POLARIS
RENEWABLE ENERGY

Management's Discussion and Analysis
For the period ended June 30, 2022

This management's discussion and analysis ("MD&A") focuses on significant factors that affected Polaris Renewable Energy Inc. (formerly Polaris Infrastructure Inc., "Polaris Renewable" or the "Company") for the period ended June 30, 2022, and reflects all material events up to August 3, 2022 the date on which this MD&A was approved by the board of directors of the Company (the "Board"). This MD&A should be read in conjunction with the Company's unaudited interim consolidated financial statements for the three and six months ended June 30, 2022, as well as its audited consolidated financial statements for the years ended December 31, 2021 and 2020. These financial statements are all available on SEDAR at www.sedar.com and on the Company's website at www.polarisREI.com. This MD&A supplements, but does not form part of, the Company's annual financial statements. All amounts in this MD&A, unless specifically identified as otherwise, are expressed in U.S. dollars.

This MD&A contains forward-looking information or future-oriented financial information and, as such, is based on an assumed set of economic condition and courses of action. Please refer to the cautionary note at the end of this MD&A regarding the risks associated with the forward-looking information and the risk factors set out under the headings "RISKS AND UNCERTAINTIES" in this MD&A, and "Forward-Looking Statements" and "Risk Factors" in the Company's annual information form ("AIF") for the year ended December 31, 2021 which is available on SEDAR at www.sedar.com and the Company's website.

In this MD&A and in the Company's consolidated financial statements, unless otherwise noted, all financial data is prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IFRS"). Certain financial measures in this MD&A do not have any standardized meaning as prescribed by IFRS and, therefore, are not considered generally accepted accounting principles ("GAAP") measures. The Company uses non-GAAP financial measures, which the Company believes, that together with measures in accordance with IFRS, provide investors with a wholesome ability to evaluate the underlying performance of the Company. Non-GAAP financial measures do not have a standardized meaning prescribed under IFRS, and therefore may not be comparable to similar measures used by other companies. These measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The non-GAAP financial measures in this MD&A include adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA") and adjusted EBITDA per share. Reconciliations and definitions of these non-GAAP financial measures can be found in Section 11: Non-GAAP Performance Measures in this MD&A.

Contents

1. 2022 HIGHLIGHTS

- On July 5, 2022, the Company changes its name from Polaris Infrastructure Inc. to Polaris Renewable Energy Inc. following the continuance of the Company from the laws of the Province of British Columbia to the laws of the Province of Ontario. The name change and continuance were approved by shareholders at the Company's annual and special meeting held on June 23, 2022. The name change marks an important milestone for the Company as it more accurately depicts the Company's operations and reflects the growth and progress made in the past few months.

- Quarterly consolidated energy production of 163,119 MWh (net) for the period ended June 30, 2022, of which 113,037 MWh (net) was contributed by the Company's geothermal facility in Nicaragua, the San Jacinto facility ("San Jacinto"), and an aggregate of 50,082 MWh (net) was contributed by the Company's hydroelectric facilities in Peru, being the Canchayllo facility ("Canchayllo"), the El Carmen facility ("El Carmen") and the 8 de Agosto facility ("8 de Agosto").

- The Company generated $15.2 million in revenue, including $15.1 million from energy sales and $0.1 million from the sale of carbon emission reduction ("CER") credits from San Jacinto for the three months ended June 30, 2022, compared to $14.2 million in energy sales in the same period in 2021.

- Net loss attributable to owners was $1.5 million or $0.08 per share – basic for the three months ended June 30, 2022, compared to net earnings of $0.2 million or $0.01 per share – basic for the same period in 2021. Despite reporting higher operating income during the period, the Company reported a net loss as a result of $1.7 million Other losses driven by the impact of a higher stock price on the revaluation of the debenture for the three months ended June 30, 2022.

- Adjusted EBITDA[(1)] was $11.2 million for the period ended June 30, 2022, compared to $10.0 million in the same period in 2021.

- For the three month period ended June 30, 2022, the Company generated $21.8 million in net cash flow from operating activities, ending with a strong cash position of $61.3 million[(2)].

- Continued progress on the construction of the Binary power plant at San Jacinto, which is on schedule for completion in the fourth quarter of 2022. An additional $5.9 million was spent in the second quarter, bringing the total investment to date to $19.6 million.

- Development of the Panama Solar projects, acquired in March 2022, continues as planned. During the second quarter of 2022 the Company spent $2.1 million in additions to construction in progress and an additional $3.0 million incurred in guarantees to bring the solar panels to Panama. Construction of the solar plant began in March 2022 and is expected to be completed in December 2022.

- On June 28, 2022 the Company announced it had completed the acquisition of a 32.6 MWdc[(3)] operational solar project named Canoa 1 (the "Project") located in the Barahona Province, Dominican Republic. The Project reached COD in March 2020 and has a 20-year PPA in place with Edesur Dominicana SA ("Edesur"), a local Dominican distributor. After closing adjustments, the Company paid $20.3 million in cash in exchange for all of the issued and outstanding common shares as well as the licenses and permits of the Project. The Company assumed non-recourse debt at the project level of approximately $35.0 million. The Project has a PPA denominated in US dollars with an estimated price for 2022 of $128.10 per MWh. Such PPA has an inflator of 1.22% per annum until the price reaches $142.80 per MWh at which point the price remains fixed until the end of the PPA in 2040.

- On March 17, 2022, the Company announced signing a share purchase agreement ("SPA") to acquire a run-of-the-river hydro project with approximately 6.3 MWs capacity, in Ecuador, for $20.4 million. On the closing of this transaction, the Company will also assume approximately $6.2 million worth of debt from the Project lender. The hydro project includes two expansion opportunities with the introduction of a conduction channel from the adjacent Perlabi River to enhance energy production as well as the potential to add a further turbine of approximately 3 MWs to increase the capacity. The SPA is subject to customary closing conditions, including the approval of the acquisition by local regulatory bodies, which is currently ongoing. The transaction is expected to close in the third quarter of 2022.

- The Company remains focused on maintaining a quarterly dividend. For the three months ended June 30, 2022, the Company declared and paid $2.9 million in dividends. The Company has declared the twenty-sixth consecutive quarterly dividend of $0.15 per outstanding common share, which will be paid on August 26, 2022.

- The Company continued to advance its environmental, social and governance ("ESG") initiatives as part of its core strategy while continuing to maintain an excellent health and safety record. Readers are encouraged to refer to the Company's ESG annual report, which is available on the Company's website for additional details.

- The Company does not conduct business with or within Russia and Ukraine; however global instability is increasing market and foreign exchange volatility, worsening existing supply chain delays, and bringing inflationary pressures to the economy, impacting not only the entities with interests or exposures to both countries. Although the current exposure to these risks has been determined as low, the Company continues evaluating them to determine if mitigation measures in place are appropriate or need to be adjusted, as needed.

- Despite the unprecedented challenges faced as a result of the Covid-19 global pandemic ("COVID-19") and related variants, all facilities remained in operation and continue to operate to date. Over 99% of our employees in all locations are vaccinated.

