling of the second new well, SJ 14-1, began in January 2016, and was completed in April 2016, with the timeline having been extended past our original target completion date by mechanical issues. SJ 14-1 was successfully connected as a condensate injection well, which has served to further increase the overall injection capacity of the San Jacinto facility, by opening up SJ 12-1 as an injection well for geothermal fluids. An ability to strategically reinject “cold” condensate, which is the waste fluid from the flash turbine process, will allow us to maximize average reservoir temperatures while accommodating the requisite volume of condensate.

Workover of Existing Injection Wells

Prior to drilling production well SJ 9-4, PENSA completed the successful "workover" of four existing injection wells. This process consisted of mechanical clean-out (using the on-site drilling rig) and acid stimulation of existing injection wells, with the objective of increasing injection capacity. The injection well workover portion of the drilling program commenced on April 18, 2016 and concluded 57 days later, on June 12, 2016, 13 days ahead of schedule and approximately $700,000 under budget. Though not directly contributing to incremental power generation, the injection well workover program was a critical component of the 2015/2016 drilling program and enhances our ability to optimize plant operations going forward.

2017/2018 Drilling Program

The 2017/2018 drilling program began in April 2017 and concluded in early 2018. This program consisted of three new production wells, one new injection well and certain infrastructure investments, with the objective of bringing average generation closer to the 72 MW (net) capacity under the San Jacinto PPA and generation license.

Well SJ 11-2

Drilling of the first new well, an injection well, SJ 11-2, was completed in early June 2017, on-time and on-budget, and was connected to the San Jacinto facility in August 2017, as planned. SJ 11-2 has considerable injection capacity of approximately 1,000 tones per hour, which is of long-term strategic benefit to the San Jacinto facility given its distance from the main production field.

Well SJ 4-2

Drilling of the first new production well, SJ 4-2, was completed in August 2017, at a depth of 1,050 metres. Following a period of thermal recovery and completion testing, the well was connected to the San Jacinto plant in September 2017 and is contributing approximately 1.5 to 2 MW of average generation.

Well SJ 12-4

PENSA concluded drilling of the second new production well, SJ 12-4, in early November 1, 2017 at 2,624 metres. After a period of thermal recovery, SJ 12-4 was successfully discharged on January 16, 2018, and has been flowing since that date (discharging to the atmosphere). Based on testing completed to date, we estimate initial productive capacity of SJ 12-4 is between 4 to 6 MW. It is important to note that geothermal wells take time to reach stabilization and hence initial estimates for SJ 12-4 may change. SJ 12-4 was connected to the San Jacinto plant in the first half of 2018.

Well SJ 12-5

PENSA concluded drilling of the third and final new production well, SJ 12-5, on December 31, 2017 at 2,416 metres, on schedule. Tests concluded during and after drilling suggest that SJ 12-5 has higher permeability and temperature than SJ 12-4. SJ 12-5 was successfully discharged on January 25, 2018, with

temperature and pressure characteristics sufficient to allow it to flow continuously. Based on testing completed to date, we estimate the productive capacity of SJ 12-5 is between 8 to 12 MW. It is important to note that geothermal wells take time to reach stabilization and hence initial estimates for SJ 12-5 may change. SJ 12-5 was connected to the San Jacinto plant in the first half of 2018.

Resource Estimates

The resource potential of the eastern sector in the San Jacinto facility was initially estimated by Jacobs (2008, Definitive Feasibility Study) using a "stored heat" approach, where probability distributions for some of the resource parameters were defined, resulting in a probabilistic resource estimate.

The basic principle of the stored heat method is to estimate the heat stored within a defined reservoir volume (including both the heat stored in the rock and the heat stored in the reservoir fluid) and then to estimate how much of that can reasonably be extracted and converted to useful power using typical technologies. A stored heat assessment is an educated guess at the amount of accessible energy that is stored within a geothermal system and how much electricity that heat could be turned into, making various assumptions.

Using various input assumptions, a model based on the stored heat approach was run 2,000 times to obtain frequency distribution and cumulative probability distributions. The calculated parameters indicated that the estimated capacity of the entire San Jacinto facility resource had a mean value of 277 MWe. The cumulative probability distribution showed there is a 90% probability that the resource capacity will be greater than 203 MWe and a 50% probability that it will be greater than 274 MWe. This value does not mean that there is a 50% probability that a 270 MWe development will be economic, nor even that there is a 50% probability that sufficient fluid for a 270 MWe development can be extracted for 20 years. There are numerous factors not considered in a stored heat assessment which could down-rate the available steam. There are also positive factors which can mean that a stored heat estimate can, in some cases, significantly under-estimate the long term resource capacity, most notably the fact that it does not include any allowance for heat or fluid recharge from depth.

The eastern sector of the San Jacinto facility was initially estimated by the Jacobs' 2008 study to supply 686 tonnes per hour steam capacity (89 MW) for 20 years.

Operations

The Company has the right and obligation to sell all energy produced, up to the 72MW (net) capacity of the Phase I and II turbines of the San Jacinto facility, under the San Jacinto PPA.

There is minimal dispatch or price risk to the Company under the San Jacinto PPA. Full dispatch of the San Jacinto facility is assured by regulation and by merit order. The average 2018 price under the San Jacinto PPA of $126.17/MWh was broadly in line with the average Nicaraguan wholesale market price, and increasingly so given the increase in in market prices for bunker oil in 2018, and remains below regional long-run marginal costs. The Company's current and future prices under the San Jacinto PPA are not limited by the spot market price cap for renewable energy projects.

The Company has reinitiated its efforts to verify and sell its Certified Emission Reductions ("CERs") under the United Nations Framework Convention on Climate Change ("UNFCCC") Clean Development Mechanism for CERs generated after June 2009. CERs generated by the project in the first six months of 2009 were certified via a UNFCCC Project Development Document ("PDD"), verified by TÜV SÜD Industrie Service GmbH in 2011 and sold in early 2012.

Asociación Española de Normalización y Certificación ("AENOR"), the Company's Designated Operational Entity, is reviewing a PDD for the new plant design that will be submitted to the UNFCCC to re-certify the project and enable the Company to verify and sell CERs that were generated after June 2009. Management is exploring alternatives to sell future CERs.

Exploration and Development

Pursuant to the terms of the San Jacinto Exploitation Agreement, the San Jacinto facility was developed in two phases, Phase I and Phase II. Both Phases I and II of the San Jacinto facility are concentrated in the eastern sector of the San Jacinto facility concession. Phase I and II each have a capacity of 36 MW (net), allowing aggregate generation of 72 MW (net), consistent with the San Jacinto PPA.

There is a requirement in the San Jacinto PPA that the amount of electricity generated by the San Jacinto facility be above a minimum prescribed amount. Until November 10, 2014, that minimum prescribed amount was 90% of the 72 MW (net) capacity of the San Jacinto facility, at which date the requirement was reduced to 70% of the 72 MW (net) capacity.

A description of the San Jacinto facility's Phase I, Phase II and Binary Unit development follows:

Phase I: Single Flash Condensing Turbine Development

Single flash technology, which is the most commonly used technology for geothermal projects worldwide, provides for the most efficient extraction of energy from the steam supply. Fuji has been building steam turbines for geothermal applications since 1977 and currently has 57 machines operating worldwide. Fuji has the necessary expertise in geothermal turbine design to meet the performance and reliability required by the San Jacinto facility.

The San Jacinto facility Phase I power plant was mechanically completed in October 2011. In December 2011, the Phase I expansion was successfully synchronized to the Nicaraguan national integrated electrical grid, and the plant was declared in commercial operation on March 27, 2012.

Phase II: Single Flash Condensing Turbine Development

The Phase II project is located on the existing prepared platform adjacent to Phase I. Completion of the San Jacinto Phase II power plant brought the total San Jacinto facility capacity to 72 MW (net). On December 19, 2012, the Phase II expansion was successfully synchronized to the Nicaraguan national integrated electrical grid, and the plant was declared officially in commercial operation on February 8, 2013.

The 138 kV switchyard was expanded during Phase I construction to allow for a further transformer bay for the new unit. In the fourth quarter of 2011, the Company transferred all of its rights, title and interests in the transmission and substation assets for the San Jacinto facility to Empresa Nacional de Transmisión Eléctrica ("ENATREL"), the owner and operator of the national transmission system in Nicaragua, in accordance with applicable Nicaraguan law and the terms of the Credit Facilities. ENATREL assumed sole responsibility for the operation and maintenance of the transmission assets and the interconnection of the plant to the Nicaraguan national transmission system.

Phase III: Binary Unit

The Company completed an internally-prepared pre-feasibility assessment and based on the outcome of this exercise, engaged Jacobs Engineering to complete a concept review with respect to a binary unit bottoming cycle power generation plant (the "Binary Unit") at the San Jacinto facility site. The Company completed preliminary project engineering and sought proposals from equipment suppliers, assisted by Power Engineers, who were engaged as owner's engineer with respect to the project. The Binary Unit would use the geothermal fluids separated from the geothermal steam used to power the San Jacinto Phase I and II units as its source of heat for power generation, meaning there is no incremental exploration or drilling risk associated with the Binary Unit. Depending on final brine volumes, temperature and other characteristics, the Binary Unit could add approximately 10 MW (net) of additional generation to that being generated by the Phase I and II turbines of the San Jacinto facility. Amendments to the existing PPA or a new PPA will be required to facilitate the binary unit.

The Company considers that the benefits of diversifying its revenue base via the Peru acquisition was the best use of its capital and resources in the short term. However, the potential economic benefits that a Binary Unit can provide remain very attractive. Management will continue to evaluate the merits of installing a Binary Unite in the medium term taking into account factors such as availability of capital and the political situation in Nicaragua, among others.

Casita Project - Nicaragua

Project Description and Location

The Casita Project is located in northwest Nicaragua in the Department of Chinandega, approximately 60 km from the San Jacinto facility. The Casita Project currently consists of an exploration concession (the "Casita Project Exploration Concession") with an area of 100 km^2. In 2008, through an international bid, Cerro Colorado Power, S.A., a subsidiary of the Company, was awarded the Casita Project Exploration Concession.

MARENA has granted the required environmental permit for the Casita Project and the Company believes that it has all the required permits to conduct exploration of the Casita Project.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Department of Chinandega has a population of 470,000 inhabitants, of which 38% live in rural areas and the rest in the municipalities of Posoltega, Chichigalpa, and Chinandega. The access to the Casita

Project is through the Chinandega main highway. The nearby cities of Leon and Chinandega are in close proximity to the project site. The temperatures at the Casita Project range from 22°C to 38°C throughout the year. The estimated precipitation is above 1800mm annually. Water for drilling will need to be sourced from special purpose water wells. Potential locations for these wells include the lower slopes of the Casita Mountain or within La Pelona Caldera.

History of the Property

The geothermal potential of the Casita Project was initially recognized following regional geothermal surveys undertaken by Texas Instruments Inc., GeothermEx and Unocal Corporation, a subsidiary of Chevron Corporation.

MEM commissioned GeothermEx to review the Casita Project as part of the development of the Plan Maestro Geotérmico de Nicaragua.

Geological Setting

As a whole, Volcan Casita ("V. Casita") forms an east-west ridge of andesitic volcanic products. A set of prominent northeast-trending normal faults cut the summit area bounding the central crater at the top of the mountain.

