Consolidated Financial Statements of

Polaris Infrastructure Inc.

December 31, 2021 and 2020

Polaris Infrastructure Inc.

December 31, 2021 and 2020

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Independent auditor's report

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Polaris Infrastructure Inc.

Consolidated Balance Sheets

(expressed in thousands of United States dollars)

	Note Ref	As at December 31, 2021	As at December 31, 2020
Assets			
Current assets			
Cash		$ **97,930**	$ 60,058
Accounts receivable	12	**9,324**	19,389
Prepaid expenses and other current assets	13	**2,889**	2,111
Assets held for sale	11	**-**	158
		110,143	$ 81,716
Restricted cash	14	**3,835**	1,785
Other assets, net	13	**7,462**	6,473
Construction in progress	15	**8,779**	1,151
Property, plant and equipment, net	16	**348,657**	372,762
Intangible assets, net	17	**22,968**	24,325
Deferred tax asset, net	27	**856**	1,781
Total assets		$ **502,700**	$ 489,993
Liabilities and Total Equity			
Current liabilities			
Accounts payable and accrued liabilities	18	**10,743**	$ 11,376
Current portion of long-term debt, net	19	**23,115**	21,065
Current portion of lease liabilities	26	**299**	187
Deferred revenue		**150**	-
Liabilities held for sale	11	**-**	1,288
		34,307	$ 33,916
Non-current liabilities			
Long-term debt, net	19	**146,571**	168,230
Conversion option liability	19	**4,325**	7,868
Lease liabilities	27	**1,000**	503
Decommissioning liabilities	20	**910**	898
Deferred tax liability, net	27	**54,763**	51,809
Total liabilities		**241,876**	$ 263,224
Non-controlling interests	23	**(1,935)**	(1,976)
Equity attributable to the owners of the Company			
Share capital	21	**649,076**	598,982
Contributed surplus		**14,270**	19,716
Accumulated deficit		**(400,587)**	(389,953)
Total equity attributable to the owners of the Company		**262,759**	228,745
Total equity		**260,824**	$ 226,769
Total liabilities and total equity		$ **502,700**	$ 489,993

The accompanying notes are an integral part of these consolidated financial statements including subsequent events (Note 30).

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)

	Note	Year Ended December 31, 2021	Year Ended December 31, 2020
Revenue	5	**$ 59,517**	$ 74,720
Direct costs			
Direct costs	7	**(10,699)**	(10,824)
Depreciation and amortization of plant assets	7	**(26,068)**	(25,131)
General and administrative expenses	7	**(6,811)**	(6,087)
Impairment recovery (loss)	10	**-**	24,452
Other operating costs		**(20)**	(238)
Operating income		**15,919**	56,892
Interest income		**374**	314
Finance costs	8	**(16,962)**	(17,191)
Other (losses) gains	9	**5,087**	(1,031)
Earnings and comprehensive earnings before income taxes		**4,418**	38,984
Income tax expense		**(3,876)**	(10,111)
Total earnings and comprehensive earnings		**$ 542**	$ 28,873
Total earnings and comprehensive earnings attributable to:			
Owners of the Company		**$ 501**	$ 28,842
Non-controlling interests		**$ 41**	$ 31
Basic earnings per share	22	**$ 0.03**	$ 1.84
Diluted earnings per share	22	**$ 0.03**	$ 1.70

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

Polaris Infrastructure Inc.

Consolidated Statements of Changes in Total Equity

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

	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	21	-	-	93	-	93	-	93
Dividends paid		-	-	-	(9,423)	(9,423)	-	(9,423)
Total earnings and comprehensive earnings		-	-	-	28,842	28,842	31	28,873
Balance at December 31, 2020		**15,706,299**	**598,982**	**19,716**	**(389,953)**	**228,745**	**(1,976)**	**226,769**
Share-based compensation	21	-	-	(1)	-	(1)	-	(1)
Dividends paid		-	-	-	(11,135)	(11,135)	-	(11,135)
Shares issued		3,819,077	50,094	(5,445)	-	44,649	-	44,649
Total earnings and comprehensive earnings		-	-	-	501	501	41	542
Balance at December 31, 2021		**19,525,376**	**$ 649,076**	**$ 14,270**	**$ (400,587)**	**$ 262,759**	**$ (1,935)**	**$ 260,824**

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

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

	Year Ended December 31, 2021	Year Ended December 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	$ **501**	$ 28,842
Add/(Deduct) items not affecting cash:		
Non-controlling interests in net loss of subsidiary	**41**	31
Deferred income tax expense	**3,876**	10,111
Finance costs recognized	**14,888**	14,858
Depreciation and amortization	**26,382**	24,746
Accretion of decommissioning liability	**2**	12
Change in decommissioning liabilities	**10**	6
Gain on sale of assets	**(1,447)**	-
Loss on valuation of warrant liabilities	-	(278)
Gain on valuation of contingent liabilities	-	(5,963)
(Gain) / Loss on valuation of conversion option liability	**(3,543)**	6,575
Impairment reversal	-	(24,452)
Accretion on debt	**3,461**	1,318
Share-based compensation	**643**	887
Unrealized foreign exchange loss	**(149)**	326
Changes in non-cash working capital:		
Accounts receivable	**10,065**	(4,087)
Prepaid expenses and other assets	**(1,590)**	(328)
Accounts payable and accrued liabilities	**(552)**	(249)
Interest and return enhancement paid	**(11,805)**	(10,304)
Additions to other assets	**346**	(1,739)
Net cash flow from operating activities	**41,129**	40,312
Investing		
Change in restricted cash	**(2,050)**	4,038
Additions to construction in progress	**(7,842)**	(5,899)
Proceeds on disposition of asset	**317**	-
Additions to property, plant and equipment	**(571)**	(993)
Net cash flow to investing activities	**(10,146)**	(2,854)
Financing		
Proceeds from share issuance	**39,354**	23,457
Dividends paid	**(11,135)**	(9,423)
Repayment of debt	**(21,065)**	(23,833)
Payments of the outstanding lease liability	**(263)**	(191)
Net cash flow to financing activities	**6,891**	(9,990)
Foreign exchange loss on cash held in foreign currency	**(2)**	3
Net increase (decrease) in cash	**37,872**	27,471
Cash, beginning of the year	**60,058**	32,597
Cash held for sale asset	-	(10)
Cash, end of the year	**$ 97,930**	$ 60,058

The accompanying notes are an integral part of these 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 renewable 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).

2. Basis of Preparation and Presentation

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

These consolidated financial statements have been prepared on a going concern basis, using historical cost convention, except for certain financial assets and liabilities measured at fair value as explained in Note 3. Accounting policies are consistently applied to all years presented, unless otherwise stated.

The Company reviewed new and revised accounting pronouncements that have been issued and are effective for periods beginning on or after January 1, 2022. There are currently no pronouncements that are expected to have a significant impact on the Company's consolidated financial statements upon adoption.

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

These consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company (the "Board") on February 23, 2022.

3. Significant Accounting Policies

a. Principles of consolidation

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

b. Non-controlling interests

Non-controlling interests in the Company's subsidiaries are classified as a separate component of equity. Each period, net income or loss and components of other comprehensive income or loss are attributed to both the Company and non-controlling interest based on their respective percentage interests.

c. Foreign currency translation

The functional and reporting currency of the Company and its wholly owned subsidiaries is the US dollar, as a significant portion of revenue, assets, liabilities and financing are denominated in US dollars. Foreign currency transactions are translated using the exchange rate in effect on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are included in the consolidated statements of operations and comprehensive earnings.

