POLARIS RENEWABLE ENERGY

(formerly Polaris Infrastructure Inc.)

Condensed Consolidated Interim Financial Statements for the periods ended

March 31, 2023 and 2022

(*Unaudited)*

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Polaris Renewable Energy Inc. *(formerly Polaris Infrastructure Inc.)*

Consolidated Balance Sheets

(expressed in thousands of United States dollars; unaudited)

	Note Ref	As at March 31, 2023	As at December 31, 2022
Assets			
Current assets			
Cash and cash equivalents		$ **35,960**	$ 35,325
Accounts receivable	7	**11,884**	11,239
Prepaid expenses and other current assets		**3,676**	4,045
		51,520	$ 50,609
Restricted cash		**4,640**	4,640
Other assets, net		**6,728**	7,021
Construction in progress	8	**300**	9,898
Property, plant and equipment, net	9	**393,836**	389,138
Intangible assets, net		**56,825**	57,527
Deferred tax asset		**4,895**	3,914
Goodwill		**12,355**	12,355
Total assets		$ **531,100**	$ 535,102
Liabilities and Total Equity			
Current liabilities			
Accounts payable and accrued liabilities		**12,776**	$ 14,931
Current portion of long-term debt, net	10	**14,941**	14,942
Current portion of lease liabilities		**448**	422
Other liabilities		**303**	303
		28,468	$ 30,598
Non-current liabilities			
Long-term debt, net	10	**167,045**	169,466
Lease liabilities		**2,350**	2,498
Deferred tax liability		**61,334**	62,328
Total liabilities		**259,197**	$ 264,890
Non-controlling interests		**615**	535
Equity attributable to the owners of the Company			
Share capital	11	**666,041**	666,041
Contributed surplus		**13,904**	13,836
Accumulated deficit		**(408,657)**	(410,200)
Total equity attributable to the owners of the Company		**271,288**	269,677
Total equity		**271,903**	$ 270,212
Total liabilities and total equity		$ **531,100**	$ 535,102

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 Renewable Energy Inc. *(formerly 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 Ref	Three Months Ended March 31, 2023	March 31, 2022
Revenue			
Power revenue	4	$ **20,115**	$ 15,699
Carbon emission reduction credits revenue	4	-	$ 367
Direct costs			
Direct costs	5	**(3,134)**	(2,679)
Depreciation and amortization of plant assets	5	**(7,208)**	(6,000)
General and administrative expenses	5	**(1,790)**	(1,493)
Other operating costs		**1**	35
Operating income		**7,984**	5,929
Interest income		**314**	51
Finance costs	6	**(4,992)**	(7,122)
Other (losses) gains		**(288)**	1,254
Earnings and comprehensive earnings before income taxes		**3,018**	112
Current Income Tax (expense)		**(216)**	**-**
Deferred Income Tax recovery		**1,974**	2,419
Total earnings and comprehensive earnings		$ **4,776**	$ 2,531
Total earnings and comprehensive earnings attributable to:			
Owners of the Company		$ **4,696**	$ 2,531
Non-controlling interests		$ **80**	$ -
Basic earnings per share	12	$ **0.22**	$ 0.13
Diluted earnings per share	12	$ **0.22**	$ 0.13

