Condensed Consolidated Interim Financial Statements of

Polaris Infrastructure Inc.

September 30, 2021 and 2020

(Unaudited)

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

	Note Ref	As at September 30, 2021	As at December 31, 2020
Assets			
Current assets			
Cash		**$ 99,858**	$ 60,058
Accounts receivable	9	**10,038**	19,389
Prepaid expenses		**1,441**	739
Assets held for sale	8	**-**	158
		111,337	$ 80,344
Restricted cash		**4,780**	1,785
Other assets, net		**8,277**	8,970
Construction in progress	10	**5,409**	1,151
Property, plant and equipment, net	11	**355,053**	372,762
Intangible assets, net		**23,881**	24,325
Deferred tax asset, net		**1,035**	1,781
Total assets		**$ 509,772**	$ 491,118
Liabilities and Total Equity			
Current liabilities			
Accounts payable and accrued liabilities		**11,333**	$ 12,501
Current portion of long-term debt, net	12	**21,464**	21,065
Current portion of lease liabilities		**127**	187
Deferred revenue		**150**	-
Liabilities held for sale	8	**-**	1,288
		33,074	$ 35,041
Non-current liabilities			
Long-term debt, net	12	**152,547**	168,230
Conversion option liability	12	**5,226**	7,868
Lease liabilities		**629**	503
Decommissioning liabilities		**917**	898
Deferred tax liability, net		**54,049**	51,809
Total liabilities		**246,442**	$ 264,349
Non-controlling interests		**(1,976)**	(1,976)
Equity attributable to the owners of the Company			
Share capital	13	**647,615**	598,982
Contributed surplus		**14,441**	19,716
Accumulated deficit		**(396,750)**	(389,953)
Total equity attributable to the owners of the Company		**265,306**	228,745
Total equity		**263,330**	$ 226,769
Total liabilities and total equity		**$ 509,772**	$ 491,118

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

Approved by the Board of Directors

(signed) Marc Murnaghan
Chief Executive Officer

(signed) Jaime Guillen
Director

Polaris Infrastructure Inc.

Consolidated Statements of Operations and Comprehensive Earnings

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

	Note	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Revenue	3	**$ 14,806**	$ 17,054	**$ 44,646**	$ 56,249
Direct costs					
Direct costs	5	**(2,863)**	(2,955)	**(8,087)**	(7,566)
Depreciation and amortization of plant assets	5	**(6,356)**	(6,396)	**(19,641)**	(19,203)
General and administrative expenses	5	**(1,359)**	(1,094)	**(4,753)**	(3,855)
Other operating costs		**(4)**	(20)	**(19)**	(136)
Operating income		**4,224**	6,589	**12,146**	25,489
Interest income		**115**	154	**227**	304
Finance costs	6	**(4,136)**	(4,117)	**(12,808)**	(13,236)
Other (losses) gains	7	**2,950**	(646)	**4,840**	(3,379)
Earnings and comprehensive earnings before income taxes		**3,153**	1,980	**4,405**	9,178
Income tax expense		**(978)**	(658)	**(2,983)**	(4,490)
Total earnings and comprehensive earnings		**$ 2,175**	**$ 1,322**	**$ 1,422**	$ 4,688
Total earnings and comprehensive earnings attributable to:					
Owners of the Company		**$ 2,175**	$ 1,322	**$ 1,422**	$ 4,657
Non-controlling interests		**$ -**	$ -	**$ -**	$ 31
Basic earnings per share	14	**$ 0.11**	$ 0.08	**$ 0.08**	$ 0.30
Diluted earnings per share	14	**$ 0.11**	$ 0.08	**$ 0.08**	$ 0.28

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

Polaris Infrastructure Inc.