Volcan San Cristobal ("V. San Cristobal") is the most prominent part of the chain in the immediate vicinity and it has been more recently active than V. Casita.

Both V. San Cristobal and V. Casita have asymmetric distributions of pyroclastics and lavas within their volcanic piles because the prevailing winds are northeasterly (Van Wyk de Vries and Borgia, 1996). Pyroclastics have therefore been concentrated on the southwest slopes and lava flows predominate on the northeast slopes. This is likely to be a contributory factor in the slope instability on the southern side of Casita and would favor a predominance of groundwater flow down to the northeastern slopes. The latter is a result of a greater amount of precipitation on that side and the greater permeability of fresh lava in comparison to pyroclastics.

Exploration

A geophysical survey was undertaken and has been supplemented by sampling and analysis of steam and gas from the Casita Project, along with mapping of geothermal surface activity. The combined assessment of geochemistry from the natural fumarole discharges, geophysical structures, and overall heat discharge distribution provided evidence that a geothermal resource potentially lies beneath the Casita Project.

As the system is centered on the relatively high mountain of Casita and its eastern ridge, the terrain and geological structures will present some challenges for access to drilling sites, however much of the resource may be accessible from lower elevations on the flank of the mountain. The geochemistry data present no indications of acid fluids or similar development constraints within this resource.

Resource Estimates

Estimates of energy potential for the Casita Project have been developed using indications of resource area derived from modeling the geophysics surveys and indications of resource temperature derived from the interpretation of the steam discharge at the Casita Project. Probabilistic modeling using estimated ranges of parameters indicates that the resource has a 50% probability of supporting over 132 MWe for 20 years and a 90% probability of supporting 85 MWe for 20 years. These estimates are for gross generation capacity of the indicated resource and were developed by Jacobs in an updated Casita San Cristobal Geothermal Projected-Updated Resource Assessment completed in February 2012. These estimates are subject to the useful productivity of the resource being proven by exploration drilling.

Exploration and Development

The Nicaragua National Expansion Plan for electricity generation contemplates up to 35 MW from the Casita Project. In July 2011, the Company commenced drilling of its first slim hole at the Casita Project, which was drilled to a depth of 842 m with a total loss of circulation. A temperature survey conducted in the well has indicated temperature readings exceeding 230°C (446°F). The temperature results obtained and the permeability found indicate that the location has the characteristics of a commercial resource. The drilling of the slim hole and the interpretation of geoscientific data has been carried out with the technical support of Jacobs. As a result of the first slim hole testing, the Company approached MEM to obtain an exploitation concession for the Casita Project.

The Company submitted an application for rights to obtain the exploitation concession on December 13, 2012, and was awarded the exploitation concession on February 11, 2013.

During the second quarter 2013, the Company began an environmental assessment to obtain environmental and municipal permits required to begin exploitation drilling, and the Company initiated work on impact studies to the Nicaraguan National and Regional Network required to obtain a generation license and began negotiating a PPA. The Environmental Permit issued was issued by MARENA in July 2015.

The Company has had and continues to have productive discussions with MEM regarding the signing of an Exploitation Concession Contract for the Casita Project. The Company remains in discussions with the World Bank regarding potential financing.

Canchayllo facility – Junin, Peru

Operations and Construction

Canchayllo has an installed capacity 5MW ROR hydro facility located in the valley of the District Canchayllo from the city of Juajo. The transmission line is connected to the existing transmission line of Oroya Nueva-Chumpe.

The Canchayllo facility was built by Cascade construction subsidiary, CHP Construcciones, commencing commercial operation on schedule on December 31st, 2014, after a roughly 18 month construction period. It has a production capacity of 29 GWH P.A. with a 20 Year PPA representing a government backed $47.4M contract. Rights to develop the property were secured in December 2011. Initial financing of the

project was secured via Inter-American Investment Corporation (IIC) in December 2012 which received a loan of $7.2 million.

In July 2015, the then fully operational Canchayllo hydro plant was sold to Union Energy Group Corp. of Uruguay. It was subsequently acquired with a basket of other hydro development projects by the Company in a transaction that closed on October 30th, 2018.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Accessibility

Huancayo Province is located in Peru. It is one of the nine provinces composing the Junín Region. It borders to the north with the Concepción Province, the east with the Satipo Province, the south with the Huancavelica Region and the west with the Chupaca Province. The province has an approximate population of 439,699 inhabitants. The capital of the province is the city of Huancayo.

The Canchayllo facility is located in the Department of Junin approximately 236 kilometers east of the city of Lima. The facility may be accessed from Lima by car or by bus. The road trip may take between six to eight hours depending on traffic and weather conditions. Alternatively, the facility may be accessed by air by taking a 40-minute flight from the Jorge Chavez International Airport in Lima to the Francisco Carle Airport in the city of Jauja. Then, one would take a 40-minute road trip from the airport to the facility. At least one airline flies once a day between Lima and Jauja. The highway is fully paved and in good operating condition with the exception of the final 10 kilometers, which provide less than ideal travel conditions.

The 8 de Agosto Project is located in the town of Aucantagua and the El Carmen Project is located in the town of Maravillas. Both Aucantagua and Maravillas are located in the District of Monzon in the Department of Huanuco, which is approximately 575 kilometers northeast of the city of Lima. The power houses of each project are located roughly two kilometers from each other. The plants may be accessed from Lima by land, either by car or bus. The trip may take between 12-14 hours depending on traffic and weather conditions. Alternatively, the plants may be accessed by air by taking a 60-minute flight from the Jorge Chavez International Airport in Lima to the Tingo Maria Airport in the city of Tingo Maria. Then, one would take a two-hour, 60 kilometer road trip from the airport to the plant via a dirt road in moderate condition. One airline flies once a day between Lima and Tingo Maria. Another possible air route is to fly from the Jorge Chavez International Airport in Lima to the David Figueroa Fernandini Airport in the city of Huanuco. This route would then require an approximately 188 kilometer road trip from the city of Huanuco, through the city of Tingo Maria and ultimately to the District of Monzon. The highway is fully paved from the city of Huanuco to the city of Tingo Maria and in good operating condition with the exception of the final 60 kilometers to the District of Monzon, which is a dirt road in moderate condition.

Interconnection to the Grid

<u>Canchayllo</u>

The interconnection to the grid is through a 0.83 kilometer cross-country 69kV transmission line from the Canchayllo substation to the L6601 Oroya Nueva – Chumpe transmission line owned by STATKRAFT Peru S.A.

8 de Agosto and El Carmen

The interconnection to the grid will be through an approximately 57 kilometer long cross-country 138kV transmission line from the 8 de Agosto substation to the Tingo Maria substation in the city of Tingo Maria. This transmission line consists of 148 transmission line towers (for the rural tranche) and 15 posts (for the urban tranche). Currently, 89% of the transmission line towers are constructed and we have an ongoing easements negotiation process for the remaining towers, including for some towers that have already been built but will be relocated due to updated engineering designs. The negotiation process for the easement rights for the urban tranche is currently underway.

Within the project site, the high-pressure penstocks ("**HPPs**") will have the following interconnections through medium-voltage transmission lines:

#	Connection	Voltage (kV)	Structure Type	Quantities	Linear Length (kms)
1	8AGO SS - 8AGO Power House	13.8	Posts	6	0.18
2	8AGO SS - 8AGO Intake	22.9	Posts	50	4.45
3	ELCA SS - ELCA Intake	22.9	Posts	24	1.73
5	8AGO SS - SE ELCA	22.9	Posts	11	1.76

Power generated by the El Carmen HPP will be transmitted to the 8 de Agosto substation and then the power from both HPPs will be transmitted to the grid through the 138kV transmission line.

Climate

Located within the scenic Mantaro Valley and central inland Peru, Huancayo is the capital of the Junin regio and has a warm, temperate climate. The summer season falls between December and March, when sunny weather sees average temperatures of around 26°C / 79°F or 27°C / 81°F, topping 30°C / 86°F during the very sunniest of weather.

The Junín Region specifically has an average annual temperature of 13.1 °C, a maximum high of 17 °C and a minimum low of 0 °C.

The rainy season runs from November to April and from December to March in tropical areas. However, rather than being categorised as traditional spring, summer, autumn and winter seasons, the climate of Huancayo falls into two very distinctive periods: dry and wet. The dry season in Huancayo stretches between May and early October, while the wet season falls between November and April, with February and March tending to be predictably the wettest months.

Local Resources

The Canchayllo district lies in the Nor Yauyos-Cochas Landscape Reserve. The Paryaqaqa mountain range traverses the district. The highest mountain of the district is Paryaqaqa (Tulluqutu) at 5,750 metres. The region remains very much a rural economy.

4.3 Exploration and Development Properties

In addition to the San Jacinto facility and the Casita project, the Company holds interests in the following projects.

Project Name	Location	Status
PERU		
El Carmen HEP	Monzon Valley near Tingo Maria	Under Construction
8 de Agosto HEP	Monzon Valley near Tingo Maria	Under Construction
Karpa	Huanuco region, Peru	Under Development
Other	Various, Peru	Under Development
USA & Canada		
Orita Project	Imperial Valley, California	Not active
Clayton Valley Project	Clayton Valley, Nevada	Not active
South Meager Project	British Columbia	Not active

The Company is not actively conducting exploration operations on the North American sites and does not believe that they are currently material to the Company's operations.

PERU

El Carmen HEP

El Carmen hydroelectric power plant is a ROR facility designed with an installed capacity of 8.4 MW generated by two Pelton turbines with a engineered discharge of 4.5 m3/s and a net head of 239m. A PPA has been issued for 20 years with remuneration of $US 55.90/MWh for a guaranteed energy production of 45 GWh. The plant consists of a water intake structure including sand trap, headrace conduit, penstock, surface powerhouse, tailrace channel and switchyard as well as related infrastructure.

8 de Agosto

The 8 de Agosto hydroelectric power plant is a ROR facility designed with an installed capacity of 19.0 MW generated by two Francis turbines with a design discharge of 18 m3/s and a net head of 130m. The associated PPA has been issued for 20 years with a remuneration of $US 53.90/MWh for a guaranteed yearly production of 140 GWh. The project consists of intake structures including sand trap, headrace conduits with an approximately 0.9 km long tunnel, surge tank, penstock, surface powerhouse, and tailrace channel. The substation is located at a short distance from the powerhouse and will receive interconnection lines from 8 de Agosto and El Carmen and outgoing 138 kV transmission lines to Tongo Maria substation.

Karpa

Karpa represents an installed capacity of 20 MW ROR hydro project located in the district of Tantamayo, Humalies Province, Peru. This facility represents expected production of 130 GWH P.A., nearly fully permitted with a 20 Year PPA representing a government backed $55.7/MWH contract. The Company is currently evaluating options for moving the project forward and expects to make a decision in 2019.

Other Peruvian Projects under Development

Another 180 MWs (expected) of other hydro projects are in various stages of pre-development.

NORTH AMERICAN PROPERTIES

Orita Project

The Orita Project is accessible from paved and unpaved state and county roads and is approximately 11 miles east of Brawley, California. The Company secured geothermal and surface leases at the Orita Project in 2009. Given the Company's strategic geothermal focus in Nicaragua specifically, and Latin America more generally, we have no current plans to further develop the Orita project and are exploring alternatives to exit these leases.