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

Polaris Renewable Energy Inc. *(formerly Polaris Infrastructure Inc.)*

Consolidated Statements of Changes in Shareholders' 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, 2022		**19,525,376**	**649,076**	**14,270**	**(400,587)**	**262,759**	**(1,935)**	**260,824**
Shares issued in connection UEG Acquisition	11	100,000	686	(686)	-	-	-	-
Dividends paid		-	-	-	(2,944)	(2,944)	-	(2,944)
Share-based compensation		-	-	66	-	66	-	66
Total earnings and comprehensive earnings		-	-		2,531	2,531	-	2,531
Balance at March 31, 2022		**19,625,376**	**649,762**	**13,650**	**(401,000)**	**262,412**	**(1,935)**	**260,477**
Dividends paid		-	-	-	(9,168)	(9,168)	-	(9,168)
Shares issued on conversion of Debentures	11	1,400,399	16,279	-	-	16,279	-	16,279
Share-based compensation		-	-	186	-	186	-	186
Total earnings and comprehensive earnings		-	-	-	(32)	(32)	2,470	2,438
Balance, December 31, 2022		**21,025,775**	**666,041**	**13,836**	**(410,200)**	**269,677**	**535**	**270,212**
Dividends paid		-	-	-	(3,153)	(3,153)	-	(3,153)
Share-based compensation		-	-	68	-	68	-	68
Total earnings and comprehensive earnings		-	-	-	4,696	4,696	80	4,776
Balance at March 31, 2023		**21,025,775**	**$ 666,041**	**$ 13,904**	**$ (408,657)**	**$ 271,288**	**$ 615**	**$ 271,903**

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

Polaris Renewable Energy Inc. *(formerly Polaris Infrastructure Inc.)*

Consolidated Statements of Cash Flows

(expressed in thousands of United States dollars; unaudited)

	Note Ref	Three Months Ended March 31, 2023	March 31, 2022
Net inflow (outflow) of cash related to the following activities			
Operating			
Total earnings and comprehensive earnings attributable to owners of the Company		**$ 4,696**	$ 2,531
Add/(Deduct) items not affecting cash:			
Non-controlling interests in net loss of subsidiary		**80**	-
Current and deferred income tax (recovery) expense		**(1,758)**	(2,419)
Finance costs recognized	6	**4,865**	3,536
Depreciation and amortization	5	**7,118**	6,093
Accretion of decommissioning liability		**-**	7
Change in decommissioning liabilities		**-**	(36)
Loss (gain) on valuation of conversion option liability	11	**-**	(1,181)
Accretion on debt	10	**310**	727
Transaction cost and return enhancement		**-**	(3,017)
Share-based compensation		**77**	755
Unrealized foreign exchange (gain) loss		**(3)**	213
Changes in non-cash working capital:			
Accounts receivable	7	**(645)**	(81)
Prepaid expenses and other assets		**599**	(1,753)
Accounts payable and accrued liabilities		**(1,570)**	(4,430)
Cost of extinguishment of debt		-	6,159
Interest paid	6	**(3,880)**	(1,723)
Change in other assets		**200**	2,189
Net cash flow from operating activities		**10,088**	7,570
Investing			
Additions to construction in progress	8	**(2,455)**	(7,165)
Additions to property, plant and equipment	9	**(526)**	(987)
Net cash flow to investing activities		**(2,981)**	(8,152)
Financing			
Dividends paid		**(3,153)**	(2,944)
Proceeds from debt issuance	10	**-**	110,000
Debt issuance costs	10	**-**	(9,470)
Repayment of debt	10	**(3,147)**	(111,466)
Payments of the outstanding lease liability		**(183)**	(77)
Net cash flow to financing activities		**(6,483)**	(13,957)
Foreign exchange loss on cash held in foreign currency		**11**	(2)
Net (decrease) increase in cash		**635**	(14,541)
Cash, beginning of the year		**35,325**	97,930
Cash, end of the period		**$ 35,960**	$ 83,389

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

1. Organization

On July 13, 2022, Polaris Infrastructure Inc. completed the regulatory process and changed its legal name to Polaris Renewable Energy Inc. (the "Company"). The Company was incorporated under the British Columbia Business Corporations Act but completed the endorsement process to continue as an Ontario Corporation on July 5, 2022. The registered office of the Company is located at 7 St. Thomas Street, Suite 606, Toronto, Ontario M5S 2B7.

The Company is engaged in the acquisition, exploration, development, and operation of renewable energy projects in the Americas.

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 Eléctrica Canchayllo 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).

