Unaudited Interim Condensed Consolidated Financial Statements of

Polaris Infrastructure Inc.

September 30, 2019 and 2018

(Expressed in United States dollars)

Polaris Infrastructure Inc.

September 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 September 30, 2019		As Restated (Note 4) As at December 31, 2018
Assets					
Current assets					
Cash			40,102,373	$	37,808,557
Accounts receivable	10		14,489,675		15,225,615
Prepaid expenses	11		1,334,042		1,063,989
			55,926,090		54,098,161
Restricted cash	12		4,756,921		8,612,344
Other assets, net	11		6,525,754		8,881,809
Construction in progress	13		50,604,649		35,771,493
Property, plant and equipment, net	14		313,008,142		328,816,315
Intangible assets, net	15		25,811,201		26,090,293
Deferred tax asset, net			3,400,418		3,281,345
Total assets		$	460,033,175	$	465,551,760
Liabilities and Total Equity					
Current liabilities					
Accounts payable and accrued liabilities	16	$	14,283,278	$	25,685,620
Current portion of long-term debt, net	17		16,282,162		14,377,438
			30,565,440		40,063,058
Other liabilities					
Long-term debt, net	17		169,905,360		165,675,976
Conversion option liability	17		3,159,468		-
Warrant liability	20		541,606		145,703
Contingent liabilities	19		6,474,968		6,170,375
Decommissioning liabilities	18		4,134,050		4,004,817
Deferred tax liability, net			51,150,853		46,002,151
Total liabilities			265,931,745		262,062,080
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		19,583,210		19,496,230
Accumulated deficit			(422,457,346)		(414,445,493)
Total equity attributable to the owners of the Company			196,108,215		203,843,558
Total equity			194,101,430		203,489,680
Total liabilities and total equity		$	460,033,175	$	465,551,760

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 September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Revenue	5	$ 17,585,838	$ 18,151,286	$ 53,455,863	$ 50,538,098
Direct costs					
Other direct costs	7	(2,049,188)	(1,840,976)	(5,481,974)	(5,035,769)
Depreciation and amortization of plant assets	7	(5,748,347)	(5,721,498)	(17,534,548)	(17,056,267)
General and administrative expenses	7	(969,776)	(474,650)	(3,708,790)	(1,713,503)
Impairment loss	9	-	-	(11,563,869)	-
Other operating costs		(119,706)	(52,117)	(313,015)	(171,456)
Operating income		8,698,821	10,062,045	14,853,667	26,561,103
Interest income		350,664	247,095	867,118	538,996
Finance costs	8	(4,811,588)	(4,108,172)	(13,494,176)	(12,196,774)
Other gains (losses)	9	280,942	(253,766)	205,487	(439,137)
Earnings and comprehensive earnings before income taxes		4,518,839	5,947,202	2,432,096	14,464,188
Income tax expense		(1,885,313)	(1,937,593)	(5,029,629)	(6,000,141)
Total earnings and comprehensive earnings		$ 2,633,526	$ 4,009,609	$ (2,597,533)	$ 8,464,047
Total earnings and comprehensive earnings attributable to:					
Owners of the Company		$ 2,633,526	$ 3,980,091	$ (944,626)	$ 8,402,179
Non-controlling interests		$ -	$ 29,518	$ (1,652,907)	$ 61,868
Basic earnings per share		$0.16	$0.25	($0.06)	$0.54
Diluted earnings per share		$0.16	$0.25	($0.06)	$0.54