Clayton Valley Project

The Clayton Valley Project is located in Esmeralda County in west central Nevada approximately mid-way between Reno and Las Vegas along US highway 95, approximately 25 miles southwest of the town of Tonopah, Nevada. All leases were acquired by competitive bid between 2008 and 2010 or through the acquisition of Sierra in September 2010. All leases are subject to the terms and conditions within the Federal Code of Regulations – and expired in 2018. Given the Company's geothermal strategic focus in Nicaragua specifically, and Latin America more generally, we have no current plans to further develop the Clayton Valley project. A series of leases related to the Alum project were sold in 2016.

South Meager Project

Under the terms of two licenses of occupation and one geothermal lease, all of which were granted by the British Columbia Ministry of Energy and Mines (currently in process of being renewed), the Company holds a 100% interest in approximately 4,267 hectares of land located approximately 170 km north of Vancouver, British Columbia. Given the Company's geothermal strategic focus in Nicaragua specifically, and Latin America more generally, we have no current plans to further develop the South Meager project and are exploring alternatives to exit this lease.

5. EMERGING MARKET DISCLOSURE

5.1 Ownership of Property Interests and Assets

In order to satisfy itself of its ownership of its property interests in Nicaragua and Peru, the Company has, among other things: (i) obtained and reviewed title opinions from certain local law firms; (ii) obtained and

reviewed permits issued by the appropriate governmental officials; (iii) conducted searches through the Public Commercial and Property Registry of Nicaragua and Peru; and (iv) reviewed, negotiated and executed various agreements with the Governments of Nicaragua and Peru relating to the acquisition and/or transfer of certain permits and concessions.

The Company also relies on its in-country management team in connection with the Company's permitting, licensing and regulatory approval application process, to confirm it has all material permits, business licenses and other regulatory approvals needed to carry on business in Nicaragua and Peru. The Company and its in-country management team also consults regularly with legal advisors in Nicaragua, Peru and Panama to confirm that all applicable permitting requirements for its operations have been obtained.

5.2 Laws and Customs of Nicaragua, Peru and Panama

As noted from the Corporate Structure chart on page 2, the Company has subsidiaries outside of Canada in the United States, Peru, Panama, the British Virgin Islands and Nicaragua (the "**Foreign Subsidiaries**"). The Foreign Subsidiaries domiciled in Panama and the British Virgin Islands are located in such jurisdictions primarily for tax planning purposes. The Foreign Subsidiaries are domiciled in the United States, Peru and Nicaragua due to the location of the projects and assets.

Nicaragua

Nicaragua is located in Central America, covering an area of approximately 130 km^2. Nicaragua shares a northern border with Honduras, a southern border with Costa Rica and Pacific and Caribbean Sea coastlines to the west and east, respectively. Nicaragua has a total population of approximately 6 million people. The official language of education, administration and business is Spanish. Nicaragua is a presidential republic. Executive power is exercised by the president, who is the head of state. Legislative power is exercised by the National Assembly, which comprises elected representatives. Over the past ten years, the Nicaraguan government has actively encouraged foreign direct investment by entering into new trading agreements, including the Central America-United States Free Trade Agreement and by creating incentives for investors to invest in local infrastructure projects.

According to the Law of Promotion of Foreign Investment of Nicaragua, foreign investors are free to make any transfer abroad in connection with its invested capital, its profits, dividends and capital gains after paying corresponding taxes. Foreign investors may purchase and sell foreign currency according to the requirements of national laws and regulations on foreign exchange matters and on equal terms with domestic investors.

In accordance with Nicaraguan law, there are two categories of taxes, national and local taxes, the latter of which are paid to the corresponding municipality where the business is registered. Also of relevance is Law 532 which considers tax incentives to renewable energy projects and Law 443, which consider geothermal exploration and exploitation. Article 68 of Law of 443 establishes that that those entities involved in geothermal exploration and exploitation under the category of "Generation of Electric Energy from Renewable Sources" in accordance to Law 532, will have the tax incentives contained in article 7 of

such law. Law 443 provides for an income tax holiday for geothermal projects for a period of 10 years from the commercial operation date of the plant (or unit).

Local Taxes

- 1 % for Real Property Tax (IBI) - paid annually and applies to immovable property, consisting of infrastructure and fixed equipment. It is based on 1% of book value.
- 1 % for Income (IMI) - paid to the Ministry of Finance which then distribute it to the Municipalities.
- 2% Registry Tax - based on the average of the sales of energy for the last three months of a calendar year, at a rate of 2%.

National Taxes

- 30% Corporate Income Tax – PENSA is exempted until 2022.
- 15% Value Added Tax (IVA) - this tax is exempted during construction and then during operation of the project it is credited against the IVA charged by the PPA off-taker.
- 15% Dividend withholding tax.
- Royalty for the area of the Concession – PENSA pays $750.00 annually for each square kilometer out of the 40 square kilometers of the concession.

Peru

Peru is a country in western South America. It is bordered in the north by Ecuador and Colombia, in the east by Brazil, in the southeast by Bolivia, in the south by Chile, and in the west by the Pacific Ocean. Peru is a biodiverse country with habitats ranging from the arid plains of the Pacific coastal region in the west to the peaks of the Andes mountains vertically extending from the north to the southeast of the country to the tropical Amazon Basin rainforest in the east with the Amazon river.

According to the CIA World Factbook, the sovereign state of Peru is a representative democratic republic divided into 25 regions. It has a poverty rate around 22.7 percent. It is one of the region's most prosperous economies with an estimated 2017 industrial production growth rate of 2.7%. Its main economic activities include mining, manufacturing, agriculture and fishing. The country forms part of The Pacific Pumas, a political and economic grouping of countries along Latin America's Pacific coast that share common trends of positive growth, stable macroeconomic foundations, improved governance and an openness to global integration. Peru is an active member of the Asia-Pacific Economic Cooperation, the Pacific Alliance, the Trans-Pacific Partnership and the World Trade Organization.

Peru has a population of 31.3 million people. The main spoken language is Spanish, although a significant number of Peruvians speak Quechua, Aymara or other native languages.

Local Taxes

- Value added tax (VAT) - Impuesto General a las Ventas (Local name) - Standard VAT rate is 18%.

- Reduced Tax Rate - the following goods and services are exempt from VAT: foodstuffs, urban passenger transport, international cargo, life assurance polices, certain financial products, books, construction and maintenance of ships.
- Other Consumption Taxes - Peru has established a consumption tax, "Impuesto Selectivo al Consumo", for the sale and import of goods such as cigarettes (125%), alcoholic beverages (20%); sugary drinks (17% for up to 6 grams of sugar per 100 millilitres, 25% for higher sugar content) luxury items, fuel, gambling and betting.

National Taxes

- 29.5% Company Tax.
- Foreign Companies' Tax Rate - Foreign companies are subject to the same tax regime as Peruvian companies.
- Capital Gains Taxation - Capital gains are generally considered as income and taxed at the ordinary corporate tax rate.
- Main Allowable Deductions and Tax Credits - deductions are available for: interest on loans, insurance premiums, leases of aircraft and ships, maritime freight, and fees for transiting the Panama Canal; depreciation; loss; payment of royalties to non-domiciled affiliates; taxes; start-up and operational costs; wages and salaries; health insurance premiums; vehicle expenses. Donations to charitable organisations are deductible up to 10% of taxable income. Tax losses (of Peruvian origin) can be carried forward up to four years or indefinitely under certain conditions.
- Other Corporate Taxes
    - Employers contribute 9% of salary for social security and 13% or 12.4% for the pension fund; there is no other payroll tax.
    - A property tax is collected by municipal authorities at rates of 0.2%, 0.6% and 1%, depending on the value of the property. This tax is deductible from the corporate income tax. Real estate transfer taxes are levied at 3% of the sale price and payable by the buyer. The first 10 tax units (equivalent to almost $US 12,500) of the transaction are tax-exempt.
    - Banking and financial transactions are taxed at a rate of 0.005%.
    - Taxpayers with total value of assets exceeding PEN 1 million are subject to a temporary net asset tax of 0.4%. The tax applies only to the part exceeding PEN 1 million.
    - Mining companies are subject to a new royalty regime ranging from 1% to 12%. The special tax on mining varies between 2% and 8.4%, while companies having voluntarily concluded a tax stability agreement with the Peruvian government pay in addition a contribution varying between 4% and 13.2% of their mining income. Mining companies are also subject to a contribution surcharge for the activities of the Supervisory Agency for Investment in Energy and Mining (Osinergmin). The tax is collected at a rate of 0.14% for 2018.
    - Companies are also subject to a contribution tax for the activities of the Agency for Environmental Assessment and Enforcement.

In the Company's opinion, the laws of the United States, Canada, Nicaragua and Peru do not impose any undue or material restrictions on the Company's operations or the ownership by it.

Local laws and customs of the British Virgin Islands and Panama do not in the opinion of Management have a significant impact on the Company's ownership of its property interests and assets, primarily because the Company does not currently have operations in Panama or the British Virgin Islands.

Except as described elsewhere in this AIF, Polaris Infrastructure is not aware of any material restrictions against foreign investment in Nicaraguan energy companies, nor any material legal requirements imposed on foreign ownership of Nicaraguan energy companies.

5.3 Control over its Foreign Subsidiaries

In order to ensure that the Company has appropriate control and direction over its Foreign Subsidiaries, notwithstanding individual Board oversight, the organization reporting structure is such that the Country General Manager reports to the Chief Executive Officer of the Company. Further, the Chief Financial Officer of the Company interacts regularly with the finance and accounting teams in each country. The Chief Executive Officer of the Company is on the Board of each Foreign Subsidiary. The Polaris Infrastructure Board, through the Chief Executive Officer and Chief Financial Officer of the Company, also regularly receives management and technical updates and progress reports in connection with its Foreign Subsidiaries.

The Company is either a direct or indirect majority shareholder in each of its Foreign Subsidiaries. As a result, the operations and business objectives of the Company and the Foreign Subsidiaries are effectively aligned.

The Company also maintains a formal budgeting and approval process with respect to disbursement of funds and capital investments. Large-scale capital investment decisions are reviewed and approved by the respective subsidiary's board of directors as well as the Polaris Infrastructure Board.

All of the minute books, corporate seal and corporate records of the Foreign Subsidiaries are, to the extent required under local regulations, kept at the offices of the Company's local counsel. Copies of such materials are also kept and maintained at the Company's foreign offices in Managua and Lima.

Based on the foregoing and the disclosure elsewhere in this AIF, the Company is of the view that any risks associated with its corporate structure are minimal and that such risks are effectively managed based on the controls described above and elsewhere in this AIF.

5.4 Banking Matters in Nicaragua

The Company maintains bank accounts in Nicaragua with Banco de la Produccion (BANPRO) to manage banking services related to cash receipts and disbursements as well as cash management requirements with respect to the San Jacinto facility loan agreements. Bank accounts in local currency (Córdoba) and US dollars are maintained. Debt Services and Reserves cash are transferred and managed in foreign

controlled bank accounts. The Cordoba exchange rate is pegged to the USD on a daily declining basis, equating to 5% devaluation per annum.

5.5 Banking Matters in Peru

The Company maintains bank accounts in Peru with GNB Peru, Interbank, Banco Santander, Cuenta Recaudadora and Scotiabank to manage banking services related to cash receipts and disbursements as well as cash management requirements with respect to the project loan agreements. Bank accounts in local currency (Sole) and US dollars are maintained. Debt Services and Reserves cash are transferred and managed in foreign controlled bank accounts.