On March 16, 2022, through its subsidiary Polaris Renewable Energy SA ("PRESA"), the Company completed the acquisition of 100% of two solar projects located in Vista Hermosa, in the Coclé Province in Panama, in exchange for $0.6 million purchase price, from which $0.3 million have been paid as of March 31, 2023. The transaction was accounted for as an asset acquisition. The two solar projects, named Vista Hermosa Solar Park I and II, have an expected capacity of approximately 10 MW (net) each.

On June 28, 2022, the Company completed the acquisition of 100% of the common shares issued and outstanding of Emerald Solar Energy SRL ("Emerald"), the sole owner of Canoa 1, an operational solar plant with 25 MW (net) capacity, located in the Barahona Province, Dominican Republic. The transaction was accounted for as a business combination.

On September 7, 2022, the Company completed the acquisition of 83.16% of the shares issued and outstanding of Hidroeléctrica San Jose de Minas ("HSJM"), the sole owner of an operational hydroelectric plant with 6 MW (net) capacity, located along the Perlabi river in San Jose de Minas, Ecuador. The transaction was accounted for as a business combination.

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, 2022.

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, 2022. 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, 2022.

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, 2022. 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, and the determination of the accounting method for business combinations.

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

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors of the Company (the "Board") on May 3, 2023.

3. Segment Information

The Company currently operates in five reportable operating segments:

- Nicaragua - Acquisition, exploration, development and operation of a geothermal project;
- Peru - Acquisition, exploration, development and operation of hydroelectric projects;
- Dominican Republic - Acquisition, development and operation of solar projects;
- Ecuador - Acquisition, exploration, development and operation of hydroelectric projects; and
- Panama - Acquisition, development and operation of solar projects.

The Company has designated its Chief Executive Officer as the chief operating decision maker, who 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. Corporate represent expenses, assets and liabilities for Canada, 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 condensed consolidated interim financial statements.

Polaris Renewable Energy Inc.

Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2023 and 2022
(expressed in thousands of United States dollars unless otherwise noted. Unaudited)

For the Three Months Ended March 31,	Nicaragua (i)		Peru		Dominican Republic		Ecuador		Panama		Corporate (i)		Total	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Revenue														
Power revenue	**$14,003**	$12,667	**$3,347**	$3,032	**$1,975**	$ -	**$ 790**	$ —	**$ —**	$ —	**$ —**	$ —	**$20,115**	$15,699
Carbon emission reduction credits revenue	-	-	-	-	-	-	-	-	-	-	—	367	-	367
Direct costs														
Direct costs	**(1,958)**	(1,756)	**(811)**	(923)	**(270)**	-	**(106)**	-	**(7)**	-	**18**	-	**(3,134)**	(2,679)
Depreciation and amortization of plant assets	**(5,714)**	(5,483)	**(740)**	(517)	**(410)**	-	**(138)**	-	-	-	**(206)**	-	**(7,208)**	(6,000)
General and administrative expenses	**(276)**	(403)	**(117)**	(119)	**(40)**	-	**(47)**	-	-	-	**(1,310)**	(971)	**(1,790)**	(1,493)
Other operating costs	-	-	-	-	-	-	-	-	-	-	**1**	35	**1**	35
Operating income	**6,055**	5,025	**1,679**	1,473	1,255	-	**499**	—	**(7)**	—	**(1,497)**	(569)	**7,984**	5,929
Interest income	**207**	4	**—**	-	**1**	-	**2**	—	**—**	—	**104**	47	**314**	51
Finance costs	**(3,419)**	(5,695)	**(762)**	(898)	**(683)**	-	**(128)**	—	-	—	**—**	(529)	**(4,992)**	(7,122)
Other (loss) gains	**(16)**	(1)	**14**	(1)	-	-	**(24)**	—	-	—	**(262)**	1,256	**(288)**	1,254
Earnings (loss) and comprehensive earnings (loss) before income taxes	**2,827**	(667)	**931**	574	573	-	**349**	—	**(7)**	—	**(1,655)**	205	**3,018**	112
Current Income Tax (expense)	**—**	—	**—**	-	(423)	—	**(4)**	—	-	—	**211**	-	**(216)**	-
Deferred Income Tax recovery/(expense)	**975**	(457)	**783**	2,876	-	—	-	—	-	—	**216**	-	**1,974**	**2,419**
Total earnings (loss) and comprehensive earnings (loss)	**$ 3,802**	$ (1,124)	**$1,714**	$3,450	**$ 150**	$ -	**$ 345**	$ -	**$ (7)**	$ - $-	**$(1,228)**	$ 205	**$ 4,776**	$ 2,531