Consolidated Statements of Changes in Total Equity

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

	Note Ref	Common Stock Shares	Common Stock Amount	Contributed Surplus	Accumulated Deficit	Total Attributable to the Owners of the Company	Non-Controlling Interests	Total Equity
Balance at January 1, 2020		**15,706,299**	**598,982**	**19,623**	**(409,372)**	**209,233**	**(2,007)**	**207,226**
Share-based compensation		-	-	66	-	66	-	66
Dividends paid		-	-	-	(7,067)	(7,067)	-	(7,067)
Acquisition shares to be issued		-	-	-	-	-	-	-
Total earnings and comprehensive earnings		-	-	-	4,612	4,612	31	4,643
Balance at September 30, 2020		**15,706,299**	**598,982**	**19,689**	**(411,827)**	**206,844**	**(1,976)**	**204,868**
Share-based compensation	13	-	-	27	-	27	-	27
Dividends paid		-	-	-	(2,356)	(2,356)	-	(2,356)
Total earnings and comprehensive earnings		-	-	-	24,230	24,230	-	24,230
Balance at December 31, 2020		**15,706,299**	**598,982**	**19,716**	**(389,953)**	**228,745**	**(1,976)**	**226,769**
Share-based compensation	13	-	-	9	-	9	-	9
Dividends paid		-	-	-	(8,219)	(8,219)	-	(8,219)
Shares issued		3,721,796	48,633	(5,284)	-	43,349	-	43,349
Total earnings and comprehensive earnings		-	-	-	1,422	1,422	-	1,422
Balance at September 30, 2021		**19,428,095**	**$ 647,615**	**$ 14,441**	**$ (396,750)**	**$ 265,306**	**$ (1,976)**	**$ 263,330**

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

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

	Nine Months Ended	
	September 30, 2021	September 30, 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	**$ 1,422**	$ 4,657
Add/(Deduct) items not affecting cash:		
Non-controlling interests in net loss of subsidiary	**-**	31
Deferred income tax expense	**2,983**	4,490
Finance costs recognized	**11,271**	11,444
Depreciation and amortization	**19,789**	18,764
Accretion of decommissioning liability	**13**	12
Change in decommissioning liabilities	**6**	41
Gain on sale of assets	**(1,447)**	-
Loss on valuation of warrant liabilities	**-**	169
Gain on valuation of contingent liabilities	**-**	(311)
(Gain) / Loss on valuation of conversion option liability	**(2,642)**	2,542
Accretion on debt	**2,612**	932
Share-based compensation	**503**	205
Unrealized foreign exchange loss	**(234)**	156
Changes in non-cash working capital:		
Accounts receivable	**9,351**	(337)
Prepaid expenses and other assets	**(72)**	(2,263)
Accounts payable and accrued liabilities	**(2,258)**	(1,548)
Interest and return enhancement paid	**(7,281)**	(8,315)
Additions to other assets	**(113)**	(529)
Net cash flow from operating activities	**33,903**	30,140
Investing		
Change in restricted cash	**(2,995)**	4,044
Additions to construction in progress	**(4,472)**	(5,518)
Proceeds on disposition of asset	**317**	-
Additions to property, plant and equipment	**(1,460)**	(749)
Net cash flow to investing activities	**(8,610)**	(2,223)
Financing		
Proceeds from share issuance	**38,205**	-
Dividends paid	**(8,219)**	(7,067)
Proceeds from debt issuance (Note 12)	**-**	22,457
Repayment of debt	**(15,542)**	(17,158)
Accretion of lease payments	**66**	(123)
Net cash flow to financing activities	**14,510**	(1,891)
Foreign exchange loss on cash held in foreign currency	**(3)**	4
Net increase (decrease) in cash	**39,800**	26,030
Cash, beginning of the period	**60,058**	32,597
Cash, end of the period	**$ 99,858**	$ 58,627

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

1. Organization

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

The Company is engaged in the acquisition, exploration, development and operation of geothermal and 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 capacity of approximately 8 MW (net) and 20 MW (net).

2. Basis of Preparation and Presentation

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed. Accordingly, the interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2020.

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

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

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

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors of the Company (the "Board") on November 3, 2021.

