



Consolidated Financial Statements as of
December 31, 2025 and 2024

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Independent auditor's report

To the Shareholders of Polaris Renewable Energy Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Polaris Renewable Energy Inc. and its subsidiaries (together, the Company) as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards.

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2025 and 2024;
- the consolidated statements of operations and comprehensive earnings for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessments of the cash generating units (CGUs) Refer to note 3 – Material accounting policies, note 13 – Construction in progress, note 14 – Property, plant and equipment, net, note 15 – Intangible assets and note 16 – Goodwill and impairment of assets to the consolidated financial statements. As at December 31, 2025, the total carrying value of Construction in Progress; Property, Plant and Equipment; Intangible Assets; and Goodwill amounted to \$4.5 million, \$350.8 million, \$46.6 million and \$9.3 million, respectively. Goodwill is tested annually for impairment and the carrying values of the long-term assets are reviewed quarterly for indicators of impairment. An impairment loss is recognized if the carrying value of a CGU exceeds its recoverable amount. During the year ended December 31, 2025, management identified indicators of impairment due to external market conditions relating to the current market value of the Company's share price.	Our approach to addressing the matter included the following procedures, among others: <ul style="list-style-type: none">• Tested how management determined the recoverable amounts of the CGUs, which included the following:<ul style="list-style-type: none">– Evaluated the appropriateness of the method used by management; including the discounted cash flow models.– Tested the mathematical accuracy of the discounted cash flow models.– Tested the underlying data used in the discounted cash flow models.

Key audit matter	How our audit addressed the key audit matter
<p>Management assessed the recoverable amounts of the CGUs based on a fair value less cost of disposal method using discounted cash flow models. Significant assumptions used by management in determining the recoverable amount of the CGUs included, among others, future production in connection to the power purchase agreements and discount rates.</p>	<ul style="list-style-type: none"> - Evaluated the reasonableness of the future production in connection to the power purchase agreements by, (i) comparing future production to current and past performance; and (ii) assessing whether it was consistent with evidence obtained in other areas of the audit.
<p>As a result, management performed impairment assessments on the CGUs. After reassessing the economic viability of the Perlabi canal expansion, management recorded an impairment charge of \$2.2 million as of December 31, 2025 for the Ecuador CGU. The impairment has been allocated to construction in progress (\$0.6 million) and the remaining \$1.6 million was allocated on a pro-rated basis to the rest of the intangible assets of the CGU.</p>	<ul style="list-style-type: none"> - Professionals with specialized skill and knowledge in the field of valuation assisted in testing the reasonableness of the discount rates.
<p>Management determined that no further impairment losses were required for other CGUs.</p>	<ul style="list-style-type: none"> • Tested the disclosures, including the sensitivity analysis, made in the consolidated financial statements with regard to the impairment assessments.
<p>We considered this a key audit matter due to the significant judgment by management in developing assumptions to determine the recoverable amounts. This in turn led to significant audit effort and subjectivity in performing procedures to test the significant assumptions used by management in determining the recoverable amount of the CGUs. In addition, the audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.</p>	

Valuation of the property, plant and equipment and tax equity liability acquired in the Punta Lima Wind Farm Acquisition

Refer to note 3 – Material accounting policies and note 4 – Acquisition of Punta Lima Wind Farm LLC to the consolidated financial statements.

Our approach to addressing the matter included the following procedures, among others:

- Tested how management estimated the fair value of the property plant and equipment and the tax equity liability, which included the following:

Key audit matter	How our audit addressed the key audit matter
<p>On March 3, 2025, the Company closed on the Equity Capital Contribution Agreement (ECCA) with respect to Punta Lima Wind Farm LLC for a total equity contribution of \$20 million. The fair value of the identifiable assets acquired included \$24.6 million in property, plant and equipment and \$6.5 million in tax equity liability. The tax equity liability represents the present value of estimated future cash distributions and tax benefits to be provided to the tax equity partners under the terms of the ECCA. Management applied significant judgment in estimating the fair value of the property, plant and equipment and the tax equity liability. To estimate the fair value of the property, plant and equipment and the tax equity liability, management used discounted cash flow models. Management developed significant assumptions related to future production and discount rates.</p> <p>We considered this a key audit matter due to the significant judgment by management in estimating the fair value of the property, plant and equipment and tax equity liability, including the development of significant assumptions. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the significant assumptions used by management. The audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.</p>	<ul style="list-style-type: none"> - Read the ECCA and the power purchase agreement. - Evaluated the appropriateness of management's discounted cash flow models and tested the mathematical accuracy thereof. - Tested the underlying data used by management in the discounted cash flow models. - Evaluated the reasonableness of significant assumptions used by management related to future production. - Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the reasonableness of management discounted cash flow methodology and the discount rates.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is James Lusby.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

February 18, 2026

Polaris Renewable Energy Inc.

Consolidated Statements of Operations and Comprehensive Earnings

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

	Note	Year Ended	
		December 31, 2025	December 31, 2024
Revenue			
Power revenue	6	\$ 80,435	\$ 75,771
Carbon emission reduction credits revenue	6	45	2
Direct costs			
Direct costs	7(a)	(16,276)	(13,751)
Depreciation and amortization of plant assets	7(a)	(29,959)	(29,209)
General and administrative expenses	7(b)	(7,833)	(7,509)
Impairment loss	16	(2,189)	(5,278)
Other operating costs		(192)	(576)
Operating income		24,033	19,450
Interest income			
Interest income		3,652	2,855
Tax-equity income	4,23(b)	2,865	-
Finance costs	8,18	(33,473)	(21,881)
Other (losses) gains		(1,017)	423
Earnings/(loss) and comprehensive earnings/(loss) before income taxes		(3,941)	847
Current income tax expense			
Current income tax expense	25	(6,507)	(3,512)
Deferred income tax recovery (expense)	25	7,633	4,844
Total earnings/(loss) and comprehensive earnings/(loss)		\$ (2,815)	\$ 2,179
Total earnings/(loss) and comprehensive earnings/(loss) attributable to:			
Owners of the Company		\$ (2,746)	\$ 2,990
Non-controlling interests	21	\$ (69)	\$ (811)
Basic earnings per share	20	\$ (0.13)	\$ 0.14
Diluted earnings per share	20	\$ (0.13)	\$ 0.14

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

Polaris Renewable Energy Inc.
Consolidated Balance Sheets
(expressed in thousands of United States dollars)

	Note	As at December 31, 2025	As at December 31, 2024
Assets			
Current assets			
Cash and cash equivalents	12(a)	\$ 88,624	\$ 213,306
Accounts receivable	10	11,407	11,279
Prepaid expenses and other current assets	11(a)	3,227	3,978
		103,258	228,563
Non-current assets			
Restricted cash	12 (b)	4,576	4,576
Other assets	11(b)	5,038	5,092
Property, plant and equipment	14	350,836	352,677
Intangible assets	15	46,617	50,842
Construction in progress	13	4,502	5,001
Goodwill	16	9,312	8,555
Deferred tax assets	25	11,430	6,799
Total assets		\$ 535,569	\$ 662,105
Liabilities and Total Equity			
Current liabilities			
Accounts payable and accrued liabilities	17	\$ 15,258	\$ 17,140
Current portion of long-term debt	18	4,036	16,267
Current portion of lease liabilities	24	361	428
		19,655	\$ 33,835
Non-current liabilities			
Long-term debt	18	213,308	312,082
Lease liabilities	24	2,165	2,148
Tax-Equity Liabilities	4, 23(b)	3,616	-
Decommissioning liabilities	4,23(a)	1,680	-
Deferred tax liability	25	52,268	54,514
Total liabilities		292,692	\$ 402,579
Non-controlling interests		(290)	(221)
Equity attributable to the owners of the Company			
Share capital	12	665,141	666,380
Contributed surplus		14,110	14,092
Accumulated deficit		(436,084)	(420,725)
Total equity attributable to the owners of the Company		243,167	259,747
Total equity		242,877	\$ 259,526
Total liabilities and total equity		\$ 535,569	\$ 662,105

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

Approved by the Board of Directors

(signed) Marc Murnaghan
 Chief Executive Officer

(signed) Jaime Guillen
 Director

Polaris Renewable Energy Inc.

Consolidated Statements of Changes in Shareholders' Equity

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

	Note Ref	Shares	Common Stock	Share Capital	Contributed Surplus	Accumulated Deficit	Total Attributable to the Owners		Non-Controlling Interest (Note 21)	Total Equity
							of the Company	21)		
Balance at January 1, 2024		21,063,575		\$ 666,394	\$ 14,020	\$ (411,072)	\$ 269,342		\$ 590	\$ 269,932
Dividends paid		-		-	-	(12,643)	(12,643)	-	(12,643)	
Share-based compensation	19				177		177		177	
Shares issued on vesting of RSUs	19(ii)	15,067		199	(181)		18	-	-	18
Share buyback program (NCIB)	19(iv)	(23,600)		(213)	76		(137)	-	(137)	
Total earnings/(loss) and comprehensive earnings/(loss)		-		-	-	2,990	2,990	(811)	2,179	
Balance, December 31, 2024		21,055,042		666,380	14,092	(420,725)	259,747	(221)		259,526
Dividends paid		-		-	-	(12,613)	(12,613)	-	(12,613)	
Share-based compensation	19	-		-	275		275	-	275	
Shares issued on vesting of RSUs	19(ii)	18,091		230	(230)		-	-	-	-
Share buyback program (NCIB)	19(iv)	(169,800)		(1,469)	(27)		(1,496)	-	(1,496)	
Total earnings/(loss) and comprehensive earnings/(loss)		-		-	-	(2,746)	(2,746)	(69)	(2,815)	
Balance at December 31, 2025		20,903,333		665,141	14,110	(436,084)	243,167	(290)		242,877

