Unaudited Interim Condensed Consolidated Financial Statements of

# Polaris Infrastructure Inc.

March 31, 2019 and 2018

(Expressed in United States dollars)

# Polaris Infrastructure Inc.

March 31, 2019 and 2018

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

| | Note Ref | | As at March 31, 2019 | | As at December 31, 2018 |
|---|---|---|---|---|---|
| Assets | | | | | |
| Current assets | | | | | |
| Cash | | | 33,011,455 | $ | 37,808,557 |
| Accounts receivable | 10 | | 18,207,335 | | 15,225,615 |
| Prepaid expenses | 11 | | 1,208,496 | | 1,063,989 |
| | | | 52,427,286 | | 54,098,161 |
| Restricted cash | 12 | | 5,908,437 | | 8,612,344 |
| Other assets, net | 11 | | 9,472,726 | | 8,881,809 |
| Construction in progress | 13 | | 62,766,500 | | 58,197,340 |
| Property, plant and equipment, net | 14 | | 323,635,277 | | 328,948,092 |
| Intangible assets, net | 15 | | 3,716,430 | | 3,768,774 |
| Deferred tax asset, net | | | 5,709,493 | | 5,351,802 |
| Total assets | | $ | 463,636,149 | $ | 467,858,322 |
| Liabilities and Total Equity | | | | | |
| Current liabilities | | | | | |
| Accounts payable and accrued liabilities | 16 | $ | 21,211,278 | $ | 25,965,379 |
| Current portion of long-term debt, net | 17 | | 15,012,345 | | 14,377,437 |
| | | | 36,223,623 | | 40,342,816 |
| Other liabilities | | | | | |
| Long-term debt, net | 17 | | 169,194,333 | | 172,742,780 |
| Warrant liability | 20 | | 416,886 | | 145,703 |
| Contingent liabilities | 19 | | 6,270,280 | | 6,170,375 |
| Decommissioning liabilities | 18 | | 4,062,011 | | 4,004,817 |
| Deferred tax liability, net | | | 47,782,571 | | 46,002,151 |
| Total liabilities | | | 263,949,704 | | 269,408,642 |
| Non-controlling interests | 20 | | (353,878) | | (353,878) |
| Equity attributable to the owners of the Company | | | | | |
| Share capital | 20 | | 598,982,351 | | 598,792,821 |
| Contributed surplus | 20 | | 19,518,813 | | 19,496,230 |
| Accumulated deficit | | | (418,460,841) | | (419,485,493) |
| Total equity attributable to the owners of the Company | | | 200,040,323 | | 198,803,558 |
| Total equity | | | 199,686,445 | | 198,449,680 |
| Total liabilities and total equity | | $ | 463,636,149 | $ | 467,858,322 |

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

# Polaris Infrastructure Inc.

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

**(expressed in United States dollars)**

| | Note Ref | Three Months Ended March 31, 2019 | Three Months Ended March 31, 2018 |
|---|---|---|---|
| Revenue | 5 | $ 18,601,149 | $ 14,730,107 |
| Direct costs | | | |
| Other direct costs | 7 | (1,693,447) | (1,513,784) |
| Depreciation and amortization of plant assets | 7 | (5,834,684) | (5,546,407) |
| General and administrative expenses | 7 | (1,238,491) | (879,245) |
| Other operating costs | | (98,873) | (82,878) |
| Operating income | | 9,735,654 | 6,707,793 |
| Interest income | | 226,528 | 130,647 |
| Finance costs | 8 | (4,571,165) | (4,239,011) |
| Other gains (losses) | 9 | (588,299) | (35,887) |
| Earnings and comprehensive earnings before income taxes | | 4,802,718 | 2,563,542 |
| Income tax expense | | (1,422,729) | (2,045,138) |
| Total earnings and comprehensive earnings | | $ 3,379,989 | $ 518,404 |
| Total earnings and comprehensive earnings attributable to: | | | |
| Owners of the Company | | $ 3,379,989 | $ 511,707 |
| Non-controlling interests | | $ - | $ 6,697 |
| Basic earnings per share | 20 | $0.21 | $0.03 |
| Diluted earnings per share | 20 | $0.20 | $0.03 |

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

# Polaris Infrastructure Inc.

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

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

| | Common Stock | | Contributed | Accumulated | Total Attributable to the Owners | Non-Controlling | |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Surplus | Deficit | of the Company | Interests | Total Equity |
| **Balance at January 1, 2018** | **15,675,278** | **598,719,423** | **11,120,419** | **(422,215,478)** | **187,624,364** | **(415,746)** | **187,208,618** |
| Share-based compensation | 3,021 | 42,117 | 23,516 | - | 65,633 | - | 65,633 |
| Dividends payable | - | - | - | (2,351,734) | (2,351,734) | - | (2,351,734) |
| Total earnings and comprehensive earnings | - | - | - | 511,707 | 511,707 | 6,697 | 518,404 |
| **Balance at March 31, 2018** | **15,678,299** | **598,761,540** | **11,143,935** | **(424,055,505)** | **185,849,970** | **(409,049)** | **185,440,921** |
| Share-based compensation | - | 31,281 | 113,297 | - | 144,578 | - | 144,578 |
| Dividends paid | - | - | - | (7,055,204) | (7,055,204) | - | (7,055,204) |
| Acquisition shares to be issued | | | 8,238,998 | - | 8,238,998 | - | 8,238,998 |
| Total earnings and comprehensive earnings | - | - | - | 11,625,216 | 11,625,216 | 55,171 | 11,680,387 |
| **Balance at December 31, 2018** | **15,678,299** | **598,792,821** | **19,496,230** | **(419,485,493)** | **198,803,558** | **(353,878)** | **198,449,680** |
| Share-based compensation | 24,000 | 189,530 | 22,583 | - | 212,113 | - | 212,113 |
| Dividends payable | - | - | - | (2,355,337) | (2,355,337) | - | (2,355,337) |
| Total earnings and comprehensive earnings | - | - | - | 3,379,989 | 3,379,989 | - | 3,379,989 |
| **Balance at March 31, 2019** | **15,702,299** | **598,982,351** | **19,518,813** | **(418,460,841)** | **200,040,323** | **(353,878)** | **199,686,445** |

