Condensed Consolidated Interim Financial Statements of

Polaris Infrastructure Inc.

March 31, 2021 and 2020

(Unaudited)

Polaris Infrastructure Inc.
Consolidated Balance Sheets
(expressed in thousands of United States dollars; unaudited)

	Note Ref	As at March 31, 2021	As at December 31, 2020
Assets			
Current assets			
Cash		**$ 107,962**	$ 60,058
Accounts receivable	9	**10,889**	19,389
Prepaid expenses		**1,024**	739
Assets held for sale	8	**-**	158
		119,875	$ 80,344
Restricted cash		**1,782**	1,785
Other assets, net		**9,429**	8,970
Construction in progress	10	**1,176**	1,151
Property, plant and equipment, net	11	**366,609**	372,762
Intangible assets, net		**23,986**	24,325
Deferred tax asset, net		**1,277**	1,781
Total assets		**$ 524,134**	$ 491,118
Liabilities and Total Equity			
Current liabilities			
Accounts payable and accrued liabilities		**10,803**	$ 12,501
Current portion of long-term debt, net	12	**21,528**	21,065
Current portion of lease liabilities		**235**	187
Liabilities held for sale	8	**-**	1,288
		32,566	$ 35,041
Non-current liabilities			
Long-term debt, net	12	**161,474**	168,230
Conversion option liability	12	**9,495**	7,868
Lease Liabilities		**601**	503
Decommissioning liabilities		**919**	898
Deferred tax liability, net		**52,563**	51,809
Total liabilities		**257,618**	$ 264,349
Non-controlling interests		**(1,976)**	(1,976)
Equity attributable to the owners of the Company			
Share capital	13	**647,523**	598,982
Contributed surplus		**14,227**	19,716
Accumulated deficit		**(393,258)**	(389,953)
Total equity attributable to the owners of the Company		**268,492**	228,745
Total equity		**266,516**	$ 226,769
Total liabilities and total equity		**$ 524,134**	$ 491,118

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

Approved by the Board of Directors

(signed) Marc Murnaghan
Chief Executive Officer

(signed) Jaime Guillen
Director

Polaris Infrastructure Inc.

Consolidated Statements of Operations and Comprehensive Earnings

(expressed in thousands of United States dollars, except for shares and per share amounts; unaudited)

	Note	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Revenue	3	**$ 15,679**	$ 20,272
Direct costs			
Direct costs	5	**(2,580)**	(1,930)
Depreciation and amortization of plant assets	5	**(6,818)**	(6,427)
General and administrative expenses	5	**(1,805)**	(1,150)
Other operating costs		**3**	(74)
Operating income		**4,479**	10,691
Interest income		**73**	129
Finance costs	6	**(4,328)**	(4,705)
Other (losses) gains	7	**120**	537
Earnings and comprehensive earnings before income taxes		**344**	6,652
Income tax (expense) recovery		**(1,256)**	(2,261)
Total earnings and comprehensive earnings		**$ (912)**	**$ 4,391**
Total earnings and comprehensive earnings attributable to:			
Owners of the Company		**$ (912)**	$ 4,360
Non-controlling interests		**$ -**	$ 31
Basic earnings per share	14	**$ (0.05)**	$ 0.28
Diluted earnings per share	14	**$ (0.05)**	$ 0.27

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

Polaris Infrastructure Inc.

Consolidated Statements of Changes in Total Equity

(expressed in thousands of United States dollars, except for share information; unaudited)