5.6 Board and Management Experience in Emerging Markets

A number of members of the Board and management have experience in emerging markets in general, and in doing business and operating in Latin America specifically. Management of the Company attend the offices and operating facilities on average monthly, ensuring that along with daily communication there is strong presence in person. Certain Board members visit Nicaragua and Peru multiple times annually and have significant career experience conducting business in Latin America.

5.7 Language Considerations

In the majority of cases, business discussions with the applicable Governments can be conducted in English. Many of the senior members of the respective Governments speak English and Spanish, and likewise, all members of Senior Management within each operating country speak both English and Spanish. Three Board members speak Spanish fluently, while the Chief Executive Officer speaks conversational Spanish, allowing most meetings with local stakeholders and government officials to occur in the native language. Where necessary or appropriate, meetings occur in English.

Local business in Nicaragua and Peru is conducted largely in Spanish.

5.8 Stakeholder Engagement

Among other aspects of the Company's stakeholder engagement strategy for Nicaragua, representatives of the Company formally meet with the community and other local stakeholders in Nicaragua on a regular basis and also more frequently as needed when potential issues arise.

Building strong relationships with stakeholders and understanding their interest and concerns are fundamental to achieving the Company's mission of creating value for all our stakeholders through responsible project operations. The Company engages with a wide range of Nicaraguan stakeholders at the national, regional and local levels and has launched several initiatives to develop social policies to benefit communities who live near the San Jacinto facility.

This same approach will be utilized as the Company develops and executes on its strategy as it relates to its recently acquired Peruvian assets.

6. DIVIDENDS

Polaris Infrastructure declared its first quarterly dividend in the amount of $0.10 per Common Share, which was paid on May 30, 2016. Since then, quarterly dividends have been paid by the Company, with the dividend paid in November 2017 being in the amount of $0.15 per Common Share.

Polaris Infrastructure intends on paying a quarterly dividend on the Common Shares, as determined by the Board from time to time. There are no restrictions on the Company's ability to pay dividends. The amount of any dividend paid on the Common Shares is subject to the discretion of the Board and may vary depending on, among other things, Polaris Infrastructure's earnings, financial requirements, cash flow, the satisfaction of certain covenants contained in its Credit Facilities, the satisfaction of the solvency tests imposed by the BCBCA for the declaration of dividends and other relevant factors.

7. DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

Polaris Infrastructure is authorized to issue an unlimited number of Common Shares without nominal or par value, of which, as of the date hereof, 15,678,299 Common Shares are issued and outstanding as fully paid and non-assessable. The Shareholders are entitled to dividends at dates, if any, declared by the Board, to one vote per Common Share at meetings of Shareholders and, upon dissolution, to share equally in such assets of Polaris Infrastructure as are distributable to the Shareholders. The Common Shares are not exchangeable, convertible, redeemable or retractable.

Warrants

The Company has 300,000 Warrants outstanding, which expire at 5:00 pm (Toronto time) on October 30th, 2020. The Warrants are governed by a warrant indenture dated March 27, 2013 between the Company and CST Trust Company, as warrant agent (the "Warrant Indenture").

Equity Incentives

At the annual and special meeting of Shareholders held in June 2017, the Shareholders approved the Company's amended and restated omnibus long term incentive plan (the "Omnibus Plan"). The Omnibus Plan was initially approved by the Board in 2012 and adopted at the Company's 2012 annual and special meeting of Shareholders. The Omnibus Plan permits the granting of options ("Options"), restricted shares ("Restricted Shares"), restricted share units ("RSUs"), deferred share units ("DSUs"), share appreciation rights ("SARs") and retention awards ("Retention Awards", and together with the Options, the Restricted Shares, the RSUs, the DSUs and the SARs, the "Awards"). The Omnibus Plan provides that the Board, or a committee appointed by a resolution of the Board, may from time to time, in its discretion, and in accordance with the requirements of the TSX, grant Awards to individuals eligible under the Omnibus Plan, provided that the number of Common Shares reserved for issuance does not exceed 10% of the issued and outstanding Common Shares.

8. MARKET FOR SECURITIES

From October 20, 2009 to May 12, 2015, the Common Shares were listed for trading on the TSX under the trading symbol RPG. As a result of the Recapitalization Transaction and subsequent name change of the Company, the Common Shares currently trade under the symbol PIF. The following chart sets out the monthly high, low and closing trading prices and monthly volume of shares traded for the period January 1, 2018 through December 31, 2018:

Month Ended	High ($CDN)	Low ($CDN)	Close ($CDN)	Volume
January 2018	17.84	17.38	17.62	688,400
February 2018	20.17	19.69	19.94	699,600
March 2018	18.48	17.96	18.23	921,700
April 2018	19.64	19.02	19.37	829,700
May 2018	18.73	18.30	18.52	428,300
June 2018	15.19	14.59	14.83	1,363,500
July 2018	13.36	12.92	13.05	1,016,400
August 2018	12.37	12.07	12.22	753,700
September 2018	12.20	11.68	11.89	824,000
October 2018	10.64	10.26	10.41	945,500
November 2018	11.33	10.83	11.03	1,156,800
December 2018	9.66	9.22	9.40	2,330,800

9. DIRECTORS AND OFFICERS

9.1 Name, Occupation and Security Holding

The following table and notes thereto disclose the name, municipality and country of residence of each director and executive officer of the Company, their current position and office with the Company, the date on which they were first elected or appointed as a director or officer of the Company, the approximate number of Common Shares of the Company beneficially owned, directly or indirectly, or over which they exercise control or direction at the date of this AIF:

Name, Province or State and Country of Residence	Current Office with the Company	Since	Principal Occupation During the Previous Five Years	Number (and Percentage) of Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly
Marc Murnaghan Ontario, Canada	Chief Executive Officer and Director	May 13, 2015	Mr. Murnaghan led the Recapitalization Transaction and became the CEO of the Company upon closing. He is a partner with Harrington Global, an investment firm, and was previously Managing Director, Investment Banking, with Cormark Securities.	369,490 (2.36%)

Name, Province or State and Country of Residence	Current Office with the Company	Since	Principal Occupation During the Previous Five Years	Number (and Percentage) of Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly
Jorge Bernhard (1) Ontario, Canada	Chairman of the Board	Chairman since June 29, 2016 (Director since May 13, 2015)	Mr. Bernhard served as a director of Dacha Strategic Metals Inc. from November 2012 to September 2014, which, at the time, was listed on the TSX Venture Exchange. Much of Mr. Bernahrd's career has been spent in metals trading. He launched Sherritt Metals Marketing in 1987.	22,500 (0.14%)
James Lawless (1,2) Hillsborough, New Zealand	Director	March 7, 2011	From 1999 through 2010, Mr. Lawless was a Geothermal Practice Leader with Jacobs. From 1993 to 1999, he was an Earth Science Manager with Kingston Morrison Limited, and from 1985 to 1993, was a Senior Geologist for KRTA Limited.	3,021 (0.02%)
Jaime Guillen (1,2) London, United Kingdom	Director	May 13, 2015	Mr. Guillen is Managing Partner at Faros Infrastructure Partners LLC, an investment firm with offices in United Kingdom, United States and Mexico. He has worked for other major international firms, including as VP with Bechtel Financing Services, Managing Director for Bechtel Enterprises and CEO of Alterra Partners (a joint venture with Singapore Changi Airport).	Nil
C. Thomas Ogryzlo (2) San Jose, Costa Rica	Director	June 29, 2016	Mr. Ogryzlo has served as a board director of more than 20 public companies including: Franco-Nevada Mining Corp., Vista Gold, Aura Minerals, Birim Goldfields, Tiomin Resources and Atlas Corp. Mr. Ogryzlo has been President of several producing precious and base metal mining companies, including Black Hawk Mining, Triton Mining and Cerro Matoso S.A. For many years he held the position of President of Kilborn Engineering Ltd. And Kilborn SNC-Lavalin, one of the world's largest engineering contractors. Mr. Ogryzlo was one of the founders, President and CEO of predecessor entity to Polaris from 2000 to the end of 2009 when Polaris merged with two other geothermal companies to form Ram Power.	1,193 (0.01%)

Name, Province or State and Country of Residence	Current Office with the Company	Since	Principal Occupation During the Previous Five Years	Number (and Percentage) of Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly
Anton Jelic Ontario, Canada	Chief Financial Officer	December 10, 2018	Mr. Jelic has served as CFO of the Company since December 2018. Previously, he was CFO with a Southern Ontario homebuilder as well as a solar company. Prior work experience was in the renewable energy, fiber optic construction and real estate development industries in Toronto. Mr. Jelic is a Certified General Accountant / Chartered Professional Accountant as well as a graduate of York University.	Nil

Notes:

(1) Member of the Audit Committee.
(2) Member of the Human Resource Committee.

The term of office of the directors will expire on the date of the next annual meeting of the Shareholders expected to be held in June 2019.

The directors and executive officers of the Company, as a group, beneficially own, or exercise control or direction over, directly or indirectly, an aggregate of 404,539 Common Shares, representing 2.58% of the issued and outstanding Common Shares.

9.2 Committees of the Board of Directors

Board Committees

The Board has two standing committees: the Audit Committee and the Human Resource Committee. The information below summarizes the functions of each of the committees in accordance with their charters.

Human Resource Committee

The Human Resource Committee is comprised of Thomas Ogryzlo, Jaime Guillen and James Lawless. The Human Resource Committee has overall responsibility for discharging the responsibilities of the Board related to the Company's Chief Executive Officer and other senior officers of the Company, compensation matters involving senior officers and the Board, monitoring the effectiveness of the Board and, if and as necessary, identifying individuals qualified to become new members of the Board. The Human Resource Committee, under the supervision of the Board, also has overall responsibility to monitor and address matters related to the governance of the Board and of the committees of the Board.

Attached at Appendix "A" is the Charter for the Company's Human Resource Committee.

Audit Committee

The Audit Committee is comprised of Jaime Guillen, Jorge Bernhard and James Lawless, each of whom is financially literate and an independent director. The Audit Committee is charged with a mandate of providing independent review and oversight of the Company's financial reporting process, the system of internal controls and financial management, and the audit process, including selection, oversight and compensation of the Company's external auditors. The Audit Committee also assists the Board in fulfilling its responsibilities in reviewing the Company's process for monitoring compliance with laws and regulations and its own code of business conduct.

Attached at Appendix "B" is the Charter for the Company's Audit Committee.

Relevant Education and Experience of the Members of the Audit Committee

Jaime Guillen

Jaime Guillen, Chair of the Audit Committee, holds a Bachelor of Science in Nuclear Engineering from Massachusetts Institute of Technology and a Masters of Business Administration from Stanford University. Mr. Guillen is Managing Partner at Faros Infrastructure Partners LLC, an investment firm with offices in United Kingdom and United States, and is Partner, Investment Committee Member, and Board Director with EXI Infrastructure Fund, based in Mexico. He has over 25 years of experience in the development, investment, financing, management and divestiture of energy and infrastructure projects. Mr. Guillen previously served as the Chief Executive Officer of Alterra Partners, an investment joint venture between Singapore Changi Airport and Bechtel, a United States engineering company. He also previously served as the Managing Director of Bechtel Enterprises in Latin America, President of Bechtel Enterprises in Brazil and Director of Bechtel Enterprises of Mexico – responsible for developing, investing in, and managing infrastructure investments.