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

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

	Note Ref	Year Ended December 31, 2025	Year Ended December 31, 2024
Net inflow (outflow) of cash related to the following activities			
Operating			
Total (loss) earnings and comprehensive earnings attributable to owners of the Company	\$	(2,746)	\$ 2,990
Add/(Deduct) items not affecting cash:			
Non-controlling interests in net earnings of subsidiary		(69)	(811)
Current and deferred income tax (recovery)		(1,126)	(1,332)
Finance costs/interest on debt recognized		21,363	19,837
Depreciation and amortization	7(a)(b)	30,244	29,436
Impairment of intangible and fixed assets	16	2,189	5,278
Accretion on debt and other time-based charges		1,638	1,250
Write-off of financing cost -extinguishment of debt	18	4,219	-
Share-based compensation		393	348
Unrealized foreign exchange loss (gain)		38	40
Tax-equity income		(2,865)	-
Changes in non-cash working capital:			
Accounts receivable	10	1,660	(649)
Prepaid expenses and other assets	11	1,889	(532)
Accounts payable and accrued liabilities		(2,214)	(1,836)
Interest paid	18	(19,749)	(16,574)
Unearned revenue		(210)	(2,787)
Change in other assets		590	396
Net cash flow from operating activities		35,243	35,054
Investing			
Change in restricted cash	12	-	54
Additions to construction in progress	13	(317)	(341)
Additions to property, plant and equipment	14	(453)	(3,022)
Business combination, net of cash acquired	4	(19,445)	-
Net cash flow to investing activities		(20,215)	(3,309)
Financing			
Proceeds from Green Bond debt	9	-	175,000
Debt issuance cost		(1,444)	(4,364)
Repayment of debt & tax equity liability	18	(118,415)	(15,846)
Payments for extinguishment of debt	9	(5,436)	-
Dividends paid		(12,613)	(12,643)
Shares repurchase costs	19(iv)	(1,469)	(213)
Payments of the outstanding lease liability	24	(445)	(427)
Net cash flow to financing activities		(139,824)	141,507
Foreign exchange (loss) gain on cash held in foreign currency		114	1
Net (decrease) increase in cash		(124,682)	173,253
Cash, beginning of the year		213,306	40,053
Cash, end of the period	\$	88,624	\$ 213,306

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

Polaris Renewable Energy Inc.

Notes to the Consolidated Financial Statements

December 31, 2025 and 2024

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

1. Organization

Polaris Renewable Energy Inc. ("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 Latin America and the Caribbean.

The Company, through its subsidiaries Polaris Energy Nicaragua, S.A. ("PENSA") and San Jacinto Power International Corporation ("SJPIC"), owns and operates a 82-megawatt ("MW") 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 Canchayillo SAC ("EGECSAC"), the Company owns and operates a run-of-river hydroelectric project with a rated capacity of approximately 5 MW located in the Canchayillo 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 and 20 MW.

The Company, through its subsidiary Emerald Solar Energy SRL ("Emerald"), owns and operates a solar plant, Canoa 1, with 25 MW capacity, located in the Barahona Province, Dominican Republic.

The Company also owns 83.16% of the shares issued and outstanding of Hidroelectrica San Jose de Minas, S.A. ("HSJM"), a subsidiary that operates a hydroelectric plant with 6 MW capacity, located along the Cubi river in San Jose de Minas, Ecuador.

Through its subsidiary Polaris Renewable Energy S.A, the Company constructed, owns and operates two solar projects located in Vista Hermosa, in the Coclé Province in Panama. The solar projects, named Vista Hermosa Solar Park I and II, have a capacity of approximately 10 MW and began operations in April 2023.

On March 3, 2025, the Company closed on the Equity Capital Contribution Agreement and LLC Agreement with respect to Punta Lima Wind Farm LLC. The operating onshore wind farm with a nameplate capacity of 26 MW is located in the Municipality of Naguabo, Puerto Rico. The transaction was accounted for as a business combination, and it is described in Note 4 below.

2. Basis of Preparation and Presentation

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

These consolidated financial statements have been prepared on a going concern basis. Accounting policies are consistently applied to all years presented, unless otherwise stated.

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

These consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company (the "Board") on February 18, 2026.

Polaris Renewable Energy Inc.

Notes to the Consolidated Financial Statements

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

3. Material Accounting Policies

a. Principles of consolidation

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

b. Non-controlling interests

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

c. Foreign currency translation

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

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

d. Business combinations or asset acquisitions

When a 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 date 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.

When the Company acquires less than 100% of a controlled subsidiary, the Company elects on a transaction-by-transaction basis, whether to measure non-controlling interest at its fair value or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

When an Asset Retirement Obligation (ARO) or a decommissioning liability is acquired in a business combination, at the acquisition date, they are recognized at fair value in accordance with IFRS 3. Subsequent to initial recognition, ARO is re-measured in accordance with IAS 37, and any changes to the liability are reflected as adjustments to the carrying amount of the related asset. The adjusted asset is depreciated prospectively over its useful life or the remaining lease term, for the right-of-use-assets.

In the case of tax equity financing arrangements (as described in Note 4: Acquisition of Punta Lima Wind Farm LLC) where the Company contributes capital in exchange for substantial economic returns in form of cash flows generated by the project, while obtaining operational control, the Company also assesses the arrangement in accordance with IFRS 10 – Consolidated Financial Statements to determine whether it exercises control over the project entity, based on its power to direct the relevant activities and its exposure to variable returns. In this case, the Group consolidates the project entity and accounts for the tax equity investor's interest as a liability in the consolidated financial statements. The Company's share of the profits and losses of the project are allocated in accordance with the contractual terms of the partnership agreement, which may differ from the legal ownership percentages.

The Company classifies its tax equity liability arising from the tax equity structure, as a financial instrument measured at amortized cost. Gain or loss on the tax equity liability (through the partial settlement by delivering non-cash attributes or to

Polaris Renewable Energy Inc.

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a lesser extent through cash distributions) is recognized, net of interest accreted, in the consolidated statements of income (loss).

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 interest 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 value of identifiable net assets exceeds 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 re-measured at its acquisition-date fair value with any resulting gain or loss recognized in net earnings (loss).

e. *Goodwill*

After initial recognition, goodwill is not amortized but is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired, at the cash-generating unit ("CGU") level. For the purpose of impairment testing, goodwill acquired in an acquisition is, from the date of acquisition, allocated to each of the Company's CGUs that are expected to benefit from the acquisition.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

f. *Impairment loss and reversal of impairment of long-lived assets and impairment of goodwill*

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The carrying value of long-term assets is reviewed quarterly for indicators of impairment and impairment reversal in order to assess if an asset or CGU may not be recoverable or if a previous impairment charge needs to be reversed. If indicators of impairment exist, the recoverable amount of the asset or CGU is estimated. If the carrying value of the asset or CGU exceeds the recoverable amount, the asset or CGU is written down, first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset. The impairment is recognized in the consolidated statements of operations and comprehensive loss.

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

For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, which is expected to benefit from the synergies of the combination. This allocation reflects the lowest level at which goodwill is monitored for internal reporting purposes.

The recoverable amount of an asset or CGU is identified as the greater of its fair value, less costs to disposal, and its value in use. Fair value is determined to be the amount for which the asset could be sold in an arm's length transaction. Value in use is calculated by estimating the discounted present value of the future net cash flows expected to be derived from the continued use of the asset or CGU. As of December 31, 2025 and 2024 the recoverable amounts of the CGUs were based on a fair value less cost of disposal ("FVLCD") method using discounted cash flow models. Significant assumptions assessed by management in determining the recoverable amount of the CGUs included the following:

- future production and pricing in connection to the power purchase agreements/spot markets;
- operating costs;

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- capital and sustaining capital expenditures;
- terminal value assessment;
- discount

rates

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

In addition, if Polaris believes, following interventions from regulatory agencies, that certain costs of property, plant and equipment and of intangible assets related to rate-regulated activities are no longer likely to be recovered or returned through future rate adjustments, the carrying amounts of these assets would be adjusted accordingly.

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

g. Financial instruments

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

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

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

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

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

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

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

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

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

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

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Determination of fair value

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

h. Revenue recognition

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

The Company's revenue consists of the sale of electricity and, to a lesser extent, Carbon emission reduction credits ("CERs") and is recorded net of applicable sales taxes.

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

When there is a significant financing component in the contract, the Company presents the effects of financing (interest revenue or interest expense) separately from revenue in the statement of comprehensive income.

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

i. Share-based compensation

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

j. Income taxes

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

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

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

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

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

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

k. Earnings per share

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

I. Cash and cash equivalents

Cash includes deposit accounts and in the comparative year 2024 it included short-term US Bonds. Restricted cash is classified as a long-term asset and includes project guarantees and bonds, which either are required to be held for longer than 12 months under the various contracts and agreements to develop and operate the Company's projects, or require to meet certain conditions precedent for its release and usage.

m. Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the agreement on the inception date. As a lessee, the Company recognizes a lease obligation and a right-of-use asset in the consolidated statements of financial position on a present-value basis at the date when the leased asset is available for use. Each lease payment is apportioned between a finance charge and a reduction of the lease obligation. Finance charges are recognized in finance cost in the consolidated statements of earnings (loss). The right-of-use asset is included in property, plant and equipment and is depreciated over the shorter of the estimated useful life of the asset and the lease term on a straight-line basis.

Lease obligations are initially measured at the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, or if this rate cannot be determined, the Company's incremental borrowing rate.

Right-of-use assets are initially measured at cost comprising the following:

- the amount of the initial measurement of the lease obligation;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and rehabilitation costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statements of earnings (loss). Short-term leases are leases with a lease term of 12 months or less at the inception of the lease. Low-value assets comprise primarily small equipment.

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

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

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

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

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

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

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

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

- Wells – 25 years
- Condenser, Pipelines and Turbines – 20 years
- Cooling Tower and Switchyard – 25 years

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

- Solar plant – 20 years
- Inverters – 10 years
- Weather towers – 5 years

Construction in progress ("CIP")

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

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

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

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

Borrowing costs

Borrowing costs directly attributable to the construction phase of qualifying assets are capitalized as part of the cost of the asset until the asset is substantially ready for its intended use. Borrowing costs related to corporate financings are generally expensed unless the proceeds are directly attributable/used to fund specific qualifying CIP and PP&E.

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o. Service concession arrangements

IFRIC Interpretation 12, "Service Concession Arrangements", ("IFRIC 12") provides guidance on the accounting for certain qualifying public-private partnership arrangements, whereby the grantor:

- controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- controls – through ownership, beneficial entitlement or otherwise - any significant residual interest in the infrastructure at the end of the term of the arrangement.