	Note Ref	Common Stock Shares	Common Stock Amount	Contributed Surplus	Accumulated Deficit	Total Attributable to the Owners of the Company	Non-Controlling Interests	Total Equity
Balance at January 1, 2020		**15,706,299**	**598,982**	**19,623**	**(409,372)**	**209,233**	**(2,007)**	**207,226**
Share-based compensation		-	-	12	-	12	-	12
Dividends paid		-	-	-	(2,356)	(2,356)	-	(2,356)
Acquisition shares to be issued		-	-	-	-	-	-	-
Total earnings and comprehensive earnings		-	-	-	4,360	4,360	31	4,391
Balance at March 31, 2020		**15,706,299**	**598,982**	**19,635**	**(407,368)**	**211,249**	**(1,976)**	**209,273**
Share-based compensation	13	-	-	81	-	81	-	81
Dividends paid		-	-	-	(7,067)	(7,067)	-	(7,067)
Total earnings and comprehensive earnings		-	-	-	24,482	24,482	-	24,482
Balance at December 31, 2020		**15,706,299**	**598,982**	**19,716**	**(389,953)**	**228,745**	**(1,976)**	**226,769**
Share-based compensation	13	-	-	4	-	4	-	4
Dividends paid		-	-	-	(2,393)	(2,393)	-	(2,393)
Shares issued		3,715,754	48,541	(5,493)	-	43,048	-	43,048
Total earnings and comprehensive earnings		-	-	-	(912)	(912)	-	(912)
Balance at March 31, 2021		**19,422,053**	**$ 647,523**	**$ 14,227**	**$ (393,258)**	**$ 268,492**	**$ (1,976)**	**$ 266,516**

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

Polaris Infrastructure Inc.
Consolidated Statements of Cash Flows
(expressed in thousands of United States dollars; unaudited)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Net inflow (outflow) of cash related to the following activities		
Operating		
Total earnings (loss) and comprehensive earnings (loss) attributable to owners of the Company	$ **(912)**	$ 4,360
Add/(Deduct) items not affecting cash:		
Non-controlling interests in net loss of subsidiary	**-**	31
Deferred income tax expense	**1,256**	2,261
Finance costs recognized	**3,842**	4,079
Depreciation and amortization	**6,869**	6,486
Accretion of decommissioning liability	**12**	9
Change in decommissioning liabilities	**6**	55
Gain on sale of assets	**(1,130)**	-
Gain on valuation of warrant liabilities	**-**	(70)
Gain on valuation of contingent liabilities	**-**	100
Loss on valuation of conversion option liability	**1,627**	502
Accretion on debt	**891**	261
Share-based compensation	**496**	(186)
Unrealized foreign exchange loss	**(7)**	(1,282)
Changes in non-cash working capital:		
Accounts receivable	**8,500**	(1,093)
Prepaid expenses	**(196)**	(1,431)
Accounts payable and accrued liabilities	**(1,098)**	(974)
Interest and return enhancement paid	**(2,483)**	(3,146)
Additions to other assets	**(604)**	(1,064)
Net cash flow from operating activities	**17,069**	8,898
Investing		
Change in restricted cash	**3**	3,825
Additions to construction in progress	**(292)**	(5,334)
Additions to property, plant and equipment	**(320)**	(481)
Net cash flow to investing activities	**(609)**	(1,990)
Financing		
Proceeds from share issuance	**38,205**	-
Dividends paid	**(2,393)**	(2,356)
Repayment of debt	**(4,513)**	(4,299)
Lease payments	**146**	(35)
Net cash flow to financing activities	**31,445**	(6,690)
Foreign exchange loss on cash held in foreign currency	**(1)**	1
Net increase (decrease) in cash	**47,904**	219
Cash, beginning of the period	**60,058**	32,597
Cash, end of the period	**$ 107,962**	**$ 32,816**

The accompanying notes are an integral part of these condensed consolidated interim 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 entered into the San Jacinto Exploitation Agreement with the 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 (net) located in the Canchayllo district of Peru.

Also in Peru, through its subsidiary Generación Andina SAC ("GASAC"), the Company owns and operates two run-of-river hydroelectric projects, with expected capacity of approximately 8 MW (net) and 20 MW (net). Construction of these two hydroelectric facilities was completed in late 2019, with commercial operation dates ("COD") achieved on November 30, 2019 and December 25, 2019.

2. Basis of Preparation and Presentation

These condensed consolidated interim 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, 2020.

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those applied and disclosed in the Company's consolidated financial statements for the year ended December 31, 2020. In particular, the Company's significant accounting policies were presented in *Note 3: Significant Accounting Policies* to the consolidated financial statements for the year ended December 31, 2020.