At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates in effect at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates in effect at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

d. Business combinations

Business combinations are accounted for using the acquisition method. The cost of a business acquisition is measured at the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

To the extent the fair value of consideration paid exceeds the fair value of the net identifiable tangible and intangible assets, the excess is recorded as goodwill. To the extent the fair value of consideration paid is less than the fair value of net identifiable tangible and intangible assets, the excess is recognized in net income.

When a business combination is achieved in stages, previously held interests in the acquired entity are re-measured to fair value at the acquisition date, which is the date control is obtained, and the resulting gain or loss, if any, is recognized in net income, other than amounts transferred directly to retained earnings. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to net income.

e. Impairment loss and reversal of impairment of long-lived assets

The carrying value of long-term assets, excluding goodwill, is reviewed quarterly for indicators of impairment and impairment reversal in order to assess if an asset or cash-generating unit ("CGU") may not be recoverable or if a previous impairment charge needs to be reversed. If indicators of impairment exist, the recoverable amount of the asset or CGU is estimated. If the carrying value of the asset or CGU exceeds the recoverable amount, the asset or CGU is written down with an impairment recognized in the consolidated statements of operations and comprehensive loss.

Construction in progress ("CIP") and property, plant and equipment ("PP&E") are aggregated into CGUs based on their ability to generate largely independent cash flows, usually on a project-by-project basis.

The recoverable amount of an asset or CGU is identified as the greater of its fair value, less costs to sell, and its value in use. Fair value is determined to be the amount for which the asset could be sold in an arm's length transaction. Value in use is calculated by estimating the discounted present value of the future net cash flows expected to be derived from the continued use of the asset or CGU.

The recoverable amount is the value in use determined by estimating future net cash flows on a discounted basis. Significant assumptions assessed by management in determining the impairment and impairment reversal test are i) future production and pricing, ii) relevant operating costs, iii) sustaining capital expenditures and iv) terminal value, discounted using a pre-tax market-based asset-specific rate, if available, or if not available, an estimated risk-adjusted weighted average cost of capital. Key assumptions used in the calculation of the value in use are based on pricing and production information from the Company's Power Purchase Agreements ("PPA") and management's assumptions derived from past experience and future expectations.

Reversals of impairments, excluding goodwill, are recognized when there has been a subsequent increase in the recoverable amount. An impairment reversal occurs if there has been a significant change to the estimates used in determining the original impairment loss. In this event, the carrying amount of the asset or CGU is increased with an impairment reversal recognized in the consolidated statements of operations and comprehensive loss. The new carrying amount is limited to the original carrying amount less depreciation, depletion and amortization, as if no impairment had been recognized for the asset or CGU for prior periods.

f. Assets and Liabilities Held for Sale and Discontinued Operations

Non-current assets and disposal groups are classified as held for sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use. The criteria for held for sale classification is met only when the sale is highly probable and the asset/disposal group is available for immediate sale in its present condition. The sale is highly probable if actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn, management is committed to the plan to sell the asset/disposal group and the sale is expected to be completed within one year from the date of the classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell ("FVLCS"). When FVLCS is lower than the carrying amount, an impairment loss is recognized in the consolidated statement of operations. Costs to sell are incremental costs directly attributable to the disposal of an asset/disposal group, excluding finance costs and income tax expense. Non-current assets are not depreciated or amortized once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the Company's consolidated balance sheet.

A discontinued operation is a component of the Company that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale. A component of the Company comprises an operation and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of operations.

g. Financial instruments

The Company classifies and measures all financial assets as either fair value or amortized cost.

The Company determines the classification of its financial assets at initial recognition. Financial assets are classified and measured at amortized cost when they meet the following criteria:

- The Company plans to hold the financial assets in order to collect contractual cash flows; and
- Payments received on the financial assets are solely payments of principal and interest on the principal amount outstanding.

Financial assets are classified and measured at fair value unless they meet the criteria for amortized cost.

The Company measures its financial liabilities initially at fair value net of transaction costs, and subsequently at amortized cost using the effective interest method, except for financial liabilities measured at fair value through profit or loss (“FVTPL”). For trade receivables that are classified as financial assets at amortized cost, the Company applies the simplified approach based on IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

The Company may designate financial liabilities at FVTPL when doing so results in more relevant information because:

- It eliminates or reduces measurement or recognition inconsistency that would arise from measuring the liabilities and recognizing gains and losses on them on different bases, or
- A group of financial liabilities is managed and evaluated on a fair value basis, in accordance with the Company’s risk management or investment strategy.

This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9, "Financial Instruments", as well as embedded derivatives.

Financial assets and liabilities at amortized cost are subsequently measured at amortized cost using the effective interest rate method, with any gains or losses recognized in the statement of operations and comprehensive loss. The company has no financial assets or liabilities measured at FVTPL.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recognized at the proceeds received, net of direct issue costs.

Determination of fair value

In estimating the fair value of an asset or a liability, the Company uses Level 1 inputs, which are quoted prices in active markets for identical assets or liabilities the Company can access at the measurement date to the extent it is available. Where Level 1 inputs are not available, the Company engages third party qualified valuation specialists to perform the valuation. The Company works closely with the qualified external valuation specialists to establish the appropriate valuation techniques and inputs to the model. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in the notes to these consolidated financial statements.

Derivatives

Derivatives embedded in other financial instruments or executory contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to their host financial instrument or contract.

Transaction costs

Transaction costs related to other liabilities, loans and receivables are capitalized and amortized over the expected life of the instrument using the effective interest method. Transaction costs related to share issuances are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

h. Revenue recognition

Revenue is recognized when control of the promised goods or services is transferred to the Company's customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

The Company's revenue consists of the sale of electricity and Carbon credits and is recorded net of applicable sales taxes.

Revenue related to the sale of electricity is recognized over time as the electricity is delivered. The electricity represents a single performance obligation that represents a promise to transfer to the customer a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer. This is in accordance with each specific PPA.

Qualifying renewable energy projects receive Carbon credits for the generation and delivery of renewable energy to the power grid. The Carbon credit certificates represent proof that 1 MW of electricity was generated from an eligible energy source. The Carbon credits can be traded, and the owner can claim to have purchased renewable energy. Carbon credits are primarily sold under contracts, and revenue for these contracts is recognized when the Carbon credit is transferred to the buyer.

i. Share-based compensation

The Company measures the compensation cost to be recognized for share-based awards based on the estimated fair value of the award on the date of grant. Share-based compensation expense is recognized over the applicable vesting period. The Company uses the Black-Scholes option valuation model to estimate the fair value of options awards. In estimating this fair value, the Company uses certain assumptions, consisting of the expected life of the option, risk-free interest rate, dividend yield, and volatility. The use of a different estimate for any one of these components could have a material impact on share-based compensation expense.

j. Income taxes

Income tax is recognized in the consolidated statements of operations and comprehensive loss except to the extent that it relates to items recognized directly in shareholders' equity. Income taxes for the current and prior periods are measured at the amount expected to be recoverable from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period.

The Company follows the liability method of accounting for income taxes. Under this method, deferred income taxes are recorded for the effect of any temporary difference between the accounting and income tax basis of an asset or liability.

Deferred income tax is calculated using the enacted or substantively enacted income tax rates expected to apply when the assets are realized or liabilities are settled. The effect of a change in enacted or substantively enacted tax rates is recognized in the consolidated statements of operations and comprehensive loss or in shareholders' equity, depending upon the item to which the adjustment relates.

Deferred income tax assets are recognized to the extent future recovery is probable. Deferred income tax assets are reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the assets to be recovered.