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 Surplus	Accumulated Deficit	Total Attributable to the Owners of the Company	Non-Controlling Interests	Total Equity
		Shares	Amount					
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	90,914	-	133,031	-	133,031
Dividends paid		-	-	-	(7,055,202)	(7,055,202)	-	(7,055,202)
Total earnings and comprehensive earnings		-	-	-	8,402,179	8,402,179	61,868	8,464,047
Balance at September 30, 2018		**15,678,299**	**598,761,540**	**11,211,333**	**(420,868,501)**	**189,104,372**	**(353,878)**	**188,750,494**
Share-based compensation		4,000	31,281	45,899	-	77,180	-	77,180
Dividends paid		-	-	-	(2,351,736)	(2,351,736)	-	(2,351,736)
Acquisition shares to be issued		-	-	8,238,998	-	8,238,998	-	8,238,998
Total earnings and comprehensive earnings		-	-	-	8,774,744	8,774,744	-	8,774,744
Balance at December 31, 2018		**15,682,299**	**598,792,821**	**19,496,230**	**(414,445,493)**	**203,843,558**	**(353,878)**	**203,489,680**
Share-based compensation	20	24,000	189,530	86,980	-	276,510	-	276,510
Dividends paid		-	-	-	(7,067,227)	(7,067,227)	-	(7,067,227)
Total earnings and comprehensive earnings		-	-	-	(944,626)	(944,626)	(1,652,907)	(2,597,533)
Balance at September 30, 2019		**15,706,299**	**598,982,351**	**19,583,210**	**(422,457,346)**	**196,108,215**	**(2,006,785)**	**194,101,430**

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)

	Nine Months Ended	
	September 30, 2019	**September 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	$ (944,626)	$ 8,402,179
Deduct items not affecting cash:		
Non-controlling interests in net loss of subsidiary	(1,652,907)	61,868
Deferred income tax expense	5,029,629	6,000,141
Finance costs recognized	11,756,980	10,726,787
Depreciation and amortization	17,559,335	17,067,708
Accretion of decommissioning liability	59,373	56,050
Change in decommissioning liabilities	69,861	(36,231)
Gain on valuation of warrant liabilities	395,903	-
Gain on valuation of contingent liabilities	304,592	-
Gain on valuation of conversion option liability	(803,830)	-
Impairment loss	11,563,869	-
Accretion on debt	839,121	907,076
Share-based compensation	617,321	(558,460)
Unrealized foreign exchange loss	242,619	(26,776)
Changes in non-cash working capital:		
Accounts receivable	735,940	(2,981,646)
Prepaid expenses	(270,053)	(88,444)
Accounts payable and accrued liabilities	(3,059,453)	764,340
Interest and return enhancement paid	(10,771,406)	(10,907,946)
	31,672,269	29,386,646
Investing		
Change in restricted cash	3,855,423	2,119
Change in accounts payable and accrued liabilities related to projects	(8,664,683)	(3,408,463)
Changes in other assets	2,317,819	(995,769)
Additions to construction in progress	(25,919,407)	(4,729,104)
Additions to property, plant and equipment	(744,754)	(952,207)
	(29,155,602)	(10,083,424)
Financing		
Proceeds from debt (Note 17)	17,578,916	-
Dividends paid	(7,067,227)	(7,055,203)
Repayment of debt	(10,783,077)	(9,554,838)
	(271,388)	(16,610,041)
Foreign exchange loss on cash held in foreign currency	48,538	5,425
Net increase in cash	2,293,816	2,698,606
Cash, beginning of period	37,808,557	37,217,120
Cash, end of period	$ 40,102,373	$ 39,915,726

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 in Latin America.

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. Through its subsidiary Empresa de Generación Electrica SAC ("EGECSAC"), the Company owns and operates a run-of-river hydroelectric project with a rated capacity of approximately 5 MW located in the Canchayllo district of Peru. In addition, the Company is completing two hydroelectric projects in Peru with expected commercial operation in the fourth quarter of 2019, which are 100% owned through its subsidiary Generación Andina SAC.