The Company's capital structure is comprised of net long-term debt, as further disclosed in Note 13, and shareholders' equity (consisting of issued capital and contributed surplus offset by accumulated deficit). The Company's objectives when managing its capital structure and its Capital Management policy have not changed from those presented in *Note 30: Capital Management* to the consolidated financial statements for the year ended December 31, 2020.

In preparing these condensed consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates. The critical judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied and disclosed in *Note 4: Critical Judgements and Estimation Uncertainties* to the Company's consolidated financial statements for the year ended December 31, 2020. Sources of estimation uncertainty include estimates to determine the recoverable amount of property, plant and equipment, construction in progress and the valuation of other assets and liabilities including environmental rehabilitation provisions.

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

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors of the Company (the "Board") on May 5, 2021.

(expressed in thousands of United States dollars unless otherwise noted)

New and Revised IFRSs not yet Effective

Certain pronouncements have been issued by the IASB that are mandatory for accounting periods after December 31, 2020. Such pronouncements are not expected to have a significant impact on the Company's consolidated financial statements upon adoption.

3. Revenue

Revenue by type is summarized in the following table:

Project		Three Months Ended March 31, 2021		March 31, 2020
Nicaragua *(i)*				
San Jacinto (Geothermal)	**$**	**13,328**	$	18,138
Peru *(ii)*				
Canchayllo (Hydroelectric)		**253**		383
Generación Andina (Hydroelectric)		**2,088**		1,738
Carbon Credits - Canchayllo		**10**		13
	$	**15,679**	$	20,272

(i) *The Company's San Jacinto project sells energy to two Nicaraguan power distributors Distribuidora De Electricidad del Norte, S.A. ("Disnorte") and Distribuidora De Electricidad del Sur, S.A. ("Dissur").*

(ii) *For Peru, under the terms of the PPAs, the Company bills at the spot rate for current energy generation. The difference between the spot rate and the PPA rate (plus an effective annual interest rate of 12%) 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 customers. There is no revenue recognized from unfulfilled performance obligations. Note 9 to these financial statements provides details on the Company's contract balances related to this revenue.

4. 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 represents expenses, assets and liabilities for Canada and the United States, not related to the Company's reportable operating segments. These represent corporate headquarters and other minor North America holdings, which are not considered individually as 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.

(expressed in thousands of United States dollars unless otherwise noted)

For the Three Months Ended March 31,	Nicaragua 2021	Nicaragua 2020	Peru 2021	Peru 2020	Other 2021	Other 2020	Total 2021	Total 2020
Revenue	**$ 13,329**	$ 18,138	**$ 2,351**	$ 2,134	**$ -**	$ -	**$ 15,680**	$ 20,272
Direct costs								
Direct costs	**(1,736)**	(1,563)	**(844)**	(367)	**-**	-	**(2,580)**	(1,930)
Depreciation and amortization of plant assets	**(6,013)**	(5,631)	**(805)**	(796)	**-**	-	**(6,818)**	(6,427)
General and administrative expenses	**(404)**	(402)	**(158)**	(290)	**(1,243)**	(458)	**(1,805)**	(1,150)
Other operating costs	**-**	1	**-**	-	**3**	(75)	**3**	(74)
Operating income	**5,176**	10,543	**544**	681	**(1,240)**	(533)	**4,480**	10,691
Interest income	**17**	85	**—**	1	**56**	43	**73**	129
Finance costs	**(2,618)**	(3,586)	**(1,189)**	(584)	**(521)**	(535)	**(4,328)**	(4,705)
Other (losses) gains	**(53)**	(29)	**(138)**	(69)	**311**	635	**120**	537
Earnings (loss) and comprehensive earnings (loss) before income taxes	**2,522**	7,013	**(783)**	29	**(1,394)**	(390)	**345**	6,652
Income tax (expense) recovery	**(756)**	(2,227)	**(499)**	(34)	**-**	-	**(1,255)**	(2,261)
Total earnings and comprehensive earnings	**$ 1,766**	$ 4,786	**$ (1,282)**	$ (5)	**$ (1,394)**	$ (390)	**$ (910)**	$ 4,391