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

# Polaris Infrastructure Inc.

# Interim Condensed Consolidated Statements of Cash Flows (Unaudited)

**(expressed in United States dollars)**

| | Three Months Ended | |
|---|---|---|
| | **March 31, 2019** | **March 31, 2018** |
| Net inflow (outflow) of cash related to the following activities | | |
| Operating | | |
| Total earnings (loss) and comprehensive earnings (loss) attributable to owners of the Company | $ 3,379,989 | $ 511,707 |
| Deduct items not affecting cash: | | |
| Non-controlling interests in net loss of subsidiary | - | 6,697 |
| Deferred income tax expense | 1,422,729 | 2,045,138 |
| Finance costs recognized | 4,052,522 | 3,710,494 |
| Depreciation and amortization | 5,847,065 | 5,550,901 |
| Accretion of decommissioning liability | 22,753 | 14,770 |
| Change in decommissioning liabilities | 34,441 | (18,938) |
| Gain on valuation of warrant liabilities | 271,183 | - |
| Gain on valuation of contingent liabilities | 99,905 | |
| Accretion on debt | 285,977 | 307,963 |
| Share-based compensation | 318,445 | 128,989 |
| Unrealized foreign exchange loss | - | (23,487) |
| Changes in non-cash working capital: | | |
| Accounts receivable | (2,981,720) | 1,024,300 |
| Prepaid expenses | (144,507) | 195,152 |
| Accounts payable and accrued liabilities | (977,763) | (54,232) |
| Interest and return enhancement paid | (3,511,022) | (3,521,321) |
| | 8,119,997 | 9,878,133 |
| Investing | | |
| Change in restricted cash | 2,703,907 | 610 |
| Change in accounts payable and accrued liabilities related to CIP and PP&E | (4,030,501) | (2,385,664) |
| Changes in other assets | (603,298) | (980,113) |
| Additions to construction in progress | (4,569,160) | (3,278,597) |
| Additions to property, plant and equipment | (469,525) | (378,396) |
| | (6,968,577) | (7,022,160) |
| Financing | | |
| Dividends paid | (2,355,337) | (2,351,734) |
| Repayment of debt | (3,594,360) | (2,964,231) |
| | (5,949,697) | (5,315,965) |
| Foreign exchange loss on cash held in foreign currency | 1,175 | (815) |
| Net increase in cash | (4,797,102) | (2,460,807) |
| Cash, beginning of period | 37,808,557 | 37,217,120 |
| Cash, end of period | $ 33,011,455 | $ 34,756,313 |

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

## 1. Organization

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

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

The Company, through its subsidiaries Polaris Energy Nicaragua, S.A. ("PENSA") and San Jacinto Power International Corporation ("SJPIC"), owns and operates a 72-megawatt ("MW") (net) capacity geothermal facility (the "San Jacinto Project"), located in northwest Nicaragua, near the city of Leon. PENSA has entered into the San Jacinto Exploitation Agreement with Nicaraguan Ministry of Energy and Mines to develop and operate the San Jacinto Project. The Company, through its subsidiary Empresa de Generacion Electric, SAC ("EGECSAC") owns and operates a run-of-river hydroelectric project with a rated capacity of approximately 5 MW located in the Canchayllo district of Peru.

## 2. Basis of presentation

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting,* as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed. Accordingly, the interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2018.

These unaudited interim condensed consolidated financial statements have been prepared on a going concern basis, using historical cost convention, except for derivative financial instruments, which are measured at fair value. The Company's assets under development and construction are recorded as construction in progress and are measured at cost unless impaired or designated to be sold, at which time they are measured at the recoverable amount.

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

These unaudited interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company (the "Board") on May 3, 2019.

## 3. Summary of significant accounting policies

*Principles of consolidation*

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

Except for the adoption of IFRS 16 – Leases as noted below, these interim condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of the Company for the year ended December 31, 2018, as presented in Note 3 to the audited consolidated financial statements.

*New Accounting Standards Adopted During the Year*

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 Leases, which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019.

In January 2016, the IASB issued IFRS 16 Leases, which requires lessees to recognize assets and liabilities for most leases. Effective January 1, 2019, the Company adopted IFRS 16 which resulted in changes in accounting policies as described below. In accordance with the transitional provisions in the standard, IFRS 16 was adopted retrospectively without restating comparatives with the cumulative impact adjusted in the opening balances as at January 1, 2019. The Company also utilized certain practical expedient elections whereby (i) there is no need to reassess whether an existing contract is a lease, or contains an embedded lease if previously determined under IAS 17, (ii) short term and low value leases are treated as previous operating leases, and (iii) the Company places reliance on previous assessments that there were no existing onerous lease contracts.

Management performed a detailed review of existing leases and other contractual arrangements and identified two short-term non-cancelable operating leases for its Toronto and Nicaragua corporate offices. The Toronto office lease was entered into in March 2019 and both leases expire within one year. The total remaining discounted lease payments for the Toronto and Nicaragua leases are $117,883 and $60,444 as of March 31, 2019, respectively. The Company recognized $21,284 in rent expense related to these leases during the three months ended March 31, 2019.

The Company has concluded that the adoption of IFRS 16 does not materially impact the financial statements and did not result in any adjustments to the opening deficit balance at January 1, 2019.