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 November 6, 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

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 $45,283 and $35,499 as of September 30, 2019, respectively. The Company recognized $93,076 in rent expense related to these leases during the nine months ended September 30, 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)

Subsidiary	Place of incorporation
Polaris Energy Group (Formerly 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 Eléctrica SAC ("EGESAC")	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

	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	(22,425,850)	18,827,425
Property, plant and equipment, net	7,590,744	(204,812)	7,385,932
Intangible assets, net	-	22,348,643	22,348,643
Deferred tax asset, net	4,694,192	(2,070,457)	2,623,735
Less:			
Accounts payable and accrued liabilities	(23,555,530)	279,762	(23,275,768)
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	15,241,757	5,035,267	20,277,024
Consideration	(14,743,276)	-	(14,743,276)
Gain on bargain purchase	$ 498,481	$ 5,035,267	$ 5,533,748

The determination of the fair value of property, plant and equipment, intangible assets and contingent liabilities acquired was finalized as at September 30, 2019 and resulted in adjustments made to the provisional fair values disclosed in the December 31, 2018 financial statements. These adjustments were recognized as of the acquisition date with the related tax affect, as follows:

The fair values of the Canchayllo and Generación Andina power purchase agreements ("PPA") have been recognized as intangible assets, which are amortized over the 20-year life of the PPA. In addition, the assumptions used to determine discount rates used in the calculation of the fair value of the Canchayllo and Generación Andina projects were refined resulting in a post-tax weighted average cost of capital of 9.63% and 10.80%, respectively, and the fair values of the projects were adjusted accordingly. The effective interest rate for the Generación Andina project debt was increased to 8.35%, resulting in an adjustment to the provisional value of long-term debt acquired.

5. Revenue

Revenue for the three months ended September 30, 2019 and 2018 of $17,223,980 and $18,151,286, respectively, and for the nine months ended September 30, 2019 and 2018 of $52,314,752 and $50,538,098, 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 September 30, 2019 and 2018 of $361,858 and $nil, respectively, and for the nine months ended September 30, 2019 and 2018 of $1,141,111 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 balance in accrued revenue as at September 30, 2019 was $157,990.

The Company has determined that it has one performance obligation which is the delivery of electricity to its 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 inactive 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.

The balances reported for the Peru segment include the adjustments related to the purchase price accounting entry finalized as at September 30, 2019 and described in note 4 above.

(expressed in United States dollars unless otherwise noted)

	Nicaragua		Peru		Other	
	Three Months Ended		Three Months Ended		Three Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Revenue	$ 17,223,980	$ 18,151,286	$ 361,858	$ -	$ -	$ -
Direct costs						
Other direct costs	(1,890,735)	(1,840,976)	(158,453)	-	-	-
Depreciation and amortization of plant assets	(5,752,077)	(5,721,498)	3,728	-	2	-
General and administrative expenses	(381,490)	(422,517)	(214,674)	-	(373,612)	(52,133)
Impairment loss	-	-	-	-	-	-
Other operating costs	-	21,642	-	-	(119,706)	(73,759)
Operating income	9,199,678	10,187,937	(7,541)	-	(493,316)	(125,892)
Interest income	217,613	174,860	1	-	133,050	72,235
Finance costs	(3,977,474)	(4,080,006)	(287,011)	-	(547,103)	(28,166)
Other gains (losses)	(26,792)	(210,402)	(212,714)	-	520,448	(43,364)
Earnings (loss) and comprehensive earnings (loss) before income taxes	5,413,025	6,072,389	(507,265)	-	(386,921)	(125,187)
Income tax expense	(1,653,465)	(1,937,593)	(231,848)	-	-	-
Total earnings and comprehensive earnings	$ 3,759,560	$ 4,134,796	$ (739,113)	$ -	$ (386,921)	$ (125,187)