Assets and liabilities	As at March 31, 2021	As at December 31, 2020
Other	**$ 74,327**	**$ 28,609**
Nicaragua	**345,446**	358,070
Peru	**104,361**	104,439
Total assets	**$ 524,134**	$ 491,118
Other	**$ 2,157**	$ 1,637
Nicaragua	**302,984**	308,818
Peru	**99,118**	100,319
Total non-current assets	**$ 404,259**	$ 410,774
Other	**$ 24,828**	$ 28,440
Nicaragua	**180,541**	184,837
Peru	**52,249**	51,072
Total liabilities	**$ 257,618**	$ 264,349

(expressed in thousands of United States dollars unless otherwise noted)

5. General and Administrative and Other Expenses

(a) Direct costs related to the production of energy:

	Three Months Ended March 31, 2021	March 31, 2020
Depreciation and amortization	**$ 6,818**	$ 6,427
Employee costs	**764**	866
General liability insurance	**533**	281
Land, building and other Municipal and Federal Taxes	**507**	324
Maintenance	**608**	408
Other direct costs	**168**	51
	$ 9,398	$ 8,357

(b) General and administrative expenses

	Three Months Ended March 31, 2021	March 31, 2020
Salaries and benefits	**$ 570**	$ 610
Share-based compensation	**496**	(186)
Facilities and support	**112**	180
Professional fees	**509**	378
Insurance	**64**	108
Depreciation of other assets	**51**	54
Other general and administrative expenses	**3**	6
	1,805	**1,150**

6. Finance Costs

	Three Months Ended March 31, 2021	March 31, 2020
Interest on debt *(i)*	**$ 3,842**	$ 4,079
Accretion on debt	**373**	261
Banking fees and other finance costs	**113**	365
	$ 4,328	$ 4,705

(i) Cash paid for interest and return enhancement during the period ended March 31, 2021 and 2020 was $2.6 million and $3.1 million, respectively.

7. Other Gains and Losses

	Three Months Ended March 31, 2021	March 31, 2020
Foreign exchange losses	**$ 321**	$ 1,084
Gain (loss) on valuation of warrant liabilities	-	70
Gain (loss) on valuation of contingent liabilities	**(5)**	(100)
(Loss) gain on valuation of conversion option liability (Note 12)	**(1,627)**	(502)
Other gains (losses) *(i)*	**1,431**	(15)
	$ 120	$ 537

(i) Other gains (losses), at March 31, 2020, include the $1.4 million gain recognized from the disposal of 100% controlling interest in Meager Creek Development Corporation.

(expressed in thousands of United States dollars unless otherwise noted)

8. Divestitures

Given the Company's stated geographical growth target of Latin America, the legacy North American properties are not a strategic fit to the Company's long-term strategy. As such, on March 25, 2021, the Company completed the disposal of 100% controlling interest in Meager Creek Development Corporation ("MCDC") in British Columbia for proceeds of $0.4 million CAD. MCDC has Canadian lease interests and associated assets and liabilities for a total gain of $1.4 million recognized in other income, net of transaction costs.

The following is a breakdown of the assets and liabilities sold:

		As at March 25, 2021
Assets		
Restricted cash		**118**
Other assets, net		**30**
Total assets	**$**	**148**
Non-current liabilities		
Decommissioning liabilities		**1,288**
Total liabilities	**$**	**1,288**

9. Accounts Receivable

		March 31, 2021		December 31, 2020
Nicaragua *(i)*				
San Jacinto (Geothermal)	**$**	**10,807**	$	19,345
Peru *(ii)*				
Canchayllo (Hydroelectric)		**24**		19
Generación Andina (Hydroelectric)		**58**		25
	$	10,889	$	19,389

(i) The Company's accounts receivable as of March 31, 2021 and 2020 are mainly comprised of balances due to the Nicaraguan subsidiary by its customers, Disnorte and Dissur, which have 45 days term from invoice date.