(i) General and administrative expenses comparative balance as of March 31, 2022 includes a change in the presentation of management fees for $0.2 million, that does not reflect the performance of the Nicaragua segment.

Assets and liabilities		As at March 31, 2023	As at December 31, 2022
Corporate	**$**	**17,289**	$ 17,704
Nicaragua		**314,877**	319,029
Peru		**102,024**	102,162
Dominican Republic		**60,363**	61,038
Ecuador		**26,760**	26,040
Panama		**9,786**	9,129
Total assets	**$**	**531,099**	$ 535,102
Corporate	**$**	**4,017**	$ 4,179
Nicaragua		**290,317**	295,429
Peru		**93,402**	91,917
Dominican Republic		**56,492**	58,903
Ecuador		**24,963**	24,713
Panama		**10,388**	9,352
Total non-current assets	**$**	**479,579**	$ 484,493
Corporate	**$**	**1,072**	$ 1,784
Nicaragua		**158,474**	163,429
Peru		**51,107**	50,541
Dominican Republic		**40,885**	41,358
Ecuador		**7,167**	7,209
Panama		**490**	569
Total liabilities	**$**	**259,195**	$ 264,890

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

4. Revenue

Revenue by type is summarized in the following table:

Project		Three Months Ended March 31, 2023		March 31, 2022
Nicaragua *(i)*				
San Jacinto (Geothermal)	**$**	**14,003**	$	12,667
Peru *(ii)*				
Generación Andina (Hydroelectric)		**2,804**		2,595
Canchayllo (Hydroelectric)		**543**		437
Dominican Republic (iii) ()				
Canoa 1 (Solar)		**1,975**		-
Ecuador (iv) ()				
San Jose de Minas (Hydroelectric)		**790**		-
Total power revenue		**20,115**		**15,699**
Carbon emission reduction credits		**-**		367
	$	**20,115**	$	16,066

(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.
(iii) In the Dominican Republic, the Company bills energy 30 days after delivery and collects the receivable 30 days after billing.
(iv) For Ecuador, energy is billed 10 days after delivery and the receivable is collected 30 days after billing.

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 7 to these condensed consolidated interim financial statements provides details on the Company's contract balances related to this revenue.

5. Direct Costs, General and Administrative and Other Expenses

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

		Three Months Ended March 31, 2023		March 31, 2022
Depreciation and amortization	**$**	**7,208**	$	6,000
Employee costs		**1,133**		813
General liability insurance		**709**		545
Land, building and other Municipal and Federal Taxes		**639**		482
Maintenance		**450**		643
Other direct costs		**203**		196
	$	**10,342**	$	8,679

(b) General and administrative expenses:

		Three Months Ended March 31, 2023		March 31, 2022
Salaries and benefits	**$**	**845**	$	770
Share-based compensation		**77**		66
Facilities and support		**160**		168
Professional fees		**532**		324
Insurance		**90**		63
Depreciation of other assets		**56**		93
Other general and administrative expenses		**30**		9
	$	**1,790**	$	1,493

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

6. Finance Costs

	Three Months Ended March 31, 2023	March 31, 2022
Interest on debt (i)	**$ 4,865**	$ 3,536
Extinguishment of debt/Accretion on debt (ii)	**309**	3,360
Accretion of decommissioning liabilities	**(1)**	7
Banking fees and other finance costs	**149**	226
Borrowing costs capitalized to qualifying assets (i)	**(331)**	-
	$ 4,992	$ 7,122

(i) Interest on debt in the amount of $0.3 million was capitalized as part of borrowing costs incurred to fund the solar plant in Panama. Capitalization of borrowings costs began in the second quarter of 2022.