Deferred income tax liabilities and assets are not recognized for temporary differences arising on:

- Investments in subsidiaries and associates and interests in joint ventures where the timing of the reversal of the temporary difference can be controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future;
- The initial recognition of non-deductible goodwill; or
- The initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting net income nor taxable income.

k. Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the income or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, and for the effects of all dilutive potential common shares.

l. Cash

Cash includes deposit accounts and cash restricted for current use. Cash restricted for current use is held for use in the San Jacinto project, which use is governed by the Phase I and Phase II long-term debt agreements held by the Company's subsidiaries. Restricted cash is classified as a long-term asset and includes project guarantees and bonds, which are required to be held for longer than 12 months under the various contracts and agreements to develop and operate the Company's projects.

m. Leases

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 at the inception of the lease. Low-value assets comprise primarily small equipment.

n. Property, Plant and Equipment ("PP&E")

PP&E is recorded at cost and includes assets available for use. Assets available for use are depreciated over their estimated useful lives. Capital spare parts are included in PP&E and are valued at acquisition cost less a provision for obsolescence.

For divestitures of PP&E, a gain or loss is recognized in the consolidated statements of operations and comprehensive loss.

Expenditures related to renewals or betterments that improve the productive capacity or extend the life of an asset are capitalized, and any part of an asset that has been replaced is derecognized.

Costs associated with office furniture, fixtures, leasehold improvements and information technology are carried at cost and depreciated on a straight-line basis over the estimated lives of the assets, which range from three to seven years.

The useful lives of hydroelectric project property, plant and equipment assets currently in service are assigned by major asset categories summarized as follows:

- Facilities (Dam, Charging chamber, House machine and others) – 100 years
- Channel and driving tunnel – 50 years
- Turbines – 50 years
- Generators – 20 years.

The useful lives of geothermal property, plant and equipment assets currently in service are assigned by major asset categories summarized as follows:

- Pipe lines – 20 years
- Turbines – 20 years
- Wells – 25 years
- Condenser – 20 years
- Cooling Tower – 25 years
- Switchyard – 25 years

Construction in progress ("CIP")

Direct costs related to projects in development, including the fair value of assets under construction acquired in a business combination, are capitalized during the development stage as CIP provided that completion of the project is considered by management to be probable.

Costs of unsuccessful projects are written off in the period when management determines that the successful completion of the project or the recovery of such costs can no longer be reasonably regarded as probable. The recovery of power project development costs included in CIP is dependent upon the successful completion or the sale of the project. The successful completion of the power project is dependent upon receiving the necessary water, environmental and other licenses, being awarded a PPA, obtaining the necessary project financing to successfully complete the development and construction of the project, and the long-term generation and sale of sufficient electricity on a profitable basis. Recurring costs of maintaining the Company's development properties not currently under active development are recognized as an expense.

Costs capitalized as construction in progress are assessed for impairment when facts and circumstances suggest that the carrying amount of the project may exceed its recoverable amount.

For divestitures of properties, a gain or loss is recognized in the consolidated statements of operations and comprehensive loss.

Borrowing costs

Borrowing costs related to project financing are capitalized during the construction phase of qualifying assets. Borrowing costs related to corporate financings are generally expensed unless the proceeds are directly used to fund specific CIP and PP&E.

o. Intangible assets

Intangible assets are developed internally or acquired as part of a business combination. Internally developed assets are recognized at cost and primarily arise as a result of the rights retained after donating transmission assets constructed as part of the development of geothermal properties to public utility companies. Intangible assets acquired as part of a business combination are recognized separately from goodwill if the asset is separable or arises from contractual or legal rights. Intangible assets are also recognized when acquired individually or with a group of other assets. Intangible assets are initially recorded at their estimated fair value. Intangible assets with finite lives are amortized over their useful economic lives reflecting the related PPA, on a straight-line basis and are reviewed for impairment when an indicator of possible impairment exists. Intangible assets with indefinite lives are not amortized but are reviewed for impairment when indications exist.

p. Provisions

Provisions are recognized when present obligations, as a result of a past event, will probably lead to an outflow of required economic resources, and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. All provisions are measured, and reviewed at each reporting date, on the basis of the discounted expected future cash outflows and adjusted to reflect the current best estimate.

q. Contingencies

When a contingency is substantiated by confirming events, can be reliably measured, and will likely result in an economic outflow, a liability is recognized in the consolidated financial statements as the best estimate required to settle the obligation. A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured reliably or will likely not result in an economic outflow. Contingent assets are only disclosed when the inflow of economic benefits is probable. When the economic benefit becomes virtually certain, the asset is no longer contingent and is recognized in the consolidated financial statements.

r. Decommissioning liabilities

The Company recognizes decommissioning liabilities in the period in which they are incurred. The associated decommissioning costs before salvage values are capitalized as part of the carrying amount of the long-lived asset. The liability is accreted over the estimated time period until the settlement of the obligation, and the asset is amortized over its estimated useful life. The decommissioning liability is classified based on expected timing of settlement. The discount rate selected by the Company is based on the relevant risk-free rate.

Decommissioning liabilities include present obligations where the Company will be required to retire tangible long-lived assets such as producing well sites and power plants. The decommissioning liability is measured at the present value of the expenditure expected to be incurred. Changes in the estimated liability resulting from revisions to estimated timing or amount of cash flows, or changes in the discount rate are recognized as a change in the decommissioning liability and the related long-lived asset.

Increases in decommissioning liabilities resulting from the passage of time are recorded as accretion of decommissioning liabilities included in finance costs in the consolidated statements of operations and comprehensive loss. Actual expenditures incurred are charged against the accumulated decommissioning liability.

s. ***New Accounting Policies effective January 1, 2021***

Covid-19-Related Rent Concessions (Amendment to IFRS 16)

The Company adopted Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16 permitting a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before June 30, 2021. In March 2021, the Board issued Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendment to IFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022. The adoption of the amendment did not have a material impact on the financial statements of the Company as the company did not receive any rent concessions.

Phase 2 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The Company adopted the Phase 2 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the Company to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements. When the contractual terms of the Company's bank borrowings are amended as a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the basis immediately preceding the change, the Company changes the basis for determining the contractual cash flows prospectively by revising the effective interest rate. If additional changes are made, which are not directly related to the reform, the applicable requirements of IFRS 9 are applied to the other changes. The adoption of the amendment did not have a material impact on the financial statements of the Company given the Debt Refinancing, which closed February 11, 2022, provides for alternative interest rate benchmarks with no expected potential additional liabilities.

4. Critical Judgements and Estimation Uncertainties

The timely preparation of consolidated financial statements requires that management make estimates and use judgment regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period. Such estimates primarily relate to unsettled transactions and events as at the date of the consolidated financial statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Significant estimates and judgments made by management in the preparation of these consolidated financial statements are outlined below.

a. Critical accounting judgments

CIP and PP&E are aggregated into CGUs usually on a project-by-project basis based on their ability to generate largely independent cash inflows and are used for long-lived asset impairment testing. The determination of the Company's CGUs is subject to management's judgment.

The decision to cease capitalization of costs and transfer assets from CIP to PP&E is based on the asset being in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Management uses judgment in determining the point at which this has occurred which is generally when the asset reaches commercial operation at commissioning.