IFRIC 12 is based on a "control of use" model as opposed to "risks and rewards", therefore under such concession arrangements the operator accounts for the infrastructure asset by applying one of the accounting models depending on the allocation of the demand risk through the usage of the infrastructure between the grantor and the operator:

- Financial asset model – The operator recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or other financial asset from or at the direction of the grantor for the services.
- Intangible asset model – The operator recognizes an intangible to the extent that it receives a right (license) to charge users of the public service. Demand risk and/or performance risk is borne by the operator.

Accounting for concession arrangements requires the application of judgment in determining if the project falls within the scope of IFRIC 12. Additional judgments are needed when determining, among other things, the accounting model to be applied under IFRIC 12, the allocation of the consideration receivable between revenue-generating activities, the classification of costs incurred on such activities, as well as the effective interest rate to be applied to the financial asset. As the accounting for concession arrangements under IFRIC 12 requires the use of estimates over the term of the arrangement, any changes to these long-term estimates could result in a significant variation in the accounting for the concession arrangement.

asset model. The intangible asset is then amortized over its expected useful life, which is the concession period in a service concession arrangement. The amortization period begins when the infrastructure is available for use.

p. Intangible assets

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

q. Provisions

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

r. Contingencies

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

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s. Decommissioning liabilities

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

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

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

t. New Accounting Policies effective January 1, 2025

The Company reviewed new and revised accounting pronouncements that have been issued and are effective for periods beginning on or after January 1, 2025.

The amendment listed did not have any impact on the amounts recognized in prior periods and is not expected to significantly affect the current or future periods

- *Amendments to IAS 21: Lack of exchangeability: Amended to clarify whether a currency is exchangeable into another currency and the spot exchange rate to use when it is not*

u. New Accounting Policies effective January 1, 2026 and after

Certain amendments to accounting standards and or amendments to existing standards have been published that are not mandatory for December 31, 2025 reporting periods and have not been early adopted by the Company. These new accounting policies and amendments, except by IFRS 18 whose impact in the financial statements the company is still assessing, as explained in Note 2, are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

IFRS 18 Presentation and Disclosure in Financial Statements was issued in April 2024. IFRS 18 supersedes IAS 1 Presentation of Financial Statements. It is mandatorily effective for annual reporting periods beginning on or after 1 January 2027 with early application permitted. IFRS 18 introduces significant changes to numerous requirements, primarily how an entity presents its statement of profit or loss; aggregate and disaggregate information disclosed in financial statements and therefore starting point for statement of cash flows; and discloses information about management-defined performance measures. Management is currently evaluating the impact IFRS 18 will have on our financial statements.

There are no other standards or amendments issued but not yet effective that are expected to have a significant impact on the Company's consolidated financial statements upon adoption. Management has also assessed the amendments to IFRS 9 and IFRS 7, effective in 2026, relating to the settlement of financial liabilities through cheques, wire transfers and other electronic payment methods, and does not expect their adoption to have a material impact on the Company's audited consolidated financial statements. There are currently no other pronouncements that are expected to have a significant impact on the Company's audited consolidated financial statements upon adoption.

v. Critical Judgments and Estimation Uncertainties

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

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Estimates and assumptions utilized in the preparation of the Company's consolidated financial statements include:

- depreciation and amortization rates and useful lives (Note 3(n));
- Decommissioning liabilities (Note 3(s));
- ability to utilize tax losses and other tax measurements (Note 3(j));
- determining fair value of assets and liabilities acquired in business combinations (Note 3(d)). In connection to the valuation of the net assets acquired in connection with the business acquisitions management used an acceptable valuation technique, which involved the use of discounted cash flow models. Management developed significant assumptions related to future production, pricing (in relation to the PPA and spot price), discount rates, and the potential extension of the term of the power purchase agreements.
- assessment and determination of net recoverable amounts of cash-generating units for impairment loss or reversal of long-lived and intangible assets (Note 3(f)). The recoverable amounts of the CGUs were based on a FVLCD method using discounted cash flow models.

Significant assumptions assessed by management in determining the recoverable amount of the CGUs included the following:

- future production and pricing in connection to the PPAs and the spot market;
- operating costs;
- terminal value and expected disposal costs
- capital and sustaining capital expenditures; and
- discount rates.

During the year ended December 31, 2025, management identified indicators of impairment due to external market conditions relating to the current market value of the Company's share price. As a result, management performed impairment assessments on the CGUs (based on the assumptions noted above). It identified an impairment loss for the Ecuadorian CGU (Note 16) with the \$2.2 million loss impacting the consolidated statement of operations. No further impairment losses were required for other CGUs.

i. Critical accounting judgments

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

The decision to cease capitalization of costs and transfer assets from CIP to PP&E is based on the asset being in the location and condition necessary for it to be capable of operating in the manner intended by management. Management uses judgment in determining the point at which this has occurred, which is generally when the asset reaches commercial operation post commissioning.

In connection with the acquisition of the Punta Lima wind facility, the Company entered into a tax-equity partnership structure under which, the other partner, the tax-equity investor monetize the tax U.S. federal attributes, while Polaris is entitled to the majority of cash flows until the occurrence of the flip date. Management applied judgment in determining the appropriate accounting treatment under IFRS, including the assessment of whether the tax-equity investor's interest should be accounted for as an equity interest or as a financial liability. Based on the contractual terms the tax-equity investor's interest is accounted for as a financial liability.

Management also applied judgment in assessing the expected timing of the "flip" in the tax-equity structure, currently projected to occur in 2029, when the allocation of residual interest between the parties changes and the Company is expected to obtain full ownership. This assessment is based on forecast taxable income, expected utilization of tax attributes by the partner and contractual provisions, and could change if actual results differ from expectations.

ii. Sources of measurement uncertainty

Amounts used for long-lived asset and intangible impairment reversal/loss calculations are based on estimates of future cash flows of the Company. By their nature, estimates of cash flows, including estimates of future capital expenditures, production levels, operating/CAPEX expenses, discount rates and market pricing are subject to measurement uncertainty. Accordingly, the impact on the consolidated financial statements of future periods could be material.

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

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

4. Acquisition of Punta Lima Wind Farm LLC

On March 3, 2025, the Company closed on the Equity Capital Contribution Agreement ("ECCA") and Limited Liability Company Agreement ("LLCA") with respect to Punta Lima Wind Farm LLC ("PLWF", an indirect subsidiary owned by Santander Bank N.A. "Santander"). PLWF is an operating onshore wind farm with a nameplate capacity of 26.0 MW's located in the Municipality of Naguabo, Puerto Rico. PLWF was reconstructed and recommissioned by Santander and has a 20-year power purchase agreement ("PPA") in place with Puerto Rico Electric Power Authority (PREPA) terminating in March 2044.

Puerto Rico does not operate a spot market for electricity. All wind energy producers, including PLWF, sell their output under a Power Purchase Agreement with PREPA, the sole off-taker on the island through Luma, the entity responsible for transmission and distribution of electrical energy on the island. Given the limited supply of renewable energy and the regulatory emphasis on clean energy procurement, it would be reasonable to assume it will secure a similar PPA if required. As such, the existing PPA does not confer a distinct economic advantage, and therefore no significant intangible value has been attributed to it in the purchase price allocation.

The transaction has been completed using a tax-equity structure which results in the Company becoming the manager and operator of the Project with a controlling equity interest and Santander (Class A and Class C units) retaining a tax equity interest in the Project. Tax equity structures in the U.S. are designed to allocate renewable tax incentives such as investment tax credits ("ITCs") and accelerated tax depreciation to tax equity partners. The structure grants them also the majority of the Project's U.S. taxable earnings/losses along with a small portion of cash flows, while Polaris will receive most of the cash flows and a minimal part of the earnings/losses until a contractually determined point at which the allocations are adjusted (the "Flip Date"). The Company anticipates the Flip Date will happen in 2029. Subsequent to the Flip Date the majority of the Project's taxable earnings/losses and cash flows are allocated to Polaris (Class B units).

The total equity contribution of \$20 million from Polaris was structured in two installments: \$15 million paid on March 3, 2025, and \$5 million paid on December 3, 2025. The second installment was recognized at acquisition as a deferred consideration, measured at its fair value of \$4.78 million using a 6.2% discount rate. Accordingly, the total consideration recognized in these financial statements, including cash flow presentation, amounts to \$19.78 million with \$0.22 accreted as interest on deferred contribution, while the contractual equity contribution totals \$20.0 million.

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 final allocation of the purchase price is summarized as follows:

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	Fair Value allocation as at March 3, 2025
Consideration	\$ 19,780
Identifiable assets acquired:	
Cash	335
Receivables and other assets	1,788
Prepays	185
Property, plant and equipment	24,551
Right of use asset	560
Total assets acquired	\$ 27,419
Less liabilities assumed:	
Accounts payable and accrued liabilities	(551)
Decommissioning Liability	(560)
Deferred tax liability	(756)
Total liabilities assumed	\$ (1,867)
Tax Equity Liability (Class A + C Units)	(6,528)
Net assets acquired	\$ 19,024
Goodwill	\$ 756

The trade and other receivables acquired as part of the acquisition with a fair value of \$1.8 million have been collected.

Punta Lima Wind Farm has in place three long-term land leases under one consolidated arrangement. However, because the lease payments under this arrangement are variable in nature, based on land use and revenue generated, no lease liability and the corresponding right-of-use-asset have been recognized under IFRS 16 Leases. As such, payments will be expensed in the statement of operations and comprehensive earnings in the period the related activity occurs.

In addition, the lease agreement includes a decommissioning obligation requiring the removal of certain wind turbines at the end of the lease term. As at the reporting date, the liability is recognized at \$1.7 million on the statement of financial position, reflecting the subsequent remeasurement using an updated discount rate of 3.9% (Note 23(a)).

The Company recognized a tax equity liability (Note 23(b)) to the Class A and Class C unitholders, representing the present value of estimated future cash distributions and tax benefits to be provided to the tax equity partners under the terms of the ECCA and the LLCA. This liability reflects the expected allocation of returns to the investor based on the projected performance of the project and applicable tax attributes until the Flip Date. At that time, the tax equity financing will be classified as a non-controlling interest. At all times, both before and after the projects' Flip Date, the Polaris retains control over PLWF.

Transaction costs related to due diligence fees, legal costs and other professional fees of \$505 were incurred in relation to the acquisition and were expensed in the Consolidated Statements of Operations and Comprehensive Earnings in 2024 (\$248) and 2025 (\$257).