New and Revised IFRSs not yet Effective

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

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

3. Revenue

Revenue by type is summarized in the following table:

	Three Months Ended		Nine Months Ended	
Project	**September 30, 2021**	**September 30, 2020**	**September 30, 2021**	**September 30, 2020**
Nicaragua *(i)*				
San Jacinto (Geothermal)	**$ 13,437**	$ 15,842	**$ 39,202**	$ 51,442
Peru *(ii)*				
Canchayllo (Hydroelectric)	**385**	528	**896**	1,193
Generación Andina (Hydroelectric)	**974**	671	**4,516**	3,574
Carbon Credits - Canchayllo	**10**	13	**32**	40
	$ 14,806	$ 17,054	**$ 44,646**	$ 56,249

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

(ii) For Peru, under the terms of the PPAs, the Company bills at the spot rate for current energy generation. The difference between the spot rate and the PPA rate (plus an effective annual interest rate of 12%) is calculated annually each May for the previous 12 months and is paid evenly over the following 12 months. The Company recognizes revenue at the PPA rate and records the accrued revenue in connection with the difference between the PPA rate and the spot rate in Other Assets.

The Company has determined that it has one performance obligation which is the delivery of electricity to its customers. There is no revenue recognized from unfulfilled performance obligations. Note 9 to these financial statements provides details on the Company's contract balances related to this revenue.

4. Segment Information

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

The reported segment earnings, including revenue and expenses, as well as assets and liabilities are presented below. Other represents expenses, assets and liabilities for Canada and the United States, not related to the Company's reportable operating segments. These represent corporate headquarters and other minor North America holdings, which are not considered individually as reportable operating segments, but are presented below for reconciliation purposes to the Company's total loss, revenue, expenses, assets and liabilities in these consolidated financial statements.

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

For the Three Months Ended September 30,	Nicaragua 2021	Nicaragua 2020	Peru 2021	Peru 2020	Other 2021	Other 2020	Total 2021	Total 2020
Revenue	**$ 13,437**	$ 15,842	**$ 1,369**	$ 1,212	**$ -**	$ -	**$ 14,806**	$ 17,054
Direct costs								
Direct costs	**(1,803)**	(1,628)	**(1,060)**	(1,327)	**-**	-	**(2,863)**	(2,955)
Depreciation and amortization of plant assets	**(5,840)**	(5,592)	**(516)**	(804)	**-**	-	**(6,356)**	(6,396)
General and administrative expenses	**(387)**	(388)	**(145)**	(86)	**(827)**	(620)	**(1,359)**	(1,094)
Other operating costs	**—**	—	**-**	-	**(4)**	(20)	**(4)**	(20)
Operating income	**5,407**	8,234	**(352)**	(1,005)	**(831)**	(640)	**4,224**	6,589
Interest income	**60**	85	**-**	-	**55**	69	**115**	154
Finance costs	**(2,460)**	(2,868)	**(1,172)**	(692)	**(504)**	(557)	**(4,136)**	(4,117)
Other (losses) gains	**(14)**	(158)	**850**	(38)	**2,114**	(450)	**2,950**	(646)
Earnings (loss) and comprehensive earnings (loss) before income taxes	**2,993**	5,293	**(674)**	(1,735)	**834**	(1,578)	**3,153**	1,980
Income tax (expense) recovery	**(736)**	(1,062)	**(242)**	404	**-**	-	**(978)**	(658)
Total earnings and comprehensive earnings	**$ 2,257**	$ 4,231	**$ (916)**	$ (1,331)	**$ 834**	$ (1,578)	**$ 2,175**	$ 1,322