Estimates and assumptions utilized in the preparation of the Company's consolidated financial statements include: depreciation and amortization rates and useful lives (*Note 3(n)*); assessment and determination of net recoverable amounts of cash-generating units for impairment loss or reversal of long-lived and intangible assets (*Note 3(e)*); contingent liabilities (*Note 3(q)*), ability to utilize tax losses and other tax measurements (*Note 3(j)*); and determining fair value of assets and liabilities acquired in business combinations (*Note 3(d)*).

b. Sources of measurement uncertainty

Amounts used for long-lived asset and intangible impairment reversal/loss calculations are based on estimates of future cash flows of the Company. By their nature, estimates of cash flows, including estimates of future capital expenditures, revenue, operating expenses, plant capacity, discount rates and market pricing are subject to measurement uncertainty. Post the onset of the COVID-19 pandemic in March 2020 there has been increased volatility in credit markets which could impact discount rates used in impairment tests for the Company's CGUs. Although the assets were not impaired at December 31, 2021, the length and extent of a continued COVID-19 pandemic is uncertain and could impact these estimates and the carrying value of assets in future periods. Accordingly, the impact on the consolidated financial statements of future periods could be material.

Estimated future cash flows are used in determining the fair value of certain exploration and development properties, geothermal properties and PP&E, and for use in the final purchase price allocation of business combinations and impairment analysis.

Amounts recorded as decommissioning liabilities are based on estimates of future costs to restore the land and decommission assets at completion of projects, and estimated discount rates. The determination of the costs and discount rates is subject to management's judgment.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of each reporting period to determine the likelihood that they will be realized from future taxable income.

In assessing whether the going concern assumption is appropriate, management must estimate future cash flows for a period of at least twelve months following the end of the reporting period by considering available information about the future. Management has considered a wide range of factors relating to expected cash flows from its operating projects, estimated operating and capital expenditures, debt repayment schedules, and potential sources of replacement financing. These cash flow estimates are subject to uncertainty.

5. Revenue

Revenue by type is summarized in the following table:

		Year Ended		
Project		**December 31, 2021**		**December 31, 2020**
Nicaragua *(i)*				
San Jacinto (Geothermal)	**$**	**51,812**	$	68,092
Peru *(ii)*				
Canchayllo (Hydroelectric)		**1,228**		1,574
Generación Andina (Hydroelectric)		**6,438**		5,022
Carbon Credits - Canchayllo		**39**		32
	$	**59,517**	$	74,720

(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

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

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 (Note 13).

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 12 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 represent 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.

	Nicaragua		Peru		Other		Total	
For the Year Ended December 31,	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Revenue	**$ 51,812**	$ 68,093	**$ 7,705**	$ 6,627	**$ -**	$ -	**$ 59,517**	$ 74,720
Direct costs								
Direct costs	**(6,890)**	(6,960)	**(3,809)**	(3,864)	**-**	-	**(10,699)**	(10,824)
Depreciation and amortization of plant assets	**(23,352)**	(22,420)	**(2,716)**	(2,711)	**-**	-	**(26,068)**	(25,131)
General and administrative expenses	**(1,526)**	(1,558)	**(680)**	(804)	**(4,605)**	(3,725)	**(6,811)**	(6,087)
Impairment loss	—	24,452				—		24,452
Other operating costs	**-**	-	**-**	-	**(20)**	(238)	**(20)**	(238)
Operating income	**20,044**	61,607	**500**	(752)	**(4,625)**	(3,963)	**15,919**	56,892
Interest income	**201**	191	—	—	**173**	123	**374**	314
Finance costs	**(10,054)**	(12,313)	**(4,854)**	(2,678)	**(2,054)**	(2,200)	**(16,962)**	(17,191)
Other (losses) gains	**(112)**	(295)	**(65)**	341	**5,264**	(1,077)	**5,087**	(1,031)
Earnings (loss) and comprehensive earnings (loss) before income taxes	**10,079**	49,190	**(4,419)**	(3,089)	**(1,242)**	(7,117)	**4,418**	38,984
Income tax (expense) recovery	**(2,956)**	(8,038)	**(920)**	(2,073)	**-**	-	**(3,876)**	(10,111)
Total earnings (loss) and comprehensive earnings (loss)	**$ 7,123**	$ 41,152	**$ (5,339)**	$ (5,162)	**$ (1,242)**	$ (7,117)	**$ 542**	$ 28,873

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

Assets and liabilities		As at December 31, 2021		As at December 31, 2020
Other	$	**66,261**	$	28,609
Nicaragua		**338,377**		358,070
Peru		**98,062**		103,314
Total assets	$	**502,700**	$	489,993
Other	$	**3,451**	$	1,637
Nicaragua		**295,890**		308,818
Peru		**93,216**		97,822
Total non-current assets	$	**392,557**	$	408,277
Canada	$	**20,927**	$	27,510
United States		**941**		930
Other		**21,865**	$	28,440
Nicaragua		**171,333**		184,837
Peru		**48,678**		49,947
Total liabilities	$	**241,876**	$	263,224

7. General and Administrative and Other Expenses

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

		Year Ended December 31, 2021		December 31, 2020
Depreciation and amortization	$	**26,068**	$	25,131
Employee costs		**3,018**		3,266
General liability insurance		**2,234**		1,871
Land, building and other Municipal and Federal Taxes		**1,824**		2,050
Maintenance		**2,992**		2,946
Other direct costs		**631**		691
	$	**36,767**	$	35,955

(b) General and administrative expenses

		Year Ended December 31, 2021		December 31, 2020
Salaries and benefits	$	**2,688**	$	2,199
Share-based compensation		**875**		905
Facilities and support		**430**		389
Professional fees		**2,225**		1,932
Insurance		**249**		344
Depreciation of other assets		**328**		228
Other general and administrative expenses		**16**		90
		6,811		**6,087**

8. Finance Costs

		Year Ended December 31, 2021		December 31, 2020
Interest on debt *(i)*	$	**14,888**	$	14,858
Accretion on debt		**1,430**		1,318
Accretion of decommissioning liabilities		**2**		12
Banking fees and other finance costs		**644**		1,003
	$	**16,962**	$	17,191

(i) Cash paid for interest and return enhancement during the year ended December 31, 2021 and 2020 was $11.8 million and $10.3 million, respectively.

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

9. Other Gains and Losses

	Year Ended December 31, 2021	Year Ended December 31, 2020
Foreign exchange losses	$ **(919)**	$ (861)
Gain on valuation of warrant liabilities	-	278
Gain on valuation of contingent liabilities	-	5,958
Gain (loss) on valuation of conversion option liability (Note 12)	**3,543**	(6,575)
Other gains *(i)*	**2,463**	169
	$ **5,087**	$ (1,031)

(i) Other gains for the year ended December 31, 2021, include $1.4 million gain recognized from the disposal of 100% controlling interest in Meager Creek Development Corporation.

10. Impairment and Reversal of Impairment

The carrying value of long-term assets, excluding goodwill, is reviewed quarterly for indicators of impairment and impairment reversal in order to assess if an asset or cash-generating unit ("CGU") may not be recoverable or if a previous impairment charge needs to be reversed. If indicators of impairment exist, the recoverable amount of the asset or CGU is estimated. If the carrying value of the asset or CGU exceeds the recoverable amount, the asset or CGU is written down with an impairment recognized in the consolidated statements of operations and comprehensive loss. Reversals of impairments are recognized when there has been a subsequent increase in the recoverable amount. In this event, the carrying amount of the asset or CGU is increased by the amount of the original impairment (net of any depreciation that would have been recorded for the period had the impairment not been recorded) with an impairment reversal recognized in the consolidated statements of operations and comprehensive loss.

The recoverable amount of the CGUs were based on a value in use ("VIU") method determined by estimating future net cash flows on a discounted basis. Factors assessed by management in determining the impairment and impairment reversal testing include the following:

- Future production and pricing in connection to the relevant power purchase agreements,
- Relevant operating costs,
- Sustaining capital expenditures,
- Terminal value assessment, and
- Discount rates.