(ii) For Peru, the Company has 30 days term from invoice date. The Company is paid the spot rate within 30 days of the invoice date for power generated from the Canchayllo and Generación Andina projects and is paid the difference between the PPA rate and the spot rate for the contracted energy one year after generation (plus an effective annual interest rate of 12%). The receivable for this difference is included in Other Assets.

The Company assessed the risk of credit losses for its accounts receivable and concluded it is immaterial, therefore it has not recorded a loss allowance (Note 15 (b) Credit Risk).

10. Construction in Progress

		December 31, 2020		2020 Write-off		2021 Activity		2021 Transfers to PP&E		March 31, 2021
San Jacinto Binary Plant	$	**1,126**	$	**-**	$	**2**	$	**-**	$	**1,128**
San Jacinto improvements		**25**		**-**		**23**		**-**		**48**
	$	1,151	$	-	$	25	$	-	$	1,176

		December 31, 2019		2020 Write-off		2020 Activity		2020 Transfers to PP&E		December 31, 2020
San Jacinto Binary Plant	$	1,160	$	-	$	(34)	$	-	$	1,126
Canchayllo improvements		25		-		(25)		-		-
San Jacinto Drilling Costs		193		-		21		(189)		25
	$	1,378	$	-	$	(38)	$	(189)	$	1,151

(expressed in thousands of United States dollars unless otherwise noted)

11. Property, Plant and Equipment, net

The following is a summary of the activity related to the Company's PP&E:

	December 31, 2020	2021 Activity	2021 Transfers from CIP	Impairment reversal	March 31, 2021
San Jacinto geothermal project	$ **520,527**	$ **19**	$ **-**	$ **-**	$ **520,546**
Canchayllo hydroelectric project	**10,064**	**-**	**-**	**-**	**10,064**
Generación Andina hydroelectric projects	**63,103**	**-**	**-**		**63,103**
Accumulated depreciation	**(225,559)**	**(6,473)**	**-**	**-**	**(232,032)**
Other assets	**624**	**202**			**826**
Capital spares	**4,003**	**99**	**-**		**4,102**
	$ **372,762**	$ **(6,153)**	$ **-**	$ **-**	$ **366,609**

	December 31, 2019	2020 Activity	2020 Transfers from CIP	Impairment reversal	December 31, 2020
San Jacinto geothermal project	$ 520,338	$ 24,535	$ 189	$ (24,535)	$ 520,527
Canchayllo hydroelectric project	10,084	(20)	-		$ 10,064
Generación Andina hydroelectric projects	62,943	160	-		$ 63,103
Accumulated depreciation	(226,952)	(23,142)	-	24,535	$ (225,559)
Other assets	-	624			$ 624
Capital spares	4,046	(43)	-		$ 4,003
	$ 370,459	$ 2,114	$ 189	$ -	$ 372,762

PP&E assets currently in operation are being depreciated on a straight-line basis over the remaining term of their estimated useful lives, detailed below. Depreciation expense of $6.5 million and $6.4 million for the periods ended March 31, 2021 and 2020 respectively, including depreciation of intangible assets was recorded in the consolidated statements of operations and comprehensive loss.