If the transaction had closed on January 1, 2025, the Company would have recognized \$8.1 million in revenue instead of \$6.3 Million; \$6.2 million in operating costs instead of \$4.7; and \$1.8 million, instead of \$1.6 million in net earnings and comprehensive earnings as of December 31, 2025.

5. Segment Information

The Company currently operates in six reportable operating segments:

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

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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 of Directors 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 consolidated financial statements.

Assets and liabilities	As at December 31, 2025	As at December 31, 2024
Corporate	\$ 83,091	\$ 200,265
Nicaragua	238,799	275,288
Peru	100,542	94,961
Dominican Republic	58,864	61,819
Puerto Rico	28,085	-
Ecuador	16,499	19,786
Panama	9,692	9,985
Total assets	\$ 535,570	\$ 662,104
Corporate	\$ 3,776	\$ 4,137
Nicaragua	229,603	252,442
Peru	91,005	89,396
Dominican Republic	55,975	58,197
Puerto Rico	25,912	-
Ecuador	15,887	18,797
Panama	10,151	10,572
Total non-current assets	\$ 432,311	\$ 433,541
Corporate	\$ 175,797	\$ 172,718
Nicaragua	48,765	137,359
Peru	25,325	48,562
Dominican Republic	37,736	39,049
Puerto Rico	3,549	-
Ecuador	1,242	4,465
Panama	277	425
Total liabilities	\$ 292,692	\$ 402,578

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For the Year Ended December 31,	Nicaragua		Peru		Dominican Republic		Puerto Rico		Ecuador		Panama		Corporate		Total	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Revenue																
Electrical energy revenue	\$ 49,765	\$ 52,151	\$ 12,239	\$ 11,018	\$ 7,796	\$ 7,864	\$ 6,272	\$ -	\$ 3,186	\$ 2,687	\$ 1,177	\$ 2,051	-	-	\$ 80,435	\$ 75,771
Carbon emission reduction credits revenue													45	2	45	\$ 2
Direct costs																
Direct costs	(7,121)	(7,551)	(3,465)	(3,738)	(1,536)	(1,457)	(2,972)	-	(570)	(469)	(584)	(536)	(28)	-	(16,276)	(13,751)
Depreciation and amortization of plant assets	(22,783)	(22,933)	(2,626)	(2,766)	(2,209)	(2,290)	(1,135)	-	(705)	(727)	(500)	(493)	(1)	-	(29,959)	(29,209)
General and administrative expenses	(1,631)	(1,268)	(493)	(490)	(398)	(530)	(509)	-	(304)	(385)	(120)	(113)	(4,378)	(4,723)	(7,833)	(7,509)
Impairment loss	-	-	-	-	-	-	-	-	(2,189)	(5,278)	-	-	0	-	(2,189)	(5,278)
Other operating costs	-	-	-	-	-	-	(10)	-	-	-	-	-	(182)	(576)	(192)	(576)
Operating income	18,230	20,399	5,655	4,024	3,653	3,587	1,646	-	(582)	(4,172)	(27)	909	(4,543)	(5,297)	24,033	19,450
Interest income	181	965	10	30	78	86	-	-	3	23	2	3	3,378	1,748	3,652	2,855
Tax-equity income ⁽¹⁾	-	-	-	-	-	-	-	-	-	-	-	-	-	2,865	-	2,865
Finance costs	(7,586)	(12,556)	(4,718)	(4,835)	(2,550)	(2,654)	-	-	(55)	(425)	(3)	(5)	(18,561)	(1,406)	(33,473)	(21,881)
Other (losses) gains	(189)	(31)	(390)	134	61	(82)	(13)	-	(240)	48	(2)	12	(244)	342	(1,017)	423
Earnings (loss) and comprehensive earnings (loss) before income taxes	10,636	8,777	557	(647)	1,242	937	1,633	-	(874)	(4,526)	(30)	919	(17,105)	(4,613)	(3,941)	847
Current Income Tax (expense)	(4,453)	(3,093)	(117)	(81)	(274)	(113)	-	-	(216)	(68)	(3)	(158)	(1,444)	1	(6,507)	(3,512)
Deferred Income Tax recovery (expense)	3,337	4,419	4,631	318	(443)	(46)	-	-	40	243	-	-	68	(90)	7,633	4,844
Total earnings (loss) and comprehensive earnings (loss)	\$ 9,520	\$ 10,103	\$ 5,071	\$ (410)	\$ 525	\$ 778	\$ 1,633	\$ -	\$ (1,050)	\$ (4,351)	\$ (33)	\$ 761	\$ (18,481)	\$ (4,702)	\$ (2,815)	\$ 2,179

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6. Revenue

Revenue by type is summarized in the following table:

Project	Three Months Ended		Year Ended	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Canada				
Carbon Credits	\$ 16	\$ 2	\$ 45	\$ 2
Nicaragua (i)				
San Jacinto (Geothermal)	\$ 12,342	\$ 12,944	\$ 49,765	\$ 52,151
Peru (ii)				
Generación Andina (Hydroelectric)	2,910	2,620	10,429	9,159
Canchayllo (Hydroelectric)	516	634	1,810	1,859
Dominican Republic (iii)				
Canoa 1 (Solar)	1,414	1,878	7,796	7,864
Ecuador (iv)				
San Jose de Minas (Hydroelectric)	628	499	3,186	2,687
Panama (v)				
Vista Hermosa (Solar)	236	204	1,177	2,051
Puerto Rico (vi)				
Punt Lima (Wind)	1,452	-	6,272	-
Total power revenue	19,497	18,779	80,435	75,771
Total revenue	\$ 19,513	\$ -	\$ 80,480	\$ 75,773

- (i) The Company sells electricity to two Nicaraguan power distributors Distribuidora De Electricidad del Norte, S.A. ("Disport") and Distribuidora De Electricidad del Sur, S.A. ("Dissur"). Energy is billed 5 days after the delivery month and the receivable is collected 45 days after billing.
- (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. Energy is billed 10 business days after the delivery month and the receivable is collected 30 days after billing.
- (iii) In the Dominican Republic, the Company bills electricity 30 days after delivery and collects it 30 days after billing.
- (iv) For Ecuador, electricity is billed 10 days after delivery and the receivable is collected approximately 45 days after billing.
- (v) For Panama, electricity is sold at spot, billed 18 days after delivery and collected up to 30 days after billing.
- (vi) PLWF sells energy to Puerto Rico Electric Power Authority

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

7. Direct Costs, General and Administrative and Other Expenses

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

	Year Ended	
	December 31, 2025	December 31, 2024
Direct costs other than amortization:		
Employee costs	6,177	5,524
General liability insurance	3,675	3,102
Land, building and other Municipal and Federal Taxes	2,446	2,227
Maintenance	3,097	2,141
Other direct costs	881	757
	16,276	13,751
Depreciation and amortization	\$ 29,959	\$ 29,209
Direct Costs	\$ 46,235	\$ 42,960

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(b) General and administrative expenses

	Year Ended	
	December 31, 2025	December 31, 2024
Salaries and benefits	\$ 3,487	\$ 3,531
Share-based compensation	311	290
Facilities and support	1,099	1,133
Professional fees	2,408	1,589
Insurance	144	172
Minimum asset taxes	85	261
Depreciation of other assets	284	227
Other general and administrative expenses	15	306
	\$ 7,833	\$ 7,509

8. Finance Costs

	Year Ended	
	December 31, 2025	December 31, 2024
Interest on debt	\$ 21,112	\$ 19,837
Accretion on debt and other liabilities-including debt extinguishment	11,512	1,250
Banking fees and other finance costs	849	794
	\$ 33,473	\$ 21,881

Interest and accretion on debt includes comprise credit agreements and green bond financial instruments. Note 18.

9. Green Bond

a) Issuance

On December 3, 2024, the Company closed a private placement of \$175 million senior secured green bonds (the "Green Bonds"). The issuance was led by a Nordic broker and marketed as both a Green Bond and as a Nordic bond. Nordic bonds are characterized by registration on a regulated or unregulated market (such as Nordic ABM) within six months of issuance, are not subject to European Economic Area securities legislation, do not require the issuance of a listing prospectus, and involve the appointment of a bond trustee to act as an intermediary between the issuer and the bondholders. The Green Bonds were registered on Euronext in May 2025.

The Green Bonds have a tenor of five years and a fixed coupon rate of 9.5% percent per annum, payable in semi-annual installments. The Green Bonds also include a tap feature, allowing the Company to access up to an additional \$50 million in funding for potential future uses.

The proceeds from the Green Bonds will be used to finance or refinance investments in renewable energy production and storage.

The Green Bonds were issued within the Company's Green Financing Framework (the "Framework"). Eligible projects allocation decisions under the Framework are screened by performing individual environmental and social impact assessments and approved by the Company's ESG Steering Committee.

b) Funds

The Green Bonds have been classified as a financial liability at amortized cost under IFRS 9 (described in Note 3 (g)).

Total issuance costs of \$6.1 million were accounted for as part of the Green Bond's initial measurement. Interest expense of \$17.8 million related to the Green Bonds has been recognized in the statement of profit or loss for the period, calculated using the effective interest rate method.

Net proceeds of Green Bonds (\$168.9 million) have been partially used to repay other outstanding loans of \$120.6 million and to fund the acquisition of PLWF for \$20.0 million and its related transaction costs of \$0.5 million.

Key financial covenants, described on Note 18 (i), include a minimum liquidity of \$15.0 million during the term of the Green Bonds and a Debt Service Coverage Ratio ("DSCR") of no less than 1.75:1. Additionally, the terms of the

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Green Bonds impose an incurrence test in respect of any distribution, including dividends payment and share repurchase under the NCIB program. The incurrence test is met if the DSCR is higher than 2.00:1.

As of December 31, 2025, the Company is in compliance with all the covenants related to the Green Bonds and there is no indication that there may be any non-compliance with the covenants when they will be tested at the end of the next reporting period.