	Nicaragua		Peru		Other	
	Nine Months Ended		Nine Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Revenue	$ 52,314,752	$ 50,538,098	$ 1,141,111	$ -	$ -	$ -
Direct costs						
Other direct costs	(5,153,393)	(5,035,769)	(328,581)	-	-	-
Depreciation and amortization of plant assets	(17,271,477)	(17,056,267)	(263,072)	-	1	-
General and administrative expenses	(1,139,956)	(1,238,613)	(532,940)	-	(2,035,894)	(474,890)
Impairment loss	(11,563,869)	-	-	-	-	-
Other operating costs	500	42,785	-	-	(313,515)	(214,241)
Operating income	17,186,557	27,250,234	16,518	-	(2,349,408)	(689,131)
Interest income	548,148	366,794	658	-	318,312	172,202
Finance costs	(11,918,933)	(12,121,612)	(651,098)	-	(924,145)	(75,162)
Other gains (losses)	(338,893)	(428,125)	648,657	-	(104,277)	(11,012)
Earnings (loss) and comprehensive earnings (loss) before income taxes	5,476,879	15,067,291	14,735	-	(3,059,518)	(603,103)
Income tax expense	(5,148,702)	(6,000,141)	119,073	-	-	-
Total earnings and comprehensive earnings	$ 328,177	$ 9,067,150	$ 133,808	$ -	$ (3,059,518)	$ (603,103)
Total non-current assets	$ 311,466,319	$ 344,254,063	$ 90,878,964	$ -	$ 1,761,802	$ 1,672,317
Total assets	347,820,976	388,571,905	92,354,961	-	19,857,238	13,929,305
Total liabilities	202,770,341	207,398,456	32,592,693	-	30,568,711	6,485,337

	Three Months Ended		Nine Months Ended	
Revenue	**September 30, 2019**	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
Nicaragua	17,223,980	18,151,286	52,314,752	50,538,098
Peru	361,858	-	1,141,111	-
	17,585,838	18,151,286	53,455,863	50,538,098

(expressed in United States dollars unless otherwise noted)

Comprehensive earnings (loss) before income taxes	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Canada	$ (318,185)	$ (67,212)	$ (2,846,912)	$ (486,147)
United States	(68,736)	(57,975)	(212,608)	(116,955)
Nicaragua	5,413,025	6,072,389	5,476,878	15,067,290
Peru	(507,265)	-	14,738	-
	$ 4,518,839	$ 5,947,202	$ 2,432,096	$ 14,464,188

Assets and liabilities	As at September 30, 2019	As Restated (Note 4) As at December 31, 2018
Canada	$ 19,505,082	$ 10,518,018
United States	352,156	328,285
Nicaragua	347,820,976	382,501,971
Peru	92,354,961	72,203,486
Total assets	$ 460,033,175	$ 465,551,760
Canada	$ 1,511,904	$ 1,411,332
United States	249,898	249,898
Nicaragua	311,466,319	338,975,530
Peru	90,878,964	70,816,839
Total non-current assets	$ 404,107,085	$ 411,453,599
Canada	$ 27,679,899	$ 9,023,641
United States	2,888,812	2,787,894
Nicaragua	202,770,341	206,548,644
Peru	32,592,693	43,701,901
Total liabilities	$ 265,931,745	$ 262,062,080

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 September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Depreciation and amortization	$ 5,748,347	$ 5,721,498	$ 17,534,548	$ 17,056,267
Employee costs	788,998	740,114	2,395,441	2,114,226
General liability insurance	370,939	188,523	748,849	520,969
Taxes	375,641	347,887	1,075,818	1,015,083
Maintenance	502,284	549,932	1,225,173	1,342,832
Other direct costs	11,326	14,520	36,693	42,659
	$ 7,797,535	$ 7,562,474	$ 23,016,522	$ 22,092,036

(expressed in United States dollars unless otherwise noted)

(b) General and administrative expenses

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

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Salaries and benefits	$ 507,581	$ 341,010	$ 1,481,270	$ 1,095,174
Share-based compensation	(165,159)	(246,122)	434,729	(593,617)
Facilities and support	205,413	88,078	467,116	423,974
Professional fees	271,247	171,443	951,473	450,604
Insurance	129,060	95,746	304,232	293,001
Depreciation of other assets	12,884	3,167	38,236	11,441
Other general and adminstrative expenses	8,750	21,328	31,734	32,926
	$ 969,776	$ 474,650	$ 3,708,790	$ 1,713,503