For the Nine Months Ended September 30,	Nicaragua 2021	Nicaragua 2020	Peru 2021	Peru 2020	Other 2021	Other 2020	Total 2021	Total 2020
Revenue	**$ 39,202**	$ 51,442	**$ 5,444**	$ 4,807	**$ -**	$ -	**$ 44,646**	$ 56,249
Direct costs								
Direct costs	**(5,301)**	(4,745)	**(2,786)**	(2,821)	**-**	-	**(8,087)**	(7,566)
Depreciation and amortization of plant assets	**(17,803)**	(16,798)	**(1,838)**	(2,405)	**-**	-	**(19,641)**	(19,203)
General and administrative expenses	**(1,181)**	(1,168)	**(443)**	(627)	**(3,129)**	(2,060)	**(4,753)**	(3,855)
Other operating costs	**-**	-	**-**	-	**(19)**	(136)	**(19)**	(136)
Operating income	**14,917**	28,731	**377**	(1,046)	**(3,148)**	(2,196)	**12,146**	25,489
Interest income	**86**	176	**—**	—	**141**	128	**227**	304
Finance costs	**(7,646)**	(9,556)	**(3,623)**	(2,057)	**(1,539)**	(1,623)	**(12,808)**	(13,236)
Other (losses) gains	**(94)**	(256)	**488**	442	**4,446**	(3,565)	**4,840**	(3,379)
Earnings (loss) and comprehensive earnings (loss) before income taxes	**7,263**	19,095	**(2,758)**	(2,661)	**(100)**	(7,256)	**4,405**	9,178
Income tax (expense) recovery	**(2,242)**	(4,365)	**(741)**	(125)	**-**	-	**(2,983)**	(4,490)
Total earnings and comprehensive earnings	**$ 5,021**	$ 14,730	**$ (3,499)**	$ (2,786)	**$ (100)**	$ (7,256)	**$ 1,422**	$ 4,688

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

Assets and liabilities		As at September 30, 2021		As at December 31, 2020
Other	**$**	**62,269**	$	28,609
Nicaragua		**343,264**		358,070
Peru		**104,239**		104,439
Total assets	**$**	**509,772**	$	491,118
Other	**$**	**1,385**	$	1,637
Nicaragua		**299,468**		308,818
Peru		**97,582**		100,319
Total non-current assets	**$**	**398,435**	$	410,774
Other		**20,389**	$	28,440
Nicaragua		**174,022**		184,837
Peru		**52,030**		51,072
Total liabilities	**$**	**246,441**	$	264,349

5. General and Administrative and Other Expenses

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

		Three Months Ended				Nine Months Ended		
		September 30, 2021		September 30, 2020		September 30, 2021		September 30, 2020
Depreciation and amortization	**$**	**6,356**	$	6,396	**$**	**19,641**	$	19,203
Employee costs		**793**		1,065		**2,320**		2,509
General liability insurance		**602**		475		**1,721**		1,351
Land, building and other Municipal and Federal Taxes		**411**		361		**1,418**		1,020
Maintenance		**905**		864		**2,151**		2,139
Other direct costs		**152**		190		**477**		547
	$	**9,219**	**$**	**9,351**	**$**	**27,728**	$	26,769

(b) General and administrative expenses

		Three Months Ended				Nine Months Ended		
		September 30, 2021		September 30, 2020		September 30, 2021		September 30, 2020
Salaries and benefits	**$**	**654**	$	445	**$**	**2,071**	$	1,636
Share-based compensation		**223**		(30)		**735**		223
Facilities and support		**90**		63		**317**		289
Professional fees		**287**		431		**1,281**		1,185
Insurance		**49**		70		**182**		280
Depreciation of other assets		**54**		55		**160**		174
Other general and administrative expenses		**2**		19		**7**		27
Net general and administrative expenses		**1,359**		**1,053**		**4,753**		**3,814**
Total allocation to exploration and development and geothermal properties		-		41		-		41
		1,359		**1,094**		**4,753**		**3,855**

6. Finance Costs

		Three Months Ended				Nine Months Ended		
		September 30, 2021		September 30, 2020		September 30, 2021		September 30, 2020
Interest on debt *(i)*	**$**	**3,654**	$	3,552	**$**	**11,271**	$	11,444
Accretion on debt		**350**		383		**1,088**		932
Banking fees and other finance costs		**131**		182		**449**		860
	$	**4,136**	$	4,117	**$**	**12,808**	$	13,236

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

(i) Cash paid for interest and return enhancement during the nine-month period ended September 30, 2021 and 2020 was $7.3 million and $8.3 million, respectively.