Jorge Bernhard

Mr. Bernhard has over 25 years of experience throughout Central America and the Caribbean, mostly via Canadian-based businesses. He spent much of his career in metals trading, launching Sherritt Metals Marketing, a nickel marketing and trading company created in partnership with Sherritt Gordon Inc. in 1987, and forming a joint venture with Western Mining Corporation of Australia in 1992. Jorge served as a director of Dacha Strategic Metals Inc., a then TSX Venture Exchange listed issuer, from November 2012 to September 2014.

James Lawless

Mr. Lawless holds a Bachelor of Science from University of Auckland and Master of Science (First Class Honours) from University of Waikato. He brings extensive experience with the Company's San Jacinto power project, both over the past four years as a Director, and previously as Practice Leader at Jacobs New Zealand, where he was responsible for the technical direction and quality on all Jacobs projects related to geothermal resources, including the oversight of drilling activities at the San Jacinto property.

Mr. Lawless was a Board Member of the International Geothermal Association from 2004-2010, including acting as Finance Chair of the Steering Committee for World Geothermal Congress in 2010.

Reliance on Certain Exemptions

The Company's Audit Committee has not relied on any of the exemptions under National Instrument 52-110 since the commencement of the most recently completed financial year.

Audit Committee Oversight

The Board adopted all recommendations by the Audit Committee with respect to the nomination and compensation of the external auditors.

Pre-Approval Policies and Procedures

The Audit Committee is responsible for overseeing the work of the external auditors, and considering whether the provision of non-audit services is consistent with the external auditor's independence. The Audit Committee must approve in advance all audited and permitted non-audit services with the independent auditors. This includes terms of engagement and all fees payable.

External Auditor Service Fees

Fees payable by Polaris Infrastructure for audit and other services provided by PwC for the fiscal years ended December 31, 2018 and December 31, 2017, were as follows:

Fees	Year ended December 31, 2018	Year ended December 31, 2017	Description of Services
Audit Fees	Cdn$244,349	Cdn$229,055	The audit services related to professional services rendered for audits of the Company's annual financial statements.
Audit Related Fees	Cdn$59,500	Cdn$47,100	Audit-related fees represent fees for quarterly reviews and other assurance and related services by the Company's auditors that are reasonably related to the performance of the audit or review of the Company's financial statements and not disclosed in the Audit Fees column.
All Other Fees	-	Cdn$10,000	Other Advisory Services.
Total	Cdn$303,849	Cdn$286,155	

9.3 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Corporate Cease Trade Orders

To the knowledge of the Company, no director or executive officer of the Company is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company, that was:

a) subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

b) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

To the knowledge of the Company, no director or executive officer of the Company, or a Shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

a) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties or Sanctions

To the knowledge of the Company, no director or executive officer of the Company, or a Shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to:

a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

9.4 Conflicts of Interest

To the knowledge of the Company, there are no existing or potential conflicts of interest among the Company and its directors, officers or other members of management as a result of their outside business interests except that certain of directors and officers serve as directors and officers of other companies. Therefore, it is possible that a conflict may arise between the duties of these directors and officers to the Company and their duties as a director or officer of such other companies. Any decision made by such directors or officers involving the Company will be made in accordance with the duties and obligations of directors and officers to deal fairly and in good faith with the Company and such other companies. In addition, such directors and officers declare, and refrain from voting on, any matter in which they may have a conflict of interest.

10. LEGAL PROCEEDINGS AND REGULATORY ACTIONS

10.1 Legal Proceedings

There are no outstanding legal proceedings material to Polaris Infrastructure to which Polaris Infrastructure is a party or in respect of which any of its assets or properties are subject, nor are there any such proceedings known to be contemplated.

10.2 Regulatory Actions

Polaris Infrastructure has not had: (i) any penalties or sanctions imposed against it by a court relating to securities legislation or by a securities regulatory authority; (ii) any other penalties or sanctions imposed by a court or regulatory body against it that would likely be considered important to a reasonable investor in making an investment decision; or (iii) any settlement agreements entered into before a court relating to securities legislation or with a securities regulatory authority.

11. RISK FACTORS

11.1 Risks Related to the Business and Industry of Polaris Infrastructure

Ability to develop additional renewable energy projects depends on ability to raise necessary capital

If Polaris Infrastructure identifies a geothermal property that it may seek to acquire or to develop, a substantial capital investment often will be required. Polaris Infrastructure's continued access to capital, through project financing, credit facilities or other arrangements with acceptable terms is necessary for the success of its growth strategy. Polaris Infrastructure's attempts to secure the necessary capital may not be on favorable terms, or successful at all. Market conditions and other factors may not permit future project and acquisition financing on terms favorable to Polaris Infrastructure. Polaris Infrastructure's ability to arrange for financing on favorable terms, and the costs of such financing, are dependent on numerous factors, including general economic and capital market conditions, investor confidence, the continued success of current projects, the credit quality of the project being financed, the political situation in the jurisdiction in which the project is located and the continued existence of tax laws which are conducive to raising capital. If Polaris Infrastructure is unable to secure capital through credit facilities or other arrangements, it may have to finance its projects using equity financing which would have a dilutive effect on the Common Shares of Polaris Infrastructure. Also, in the absence of favorable financing or other capital raising options, Polaris Infrastructure may decide not to build new plants or acquire properties from third parties. Any of these factors could have a material adverse effect on Polaris Infrastructure's growth prospects and financial condition.

Financial leverage and restrictive covenants may restrict our current and future indebtedness and limited future business dealings

The Company's operating subsidiaries, PENSA and Generacion Andina, are subject to contractual restrictions governing its current and future indebtedness. The degree to which the Company and its subsidiaries are leveraged could have important consequences to shareholders, including: (i) the Company's and its subsidiaries' ability to obtain additional financing for working capital, capital expenditures, acquisitions or other project developments in the future may be limited; (ii) a significant portion of the Company's and its subsidiaries' cash flows from operations may be dedicated to the payment of the principal of and interest on their indebtedness, thereby reducing funds available for future operations; and (iii) the Company and its subsidiaries may be more vulnerable to economic downturns and be limited in their ability to withstand competitive pressures. The Company and its subsidiaries are subject to operating and financial restrictions through covenants in certain loan and security agreements. These restrictions prohibit or limit the Company's and its subsidiaries' ability to, among other things, incur additional debt, provide guarantee for indebtedness, create liens, dispose of assets, liquidate, dissolve, amalgamate, consolidate or effect any corporate or capital reorganization, make distributions or pay dividends, issue any equity interests and create subsidiaries. These restrictions may limit the Company's and its subsidiaries' ability to obtain additional financing, withstand downturns in the Company's and its subsidiaries' business and take advantage of business opportunities. If the Company or a subsidiary defaults in respect of its obligations under any of the loan agreements, including without limitation servicing existing indebtedness, or to refinance any such indebtedness, lenders may be entitled to demand repayment and enforce their security against certain projects or other assets.

Existing production wells at the San Jacinto facility may not produce sufficient commercially viable geothermal resources to support Polaris Infrastructure's possible expansion programs

Possible expansion programs for the production of increased power from the San Jacinto facility are not assured of success and depend on the successful drilling and discovery of additional geothermal resources to economically generate increased power. Increasing the level of production from the San Jacinto facility and sustaining it over the long term will require drilling to discover additional resources in the area. The viability of any future planned expansion programs at the San Jacinto facility will depend upon a number of factors which are beyond Polaris Infrastructure's control related to the nature of the geothermal resource defined through drilling additional production wells, such as heat content (the relevant composition of temperature and pressure), useful life, and operational factors relating to the extraction of fluids from the geothermal resource. If sufficient economically recoverable and sustainable geothermal resources are not defined through drilling, any future planned expansion programs at the San Jacinto facility location may be scaled back or not proceed altogether, which would, in turn, materially and adversely affect Polaris Infrastructure's business, financial conditions, future results and cash flow.

Geothermal exploration and development programs are highly speculative, are characterized by significant inherent risk and costs, and may not be successful

Polaris Infrastructure's future performance depends on its ability to discover and establish economically recoverable and sustainable geothermal resources on its properties through its exploration and development programs. Geothermal exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into generating power plants. There is no assurance that Polaris Infrastructure's exploration and development programs will be successful. Despite historical exploration work, Polaris Infrastructure's properties, other than the San Jacinto facility and the Casita Project, are without a known geothermal resource. Successfully discovering geothermal resources is dependent on a number of factors, including the technical skill of exploration personnel involved. Even in the event commercial quantities of geothermal resources are discovered, it may not be commercially feasible to bring power generation facilities into a state of commercial production from such geothermal resources. The commercial viability of a geothermal resource once discovered is dependent on a number of factors, some of which are particular attributes of the resource, such as heat content (the relevant composition of temperature and flow rate/pressure), useful life, operational factors relating to the extraction of fluids from the geothermal resource, proximity to infrastructure, capital costs to construct a power plant and related infrastructure, and energy prices. Many of these factors are beyond Polaris Infrastructure's control.

Geothermal exploration and development costs are high and are not fixed. A geothermal resource cannot be relied upon until substantial development, including drilling and testing, has taken place. The costs of development drilling are subject to numerous variables such as unforeseen geologic conditions underground that could result in substantial cost overruns. Drilling at Polaris Infrastructure's properties may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs.

Polaris Infrastructure's drilling operations may be curtailed, delayed or cancelled as a result of numerous factors, many of which are beyond Polaris Infrastructure's control, including economic conditions, mechanical problems, title problems, weather conditions, compliance with governmental requirements

and shortages or delays of equipment and services. If Polaris Infrastructure's drilling activities are not successful, it could materially adversely affect its business, financial condition, future results and cash flow.

Polaris Infrastructure's geothermal resources may decline over time and may not remain adequate to support the life of its power plants

The operation of geothermal power plants depends on the continued availability of adequate geothermal resources. Although Polaris Infrastructure believes its geothermal resources will be sustainable if managed properly, it cannot be certain that any geothermal resource will remain adequate for the life of a geothermal power plant.

Any geothermal resource may suffer an unexpected decline in capacity to generate electricity. A number of events could cause such a decline or shorten the operational duration of a geothermal resource. These events include:

- degradation of resource quality due to premature return of the reinjected fluid to production wells before it is fully re-heated; and
- failure to properly maintain the hydrological balance of the applicable geothermal resource.

If the geothermal resources available to a power plant become inadequate for full production, Polaris Infrastructure subsidiaries may be unable to fully perform their obligations under the PPA for the affected power plant, which in turn could reduce power plant revenues and materially and adversely affect the business, financial condition, future results and cash flow of Polaris Infrastructure. If a significant decline in geothermal resources occurs, it may adversely impact the subsidiary's ability to comply with the covenants in any related projected financing documents that it has committed to repay. In such non-recourse financing, the underlying project assets and the shares in the relevant Polaris Infrastructure subsidiary are pledged to the project lenders as security.

Polaris Infrastructure's financial performance depends on hydrological factors beyond its control

The amount of power generated by the Company's hydroelectric facilities is dependent on available water flow. Accordingly, revenues and cash flows may be affected by low and high water flow in the watersheds. There can be no assurance that the long-term historical water availability will remain unchanged or that no material hydrologic event will impact water conditions in a particular watershed. Annual deviations from the long-term average are sometimes significant.