8. Finance costs

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

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Interest on debt	$ 4,060,023	$ 3,653,672	$ 11,756,980	$ 10,726,787
Accretion on debt	273,432	296,251	839,121	907,076
Accretion of decommissioning liabilities	16,705	21,539	59,373	56,050
Other finance costs	461,428	136,710	838,702	506,861
	$ 4,811,588	$ 4,108,172	$ 13,494,176	$ 12,196,774

Cash paid for interest and return enhancement during the three months ended September 30, 2019 and 2018 was $3,439,785 and $3,647,722, respectively. Cash paid for interest and return enhancement during the nine months ended September 30, 2018 and 2017 was $10,771,406 and $10,907,946, respectively.

9. Other gains and losses

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

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Foreign exchange losses	$ (427,561)	$ (263,369)	$ (695,127)	$ (444,507)
Gain on valuation of warrant liabilities	(124,720)	-	(395,903)	-
Gain on valuation of contingent liabilities	(103,165)	-	(304,592)	-
Gain on valuation of conversion option liability	1,073,812	-	803,828	-
Other gain (losses)	(137,424)	9,603	797,281	5,370
	$ 280,942	$ (253,766)	$ 205,487	$ (439,137)

During the nine months ended September 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 nine months ended September 30, 2019 and recognized gains in the amount of $574,636.

10. Accounts receivable

The Company's accounts receivable of $ 14,352,008 as at September 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 $137,667 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.

(expressed in United States dollars unless otherwise noted)

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

	September 30, 2019	December 31, 2018
Prepaid insurance	$ 1,028,185	$ 885,419
Other prepaids	305,857	178,570
	$ 1,334,042	$ 1,063,989

(b) Other assets, net

	September 30, 2019	December 31, 2018
Recoverable taxes	$ 5,441,990	$ 7,788,835
Prepaid Contractors advances	10,000	-
Debentures receivable	583,291	533,362
Investment in affiliate	165,493	160,653
Other deposits	62,544	54,330
Fixed assets, net	44,186	57,634
Deferred debt transactions costs	60,260	-
Accrued revenue (note 5)	157,990	286,995
	$ 6,525,754	$ 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 $38,236 and $11,441 was recorded for the nine months ended September 30, 2019 and 2018, respectively.

12. Restricted cash

	September 30, 2019	December 31, 2018
Casita exploitation application guarantee	$ -	$ 50,000
San Jacinto guarantees	1,080,000	1,080,000
Peru guarantees and bonds	3,313,324	7,111,778
Reclamation bonds - US and Canada	363,265	359,950
Other restricted cash	332	10,616
	$ 4,756,921	$ 8,612,344

In addition to amounts recorded as restricted cash, cash in the amount of $ 21,099,831 and $27,935,028 held by the Company as at September 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	September 30, 2019
San Jacinto Binary Plant	$ 1,159,815	$ -	$ -	$ -	$ 1,159,815
Generacion Andina	22,844,798	-	26,442,805	-	49,287,603
Canchayllo improvements	24,487	-	(4,277)	-	20,210
Geothermal exploration and development					
San Jacinto Drilling Costs	185,905	-	640,196	(689,080)	137,021
Casita	11,556,488	(11,563,869)	7,381	-	-
	$ 35,771,493	$ (11,563,869)	$ 27,086,105	$ (689,080)	$ 50,604,649

(expressed in United States dollars unless otherwise noted)

14. Property, plant and equipment, net

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

	December 31, 2018	2019 Activity	2019 Transfers from CIP	September 30, 2019
San Jacinto geothermal project	$ 518,729,942	$ 700,672	$ 689,080	$ 520,119,694
Canchayllo hydroelectric project	10,037,364	31,567	-	10,068,931
Accumulated depreciation	(165,047,707)	(17,242,007)	-	(182,289,714)
Accumulated impairment	(38,940,166)	-	-	(38,940,166)
Capital spares	4,036,882	12,515	-	4,049,397
	$ 328,816,315	$ (16,497,253)	$ 689,080	$ 313,008,142

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 $17,255,457 and $16,899,235 for the nine months ended September 30, 2019 and 2018, respectively, was recorded in the consolidated statements of operations and comprehensive loss.