---

(1) A Non-GAAP measure used by the Company. Refer to Section 11: Non-GAAP Performance Measures in this MD&A for a cautionary note regarding their use, descriptions and reconciliations to the most directly comparable IFRS measure.
(2) Includes current and non-current restricted cash.
(3) MWdc refers to Megawatt direct current

2. OPERATIONS AND FINANCIAL HIGHLIGHTS

	Three Months Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Energy production				
Consolidated Power (MWh) net	**163,119**	150,676	**340,884**	331,659
Financials				
Total revenue	**$ 15,184**	$ 14,161	**$ 31,250**	$ 29,840
Net (loss) earnings attributable to owners	**$ (1,542)**	$ 159	**$ 989**	$ (753)
Adjusted EBITDA *(i)*	**$ 11,188**	$ 9,978	**$ 23,285**	$ 21,842
Net cash flow from operating activities			**$ 21,761**	$ 24,152
Per share				
Net (loss) earnings attributable to owners - *basic*	**$ (0.08)**	$ 0.01	**$ 0.05**	$ (0.04)
Net (loss) earnings attributable to owners - *diluted*	**$ (0.08)**	$ 0.01	**$ 0.05**	$ (0.04)
Adjusted EBITDA *(i) - basic*	**$ 0.57**	$ 0.51	**$ 1.19**	$ 1.20

Balance Sheet	**As at June 30, 2022**	**As at December 31, 2021**
Cash	**$ 59,512**	$ 97,930
Restricted cash - non-current	**$ 1,780**	$ 3,835
Total current assets	**$ 73,728**	$ 110,143
Total assets	**$ 537,462**	$ 502,700
Current and Long-term debt *(ii)*	**$ 194,384**	$ 169,686
Total liabilities	**$ 281,347**	$ 241,876

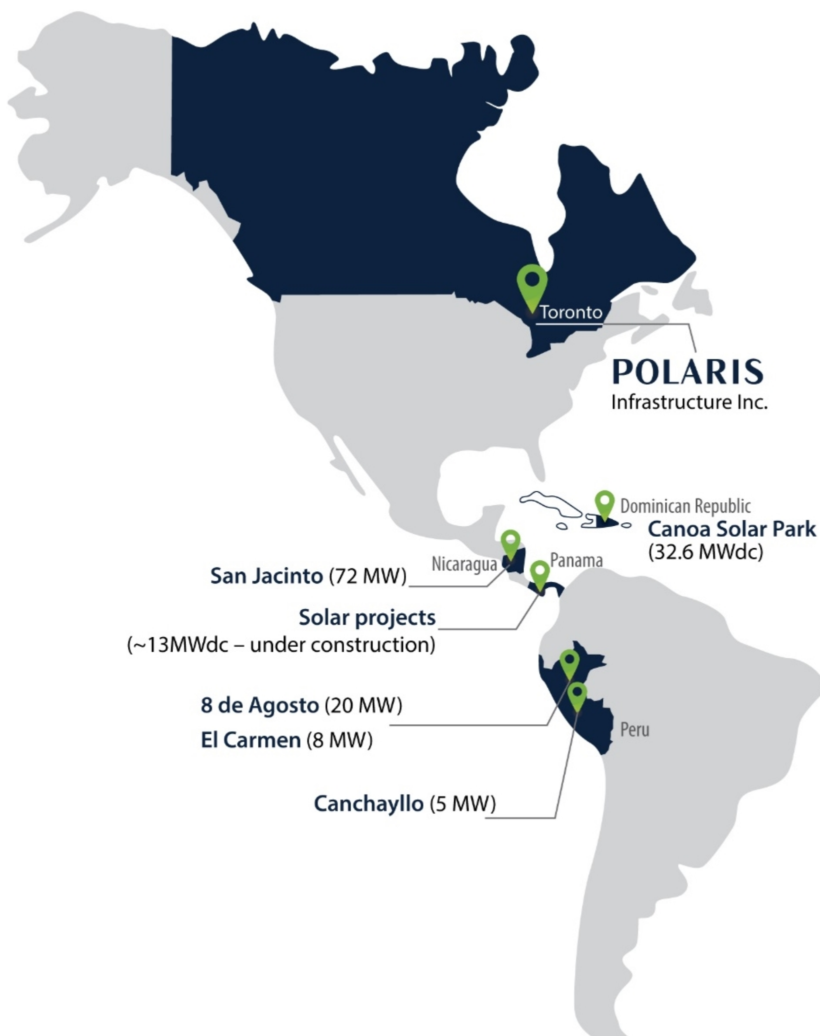
(i) A Non-GAAP measure used by the Company. Refer to Section 11: Non-GAAP Performance Measures in this MD&A for a cautionary note regarding their use, descriptions, and reconciliations to the most directly comparable IFRS measure.

(ii) Net of transaction costs.

3. BUSINESS OVERVIEW AND STRATEGY

Polaris Renewable Energy is a Toronto-based company engaged in the acquisition, development and operation of renewable energy projects in the Americas. The Company operates a 72 MW (net) geothermal facility in Nicaragua, three run-of-river hydroelectric facilities in Peru, with combined capacity of approximately 33 MW (net), and a 32.6 MWdc solar plant facility in Dominican Republic. The Company also owns two solar projects in Panama which are currently under construction and are on track to be completed during the fourth quarter of 2022. The estimated construction costs of these solar projects is $10.0 million and their expected total capacity is approximately 13.4 MWdc.

The Company's mission is to be a Latin America-focused renewable power leader, while providing superior shareholder returns.



Senior management has extensive experience in critical areas of renewable energy, finance, development, governance and sustainable operations. The Board is comprised of individuals with a broad range of industry and business expertise who are well qualified to provide oversight and strategic direction to the Company and who, as a group, have deep knowledge and extensive experience operating in Latin America.

The Company currently operates in Nicaragua, Peru and Dominican Republic, and has solar projects under construction in Panama, which are Latin American nations with rapidly growing energy needs and governments that have stated mandates and economic policies aimed at supporting the growth of domestic renewable energy sources. Polaris Renewable Energy is committed to its strategic goals of continued growth, both organically and through acquisitions, and diversification of its renewable energy portfolio. Additionally, the Company is committed to investing in the local communities surrounding its facilities through social programs aimed at improving the quality of education, sustainability of the environment, health of individuals, access to sports and agricultural processes.

While continuing to pursue opportunities to enhance its current operations, the Company also has the following key near-term goals:

- Continued progress on corporate development, acquisition initiatives and related integration;
- Pursue optimization initiatives such as the Binary project (discussed below under *Section 5: Development Properties)*;

- Finalize carbon credit certification at all operating facilities;
- Balancing sustainable or increased dividends with deploying excess cash flow into further growth and diversification;
- Amplification of ESG strategies;
- Maintenance of an excellent health and safety record at all operating facilities; and
- Continued back-office IT related enhancements.

The Company's long-term goals are to continue to grow and diversify its operations in the Latin American region through renewable energy projects with attractive return profiles. Latin America hosts some of the world's most dynamic renewable energy markets. The Company firmly believes there is significant potential for renewable energy projects in various Latin American countries that have not been developed. Furthermore, the emphasis on renewable energy is growing and provides attractive, long-term return profiles and renewable energy credit options.

Events, transactions, and activities relating to Polaris Renewable Energy's properties which occurred during the period ended June 30, 2022 and to the date of this MD&A are discussed below.

4. OPERATING SEGMENT PERFORMANCE

CONSOLIDATED RESULTS

	Three Months Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Power production in MWh[(i)]				
Nicaragua (Geothermal)	**113,037**	111,848	**226,952**	231,702
Peru (Hydroelectric)	**50,082**	38,828	**113,932**	99,957
Total consolidated power production in MWh	**163,119**	150,676	**340,884**	331,659
Power production in MW (net)[(i)]				
Nicaragua (Geothermal)	**51.76**	51.21	**52.24**	53.34
Peru (Hydroelectric)	**22.93**	17.77	**26.23**	23.01
Total consolidated power production in MW (net)	**74.69**	68.98	**78.47**	76.35

(i) Production is net of plant use and plant downtime both planned and unplanned.

During the three months ended June 30, 2022 quarterly consolidated power production was higher than the same period in 2021, due to higher production in Nicaragua and Peru.

For Nicaragua, second quarter 2022 production averaged 51.8 MWs (net), compared to 51.2 MWs (net) in the second quarter of 2021. The increase in average production was due to the planned major maintenance carried out in the second quarter of 2021, whereas it is expected to take place on the third quarter of 2022. On a quarter over quarter basis, average production was 51.8 MWs (net) in the second quarter 2022, 52.7 MWs (net) in the first quarter of 2022, and 51.4 MW (net) in the fourth quarter of 2021, which reflects the stabilization of steam pressure over time, expected by management.

Consolidated production in Peru for the three months ended June 30, 2022 was higher due to both higher water availability at 8 de Agosto and El Carmen and the fact that no operational issues have been reported during 2022, compared to the technical issues at the intake that occurred at 8 de Agosto in the comparative period of 2021, that were subsequently resolved. These increases were partly offset by the decrease in production at Canchayllo, which experienced lower water availability during the quarter.