New IFRS 16 Lease accounting policies

The following are the Company's new accounting policies for its leases under IFRS 16:

The determination of whether an arrangement is, or contains, a lease is based on the substance of the agreement on the inception date.

As a lessee, the Company recognizes a lease obligation and a right-of-use asset in the consolidated statements of financial position on a present-value basis at the date when the leased asset is available for use. Each lease payment is apportioned between a finance charge and a reduction of the lease obligation. Finance charges are recognized in finance cost in the consolidated statements of earnings (loss). The right-of-use asset is included in property, plant and equipment and is depreciated over the shorter of the estimated useful life of the asset and the lease term on a straight-line basis.

Lease obligations are initially measured at the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, or if this rate cannot be determined, the Company's incremental borrowing rate.

Right-of-use assets are initially measured at cost comprising the following:

- the amount of the initial measurement of the lease obligation;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- rehabilitation costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statements of earnings (loss). Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise primarily small equipment.

(expressed in United States dollars unless otherwise noted)

## 4. Business Combination

Union Energy Group Corp. ("UEG") was incorporated in the British Virgin Islands on January 11, 2011. The name of UEG was changed to Polaris Energy Peru Corp. The address of its registered office is Palm Chambers, Road Town, Tortola, British Virgin Islands. UEG and its subsidiaries are engaged in the acquisition, development and operation of hydroelectric power in Peru. The Company acquired all the shares of UEG on October 30, 2018 (the "UEG Acquisition"). UEG and its wholly-owned subsidiaries as follows are consolidated by the Company since that date.

| Subsidiary | Place of incorporation |
|---|---|
| Union Energy Group | British Virgin Islands |
| Andean Power Generation Ltd | British Virgin Islands |
| Andean Power Generation SAC | Perú |
| CIA Energetica del Norte SAC | Perú |
| Empresa de Generacion Electric | Perú |
| Energia Renovable de Los Andes | Perú |
| Hydro Amazonas SAC | Perú |
| Hydro Energias Peru SA | Perú |
| Hidroelectrica Karpa SAC | Perú |
| Nueva Esperanza | Perú |
| Operacion y Mantenimiento Peru | Perú |
| Puglush Energia SAC | Perú |
| Peru Hydro & Light SAC | Perú |
| Generación Andina SAC | Perú |

As this transaction has only recently closed and due to complexities in determining fair values of certain assets and liabilities acquired, the determination of the fair value of assets acquired and liabilities assumed is not yet complete and are subject to further adjustments. The provisional purchase price allocation is disclosed in the Company's annual consolidated financial statements as of December 31, 2018.

## 5. Revenue

Revenue for the three months ended March 31, 2019 and 2018 of $ 18,232,221 and $14,730,107, respectively, was earned from the sale of energy to Nicaraguan power distributors Distribuidora De Electricidad del Norte, S.A. ("Disnorte") and Distribuidora De Electricidad del Sur, S.A. ("Dissur"), subsidiaries of the Spanish utility TSK-Melfosur Internacional ("TMI"), at the Company's San Jacinto Project.

Revenue for the three months ended March 31, 2019 and 2018 of $368,928 and $nil, respectively, was earned from the sale of energy from the Canchayllo project. Under the terms of the Canchayllo PPA, the Company bills at the spot rate for current energy generation. The difference between the spot rate and the PPA rate is calculated annually each May for the previous 12 months and is paid evenly over the following 12 months. The Company recognizes revenue at the PPA rate and records the accrued revenue in connection with the difference between the PPA rate and the spot rate in other assets.

The Company has determined that it has one performance obligation which is the delivery of electricity to its three customers. There is no revenue recognized from unfulfilled performance obligations. Note 10 to these financial statements provides details on the Company's contract balances related to this revenue.

## 6. Segment information

The Company currently operates in two reportable operating segments, the first being the acquisition, exploration, development and operation of geothermal projects, which is conducted principally in Nicaragua, and the second being the acquisition, exploration, development and operation of hydroelectric projects, which is conducted principally in Peru. The Company's chief operating decision maker evaluates the performance of the Company's reportable operating segments, and makes recommendations to the Board to allocate available resources based on various criteria, including the availability of proven resources, costs of development, availability of financing, actual and expected financial performance, and existing debt covenants.

(expressed in United States dollars unless otherwise noted)

The reported segment earnings, including revenue and expenses, as well as assets and liabilities are presented below. Other expenses, assets and liabilities not related to the Company's reportable operating segments are part of corporate headquarters and other North America projects, which are not considered reportable operating segments, but are presented below for reconciliation purposes to the Company's total loss, revenue, expenses, assets and liabilities in these consolidated financial statements.

| | Nicaragua | | Peru | | Other | |
|---|---|---|---|---|---|---|
| | Three Months Ended | | Three Months Ended | | Three Months Ended | |
| | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 |
| Revenue | $ 18,232,221 | $ 14,730,107 | $ 368,928 | $ - | $ - | $ - |
| Direct costs | | | | | | |
| Other direct costs | (1,639,855) | (1,513,784) | (53,592) | - | - | - |
| Depreciation and amortization of plant assets | (5,717,614) | (5,546,407) | (117,069) | - | (1) | - |
| General and administrative expenses | (378,998) | (421,539) | (156,934) | - | (702,559) | (457,706) |
| Other operating costs | 500 | (10,821) | - | - | (99,373) | (72,057) |
| Operating income | 10,496,254 | 7,237,556 | 41,333 | - | (801,933) | (529,763) |
| Interest income | 130,304 | 84,531 | 506 | - | 95,718 | 46,116 |
| Finance costs | (4,019,215) | (4,218,017) | (715,296) | - | 163,346 | (20,994) |
| Other gains (losses) | (209,879) | (69,152) | 32,207 | - | (410,627) | 33,265 |
| Earnings (loss) and comprehensive earnings (loss) before income taxes | 6,397,464 | 3,034,918 | (641,250) | - | (953,496) | (471,376) |
| Income tax expense | (1,780,420) | (2,045,138) | 357,691 | - | - | - |
| Total earnings and comprehensive earnings | $ 4,617,044 | $ 989,780 | $ (283,559) | $ - | $ (953,496) | $ (471,376) |
| Total non-current assets | $ 333,843,653 | $ 353,753,345 | $ 75,659,590 | $ - | $ 1,705,620 | $ 2,423,081 |
| Total assets | 375,361,011 | 390,899,997 | 76,636,383 | - | 11,638,755 | 11,763,227 |
| Total liabilities | 204,830,338 | 210,096,810 | 47,244,671 | - | 11,874,696 | 7,125,494 |