15. Intangible assets

The following is a summary of the activity related to the Company's intangible assets:

	December 31, 2018	2019 Activity	September 30, 2019
San Jancinto transmission assets	$ 5,682,033	$ -	$ 5,682,033
Canchayllo PPA	2,631,068	-	2,631,068
Generacion Andina PPA	19,717,575	-	19,717,575
Accumulated amortization	(1,940,383)	(279,092)	(2,219,475)
	$ 26,090,293	$ (279,092)	$ 25,811,201

Amortization expense related to the transmission assets for the San Jacinto project donated to the Nicaraguan utility, ENATREL in December 2011, for both the nine months ended September 30, 2019 and 2018 was $157,032 and $157,032, respectively.

Amortization expense related to the Canchayllo PPA intangible asset for the nine months ended September 30, 2019 was $122,060.

16. Accounts payable and accrued liabilities

The following is a summary of the Company's Accounts payable and accrued liabilities, as at:

	September 30, 2019	December 31, 2018
Trade payables	$ 664,475	$ 2,274,877
Construction payables	2,516,040	3,607,546
Construction accrued liabilities	3,299,897	10,873,075
Share-based compensation liability	1,494,286	1,153,475
Interest payable	409,178	470,978
Other accrued liabilities	5,899,402	7,305,669
	$ 14,283,278	$ 25,685,620

(expressed in United States dollars unless otherwise noted)

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	-	-	-	-	-	-	1,166,697		1,166,697
Proceed from debenture	-	-	-	-	-	-	-	13,677,419	13,677,419
Return enhancement	-	41,005	-	89,861	130,866	-	-		130,866
Accretion of deferred transaction costs and debt discount	315,607	-	523,514	-	839,121	-	-	860,465	1,699,586
Repayments of debt	(3,317,351)	(880,907)	(5,289,900)	(793,799)	(10,281,957)	(501,120)	-		(10,783,077)
Effect of foreign exchange on loans	-	-	-	-	-	-	-	242,617	242,617
Loans and other borrowings – September 30, 2019	$ 30,173,265	$ 11,654,926	$ 88,961,985	$ 16,774,397	$ 147,564,573	$ 4,518,720	$ 19,323,728	$ 14,780,501	$ 186,187,522
Current	$ 5,160,324	$ 1,284,657	$ 8,015,000	$ 1,119,461	$ 15,579,442	$ 702,720	$ -	$ -	$ 16,282,162
Non-current	25,012,941	10,370,269	80,946,985	15,654,936	131,985,131	3,816,000	19,323,728	14,780,501	169,905,360
Unamortized debt discount/return enhancement	1,077,786	(1,671,360)	3,365,803	(1,936,454)	835,775	-	24,640,742	4,389,172	29,865,689
Principal balance	$ 31,251,051	$ 9,983,566	$ 92,327,788	$ 14,837,943	$ 148,400,348	$ 4,518,720	$ 43,964,470	$ 19,169,673	$ 216,053,211
Maturity date	12/15/2024	12/15/2025	12/15/2028	6/15/2029		3/31/2025	6/15/2038	5/31/2024	

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Phase I Facility				
Interest recorded as financing cost	$ 1,020,295	$ 1,121,221	$ 3,182,979	$ 3,336,715
Accretion recorded as financing cost	101,935	113,358	315,607	348,511
Phase II Facility				
Interest recorded as financing cost	2,393,052	2,526,478	7,389,803	7,372,979
Accretion recorded as financing cost	171,497	182,893	523,514	558,565
Canchayllo Debt				
Interest recorded as financing cost	117,952	-	323,733	-
Debentures				
Interest recorded as financing cost	528,724	-	860,465	-
Accretion recorded as financing cost				
Other				
Interest recorded as financing cost	-	5,973	-	17,093
Accretion recorded as financing cost	-	-	-	-
Total				
Interest recorded as financing cost	$ 4,060,023	$ 3,653,672	$ 11,756,980	$ 10,726,787
Accretion recorded as financing cost	273,432	296,251	839,121	907,076

