Unaudited Interim Condensed Consolidated Financial Statements of

Polaris Infrastructure Inc.

June 30, 2019 and 2018

(Expressed in United States dollars)

Polaris Infrastructure Inc.

June 30, 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 June 30, 2019	As Restated (Note 4) As at December 31, 2018
Assets			
Current assets			
Cash		55,533,919	$ 37,808,557
Accounts receivable	10	15,653,611	15,225,615
Prepaid expenses	11	1,069,623	1,063,989
		72,257,153	54,098,161
Restricted cash	12	3,957,033	8,612,344
Other assets, net	11	6,449,904	8,881,809
Construction in progress	13	58,630,504	58,197,340
Property, plant and equipment, net	14	318,545,525	328,948,092
Intangible assets, net	15	3,664,086	3,768,774
Deferred tax asset, net		3,632,266	3,281,345
Total assets		$ 467,136,471	$ 465,787,865
Liabilities and Total Equity			
Current liabilities			
Accounts payable and accrued liabilities	16	$ 20,481,349	$ 25,965,379
Current portion of long-term debt, net	17	15,647,252	14,377,437
		36,128,601	40,342,816
Other liabilities			
Long-term debt, net	17	172,622,883	165,675,977
Conversion option liability	17	4,233,282	-
Warrant liability	20	416,887	145,703
Contingent liabilities	19	6,371,802	6,170,375
Decommissioning liabilities	18	4,116,529	4,004,817
Deferred tax liability, net		49,497,388	46,002,151
Total liabilities		273,387,372	262,341,839
Non-controlling interests	20	(2,006,785)	(353,878)
Equity attributable to the owners of the Company			
Share capital	20	598,982,351	598,792,821
Contributed surplus	20	19,552,100	19,496,230
Accumulated deficit		(422,778,567)	(414,489,147)
Total equity attributable to the owners of the Company		195,755,884	203,799,904
Total equity		193,749,099	203,446,026
Total liabilities and total equity		$ 467,136,471	$ 465,787,865

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

(expressed in United States dollars)

	Note Ref	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Revenue	5	$ 17,268,876	$ 17,656,705	$ 35,870,025	$ 32,386,812
Direct costs					
Other direct costs	7	(1,739,339)	(1,681,009)	(3,432,786)	(3,194,793)
Depreciation and amortization of plant assets	7	(5,951,517)	(5,788,362)	(11,786,201)	(11,334,769)
General and administrative expenses	7	(1,500,523)	(359,608)	(2,739,014)	(1,238,853)
Impairment loss	9	(11,563,869)	-	(11,563,869)	-
Other operating costs		(94,436)	(36,461)	(193,309)	(119,339)
Operating income		(3,580,808)	9,791,265	6,154,846	16,499,058
Interest income		289,926	161,254	516,454	291,901
Finance costs	8	(4,111,423)	(3,849,591)	(8,682,588)	(8,088,602)
Other gains (losses)	9	512,844	(149,484)	(75,455)	(185,371)
Earnings and comprehensive earnings before income taxes		(6,889,461)	5,953,444	(2,086,743)	8,516,986
Income tax expense		(1,721,587)	(2,017,410)	(3,144,316)	(4,062,548)
Total earnings and comprehensive earnings		$ (8,611,048)	$ 3,936,034	$ (5,231,059)	$ 4,454,438
Total earnings and comprehensive earnings attributable to:					
Owners of the Company		$ (6,958,141)	$ 3,910,381	$ (3,578,152)	$ 4,422,088
Non-controlling interests		$ (1,652,907)	$ 25,653	$ (1,652,907)	$ 32,350
Basic earnings per share		($0.43)	$0.25	($0.22)	$0.28
Diluted earnings per share		($0.41)	$0.25	($0.21)	$0.28

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)