The hydroelectric resources of the Company's hydroelectric facilities will vary. Although the Company believes that past resource studies and production data collected demonstrate that the sites are economically viable, the climate regime may change or historical data and engineering forecasts may not accurately reflect the strength and consistency of resources in the future. If resources are insufficient, the assumptions underlying the financial projections for the volume of electricity to be produced by such facilities might not materialize, which could have a material adverse effect on the Company's cash flows and profitability

Polaris Infrastructure's financial performance depends on its successful operation of geothermal power plants as well as hydro facilities, which are subject to various operational risks

Polaris Infrastructure's financial performance depends on its successful operation of geothermal power plants and hydro facilities that are owned and operated by its subsidiaries. The cost of operation and maintenance and the operating performance of such facilities may be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following:

- regular and unexpected maintenance and replacement expenditures;
- shutdowns due to the breakdown or failure of the plant's equipment or the equipment of the transmission serving utility;
- labor disputes;
- catastrophic events such as fires, explosions, earthquakes, volcanic eruptions, landslides, floods, releases of hazardous materials, severe storms or similar occurrences affecting a power plant, hydro facility, or any of the power purchasers or third party service providers to a power plant or hydro facility; and
- the aging of power plants or hydro facilities, which may reduce their operating performance and increase the cost of their maintenance.

Any of these events could significantly increase the expenses incurred by a power plant or hydro facility or reduce the overall generating capacity of a power plant or hydro facility, and could significantly reduce or entirely eliminate the revenues generated, which in turn would reduce Polaris Infrastructure's net income and could materially and adversely affect its business, financial condition, future results and cash flow.

It is very costly to place geothermal resources into commercial production

Before the sale of any power can occur, it is necessary to construct a gathering and disposal system, a power plant, and a transmission line, and considerable administrative costs are incurred, together with the drilling of production and injection wells. Future development and expansion of power production at Polaris Infrastructure's properties may result in significantly increased capital costs related to increased production and injection well drilling and higher costs for labor and materials. To fund expenditures of this magnitude, Polaris Infrastructure may have to seek additional financing and sources of capital. There can be no assurance that additional capital could be found and, if found, it may result in Polaris Infrastructure having to substantially reduce its interest in the project.

Uncertainty in the calculation of geothermal resources and probabilistic estimates of gross MW capacity

There is a degree of uncertainty attributable to the calculation of geothermal resources and probabilistic estimates of gross MW capacity. Until a geothermal resource is actually accessed and tested by production and injection wells, the temperature and composition of underground fluids must be considered estimates only. In addition, estimates as to the percentage of the heat that can be expected to be recovered at the surface is subject to a number of assumptions including, but not limited to, resource base temperature, areal extent of the geothermal reservoir, thickness of the geothermal reservoir,

percentage of resource recovery and the expected lifetime of the geothermal reservoir. If any of these assumptions prove to be materially incorrect, it may affect the gross MW capacity of a property.

Geological occurrences beyond Polaris Infrastructure's control may compromise its operations and their capacity to generate power

In addition to the substantial risk that production wells that are drilled will not be productive or may decline in productivity after commencement of production, hazards such as unusual or unexpected geologic formations, downhole conditions, mechanical failures, blowouts, cratering, localized ground subsidence, eruptions, explosions, uncontrollable releases or flows of well fluids, pollution and other physical and environmental risks are inherent in geothermal exploration and production. These hazards could result in substantial losses to the Company due to injury and loss of life, severe damage to and destruction of property and equipment, pollution and other environmental damage, failure to find a proper injection zone, and suspension of operations.

Additionally, active geothermal and volcanic areas, such as the areas in which Polaris Infrastructure's operations and properties are located, are subject to frequent low-level seismic disturbances. Serious seismic disturbances are possible and could result in damage to its projects or equipment or degrade the quality of its geothermal resources to such an extent that Polaris Infrastructure could not perform under the PPA for the affected project, which in turn could reduce its net income and materially and adversely affect Polaris Infrastructure's business, financial condition, future results and cash flow. If Polaris Infrastructure suffers a serious seismic disturbance, its business interruption and property damage insurance may not be adequate to cover all losses sustained as a result thereof. In addition, insurance coverage may not continue to be available in the future in amounts adequate to insure against such seismic disturbances.

Energy prices are subject to dramatic and unpredictable fluctuations

The market price of energy is volatile. If the price of electricity should drop significantly, the economic prospects of the properties in which Polaris Infrastructure has an interest, the power from which is not contracted for, could be significantly reduced or rendered uneconomic. There is no assurance that, even if commercial quantities of geothermal resources are discovered and hydro facility generation is as expected, a profitable market may exist for the sale of resulting energy. Factors beyond Polaris Infrastructure's control may affect the marketability of any resources discovered and produced. Prices have fluctuated widely, particularly in recent years. The marketability of geothermal and hydro energy is also affected by numerous other factors beyond Polaris Infrastructure's control, including government regulations relating to royalties, and allowable production and exporting of energy sources, the effects of which cannot be accurately predicted.

Dramatic and unpredictable fluctuations in the market price for energy may affect the ability of Polaris Infrastructure to enter into new PPAs on favorable terms, or at all, which would have a negative impact on the revenue of Polaris Infrastructure and its decisions regarding development of additional properties.

Industry competition may impede Polaris Infrastructure's ability to access suitable energy resources

Significant and increasing competition exists for the limited number of quality energy opportunities available. As a result of this competition, some of which is with large established companies with substantial capabilities and greater financial and technical resources than Polaris Infrastructure, it may be unable to acquire additional operations or properties on terms it considers acceptable. There can be no assurance that Polaris Infrastructure's acquisition programs will yield new operations or properties.

Polaris Infrastructure may be unable to enter into PPAs on terms favorable to Polaris Infrastructure, or at all

The electrical power generation industry, of which geothermal and hydro power are a sub-component, is highly competitive, and Polaris Infrastructure may not be able to compete successfully or grow its business. The industry is complex, as it is composed of public utility districts, cooperatives and investor-owned power companies. Many of the participants produce and distribute electricity. Their willingness to purchase electricity from an independent producer may be based on a number of factors and not solely on pricing and surety of supply. If Polaris Infrastructure cannot enter into PPAs on favorable terms, or at all, it would negatively impact its revenue and its decisions regarding development of additional properties.

The power generation industry is characterized by intense competition, and Polaris Infrastructure could encounter competition from electric utilities, other power producers, and power marketers that could materially and adversely affect the business, financial condition, future results and cash flow of Polaris Infrastructure

The power generation industry is characterized by intense competition from electric utilities, other power producers and power marketers. In recent years, there has been increasing competition in the sale of electricity, in part due to excess capacity in a number of U.S. markets and an emphasis on short-term or "spot" markets, and competition has contributed to a reduction in electricity prices. For the most part, Polaris Infrastructure expects that power purchasers interested in long-term arrangements will engage in "competitive bid" solicitations to satisfy new capacity demands. This competition could adversely affect Polaris Infrastructure's ability to obtain PPAs and the price paid for electricity by the relevant power purchasers. There is also increasing competition between electric utilities. This competition has put pressure on electric utilities to lower their costs, including the cost of purchased electricity, and increasing competition in the future will put further pressure on power purchasers to reduce the prices at which they would purchase electricity from Polaris Infrastructure.

Environmental and other regulatory requirements may add costs and uncertainty

Polaris Infrastructure's current and future operations, including exploration and development activities and electricity generation from power plants, require licenses and permits from various governmental authorities, and such operations are and will be subject to laws and regulations governing exploration and development, geothermal resources, production, exports, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, project safety and other matters. Companies can experience increased costs, and delays in production and other schedules, as a result of the need to comply with applicable laws, regulations, licenses and permits. There is no assurance that all

approvals or required licenses and permits will be obtained. Additional permits, licenses and studies, which may include environmental impact studies conducted before licenses and permits can be obtained, may be necessary prior to the exploration or development of properties, or the operation of power plants in which Polaris Infrastructure has an interest, and there can be no assurance that Polaris Infrastructure will be able to obtain or maintain all necessary licenses or permits that may be required on terms that enable operations to be conducted at economically justifiable costs. Failure to comply with applicable laws, regulations, licensing or permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Polaris Infrastructure may be required to compensate those suffering loss or damage by reason of its activities, and may have civil or criminal fines or penalties imposed upon it for violations of applicable laws or regulations.

Applicable laws and regulations, including environmental requirements and licensing and permitting processes, may require public disclosure and consultation. It is possible that a legal protest could be triggered through one of these requirements or processes that could delay, or require the suspension of, an exploration or development program or the operation of a power plant and increase Polaris Infrastructure's costs. Because of these requirements, Polaris Infrastructure could incur liability to governments or third parties for any unlawful discharge of pollutants into the air, soil or water, including responsibility for remediation costs. Polaris Infrastructure could potentially discharge such materials into the environment: from a well or drilling equipment at a drill site; leakage of fluids or airborne pollutants from gathering systems, pipelines, power plants or storage tanks; damage to geothermal wells resulting from accidents during normal operations; and blowouts, cratering and explosions.

In the case of the Company's hydroelectric facilities, water rights are owned by governments that reserve the right to control water levels, which may affect revenue. Additionally, the Company is also subject to disclosure requirements and regulations relating to the monitoring of structural integrity of the hydroelectric stations it owns and operates in Peru. Other safety regulations could change from time to time, potentially impacting the Company's costs and operations. Upgrading all facilities to enable them to withstand all events could require the Company to incur significant expenditures of capital and other substantial resources, particularly on occurrence of an extraordinary event or a case of force majeure.

No assurance can be given that new laws and regulations will not be enacted or that existing laws and regulations will not be applied in a manner that could limit or curtail Polaris Infrastructure's exploration and development programs or its operation of power plants. Amendments to current laws, regulations, licenses and permits governing operations and activities of geothermal companies, or more stringent implementation thereof, could have a material adverse impact on Polaris Infrastructure and cause increases in capital expenditures or production costs, or reduction in levels of production, or abandonment or delays in development of the business.

Increases in water rental cost or changes to regulations on water use could impact Polaris Infrastructure's financial performance

The Company is required to make rental payments for water rights when its hydroelectric facilities are in commercial operation. Significant increases in water rental costs in the future or changes in the way governments regulate water supply or apply such regulations could have a material adverse effect on the Company's business, operating results, financial condition or prospects.

The success of Polaris Infrastructure's business relies on attracting and retaining key personnel

Polaris Infrastructure is dependent upon the services of its senior management team. The loss of any of their services could have a material adverse effect upon Polaris Infrastructure.

Polaris Infrastructure's officers and directors may have conflicts of interests arising out of their relationships with other companies

Several of Polaris Infrastructure's directors and officers serve (or may agree to serve) as directors or officers of other companies or have significant shareholdings in other companies. To the extent that such other companies may participate in ventures in which Polaris Infrastructure participates, the directors may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. From time-to-time, several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment.

Polaris Infrastructure may face adverse claims to title

Although Polaris Infrastructure has taken reasonable precautions to ensure that legal title to its properties is properly documented, there can be no assurance of title to any of its property interests, or that such title will ultimately be secured. Polaris Infrastructure's property interests may be subject to prior unregistered agreements or transfers or other land claims, and title may be affected by undetected defects and adverse laws and regulations.