10. Accounts Receivable

		December 31, 2025	December 31, 2024
Nicaragua (i)			
San Jacinto (Geothermal)	\$	8,811	\$ 9,429
Peru (ii)			
Generación Andina (Hydroelectric)	160	179	
Canchayollo (Hydroelectric)	9	5	
Dominican Republic (iii)			
Canoa 1 (Solar)	890	1,161	
Ecuador (iv)			
San Jose de Minas (Hydroelectric)	420	383	
Panama (v)			
Vista Hermosa I (Solar)	82	61	
Vista Hermosa II (Solar)	78	61	
Puerto Rico (vi)			
Punta Lima Wind Farm	957	-	
	\$	11,407	\$ 11,279

(i) Balance comprised of amounts due by Disnorte - Dissur, which have 45 days payment term from invoice date.

(ii) The average credit period granted to customers is 30 days from the 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 average credit period granted to customers is 45 days from invoice date.

(v) The balance has a credit period of 30 days from the issuance of the invoice

(vi) The balance is due by Puerto Rico Electric Power Authority, which have 47 days payment term from invoice date.

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 26 (b) Credit Risk).

11. Prepaid expenses and Other Assets

a) Prepaid expenses and current portion of other assets

		December 31, 2025	December 31, 2024
Prepaid insurance	\$	1,600	\$ 1,189
Current portion of recoverable taxes	1,147	2,115	
Other assets and prepaids	479	674	
	\$	3,227	\$ 3,978

b) Other assets

		December 31, 2025	December 31, 2024
Recoverable taxes (i)	\$	47	\$ 856
Contractor advances and others (ii)	1,231	1,796	
Fixed assets, net	81	111	
Right-of-use-asset, net (iii)	3,679	2,329	
	\$	5,038	\$ 5,092

(i) Includes a \$0.5 million VAT write-off during 2025 related to legacy Peruvian entities that are no longer operative.

(ii) Includes a long-term receivable from the sale of the transmission line in Dominican Republic as well as advances related to the CER certifications.

(iii) Right-of-use-asset includes rights and agreements to use land in Dominican Republic and Peru, respectively, four office space leases, which are amortized over the term of such leases and right of use asset in Puerto Rico associated to the Retirement obligation of wind turbines.

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Right-of-Use Asset	December 31, 2025
Opening balance	\$ 2,329
Additions/(disposals) (i)	1,766
Accumulated Amortization	(416)
Ending balance as of	\$ 3,679

(i) Additions include a \$1.7 million right-of-use asset related to the decommissioning liability assumed on the acquisition of PLWF.

12. Cash and Restricted Cash

(a) Cash and cash equivalents

As of December 31, 2025 cash in the amount \$88.6 million (\$2024- \$213.3 million) included \$27.8 million (2024- \$168.9 million) representing the remaining balance of proceeds from the Green Bonds issued in December 2024. The use of these funds is subject to contractual restrictions and the amounts are available for current use provided that the Company maintains minimum available cash balances of at least \$15.0 million at all times (Notes 9, 18). Therefore, as these amounts are intended to fund new projects, the Company considers them as available cash, since they are available for current use.

(b) Restricted Cash

	December 31, 2025	December 31, 2024
San Jacinto guarantees	\$ 1,080	\$ 1,080
Ecuador guarantee	46	46
Peru guarantees and bonds	450	450
Dominican Republic guarantee	3,000	3,000
	\$ 4,576	\$ 4,576

13. Construction in Progress

	December 31, 2024	2025 Activity	2025 Transfers to PP&E	December 31, 2025
San Jacinto	\$ 192	\$ 102	\$ (232)	\$ 62
Vista Hermosa Solar Park	-	18	-	18
HSJM (i)	604	(589)	-	15
Canoa 1	4,205	110	-	4,315
Puerto Rico	-	92	-	92
	\$ 5,001	\$ (267)	\$ (232)	\$ 4,502

(i) Of the CIP balance in Ecuador, \$589 was related to the Perlabi river expansion project, which was cancelled in Q4 2025. As a result, this CIP was impaired as of December 31, 2025.

	01/01/2024	2024 Transfers from PPE (1)	2024 Activity	2024 Transfers to PP&E	December 31, 2024
San Jacinto improvements	\$ 25	\$ -	\$ 664	\$ (497)	\$ 192
HSJM	579	-	25	-	604
Canoa Improvement (ii)	3,531	4,172	1,674	(5,172)	4,205
	\$ 4,135	\$ 4,172	\$ 2,363	\$ (5,669)	\$ 5,001

(ii) Improvements to the Canoa 1 solar started in 2023 were completed in 2024. Transfers from PPE consist of over 40,000 PV solar panels with book value of \$5,172 and accumulated depreciation of \$1,000, replaced by newer technology. These panels are to be used in a future expansion of the solar park with expected economic benefits that exceeds its carrying value.

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14. Property, Plant and Equipment, net

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

	December 31, 2024	2025 Acquisitions	2025 Activity	Transfers from CIP	December 31, 2025
San Jacinto geothermal project	\$ 547,847	\$ (745)	\$ 232	\$ 547,334	
Generación Andina hydroelectric projects	64,913	109	-	65,022	
Canchayollo hydroelectric project	10,418	24	-	10,442	
Canoa 1 solar project	37,364	99	-	37,463	
Vista Hermosa Solar Park, I and II	11,274	49	-	11,323	
Punta Lima Wind Farm	-	25,827	5	25,832	
Accumulated depreciation	(325,252)	(1,275)	(26,191)	-	(352,718)
Capital spares	6,113	25	-	6,138	
	\$ 352,677	\$ 24,552	\$ (26,625)	\$ 232	\$ 350,836

	January 1, 2024	Transferred to CIP	2024 Activity	Transfers from CIP	December 31, 2024
San Jacinto geothermal project	\$ 547,001	\$ 349	\$ 497	\$ 547,847	
Generación Andina hydroelectric projects	64,804	109	-	64,913	
Canchayollo hydroelectric project	10,365	53	-	10,418	
Canoa 1 solar project	37,283	(5,172)	81	5,172	37,364
Vista Hermosa Solar Park, I and II	11,205	69	-	11,274	
Accumulated depreciation	(299,886)	1,000	(26,366)	-	(325,252)
Capital spares	6,115	(2)	-	6,113	
	\$ 376,887	\$ (4,172)	\$ (25,707)	\$ 5,669	\$ 352,677

PP&E assets currently in operation are being depreciated on a straight-line basis over the remaining term of their estimated useful lives, detailed in Note 3 (n).

15. Intangible Assets

	December 31, 2024	2025 Activity	Impairment (viii)	2025 Amortization	December 31, 2025
San Jacinto transmission assets (i)	\$ 2,512	\$ -	\$ (209)	\$ 2,303	
Generación Andina PPA (ii)	14,754	-	(985)	13,769	
Canchayollo PPA (iii)	1,627	-	(163)	1,464	
Canoa 1 PPA (iv)	12,277	-	(606)	11,671	
Canoa 1 - other intangibles	669	-	(26)	643	
Assets under development, Canoa (v)	948	-	-	948	
Assets under concession, San Jose de Minas (vi)	13,767	62	(478)	(556)	12,795
Assets under development, San Jose de Minas (vii)	948	-	(948)	-	-
HSJM PPA (viii)	3,340	-	(168)	(148)	3,024
	\$ 50,842	\$ 62	\$ (1,594)	\$ (2,692)	\$ 46,617

- (i) Balance represents the transmission assets for the San Jacinto project donated to the Nicaraguan utility company, ENATREL in December 2011 which are amortized over 25 years.
- (ii) Balances represent the fair values of the Canchayollo and Generación Andina PPAs recognized as intangible assets on acquisition which are amortized over the 20-year life of the PPAs.
- (iii) Fair value assigned to Canoa 1 PPA upon acquisition, which is amortized over the remaining life of the PPA.
- (iv) Fair values assigned upon acquisition to other assets under development in Dominican Republic.
- (v) Carrying value of HSJM's plant and equipment, which will be transferred to the government at the end of the contract, and is amortized over the 40 years term of the concession.

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(vi) Fair value assigned upon acquisition to a project currently under development and partially impaired in 2024. Note 16
(vii) Fair value assigned to HSJM's PPA upon acquisition, which is amortized over the remaining life of the PPA.
(viii) In Q4 2024 and 2025 the Company assessed its assets for impairment and determined that impairment losses of \$5.3 million and \$2.2 million, respectively, were required for the Ecuadorian CGU. In 2024, \$3.8 million of the impairment loss was allocated to goodwill, with the balance allocated on a pro-rata basis to the remaining assets. In 2025, the CIP related to the Perlabi project was fully impaired, and the remaining impairment loss of \$1.6 million was allocated on a pro-rata basis to the other assets of the CGU. Key assumptions underlying recoverable amounts are described in Note 16 Goodwill and impairment of assets.

16. Goodwill and Impairment of Assets

The Company reported Goodwill from its business combinations of 2022 and 2025 as follows:

	Canoa (DR)	Punta Lima (PR)	Total
As at December 31, 2024	\$ 8,555	\$ -	\$ 8,555
Acquisition closed in the year	-	756	\$ 756
As at December 31, 2025	\$ 8,555	\$ 756	\$ 9,312

The Company conducts annual impairment testing, which includes Goodwill. The impairment testing considered grouping Goodwill with the other components of the CGU's carrying value, following the FVLCD calculation. The recoverable amount of the CGUs was based on a FVLCD method determined by estimating future net cash flows on a discounted basis.

Factors assessed by management in determining the impairment testing include the following:

- Future production and pricing in connection to the relevant PPAs/spot markets and planned expansions
- Relevant operating costs,
- Capital and sustaining capital expenditures,
- Terminal value assessment, and
- Discount rates (post tax) as follows:

San Jacinto (Nicaragua)		Generacion Andina (Peru)		Canchayollo (Peru)		Canoa (Dominican Rep.)		PLWF (Puerto Rico.)		HSJM (Ecuador)		Panama	Panama
2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
11.8%	11.2%	9.8%	8.4%	9.8%	8.5%	11.0%	11.6%	9.8%	N/A	14.2%	13.4%	10.2%	8.4%

During Q4 2025, management reassessed the economic viability of the Perlabi canal expansion project in Ecuador in light of the deteriorating socio-political environment and the relative profitability of other capital projects competing for the Company's investment funds. As a result of this reassessment, management concluded that proceeding with the expansion in Ecuador was no longer in the best interest of the Company, and the project was formally cancelled. In addition, the country risk premium applied to Ecuador increased during the period, which resulted in an increase in the post-tax discount rate used in the discounted cash flow model for the related cash-generating unit ("CGU"). The discount rate increased from 13.4% to 14.2%, further reducing the recoverable amount of the CGU, which comprises the operating company HSJM and its Ecuadorian holding company.