12. 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	APG Debt	Generación Andina Debt	PIF Debenture	Total
Loans and other borrowings – December 31, 2020	$ 24,117	$ 10,322	$ 79,671	$ 15,825	$ 129,935	$ 22,778	$ 20,444	$ 16,138	**$ 189,295**
Accrued interest expense	-	-	-	-	-	-	430	-	**430**
Deferred transaction costs	-	-	-	-	-	-	-	-	**-**
Proceed from loan	-	-	-	-	-	-	-	-	**-**
Return enhancement	-	(87)	-	(73)	(160)		-	-	**(160)**
Accretion of deferred transaction costs and debt discount	79	-	151	-	230	142	-	518	**890**
Repayments of debt	(1,597)	(367)	(2,244)	(305)	(4,513)	-	-	(2,932)	**(7,445)**
Effect of foreign exchange on loans	-	-	-	-	-	-	-	(7)	**(7)**
Loans and other borrowings – March 31, 2021	$ 22,599	$ 9,868	$ 77,578	$ 15,447	$ 125,492	$ 22,920	$ 20,874	$ 13,717	**$ 183,003**
Current	$ 6,635	$ 1,505	$ 9,137	$ 1,242	$ 18,519	$ 1,000	$ 2,009	$ -	**$ 21,528**
Non-current	15,964	8,363	68,441	14,205	106,973	21,920	18,864	13,717	**161,474**
Unamortized debt discount/return enhancement	543	(1,866)	2,407	(2,319)	(1,235)	3,110	22,093	6,167	**30,135**
Principal balance	**$ 23,142**	**$ 8,002**	**$ 79,985**	**$ 13,128**	**$ 124,257**	**$ 26,030**	**$ 42,967**	**$ 19,884**	**$ 213,138**
Maturity date	**12/15/2024**	**12/15/2025**	**12/15/2028**	**6/15/2029**		**6/5/2028**	**6/15/2038**	**5/31/2024**	

(expressed in thousands of United States dollars unless otherwise noted)

	Three Months Ended March 31, 2021	March 31, 2020
Phase I Facility		
Interest recorded as financing cost	**$ 672**	$ 903
Accretion recorded as financing cost	**79**	96
Phase II Facility		
Interest recorded as financing cost	**1,640**	2,137
Accretion recorded as financing cost	**151**	165
Canchayllo Debt		
Interest recorded as financing cost		99
Generación Andina Debt		
Interest recorded as financing cost	**430**	414
APG Debt		
Interest recorded as financing cost	**569**	-
Accretion recorded as financing cost	**143**	
Debentures		
Interest recorded as financing cost	**518**	526
Accretion recorded as financing cost	**-**	-
Other		
Interest recorded as financing cost	**13**	-
Accretion recorded as financing cost	**-**	-
Total		
Interest recorded as financing cost	**$ 3,842**	**$ 4,079**
Accretion recorded as financing cost	**373**	**261**

(i) Summary of Phase I and Phase II Credit Agreements

As at March 31, 2021 and 2020, interest rates on the Phase I and Phase II senior facilities were LIBOR + 5.5%, resulting in 7.39% and 8.29% of interest, respectively. Interest on Phase I and Phase II Subordinated Debt is fixed at 6% annually, respectively. 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.

(ii) Summary of Andean Power Generation Ltd. (BVI) ("APG Ltd. (BVI)") Credit Agreement

On June 05, 2020, APG Ltd. BVI, a wholly-owned subsidiary of the Company, entered into an agreement with the Brookfield Infrastructure Debt Fund ("Brookfield"), a global credit-focused fund managed by Brookfield Asset Management Inc., for a $27.0 million credit facility, with an 8.75% annual interest rate, payable semi-annually and a term of 8 years. Repayment of the principal occurs in installments with various amounts due throughout the term of the loan, and $20.2 million due on maturity.

(iii) Summary of Generación Andina Credit Agreement

As at March 31, 2021, 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 six 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 December 31, 2020, no agreements with third parties to use GA's transmission line have been signed.

(iv) Summary of Debentures

On February 10, 2021, a total of 244,667 senior unsecured convertible debentures were converted into common shares.

The fair value of the debentures conversion option liability as of March 31, 2021 was $9.5 million (December 31, 2020 - $7.9 million) and a loss on valuation of $1.6 million (2019 - $0.5 million gain on valuation) was recognized in Other (losses) gains in the statement of operations for the period ended March 31, 2021.