Fluctuation in foreign currency exchange rates may affect Polaris Infrastructure's financial results

Polaris Infrastructure maintains accounts in Canadian and U.S. dollars. Polaris Infrastructure's operations in the United States, Nicaragua and Peru make it subject to foreign currency fluctuations. Foreign currency fluctuations are material to the extent that fluctuations between the Canadian and U.S. dollar and/or U.S. dollar balances are material. Polaris Infrastructure does not at present, nor does it plan in the future, to engage in foreign currency transactions to hedge exchange rate risks, but it does convert Canadian funds to U.S. dollars anticipating U.S. expenditures.

Polaris Infrastructure may not be able to successfully integrate businesses or projects that it acquires in the future

Polaris Infrastructure's business strategy is to expand in the future, including through acquisitions. Integrating acquisition targets is often costly, and Polaris Infrastructure may not be able to successfully integrate acquired companies with its existing operations without substantial costs, delays or other adverse operational or financial consequences. Integrating acquired companies involves a number of risks that could materially and adversely affect Polaris Infrastructure's business, including:

- the failure of the acquired companies to achieve expected results;
- inability to retain key personnel of acquired companies;
- risks associated with unanticipated events or liabilities; and
- difficulties associated with establishing and maintaining uniform standards, controls, procedures and policies, including accounting and other financial controls and procedures.

Polaris Infrastructure's insurance policies may be insufficient to cover losses

As protection against operating hazards, Polaris Infrastructure intends to maintain insurance coverage against some, but not all, potential losses. Polaris Infrastructure may not fully insure against all risks associated with its business either because such insurance is not available or because the cost of such coverage is considered prohibitive. The occurrence of an event that is not covered, or not fully covered, by insurance could have a material adverse effect on Polaris Infrastructure's financial condition and results of operations.

Urbanizing activities and related developments may limit geothermal activities in the areas of Polaris Infrastructure projects

Current and future urbanizing activities, and related residential, commercial and industrial development, may encroach on or limit geothermal activities in the areas of Polaris Infrastructure's projects, thereby affecting Polaris Infrastructure's ability to utilize access, inject, and/or transport geothermal resources on or underneath the affected surface areas.

Employee Recruitments, Retention and Human Error

Recruiting and retaining qualified personnel is critical to Polaris Infrastructure's success. We are dependent on the services of key executives including the Chief Executive Officer and other highly skilled and experienced executives and personnel focused on managing Polaris Infrastructure's interests. The number of persons skilled in acquisition, exploration, development, and operation of geothermal properties is limited and competition for such persons is intense. As business activities grow, we will require additional key financial, administrative and technical personnel as well as additional operations staff. There can be no assurance that we will be successful in attracting, training, and retaining qualified personnel as competition for persons with these skill sets increases. If we are not successful in attracting, training, and retaining qualified personnel, the efficiency of Polaris Infrastructure's operations could be impaired, which could have an adverse impact on future cash flows, results of operations and financial condition.

Despite efforts to attract and retain qualified personnel, as well as the retention of qualified consultants, to manage Polaris Infrastructure's interests, even when those efforts are successful, people are fallible and human error could result in significant uninsured losses to the Company. These could include loss or forfeiture of mineral claims or other assets for non-payment of fees or taxes, significant tax liabilities in connection with any tax planning effort we might undertake, and legal claims for errors or mistakes by personnel.

11.2 Risks Relating to the Political and Economic Climates of Countries in which Polaris Infrastructure Operates

Economic and Political Developments in Countries in which the Company Operates

As some of the Company's projects are located in Nicaragua and Peru, the Company is dependent upon the respective economic and political developments that occur within these jurisdictions. As a result, the Company's business, financial position and results of operations may be affected by the general conditions of the host country's economy, price instability, currency fluctuation, inflation, interest rates, regulation, taxation, social instability, political unrest and other developments in or affecting those jurisdictions, over which the Company has no control.

In the past, Nicaragua and Peru have experienced periods of weak economic activity and deterioration in economic conditions. The Company cannot assure that such conditions will not return or that such conditions will not have a material adverse effect on its business, financial condition or results of operations.

The Company's financial condition and results of operations may also be affected by changes in the political climate in Nicaragua and Peru to the extent that such changes affect the nation's economic policies, growth, stability or regulatory environment. Exploration may be affected in varying degrees by government regulations with respect to restrictions on future exploitation and production, price controls, export controls, foreign exchange controls, income taxes, wealth taxes, expropriation of property, environmental legislation and site safety. There can be no assurance that the governments of Nicaragua and Peru will continue to pursue business friendly and open-market economic policies or policies that stimulate economic growth and social stability.

Host country economic, social and political conditions can negatively affect Polaris Infrastructure's operations

Some of Polaris Infrastructure's properties are located in Nicaragua and Peru. As Polaris Infrastructure conducts exploration, development and commercial operations in Nicaragua and Peru, it is exposed to a number of risks and uncertainties, including:

- difficulties enforcing judgments obtained in Canadian or United States courts against assets located outside of those jurisdictions;
- difficulty with understanding and complying with the regulatory and legal framework respecting the ownership and maintenance of geothermal properties and power plants;

- changes to royalty and tax regimes;
- expropriation or nationalization without adequate compensation;
- the imposition of trade barriers;
- labor unrest;
- internal security issues;
- potential fluctuations in currency exchange rates;
- volatile local political and economic developments, which could affect, among other things, the availability of new project financing; and
- difficulty obtaining key equipment and components for equipment.

Host country economic, social and political uncertainty can arise as a result of lack of support for Polaris Infrastructure's activities in local communities in the vicinity of its properties. Such uncertainties also arise as a result of the relatively new and evolving promotion of private-sector power development. Though the effects of competition will increase the likelihood of market efficiencies and benefit Polaris Infrastructure's properties, elimination of energy cost subsidies may increase the inability of end-use consumers to pay for power and lead to political opposition to privatization initiatives, and have an adverse impact on its properties and operations.

There are risks associated with inter-regional transmission grids

The electrical power generated by Polaris Infrastructure's operations may be used by consumers in the jurisdiction where such operations are located, such as Nicaragua in the case of the San Jacinto facility, or sold to other neighboring jurisdictions through an inter-regional transmission grid. Applicable laws, inter-regional agreements and the structure and functioning of the power markets between a host state or country and its neighboring states or countries are all critical to the success of Polaris Infrastructure's geothermal projects.

11.3 Risks Related to the Common Shares and Trading Market

If the share price of the Common Shares fluctuates, investors could lose a significant part of their investment

In recent years, the stock market has experienced significant price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies for reasons unrelated to the operating performance of these companies. The market price of the Common Shares could similarly be subject to wide fluctuations in response to a number of factors, most of which Polaris Infrastructure cannot control, including:

- changes in securities analysts' recommendations and their estimates of Polaris Infrastructure's financial performance;
- the public's reaction to Polaris Infrastructure's press releases, announcements and filings with securities regulatory authorities, and those of its competitors;
- changes in market valuations of similar companies;
- investor perception of Polaris Infrastructure's industry or prospects;

- additions or departures of key personnel;
- commencement of or involvement in litigation;
- changes in environmental and other governmental regulations;
- announcements by Polaris Infrastructure or its competitors of strategic alliances, significant contracts, new technologies, acquisitions, commercial relationships, joint ventures or capital commitments;
- variations in Polaris Infrastructure's quarterly results of operations or cash flows or those of other companies;
- revenue and operating results failing to meet the expectations of securities analysts or investors;
- future issuances and sales of the Common Shares of Polaris Infrastructure; and
- changes in general conditions in the domestic and worldwide economies, financial markets or the mining industry.

The impact of any of these risks and other factors beyond Polaris Infrastructure's control could cause the market price of the Common Shares to decline significantly. In particular, the market price for the Common Shares may be influenced by variations in electricity prices. This may cause the price of the Common Shares to fluctuate with these underlying commodity prices, which are highly volatile.

Under U.S. federal tax rules, Polaris Infrastructure may be classified as a passive foreign investment company (a "PFIC"), which would result in special and generally unfavorable U.S. federal tax consequences to its U.S. Shareholders

As a non-U.S. corporation, Polaris Infrastructure may be a PFIC depending on the percentage of Polaris Infrastructure's gross income which is "passive", within the meaning of the U.S. Internal Revenue Code, or the percentage of Polaris Infrastructure's assets that produce or are held to produce passive income. Polaris Infrastructure may be a PFIC in some or all subsequent taxable years. If Polaris Infrastructure is a PFIC for any taxable year during a U.S. Shareholder's holding period in the Common Shares, such U.S. Shareholder may be subject to increased U.S. federal income tax liability on the sale of the Common Shares or on the receipt of dividends. The PFIC rules are complex and may be unfamiliar to U.S. Shareholders. Accordingly, U.S. Shareholders are urged to consult their own tax advisors concerning the application of the PFIC rules to their Common Shares.

The issuance of additional equity securities may negatively impact the trading price of Common Shares

Polaris Infrastructure may issue equity securities to finance its activities in the future. In addition, outstanding options to purchase the Common Shares may be exercised, resulting in the issuance of additional Common Shares. The issuance of additional equity securities or a perception that such an issuance may occur could have a negative impact on the trading price of the Common Shares.

Current global financial conditions have been subject to increased volatility

Current global financial conditions have been subject to increased volatility and numerous financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to public financing has been negatively impacted by both sub-prime mortgages and the liquidity

crisis affecting the asset-backed commercial paper market. These factors may impact Polaris Infrastructure's ability to obtain equity or debt financing in the future and, if obtained, on favorable terms to it. If these increased levels of volatility and market turmoil continue, Polaris Infrastructure's operations could be adversely impacted and the trading price of its Common Shares could be adversely affected.

12. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as described elsewhere herein, in the three most recently completed financial years or during the current financial year, no director, executive officer, insider, or associate or affiliate of any director, executive officer or insider of Polaris Infrastructure, had or is expected to have any material direct or indirect transactions with the Company that materially affected or would materially affect the Company.

13. TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is:

AST Trust Company (Canada)
1 Toronto Street, Suite 1200
Toronto, ON M5C 2V6
Tel: 416.682.3888
Fax: 1.877.715.0494

14. MATERIAL CONTRACTS

The following are the only material contracts, other than those contracts entered into in the ordinary course of business, which the Company has entered into since the beginning of the last fiscal year before the date of this Annual Information Form. Copies of the below material contracts are available on the Company's SEDAR profile at www.sedar.com.

- A share purchase agreement between, among others, Andean Power Generation S.A.C. ("**APG SAC**") and the Company, dated October 30, 2018.
- A share purchase agreement between, among others, Andean Power Generation Limited ("**APG Ltd.**") and the Company, dated October 30, 2018.
- A share purchase agreement between, among others, APG Ltd. and the Company, dated October 30, 2018.
- A share purchase agreement between the Company and Union Group International Holdings Limited ("**UGIHL**"), dated October 30, 2018.
- A share purchase agreement between UGIHL, APG SAC , and the Company, dated October 30, 2018.
- A share purchase agreement between UGIHL, APG Ltd., and the Company, dated October 30, 2018.

15. INTERESTS OF EXPERTS

15.1 Name of Experts

The Company's financial statements for the year ended December 31, 2018, have been audited by PwC.

Information of a technical nature regarding the Casita Project included in this AIF is based on the Casita Report prepared by Jacobs.

15.2 Interests of Experts

PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, are the auditors of the Company and has advised the Company that they are independent in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

As of the date hereof, the partners, employees and consultants of Jacobs own, directly or indirectly, less than 1% of the issued and outstanding Common Shares.