For the year ended December 31, 2021, the Company identified impairment indicators including the decline in the market value of the shares compared to the net book value of the assets and internal indicators at the CGUs as outlined below. Based on management's testing and impairment assessments, the Company did not recognize any impairment losses or reversals. For the year ended December 31, 2020, the Company recognized an impairment loss reversal on the San Jacinto project of $24.5 million, representing a reversal of impairment previously recognized.

San Jacinto project

For the year ended December 31, 2021, the Company identified impairment indicators for the San Jacinto project relating to the lower-than-expected production largely the result of temporary instability with cycling wells. The projected cash flows and estimated recoverable amount can be affected by any one or more changes in the estimates used. Changes in production per makeup well, discount rates and terminal value growth rates have the greatest impact on value. A 1.0% change in the real discount rate used would change the recoverable amount by $1.8 million. A 1.0 MWh (net) change in production of makeup wells would change the recoverable amount by $2.9 million. A 1.0% change in terminal value growth rate would change the recoverable amount by $0.8 million.

As at December 31, 2020, the amendment to the PPA Agreement dated October 30, 2020 was determined to be a trigger event requiring reassessment of the recoverable amount of the San Jacinto project, which is classified as property, plant and equipment and treated as a single CGU/reportable segment. The recoverable amount was calculated on a value in use basis using an updated cash flow forecast prepared in the normal course of business. The updated cash flow forecast reflects the changes following the amendment to the PPA agreement dated October 30, 2020, as follows:

- The term of the PPA has been extended for an additional 10 years, to January 2039.
- A non-indexed $110.00 USD per MWh price.
- An extension of two years to the income tax holiday such that income taxes will now be payable in 2025.
- The previous price penalty clause requiring a minimum power production delivered has been eliminated.

Previously, during the year ended December 31, 2015, the Company had recognized an impairment loss related to the San Jacinto project of $38.9 million. As a result of its most recent assessment of the recoverable amount, the Company recognized an impairment loss reversal on the San Jacinto project of $24.5 million for the year ended December 31, 2020 representing a reversal of impairment previously recognized. The amount reversed was limited to the net book value of the assets of the CGU that would have been recognized had the earlier impairment not been recognized. This reversal is recognized in the consolidated statements of operations and comprehensive loss as impairment loss reversal.

The discount rate used in the determination of the recoverable amount of the San Jacinto project was updated and calculated using an after-tax cost of equity, determined using market factors based on comparable companies within the electric power sector, and an after-tax cost of debt derived from the risk-free rate as of December 31, 2020 and the project specific credit risk premium. The applicable debt to capital ratio was also determined using market data. The resulting after-tax, risk-adjusted, weighted average cost of capital was converted to a pre-tax basis, as required by IFRS and a country and asset risk premium were assigned to arrive at a discount rate of 12.6% for the San Jacinto project, versus the previous estimate of 13.0% determined during the year ended December 31, 2015.

Canchayllo and Generación Andina projects

For the year ended December 31, 2021, the Company identified impairment indicators for the Canchayllo and Generacion Andina projects. Canchayllo benefited from the PPA inflation adjustment during the period increasing the unit price. However, Production at Canchayllo was lower than budgeted and costs were higher than budgeted. Generacion Andina had higher production than prior quarter and no shutdowns. However, on an annual basis, production was lower than budgeted and costs were higher than budgeted. The projected cash flows and estimated recoverable amount can be affected by any one or more changes in the estimates used. Changes in projected revenue and discount rates have the greatest impact on value. For the Canchayllo CGU, a 1.0% change in the real discount rate used would change the recoverable amount by $0.1 million and a 1% change in projected revenue would change the recoverable amount by $0.1 million. For the Generación Andina CGU, a 1.0% change in the real discount rate used would change the recoverable amount by $0.6 million and a 1% change in projected revenue would change the recoverable amount by $1.1 million.

During the year ended December 31, 2020, management identified impairment indicators due to lower-than-expected actual production resulting from an unusually dry season in Peru affecting both CGUs and higher actual and budget operating costs than initially anticipated for the Generación Andina CGU. As a result, management performed impairment assessments on the Canchayllo and Generación Andina hydroelectric CGUs, concluding that no impairment losses were required for these CGUs because their recoverable amounts exceeded their carrying amount.

11. Assets and Liabilities Held for Sale

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, the Company entered into an agreement to dispose of certain lease interests and associated assets and liabilities in Canada.

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

The following is a breakdown of the assets and liabilities held for sale:

	December 31, 2021	December 31, 2020
Assets		
Cash	-	**10**
Restricted cash	-	**118**
Other assets, net	-	**30**
Total assets	$ -	**$ 158**
Non-current liabilities		
Decommissioning liabilities	-	**1,288**
Total liabilities	**$ -**	**$ 1,288**

The disposition does not qualify as a discontinued operation as it did not represent a separate major line of business.

12. Accounts Receivable

	December 31, 2021	December 31, 2020
Nicaragua *(i)*		
San Jacinto (Geothermal)	**$ 9,302**	$ 19,345
Peru *(ii)*		
Canchayllo (Hydroelectric)	**3**	19
Generación Andina (Hydroelectric)	**19**	25
	$ 9,324	$ 19,389

(i) The Company's accounts receivable as of December 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 as Accrued Revenue (Note 13).

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 28 (b) Credit Risk).

13. Prepaid expenses and Other Assets

(a) Prepaid expenses and current portion of other assets

	December 31, 2021	December 31, 2020
Prepaid insurance	$ 943	$ 566
Current portion of recoverable taxes	1,414	829
Other assets and prepaids *(i)*	532	716
	$ 2,889	**$ 2,111**

(i) Balance includes accrued revenue of $0.1 million and $0.5 million for the years ended December 31, 2021 and 2020, which relates to revenue from the sale of power by our Peruvian subsidiaries (Note 12).

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

(b) Other assets

		December 31, 2021		(revised) December 31, 2020
Recoverable taxes *(i)*	$	3,053	$	4,753
Debentures receivable		-		627
Investment in affiliate		-		164
Contractor advances and others *(ii)*		3,000		160
Non-financial assets				
Fixed assets, net		184		127
Right-of-use-asset, net *(iii)*		1,225		642
	$	7,462	$	6,473

(i) As of December 31, 2021, recoverable taxes include VAT receivables from the Peruvian subsidiaries, which are shown net as they will be applied against VAT payable from the sale of power by our Generación Andina and Canchayllo projects. The presentation of recoverable taxes in the comparative period has been reclassified to be presented on the same basis as current period figures. In particular, recoverable taxes receivable is now shown net of recoverable tax payables.

(ii) Balance costs includes $2.2 million with respect to the deferred transaction costs related to the recent Re-Financing Agreement.

(iii) Right-of-use-asset includes $0.5 million for a right to use land agreement, and $0.7 million for lease of office space. Balance includes "Right-of-Use" assets, for one easement agreement and three office space leases, which are amortized over the term of the corresponding leases:

		December 31, 2021		December 31, 2020
Opening balance	$	642	$	1,024
Additions/(disposals)		804		(69)
Accumulated Amortization		(221)		(313)
Ending balance as of	$	1,225	$	642

14. Restricted Cash

		December 31, 2021		December 31, 2020
San Jacinto guarantees	$	1,080	$	1,080
Peru guarantees and bonds		450		455
Reclamation bonds - US and Canada		250		250
Other restricted cash		2,055		-
	$	3,835	$	1,785

In addition to the amounts recorded as restricted cash described above, cash in the amount of $32.3 million and $29.2 million held by the Company as at December 31, 2021 and 2020, respectively, is restricted for use in the San Jacinto project and governed by the terms of the Trust and the Credit Agreements, where the process to withdraw is considered perfunctory to the agreement, as long as the required covenants and balances are met. Therefore, as these amounts are demand deposits that are held for the purpose of meeting short-term cash commitments of the San Jacinto project, the Company considers them as available cash, since they are available for current use.