(a) Credit agreements

As at September 30, 2019, the interest rate on the Phase I and Phase II senior facilities was LIBOR + 5.5% (7.62%). As at September 30, 2018, the interest rate on the Phase I and Phase II senior facilities was LIBOR + 5.5% (7.83%). 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 nine months ended September 30, 2019, certain provisions of the PPA related to the payment guarantee were not fully complied with. The Company has an agreement with the lenders to waive any potential non-compliance with the agreement through December 31, 2019.

Summary of Canchayllo Credit Agreement

As at September 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 +5%. All loans mature in March 2025 and principal and interest are paid quarterly.

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

Summary of Generación Andina Credit Agreement

As at September 30, 2019, the Generación 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. As per the agreement, GA also must pay the lenders 50% of all net transmission line revenues received in the preceding 6 months from use of transmission line by third parties. As of September 30, 2019, no agreements with third parties to use GA's transmission line have been signed.

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 $1,166,697 was capitalized in connection with the GA loan for the nine months ended September 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 were 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 September 30, 2019 was $3,159,468 and a gain on valuation of $1,073,812 was recognized in other gains and losses in the statement of operations for the three months ended September 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.

(expressed in United States dollars unless otherwise noted)

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	10,439	41,017	18,405	69,861
Accretion	15,083	30,571	13,718	59,372
September 30, 2019	$ 1,276,875	$ 1,972,225	$ 884,950	$ 4,134,050

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

		Discount Rates	
	Undiscounted Costs	September 30, 2019	December 31, 2018
South Meager	1,322,992	1.58%	1.86%
Orita	2,045,747	1.63%	2.46%
Sierra	1,215,608	1.63%	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 September 30, 2019, the total value of this consideration is $6,474,968, 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 Agreements	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	-	-	(46,148)	-	-	-
Stock options granted	-	-	6,000	-	-	-
RSU shares issued	-	4,000	-	-	-	-
Balance at September 30, 2019	16,306,299	15,706,299	202,417	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 September 30, 2019 and December 31, 2018:

	For the nine months ended September 30, 2019	Weighted Average Exercise Price (CDN)	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	18,000	13.50	60,000	9.93
Exercised during the period	(24,000)	10.00	-	-
Forfeited during the period	(131,722)	16.34	-	-
Expired during the period	-	-	-	-
Balance at end of period	600,386	$ 15.66	738,108	$ 15.65

(expressed in United States dollars unless otherwise noted)

The following table summarizes the information related to stock options outstanding as at September 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	600,386	3.2	$ 15.66	202,417	$ 15.27
	600,386	3.2	$ 15.66	202,417	$ 15.27

For the nine months ended September 30, 2019 and 2018, the Company recognized share-based compensation expense associated with options, with a corresponding increase in contributed surplus, of $93,919 and $97,874, respectively.

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 $377,346 and $(667,887) for the nine months ended September 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 $(23,604) for the nine months ended September 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		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Total earnings (loss) and comprehensive earnings (loss) attributable to owners of the Company	$ 2,633,526	$ 3,980,091	$ (944,626)	$ 8,402,179
Basic weighted average number of shares outstanding	16,306,299	15,678,299	16,303,574	15,678,089
Basic earnings (loss) per share	$0.16	$0.25	($0.06)	$0.54

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Total earnings (loss) and comprehensive earnings (loss) attributable to owners of the Company	$ 2,633,526	$ 3,980,091	$ (944,626)	$ 8,402,179
Diluted weighted average number of shares outstanding	16,971,052	15,682,834	16,932,901	15,701,067
Diluted earnings (loss) per share	$0.16	$0.25	($0.06)	$0.54

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

	Three Months Ended		Nine Months Ended	
	September 30, 2019	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
Stock options - 9/9/2019 grant date	-	-	18,000	-
Stock options - 12/20/2017 grant date	410,000	510,000	410,000	510,000
Stock options - 12/2/2016 grant date	112,386	144,108	112,386	-
Deferred stock units	-	4,839	-	-
Total anti-dilutive instruments	522,386	658,947	540,386	510,000

(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 nine months ended September 30, 2019 and 2018 were $(1,652,907) and $61,868, respectively.