	Note Ref	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	56,944	-	99,061	-	99,061
Dividends payable		-	-	-	(4,703,468)	(4,703,468)	-	(4,703,468)
Total earnings and comprehensive earnings		-	-	-	4,422,088	4,422,088	32,350	4,454,438
Balance at June 30, 2018		**15,678,299**	**598,761,540**	**11,177,363**	**(422,496,858)**	**187,442,045**	**(383,396)**	**187,058,649**
Share-based compensation		-	31,281	79,869	-	111,150	-	111,150
Dividends paid		-	-	-	(4,703,470)	(4,703,470)	-	(4,703,470)
Acquisition shares to be issued		-		8,238,998	-	8,238,998	-	8,238,998
Total earnings and comprehensive earnings		-	-	-	12,711,181	12,711,181	29,518	12,740,699
Balance at December 31, 2018		**15,678,299**	**598,792,821**	**19,496,230**	**(414,489,147)**	**203,799,904**	**(353,878)**	**203,446,026**
Share-based compensation	20	28,000	189,530	55,870	-	245,400	-	245,400
Dividends payable		-	-	-	(4,711,268)	(4,711,268)	-	(4,711,268)
Total earnings and comprehensive earnings		-	-	-	(3,578,152)	(3,578,152)	(1,652,907)	(5,231,059)
Balance at June 30, 2019		**15,706,299**	**598,982,351**	**19,552,100**	**(422,778,567)**	**195,755,884**	**(2,006,785)**	**193,749,099**

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

Polaris Infrastructure Inc.

Interim Condensed Consolidated Statements of Cash Flows (Unaudited)

(expressed in United States dollars)

	Six Months Ended	
	June 30, 2019	**June 30, 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	$ (3,578,152)	$ 4,422,088
Deduct items not affecting cash:		
Non-controlling interests in net loss of subsidiary	(1,652,907)	32,350
Deferred income tax expense	3,144,316	4,062,548
Finance costs recognized	7,696,957	7,073,115
Depreciation and amortization	11,798,103	11,343,043
Accretion of decommissioning liability	42,668	34,511
Change in decommissioning liabilities	69,044	(29,396)
Gain on valuation of warrant liabilities	271,184	-
Gain on valuation of contingent liabilities	201,427	-
Gain on valuation of conversion option liability	269,985	-
Impairment loss	11,563,869	-
Accretion on debt	565,689	610,825
Share-based compensation	782,479	(312,338)
Unrealized foreign exchange loss	(37,606)	(41,170)
Changes in non-cash working capital:		
Accounts receivable	(427,996)	(2,327,938)
Prepaid expenses	(5,634)	(495,992)
Accounts payable and accrued liabilities	(2,134,159)	649,126
Interest and return enhancement paid	(7,124,926)	(7,260,224)
	21,444,341	17,760,548
Investing		
Change in restricted cash	4,655,311	4,268
Change in accounts payable and accrued liabilities related to projects	(4,112,785)	(3,350,088)
Changes in other assets	2,406,553	(721,862)
Additions to construction in progress	(11,917,294)	(4,587,916)
Additions to property, plant and equipment	(576,416)	(543,680)
	(9,544,631)	(9,199,278)
Financing		
Proceeds from debt (Note 17)	17,640,716	-
Dividends paid	(4,711,268)	(4,703,468)
Repayment of debt	(7,188,719)	(6,590,607)
	5,740,729	(11,294,075)
Foreign exchange loss on cash held in foreign currency	84,923	319
Net increase (decrease) in cash	17,725,362	(2,732,486)
Cash, beginning of period	37,808,557	37,217,120
Cash, end of period	$ 55,533,919	$ 34,484,634

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 August 7, 2019.

3. Summary of significant accounting policies

Principles of consolidation

These unaudited interim condensed consolidated financial statements include the accounts of the Company and its controlled subsidiaries. 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.

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 short-term non-cancelable operating leases for its Toronto, Nicaragua and Peru corporate offices. All of these leases expire within one year. The total remaining discounted lease payments for the Toronto and Nicaragua leases are $68,141 and $52,789 as of June 30, 2019, respectively. The Company recognized $51,724 in rent expense related to these leases during the six months ended June 30, 2019.

The Company has concluded that the adoption of IFRS 16 did 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.

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.