15. Construction in Progress

		December 31, 2020		2021 Write-off		2021 Activity		2021 Transfers to PP&E		December 31, 2021
San Jacinto Binary Plant	$	1,126	$	-	$	5,880	$	-	$	7,006
San Jacinto improvements		25		-		762		(363)		424
Canchayllo		-		-		160				160
Generación Andina		-		-		1,189				1,189
	$	1,151	$	-	$	7,991	$	(363)	$	8,779

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

	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 improvements	193	-	21	(189)	25
	$ 1,378	$ -	$ (38)	$ (189)	$ 1,151

16. 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	Accumulated depreciation related to impairment	December 31, 2021
San Jacinto geothermal project	**$ 520,610**	**$ 356**	**$ 363**	**$ -**	**$ -**	**$ 521,329**
Accumulated impairment	**-**					
Canchayllo hydroelectric project	**10,064**	**-**	**-**	**-**	**-**	**10,064**
Generación Andina hydroelectric projects	**63,103**	**-**	**-**			**63,103**
Accumulated depreciation	**(225,642)**	**(24,676)**	**-**	**-**	**-**	**(250,318)**
Other assets	**624**	**(624)**				**-**
Capital spares	**4,003**	**476**	**-**			**4,479**
	$ 372,762	**$ (24,468)**	**$ 363**	**$ -**	**$ -**	**$ 348,657**

	December 31, 2019	2020 Activity	2020 Transfers from CIP	Impairment reversal	Accumulated depreciation related to impairment	December 31, 2020
San Jacinto geothermal project	$ 520,338	$ 83	$ 189	$ -		$ 520,610
Accumulated impairment *(i)*	(38,940)			24,452	14,488	-
Canchayllo hydroelectric project	10,084	(20)	-			10,064
Generación Andina hydroelectric projects	62,943	160	-			63,103
Accumulated depreciation	(188,012)	(23,142)	-	-	(14,488)	(225,642)
Other assets	-	624				624
Capital spares	4,046	(43)	-			4,003
	$ 370,459	$ (22,338)	$ 189	$ 24,452	$ -	$ 372,762

(i) *Comparatives have been reclassified to present the amount of the accumulated impairment and related reversal separately without any netting.*

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 $26.0 million and $25.1 for the years ended December 31, 2021 and 2020 respectively, including depreciation of intangible assets (*Note 17*) was recorded in the consolidated statements of operations and comprehensive loss.

17. Intangible Assets

	December 31, 2020	2021 Activity	2021 Amortization	December 31, 2021
San Jacinto transmission assets *(i)*	**$ 3,350**	**$ -**	**$ (209)**	**$ 3,141**
Canchayllo PPA *(ii)*	**2,278**	**-**	**(162)**	**2,116**
Generación Andina PPA *(ii)*	**18,697**	**-**	**(986)**	**17,711**
	$ 24,325	**$ -**	**$ (1,357)**	**$ 22,968**

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

	December 31, 2019	2020 Activity	2020 Amortization	December 31, 2020
San Jacinto transmission assets *(i)*	$ 3,559	$ -	$ (209)	$ 3,350
Canchayllo PPA *(ii)*	2,441	-	(163)	2,278
Generación Andina PPA *(ii)*	19,678	-	(981)	18,697
	$ 25,678	$ -	$ (1,353)	$ 24,325

(ii) Balance represents the transmission assets for the San Jacinto project donated to the Nicaraguan utility, ENATREL in December 2011 which are amortized over 25 years.

(iii) Balances represent the fair values of the Canchayllo and Generación Andina power purchase agreements ("PPA") recognized as intangible assets on acquisition which are amortized over the 20-year life of the PPA.

18. Accounts Payable and Accrued Liabilities

	December 31, 2021	(revised) December 31, 2020
Trade payables & Other accrued liabilities	**$ 8,150**	$ 6,057
Construction payables	**1,131**	1,515
Construction accrued liabilities	**1,023**	971
Share-based compensation liability	**56**	2,203
Interest payable	**383**	423
Withholding tax and other tax payable *(i)*	**-**	207
	$ 10,743	**$ 11,376**

(i) The presentation of other tax payable has been reclassified to be presented on the same basis as current period figures. In particular, recoverable taxes receivable are shown net of the respective tax payables.

19. 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	-	-	-	-	-	-	1,731	-	**1,731**
Deferred transaction costs	-	-	-	-	-	-	-	-	**-**
Proceed from loan	-	-	-	-	-	-	-	-	**-**
Return enhancement	-	185	-	372	557		-	-	**557**
Accretion of deferred transaction costs and debt discount	286	-	583	-	869	564	-	2,031	**3,464**
Repayments of debt	(6,389)	(1,468)	(8,977)	(1,221)	(18,055)	(1,000)	(2,010)	(4,143)	**(25,208)**
Effect of foreign exchange on loans	-	-	-	-	-	-	-	(153)	**(153)**
Loans and other borrowings – December 31, 2021	$ 18,014	$ 9,039	$ 71,277	$ 14,976	$ 113,306	$ 22,342	$ 20,165	$ 13,873	**$ 169,686**
Current	$ 7,372	$ 1,615	$ 9,618	$ 1,303	$ 19,908	$ -	$ 2,030	$ 1,177	**$ 23,115**
Non-current	10,642	7,424	61,659	13,673	93,398	22,342	18,135	12,696	**146,571**
Unamortized debt discount/return enhancement	336	(2,139)	1,976	(2,764)	(2,591)	2,658	20,791	2,951	**23,809**
Principal balance	**$ 18,350**	**$ 6,900**	**$ 73,253**	**$ 12,212**	**$ 110,715**	**$ 25,000**	**$ 40,956**	**$ 16,824**	**$ 193,495**
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)

		Year Ended December 31, 2021	December 31, 2020
Phase I Facility			
Interest recorded as financing cost	$	**2,479**	$ 3,147
Accretion recorded as financing cost		**286**	357
Phase II Facility			
Interest recorded as financing cost		**6,330**	7,466
Accretion recorded as financing cost		**580**	640
Canchayllo Debt			
Interest recorded as financing cost			211
Generación Andina Debt			
Interest recorded as financing cost		**1,731**	1,712
APG Debt			
Interest recorded as financing cost		**2,262**	134
Accretion recorded as financing cost		**564**	321
Debentures			
Interest recorded as financing cost		**2,031**	2,176
Accretion recorded as financing cost		**-**	-
Other			
Interest recorded as financing cost		**55**	12
Accretion recorded as financing cost		**-**	-
Total			
Interest recorded as financing cost	$	**14,888**	$ 14,858
Accretion recorded as financing cost		**1,430**	1,318

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

As at December 31, 2021 and 2020, interest rates on the Phase I and Phase II senior facilities were LIBOR + 5.5%, resulting in 5.71% and 5.75% 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.

A $22.0 million initial advance was drawn on June 5, 2020, from which the Company was required to prefund the first debt service balance of $2.3 million, due in December 2020. The terms also included the refinancing of the Canchayllo Credit Agreement, which was repaid on June 30, 2020. Brookfield has also been granted senior security on the Canchayllo project and second security on the El Carmen and 8 de Agosto projects. On July 17, 2020, the Company completed the subsequent advance, in the amount of $5.0 million.