During the six months ended June 30, 2022, power production was 340,884 MWh (net) compared to 331,659 MWh (net) in the six months ended June 30, 2021, due to the increase in production from the Peruvian facilities, partly offset by the decrease in production at the San Jacinto facility.

During the six months ended June 30, 2022 and in line with our strategy, the Company continued to progress on its ESG initiatives at each of the operating sites while continuing to maintain an excellent health and safety record.

THE COVID-19 PANDEMIC

The health and safety of the Company's employees and contractors, and the communities in which it operates continues to be a top priority. COVID-19 protocols were maintained through the period ended June 30, 2022. As of August 3, 2022, none of our operations and related supply chain activities have been significantly impacted by the various restrictions that local governments have instituted to date. Vaccination efforts carried out by the local authorities in Nicaragua, Peru, Dominican Republic and Panama continue to be effective. As a result, 99% of our employees in those locations are vaccinated. Currently, 100% of the Company's employees at the corporate headquarters in Canada are vaccinated. However, given the unpredictable nature of the situation, no guarantee can be made that COVID-19 will not impact the Company's operations in the future. The Company continues to closely monitor events and actions taken by local governments, including those affecting vendors, supply chain, customers and the collection of accounts receivable, to determine their potential impact and any additional actions required to ensure operations continue without major disruption.

NICARAGUA – Geothermal Energy Production

	Three Months Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Power production[(i)]				
San Jacinto - MWh	**113,037**	111,848	**226,952**	231,702
San Jacinto - MW (net)	**51.76**	51.21	**52.24**	53.34
Financial				
Revenue	**$ 12,570**	$ 12,437	**$ 25,237**	$ 25,765

(i) Production is net of plant use and plant downtime both planned and unplanned.

San Jacinto - Tizate – San Jacinto, Nicaragua

Through its subsidiary, Polaris Energy Nicaragua S.A. ("PENSA"), the Company owns and operates a 72 MW (net) capacity geothermal facility. San Jacinto is located in northwest Nicaragua, near the city of Leon which is approximately 90 km northwest of Managua. PENSA has the San Jacinto PPA in place with Nicaraguan power distributors Distribuidora De Electricidad del Norte, S.A. and Distribuidora De Electricidad del Sur, S.A. PENSA entered into the San Jacinto exploitation agreement with the Nicaraguan Ministry of Energy and Mines to develop and operate San Jacinto. The current effective price of the PPA is $111.20 per MWh.

Production at San Jacinto for the three months ended June 30, 2022 equated to an average of 51.8 MW (net). This compares to 52.7 MW (net) average production for the first quarter of 2022, and to 51.4 MW (net) average production for the fourth quarter of 2021.

In the fall of 2021, the Company tested an injection system scheme with an emphasis on more infield injection to provide pressure support to some of the deeper production wells. This resulted in more instability in some of the shallower wells such as 6-2 and 9-3 while at the same time a benefit in the deeper wells was not observed. Accordingly, management reinstated the prior configuration with minimal infield injection. Management believes this has resulted in the relative stability of production in the first two quarters of 2022.

Currently, the Company is working with technical consultants to assess alternatives to enhance outfield injection capacity over the long run with the goal of increasing actual steam production from current levels without the need for significant capital investment. Management is also working with such technical consultants to assess the possibility of enhancing production from specific wells through low capex well intervention such as acid injections.

During the six months ended June 30, 2022 power production was lower compared to the six months ended June 30, 2021, due to lower steam production within the expected natural decline of the field which resulted in marginally lower revenues for the first half of 2022.

ESG Programs, Nicaragua

As of June 30, 2022, the Company continues to support initiatives geared towards education, sports, and employee health which continue to demonstrate positive results in the community at large.

- The main environmental activities focused on meeting environmental objectives and indicators related to waste generation and recycling, environmental education, reforestation, and prevention of forest fires.
- We carried out activities within the framework of Earth Day and International Environment Day, to create greater awareness among our workers and communities, about caring for the environment.
- We carried out reforestation campaigns with our workers and the surrounding communities.
- We signed a cooperation agreement with World Vision International, to implement the Learning Roots project in four schools in the area. The project is focused on early education (preschool) and will concentrate its work with parents, teachers, and students. The project will be executed in the second half of 2022.
- We started the construction of an Innovation Center in a local school. The Center will serve to maintain the items that the company has donated in previous years, including computers, tablets, and robotic equipment. Students will be able to enjoy a technological space where they will continue to develop their knowledge. The project was completed in July 2022.

PERU – Hydroelectric Energy Production

	Three Months Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Power production				
Canchayllo - MWh	**5,807**	7,233	**13,947**	14,801
Generación Andina: 8 de Agosto - MWh	**32,661**	21,414	**73,748**	58,385
Generación Andina: El Carmen - MWh	**11,614**	10,181	**26,237**	26,771
Total Peru in MWh	**50,082**	38,828	**113,932**	99,957
Canchayllo - MW (net)	**2.66**	3.31	**3.21**	3.41
Generación Andina: 8 de Agosto - MW (net)	**14.95**	9.80	**16.98**	13.44
Generación Andina: El Carmen - MW (net)	**5.32**	4.66	**6.04**	6.16
Total Peru in MW (net) *(i)*	**22.93**	17.77	**26.23**	23.01
Financial				
Revenue	**$ 2,512**	$ 1,724	**$ 5,555**	$ 4,075

(i) Production is net of plant use and plant downtime both planned and unplanned.

Canchayllo – Canchayllo, Peru

Canchayllo is a run-of-river hydroelectric facility with a rated capacity of approximately 5 MW (net) located in the Canchayllo district of Peru. Canchayllo has a US dollar denominated PPA effective until December 31, 2034. The current price under the Canchayllo PPA is $57.20 per MWh, following a recent application of the inflation adjustment mechanism effective until the end of the term.

Second quarter production at Canchayllo was lower than in 2021, mainly because of lower water volume during the period. Typically, the dry season in Peru begins in May and ends in October, which impacts energy production levels to various degrees at the Company's operating facilities located in Peru.

During the six months ended June 30, 2022, power production was also lower compared to the six months ended June 30, 2021, due to the lower water volume previously noted.

El Carmen and 8 de Agosto – Huanuco, Perú:

El Carmen (approximately 8 MW (net) capacity) and 8 de Agosto (approximately 20 MW (net) capacity) are two run-of-river hydroelectric facilities in the Huanuco region of Peru.

For the three months ended June 30, 2022, production at 8 de Agosto was higher than in the same period of 2021 due to higher hydrology coupled with unplanned downtime in the same period of 2021 due to damage to the intake at the plant. Higher production for the three months ended June 30, 2022, was reported at the El Carmen facility due to no unplanned downtime compared to the same period in 2021 when the flooding event occurred.

For the six months ended June 30, 2022, the increase in revenue in Peru is the result of higher production and higher final effective price at 8 de Agosto, partly offset by lower production at El Carmen and Canchayllo, compared to the six months ended June 30, 2021.

Each applicable PPA is subject to price penalties resulting from deviations from the energy committed. At El Carmen, the final effective price for the first quarter of 2022 was equal to the PPA price of $55.90 per MWh, compared to $43.90 per MWh effective price in the first quarter of 2021, which was lower due to the incident reported in 2020. For the second quarter of 2022, the effective price was $61.40 per MWh compared to $55.90 per MWh effective in the second quarter of 2021. The increase in final effective price in place on June 30, 2022, reflects the adjustment to the PPA price due to the inflation factor applied as stated in the contract.

At 8 de Agosto, the final effective price for the first quarter of 2022 was $41.70 per MWh compared to $39.30 per MWh in the first quarter of 2021, and lower than the PPA price of $53.90 per MWh. The final effective price for the second quarter of 2022 was $49.50 MWh and reflects the penalty due to lower capacity in the period. This compares to $43.10 per MWh final effective price for the second quarter of 2021, which was lower due to the penalty applied to lower capacity reported in the 2021 period.