Accordingly, an impairment charge of \$2.2 million (2024-\$5.3 million) was required for the period ending December 31, 2025 to be allocated on a pro rata basis to the rest of intangible assets of the Ecuadorian CGU.

After the impairment recognition, the fair value of the Ecuadorian CGU approximates its net carrying value. A hypothetical increase of 14% on the discount rate used to calculate recoverable value, will trigger an additional \$1.0 million impairment in this CGU. The same impact would have a continued decline of 10% in average production for the next 30 years.

For the Nicaraguan CGU, the Company determined that a 4.7% increase in the discount rate used or a sustained decrease of an additional 1.1% of the production forecasted (which includes an approach of 5.5% decline year over year) for the next 14 years, would approximate FVLCD of the CGUs to their carrying value, as of December 31, 2025.

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For the Panama CGU, its carrying value approximates its recoverable amount. While no impairment was identified at year end, the CGU remains highly sensitive to changes in key assumption including forecasted electrical energy prices. A 9.9% increase in the discount rate, or a sustained additional 5% reduction in forecast production over the next 30 years, would result in an impairment of approximately \$1.0 million.

For the other CGUs, there are no reasonably possible changes in key assumptions, including the discount rate or production levels, that would result in an impairment as of December 31, 2025.

17. Accounts Payable and Accrued Liabilities

	December 31, 2025	December 31, 2024
Trade payables & accrued liabilities	\$ 5,763	\$ 10,093
Construction accrued liabilities	318	306
Share-based compensation liability	421	303
Interest payable	1,247	1,715
Income taxes and other tax payable	7,510	4,703
	\$ 15,258	\$ 17,120

18. Long-term Debt, net

	Green Bond	San Jacinto Debt	Generación Andina Debt	APG Debt	Canoa 1 Debt	HSJM Debt	Long-term debt, net
Loans and other borrowings –							
December 31, 2024	\$ 169,021	\$ 84,305	\$ 19,044	\$ 22,295	\$ 30,218	\$ 3,466	\$ 328,349
Accretion interest expense	-	-	1,608	-	-	-	1,608
Deferred transaction costs	(49)	2,774	-	1,445	-	-	4,170
Unamortized debt issuance costs and discount	1,207	21	-	10	157	-	1,395
Repayments of debt principal	-	(87,100)	(2,092)	(23,750)	(1,770)	(3,466)	(118,178)
Loans and other borrowings –							
December 31, 2025	\$ 170,179	\$ -	\$ 18,560	\$ -	\$ 28,605	\$ -	\$ 217,344
Current	\$ -	\$ -	\$ 2,113	\$ -	\$ 1,923	\$ -	\$ 4,036
Non-current	170,179	-	16,447	-	26,682	-	213,308
Unamortized debt discount	4,821	-	14,151	-	983	-	19,955
Principal balance	\$ 175,000	\$ -	\$ 32,711	\$ -	\$ 29,588	\$ -	\$ 237,299
Fair value as of December 31, 2025 (i)	174,913	17,192	29,184	29,184	221,289	221,289	221,289
Annual Interest rate	9.5% (fixed)		No interest		7.00% (fixed)		
Maturity dates	12/3/2029		6/15/2038		9/30/2037		

(i) Fair value is calculated based on discounted future cash flow of debt service using average rates published by the Central bank in each country the debt is held, for similar loans.

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	Year Ended	
	December 31, 2025	December 31, 2024
San Jacinto Debt Facility		
Interest paid & recorded as financing cost	434	11,574
Unamortized financing costs recorded as financing cost	21	540
Write-off of financing cost -extinguishment of debt	2,774	-
Generación Andina Debt		
Interest paid & recorded as financing cost	1,608	1,646
APG Debt		
Interest paid & recorded as financing cost	40	2,185
Unamortized financing costs recorded as financing cost	10	445
Write-off of financing cost -extinguishment of debt	1,445	
Green Bond		
Interest payable & recorded as financing cost	16,625	1,247
Unamortized financing costs recorded as financing cost	1,207	100
Canoa Debt		
Interest paid & recorded as financing cost	2,175	2,300
Unamortized financing costs recorded as financing cost	157	165
SJM Debt		
Interest paid & recorded as financing cost	37	401
PLW		
Unamortized financing costs on deferred consideration	220	-
Unamortized financing costs tax equity & ARO	243	-
Other		
Interest paid & recorded as financing cost	193	484
Total	27,189	21,087
Interest recorded as financing cost	\$ 21,112	\$ 19,837
Unamortized financing costs recorded as financing cost	1,858	1,250
Write-off financing costs -extinguishment of debt	4,219	-
Prepayment premium	5,436	-
Bank fees	849	794
Total	33,473	21,881

(i) Summary of early repayment of Credit Agreements

In January 2025 the Company settled four (4) of its outstanding debts. The early settlement was part of the terms and purpose of the \$175 million Green Bonds issued on December 3, 2024 and part of the Company's debt optimization strategy to reduce borrowing costs and better align debt re-payment to PPA terms.

The early settlements were executed through the repayment of the outstanding principal amounts, plus accrued interest and a prepayment penalty, in accordance with the debt agreements.

	San Jacinto Credit Agreement	APG Credit Agreement	HSJM Credit Agreement 1	HSJM Credit Agreement 2	Total
Date of debt repayment in full	1/15/2025	1/08/2025	1/08/2025	1/08/2025	
Outstanding principal amount	87,100	23,750	1,917	1,501	114,268
Accrued interest	869	46	5	2	922
Premium for extinguishment of debt	4,248	1,188	-	-	5,436
Total paid	\$ 92,217	\$ 24,984	\$ 1,922	\$ 1,503	\$ 120,625
Debt carrying amount	84,326	22,322	1,917	1,473	110,038
Loss on extinguishment of debt	\$ 7,022	\$ 2,616	\$ -	\$ 28	\$ 9,664

(ii) Summary of Senior Secured Green Bond Agreement

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On December 3, 2024, the Company settled a private placement of \$175 million senior secured green bonds. The Green Bonds have a tenor of 5 years and a fixed coupon rate of 9.5% percent per annum, with interest payable in semi-annual installments. The Green Bonds includes a tap feature, allowing the Company to access up to an additional \$50 million in funding for potential future uses.

Under the terms of the Green Bonds, the Company is required to comply with the following financial covenants at the end of each interim and annual reporting period:

- Debt Service Coverage Ratio ($\geq 1.75:1$)
- Minimum liquidity $\geq \$15.0$ million

Additionally, the terms of the Green Bonds impose an incurrence test in respect of any distribution, including dividends payment and share repurchases. The test is satisfied when the DSCR exceeds 2.00:1. In addition, the Green Bonds limit aggregate distributions in any calendar year to a maximum of 50% of the Company's cash flows from operating activities for the preceding fiscal year.

As of December 31, 2025, the Company is in compliance with all the covenants related to the Green Bonds and there is no indication that there may be any non-compliance with the covenants when they will be tested at the end of the next reporting period.

(iii) Summary of Generación Andina Credit Agreement ("GA Credit Agreement")

As at December 31, 2025, the loan under GA Credit Agreement bear no interest. No interest will be charged during the life of the loan, except for default interest on any overdue amount. The loan is payable in 36 semi-annual installments, ending June 15, 2038, the termination date.

Under the terms of the agreement, which has a carrying amount of \$19.2 million (2024-\$19.7 million) GASAC is required to comply with the following financial covenants at the end of each interim and annual reporting period:

- Debt Service Coverage Ratio ($>1.1:1$)

As of December 31, 2025, GASAC is in compliance with all the covenants related to the GA Credit Agreement and there is no indication that there may be any non-compliance with the covenants when they will be tested at the end of the next reporting period.

(iv) Summary of Canoa 1 Credit Agreement ("Canoa 1 Credit Agreement")

The Canoa 1 loan has a term of 17 years, ending September 30, 2037, a 7% fixed interest rate, and requires quarterly payments of principal and interest.

Under the terms of the Canoa 1 Credit Agreement, which has a carrying amount of \$28.9 million (2024-\$30.4 million) Emerald is required to comply with the following financial covenants at the end of each interim and annual reporting period:

- Debt Service Coverage Ratio ($>1.20:1$)
- Financial Debt to Equity Ratio ($<=85:15$)

As of December 31, 2025, Emerald is in compliance with the covenants related to the Canoa 1 Credit Agreement and no event of default existed as of that date. Certain covenants, including the Prospective Debt Service Coverage Ratio ("P-DSCR"), are calculated on a forward-looking basis and are not tested at the reporting date. Based on management's estimates using projected short-term cash flows for the Canoa project, the P-DSCR indicates that compliance with this covenant, as well as debt service obligations, may be constrained (from the local project point of view) in the subsequent reporting period ending March 31, 2026, depending on actual operating performance.

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19. Share Capital

	Number of Shares Authorized, Issued and Fully Paid	Number of Shares Reserved for Issue Under LTIP (RSU.DSU.PSU)	Number of Shares Reserved for Issue Under Stock Options (Exercisable)
Balance at January 1, 2024	21,063,575	200,000	110,000
Shares issued in connection with RSUs vested	15,067	(15,067)	
Stock options vested	-	-	57,943
Repurchase and cancellation of shares (NCIB) ⁽¹⁾	(23,600)	-	-
Balance at December 31, 2024	21,055,042	184,933	167,943
Shares issued in connection with RSUs vested	18,091	(18,091)	-
Stock options vested	-	-	31,033
Repurchase and cancellation of shares (NCIB) ⁽¹⁾	(169,800)	-	-
Reserve shares transferred to component award	-	588,801	-
Balance at December 31, 2025	20,903,333	755,643	198,976

1. During the year ended December 31, 2025, and 2024, the Company purchased and cancelled 169,800 shares and 23,600 shares, respectively under Normal Course Issuer Bid program.

(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 2024, 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. The LTIP was amended to convert the limit on the number of common shares in the capital of the Corporation issuable under the LTIP, from a rolling limit of 7.5% of the issued and outstanding common shares to a fixed number of 1,000,000 common shares (representing 4.7% of the issued and outstanding common shares as of the amendment date). 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.