(expressed in United States dollars unless otherwise noted)

Susidiary	Place of incorporation
Union Energy Group	British Virgin Islands
Andean Power Generation Ltd	British Virgin Islands
Andean Power Generation SAC	Perú
CIA Energética del Norte SAC	Perú
Empresa de Generación Electric	Perú
Energía Renovable de Los Andes	Perú
Hydro Amazonas SAC	Perú
Hydro Energías Perú SAC	Perú
Hidroeléctrica Karpa SAC	Perú
Nueva Esperanza	Perú
Operación y Mantenimiento Perú	Perú
Puglush Energía SAC	Perú
Peru Hydro & Light SAC	Perú
Generación Andina SAC	Perú

Due to complexities in determining fair values of certain assets and liabilities acquired, the determination of the fair value of property, plant and equipment, intangible assets and contingent liabilities acquired is not yet complete and is subject to further adjustments. The Company made adjustments to the provisional fair values disclosed in the December 31, 2018 financial statement related to the provisional value of debt acquired and recognized this adjustment as of the acquisition date with the related tax affect as follows:

	Provisional Allocation As at October 30, 2018	Purchase Accounting Adjustments	As Adjusted As at October 30, 2018
Cash	137,294		137,294
Accounts receivable	68,294		68,294
Prepaid expenses	53,404		53,404
Restricted Cash	9,323,151		9,323,151
Other assets, net	6,377,887		6,377,887
Construction in progress	41,253,275		41,253,275
Property, plant and equipment, net	7,590,744		7,590,744
Deferred tax asset, net	5,098,493	(2,070,457)	3,028,036
Less:			
Accounts payable and accrued liabilities	(23,555,530)		(23,555,530)
Current portion of long-term debt, net	(657,360)		(657,360)
Long-term debt, net	(29,533,664)	7,107,981	(22,425,683)
Deferred tax liability, net	(509,930)		(509,930)
Net assets acquired	15,646,058	5,037,524	20,683,582
Consideration	(14,743,276)	-	(14,743,276)
Gain on bargain purchase	902,782	5,037,524	5,940,306

Additional information regarding the provisional purchase price allocation is disclosed in the Company's annual consolidated financial statements as of December 31, 2018.

(expressed in United States dollars unless otherwise noted)

5. Revenue

Revenue for the three months ended June 30, 2019 and 2018 of $16,858,552 and $17,656,705, respectively, and for the six months ended June 30, 2019 and 2018 of $35,090,773 and $32,386,812, 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 June 30, 2019 and 2018 of $410,324 and $nil, respectively, and for the six months ended June 30, 2019 and 2018 of $779,252 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 two 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.

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 Three Months Ended		Peru Three Months Ended		Other Three Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Revenue	$ 16,858,551	$ 17,656,705	$ 410,325	$ -	$ -	$ -
Direct costs						
Other direct costs	(1,622,803)	(1,681,009)	(116,536)	-	-	-
Depreciation and amortization of plant assets	(5,801,786)	(5,788,362)	(149,731)	-	-	-
General and administrative expenses	(379,468)	(394,557)	(161,332)	-	(959,723)	34,949
Other operating costs	-	31,964	-	-	(94,436)	(68,425)
Operating income	9,054,494	9,824,741	(17,274)	-	(1,054,159)	(33,476)
Interest income	200,231	107,403	151	-	89,544	53,851
Finance costs	(3,922,244)	(3,823,589)	(162,596)	-	(26,583)	(26,002)
Other gains (losses)	(102,222)	(148,572)	885,959	-	(270,893)	(912)
Earnings (loss) and comprehensive earnings (loss) before income taxes	5,230,259	5,959,983	706,240	-	(1,262,091)	(6,539)
Income tax expense	(1,714,817)	(2,017,410)	(6,770)	-	-	-
Total earnings and comprehensive earnings	$ 3,515,442	$ 3,942,573	$ 699,470	$ -	$ (1,262,091)	$ (6,539)

(expressed in United States dollars unless otherwise noted)

	Nicaragua		Peru		Other	
	Six Months Ended		Six Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Revenue	$ 35,090,772	$ 32,386,812	$ 779,253	$ -	$ -	$ -
Direct costs						
Other direct costs	(3,262,658)	(3,194,793)	(170,128)	-	-	-
Depreciation and amortization of plant assets	(11,519,400)	(11,334,769)	(266,800)	-	(1)	-
General and administrative expenses	(758,466)	(816,096)	(318,266)	-	(1,662,282)	(422,757)
Other operating costs	500	21,143	-	-	(193,809)	(140,482)
Operating income	19,550,748	17,062,297	24,059	-	(1,856,092)	(563,239)
Interest income	330,535	191,934	657	-	185,262	99,967
Finance costs	(7,941,459)	(8,041,606)	(877,892)	-	136,763	(46,996)
Other gains (losses)	(312,101)	(217,724)	918,166	-	(681,520)	32,353
Earnings (loss) and comprehensive earnings (loss) before income taxes	11,627,723	8,994,901	64,990	-	(2,215,587)	(477,915)
Income tax expense	(3,495,237)	(4,062,548)	350,921	-	-	-
Total earnings and comprehensive earnings	$ 8,132,486	$ 4,932,353	$ 415,911	$ -	$ (2,215,587)	$ (477,915)
Total non-current assets	$ 317,015,194	$ 349,427,871	$ 76,168,925	$ -	$ 1,695,199	$ 1,714,253
Total assets	360,051,159	388,959,851	82,706,554	-	24,378,758	12,895,775
Total liabilities	203,588,911	208,127,201	39,114,617	-	30,683,844	6,670,080