Based on the terms of each PPA, the Company has the right to file a one-time request to reduce the committed energy by up to 15% to reduce the risk that penalties are applied and, as such, receive the defined PPA prices. In January 2022 the Company made the formal application to reduce the committed energy at 8 de Agosto, and it is currently expecting the formal response. The change in committed energy as well as the adjusted PPA price are expected to be applied to the current RER year, which started in May 2022.

ESG Programs, Peru

During the second quarter of 2022, the Company continued to support initiatives geared towards education and agriculture, which continue to demonstrate positive results in the community at large.

- The Company continued to work on the agricultural project in the Monzón Valley district, focusing on coffee production, which is one of the main crops and local economic activity in the region, as well as beekeeping. With this program, the Company is assisting local farmers with their crop yields and subsequent access to ready markets. The goal of this project is to improve local farmers' production practices, development, and market strategy, obtaining additional income for their families.
- In Jauja Valley, District of Canchayllo, the Company continues to provide grants for university scholarships to the highest ranked student graduating from the local school.
- The Company carried out environmental activities focused on meeting objectives and assessing indicators related to reforestation.

- Other activities performed were based on Earth Day framework, with the objective of creating greater awareness among local communities and caring for the environment.

DOMINICAN REPUBLIC – Canoa Solar Park

On June 28, 2022, the Company completed the acquisition of all of the issued and outstanding common shares of Emerald Solar Energy SRL ("Emerald"), which owns 100% of a 32.6 MWdc (net) operational solar project ("Canoa 1") located in the Barahona Province, Dominican Republic

The acquisition has been accounted for as a business combination in accordance with IFRS 3 - Business Combinations, using the acquisition method whereby the assets acquired and liabilities assumed are recorded at fair value. The preliminary allocation of the purchase price is detailed in Note 4 – Acquisition of Emerald Solar Energy SRL, in the Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2022 and 2021.

The Company paid $20.3 million as consideration in cash. Trade and other receivables acquired as part of the acquisition has a fair value of $1.7 million and the Corporation expects to collect the entire amount during 2022.

Canoa 1 started commercial operations on March 7, 2020 and has a PPA in place with Edesur, denominated in US dollars, with an estimated price for 2022 of $128.10 per MWh. The PPA has an inflator of 1.22% per annum until the price reaches $142.80 per MWh at which point the price remains fixed until the end of the PPA in 2040. The PPA can be subsequently renewed for a five-year term, at a price 20% lower than the PPA price in place in 2040.

In addition, on December 10, 2021, Emerald obtained a preliminary concession that allowed for prospection and analysis related to the construction and installation of a solar plant expansion project, named Canoa 2. Discussions are underway with the National Energy Commission ("CNE") to obtain the definitive concession for Canoa 2, which will allow for the capacity installed to be doubled from Canoa 1's current operating capacity of 32.6 MWdc to approximately 65.0 MWdc. Moreover, a second PPA with the local distributor will be required. To the extent that a PPA for Canoa 2 is reached, the Company will look to commence construction shortly thereafter.

5. DEVELOPMENT PROJECTS

SAN JACINTO BINARY PROJECT

The Company has thoroughly assessed the ability to extract waste heat from the brine that is currently produced from the production wells at San Jacinto, and then re-inject it into the field. Such brine is of a sufficient temperature that the Organic Rankine Cycle Power Plant ("Binary Unit" or "Binary Project") can be used, and the Company expects to produce approximately 10 MW of additional power. The brine therefore represents a usable energy source for which the costs of production and injection are already incurred as part of the San Jacinto current production and is economically attractive since direct costs are expected to be minimal. With the recent PPA amendment in respect of San Jacinto, the Company received contractual confirmation to include the expected production of the Binary Unit of up to 10 MW. During the third quarter of 2021, the Company signed a definitive supply agreement with Ormat Systems Limited, a wholly owned subsidiary of Ormat Technologies Inc (NYSE: ORA), to purchase equipment for the construction and commissioning of an additional geothermal binary power plant with a goal of initial operations by early Q1 2023. The Company also engaged the services of STEAM Group, an Italian company with expertise in geothermal development projects, to act as the owner engineer during the construction and commissioning phases.

In keeping with its ESG mandate, the Company carried out the following plans with respect to the project:

- Biodiversity action plan, flora and fauna study and fauna resettlement plan.
- Chance Finds procedures that outlines actions required if previously unknown heritage resources, particularly archaeological resources, are encountered during project construction or operation.

- Stakeholder engagement by local community including dissemination of the community grievance mechanism.
- Created the Biodiversity Management Plan.
- Hiring local labor is being prioritized, in the areas where it can be achieved.

As of June 30, 2022, the Binary Project continues to advance as planned and on budget. Permitting for the project is well underway. The extension of the generation license was received in January 2022. The Company has budgeted approximately $25.0 million to bring the project online and expects to fund with current cash on hand. As of June 30, 2022, a cumulative total of $19.6 million has been spent by the Company mainly on advances for equipment.

PANAMA DEVELOPMENT, SOLAR PROJECTS

On March 17, 2022, the Company completed the acquisition of the solar projects, with expected total capacity of 13.4 MWdc (net). The solar projects are in the village of Vista Hermosa, Corregimiento de Pueblos Unidos, Aguadulce district, Coclé Province, in Panama. The two solar sites are two and a half hours by car from Panama City and will connect to the national transmission network (National Interconnected System) at the ETESA Substation (Electric Transmission Company) of Llano Sánchez through an air-underground electric sub-transmission line of about 3 Km in length.

As part of the transaction, the Company purchased all the issued and outstanding common shares of the two entities holding the solar projects and the licenses and permits required to complete the construction and operate, in exchange for $0.6 million. The Company will fund 100% of the costs to build two construction-ready Solar Projects for approximately $10.0 million, and with a target COD on the fourth quarter of 2022.

At the date of this report, the solar projects do not have contracts but will have the ability to sell into the spot market. Prior to achieving commercial operation, the Company will evaluate the benefits of securing long-term contracts versus selling into the spot market. The Company currently believes that a combination of both is a likely outcome.

PERU DEVELOPMENT PROJECTS

The Company holds interests in various long-term exploration and development stage projects in Peru representing approximately 189 MW of expected energy production potential. These projects are in the early stages of development. Additionally, the Company does not anticipate that the market for long-term power purchase agreements will strengthen for 2 to 3 years in Peru. It is the Company's view that such contracts are necessary to be able to advance these projects further. As such, the intention is to focus on other regional growth opportunities in the short term.

6. CONSOLIDATED FINANCIAL RESULTS

	Three Months Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Consolidated Statement of Operations and Comprehensive Earnings				
Revenue				
Power revenue	**$ 15,073**	$ 14,150	**$ 30,772**	$ 29,818
Carbon emission reduction credits revenue	**$ 111**	$ 11	**478**	22
Direct costs				
Other direct costs	**(2,747)**	(2,644)	**(5,426)**	(5,224)
Depreciation and amortization of plant assets	**(6,316)**	(6,467)	**(12,316)**	(13,285)
General and administrative expenses	**(1,419)**	(1,589)	**(2,912)**	(3,394)
Other operating costs	**(359)**	(18)	**(324)**	(15)
Operating income	**$ 4,343**	$ 3,443	**$ 10,272**	$ 7,922
Interest income	**98**	39	**149**	112
Finance costs	**(4,163)**	(4,344)	**(11,285)**	(8,672)
Other (losses) gains	**(1,716)**	1,770	**(462)**	1,890
(Loss) earnings and comprehensive earnings before income taxes	**$ (1,438)**	$ 908	**$ (1,326)**	$ 1,252
Income tax expense	**(92)**	(749)	**2,327**	(2,005)
Total (loss) earnings and comprehensive earnings	**$ (1,530)**	$ 159	**$ 1,001**	$ (753)
Total (loss) earnings and comprehensive earnings (loss) attributable to:				
Owners of the Company	**$ (1,542)**	$ 159	**$ 989**	$ (753)
Non-controlling interests	**$ 12**	$ -	**$ 12**	$ -
Basic (loss) earnings per share	**$ (0.08)**	$ 0.01	**$ 0.05**	$ (0.04)

Three months ended June 30, 2022 versus June 30, 2021

Revenue was $15.2 million during the three months ended June 30, 2022, compared to $14.2 million in the same period of 2021. The increase in revenue was the higher power revenue from Nicaragua coupled with higher energy and effective prices from Peru, and higher carbon credits sold in the quarter.