7. Other Gains and Losses

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Foreign exchange losses	**$ 71**	$ (1,142)	**$ 154**	$ (589)
Loss on valuation of warrant liabilities	**-**	198	**-**	(169)
Loss on valuation of contingent liabilities	**5**	(105)	**-**	(306)
Gain (loss) on valuation of conversion option liability (Note 12)	**1,874**	730	**2,642**	(2,542)
Other (losses) gains *(i)*	**1,000**	(327)	**2,044**	227
	$ 2,950	$ (646)	**$ 4,840**	$ (3,379)

(i) Other gains (losses), for the nine months ended September 30, 2021, include the $1.4 million gain recognized from the disposal of 100% controlling interest in Meager Creek Development Corporation.

8. Divestitures

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

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

9. Accounts Receivable

	September 30, 2021	December 31, 2020
Nicaragua *(i)*		
San Jacinto (Geothermal)	**$ 10,019**	$ 19,345
Peru *(ii)*		
Canchayllo (Hydroelectric)	**4**	19
Generación Andina (Hydroelectric)	**15**	25
	$ 10,038	$ 19,389

(i) The Company's accounts receivable as of September 30, 2021 and 2020 are mainly comprised of balances due to the Nicaraguan subsidiary by its customers, Disnorte and Dissur, which have 45 days term from invoice date.

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

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

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

10. Construction in Progress

	December 31, 2020	2020 Write-off	2021 Activity	2021 Transfers to PP&E	September 30, 2021
San Jacinto Binary Plant	$ 1,126	$ -	$ 4,066	$ -	$ 5,192
San Jacinto improvements	25	-	555	(363)	$ 217
	$ 1,151	$ -	$ 4,621	$ (363)	$ 5,409

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

11. Property, Plant and Equipment, net

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

	December 31, 2020	2021 Activity	2021 Transfers from CIP	Impairment reversal	September 30, 2021
San Jacinto geothermal project	$ 520,527	$ 320	$ 363	$ -	$ 521,210
Canchayllo hydroelectric project	10,064	-	-	-	10,064
Generación Andina hydroelectric projects	63,103	-	-		63,103
Accumulated depreciation	(225,559)	(19,169)	-	-	(244,728)
Other assets	624	469			1,093
Capital spares	4,003	308	-		4,311
	$ 372,762	$ (18,072)	$ 363	$ -	$ 355,053

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

PP&E assets currently in operation are being depreciated on a straight-line basis over the remaining term of their estimated useful lives, detailed below. Depreciation expense of $6.4 million and $6.4 million for the periods ended September 30, 2021 and 2020 respectively, including depreciation of intangible assets was recorded in the consolidated statements of operations and comprehensive loss.

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

12. Long-term Debt, net

	Phase I Senior Debt	Phase I Subordinated Debt	Phase II Senior Debt	Phase II Subordinated Debt	Total Phase I and Phase II Debt	APG Debt	Generación Andina Debt	PIF Debenture	Total
Loans and other borrowings – December 31, 2020	$ 24,117	$ 10,322	$ 79,671	$ 15,825	$ 129,935	$ 22,778	$ 20,444	$ 16,138	**$ 189,295**
Accrued interest expense	-	-	-	-	-	-	1,296	-	**1,296**
Deferred transaction costs	-	-	-	-	-	-	-	-	**-**
Proceed from loan	-	-	-	-	-	-	-	-	**-**
Return enhancement	-	7	-	114	121		-	-	**121**
Accretion of deferred transaction costs and debt discount	222	-	442	-	664	426	-	1,524	**2,614**
Repayments of debt	(4,792)	(1,101)	(6,733)	(916)	(13,542)	(1,000)	(1,000)	(3,540)	**(19,082)**
Effect of foreign exchange on loans	-	-	-	-	-	-	-	(234)	**(234)**
Loans and other borrowings – September 30, 2021	$ 19,547	$ 9,228	$ 73,380	$ 15,023	$ 117,178	$ 22,204	$ 20,740	$ 13,888	**$ 174,010**
Current	$ 7,126	$ 1,578	$ 9,458	$ 1,282	$ 19,444	$ -	$ 2,020	$ -	**$ 21,464**
Non-current	12,421	7,650	63,922	13,741	97,734	22,204	18,720	13,888	**152,546**
Unamortized debt discount/return enhancement	400	(1,961)	2,117	(2,505)	(1,949)	2,796	21,227	2,852	**24,926**
Principal balance	**$ 19,947**	**$ 7,267**	**$ 75,497**	**$ 12,518**	**$ 115,229**	**$ 25,000**	**$ 41,967**	**$ 16,740**	**$ 198,936**
Maturity date	**12/15/2024**	**12/15/2025**	**12/15/2028**	**6/15/2029**		**6/5/2028**	**6/15/2038**	**5/31/2024**	