	Three Months Ended		Six Months Ended	
Revenue	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Nicaragua	16,858,551	17,656,705	$ 35,090,772	$ 32,386,812
Peru	410,325	-	779,253	-
	$ 17,268,876	$ 17,656,705	$ 35,870,025	$ 32,386,812

Comprehensive earnings (loss)	Three Months Ended		Six Months Ended	
before income taxes	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Canada	$ (1,511,196)	$ 42,751	$ (2,528,727)	$ (418,935)
United States	(77,548)	(49,289)	(143,872)	(58,979)
Nicaragua	(6,333,611)	5,959,982	63,854	8,994,900
Peru	1,032,894	-	522,002	-
	$ (6,889,461)	$ 5,953,444	$ (2,086,743)	$ 8,516,986

(expressed in United States dollars unless otherwise noted)

Assets and liabilities		As at June 30, 2019		As Restated (Note 4) As at December 31, 2018
Canada	$	24,157,393	$	10,518,018
United States		282,004		328,285
Nicaragua		359,990,520		382,501,971
Peru		82,706,554		72,439,591
Total assets	$	467,136,471	$	465,787,865
Canada	$	1,445,301	$	1,411,332
United States		249,898		249,898
Nicaragua		317,015,194		338,975,530
Peru		76,168,925		71,052,944
Total non-current assets	$	394,879,318	$	411,689,704
Canada	$	27,812,287	$	9,023,641
United States		2,871,554		2,787,894
Nicaragua		203,588,914		206,548,644
Peru		39,114,617		43,981,660
Total liabilities	$	273,387,372	$	262,341,839

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				Six Months Ended		
		June 30, 2019		June 30, 2018		June 30, 2019		June 30, 2018
Depreciation and amortization	$	5,951,517	$	5,788,362	$	11,786,201	$	11,334,769
Employee costs		854,488		663,885		1,606,443		1,374,112
General liability insurance		188,982		177,333		377,910		332,446
Taxes		335,705		402,567		700,177		667,196
Maintenance		342,772		424,516		722,889		792,900
Other direct costs		17,392		12,708		25,367		28,139
	$	7,690,856	$	7,469,371	$	15,218,987	$	14,529,562

(b) General and administrative expenses

The Company's general and administrative expenses for the three and six months ended June 30, 2019 and 2018 consisted of:

		Three Months Ended				Six Months Ended		
		June 30, 2019		June 30, 2018		June 30, 2019		June 30, 2018
Salaries and benefits	$	500,812	$	399,160	$	973,689	$	754,164
Share-based compensation		464,034		(441,327)		599,888		(347,495)
Facilities and support		150,361		171,067		261,703		335,895
Professional fees		258,134		128,047		680,227		271,327
Insurance		97,107		98,736		175,172		197,255
Depreciation of other assets		12,971		3,780		25,352		8,274
Other general and adminstrative expenses		17,104		145		22,983		19,433
	$	1,500,523	$	359,608	$	2,739,014	$	1,238,853

8. Finance costs

The Company's finance costs for the three and six months ended June 30, 2019 and 2018 consisted of:

(expressed in United States dollars unless otherwise noted)

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Interest on debt	$ 3,644,435	$ 3,362,621	$ 7,696,957	$ 7,073,115
Accretion on debt	279,712	302,862	565,689	610,825
Accretion of decommissioning liabilities	19,915	19,741	42,668	34,511
Other finance costs	167,361	164,367	377,274	370,151
	$ 4,111,423	$ 3,849,591	$ 8,682,588	$ 8,088,602

Cash paid for interest and return enhancement during the three months ended June 30, 2019 and 2018 was $3,715,006 and $3,738,902. Cash paid for interest and return enhancement during the six months ended June 30, 2019 and 2018 was $7,331,620 and $7,260,224.