| | Three Months Ended | |
|---|---|---|
| **Revenue** | March 31, 2019 | March 31, 2018 |
| Nicaragua | $ 18,232,221 | $ 14,730,107 |
| Peru | 368,928 | - |
| | $ 18,601,149 | $ 14,730,107 |

| | Three Months Ended | |
|---|---|---|
| **Comprehensive earnings (loss) before income taxes** | March 31, 2019 | March 31, 2018 |
| Canada | $ (1,017,531) | $ (461,686) |
| United States | (66,323) | (9,690) |
| Nicaragua | 6,397,464 | 3,034,918 |
| Peru | (510,892) | - |
| | $ 4,802,718 | $ 2,563,542 |

(expressed in United States dollars unless otherwise noted)

| Assets and liabilities | | As at March 31, 2019 | | As at December 31, 2018 |
|---|---|---|---|---|
| Canada | $ | 11,375,140 | $ | 10,518,018 |
| United States | | 305,747 | | 328,285 |
| Nicaragua | | 375,318,879 | | 382,501,971 |
| Peru | | 76,636,383 | | 74,510,048 |
| Total assets | $ | 463,636,149 | $ | 467,858,322 |
| | | | | |
| Canada | $ | 1,455,722 | $ | 1,411,332 |
| United States | | 249,898 | | 249,898 |
| Nicaragua | | 333,843,653 | | 338,975,530 |
| Peru | | 75,659,590 | | 73,123,401 |
| Total non-current assets | $ | 411,208,863 | $ | 413,760,161 |
| | | | | |
| Canada | $ | 9,052,018 | $ | 9,023,641 |
| United States | | 2,822,676 | | 2,787,894 |
| Nicaragua | | 204,830,339 | | 206,548,644 |
| Peru | | 47,244,671 | | 51,048,463 |
| Total liabilities | $ | 263,949,704 | $ | 269,408,642 |

## 7. General and administrative and other expenses

### (a) Direct costs

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

| | Three Months Ended | | | |
|---|---|---|---|---|
| | | March 31, 2019 | | March 31, 2018 |
| Depreciation and amortization | $ | 5,834,684 | $ | 5,546,407 |
| Employee costs | | 751,955 | | 710,227 |
| General liability insurance | | 188,928 | | 155,113 |
| Taxes | | 364,472 | | 264,629 |
| Maintenance | | 380,117 | | 368,384 |
| Other direct costs | | 7,975 | | 15,431 |
| | $ | 7,528,131 | $ | 7,060,191 |

### (b) General and administrative expenses

The Company's general and administrative expenses for the three months ended March 31, 2019 and 2018 consisted of:

| | Three Months Ended | | | |
|---|---|---|---|---|
| | | March 31, 2019 | | March 31, 2018 |
| Salaries and benefits | $ | 472,877 | $ | 355,004 |
| Share-based compensation | | 135,854 | | 93,831 |
| Facilities and support | | 111,342 | | 164,828 |
| Professional fees | | 422,092 | | 150,975 |
| Insurance | | 78,065 | | 98,519 |
| Depreciation of other assets | | 12,381 | | 4,494 |
| Other general and adminstrative expenses | | 5,880 | | 11,594 |
| | $ | 1,238,491 | $ | 879,245 |

## 8. Finance costs

The Company's finance costs for the three months ended March 31, 2019 and 2018 consisted of:

(expressed in United States dollars unless otherwise noted)

| | Three Months Ended | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| Interest on debt | $ 4,052,522 | $ 3,710,494 |
| Accretion on debt | 285,977 | 307,963 |
| Accretion of decommissioning liabilities | 22,753 | 14,770 |
| Other finance costs | 209,913 | 205,784 |
| | $ 4,571,165 | $ 4,239,011 |

Cash paid for interest and return enhancement during the three months ended March 31, 2019 and 2018 was $3,616,614 and $3,521,321, respectively.

### 9. Other gains and losses

The Company's other gains and losses for the three months ended March 31, 2019 and 2018 consisted of:

| | Three Months Ended | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| Foreign exchange losses | $ (214,423) | $ (47,969) |
| Gain on valuation of w arrant liabilities | (271,183) | - |
| Gain on valuation of contingent liabilities | (99,904) | - |
| Other gain (losses) | (2,789) | 12,082 |
| | $ (588,299) | $ (35,887) |

### 10. Accounts receivable

The Company's accounts receivable of $18,207,335 as at March 31, 2019 and $15,225,615 as at December 31, 2018, consisted of amounts due from its customers, Disnorte and Dissur, both subsidiaries of the Spanish utility TMI, related to the operations of the San Jacinto project; and $111,699 and $nil respectively due from its Peruvian customers, related to the operation of the Canchayllo project. Payment terms are 45 days from invoice date for the San Jacinto project and 30 days from invoice date for the Canchayllo project.