(ii) A $3.2 million net loss on extinguishment of debt was recognized because of the Senior Debt Facility completed on February 11, 2022. The net loss is the result of $6.2 million costs incurred in the extinguishment of the old debt and a $3.0 million gain resulting from the reversal of unamortized return enhancement and deferred transaction costs.

7. Accounts Receivable

	March 31, 2023	December 31, 2022
Nicaragua *(i)*		
San Jacinto (Geothermal)	**$ 9,963**	$ 8,976
Peru *(ii)*		
Generación Andina (Hydroelectric)	**21**	200
Canchayllo (Hydroelectric)	**37**	5
Dominican Republic *(iii)*		
Canoa 1 (Solar)	**1,335**	1,811
Ecuador *(iv)*		-
San Jose de Minas (Hydroelectric)	**528**	247
	$ 11,884	$ 11,239

(i) The balance is comprised of amounts due by Disnorte and Dissur, which have 45 days payment term from invoice date.
(ii) The average credit period granted to costumers is 30 days from invoice date.
(iii) The balance is due by EDESUR and has a credit period of 30 days from the issuance of the invoice.
(iv) The balance has a credit period of 30 days from the issuance of the invoice.

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 13 (b) Credit Risk).

8. Construction in Progress

	December 31, 2022	2023 Activity	2023 Transfers to PP&E	March 31, 2023
San Jacinto improvements	**$ 38**	**$ 14**	**$ -**	**$ 52**
Vista Hermosa Solar Park I and II (i)	**9,298**	**1,366**	**(10,664)**	**-**
HSJM	**46**	**-**	**-**	**46**
Others	**516**	**(314)**	**-**	**202**
	$ 9,898	$ 1,066	$ (10,664)	$ 300

(i) Vista Hermosa Solar Projects I and II are located in Panama. The cost of the project includes $1.3 million in borrowing costs capitalized during construction.

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

9. Property, Plant and Equipment, net

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

	December 31, 2022	2023 Activity	2023 Transfers from CIP	March 31, 2023
San Jacinto geothermal project (i)	$ 550,765	$ 386	$ -	$ 551,151
Generación Andina hydroelectric projects (ii)	64,382	15	-	64,397
Canchayllo hydroelectric project (ii)	10,276	17	-	10,293
Canoa 1 solar project	37,119	-	-	37,119
Vista Hermosa Solar Park, I and II	-	-	10,664	10,664
Accumulated depreciation	(279,470)	(6,492)	-	(285,962)
Capital spares	6,066	108	-	6,174
	$ 389,138	$ (5,966)	$ 10,664	$ 393,836

(i) Construction of the Binary Unit was completed on December 30, 2022. The cost of the project includes $2.1 million in borrowing costs capitalized during construction.

(ii) Improvements to the Generación Andina and Canchayllo plants were completed as planned in the original delivery schedule.

PP&E assets currently in operation are being depreciated on a straight-line basis over the remaining term of their estimated useful lives. Depreciation expense of $7.2 million and $6.0 for the periods ended March 31, 2023 and 2022 respectively, including depreciation of intangible assets was recorded in the consolidated statements of operations and comprehensive loss.