(expressed in thousands of United States dollars unless otherwise noted)

13. Share Capital

	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 Restricted and Deferred Stock Agreements	Number of Shares Reserved for Issue Under UEG Acquisition
Balance at December 31, 2019	16,306,299	15,706,299	260,886	155,132	2,132,405
Stock options forfeited or expired	-	-	(24,063)		
Reversal of UEG acquisition contingent shares	-	-	-	-	(932,405)
Stock options vested	-	-	26,000	-	-
Balance at January 1, 2021	16,306,299	15,706,299	262,823	155,132	1,200,000
Shares issued in Private Placement *(i)*	2,556,450	2,556,450			
Shares issued on conversion of Debentures *(ii)*	244,667	244,667			
Shares issued in connection with RSUs *(b)*	114,637	114,637		(114,637)	
RSUs settled in cash *(b)*				(40,495)	
Shares issued in connection with UEG Acquisition *(iii)*	200,000	800,000			(800,000)
Reversal of UEG acquisition shares no longer payable *(iii)*					(300,000)
Balance at March 31, 2021	**19,422,053**	**19,422,053**	**262,823**	**-**	**100,000**

(i) *On February 25, 2021, the Company completed an upsized bought deal offering (the "Offering), under which a total of 2,556,450 Common Shares were sold at a price of $20.25 CAD per Common Share for aggregate net proceeds to the Company of $38.2 million.*

(ii) *On February 10, 2021, a total of 244,667 senior unsecured convertible debentures were converted into common shares.*

(iii) *On March 26, 2021, the Company entered into an agreement with Union Group International Holdings Limited ("UGIH") to settle the previously reserved shares on the Union Energy Group ("UEG") acquisition with the issuance of 900,000 shares, of which 100,000 remain subject to the vendor completing certain conditions as envisioned in the original agreement and continue to be reserved for issue. As a result of the agreement, the Company has 300,000 previously reserved acquisition shares that are no longer payable.*

(a) Stock options

The Company's Omnibus Long-Term Incentive Plan (the "LTIP") adopted in June 2012 and most recently amended and 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 summarizes the information related to stock options outstanding and exercisable as at March 31, 2021:

	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	531,323	1.7	$ 15.54	262,823	$ 14.25

For the years ended March 31, 2021 and 2020, the Company recognized shared-based compensation expense associated with options, with a corresponding increase in contributed surplus, of $0.1 million and $0.1 million, respectively.

(b) Restricted Share Units ("RSUs)

During the period ended March 31, 2021, the Company recognized an increase to share-based compensation expense associated with RSUs of $0.5 million and a decrease to share-based compensation expense associated with RSUs of $0.2 million for the period ended March 31, 2020. On March 31, 2021, the Company settled the 155,132 fully vested RSUs outstanding by issuing 114,637 common shares and the cash equivalent for the remaining RSUs.

(expressed in thousands of United States dollars unless otherwise noted)

(c) Deferred Share Units ("DSUs")

As at March 31, 2021, 3,226 DSUs are outstanding. For the periods ended March 31, 2021 and 2020, the Company recognized shared-based compensation expense associated with DSUs, with a corresponding increase in contributed surplus, of $0.1 million and $0.1 million, respectively.

14. Earnings per Share

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

	Three Months Ended March 31, 2021	March 31, 2020
Total earnings attributable to owners of the Company	$ **(912)**	$ 4,360
Basic weighted average number of shares outstanding	**16,850,995**	15,706,299
Basic earnings per share	$ **(0.05)**	$ 0.28

	Three Months Ended March 31, 2021	March 31, 2020
Total earnings attributable to owners of the Company	$ **(912)**	$ 4,360
Diluted weighted average number of shares outstanding	**16,850,995**	16,368,790
Diluted earnings per share	$ **(0.05)**	$ 0.27

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

	Three Months Ended March 31, 2021	March 31, 2020
Stock options - 12/20/2017 grant date	-	410,000
Stock options - 12/2/2016 grant date	-	112,386
Total anti-dilutive instruments	-	522,386

15. Financial Instruments and Risk Management

(a) Fair value of financial assets and liabilities

IFRS requires disclosure about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The following are the three levels of the fair value hierarchy:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices that are directly or indirectly observable for the asset or liability.
- Level 3 – Inputs that are not based on observable market data.