During the six months ended June 30, 2019, interest of $768,819 was capitalized in connection with the Generacion Andina projects.

9. Other gains and losses

The Company's other gains and losses for the three and six months ended June 30, 2019 and 2018 consisted of:

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Foreign exchange losses	$ (53,143)	$ (133,169)	$ (267,566)	$ (181,138)
Gain on valuation of w arrant liabilities	-	-	(271,183)	-
Gain on valuation of contingent liabilities	(101,523)	-	(201,427)	-
Gain on valuation of conversion option liability	(269,984)	-	(269,984)	-
Other gain (losses)	937,494	(16,315)	934,705	(4,233)
	$ 512,844	$ (149,484)	$ (75,455)	$ (185,371)

During the six months ended June 30, 2019, the Company recognized an impairment loss of $11,563,869 on its Casita project. The Company no longer expects to obtain financing for this project and will not be pursuing future development in the near to medium term. All costs capitalized to the project were recognized as an impairment loss.

The Company settled legal claims related to vendors in Peru during the three months ended June 30, 2019 and recognized gains in the amount of $983,465.

10. Accounts receivable

The Company's accounts receivable of $15,653,611 as at June 30, 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 $123,738 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

(expressed in United States dollars unless otherwise noted)

	June 30, 2019	December 31, 2018
Prepaid insurance	$ 702,268	$ 885,419
Other prepaids	367,355	178,570
	$ 1,069,623	$ 1,063,989

(b) Other assets, net

	June 30, 2019	December 31, 2018
Recoverable taxes	$ 5,297,964	$ 7,788,835
Debentures receivable	578,595	533,362
Investment in affiliate	167,466	160,653
Other deposits	64,079	54,330
Fixed assets, net	54,805	57,634
Accrued revenue	286,995	286,995
	$ 6,449,904	$ 8,881,809

Other fixed assets consist of furniture, fixtures and equipment with lives of three to seven years. Depreciation on other fixed assets of $25,352 and $8,274 was recorded for the six months ended June 30, 2018 and 2017, respectively.

12. Restricted cash

	June 30, 2019	December 31, 2018
Casita exploitation application guarantee	$ -	$ 50,000
San Jacinto guarantees	1,081,527	1,080,000
Peru guarantees and bonds	2,510,559	7,111,778
Reclamation bonds - US and Canada	364,615	359,950
Other restricted cash	332	10,616
	$ 3,957,033	$ 8,612,344

In addition to amounts recorded as restricted cash, cash in the amount of $27,137,532 and $27,935,028 held by the Company as at June 30, 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 Impairment	2019 Activity	2019 Transfers to PP&E	June 30, 2019
San Jacinto Binary Plant	$ 1,159,815	$ -	$ -	$ -	$ 1,159,815
Generacion Andina	45,135,093	-	12,035,888	-	57,170,981
Karpa	121,527	-	-	-	121,527
Canchayllo improvements	38,512	-	80,114	-	118,626
Geothermal exploration and development					
San Jacinto Drilling Costs	185,905	-	562,730	(689,080)	59,555
Casita	11,556,488	(11,563,869)	7,381	-	-
	$ 58,197,340	$ (11,563,869)	$ 12,686,113	$ (689,080)	$ 58,630,504

14. Property, plant and equipment, net

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

(expressed in United States dollars unless otherwise noted)

	December 31, 2018	2019 Activity	2019 Transfers from CIP	June 30, 2019
San Jacinto geothermal project	$ 518,729,942	$ 594,075	$ 689,080	$ 520,013,097
Canchayllo hydroelectric project	10,242,176			10,242,176
Accumulated depreciation	(165,120,742)	(11,668,063)	-	(176,788,805)
Accumulated impairment	(38,940,166)	-	-	(38,940,166)
Capital spares	4,036,882	(17,659)	-	4,019,223
	$ 328,948,092	$ (11,091,647)	$ 689,080	$ 318,545,525

Property, plant and equipment currently in operation are being depreciated on a straight-line basis over the remaining term of their estimated useful lives. Depreciation expense of $11,681,512 and $11,230,081 for the six months ended June 30, 2019 and 2018, respectively, was recorded in the consolidated statements of operations and comprehensive loss.