The Company is paid the spot rate within 30 days of the invoice date for power generated from the Canchayllo project and is paid the difference between the PPA rate and the spot rate for the contracted energy one year after generation. The receivable for this difference is included in other assets, net.

### 11. Prepaid expenses and other assets, net

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

#### (a) Prepaid expenses

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Prepaid insurance | $ 860,197 | $ 885,419 |
| Other prepaids | 348,299 | 178,570 |
| | $ 1,208,496 | $ 1,063,989 |

#### (b) Other assets, net

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Recoverable taxes | $ 8,379,531 | $ 7,788,835 |
| Debentures receivable | 555,461 | 533,362 |
| Investment in affiliate | 164,007 | 160,653 |
| Other deposits | 63,419 | 54,330 |
| Fixed assets, net | 66,311 | 57,634 |
| Accrued revenue | 243,997 | 286,995 |
| | $ 9,472,726 | $ 8,881,809 |

(expressed in United States dollars unless otherwise noted)

Other fixed assets consist of furniture, fixtures and equipment at the Company's Managua office with lives of three to seven years. Depreciation on other fixed assets of $12,381 and $4,494 was recorded for the three months ended March 31, 2019 and 2018, respectively.

### 12. Restricted cash

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Casita exploitation application guarantee | $ - | $ 50,000 |
| San Jacinto guarantees | 1,080,000 | 1,080,000 |
| Peru guarantees and bonds | 4,455,361 | 7,111,778 |
| Reclamation bonds - US and Canada | 362,245 | 359,950 |
| Other restricted cash | 10,831 | 10,616 |
| | $ 5,908,437 | $ 8,612,344 |

In addition to amounts recorded as restricted cash, cash in the amount of $22,917,635 and $27,935,028 held by the Company as at March 31, 2019 and December 31, 2018, respectively, is restricted for use in the San Jacinto project, and is included in the Company's available cash as these amounts are available for current use.

### 13. Construction in progress

The Company has the following properties under development.

| | December 31, 2018 | 2019 Activity | March 31, 2019 |
|---|---|---|---|
| San Jacinto Binary Plant | $ 1,159,815 | $ - | $ 1,159,815 |
| San Jacinto Major Maintenance | - | 46,032 | 46,032 |
| Generacion Andina | 45,135,093 | 4,406,808 | 49,541,901 |
| Karpa | 121,527 | - | 121,527 |
| Canchayllo improvements | 38,512 | 11,230 | 49,742 |
| Geothermal exploration and development | | | |
| San Jacinto Drilling Costs | 185,905 | 103,248 | 289,153 |
| Casita | 11,556,488 | 1,842 | 11,558,330 |
| | $ 58,197,340 | $ 4,569,160 | $ 62,766,500 |

The amounts recognized in 2019 on the Generacion Andina projects are related to construction activities for the 8 de Agosto and El Carmen hydroelectric projects under development in Peru.

### 14. Property, plant and equipment, net

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

| | December 31, 2018 | 2019 Activity | March 31, 2019 |
|---|---|---|---|
| San Jacinto geothermal project | $ 518,729,942 | $ 444,005 | $ 519,173,947 |
| Canchayllo hydroelectric project | 10,242,176 | | 10,242,176 |
| Accumulated depreciation | (165,120,742) | (5,782,340) | (170,903,082) |
| Accumulated impairment | (38,940,166) | - | (38,940,166) |
| Capital spares | 4,036,882 | 25,520 | 4,062,402 |
| | $ 328,948,092 | $ (5,312,815) | $ 323,635,277 |

PP&E assets currently in operation are being depreciated on a straight-line basis over the remaining term of their estimated useful lives. Depreciation expense of $5,782,340 and $5,494,063 for the three months ended March 31, 2019 and 2018, respectively, was recorded in the consolidated statements of operations and comprehensive loss.

(expressed in United States dollars unless otherwise noted)

## 15. Intangible assets

Amortization expense related to the transmission assets for the San Jacinto project donated to the Nicaraguan utility, ENATREL in December 2011, for the three months ended March 31, 2019 and 2018 was $52,344

## 16. Accounts payable and accrued liabilities

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Trade payables | $ 2,341,704 | $ 2,554,635 |
| Construction payables | 559,876 | 3,607,546 |
| Construction accrued liabilities | 9,890,244 | 10,873,075 |
| Share-based compensation liability | 1,259,807 | 1,153,475 |
| Interest payable | 512,043 | 470,978 |
| Other accrued liabilities | 6,647,604 | 7,305,670 |
| | $ 21,211,278 | $ 25,965,379 |

## 17. Long-term debt, net

| | Phase I Senior Debt | Phase I Subordinated Debt | Phase II Senior Debt | Phase II Subordinated Debt | Total Phase I and Phase II Debt | Canchayllo Debt | Generacion Andina Debt | Total |
|---|---|---|---|---|---|---|---|---|
| Loans and other borrowings – December 31, 2018 | $33,175,009 | $12,494,828 | $ 93,728,371 | $17,478,335 | $156,876,543 | $ 5,019,840 | $25,223,834 | $187,120,217 |
| Accrued interest expense | - | - | - | - | - | - | 316,609 | 316,609 |
| Return enhancement | - | 29,759 | - | 48,476 | 78,235 | - | - | 78,235 |
| Accretion of deferred transaction costs | 108,467 | - | 177,510 | - | 285,977 | - | - | 285,977 |
| Repayments of debt | (1,105,784) | (293,636) | (1,763,300) | (264,600) | (3,427,320) | (167,040) | - | (3,594,360) |
| Effect of foreign exchange on loans | - | - | - | - | - | - | - | - |
| Loans and other borrowings – March 31, 2019 | $32,177,692 | $12,230,951 | $ 92,142,581 | $17,262,211 | $153,813,435 | $ 4,852,800 | $25,540,443 | $184,206,678 |
| | | | | | | | | |
| Current | $ 4,668,865 | $ 1,211,248 | $ 7,373,800 | $ 1,078,753 | $ 14,332,666 | $ 679,679 | $ - | $ 15,012,345 |
| Non-current | 27,508,827 | 11,019,703 | 84,768,781 | 16,183,458 | 139,480,769 | 4,173,121 | 25,540,443 | 169,194,333 |
| Unamortized debt discount/return enhancement | 1,284,927 | (1,660,113) | 3,711,807 | (1,895,069) | 1,441,552 | - | 18,426,557 | 19,868,109 |
| Principal balance | $33,462,619 | $10,570,838 | $ 95,854,388 | $15,367,142 | $155,254,987 | $ 4,852,800 | $43,967,000 | $204,074,787 |
| | | | | | | | | |
| Maturity date | 12/15/2024 | 12/15/2025 | 12/15/2028 | 6/15/2029 | | 3/31/2025 | 6/15/2038 | |