10. Long-term Debt, net

	PENSA Refinanced Debt	APG Debt	Generación Andina Debt	Canoa 1 Debt	San Jose de Minas Debt	Total
Loans and other borrowings – December 31, 2022	$ 103,167	$ 22,655	$ 19,842	$ 32,995	$ 5,749	$ 184,408
Accrued interest expense	-	-	418	-	-	418
Accretion of deferred transaction costs and debt discount	155	111	-	44	-	310
Repayments of debt	(2,500)	-	-	(352)	(295)	(3,147)
Effect of foreign exchange on loans	-	-	-	-	(3)	(3)
Loans and other borrowings – March 31, 2023	$ 100,822	$ 22,766	$ 20,260	$ 32,687	$ 5,451	$ 181,986
Current	$ 10,000	$ 300	$ 2,050	$ 1,513	$ 1,078	$ 14,941
Non-current	90,822	22,466	18,210	31,174	4,373	167,045
Unamortized debt discount	3,778	2,234	18,667	1,433	-	26,112
Principal balance	$ 104,600	$ 25,000	$ 38,927	$ 34,120	$ 5,451	$ 208,098
Annual Interest rate	**11.77% (variable)**	**8.75% (fixed)**	**No interest**	**7.00% (fixed)**	**7.91% to 7.95% (fixed)**	
Maturity dates	**9/15/2036**	**6/5/2028**	**6/15/2038**	**9/30/2037**	**7/25/2028**	

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

	Three Months Ended March 31, 2023	March 31, 2022
Phase I Facility		
Interest recorded as financing cost	$ -	$ 309
Accretion recorded as financing cost	-	39
Accretion recorded as financing cost -extinguishment of debt	-	(567)
Phase II Facility		
Interest recorded as financing cost	-	783
Accretion recorded as financing cost	-	90
Accretion recorded as financing cost -extinguishment of debt	-	3,709
Senior Debt Facility		
Interest recorded as financing cost	**3,151**	1,076
Accretion recorded as financing cost	**155**	105
Generación Andina Debt		
Interest recorded as financing cost	**417**	424
APG Debt		
Interest recorded as financing cost	**547**	413
Accretion recorded as financing cost	**110**	(16)
Debentures		
Interest recorded as financing cost	**-**	511
Canoa Debt		
Interest recorded as financing cost	**603**	-
Accretion recorded as financing cost	**44**	-
SJM Debt		
Interest recorded as financing cost	**122**	-
Other		
Interest recorded as financing cost	**25**	20
Total		
Interest recorded as financing cost	**$ 4,865**	**$ 3,536**
Accretion recorded as financing cost	**309**	**218**
Accretion recorded as financing cost -extinguishment of debt	**-**	**3,142**

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

As at March 31, 2023, interest rate on the Senior Debt Facility was LIBOR plus 7%, resulting in 11.77%, whereas the effective interest rate was estimated to be 8.11%. As of March 31, 2023, the Company is compliant with all the financial and operational covenants related to this Credit Agreement.

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

The APG debt has a 8.75% fixed 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. As of March 31, 2023, the Company is compliant with all the covenants required under the APG Credit Agreement.

(iii) Summary of Generación Andina Credit Agreement

As at March 31, 2023, 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, ending June 15, 2038. As of March 31, 2023, the Company is compliant with all the covenants required under the APG Credit Agreement.

(i) Summary of Canoa 1 Credit Agreement

The Canoa 1 loan has a term of 17 years, a 7% fixed interest rate, and requires quarterly payments of principal and interest. As of March 31, 2023, the Company is compliant with all the covenants required under the Canoa 1 Credit Agreement.

(i) Summary of HSJM Credit Agreement

HSJM has three credit facilities which are due between May 2023 and July 2028. These loans have fixed interest rates of 7.91% and 7.95% and require monthly payments of principal and interest. There are no covenants from these credit facilities.

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

(iv) Summary of EDC Term Loan Credit Facility

On February 2, 2023, the Company entered into an agreement with Export Development Canada ("EDC"), for a $10.0 million credit facility, with a 24 months drawdown period, and a variable interest rate of US Prime plus 3.5% annual. The purpose of the facility is to finance early-stage development expenses for some identified projects in Dominican Republic, Panama, and Ecuador. The facility establishes multiple advances, with no more than 3 draws per eligible project, which are to be repaid in one installment on the 24th month following the advance or completion of the development period. As of March 31, 2023, the Company has not withdrawn any funds from this facility.