In addition to the $2.3 million prefund payment, the Company incurred approximately $2.2 million in costs to complete the transaction. The effective interest rate at December 31, 2021 is estimated as 11.37%.

(iii) Summary of Canchayllo Credit Agreement

On June 30, 2020 the Company, through its subsidiary EGECSAC repaid the outstanding balance of the loan for a total of $4.0 million, corresponding to its principal and interest. Prior to the early repayment of the Canchayllo credit facility, interest rates ranged from 5.38% to 8.65%. Approximately 62% of the outstanding principal of the loan at the time bore fixed interest rates of 8.65% and 7.6%, and the remainder bore interest at the 3 Month Libor rate plus 5.00%. The loans were originally due to mature in March 2025 and principal and interest was paid quarterly.

(iv) Summary of Generación Andina Credit Agreement

As at December 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.

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

The Company recorded the loan at its fair value using a market rate of interest and recognized a debt discount totalling $26.1 million as at October 30, 2018, which is accreted over the term of the loan.

(v) 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 $4,2 million less transaction costs of $0.2 million, resulting in a fair value of the equity conversion option liability of $4.0 million 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.

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 December 31, 2021 was $4.3 million (December 31, 2020 - $7.9 million) and a gain on valuation of $3.5 million (2020 - $6.6 million gain on valuation) was recognized in Other (losses) gains in the statement of operations for the year ended December 31, 2021.

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 $18.6 million, less the fair value of the conversion option of $4.2 million, less transaction costs of $0.7 million, resulted in a fair value of the debenture liability of $13.7 million at issuance.

20. Decommissioning Liabilities

		Sierra
December 31, 2020	**$**	**898**
Revision in estimate		10
Accretion		2
December 31, 2021	**$**	**910**

The Company extended its estimated reclamation date from December 31, 2021 to December 31, 2023, during the year ended December 31, 2020. The following assumptions were used in the determination of the Company's decommissioning liabilities:

		Discount Rates	
	Undiscounted Costs	**December 31, 2021**	**December 31, 2020**
Sierra	1,175	0.37%	0.28%

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

21. 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 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					(300,000)
Shares issued on exercise of stock options	103,323	103,323	(103,323)		
Stock options vested			36,000		
Balance at December 31, 2021	**19,525,376**	**19,525,376**	**195,500**	**-**	**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. Subsequent to the year ended December 31, 2021, UGIH completed the conditions, and the Company issued the additional 100,000 shares reserved.

(i) Stock options

The Company's Omnibus Long-Term Incentive Plan (the "LTIP") adopted in June 2012 and most recently amended and approved in June 2021, 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 stock options were in existence during the current and prior periods:

Option Series	Grant Date	Number of Options Granted	Expiry Date	Exercise Price ($CDN)	Fair Value at Grant Date
(15)	Issued December 20, 2017	350,000	December 20, 2022	$ 16.89	$ 1.58
(16)	Issued December 10, 2018	60,000	December 10, 2023	$ 9.93	$ 0.48
(17)	Issued September 9, 2019	18,000	September 9, 2024	$ 13.50	$ 1.00
(18)	Issued August 9, 2021	120,000	August 19, 2026	$ 18.44	$ 0.48

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

Stock options granted during the year ended December 31, 2021 and in previous periods were valued using pricing models. Where relevant, the expected life used in the model was adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioral considerations. Volatility is estimated based on the historical volatility of the Company's common shares over the year previous to the grant date, with an adjustment applied to reflect management's best estimate of future volatility, where appropriate. Inputs into the model are as follows:

Options Series	Grant date	Grant Date Share Price (CDN)	Exercise Price (CDN)	Volatility	Expected Life	Risk-Free Interest Rate	Expected Dividend Yield	Revised Forfeiture Percentage
(15) *(a)*	December 20, 2017	$ 16.89	$ 16.89	29%	3.00	1.63%	4.56%	13%
(16) *(b)*	December 10, 2018	$ 9.93	$ 9.93	48%	4.00	2.00%	25.02%	0%
(17) *(c)*	September 9, 2019	$ 13.50	$ 13.50	40%	4.00	1.37%	4.44%	0%
(18) *(d)*	August 9, 2021	$ 18.44	$ 18.44	46%	4.00	0.88%	4.20%	0%

(a) *Series 15 vest 25% immediately, 25% upon change in control of the Company, 25% upon the average closing price of the common shares of the Company being not less than CAD$22.50 for a period of ten consecutive trading days, or upon a change in control, and 25% upon the average closing price of the common shares of the Company being not less than CAD$30.00 for a period of ten consecutive trading days, or upon a change in control.*

(b) *Series 16 vest 33% immediately and 33% on each one-year anniversary thereafter.*

(c) *Series 17 vest 33% immediately and 33% on each one-year anniversary thereafter.*

(d) *Series 18 vest 33% immediately and 33% on each one-year anniversary thereafter.*

During the years ended December 31, 2021 and 2020, 36,000 and 26,000 stock options vested, respectively. The following table reconciles stock options outstanding as at December 31, 2021 and 2020:

	For the year December 31, 2021	Weighted Average Exercise Price (CDN)	For the year ended December 31, 2020	Weighted Average Exercise Price (CDN)
Balance at beginning of year	**531,323**	$ 15.54	600,386	$ 15.66
Granted during the period	**120,000**	18.44	-	-
Exercised during the period	**(103,323)**	14.60	-	-
Forfeited during the period	-	-	(69,063)	16.59
Ending balance	**548,000**	**$ 16.36**	531,323	$ 15.54

The following table summarizes the information related to stock options outstanding and exercisable as at December 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	548,000	1.9	$ 16.36	195,500	$ 14.68

For the years ended December 31, 2021 and 2020, the Company recognized shared-based compensation expense associated with options, with a corresponding increase in contributed surplus, of $0.2 million and $0.1 million, respectively.

(ii) Restricted Share Units ("RSUs)

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. As at December 31, 2021, there are no RSUs outstanding.

(iii) Deferred Share Units ("DSUs")

As at December 31, 2021, 15,340 DSUs are outstanding. On August 9, 2021, the Company issued 5,110 DSUs at a total grant date value of $75,000. On December 29, 2021, the Company issued 6,016 DSUs at a total grant date value of $80,000. Participants may redeem DSUs 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 will remeasure the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss as part of share-based compensation for the period.

For the years ended December 31, 2021 and 2020, the Company recognized shared-based compensation expense associated with DSUs, with a corresponding increase in contributed surplus, of $0.2 million and $0.1 million, respectively.

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

22. Earnings per Share

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

	Year Ended December 31, 2021	December 31, 2020
Total earnings attributable to owners of the Company	$ **501**	$ 28,842
Basic weighted average number of shares outstanding	**18,805,465**	15,706,299
Basic earnings per share	$ **0.03**	$ 1.84

	Year Ended December 31, 2021	December 31, 2020
Total earnings attributable to owners of the Company	$ **501**	$ 28,842
Diluted weighted average number of shares outstanding	**19,019,800**	16,924,385
Diluted earnings per share	$ **0.03**	$ 1.70

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

	Year Ended December 31, 2021	December 31, 2020
Stock options - 12/20/2017 grant date	-	350,000
Stock options - 12/2/2016 grant date	-	103,323
Total anti-dilutive instruments	-	453,323

23. Non-controlling Interests

The Company owns 99.34% of Polaris Energy Corp ("PEC"), while PEC owns 95% of Cerro Colorado Corp. ("CCC"), both of which are Panamanian companies. CCC owns 90% of Cerro Colorado Power S.A.("CCPSA"), a Nicaraguan company, which holds the concession to the Casita geothermal project. Earnings attributed to the non-controlling interest owners in these subsidiaries for the year ended December 31, 2021 and 2020 were $0.04 and $0.03 million, respectively.