| | Three Months Ended March 31, 2019 | Three Months Ended March 31, 2018 |
|---|---|---|
| Phase I Facility | | |
| Interest recorded as financing cost | $ 1,100,004 | $ 1,150,440 |
| Accretion recorded as financing cost | 108,467 | 118,788 |
| Phase II Facility | | |
| Interest recorded as financing cost | 2,529,334 | 2,554,454 |
| Accretion recorded as financing cost | 177,510 | 189,175 |
| Canchayllo Debt | | |
| Interest recorded as financing cost | 423,184 | - |
| Other | | |
| Interest recorded as financing cost | - | 5,600 |
| Total | | |
| Interest recorded as financing cost | $ 4,052,522 | $ 3,710,494 |
| Accretion recorded as financing cost | 285,977 | 307,963 |

### (a) Credit agreements

*Summary of Phase I and Phase II Credit Agreements*

As at March 31, 2019 and December 2018, interest rates on the Phase I and Phase II senior facilities were 8.11% and 8.29%, respectively. Interest on Phase I Subordinated Debt is fixed at 6% annually.

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

(expressed in United States dollars unless otherwise noted)

*Summary of Canchayllo Credit Agreement*

As at March 31, 2019, interest rates on the Canchayllo credit facility ranged from 7.75% to 8.65%. Approximately 62% of the outstanding principal of the loan bears fixed interest rates of 8.65% and 7.6%, and the remainder bears interest at the 3 Month Libor rate plus 5%. All loans mature in March 2025 and principal and interest is paid quarterly.

All debt drawn on the Canchayllo credit facility is non-recourse to the Company and all of its subsidiaries other than EGECSAC.

*Summary of Generacion Andina Credit Agreement*

As at March 31, 2019, the Generacion Andina (“GA”) loans bear no interest. No interest will be charged during the life of the loan, except for default interest on any overdue amount. The termination date of the loan is June 15, 2038. The loan is payable in 36 semi-annual installments starting at the earlier the commercial operation date (“COD”) of the 8 de Agosto and El Carmen projects and June 16, 2020 and on the 15th calendar day each 6 months thereafter.

In addition to principal payments, the lenders will be paid 50% of any excess generation amount for each project in excess of 45 GWh from the El Carmen project and in excess of 132 GWh from the 8 de Agosto project, subject to a maximum incremental annual amount, which varies from $1.1 million to $1.4 million during the term of the loan. GA will also pay the lenders 50% of all net transmission line revenues received in the preceding 6 months from use of transmission line by third parties.

The Company recorded the loan at its fair value using a market rate of interest and recognized a debt discount in the amount of $18,952,056 as at October 30, 2018, which will be accreted over the term of the loan. Interest expense of $316,609 was recognized in connection with the GA loan for the three months ended March 31, 2019.

## 18. Decommissioning liabilities

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

| | South Meager | Orita | Sierra | Total |
|---|---|---|---|---|
| December 31, 2018 | $ 1,251,353 | $ 1,900,637 | $ 852,827 | $ 4,004,817 |
| Revision in estimate | 13,151 | 14,696 | 6,594 | 34,441 |
| Accretion | 5,819 | 11,689 | 5,245 | 22,753 |
| March 31, 2019 | $ 1,270,323 | $ 1,927,022 | $ 864,666 | $ 4,062,011 |

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

| | | Discount Rates | |
|---|---|---|---|
| | Undiscounted Costs | March 31, 2019 | December 31, 2018 |
| South Meager | 1,322,992 | 1.48% | 1.86% |
| Orita | 2,045,747 | 2.18% | 2.46% |
| Sierra | 1,215,608 | 2.18% | 2.46% |

## 19. Contingent liabilities

The contingent consideration to be issued to former Shareholder Lenders of the UEG subsidiaries upon COD of the 8 de Agosto and El Carmen projects (see Note 4) is recorded as a contingent liability and revalued each period, with changes recognized in the statement of comprehensive earnings. As at March 31, 2019, the total value of this consideration is $6,270,280, assuming the projects achieve commercial operation within two years after the acquisition date.