11. 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, 2022	**19,525,376**	**19,525,376**	**195,500**	**-**	**100,000**
Shares issued in connection with UEG Acquisition	100,000	100,000	-	-	(100,000)
Stock options vested	-	-	2,500	-	-
Balance at March 31, 2022	**19,625,376**	**19,625,376**	**198,000**	**-**	**-**
Stock options vested	-	-	(50,000)	-	-
Shares issued on conversion of Debentures (i)	1,400,399	1,400,399	-	-	-
Balance at December 31, 2022	**21,025,775**	**21,025,775**	**148,000**	**-**	**-**
Stock options vested	-	-	2,500	-	-
Shares issued in connection with RSUs (ii)	-	-	-	38,100	-
Balance at March 31, 2023	**21,025,775**	**21,025,775**	**150,500**	**38,100**	**-**

(i) During the year ended December 31, 2022, a total of 21,006,000 senior unsecured convertible debentures were converted into 1,400,399 common shares.

(ii) On January 5, 2023, the Company granted 38,100 RSUs to some employees, with a three years vesting period.

(i) Stock options

The Company's Omnibus Long-Term Incentive Plan (the "LTIP") adopted in June 2012 and most recently amended and approved in June 2021, provides that stock options may be granted to directors, senior officers, employees and consultants of the Company or any of its affiliates and employees of management companies engaged by the Company. Options granted under the LTIP are for a contractual term not to exceed five years from the date of their grant, and vesting is determined by the Company's Board.

The following table summarizes the information related to stock options outstanding and exercisable as at March 31, 2023:

	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	238,000	2.91	$ 15.87	150,500	$ 14.42

For the periods ended March 31, 2023 and 2022, the Company recognized shared-based compensation expense associated with options, with a corresponding increase in contributed surplus, of $0.3 million and $0.2 million, respectively.

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

(ii) Restricted Share Units ("RSUs)

On January 5, 2023 the Company issued 38,100 RSUs to a group of employees and consultants, with a three year vesting period.

(iii) Deferred Share Units ("DSUs")

As at March 31, 2023, 19,122 DSUs are outstanding (December 31, 2022 – 17,248). On March 31, 2022, the Company issued 1,479 DSUs at a total grant date value of $20,000. On June 30, 2022, the Company issued 993 DSUs at a total grant date value of $15,000. On September 30, 2022, the Company issued 1,264 DSUs at a total grant value of $15,000. On November 30, 2022, the Company canceled 4,027 DSUs. On December 31, 2022, the Company issued 1,444 DSUs at a total grant value of $15,000. In addition, as of March 31, 2023, a total of 1,874 DSUs have been granted as part of the dividend reinvestment policy.

Participants may redeem DSUs within the 90 days following termination from the Company by providing a notice of redemption specifying an election to receive either a cash payment or Company shares or both. Until the liability is settled, the Company will remeasure the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss as part of share-based compensation for the period. Until the liability is settled, the Company will remeasure the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss as part of share-based compensation for the period.

12. Earnings per Share

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

	Three Months Ended	
	March 31, 2023	**March 31, 2022**
Total earnings attributable to owners of the Company	**$ 4,696**	$ 2,531
Basic weighted average number of shares outstanding	**21,025,774**	19,588,709
Basic earnings per share	**$ 0.22**	$ 0.13

	Three Months Ended	
	March 31, 2023	**March 31, 2022**
Total earnings attributable to owners of the Company	**$ 4,696**	$ 2,531
Diluted weighted average number of shares outstanding	**21,043,559**	19,613,954
Diluted earnings per share	**$ 0.22**	$ 0.13

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

	Three Months Ended	
	March 31, 2023	**March 31, 2022**
Stock options - 6/28/2022 grant date	**15,000**	-
Stock options - 4/01/2022 grant date	**15,000**	-
Stock options - 3/23/2022 grant date	**10,000**	**10,000**
Stock options - 8/9/2021 grant date	**120,000**	**120,000**
Stock options - 12/20/2017 grant date	**-**	**350,000**
Total anti-dilutive instruments	**160,000**	480,000

13. Financial Instruments and Risk Management

(a) Fair value of financial assets and liabilities

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

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

As at March 31, 2023, 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.