15. Intangible assets

Amortization expense related to the transmission assets for the San Jacinto project donated to the Nicaraguan utility, ENATREL in December 2011, for both the six months ended June 30, 2019 and 2018 was $104,688

16. Accounts payable and accrued liabilities

	June 30, 2019	December 31, 2018
Trade payables	$ 2,005,786	$ 2,554,635
Construction payables	1,024,411	3,607,546
Construction accrued liabilities	9,343,425	10,873,075
Share-based compensation liability	1,690,554	1,153,475
Interest payable	405,195	470,978
Other accrued liabilities	6,011,978	7,305,670
	$ 20,481,349	$ 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	PIF Debenture	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	$18,157,031	$ -	$180,053,414
Accrued interest expense	-	-	-	-	-	-	768,819		768,819
Proceed from debenture	-	-	-	-	-	-	-	13,677,419	13,677,419
Return enhancement	-	33,829	-	65,549	99,378	-	-		99,378
Accretion of deferred transaction costs and debt discount	213,672	-	352,017	-	565,689	-	-	331,741	897,430
Repayments of debt	(2,211,567)	(587,272)	(3,526,600)	(529,200)	(6,854,639)	(334,080)	-		(7,188,719)
Effect of foreign exchange on loans	-	-	-	-	-	-	-	(37,606)	(37,606)
Loans and other borrowings – June 30, 2019	$31,177,114	$11,941,385	$ 90,553,788	$17,014,684	$150,686,971	$ 4,685,760	$18,925,850	$ 13,971,554	$188,270,135
Current	$ 4,914,595	$ 1,247,952	$ 7,694,400	$ 1,099,107	$ 14,956,054	$ 691,198	$ -	$ -	$ 15,647,252
Non-current	26,262,519	10,693,433	82,859,388	15,915,577	135,730,917	3,994,560	18,925,852	13,971,554	172,622,883
Unamortized debt discount/return enhancement	1,179,721	(1,664,183)	3,537,300	(1,912,141)	1,140,697	-	25,038,620	4,527,780	30,707,097
Principal balance	$32,356,835	$10,277,202	$ 94,091,088	$15,102,543	$151,827,668	$ 4,685,760	$43,964,470	$ 18,499,334	$218,977,232
Maturity date	12/15/2024	12/15/2025	12/15/2028	6/15/2029		3/31/2025	6/15/2038	5/31/2024	

(expressed in United States dollars unless otherwise noted)

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Phase I Facility				
Interest recorded as financing cost	$ 1,062,680	$ 1,065,054	$ 2,162,684	$ 2,215,494
Accretion recorded as financing cost	105,205	116,365	213,672	235,153
Phase II Facility				
Interest recorded as financing cost	2,467,417	2,292,047	4,996,751	4,846,501
Accretion recorded as financing cost	174,507	186,497	352,017	375,672
Canchayllo Debt				
Interest recorded as financing cost	(217,403)	-	205,781	-
Debentures				
Interest recorded as financing cost	331,741	-	331,741	-
Accretion recorded as financing cost				
Other				
Interest recorded as financing cost	-	5,520	-	11,120
Accretion recorded as financing cost	-	-	-	-
Total				
Interest recorded as financing cost	$ 3,644,435	$ 3,362,621	$ 7,696,957	$ 7,073,115
Accretion recorded as financing cost	279,712	302,862	565,689	610,825

(a) Credit agreements

As at June 30, 2019, the interest rate on the Phase I and Phase II senior facilities was LIBOR + 6.0% (7.91%). As at June 30, 2018, the interest rate on the Phase I and Phase II senior facilities was LIBOR + 6.0% (8.34%). Interest on the Phase I and Phase II Subordinated Debt is fixed at 6% annually.

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

During the quarter, certain provisions of the PPA related to the payment guarantee were not fully complied with. Management agreed with the lenders to waive any potential non-compliance with the agreement through December 31, 2019.

Summary of Canchayllo Credit Agreement

As at June 30, 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 June 30, 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.

(expressed in United States dollars unless otherwise noted)

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 in the amount of $768,819 was capitalized in connection with the GA loan for the six months ended June 30, 2019.

Summary of Debentures

On May 28, 2019, the Company issued a total of 25,000 senior unsecured convertible debentures (the "Debentures") at a price of C$1,000 per Debenture convertible into common shares at a conversion price per common share equal to C$15.00, bearing an interest rate of 7.00% per annum, payable semi-annually in arrears on each May 31 and November 30, maturing 60 months following the closing date (May 31, 2024).