## 20. Share capital

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

(expressed in United States dollars unless otherwise noted)

| | Number of Shares Authorized | Number of Shares Issued and Fully Paid | Number of Shares Reserved for Issue Under Stock Options (Exercisable) | Number of Shares Reserved for Issue Under Warrants | Number of Shares Reserved for Issue Under Restricted and Deferred Stock | Number of Shares Reserved for Issue Under UEG Acquisition |
|---|---|---|---|---|---|---|
| Three Months Ended December 31, 2018 | 15,678,299 | 15,678,299 | 266,565 | 300,000 | 155,132 | 2,132,405 |
| Stock options exercised | 24,000 | 24,000 | (24,000) | - | - | |
| Stock options forfeited or expired | - | - | (27,606) | - | - | |
| Balance at March 31, 2019 | 15,702,299 | 15,702,299 | 214,959 | 300,000 | 155,132 | 2,132,405 |

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

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

The following table reconciles stock options outstanding as at March 31, 2019 and December 31, 2018:

| | For the three months ended March 31, 2019 | Weighted Average Exercise Price | For the year ended December 31, 2018 | Weighted Average Exercise Price (CDN) |
|---|---|---|---|---|
| Balance at beginning of period | 738,108 | $ 15.65 | 678,108 | $ 16.16 |
| Granted during the period | - | - | 60,000 | 9.93 |
| Exercised during the period | (24,000) | 10.00 | - | - |
| Forfeited during the period | (72,659) | 16.18 | - | - |
| Expired during the period | - | - | - | - |
| Balance at end of period | 641,449 | $ 15.81 | 738,108 | $ 15.65 |

The following table summarizes the information related to stock options outstanding as at March 31, 2019:

| | Outstanding Options | | | Exercisable Options | |
|---|---|---|---|---|---|
| Range $CDN | Number of Options Outstanding | Weighted Average Remaining Contractual Life (Years) | Weighted Average Exercise Price ($CDN) | Number of Options Outstanding | Weighted Average Exercise Price ($CDN) |
| 0.00 - 99.99 | 641,449 | 3.6 | $ 15.81 | 214,959 | $ 15.39 |
| | 641,449 | 3.6 | $ 15.81 | 214,959 | $ 15.39 |

For the three months ended March 31, 2019 and 2018, the Company recognized shared-based compensation expense associated with options, with a corresponding increase in contributed surplus, of $29,522 and $30,476, respectively.

There are no performance criteria associated with restricted share units ("RSUs"). The Company will deliver shares in exchange for the RSUs as soon as possible after each vesting date. The fair value of the RSUs are recognized over the vesting period, and the Company recognized shared-based compensation expense associated with RSUs, with a corresponding increase in contributed surplus, of $142,867 and $63,703 for the three months ended March 31, 2019 and 2018, respectively.

Deferred share units ("DSUs") granted to directors of the Company may be redeemed within the 90 days following termination from the Company by providing a notice of redemption specifying an election to receive either a cash payment or Company shares or both. Until the liability is settled, the Company remeasured the fair value of the liability at the end of each reporting period until settlement or termination, with any changes in fair value recognized in profit or loss for the period. The DSUs expired and the Company recognized a reduction to the share-based compensation liability of $36,535 and $348 for the three months ended March 31, 2019 and 2018, respectively, with a corresponding decrease to share-based compensation expense.

**(b) Contributed surplus**

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

**(c) Per share amounts**

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

| | Three Months Ended | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| Total earnings (loss) and comprehensive earnings (loss) attributable to owners of the Company | $ 3,379,989 | $ 511,707 |
| Basic weighted average number of shares outstanding | 16,297,053 | 15,675,278 |
| Basic earnings (loss) per share | $0.21 | $0.03 |

| | Three Months Ended | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| Total earnings (loss) and comprehensive earnings (loss) attributable to owners of the Company | $ 3,379,989 | $ 511,707 |
| Diluted weighted average number of shares outstanding | 16,901,630 | 15,762,167 |
| Diluted earnings (loss) per share | $0.20 | $0.03 |

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

| | Three Months Ended | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| Stock options - 12/20/2017 grant date | 510,000 | 510,000 |
| Stock options - 12/2/2016 grant date | 144,108 | - |
| Deferred stock units | 4,839 | - |
| Warrants - 10/30/2018 | - | 26,191 |
| Total anti-dilutive instruments | 658,947 | 536,191 |

**(d) Non-controlling interests**

The Company owns 99.34% of Polaris Energy Corp ("PEC"), while PEC owns 95% of Cerro Colorado Corp. ("CCC"), both of which are Panamanian companies. CCC owns 90% of Cerro Colorado Power S.A.("CCPSA"), a Nicaraguan company, which holds the concession to the Casita geothermal project. Earnings attributed to the non-controlling interest owners in these subsidiaries for the year ended March 31, 2019 and 2018 were $nil and ($6,697), respectively.

**(e) Warrants**

The warrants to be delivered to Union Group upon delivery of the Peruvian Tax Certificate (Note 4) are revalued each period. Each warrant affords Union Group the right to purchase a PIF Share at an exercise price of CAD$11.76888 for a period of two years following the Acquisition Date. The warrants are recognized as a liability because they are denominated in Canadian dollars, which is different from the entity's functional currency, resulting in a variable amount of cash to be received upon exercise. The liability is revalued each period, with changes recognized as a loss in the statement of comprehensive earnings each period.

(expressed in United States dollars unless otherwise noted)

## 21. Related party transactions

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

| | Three Months Ended | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| Short-term employee benefits | $ 134,899 | $ 140,616 |
| Share-based payment | 26,366 | 84,753 |
| Total key management compensation | $ 161,265 | $ 225,369 |

## 22. Commitments

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

**Geothermal property concession commitments**

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| No later than one year | $ 61,930 | $ 30,000 |
| For years 2 - 5 | 309,650 | 120,000 |
| Thereafter | 715,089 | 300,000 |
| Total commitments for expenditures | $ 1,086,669 | $ 450,000 |

**Non-cancelable short-term lease commitments**

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| No later than one year | $ 185,160 | $ 62,760 |
| For years 2 - 5 | - | 78,450 |
| Thereafter | - | - |
| Total operating lease commitments | $ 185,160 | $ 141,210 |

## *23.* Contingencies

### Legal proceedings

PENSA is a respondent in a legal claim pending for approximately $0.1 million arising out of a dispute with a previous Director. The Company has not recorded a provision for this claim as the amount and timing of payment of damages, if any, is not certain or estimable as of December 31, 2019.