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 Earnings.

(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

PENSA Refinanced Debt Facility bears interest at 3-month LIBOR plus 7% prior to the Binary Unit completion date and 3-month plus 6.75% thereafter. The total rate as at March 31, 2023, was 11.32%. The Company determined that a hypothetical 10 basis point increase in the 3-month LIBOR would result in an increase of $0.1 million in financing costs for the year ended March 31, 2023.

Currency risk

The Company operates internationally and is exposed to risks from changes in foreign currency rates. The functional currency of the Company is the US dollar and currently most of the Company's transactions are denominated in US dollars. Further, the Company translates significant amounts received in local currency to US dollars immediately. As at March 31, 2023 and December 31, 2022, the Company had cash, and accounts payable and long-term debt in of CDN$4,482,660 and CDN$(14,854,039), respectively. The Company determined that a 10% change in the Canadian dollar against the US dollar would have impacted total loss and comprehensive loss by $1.2 million for the period ended March 31, 2023.

As at March 31, 2023, and December 31, 2022, the Company had cash, accounts receivable, prepaid contractor advances and accounts payable of Sol$2,085,193 and Sol$12,927,719, respectively held in its Peruvian subsidiaries. The Company determined that a 10% change in the Peruvian Soles against the US dollar would have impacted total earnings and comprehensive earnings by $0.05 million for the period ended March 31, 2023.

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 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 condensed consolidated interim 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.

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

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

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

From the credit risk assessment performed during the year, the Company has concluded that exposure to credit risk related to the amounts receivable from customers is not material, as of March 31, 2023.

The Company is also exposed to credit risk with respect to its amounts of cash and cash equivalents. The Company deposits its cash with reputable financial institutions, mostly based in North America, for which management believes the risk of loss to be remote.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they become due. The Company manages liquidity risk by ensuring that it has sufficient cash, credit facilities and other financial resources available to meet its obligations. The Company forecasts cash flows for a period of 12 months to identify financial requirements. These requirements are met through a combination of cash flows from operations, credit facilities and accessing capital markets.

The following are maturities for the Company's financial liabilities as at March 31, 2023:

	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years	Total
Accounts payable and accrued liabilities	$ 12,776	$ -	$ -	$ -	$ 12,776
Debt, current and long-term	14,937	32,182	29,785	131,193	208,097
Interest obligations	18,137	29,693	23,723	38,483	110,036
	$ 45,850	**$ 61,875**	**$ 53,508**	**$ 169,676**	**$ 330,909**

The following are maturities for the Company's financial liabilities as at March 31, 2022:

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

As at March 31, 2023, the Company is in compliance with all of its covenants.

14. Capital Management

The Company's capital structure is comprised of net long-term debt, as further disclosed in Note 11, and shareholders' equity (consisting of issued capital and contributed surplus offset by accumulated deficit). The Company's objectives when managing its capital structure are to:

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

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

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

In preparing its budgets, the Company considers externally imposed capital requirements pursuant to the terms of the PENSA Debt Refinancing Agreements, the loan agreements for the Canchayllo and GA projects and the Canoa Debt agreement (Note 10). These externally imposed capital requirements will affect the Company's approach to capital management. The Company's externally imposed capital requirements include maintaining minimum debt service coverage and solvency ratios for PENSA, SJPIC, EGECSAC, GASAC and Emerald, and restrictions on the use of revenue from all the projects.

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