The Company has the option to satisfy its obligations to pay on redemption or maturity, the principal amount on the Debentures, in whole or in part, by delivering shares of the Company. Any accrued and unpaid interest will be paid in cash. The Debentures are redeemable after May 31, 2022 and prior to May 31, 2023, in whole or in part at the Company's option at par plus accrued interest and unpaid interest, provided the weighted average trading price of the Common Shares on the Toronto Stock Exchange during the 20 consecutive trading days ending on the fifth trading day preceding the date on which of redemption is given is not less than 125% of the conversion price.

The net proceeds will be used for general corporate purposes and to provide the flexibility to pursue further corporate development opportunities in Peru and similar jurisdictions in Latin America.

Fair value of the equity conversion component was determined using a Black Scholes valuation model, which resulted in a fair value per option of C$3.37. The Company issued 1,666,667 conversion options with a total value of $4,167,611 less transaction costs of $204,314, resulting in a fair value of the equity conversion option liability of $3,963,297 at issuance. Transaction costs that relate to the issue of a compound financial instrument are allocated to the components in proportion to the allocation of proceeds. The fair value of the debentures conversion option liability as of June 30, 2019 was $4,233,281 and a loss on valuation of $269,984 was recognized in other gains and losses in the statement of operations for the three months ended June 30, 2019.

The fair value of the debentures was calculated as the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied by the market to a similar instrument without the conversion option (IAS 32.AG31). The total consideration received of $18,550,122, less the fair value of the conversion option of $4,167,611, less transaction costs of $705,092, resulting in a fair value of the debenture liability of $13,677,419 at issuance.

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	14,740	37,485	16,819	69,044
Accretion	10,519	22,191	9,958	42,668
June 30, 2019	$ 1,276,612	$ 1,960,313	$ 879,604	$ 4,116,529

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

		Discount Rates	
	Undiscounted Costs	June 30, 2019	December 31, 2018
South Meager	1,322,992	1.43%	1.86%
Orita	2,045,747	1.71%	2.46%
Sierra	1,215,608	1.71%	2.46%

(expressed in United States dollars unless otherwise noted)

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 June 30, 2019, the total value of this consideration is $6,371,802, 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:

	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
Balance at December 31, 2018	16,282,299	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)	-	-	-
RSU shares issued	-	4,000	-	-	-	-
Balance at June 30, 2019	16,306,299	15,706,299	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 June 2017, provides that stock options may be granted to directors, senior officers, employees and consultants of the Company or any of its affiliates and employees of management companies engaged by the Company. Options granted under the LTIP are for a contractual term not to exceed five years from the date of their grant, and vesting is determined by the Company's Board.

The following table reconciles stock options outstanding as at June 30, 2019 and December 31, 2018:

	For the six months ended June 30, 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 June 30, 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	3.4	$ 15.81	214,959	$ 15.39
	641,449	3.4	$ 15.81	214,959	$ 15.39

For the six months ended June 30, 2019 and 2018, the Company recognized share-based compensation expense associated with options, with a corresponding increase in contributed surplus, of $62,809 and $63,904, respectively.

(expressed in United States dollars unless otherwise noted)

There are no performance criteria associated with restricted share units ("RSUs"). During the second quarter 2018, the Company revised its RSU agreements, allowing the participant to elect to receive either shares or a cash equivalent amount in exchange for the RSUs after each vesting date. As a result, the Company recorded a liability in connection with the RSUs, which will be remeasured to the fair value of the RSUs at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period. The Company recognized share-based compensation expense associated with RSUs of $573,615 and $(396,061) for the six months ended June 30, 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 $(15,538) for the six months ended June 30, 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		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Total earnings (loss) and comprehensive earnings (loss) attributable to owners of the Company	$ (6,958,141)	$ 3,910,381	$ (3,578,152)	$ 4,422,088
Basic weighted average number of shares outstanding	16,306,299	15,678,299	16,302,189	15,677,982
Basic earnings (loss) per share	($0.43)	$0.25	($0.22)	$0.28

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Total earnings (loss) and comprehensive earnings (loss) attributable to owners of the Company	$ (6,958,141)	$ 3,910,381	$ (3,578,152)	$ 4,422,088
Diluted weighted average number of shares outstanding	16,941,610	15,731,657	16,911,439	15,748,220
Diluted earnings (loss) per share	($0.41)	$0.25	($0.21)	$0.28

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

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Stock options - 12/20/2017 grant date	510,000	-	510,000	-
Stock options - 12/2/2016 grant date	144,108	-	144,108	-
Warrants - 10/30/2018	-	-	300,000	-
Total anti-dilutive instruments	654,108	-	954,108	-

(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 six months ended June 30, 2019 and 2018 were $(1,652,907) and $32,350, 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.