Direct costs of energy production (other than depreciation and amortization) were $2.7 million for the three months ended June 30, 2022, compared to $2.6 million in the same period of 2021. The depreciation and amortization expense associated with energy production (included in direct costs) for the three months ended June 30, 2022 was $6.3 million, lower than $6.5 million the expense in the same period in 2021 from lower charges from San Jacinto.

General and administrative expenses for the three months ended June 30, 2022 were $1.4 million, lower than the $1.6 million expense in the same period of 2021. The decrease was due to lower professional fees, partly offset by an increase in compensation expense reported in the 2022 period, due to higher headcount at the corporate office.

Interest income for the three months ended June 30, 2022 was $0.1 million, consistent with the same period of 2021.

For the three months ended June 30, 2022, finance costs were $4.2 million, compared to $4.3 million finance costs recorded in the three months ended June 30, 2021. The decrease results from lower accretion of debt expense recognized in the quarter as a result of the settlement of the Senior and Subordinated loans in the first quarter of 2022.

Other (Losses) Gains for three months ended June 30, 2022 were Other Losses of $1.7 million, compared to Other Gains of $1.8 million for the same period in 2021. The fluctuation was driven by the revaluation of the conversion option liability from the debenture, from which a $2.0 million loss was recorded in the second quarter of 2022 as a result of the increase in stock price as of June 30, 2022. In comparison, in the second quarter of 2021 the revaluation resulted in a $2.4 million gain from the decrease in stock price as of June 30, 2021.

Loss attributable to owners was $1.5 million for the three months ended June 30, 2022, compared to Earnings of $0.2 million for the same period in 2021. Despite reporting higher operating income during the period, the Company reported a net loss driven by the $2.0 million loss from the revaluation of the conversion option liability noted above.

Six months ended June 30, 2022, versus June 30, 2021

Revenue was $31.3 million during the six months ended June 30, 2022, compared to $29.8 million in the same period of 2021. The increase was the combined result of higher production sold in Peru and higher effective PPA prices applied to our Peruvian facilities, partly offset by lower production sold by the San Jacinto facility, previously discussed.

Direct costs of energy production (other than depreciation and amortization) increased to $5.4 million for the six months ended June 30, 2022, compared to $5.2 million in the same period of 2021 mainly due to inflationary pressures and additional production costs incurred in the six months period of 2022. The depreciation and amortization expense associated with energy production (included in direct costs) for the six months ended June 30, 2022, was $12.3 million, lower than the expense in the same period in 2021 of $13.3 million from higher Property, Plant and Equipment costs.

General and administrative expenses for the six months ended June 30, 2022, were $2.9 million, approximately $0.5 million lower than in the same period of 2022, mainly due lower stock-based compensation expense recognized in the 2022 period, coupled with lower professional fees spent in the first half of 2022.

Interest income for the six months ended June 30, 2022, was $0.1 million, compared to the $0.1 million in the same period of 2020.

For the six months ended June 30, 2022, finance costs were $11.3 million, compared to $8.7 million finance costs recorded in the same period of 2021. The increase is the net result of prepayment fees incurred in the settlement of the Senior and Subordinated loans completed in the first quarter of 2022, compared to the same period in 2021.

Other (Losses) Gains for six months ended June 30, 2022 was Other Loss of $0.5 million, compared to Other Gains of $1.9 million for the same period in 2021. The loss recorded in the 2022 period was driven by a $0.8 million loss on valuation of conversion option driven by the increase of the stock price in the period. In comparison, the $1.9 million gain recorded in the six months period of 2021 was the result of a $1.4 million other gain recognized from the sale of Meager Creek Development Corp. in 2021.

Earnings attributable to owners was $1.0 million for the six months ended June 30, 2022, compared to a net loss of $0.8 million for the same period in 2021. The increase was attributed mainly to higher revenue, lower depreciation, and lower general and administrative expenses, partly offset by higher finance costs and other losses recognized in 2022. Contributing to the increase in earnings was a $2.3 million income tax recovery estimated at June 30, 2022, compared to a $2.0 million income tax expense recorded in the same period of 2021. The 2022 recovery is associated mainly with foreign exchange fluctuations, particularly in Peru.

Adjusted EBITDA was $11.2 million for the three months ended June 30, 2022, compared to $10.0 million for the same period in 2021, principally as a result of higher operating income, as discussed above. *(Refer to Section 11: Non-GAAP Performance Measures in this MD&A for a cautionary note regarding their use, descriptions and reconciliations to the most directly comparable IFRS measure).*

7. FINANCIAL CONDITION, LIQUIDITY AND SHARE CAPITAL INFORMATION

The following is a summary and explanation of cash inflows and outflows for the following periods:

	Six Months Ended	
	June 30, 2022	**June 30, 2021**
Net cash from (used in)		
Operating activities	**$ 21,761**	$ 24,152
Investing activities	**(40,522)**	(1,493)
Financing activities	**(19,652)**	21,979
Foreign exchange gain on cash held in foreign currency	**(5)**	(6)
Increase (decrease) in cash	**$ (38,418)**	$ 44,632

- Net cash from operating activities for the six months ended June 30, 2022 of $21.8 million, lower than the $24.2 million for the same period in 2021, mainly because in the 2021 period San Jacinto collected approximately an $8.0 million overdue receivable balance, after the sign-off of the new PPA agreement.
- Net cash used in investing activities for the six months ended June 30, 2022 was $40.5 million, compared to $1.5 million in the same period of 2021, largely due to purchases related to the construction in progress mainly of the Binary Project in San Jacinto and the purchase payment made for the acquisition of Emerald, in June 2022.
- Net cash used in financing activities for the six months ended June 30, 2022 of $19.7 million, compared to $22.0 million net cash from financing activities reported in the same period in 2021. The decrease was driven by the net proceeds relating to common shares issued during the first quarter of 2021, compared to higher dividends paid in the first quarter of 2022 and the net impact of the repayment of debt and refinancing completed in February 2022, compared to the 2021 period.

The following is a summary of key balance sheet items as at the following period ends:

	As at June 30, 2022	As at December 31, 2021
Cash[(i)]	**$ 59,512**	$ 97,930
Restricted cash - non-current	**$ 1,780**	$ 3,835
Total current assets	**$ 73,728**	$ 110,143
Total assets	**$ 537,462**	$ 502,700
Current and Long-term debt[(ii)]	**$ 194,384**	$ 169,686
Total liabilities	**$ 281,347**	$ 241,876

(i) *Cash in the amount of $13.1 million (December 31, 2021 - $33.1 million) held by the Company 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 funds is considered perfunctory to the agreement, as long as the required covenants and balances are met. The Credit Agreements require certain amounts to be held in reserve for future debt service as well as for future investment in the San Jacinto project through the major maintenance reserve account. 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.*

(ii) *Net of transaction costs.*

Total assets were $537.5 million as at June 30, 2022 compared to total assets of $502.7 million as of December 31, 2021. The increase reflects the assets recognized from the acquisition of Emerald, in June 2022. The Company believes that it has adequate liquidity to fund the routine capital expenditures associated with maintaining San Jacinto, the GASAC facilities and Canchayllo, Canoa 1 and the construction of the Binary Plant as well as the recently acquired Panama Solar projects. The Company believes that its current working capital and future cash flows will be sufficient to allow it to fulfill current obligations (including those obligations and commitments noted below) and allow it to continue to operate for the foreseeable future. Should additional capital requirements or the replacement of debt be necessary, the Company expects to satisfy these requirements through financing or monetization of assets or undertake activities as appropriate under the specific circumstances. However, additional funding requirements or the outcome of these matters cannot be predicted with certainty at this time.