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Phase I Facility				
Interest recorded as financing cost	**$ 600**	$ 742	**$ 1,908**	$ 2,434
Accretion recorded as financing cost	**69**	87	**222**	274
Phase II Facility				
Interest recorded as financing cost	**1,560**	1,757	**4,802**	5,742
Accretion recorded as financing cost	**143**	158	**441**	485
Canchayllo Debt				
Interest recorded as financing cost	**-**	(25)		162
Generación Andina Debt				
Interest recorded as financing cost	**427**	433	**1,296**	1,271
APG Debt				
Interest recorded as financing cost	**559**	-	**1,703**	134
Accretion recorded as financing cost	**138**	138	**425**	173
Debentures				
Interest recorded as financing cost	**497**	545	**1,524**	1,601
Accretion recorded as financing cost	**-**	-	**-**	-
Other				
Interest recorded as financing cost	**11**	100	**38**	100
Accretion recorded as financing cost	**-**	-	**-**	-
Total				
Interest recorded as financing cost	**$ 3,654**	**$ 3,552**	**$ 11,271**	**$ 11,444**
Accretion recorded as financing cost	**350**	**383**	**1,088**	**932**

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

As at September 30, 2021 and 2020, interest rates on the Phase I and Phase II senior facilities were LIBOR + 5.5%, resulting in 7.39% and 8.29% of interest, respectively. Interest on Phase I and Phase II Subordinated Debt is fixed at 6% annually, respectively. All debt drawn on the Phase I and II Credit Agreements is non-recourse to the Company and all its subsidiaries other than PENSA and SJPIC.

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

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

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

(iii) Summary of Generación Andina Credit Agreement

As at September 30, 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 September 30, 2021, no agreements with third parties to use GA's transmission line have been signed.

(iv) Summary of Debentures

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

The fair value of the debentures conversion option liability as of September 30, 2021 was $5.2 million (December 31, 2020 - $7.9 million) and a gain on valuation of $2.6 million (2020 - $2.5 million loss on valuation) was recognized in Other (losses) gains in the statement of operations for the nine-month period ended September 30, 2021.

13. Share Capital

	Number of Shares Authorized	Number of Shares Issued and Fully Paid	Number of Shares Reserved for Issue Under Stock Options (Exercisable)	Number of Shares Reserved for Issue Under Restricted and Deferred Stock Agreements	Number of Shares Reserved for Issue Under UEG Acquisition
Balance at January 1, 2021	16,306,299	15,706,299	262,823	155,132	1,200,000
Shares issued in Private Placement *(i)*	2,556,450	2,556,450			
Shares issued on conversion of Debentures *(ii)*	244,667	244,667			
Shares issued in connection with RSUs *(b)*	114,637	114,637		(114,637)	
RSUs settled in cash *(b)*				(40,495)	
Shares issued in connection with UEG Acquisition *(iii)*	200,000	800,000			(800,000)
Reversal of UEG acquisition shares no longer payable *(iii)*					(300,000)
Shares issued on exercise of stock options	6,042	6,042			
Balance at September 30, 2021	**19,428,095**	**19,428,095**	**262,823**	**-**	**100,000**

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

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

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

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 equity awards 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.

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

(a) Stock options

Stock options granted under the LTIP are for a contractual term not to exceed five years from the date of their grant, and vesting is determined by the Company's Board.