As at March 31, 2021 and December 31, 2020, respectively, the carrying amounts of accounts receivable, restricted cash, accounts payable and accrued liabilities, and current portion of long-term debt are measured at fair value or approximate fair value due to the short term to maturity, and therefore classified as Level 1.

The fair value of long-term debt approximates carrying value. The carrying value of the long-term debt is net of unamortized transaction costs and debt discounts further explained in Note 12.

All the assets and liabilities that the Company has identified as financial assets and financial liabilities are measured at fair value through the Statement of Profit or amortized costs under IFRS Financial Instruments. The Company currently has no financial assets and financial liabilities to be measured at fair value through the Statement of Comprehensive Income.

(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.

Interest rate risk

The Phase I and II Senior Facilities bear interest at an applicable margin of 5.50% with quarterly interest payments that are variable based upon 3-month LIBOR. The total rate as at March 31, 2021 was 5.72%. The Phase I and II Subordinated Facilities bears interest at a fixed rate of 6%. The Company determined that a hypothetical 10 basis point increase in the 3-month LIBOR would result in an increase of $0.1 million in financing costs for the period ended March 31, 2021.

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.

Currency risk

The Company operates internationally and is exposed to risks from changes in foreign currency rates. The functional currency of the Company is the US dollar and currently most of the Company's transactions are denominated in US dollars. Further, the Company translates significant amounts received in local currency to US dollars immediately. As at March 31, 2021 and 2020, the Company had cash, accounts payable and long-term debt of $17.7 million CAD and $23.0 million CAD, respectively. As at March 31, 2021, the Company had cash, accounts receivable, prepaid contractor advances and accounts payable of Sol$16.2 million held in its Peruvian subsidiaries.

The Company determined that a 10% change in the Canadian dollar against the US dollar would have impacted total loss and comprehensive loss by $1.2 million for the period ended March 31, 2021. The Company determined that a 10% change in the Peruvian Soles against the US dollar would have impacted total loss and comprehensive loss by $0.4 million for the year ended March 31, 2021. The Company does not enter into any foreign exchange contracts to mitigate this risk.

Commodity prices

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

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

Credit risk

The Company is exposed to credit risk with respect to amounts receivable from its customers. Credit risk is the potential loss from the customer failing to perform payment of the amount receivable, defined in the invoice. The Company manages credit risk with policies and procedures for customer analysis, exposure measurement, and exposure monitoring and mitigation.

The Company considers that "default" occurs when the account receivable balance is 90 days past due, from the date of payment stated in the invoice.

Once a balance receivable has been identified as in default, the Company assesses the alternatives to recover such balances, with reasonable effort. If the Company concludes the balances cannot be recovered, the amounts are then written-off.

In estimating expected credit losses on trade receivables, the Company has estimated the probability of default is 0.1% based on the Company's historical default rates, as the Company does not expect these rates to significantly increase in the future. Historically, the Company has not suffered losses for balances identified as in default and does not expect to incur significant losses in the future due to the nature of its customers (distribution utilities). The Company applies the simplified approach to assess expected credit losses for trade receivables, whereby the loss allowance for the account receivable is measured at an amount equal to the lifetime expected credit losses. The Company shall recognize in the statements of earnings, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(expressed in thousands of United States dollars unless otherwise noted)

From the credit risk assessment performed during the year, the Company has concluded that exposure to credit risk related to the amounts receivable from customers is not material, as at March 31, 2021.The Company is also exposed to credit risk with respect to its amounts of cash and cash equivalents. The Company deposits its cash with reputable financial institutions, mostly based in North America, for which management believes the risk of loss to be remote.

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 financial liabilities as at March 31, 2021:

	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years	Total
Accounts payable and accrued liabilities	$ 10,803	$ -	$ -	$ -	$ 10,803
Debt, current and long-term	21,529	45,747	56,327	89,535	213,138
Interest obligations	10,838	10,838	10,838	10,838	43,352
	$ 43,170	**$ 56,585**	**$ 67,165**	**$ 100,373**	**$ 267,293**

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