Total liabilities as at June 30, 2022 were $281.3 million, a $39.5 million increase from December 31, 2021 due to debt assumed from the acquisition of Emerald along with the increase in deferred tax liability from this transaction, partly offset by debt repayment during the period and lower current portion of long-term debt balance carried over from the new debt. During the six months ended June 30, 2022, PENSA repaid $112.5 million of principal on its San Jacinto credit facilities and issued $110.0 million in new debt. As at June 30, 2022, PENSA had $103.9 million outstanding on those credit facilities.

As previously noted, the Company has a new financing agreement for a Senior Debt Facility totalling $110.0 million for PENSA. This Senior Debt Facility replaces the existing Senior and Subordinated project loans in Nicaragua. The settlement of the existing obligation and funding of the Debt Re-financing was completed February 11, 2022, with the following terms:

- 15-year term beginning in 2022 and ending in 2037.
- Initial fixed rate of LIBOR + 7.0% that will be reduced to LIBOR + 6.75% once the Binary Unit is completed, which is expected to occur in the fourth quarter of 2022.
- The two main financial covenants are maintaining a debt service coverage ratio of greater than 1.40:1 and Debt to Assets less than 50%.

On June 28, 2022, the Company completed the acquisition of Emerald, and assumed an obligation with the pension fund Fondo de Inversion Cerrado Libre para el Desarrollo de Infraestructuras Dominicanas for a $37.0 million credit facility entered on December 10, 2020. The loan has a term of 17 years, a 7% fixed interest rate, and requires quarterly payments of principal and interest. Financing costs totalling $1.7 million were incurred from this transaction, which are deferred over the term of the loan. The terms and conditions of the loan were not modified upon the acquisition of Emerald. The preliminary fair value assigned to the obligation assumed was $33.9 million, and it may change once the final allocation is determined. (Note 4 of the Condensed Consolidated Financial Statements for the three and six months ended June 30, 2022 and 2021).

As at June 30, 2022, the Company is in compliance with all of its financial and operational covenants.

Remaining contractual maturities of the Company's financial liabilities as at June 30, 2022 are as follows:

	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years	Total
Accounts payable and accrued liabilities	$ 16,275	$ -	$ -	$ -	$ 16,275
Debt, current and long-term *(i)*	9,610	29,013	46,203	140,329	225,155
Interest obligations	16,792	47,756	21,270	38,586	124,404
	$ 42,677	**$ 76,769**	**$ 67,473**	**$ 178,915**	**$ 365,834**

(i) Debt includes the convertible debentures of $17.1 million with a maturity date of 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.

The following are the annual principal obligations on project credit facilities for the remaining terms of the loans including the new Senior Debt Facility and the credit facility that the recently acquired Canoa 1 has in place with the pension fund:

	Canoa 1 (Note 4)	San Jacinto (new credit agreement)	Generación Andina	APG Ltd. (BVI)
2022	1,368	2,149	2,030	-
2023	1,493	10,000	2,050	300
2024	1,621	10,000	2,071	950
2025	1,770	10,000	2,092	950
2026	1,924	10,000	2,113	1,300
2027	2,086	8,011	2,134	1,300
2028	2,256	7,421	2,155	20,200
2029	2,395	7,065	2,177	-
2030	2,423	6,846	2,198	-
2031	2,484	6,736	2,220	-
2032	2,531	6,703	2,243	-
2033	2,592	6,749	2,265	-
2034	2,662	6,854	2,288	-
2035	2,738	7,002	2,310	-
2036	2,807	3,713	2,334	-
2037	2,687	-	4,726	-
2038	-	-	3,550	-
Total	***$ 35,837***	***$ 109,249***	***$ 40,956***	***$ 25,000***

Interest on the APG Ltd. (BVI) credit facility is due and payable semi-annually and is currently estimated to be $1.3 million each period. The Company plans to make payments of interest on the San Jacinto, APG Ltd. (BVI) and Canoa 1 credit facilities out of current cash and cash generated by operations. The Generación Andina credit facility bears no interest.

Additional discussion relating to the above financial instruments are included in Note 16 to the Consolidated Financial Statements for the period ended June 30, 2022. Readers are also encouraged to refer to discussion relating to the Company's Capital Management in Note 16 to the Consolidated financial statements for the period ended June 30, 2022.

OTHER CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The Company enters into agreements for geothermal concessions. Below are the minimum annual payments required as at June 30, 2022 and December 31, 2021:

	June 30, 2022	December 31, 2021
No later than one year	**$ 30**	$ 30
For years 2 - 5	**120**	120
Thereafter	**300**	300
Total commitments for expenditures	**$ 450**	$ 450

OUTSTANDING SHARE INFORMATION

The following table summarizes the Company's common shares and securities potentially convertible into common shares as at the following dates:

As at	August 3, 2022	June 30, 2022
Common shares issued and outstanding	**19,628,176**	19,628,176
Share options outstanding *(i)*	**573,000**	558,000

(i) The outstanding stock options have a weighted average exercise price of Cdn$16.39 and 1.7 year remaining contractual life. Exercise prices range from Cdn$9.93 to Cdn$18.44 and expire from December 2022 to June 2027. Of the outstanding stock options, 205,500 are exercisable.

8. SUMMARY OF UNAUDITED QUARTERLY RESULTS

The information provided below highlights unaudited quarterly results for the past two years:

	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Production MWh	**163,119**	177,765	162,543	149,320
Total revenue	**$ 15,184**	$ 16,066	$ 14,871	$ 14,806
Direct cost of power production	**$ (9,063)**	$ (8,679)	$ (9,039)	$ (9,219)
Net earnings (loss) attributable to owners of the Company	**$ (1,542)**	$ 2,531	$ (921)	$ 2,175
Basic weighted average number of shares outstanding	**19,626**	19,589	19,489	18,575
Diluted weighted average number of shares outstanding	**19,646**	19,614	19,489	18,867
Earnings per share attributed to owners of the Company - basic	**$ (0.08)**	$ 0.13	$ (0.05)	$ 0.12
Earnings per share attributed to owners of the Company - diluted	**$ (0.08)**	$ 0.13	$ (0.05)	$ 0.12
Adjusted EBITDA	**$ 11,188**	$ 12,097	$ 11,067	$ 10,857
Cash	**$ 59,512**	$ 83,389	$ 97,930	$ 99,858
Restricted cash (current and non-current)	**$ 4,780**	$ 3,835	$ 3,835	$ 4,780
Total equity attributable to Owners of the Company	**$ 258,038**	$ 262,412	$ 262,759	$ 265,306

	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Production MWh	**150,676**	180,984	171,933	142,187
Total revenue	**$ 14,161**	$ 15,679	$ 18,471	$ 17,054
Direct cost of power production	**$ (9,111)**	$ (9,398)	$ (9,186)	$ (9,351)
Net earnings (loss) attributable to owners of the Company	**$ 159**	$ (912)	$ 24,230	$ 1,322
Basic weighted average number of shares outstanding	**18,144**	16,851	15,706	15,706
Diluted weighted average number of shares outstanding	**18,425**	16,851	16,335	16,375
Earnings per share attributed to owners of the Company - basic	**$ 0.01**	$ (0.05)	$ 1.54	$ 0.08
Earnings per share attributed to owners of the Company - diluted	**$ 0.01**	$ (0.05)	$ 1.48	$ 0.08
Adjusted EBITDA	**$ 9,978**	$ 11,851	$ 13,574	$ 13,006
Cash	**$ 104,690**	$ 107,962	$ 60,058	$ 58,627
Restricted cash (current and non-current)	**$ 1,780**	$ 1,782	$ 1,785	$ 1,897
Total equity attributable to Owners of the Company	**$ 265,743**	$ 268,492	$ 228,745	$ 206,844

9. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

RECENT PRONOUNCEMENTS ISSUED AND EARLY ADOPTION OF STANDARDS

The Company's consolidated financial statements are prepared in accordance with IFRS. The significant accounting policies applied, and recent accounting pronouncements are described in Note 3 to the Company's consolidated financial statements for the years ended December 31, 2021 and 2020. New standards adopted by the Company are described below.

Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use.

IAS 16 Property, Plant and Equipment has been revised to incorporate amendments issued by the IASB in May 2020. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). Instead, a company will recognize such sales proceeds and related costs in profit (loss). The amendments also clarify the definition of testing and require certain related disclosures. An entity is required to apply these amendments for annual reporting periods beginning on or after January 1, 2022, and early adoption is accepted. The amendments are applied retrospectively only to items of property, plant and equipment that are available for use after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The Company has ongoing projects with completion date expected during the fourth quarter of 2022 and it will apply the new standard to these projects as they start to generate revenue.

Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued Classification of Liabilities as Current or Non-Current, which amends IAS 1 Presentation of Financial Statements. The narrow scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of its recognition. It clarifies that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. It also introduces a definition of ‘settlement ’to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company is assessing the potential impact of these amendments.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Business combination or asset acquisition

When a development project is acquired, management is required to exercise its judgment to determine whether the transaction constitutes a business combination under IFRS 3, Business Combinations, or an asset acquisition. Management determines that a transaction is defined as a business combination by analyzing the inputs, processes and outputs existing at the moment of the transaction

Business combinations are accounted for using the acquisition method. The consideration transferred by the Company to obtain control of a subsidiary is calculated as the sum of the fair values of assets transferred, liabilities assumed, and the equity instruments issued by the Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed to earnings as incurred. The Company recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have previously been recognized in the acquiree’s financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition-date fair values.

Goodwill is determined after separate recognition of identifiable assets acquired. It is calculated as the excess of the sum of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (gain on a bargain purchase) is recognized through earnings immediately. If the business combination is achieved in stages, the acquisition-date carrying amount of the acquirer's previously held interest in the acquiree is remeasured at its acquisition-date fair value with any resulting gain or loss recognized in net earnings (loss).

Significant estimates and judgments

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, 2021.

Sources of estimation uncertainty include estimates to determine the recoverable amount of property, plant and equipment, construction in progress, the valuation of other assets and liabilities including environmental rehabilitation provisions, determination of the assumptions and inputs to value intangible asset associated to power purchase agreements in place, including the ability to extend the term of such power purchase agreements, assumptions to estimate the future merchant or spot price per MWh in a particular jurisdiction, assumptions to estimate the likelihood of realizing income tax losses upon which the recognition of a deferred income tax asset or liability is established, and the determination of the accounting method for business combinations.

10. FINANCIAL RISKS

The acquisition, development and operation of renewable energy projects involves numerous risks due to the inherent nature of the business and influence by global economic trends. Additionally, there are also risks related to local social, political, environmental, and economic conditions, as well as currency and inflation-related risks in the emerging market of Latin America. As such, the Company is subject to several financial and operational risks that may significantly impact its production, profitability, financial instruments, and levels of cash flows from operations. The Company believes that it has undertaken prudent measures, policies, practices and procedures to manage such risks and uncertainties but there can be no assurance that such challenges will not impact the Company's financial condition in the future.

The risks and uncertainties discussed in our current AIF and other filings with Canadian provincial securities regulatory authorities should be read in conjunction with the risks and uncertainties discussed throughout this MD&A. The AIF and other filings with Canadian provincial securities regulatory authorities are available on SEDAR at www.sedar.com.

The following discussion summarizes the Company's principal financial risks and related uncertainties:

LIQUIDITY RISK

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages liquidity risk by seeking to arrange to have sufficient cash, available credit facilities and other financial resources to meet obligations. The Company forecasts cash flows for a period of at least 12 months to identify financial requirements and ensure that these are met. To maintain or adjust its capital structure, the Company, upon approval by the Board, may issue shares, pay dividends, or undertake activities as appropriate under the specific circumstances. As part of its capital allocation strategy, the Company examines opportunities to divest non-core assets that fail to meet the Company's investment portfolio criteria.

CURRENCY RISK

Currency fluctuations may affect the Company's capital costs and the costs incurred as a result of the Company's operations. Although all of the Company's power purchase agreements are denominated in US dollars, a portion of the Company's operating and capital expenses are incurred in Nicaraguan Córdoba, Peruvian Nuevo Sol, Dominican Peso and Canadian dollars. The appreciation of these foreign currencies against the US Dollar would increase the costs of production and administration, which could materially and adversely affect the Company's earnings and financial condition. The Company may enter into forward contracts or other risk management strategies, from time to time, to hedge against the risk of an increase in the value of these foreign currencies.

CREDIT RISK

Credit risk is the risk that a third party might fail to discharge its obligations under the terms of a financial instrument. The Company is exposed to various counterparty risks including, but not limited to financial institutions that hold the Company's cash and short-term investments, companies/government entities that have payables to the Company, insurance providers and lenders. The Company seeks to limit counterparty risk by entering into business arrangements with high credit-quality counterparties, limiting the amount of exposure, and monitoring their financial condition.

INTEREST RATE RISK

Interest rate risk is the risk that the future cash flow or fair value of a financial instrument will fluctuate due to changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to interest rate risk with respect to its cash flow. The risk that the Corporation will realize a loss due to a decline in the fair value of any short-term securities included in cash and cash equivalents and short-term investments is limited because these investments, although readily convertible into cash, are generally held to maturity. The Corporation's cash flow exposure to interest rate risk relates principally to its floating rate senior facilities and other debt. Management mitigates this risk by entering into fixed-rate financing agreements or, from time-to-time, may enter into hedging agreements.

11. NON-GAAP PERFORMANCE MEASURES

Certain measures in this MD&A do not have any standardized meaning as prescribed by IFRS and, therefore, are not considered GAAP measures. Where non-GAAP measures or terms are used, definitions are provided. In this document and in the Company's consolidated financial statements, unless otherwise noted, all financial data is prepared in accordance with IFRS.

This MD&A include references to the Company's adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA") and adjusted EBITDA per share, which are non-GAAP measures. These measures should not be considered in isolation or as an alternative to net earnings (loss) attributable to the owners of the Company or other measures of financial performance calculated in accordance with IFRS. Rather, these measures are provided to complement IFRS measures in the analysis of Polaris Renewable Energy's results since the Company believes that the presentation of these measures will enhance an investor's understanding of Polaris Renewable Energy's operating performance. Management's determination of the components of non-GAAP performance measures are evaluated on a periodic basis in accordance with its policy and are influenced by new transactions and circumstances, a review of stakeholder uses and new applicable regulations. When applicable, changes to the measures are noted and retrospectively applied.

The Company complies with National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosure ("NI 52-112") and its companion policy (the "Companion Policy"). NI 52-112 and the Companion Policy sets out disclosure requirements for non-GAAP financial measures, non-GAAP ratios, and other financial measures and replaces the previous guidance in

CSA Staff Notice 52-306 (Revised). Upon adoption of NI 52-112, the Company reviewed its related policies and use of non-GAAP measures by stakeholders and determined that it would no longer disclose Operating Cash Flow and Working Capital.

ADJUSTED EBITDA

The Company uses Adjusted EBITDA and Adjusted EBITDA per share to assess its operating performance without the effects of the following items (*as applicable in a given period*): current and deferred tax expense, finance costs, interest income, depreciation and amortization of plant assets, other gains and losses, impairment loss, share-based compensation, decommissioning liabilities adjustments and other non-recurring items. The Company adjusts for these factors as they may be non-cash, unusual in nature, items not related to or having a disproportionate effect on results for a particular period, and not reflective of operating performance. The Company believes that in addition to conventional measures prepared in accordance with IFRS, the Company and certain investors and analysts use Adjusted EBITDA and Adjusted EBITDA per share to evaluate the Company's performance. The presentation of Adjusted EBITDA and Adjusted EBITDA per share is not meant to be a substitute for Net Earnings/Loss and Net Earnings/Loss per share presented in accordance with IFRS, but rather should be evaluated in conjunction with such IFRS measures.