Stock options granted are valued using pricing models. Where relevant, the expected life used in the model was adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioral considerations. Volatility is estimated based on the historical volatility of the Company's common shares. Inputs into the model are as follows:

Options Series	Grant date	Grant Date Share Price (CDN)	Exercise Price (CDN)	Volatility	Expected Life	Risk-Free Interest Rate	Expected Dividend Yield	Revised Forfeiture Percentage
(18) ^(a)	August 9, 2021	\$ 18.44	\$ 18.44	46%	4.00	0.88%	4.20%	0%
(19) ^(a)	March 23, 2022	\$ 17.45	\$ 17.45	25%	4.00	2.20%	4.33%	0%
(20) ^(a)	April 1, 2022	\$ 16.90	\$ 16.98	25%	4.00	2.46%	4.44%	0%
(21) ^(a)	June 28, 2022	\$ 20.07	\$ 19.80	25%	4.00	3.24%	3.81%	0%
(22) ^(b)	August 10, 2023	\$ 14.77	\$ 14.77	30%	5.00	3.91%	5.40%	0%
(23) ^(b)	February 9, 2024	\$ 13.10	\$ 13.10	27%	4.00	3.73%	6.11%	0%

(a) Series 18 to 21 vest 25% immediately and 25% on each one-year anniversary thereafter.

(b) Series 22-23 vests 33% on each one-year anniversary after grant date.

No options were granted by the Company for the year ended December 31, 2025.

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The following table sets out activity with respect the Company's outstanding stock options:

	Year ended December 31, 2025	Weighted Average Exercise Price (CDN)	Year ended December 31, 2024	Weighted Average Exercise Price (CDN)
Balance at beginning and end of year	232,370 \$	17.28	223,099 \$	17.28

The table below summarizes the information related to stock options outstanding and exercisable as at December 31, 2025:

Range \$CDN	Outstanding Options			Exercisable Options		
	Number of Options Outstanding	Weighted Average		Number of Options Outstanding	Weighted Average	
		Remaining Contractual Life (Years)	Exercise Price (\$CDN)		Exercise Price (\$CDN)	(\$CDN)
0.00 - 99.99	223,099	1.28	\$	17.28	198,976	\$ 17.64

For the years ended December 31, 2025 and 2024, the Company recognized shared-based compensation expense associated with options, with a corresponding increase in contributed surplus, of \$0.3 million in each year.

(ii) Restricted Share Units ("RSUs")

On September 16, 2025, the Company granted 39,190 RSUs to employees and officers, vesting on December 31, 2027.

On September 16, 2025, the Company granted 6,750 RSUs to certain employees, with 50% of them vesting on December 31, 2026 and 50% vesting on December 31, 2027.

On February 7, 2025, the Company granted 22,233 RSUs to certain employees, with a three year vesting period starting on the first anniversary of the grant.

On February 9, 2024, the Company granted 13,570 RSUs to certain officers, with a three years vesting period starting on the first anniversary of the grant.

	Number of RSUs Outstanding
Balance at January 1, 2024	43,703
RSU vested	(15,668)
RSUs awarded	13,570
Balance at December 31, 2024	41,605
RSUs vested	(18,091)
RSUs awarded	68,173
Balance at December 31, 2025	91,687

(iii) Deferred Share Units ("DSUs")

	Number of DSUs Outstanding	Fair Value of DSU's end of period
Balance at January 1, 2024	22,623 \$	226
DSUs awarded in lieu of Directors Fees	-	-
Dividend reinvestment DSUs	-	-
Balance at September 30, 2024	22,623 \$	207
DSUs awarded in lieu of Directors Fees	8,340	
Dividend reinvestment DSUs	1,782	
Balance at December 31, 2024	32,745 \$	303
DSUs awarded in lieu of Directors Fees	13,643	
Dividend reinvestment DSUs	2,567	
Balance at December 31, 2025	48,955 \$	424

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(iv) Performance Share Units ("PSUs")

In 2025, under the Company's LTIP, the Company introduced PSUs as part of its long-term incentive program. On September 16, 2025, selected employees were granted a total of 58,785 PSUs with market-based vesting conditions ("Market PSUs"). These units vest on December 31, 2027 and become eligible for vesting based on the Company achieving certain stock price target. The fair value of the Market PSUs was determined at the grant date using the Black Scholes option pricing model.

On the same date the Company granted 210,000 PSUs with performance-based vesting conditions ("Performance PSUs"). These units are eligible to vest on December 31, 2029, based on the achievement of specified financial performance targets. Fair value of the Performance PSUs is measured at the market closing share price on the date of grant and compensation expense for Performance PSUs is recognized only when it is probable that the performance conditions will be achieved. Compensation expense recognized related to Performance PSUs is reversed if the Company determines that it is no longer probable that the performance conditions will be achieved.

(v) Repurchase and cancellation of shares: Normal Course Issuer Bid (NCIB)

On August 21, 2025, the Company announced that Toronto Stock Exchange accepted its notice of intention to renew its normal course issuer bid program ("NCIB"). Under the NCIB, Polaris may purchase for cancellation up to an aggregate of 2,029,745 common shares in the capital of the Company during the twelve-month period commencing on August 25, 2025 and ending on August 24, 2026, representing 10% of the Company's public float as at August 13, 2025. The Board initially limited the NCIB to repurchase up to 176,125 shares.

During the year ended December 31, 2025, the Company repurchased and cancelled 169,800 common shares, for total consideration of \$1.5 million at an average price of C\$12.09 per share. Of these shares 99,600 shares were bought under current NCIB and 70,200 were bought pursuant the NCIB renewal announced on August 20, 2024. During the year ended December 31, 2024, the Company repurchased and cancelled 23,600 common shares, for total consideration of \$0.2 million at an average price of C\$12.16 per share.

The calculation of basic and diluted weighted average common shares for the year ended December 31, 2025 included the impact of the cancellation of these common shares.

20. Earnings per Share

The following table summarizes the common shares used in calculating net loss per common share. Basic and diluted weighted average number of shares outstanding includes RSUs and DSUs issued by the Company.

	Year Ended	
	December 31, 2025	December 31, 2024
Total earnings attributable to owners of the Company	\$ (2,746)	\$ 2,990
Basic weighted average number of shares outstanding	21,058,944	21,155,652
Basic earnings per share	\$ (0.13)	\$ 0.14

	Year Ended	
	December 31, 2025	December 31, 2024
Total earnings attributable to owners of the Company	\$ (2,746)	\$ 2,990
Diluted weighted average number of shares outstanding	21,128,424	21,156,932
Diluted earnings per share	\$ (0.13)	\$ 0.14

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Stock options have anti-dilutive effect in the calculation of earnings per share and therefore not included:

	Year Ended	
	December 31, 2025	December 31, 2024
Stock options - 2/09/2024 grant date	9,271	9,271
Stock options - 8/10/2023 grant date	53,828	53,828
Stock options - 6/28/2022 grant date	15,000	15,000
Stock options - 4/01/2022 grant date	15,000	15,000
Stock options - 3/23/2022 grant date	10,000	10,000
Stock options - 8/9/2021 grant date	120,000	120,000
Total anti-dilutive instruments	223,099	223,099

21. Non-controlling Interest

The Company owns 99.34% of Polaris Energy Corp (“PEC”), while PEC owns 95% of Cerro Colorado Corp. (“CCC”), both of which are Panamanian companies. CCC owns 90% of Cerro Colorado Power S.A., a Nicaraguan company, which holds the concession to the Casita geothermal project. Earnings attributed to the non-controlling interest owners in these subsidiaries for the year ended December 31, 2025 and 2024 were \$0.03 million.

The Company owns 83.16% of HSJM (Note 1), an Ecuadorian company which is the sole owner of the HSJM hydroelectric project. A loss of \$0.1 million was attributed to the non-controlling interest owners in HSJM for the year ended December 31, 2025 while for 2024 it was \$0.6 million. The loss attributable to NCI in Ecuador was driven by the recording of the Impairments losses described in Note 16.

22. Related Party Transactions

The Company’s related parties include its subsidiaries and key management personnel. Transactions between the Company and its subsidiaries are eliminated on consolidation.

The following amounts relate to the compensation of key management personnel and the Company’s Directors. Key management personnel include members of the Board of Directors and senior executives who have authority and responsibility for planning, directing, and controlling the activities of the Company. The Chief Administrative Officer role was added to key management personnel in 2025.

	Year Ended	
	December 31, 2025	December 31, 2024
Salaries and short-term benefits	1,399	\$ 1,186
Share-based payment compensation	129	130
DSUs awarded in lieu of directors fees	121	75
Total key management compensation	\$ 1,649	\$ 1,391

23. Decommissioning Liability and other Commitments

(a) Decommissioning liabilities

The following table reconciles the beginning and ending carrying amounts of the Company’s decommissioning liabilities described in note 4 (Business Acquisition)

	Punta Lima Wind Farm
Balance, December 31, 2024	\$ -
Addition of Decommissioning Liability	560
Accretion	53
Changes in discount rate ⁽ⁱ⁾	1,067
Balance, December 31, 2025	\$ 1,680

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(i) the decommissioning liability was measured on acquisition based on the requirements of IFRS 3 and IFRS 13 using credit adjusted risk-free rate of 8.5% and 8.6% based on the decommission periods of 18 and 26 years. Subsequent remeasurements of the restoration provision was performed using a pre-tax risk-free rate (3.8%) in accordance with IAS 37, and then reassessed at the end of the reporting period (3.9%).

(b) Tax-Equity Liability

	Year Ended December 31, 2025
Tax-Equity Liability	
Balance beginning of the year	\$ -
Tax-Equity Liability recognized on ECCA of PLWF	6,528
Accretion finance charge	190
Tax benefit (Class A &C units) amortization	(2,865)
Cash distributions to Class A and Class C members	(237)
Balance end of the year	\$ 3,616

(c) Other Contractual Obligations and commitments

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

	December 31, 2025
No later than one year	\$ 30
For years 2 - 5	60
Thereafter	300
Total commitments for expenditures	\$ 390

Land Leases: Punta Lima Wind Farm has three long-term land leases under one consolidated arrangement. Because the lease payments of under this arrangement are variable in nature, based on land use and revenue generated, IFRS 16 measurement rules result in \$nil lease liability and therefore variable lease payments under this arrangement are recognized as an expense in profit or loss in the period in which they are incurred. Assuming PLWF annual production will always be greater than 6,000 MWh, the minimum annual payments will be at least \$450 per year until the end of the PPA in 2044.