24. Related Party Transactions

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

	Year Ended December 31, 2021	December 31, 2020
Salaries and benefits	$ **1,449**	$ 872
Share-based payment compensation	**2,640**	94
Total key management compensation	$ **4,089**	$ 966

25. Commitments

The Company enters into agreements for geothermal concessions, which minimum annual payment requirements are summarized as follows:

	December 31, 2021	December 31, 2020
No later than one year	$ **30**	$ 30
For years 2 - 5	**120**	150
Thereafter	**300**	300
Total commitments for expenditures	$ **450**	$ **480**

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

26. Leases

The following table is a summary of the carrying amounts of the Company's lease liabilities measured at the present value of the remaining lease payments that are recognized in the Consolidated Statements of Financial Position as of:

		December 31, 2021		December 31, 2020
Opening balance	**$**	**690**	$	882
Lease payments		**(252)**		(265)
Contract change adjustment		**803**		12
Amortization of discount		**57**		61
Ending balance as of	**$**	**1,298**	$	690

Lease liabilities included within current and long-term liabilities in the Consolidated Statements of Financial Position.

		December 31, 2021		December 31, 2020
Lease obligation, Current	**$**	**298**	$	187
Lease obligation, Long-term		**1,000**		503
Ending balance as of	**$**	**1,298**	$	690

27. Income Taxes

(a) Recognized deferred tax expense/(recovery)

The Company has recorded the following deferred tax expense / (recovery) for the years ended December 31, 2021 and 2020:

		December 31, 2021		December 31, 2020
Current tax expense				
Current period	**$**	**-**	$	-
Deferred tax expense				
Origination and reversal of temporary differences		**6,234**		12,897
Change in tax rates		**-**		(790)
Change in unrecognized deductible temporary differences		**(2,481)**		(1,890)
Other		**123**		(106)
Total income tax expense from continuing operations	**$**	**3,876**	$	10,111

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates to earnings and comprehensive earnings before income tax. These differences result from the following:

		December 31, 2021		December 31, 2020
Earning and comprehensive earnings before income tax	**$**	**4,418**	$	38,984
Statutory income tax rate		**26.50%**		26.50%
Expected income tax		**1,171**		10,331
Increase (decrease) resulting from:				
Non-taxable items		**(2,065)**		(2,719)
Change in unrecognized deferred tax assets		**(2,481)**		(1,890)
Change in tax rates and rate differences		**90**		(790)
Effect of tax rate in foreign jurisdictions		**1,921**		(609)
Expiration of tax attributes		**440**		1,776
Foreign exchange differences		**4,560**		4,106
Other		**240**		(94)
Income tax expense	**$**	**3,876**	$	10,111

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

(b) Recognized deferred tax assets and liabilities

Deferred tax assets are attributable to the following:

		December 31, 2021		December 31, 2020
Property, plant and equipment	$	**7,365**	$	10,342
Deferred charges		**20,009**		17,301
Lease obligation		**291**		169
Capital losses		**493**		1,070
Non-capital losses		**664**		906
Deferred tax assets		**28,822**		29,788
Set off of tax		**(27,966)**		(28,007)
Net deferred tax assets	$	**856**	$	1,781

Deferred tax liabilities are attributable to the following:

		December 31, 2021		December 31, 2020
Property, plant and equipment	$	**(69,604)**	$	(65,182)
Intangibles		**(5,849)**		(6,188)
Investment in Polaris Energy Peru Corp.		**(493)**		(1,070)
Long-term debt		**(6,783)**		(7,379)
Deferred tax liabilities		**(82,729)**		(79,819)
Set off of tax		**27,966**		28,010
Net deferred tax liabilities	$	**(54,763)**	$	(51,809)

(c) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits.

		December 31, 2021		December 31, 2020
Deductible temporary differences	$	**50,174**	$	60,347
Tax losses		**268,878**		279,976
	$	**319,052**	$	340,323

Tax losses include capital losses that do not expire as well as net operating losses that expire between 2022 and 2041. Under the tax laws related to the commercial production of electricity from renewable resources, the Company's Nicaraguan subsidiary was granted a tax-free holiday for a period of 10 years, with a subsequent extension of 2 years, which ends in 2024 and 2025 for the Phase I and Phase II Facilities, respectively. Net operating losses incurred during the tax-free holiday cannot be used to offset taxable income after expiry of the holiday and as such no deferred tax asset has been recognized for these losses nor are they included in the unrecognized deferred tax assets disclosed above.

Deferred tax assets have been recognized to the extent that it is probably that taxable income will be available against which the deductible temporary difference can be utilized. The Company has recognized deferred tax assets in the amount of $313 (2020 - $952) the utilization of which is dependent on future taxable profits in excess of the profits arising from the reversal of existing temporary differences. The recognition of these deferred tax assets is based on taxable income forecasts that incorporate existing circumstances that will result in taxable income against which net operating losses can be utilized.

28. 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 December 31, 2021 and 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 19.

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 December 31, 2021 was 5.71%. 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 year ended December 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 December 31, 2021 and 2020, the Company had cash, accounts payable and long-term debt in of CDN$(14,854,039) million and CDN$(23,978,222), respectively. As at December 31, 2021, the Company had cash, accounts receivable, prepaid contractor advances and accounts payable of Sol$12,927,719 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 year ended December 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 $0.05 million for the year ended December 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.

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

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.

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 of December 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 December 31, 2021:

	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years	Total
Accounts payable and accrued liabilities	$ 10,743	$ -	$ -	$ -	$ 10,743
Debt, current and long-term	5,645	25,371	43,278	119,201	193,495
Interest obligations	6,786	13,478	10,723	22,005	52,992
	$ 23,174	**$ 38,849**	**$ 54,001**	**$ 141,206**	**$ 257,230**

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

The following are maturities for the Company's financial liabilities as at December 31, 2020:

	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years	Total
Accounts payable and accrued liabilities	$ 12,501	$ -	$ -	$ -	$ 12,501
Debt, current and long-term	21,065	46,050	57,304	92,957	217,376
Interest obligations	11,167	11,167	11,167	11,167	44,668
	$ 44,733	**$ 57,217**	**$ 68,471**	**$ 104,124**	**$ 274,545**

As at December 31, 2021, the Company is in compliance with all of its covenants. Certain provisions of the San Jacinto PPA related to the payment guarantee letter of credit by the main customers were not fully complied with in 2021. Management agreed with the lenders to waive any potential non-compliance with the agreement through June 30, 2022 given Debt Re-financing.

29. Capital Management

The Company's capital structure is comprised of net long-term debt, as further disclosed in Note 19, and shareholders' equity (consisting of issued capital and contributed surplus offset by accumulated deficit). The Company's objectives when managing its capital structure are to:

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

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

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

In preparing its budgets, the Company considers externally imposed capital requirements pursuant to the terms of the Phase I and Phase II Credit Agreements entered into by PENSA and SJPIC and the loan agreements for the Canchayllo and GA projects (Note 19). 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.

30. Subsequent Events

In December 2021, the Company signed a definitive financing agreement with three Development Financial Institutions for a Senior Debt Facility totalling $110 Million USD for the Company's wholly owned geothermal subsidiary in Nicaragua (the "Debt Re-Financing"). This Senior Debt Facility replaces the existing Senior and Subordinated project loans in Nicaragua. The funding of the Debt Re-financing was completed February 11, 2022.