The following table summarizes the information related to stock options outstanding and exercisable as at September 30, 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	645,281	1.9	$ 16.09	286,781	$ 14.68

On August 9, 2021, the Company issued 120,000 options with an exercise price of $18.44 (CAD) and a fair value price at grant of $1.0 (CAD). Options were valued using a Black-Scholes pricing model using an assumed life expectancy of 4 years.

For the nine months ended September 30, 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.

(b) 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 September 30, 2021, there are no RSUs outstanding.

(c) Deferred Share Units ("DSUs")

As at September 30, 2021, 9,281 DSUs are outstanding. On August 9, 2021, the Company issued 5,110 DSUs at a total grant date value of $75,000.

For the periods ended September 30, 2021 and 2020, the Company recognized shared-based compensation expense associated with DSUs, with a corresponding increase in contributed surplus, of $0.1 million and $0.1 million, respectively.

14. Earnings per Share

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

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Total earnings attributable to owners of the Company	**$ 2,175**	$ 1,322	**$ 1,422**	$ 4,657
Basic weighted average number of shares outstanding	**19,424,089**	15,706,299	**18,575,137**	15,706,299
Basic earnings per share	**$ 0.11**	$ 0.08	**$ 0.08**	$ 0.30

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Total earnings attributable to owners of the Company	**$ 2,175**	$ 1,322	**$ 1,422**	$ 4,657
Diluted weighted average number of shares outstanding	**19,499,695**	15,706,299	**18,866,993**	16,361,328
Diluted earnings per share	**$ 0.11**	$ 0.08	**$ 0.08**	$ 0.28

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

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

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Stock options - 12/20/2017 grant date	-	510,000	-	410,000
Stock options - 12/2/2016 grant date	-	144,108	-	112,386
Total anti-dilutive instruments	-	654,108	-	522,386

15. Financial Instruments and Risk Management

(a) Fair value of financial assets and liabilities

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

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

As at September 30, 2021 and December 31, 2020, respectively, the carrying amounts of accounts receivable, restricted cash, accounts payable and accrued liabilities, and current portion of long-term debt are measured at fair value or approximate fair value due to the short term to maturity, and therefore classified as Level 1.

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

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

(b) Financial risk management

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

Interest rate risk

The Phase I and II Senior Facilities bear interest at an applicable margin of 5.50% with quarterly interest payments that are variable based upon 3-month LIBOR. The total rate as at September 30, 2021 was 5.72%. The Phase I and II Subordinated Facilities bears interest at a fixed rate of 6%. The Company determined that a hypothetical 10 basis point increase in the 3-month LIBOR would result in an increase of $0.1 million in financing costs for the period ended September 30, 2021.

Management mitigates this risk by entering into fixed-rate financing agreements or, from time-to-time, may enter into hedging agreements.

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 September 30, 2021 and 2020, the Company had cash, accounts payable and long-term debt of $27.1 million CAD and $23.5 million CAD, respectively. As at September 30, 2021, the Company had cash, accounts receivable, prepaid contractor advances and accounts payable of Sol$2.9 million held in its Peruvian subsidiaries.

The Company determined that a 10% change in the Canadian dollar against the US dollar would have impacted total loss and comprehensive loss by $2.1 million for the period ended September 30, 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

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

$0.1 million for the period ended September 30, 2021. The Company does not enter into any foreign exchange contracts to mitigate this risk.

Commodity prices

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

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

Credit risk

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

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

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

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

From the credit risk assessment performed during the year, the Company has concluded that exposure to credit risk related to the amounts receivable from customers is not material, as at September 30, 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 September 30, 2021:

	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years	Total
Accounts payable and accrued liabilities	$ 11,333	$ -	$ -	$ -	$ 11,333
Debt, current and long-term	21,464	44,868	51,853	80,749	198,934
Interest obligations	9,938	9,938	9,938	9,938	39,752
	$ 42,735	**$ 54,806**	**$ 61,791**	**$ 90,687**	**$ 250,019**

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