Empresa de Generacion Electric, SAC ("EGECSAC") is a respondent in a legal claim pending for approximately $0.9 million with a previous shareholder for payment of a shareholder loan. In the provisional determination of liabilities acquired, the Company has recognized a provision for this amount in accounts payable and accrued liabilities.

Nueva Esperanza, Peru Hydro & Light and Hidroelectrica Karpa SAC are respondents in a legal claim pending for approximately $0.2 million arising out of a dispute with a vendor. In the provisional determination of liabilities acquired, the Company has recognized a provision for this amount in accounts payable and accrued liabilities.

EGECSAC, Nueva Esperanza, UEG and GA are respondents in a legal claim pending for approximately $0.5 million arising out of a dispute with a previous shareholder of EGECSAC. In the provisional determination of liabilities acquired, the Company has not recorded a provision for this claim as the amount and timing of payment of damages, if any, is not certain or estimable as of March 31, 2019.

## 24. Financial instruments and risk management

### (a) Fair value of financial assets and liabilities

*Valuation Techniques*

As at March 31, 2019 and 2018, respectively, the carrying amounts of accounts receivable, restricted cash, accounts payable and accrued liabilities, and current portion of long-term debt are at fair value or approximate fair value due to the short term to maturity. The fair value of long-term debt approximates carrying value. The carrying value of the long-term debt is net of unamortized transaction costs and debt discounts further explained in Note 17. .

### (b) Financial risk management

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

### (c) Interest rate risk

The Phase I and II Senior Facilities bear interest at an applicable margin of 5.5% with quarterly interest payments that are variable based upon 3-month LIBOR. The total rate as at March 31, 2019 was 8.11%. The Phase I and II Subordinated Facilities bears interest at a fixed rate of 6%. The Company determined that a hypothetical 10 basis point increase in the 3-month LIBOR would result in an increase of $32,329 in financing costs for the three months ended March 31, 2019.

Under the terms of the Phase I and Phase II Credit Agreements, the borrowers are required to enter into interest rate hedging agreements for at least 100% and 50% of the outstanding balance of the Phase I and Phase II Senior Credit Facilities, respectively. Management is working with the San Jacinto Project lenders to either enter into the required interest rate swaps or amend the hedging agreement requirement.

A portion of the Canchayllo loan bears interest at an applicable margin of 5% with quarterly interest payments that are variable based upon 3-month LIBOR. The total rate as at March 31, 2019 was 7.60%. The Company determined that a hypothetical 10 basis point increase in the 3-month LIBOR would result in an increase of $1,565 in financing costs for the three months ended March 31, 2019..

### (d) Currency risk

The Company operates internationally and is exposed to risks from changes in foreign currency rates. The functional currency of the Company is the US dollar and currently most of the Company's transactions are denominated in US dollars. As at March 31, 2019 the Company had cash, accounts payable and long-term debt in of CDN$1,218,517. As at March 31, 2019, the Company had cash, accounts receivable, prepaid contractor advances and accounts payable of (Sol$38,489) held in its Peruvian subsidiaries.

The Company determined that a 10% change in the Canadian dollar against the US dollar would have impacted total loss and comprehensive loss by $91,182 for the three months ended March 31, 2019. The Company determined that a 10% change in the Peruvian Soles against the US dollar would have impacted total loss and comprehensive loss by $1,159 the three months ended March 31, 2019. The Company does not enter into any foreign exchange contracts to mitigate this risk.

### (e) Commodity prices

The Company's commodities consist of power produced and carbon emission reduction credits ("CERs") earned. The Company is not exposed to commodity price risk with respect to the power it produces as all power currently produced is sold under the terms of a power purchase agreement ("PPA") which establishes a fixed price and escalator.

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

### (f) Credit risk

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

(expressed in United States dollars unless otherwise noted)

The Company deposits its cash with reputable financial institutions, for which management believes the risk of loss to be remote. Most of the Company's accounts receivable relate to PENSA's PPA with the Nicaraguan power distributors Disnorte and Dissur. As both Disnorte and Dissur are subsidiaries of the same company, PENSA is exposed to credit risk of the ultimate parent company. This party is subject to normal industry credit risks. The Company manages this risk by seeking out alternative customers both in Nicaragua and in other Central American countries so that, in the event of a credit failure on the part of its current customer, it would have alternative arrangements. The Company is entitled to sell its power to alternative customers in the event that its current customer fails to pay for power generated and such failure to pay continues for a period of 60 days.

Maximum credit risk is calculated as the total value of accounts receivable as at the balance sheet date less any liability amounts where there is a legal right to offset. The Company's maximum credit risk as at March 31, 2019 and December 2018 was $18,207,335 and $15,225,615, respectively.

**(g) Liquidity risk**

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

The following are maturities for the Company's non-derivative and derivative financial liabilities as at March 31, 2019:

| | Less than 1 Year | 1-3 Years | 4-5 Years | More than 5 Years | Total |
|---|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ 21,211,279 | $ - | $ - | $ - | $ 21,211,279 |
| Debt, current and long-term | 15,012,345 | 39,700,428 | 47,168,405 | 102,193,610 | 204,074,788 |
| Interest obligations | 12,067,449 | 20,218,147 | 14,039,087 | 11,801,094 | 58,125,777 |
| | $ 48,291,073 | $59,918,575 | $61,207,492 | $113,994,704 | $283,411,844 |

Interest on the San Jacinto project credit facilities is due and payable quarterly and is currently estimated to be approximately $3 million each quarter. The Company plans to make payments of interest on the San Jacinto project credit facilities out of its current cash and cash generated by operations.

## 25. Capital management

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

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

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

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

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