Maintenance Contract: The Company has entered into a multi-year Operations and Maintenance (O&M) agreement for PLWF. The contract, ending in 2034, includes fixed and variable components (CPI adjusted) based on plant availability and energy output. The fixed component liability of the O&M agreement is shown below:

	December 31, 2025
Less than one year	\$ 752
For years 2 - 5	3,349
Thereafter	2,855
Total commitments for expenditures	\$ 6,956

24. Leases

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

	Year ended December 31, 2025
Opening balance	2,576
Lease payments	(445)
Contract change adjustment	203
Amortization of discount	192
Ending balance as of	\$ 2,526

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

Lease Obligation	December 31, 2025
Lease obligation, Current	\$ 361
Lease obligation, Long-term	2,165
Ending balance as of	\$ 2,526

For the years ended December 31, 2025 and 2024 the expense related to short-term leases, leases of low-value and variable lease payments amounted to \$316 and \$222, respectively, and was recognized in Direct costs and General and administrative expenses, as applicable.

25. Income Taxes

(a) Recognized deferred tax expense/(recovery)

The Company has recorded the following deferred tax expense / (recovery) for the years ended December 31, 2025 and 2024:

	December 31, 2025	December 31, 2024
Current tax expense		
Current period	\$ 6,507	\$ 3,512
Deferred tax expense		
Origination and reversal of temporary differences	\$ (9,066)	\$ (4,163)
Change in tax rates	-	50
Change in unrecognized deductible temporary differences	2,600	(839)
Other	(1,167)	108
Total income tax (benefit) expense from continuing operations	\$ (1,126)	\$ (1,332)

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

	December 31, 2025	December 31, 2024
Earning and comprehensive earnings before income tax	\$ (3,941)	\$ 847
Statutory income tax rate	26.50%	26.50%
Expected income tax	(1,044)	224
Increase (decrease) resulting from:		
Non-taxable items	(397)	(464)
Change in unrecognized deferred tax assets	2,600	(839)
Change in tax rates and rate differences	-	69
Effect of tax rate in foreign jurisdictions	44	(1,088)
Expiration of tax attributes	-	42
Foreign exchange differences	(3,889)	2,074
Non-controlling interest	-	
Tax Equity	(716)	
Other	771	(1,458)
Prior period tax adjustment	(1,167)	108
Withholding tax	2,672	-
Income tax (benefit) expense	\$ (1,126)	\$ (1,332)

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(b) Recognized deferred tax assets and liabilities

Deferred tax assets are attributable to the following:

		December 31, 2025	December 31, 2024
Property, plant and equipment	\$	15,625	11,104
Deferred charges		23,846	24,880
Other		218	225
Lease obligation		622	630
Capital losses		840	828
Non-capital losses		228	345
Deferred tax assets		41,379	38,012
Set off of tax		(29,949)	(31,213)
Net deferred tax assets	\$	11,430	6,799

Deferred tax liabilities are attributable to the following:

		December 31, 2025	December 31, 2024
Property, plant and equipment	\$	(64,700)	(67,060)
Right-of-use assets	\$	(831)	(604)
Intangibles	\$	(10,829)	(10,902)
Investment in Polaris Energy Peru Corp.	\$	(481)	(481)
Unrealized foreign exchange	\$	(864)	-
Long-term debt	\$	(4,512)	(6,680)
Deferred tax liabilities		(82,217)	(85,727)
Set off of tax		29,949	31,213
Net deferred tax liabilities	\$	(52,268)	(54,514)

(c) Movement in deferred tax balances during the year

		Net Balance at December 31, 2024	Recognized in Profit or Loss	Net Balance at December 31, 2025
Property, plant and equipment	\$	(55,955)	6,881	(49,075)
Intangibles		(10,902)	73	(10,829)
Right-of-use assets		(604)	(227)	(831)
Deferred costs		24,880	(1,034)	23,846
Unrealized FX and Other		226	(9)	217
Lease obligation		629	(7)	622
Capital losses		827	11	840
Non-capital losses		345	(117)	228
Investment in UEG		(481)	-	(481)
Long-term debt		(6,680)	1,304	(5,376)
Net tax assets (liabilities)	\$	(47,715)	6,876	(40,838)

(d) Unrecognized deferred tax assets

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

		December 31, 2025	December 31, 2024
Deductible temporary differences	\$	15,486	9,586
Tax losses		186,390	182,414
	\$	201,876	192,000

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Tax losses include capital losses that do not expire as well as net operating losses that expire between 2026 and 2044. Under the tax laws related to the commercial production of electrical energy from renewable resources, the Company's Nicaraguan subsidiary was granted a tax-free holiday for a period of 10 years, with a subsequent extension of 2 years, which ended in February 2024 for the Unit 3, in March 2025 for Unit 4, and for the Binary Unit will end on December 31, 2032. Net operating losses incurred during the tax-free holiday cannot be used to offset taxable income after expiry of the holiday and as such no deferred tax asset has been recognized for these losses nor are they included in the unrecognized deferred tax assets disclosed above.

Deferred tax assets have been recognized to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be utilized. The Company has recognized deferred tax assets in the amount of \$11.4 million (2024 - \$6.8 million) the utilization of which is dependent on future taxable profits in excess of the profits arising from the reversal of existing temporary differences. The recognition of these deferred tax assets is based on taxable income forecasts that incorporate existing circumstances that will result in taxable income against which net operating losses can be utilized.

26. Financial Instruments and Risk Management

(a) Fair value of financial assets and liabilities

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

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

As at December 31, 2025 and 2024, respectively, the carrying amounts of accounts receivable, restricted cash, accounts payable and accrued liabilities and current portion of long-term debt approximate fair value due to the short term to maturity.

The carrying value of the long-term debt is net of unamortized transaction costs and debt discounts further explained in Note 18.

All the assets and liabilities that the Company has identified as financial assets and financial liabilities are measured at amortized costs under IFRS 9 Financial Instruments. The Company currently has no financial assets and financial liabilities to be measured at fair value.

(b) Financial risk management

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

Interest rate risk

The Company is exposed to interest rate risk primarily through its long-term borrowings. As of December 31, 2025, all of the Company's outstanding debt bears fixed interest rates, which significantly limits the exposure of future cash flows and results of operations to changes in market interest rates. The Company may be exposed to interest rate risk in connection with future financings or refinancing activities, and management continues to monitor market conditions on an ongoing basis ended.

Currency risk

The Company operates internationally and is exposed to risks from changes in foreign currency rates. The functional currency of the Company is the US dollar and currently most of the Company's transactions are denominated in US dollars. Further, the Company translates significant amounts received in local currency to US dollars immediately. As at December 31, 2025 and 2024, the Company had cash and accounts payable of CDN\$30,290 and CDN\$(178) respectively. The Company determined that a 10% change in the Canadian dollar against the US dollar would have impacted total earnings and comprehensive earnings by \$0.0 million for the year ended December 31, 2025.

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As at December 31, 2025, and 2024, the Company had current assets and accounts payable of PEN\$ 5,587 and PEN\$4,383, 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 loss and comprehensive loss by \$0.2 million for the year ended December 31, 2025.

As at December 31, 2025, and 2024, the Company had current assets and accounts payable of DOP\$48,138 and DOP\$36,053 respectively, held in its Dominican Republic subsidiaries. The Company determined that a 10% change in the Dominican Republic peso against the US dollar would have impacted total loss and comprehensive loss by \$0.1 million for the year ended December 31, 2025.

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 to a lesser extent CERs earned. The Company is not exposed to commodity price risk with respect to the power it produces as 98% of the power currently produced is sold under the terms of a PPA which establishes a fixed price and escalator.

Credit risk

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

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

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

In estimating expected credit losses on trade receivables, the Company has estimated the probability of default to be 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 assessing expected credit losses for trade receivables, whereby the loss allowance for the account receivable is measured at an amount equal to the lifetime expected credit losses. The Company shall recognize in the statements of earnings, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

From the credit risk assessment performed during the year, the Company has concluded that exposure to credit risk related to the amounts receivable from customers is not material, as of December 31, 2025.

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.

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December 31, 2025 and 2024

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

The following are maturities for the Company's financial liabilities as at December 31, 2025:

	Less than 1 Year		More than 5 Years			Total
			4-5 Years	5-10 Years	10+ Years	
Accounts payable and accrued liabilities	\$ 15,258	\$ -	\$ -	\$ -	\$ -	\$ 15,258
Debt, current and long-term	4,036	8,632	184,194	40,437		237,299
Interest obligations not included in accruals	18,671	36,915	18,382	4,753		78,721
Lease liabilities (i)	361	842	856	467		2,526
	\$ 38,326	\$ 46,389	\$ 203,432	\$ 45,657	\$ 333,804	

The following are maturities for the Company's financial liabilities as at December 31, 2024:

	Less than 1 Year		More than 5 Years			Total
			4-5 Years	5-10 Years	10+ Years	
Accounts payable and accrued liabilities	\$ 17,120	\$ -	\$ -	\$ -	\$ -	\$ 17,120
Debt, current and long-term	15,757	30,412	394,147	90,162		530,478
Interest obligations	48,710	91,273	81,110	24,863		245,956
Lease liabilities	428	785	828	535		2,576
	\$ 82,015	\$ 122,470	\$ 476,085	\$ 115,560	\$ 796,130	

As at December 31, 2025, the Company is in compliance with all of its covenants.

In addition, the Company has access to an undrawn \$3.5 million working capital facility and an unused \$10.0 million letter of credit facility, which provide additional liquidity flexibility.

27. Capital Management

The Company's capital structure is comprised of net long-term debt, as further disclosed in Note 18, 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 loan agreements for Generacion Andina project, the Canoa Debt agreement and the senior secured green bond agreement (Note 18). These externally imposed capital requirements will affect the Company's approach to capital management. The Company's externally imposed capital requirements include restrictions on the use of revenue from some projects and from the proceeds of the green bond, maintaining minimum debt service coverage and solvency ratios for GASAC, Emerald and the Company.