21. Related party transactions

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

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Short-term employee benefits	$ 163,889	$ 139,476	$ 298,788	$ 280,092
Share-based payment	29,755	74,983	56,121	159,736
Total key management compensation	$ 193,644	$ 214,459	$ 354,909	$ 439,828

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 lease commitments

	June 30, 2019	December 31, 2018
No later than one year	$ 62,604	$ 30,000
For years 2 - 5	313,021	120,000
Thereafter	723,854	300,000
Total commitments for expenditures	$ 1,099,479	$ 450,000

Non-cancelable short-term lease commitments

	June 30, 2019	December 31, 2018
No later than one year	$ 54,341	$ 62,760
For years 2 - 5	-	78,450
Thereafter	-	-
Total operating lease commitments	$ 54,341	$ 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 June 30, 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 self-proclaimed 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 June 30, 2019.

24. Financial instruments and risk management

(a) Fair value of financial assets and liabilities

Valuation Techniques

As at June 30, 2019 and December 31, 2018, the carrying amounts of accounts receivable, restricted cash, accounts payable and accrued liabilities, and current portion of long-term debt are at fair value or approximate fair value due to the short term to maturity. The fair value of long term-debt approximates carrying value. The carrying value of the long-term debt is net of unamortized transaction costs as further explained in Note 17.

(b) Financial risk management

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

(c) Interest rate risk

The Phase I and II Senior Facilities bear interest at an applicable margin of 6% with quarterly interest payments that are variable based upon 3-month LIBOR. The total rate as at June 30, 2019 was 7.91%. The Phase I and II Subordinated Facilities bears interest at a fixed rate of 6%. The Company determined that a hypothetical 10 basis point increase in 3-month LIBOR would result in an increase of $63,224 in financing costs for the six months ended June 30, 2019. The Company does not enter into any interest rate hedging contracts to mitigate this risk.

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 June 30, 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 six months ended June 30, 2019.

(d) Currency risk

The Company operates internationally and is exposed to risks from changes in foreign currency exchange rates. The functional currency of the Company is the US dollar and currently most of the Company's transactions are denominated in US dollars. As at June 30, 2019, the Company had net Canadian dollar denominated accounts payable and long-term debt of CDN$3,887,305 (net of cash and security deposits).

The Company determined that a 10% change in the Canadian dollar against the US dollar would have impacted total loss and comprehensive loss by $297,029 for the six months ended June 30, 2018. The Company does not enter into any foreign exchange contracts to mitigate this risk.

As at June 31, 2019, the Company had cash, accounts receivable, prepaid contractor advances and accounts payable of (Sol$2,392,628) held in its Peruvian subsidiaries.

(e) Commodity prices

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

(f) Credit risk

(expressed in United States dollars unless otherwise noted)

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

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

Maximum credit risk is calculated as the total value of accounts receivable as at the balance sheet date less any liability amounts where there is a legal right to offset. The Company's maximum credit risk as at June 30, 2019 and December 31, 2017 was $15,653,611 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 June 30, 2019:

	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years	Total
Accounts payable and accrued liabilities	$ 20,481,349	$ -	$ -	$ -	$ 20,481,349
Debt, current and long-term	15,647,251	37,642,524	61,314,287	104,373,170	218,977,232
Interest obligations	11,244,378	18,729,471	12,680,371	10,104,941	52,759,161
	$ 47,372,978	$56,371,995	$73,994,658	$114,478,111	$292,217,742

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, cash, and shareholders' equity (consisting of issued capital and contributed surplus offset by accumulated deficit). The Company's objectives when managing its capital structure are to:

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

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

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

In preparing its budgets, the Company considers externally-imposed capital requirements pursuant to the terms of the Phase I and Phase II Credit Agreements entered into by PENSA and SJPIC 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.