The following table reconciles net earnings and comprehensive earnings (loss) attributable to owners of the Company to Non-GAAP Performance Measures Adjusted EBITDA:

	Three Months Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Net (loss) earnings and comprehensive (loss) earning attributable to Owners of the Company	**$ (1,542)**	$ 159	**$ 989**	$ (753)
Add (deduct):				
Net earnings attributable to non-controlling interest	**12**	-	**12**	-
Current and deferred tax expense (recovery)	**92**	749	**(2,327)**	2,005
Finance costs	**4,163**	4,344	**11,285**	8,672
Interest income	**(98)**	(39)	**(149)**	(112)
Other losses (gains)	**1,716**	(1,770)	**462**	(1,890)
Costs incurred in business acquisition (Note 4)	**359**	-	**359**	-
Decommissioning liabilities adjustments	**-**	(3)	**9**	17
Depreciation and amortization	**6,392**	6,522	**12,485**	13,391
Share-based compensation	**94**	16	**160**	512
Adjusted EBITDA	**$ 11,188**	$ 9,978	**$ 23,285**	$ 21,842
Basic weighted average number of shares outstanding	**19,625,653**	19,422,053	**19,607,283**	18,143,626
Adjusted EBITDA per share	**$ 0.57**	$ 0.51	**$ 1.19**	$ 1.20

12. DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate disclosure controls and internal controls over financial reporting as defined under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings of the Canadian Securities Administrators ("NI 52-109").

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in the Company's annual filings, interim filings, or other reports filed with Canadian securities regulatory authorities is recorded, processed, summarized and reported in a timely fashion. The disclosure controls and procedures are designed to ensure that information required to be disclosed in such reports is then accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

The Company has filed certificates as required in Canada under NI 52-109, signed by its Chief Executive Officer and Chief Financial Officer certifying certain matters with respect to the design of disclosure controls and procedures, and the design of internal controls over financial reporting including as to the appropriateness of the financial disclosures in the Company's annual filings and the effectiveness of such disclosure controls and procedures as of June 30, 2022.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal controls over financial reporting. Internal controls over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Internal controls over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures are being made only in accordance with authorizations of management and directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the annual or interim financial statements.

There has been no change in the internal controls over financial reporting during the period ended June 30, 2022 that has materially affected, or is reasonably likely to materially affect, the internal controls over financial reporting.

Limitation on the scope and design of disclosure controls and procedures and internal controls over financial reporting

The limitation on the scope and design of the Company's disclosure of controls and procedures and internal controls over financial reporting as of June 30, 2022, did not cover the controls and procedures of the Canoa 1 solar project, acquired on June 28, 2022, which is was accounted for as a business acquisition in the June 30, 2022 consolidated financial statements. The Company has elected to apply section 3.3(1)(b) of Regulation 52-109, which allows this acquisition to be excluded from the evaluation of the design of controls and procedures and internal controls over financial reporting for a maximum of 365 days from the acquisition date.

The limitation on the scope is based primarily on the time required to assess design of controls and procedures and internal controls over financial reporting with respect to information relating to the Canoa 1 solar project. As of June 30, 2022, current assets and current liabilities represented each 6% of consolidated current assets and liabilities, respectively. Non-current assets and non-current liabilities each represented 12% and 17% of consolidated non-current assets and liabilities, respectively.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws, which may include, but is not limited to, financial and other projections as well as statements with respect to future events or future performance, management's expectations regarding the Company's growth, results of operations, business prospects and opportunities, and the effects of the COVID-19 pandemic. In addition, statements relating to estimates of recoverable energy "resources" or energy generation capacities are forward-looking information, as they involve implied assessment, *based on certain estimates and assumptions, that electricity can be profitably generated from the described resources in the future. Such forward-looking information reflects management's current beliefs and is based on information currently available to management. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "estimates", "goals", "intends", "targets", "aims", "likely", "typically", "potential", "probable", "projects", "continue", "strategy", "proposed", or "believes" or variations (including negative variations) of such words and phrases or may be identified by statements to the effect that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved.*

Forward-looking information in this MD&A includes, but is not limited to: the future development of and costs related to the Binary Unit at San Jacinto,; the expected production capacity of the Binary Unit at San Jacinto; additional changes to the wells and steamfield to increase production; the ability to successfully capitalize on expansion opportunities in Dominican Republic and to increase the load factor on Canoa Solar Park in Dominican Republic, timing for completion of the Canoa 2 project expansion, timing for COD in relation to the Panama acquisitions, time for closing of the acquisition of the Ecuador project; future dividends; expected annual energy production; sufficiency of cash flows from operations; the ability to satisfy capital requirements and the replacement of debt; the result of changes to the reinjection system over the long-term; and the verification process and timing regarding the sale of CERs.

A number of known and unknown risks, uncertainties and other factors may cause the actual results or performance to materially differ from any future results or performance expressed or implied by the forward-looking information. Such factors include, among others: failure to discover and establish economically recoverable and sustainable resources through exploration and development programs; imprecise estimation of probability simulations prepared to predict prospective resources or energy generation capacities; inability to complete hydro projects in the required time to meet COD; variations in project parameters and production rates; defects and adverse claims in the title to the Company's properties; failure to obtain or maintain necessary licenses, permits and approvals from government authorities; the impact of changes in foreign currency exchange and interest rates; changes in government regulations and policies, including laws governing development, production, taxes, labour standards and occupational health, safety, toxic substances, resource exploitation and other matters; availability of government initiatives to support renewable energy generation; increase in industry competition; fluctuations in the market price of energy; impact of significant capital cost increases; the ability to file adjustments in respect of applicable power purchase agreements; unexpected or challenging geological conditions; changes to regulatory requirements, both regionally and internationally, governing development, geothermal or hydroelectric resources, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, project safety and other matters; economic, social and political risks arising from potential inability of end-users to support the Company's properties; insufficient insurance coverage; inability to obtain equity or debt financing; fluctuations in the market price of Shares; inability to retain key personnel; the risk of volatility in global financial conditions, as well as a significant decline in general economic conditions; uncertainty of political stability in countries in which the Company operates; uncertainty of the ability of Nicaragua, Peru, Panama and Dominican Republic to sell power to neighbouring countries; economic insecurity in Nicaragua, Peru, Panama and Dominican Republic; and other development and operating risks, as well as those factors discussed in the section entitled "Risks and Uncertainties" in this MD&A. There may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. These factors are not intended to represent a complete list of the risk factors that could affect us. These factors should be carefully considered, and readers of this MD&A should not place undue reliance on forward-looking information.

Such forward-looking information is based on a number of material factors and assumptions, including: the Company's historical financial and operating performance; that contracted parties provide goods and/or services on the agreed timeframes; the success and timely completion of planned exploration and expansion programs, including the Company's ability to comply with local, state and federal regulations dealing with operational standards and environmental protection measures; the Company's ability to negotiate and obtain PPAs on favourable terms; the Company's ability to obtain necessary regulatory approvals, permits and licenses in a timely manner; the availability of materials, components or supplies; the Company's ability to solicit competitive bids for drilling operations and obtain access to critical resources; the growth rate in net electricity consumption; continuing support and demand for renewables; continuing availability of government initiatives to support the development of renewable energy generation; the accuracy of volumetric reserve *estimation methodology and probabilistic analysis used to estimate the quantity of potentially recoverable energy; environmental, administrative or regulatory barriers to the exploration and development of geothermal or hydroelectric resources of the Company's properties; geological, geophysical, geochemical and other conditions at the Company's properties; the reliability of technical data, including hydrological, extrapolated temperature gradient, geophysical and geochemical surveys and geothermometer calculations; the accuracy of capital expenditure estimates; availability of all necessary capital to fund exploration, development and expansion programs; the Company's competitive position; the ability to continue as a going concern and general economic conditions.*

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking information contained herein is provided as at the date of this MD&A and the Company disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise, except as required by applicable laws. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information due to the inherent uncertainty therein.

Additional information about the Company, including the Company's AIF for the year ended December 31, 2021 is available on SEDAR at www.sedar.com and on the Company's website at www.polarisREi.com.

****