(e) Warrants

The warrants to be delivered to Union Group upon delivery of the Peruvian Tax Certificate 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		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Short-term employee benefits	$ 116,987	$ 182,490	$ 415,775	$ 462,582
Share-based payment	29,927	33,970	86,048	193,706
Total key management compensation	$ 146,914	$ 216,460	$ 501,823	$ 656,288

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

	September 30, 2019	**December 31, 2018**
No later than one year	$ 62,220	$ 30,000
For years 2 - 5	311,101	120,000
Thereafter	718,862	300,000
Total commitments for expenditures	$ 1,092,183	$ 450,000

Non-cancelable operating lease commitments

	September 30, 2019	**December 31, 2018**
No later than one year	$ 36,227	$ 62,760
For years 2 - 5	-	78,450
Thereafter	-	-
Total operating lease commitments	$ 36,227	$ 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 September 30, 2019.

Empresa de Generación Electrica 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 September 30, 2019.

24. Financial instruments and risk management

(a) Fair value of financial assets and liabilities

Valuation Techniques

As at September 30, 2019 and December 31, 2017, the carrying amounts of accounts receivable, restricted cash, accounts payable and accrued liabilities, and current portion of long-term debt are at fair value or approximate fair value due to the short term to maturity. The fair value of long term-debt approximates carrying value. The carrying value of the long-term debt is net of unamortized transaction costs as further explained in Note 17.

(b) Financial risk management

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

(c) Interest rate risk

The Phase I and II Senior Facilities bear interest at an applicable margin of 5.5% with quarterly interest payments that are variable based upon 3-month LIBOR. The total rate as at September 30, 2019 was 7.62%. 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 $92,684 in financing costs for the nine months ended September 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 September 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 $1,720 in financing costs for the nine months ended September 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 September 30, 2019, the Company had net Canadian dollar denominated accounts payable and long-term debt of CDN$3,352,902 (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 $253,178 for the nine months ended September 30, 2018. The Company does not enter into any foreign exchange contracts to mitigate this risk.

As at September 30, 2019, the Company had cash, accounts receivable, prepaid contractor advances and accounts payable of (Sol$881,464) held in its Peruvian subsidiaries.

(e) Commodity prices

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

(f) Credit risk

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

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

Maximum credit risk is calculated as the total value of accounts receivable as at the balance sheet date less any liability amounts where there is a legal right to offset. The Company's maximum credit risk as at September 30, 2019 and December 31, 2018 was $ 14,489,675 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.

(expressed in United States dollars unless otherwise noted)

The following are maturities for the Company's non-derivative and derivative financial liabilities as at September 30, 2019:

	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years	Total
Accounts payable and accrued liabilities	$ 14,283,278	$ -	$ -	$ -	$ 14,283,278
Debt, current and long-term	16,282,159	38,594,619	61,017,866	100,158,567	216,053,211
Interest obligations	11,017,516	18,025,720	11,880,966	8,953,500	49,877,702
	$ 41,582,953	$ 56,620,339	$ 72,898,832	$ 109,112,067	$ 280,214,191

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

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.

26. Subsequent events

On November 1, 2019, the Company entered into an agreement with a third party to sell the right, title and interest in the Orita project, including the geothermal leases for a purchase price of $302,457 plus interest. As of September 30, 2019, the Orita project had no carrying value and a decommissioning liability of $1,972,226, which will be released once the paperwork with the relevant authorities is completed.