16. ADDITIONAL INFORMATION

Financial information about the Company is contained in its consolidated comparative financial statements and Management's Discussion and Analysis for fiscal years ended December 31, 2018, and December 31, 2017. Additional information relating to the Company is on SEDAR at www.sedar.com or the Company's website, www.polarisinfrastructure.com.

Additional information, including directors' and officers' remuneration and indebtedness and information concerning the principal holders of the Company's securities authorized for issuance under equity compensation plans, where applicable, will be contained in the Company's information circular expected to be filed on SEDAR at www.sedar.com in advance of the Company's annual meeting of Shareholders to be held in June 2019.

GLOSSARY OF TERMS

(The following acronyms and terms appear throughout the document)

"**capacity**" means the maximum load that a power plant can carry under existing conditions, less auxiliary power.

"**kV**" means kilowatt, which is equivalent to 1,000 volts.

"**MW**" means megawatt, which is equivalent to one million watts.

"**MWe**" means megawatt electrical.

"**MWh**" means megawatt hour(s).

"**PPA**" means Power Purchase Agreement.

METRIC CONVERSION TABLE

Metric Unit	U.S. Measure	U.S. Measure	Metric Unit
1 meter (m)	3.2808 feet	1 foot	0.3048 meters
1 kilometer (km)	0.6214 miles	1 mile	1.6093 kilometers
1 hectare (ha)	2.4711 acres	1 acre	0.4047 hectares
1 sq. kilometer (km2)	247.1054 acres		

APPENDIX "A"

CHARTER OF THE HUMAN RESOURCE COMMITTEE

GENERAL

The Corporate Human Resources Committee has overall responsibility for discharging the responsibilities of the board of directors (the "**Board**") of Polaris Infrastructure Inc. (the "**Company**") related to the Company's Chief Executive Officer and other senior officers of the Company (collectively, the "**Executive Management**"), related to compensation matters involving Executive Management and the Board, and for monitoring the effectiveness of the Board and, if and as necessary, identifying individuals qualified to become new members of the Board. The Corporate Human Resources Committee, under the supervision of the Board, also has overall responsibility to monitor and address matters related to the governance of the Board and of the committees of the Board.

RESPONSIBILITIES

Subject to the powers and duties of the Board, the Board hereby delegates to the Corporate Human Resources Committee the following powers and duties to be performed by the Corporate Human Resources Committee on behalf of and for the Board.

The Corporate Human Resources Committee specific responsibilities include:

- Discharge, and assist the Board of Directors in discharging, the responsibility of the Board relating to leadership, human resource planning and compensation, as set out in this Charter;

- At least annually, review with the Chief Executive Officer the goals and objectives of the Company, evaluate the Chief Executive Officer's performance in light of these goals and objectives and determine and recommend to the independent directors of the Company for approval the Chief Executive Officer's compensation;

- At least annually, in consultation with the Chief Executive Officer, review and make recommendations to the Board with respect to the compensation for other members of Executive Management; and

- Periodically review with the Board the succession plans of the Company related to Executive Management.

The Corporate Human Resources Committee general duties and responsibilities include, on an ongoing basis:

(a) reviewing and monitoring the adequacy and efficiency of the organizational structure of the Company;

(b) reviewing and monitoring the size, composition, qualifications and profile of the Board;

(c) reviewing and monitoring the performance of the Board as a whole and of individual directors;

(d) reviewing and monitoring succession plans and practices for Executive Management and the Board;

(e) reviewing and monitoring compensation matters related to Executive Management and the Board and generally undertaking such other initiatives as may be necessary or desirable to enable the Board to discharge its duties in relation to compensation matters;

(f) reviewing, making recommendations respecting and generally overseeing as necessary any incentive awards, perquisites, stock option plan, pension plan or employee benefit plans to be granted to Executive Management;

(g) providing the Board with reports, and making recommendations to the Board, as appropriate;

(h) assisting, when necessary, the preparation of and approving the report on executive compensation for publication in the annual management information circular and related proxy materials of the Company or as otherwise required pursuant to applicable securities laws;

(i) undertaking such other initiatives as may be necessary or desirable to enable the Board to provide effective corporate governance; and

(j) having such other powers and duties as are delegated to it by the Board.

Without limiting the generality of the foregoing, the Corporate Human Resources Committee shall also as required:

(a) review any breaches of the Company's corporate governance policies and make recommendations to the Board for handling;

(b) review and address all complaints except those specified to be reviewed by the Audit Committee; and

(c) review and oversee the Company's policies on corporate disclosure and insider trading, the Company's Code of Business Conduct and Ethics.

APPENDIX "B"

CHARTER OF THE AUDIT COMMITTEE

Polaris Infrastructure Inc.
(the "Company")

PURPOSE

The purpose of the Audit Committee (the "Committee") is to oversee that management of the Company (the "Management") has in place an effective system of internal financial controls for reviewing and reporting on the Company's financial statements; to monitor the independence and performance of the Company's external auditor (the "Auditor"); to oversee the integrity of the Company's financial disclosure and reporting and to monitor Management's compliance with legal and regulatory requirements; and to report on the Committee's activities on a regular and timely basis to the Company's board of directors (the "Board").

CONSTITUTION AND MEMBERSHIP

1. The Board will appoint Directors to form the Committee annually at the Board Meeting following the Annual Shareholders Meeting;

2. The Board has determined that the Committee will be comprised of at least three Directors (the "Member" or "Members"). The Board may remove or replace a Member at any time. A Member will serve on the Committee until the termination of the appointment or until a successor is appointed;

3. All members of the Committee will meet the "independence and financial literacy" qualifications under applicable securities law, including National Instrument 52-110 under Canadian securities laws and Rule 10A-3 of the United States Securities and Exchange Act of 1934, as amended, and one Member shall meet the definition of a "financial expert" as defined by the United States Securities & Exchange Commission;

4. The Board will appoint the Chairman of the Committee. The Corporate Secretary of the Company will keep minutes of each meeting;

5. The Committee or a Committee Member is able to engage any outside advisors at the Company's expense that it determines is necessary in order to assist in fulfilling its responsibilities. The engagement and payment by the Company for the services of an outside advisor is subject to approval by the Chairman of the Committee;

6. The Committee will be provided appropriate funding as determined by the Committee for payment of compensation to the Auditor engaged for the purposes of preparing or issuing an audit report or performing other audit, review or attest services for the Company, compensation of advisors employed by the Committee and ordinary administrative expenses that are necessary and appropriate for the Committee carrying out its duties.

MEETINGS

1. Meetings of the Committee will be held at the request of a Member of the Committee, the Chief Executive Officer, the Corporate Secretary or the Auditor of the Company at such times and places as may be determined, but in any event at least to review the Company's quarterly and annual financial disclosure. Twenty-four (24) hours advance notice of each meeting given orally, by telephone, or in writing delivered by facsimile or electronic mail together with an agenda will be given to each Member unless all Members are present and waive notice and any absent waive notice in writing;

2. A majority of members of the Committee will constitute a quorum. Decisions of the Committee will be by an affirmative vote of the majority of those Members voting at a meeting. Powers of the Committee may also be exercised by resolution in writing signed by all the Members of the Committee;

3. The Committee will have access to the Auditor and Management, exclusive of each other, for purposes of performing its duties. The Committee will meet with the Auditor independent of Management at least once a year;

4. The Auditor will be notified of meetings of the Committee and will attend if requested to do so by a Member or by Management.

RESPONSIBILITIES

The Committee will have the following duties and responsibilities:

1. Review with the Auditor and with the Management prior to the recommendation of the approval of the consolidated financial statements of the Company by the Board:

   (a) the audited annual and unaudited quarterly financial statements including the notes thereto;

   (b) appropriateness of the Management's Discussion and Analysis ("MD&A") of operations contained in each audited annual and unaudited quarterly report and its consistency with the financial statements;

   (c) any report or opinion proposed to be rendered in connection with the financial statements, including independent expert reports;

   (d) any significant transactions which are not a normal part of the Company's business;

   (e) the nature and substance of significant accruals, accounting reserves and other estimates having a material effect on the financial statements;

   (f) carrying values of financial assets and liabilities, including key assumptions and practices used to determine fair value accounting and related mark-to-market adjustments;

   (g) if applicable, any off balance sheet financing arrangement;

(h) if applicable, significant transactions with or involving an unconsolidated affiliate;

(i) issues regarding accounting and auditing principles and practices as well as the adequacy of internal controls, including a discussion of the responsibilities of the Company's internal audit function;

(j) all significant adjustments proposed by Management or by the Auditor;

(k) the specifics of any unrecorded audit adjustments;

(l) if applicable, any impairment provisions based on ceiling test calculations and including the carrying value of Goodwill;

(m) independently and periodically, the adequacy of procedures in place for the review of public disclosure of financial information as stated or derived from the financial statements;

(n) financial statements and MD&A and annual and interim earning disclosure before they are released to the public; and

(o) with the Board proficient in the technical aspects of preparing a reserve and resource calculation, the mineral reserve calculation procedure and the credentials of the qualified person.

2. Quarterly, review compliance with the Company's investment policy governing investments of excess cash balances.

3. Review and approve the audit and review and pre-approve non-audit services, except those non-audit services permitted by applicable regulatory authorities or legislation; and related fees and expenses, and determine the independence of the Auditor.

4. Establish guidelines for the retention of the Auditor for any non-audit service.

5. Recommend to the Board the appointment of the Auditor to be proposed at the annual shareholders' meeting and the compensation of the Auditor. The Auditor is ultimately accountable to the Board and the Committee as representatives of the shareholders.

6. Require the Auditor to report to the Committee and:

(a) oversee the work of the Auditor;

(b) assess the audit team;

(c) assist in the resolution of disagreements between Management and the Auditor regarding financial reporting.

7. Review and approve hiring policies regarding present and former employees of the present and former Auditor.

8. Review with Management major financial risk exposures and the steps Management has taken to monitor and control such exposures.

9. Review all related party transactions prior to recommendation to the Board of the approval of such transactions.

10. Establish a complaint process and "whistle-blowing" procedures. Establish procedures for the receipt, retention, and treatment of any complaints regarding accounting, internal accounting controls, or auditing matters. Establish procedures for employees' confidential, anonymous submissions in accordance with the Company's "Whistle Blower Policy".

11. Advise the Board with respect to the Company's policies and procedures regarding compliance with new developments in generally accepted accounting principles, laws and regulations and their impact on the consolidated financial statements of the Company.

12. Review with Management and the Auditor, the Company's internal accounting and financial systems and controls to assess that the Company maintains and reports on:

    (a) the necessary books, records and accounts in reasonable detail to accurately and fairly reflect the Company's transactions;

    (b) effective internal control systems; and

    (c) adequate processes for assessing the risk of material misstatement of the financial statements and for detecting control weaknesses or fraud.

13. Assist the Board with oversight of the performance of the Company's internal audit function.

14. Review the Auditor's Management Letter and Report. Such Report to be directed to the Committee.

15. Review Management's report on and the Auditor's assessment of Internal Controls and report all deficiencies and remedial actions to the Board.

16. Discuss the Company's earnings disclosure, as well as financial information and earnings guidance provided to analysts and rating agencies.

17. Direct and supervise the investigation into any matter brought to its attention within the scope of its duties.

18. Perform such other duties as may be assigned to it by the Board from time to time or as may be required by applicable regulatory authorities or legislation.

19. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

20. Assess the Committee's performance of the duties specified in this charter and report its finding to the Board.