Unaudited Interim Condensed Consolidated Financial Statements of

Polaris Infrastructure Inc.

September 30, 2017 and 2016

(Expressed in United States dollars)

Polaris Infrastructure Inc.

September 30, 2017 and 2016

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Polaris Infrastructure Inc.

Interim Condensed Consolidated Balance Sheets (Unaudited)

(expressed in United States dollars)

	Note Ref	As at September 30, 2017	As at December 31, 2016
Assets			
Current assets			
Cash	11	$ 40,886,780	$ 45,739,008
Accounts receivable	9	12,012,602	12,023,281
Prepaid expenses	10	983,134	919,448
		53,882,516	58,681,737
Restricted cash	11	1,509,794	1,504,578
Other assets, net	10	775,275	746,441
Exploration and development properties	12	11,495,105	11,134,821
Geothermal properties	13	12,401,962	4,174,122
Property, plant and equipment, net	14	323,776,754	328,848,542
Intangible assets, net	15	4,030,495	4,157,585
Total assets		$ 407,871,901	$ 409,247,826
Liabilities and Total Equity			
Current liabilities			
Accounts payable and accrued liabilities	16	$ 8,458,882	$ 4,114,041
Current portion of long-term debt, net	17	12,220,166	10,646,871
		20,679,048	14,760,912
Other liabilities			
Long-term debt, net	17	158,851,458	166,238,421
Decommissioning liabilities	18	3,722,901	3,707,051
Deferred tax liability, net		36,112,687	29,883,175
Total liabilities		219,366,094	214,589,559
Non-controlling interests	19	(426,385)	(251,372)
Equity attributable to the owners of the Company			
Share capital	19	598,719,423	598,692,253
Contributed surplus	19	10,829,452	11,964,215
Accumulated deficit		(420,616,683)	(415,746,829)
Total equity attributable to the owners of the Company		188,932,192	194,909,639
Total equity		188,505,807	194,658,267
Total liabilities and total equity		$ 407,871,901	$ 409,247,826

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

Interim Condensed Consolidated Statements of Operations and Comprehensive Earnings (Loss) (Unaudited)

(expressed in United States dollars)

	Note Ref	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Revenue	4	$ 15,266,442	$ 14,259,709	$ 44,547,487	$ 38,965,087
Direct costs					
Other direct costs	6	(1,572,055)	(1,486,035)	(4,721,143)	(4,577,511)
Depreciation and amortization of plant assets	6	(5,442,618)	(4,864,816)	(16,239,889)	(16,807,398)
General and administrative expenses	6	(800,004)	(927,122)	(3,072,190)	(2,816,832)
Other operating costs	6	(93,024)	(82,355)	(293,992)	(194,876)
Operating income		7,358,741	6,899,381	20,220,273	14,568,470
Interest income		178,354	51,053	417,061	218,631
Finance costs	7	(4,356,327)	(6,201,235)	(13,006,205)	(14,687,273)
Other losses	8	(256,591)	(303,223)	(490,968)	(468,541)
Earnings (Loss) and comprehensive earnings (loss) before income taxes		2,924,177	445,976	7,140,161	(368,713)
Income tax expense		(2,050,170)	(2,099,786)	(6,229,515)	(5,696,264)
Total earnings (loss) and comprehensive earnings (loss)		$ 874,007	$ (1,653,810)	$ 910,646	$ (6,064,977)
Total earnings (loss) and comprehensive earnings (loss) attributable to:					
Owners of the Company		$ 889,579	$ (1,642,051)	$ 911,376	$ (6,016,955)
Non-controlling interests		$ (15,572)	$ (11,759)	$ (730)	$ (48,022)
Basic and diluted earnings (loss) per share		$0.06	($0.10)	$0.06	($0.39)

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

Polaris Infrastructure Inc.

Interim Condensed Consolidated Statements of Changes in Total Equity (Unaudited)

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

	Common Stock		Contributed	Accumulated	Total Attributable to the Owners	Non-Controlling	
	Shares	Amount	Surplus	Deficit	of the Company	Interests	Total Equity
Balance at January 1, 2016	**15,513,157**	**$ 597,710,331**	**$ 12,015,673**	**$ (406,627,958)**	**$ 203,098,046**	**$ (208,461)**	**$ 202,889,585**
Share-based compensation	158,477	962,060	(229,574)	-	732,486	-	732,486
Dividends payable	-	-	-	(3,133,913)	(3,133,913)	-	(3,133,913)
Total loss and comprehensive loss	-	-	-	(6,016,955)	(6,016,955)	(48,022)	(6,064,977)
Balance at September 30, 2016	**15,671,634**	**598,672,391**	**11,786,099**	**(415,778,826)**	**194,679,664**	**(256,483)**	**194,423,181**
Share-based compensation	1,644	19,862	178,116	-	197,978	-	197,978
Dividends paid	-	-	-	(1,724,053)	(1,724,053)	-	(1,724,053)
Total earnings (loss) and comprehensive earnings (loss)	-	-	-	1,756,050	1,756,050	5,111	1,761,161
Balance at December 31, 2016	**15,673,278**	**598,692,253**	**11,964,215**	**(415,746,829)**	**194,909,639**	**(251,372)**	**194,658,267**
Share-based compensation	2,000	27,170	(1,134,763)	-	(1,107,593)	-	(1,107,593)
Dividends paid	-	-	-	(5,955,819)	(5,955,819)	-	(5,955,819)
Non-controlling interest ownership adjustment	-	-	-	174,589	174,589	(174,283)	306
Total earnings and comprehensive earnings	-	-	-	911,376	911,376	(730)	910,646
Balance at September 30, 2017	**15,675,278**	**$ 598,719,423**	**$ 10,829,452**	**$ (420,616,683)**	**$ 188,932,192**	**$ (426,385)**	**$ 188,505,807**

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

Polaris Infrastructure Inc.

Interim Condensed Consolidated Statements of Cash Flows (Unaudited)

(expressed in United States dollars)

	Nine Months Ended	
	September 30, 2017	**September 30, 2016**
Net inflow (outflow) of cash related to the following activities		
Operating		
Total earnings (loss) and comprehensive earnings (loss) attributable to owners of the Company	$ 911,376	$ (6,016,955)
Deduct items not affecting cash:		
Non-controlling interests in net loss of subsidiary	(175,013)	(48,022)
Deferred income tax expense	6,229,515	5,696,264
Finance costs recognized	11,593,498	13,314,371
Depreciation and amortization	16,258,165	16,835,374
Accretion of decommissioning liability	37,918	20,203
Change in decommissioning liabilities	(22,068)	17,257
Accretion on debt	959,652	1,000,630
Share-based compensation	897,191	803,052
Unrealized foreign exchange loss	60,429	41,178
Changes in non-cash working capital:		
Accounts receivable	10,679	(6,342,742)
Prepaid expenses	(63,686)	(191,017)
Accounts payable and accrued liabilities	194,538	(386,848)
Interest and return enhancement paid	(11,062,931)	(9,983,812)
	$ 25,829,263	14,758,933
Investing		
Change in restricted cash	(5,216)	(4,773)
Change in accounts payable and accrued liabilities related to San Jacinto project	2,183,138	(1,003,213)
Changes in other assets	(77,279)	220,895
Additions to exploration and development	(360,284)	(68,819)
Additions to geothermal properties	(17,163,551)	(22,163,731)
Additions to property, plant and equipment	(2,075,131)	(1,392,263)
	(17,498,323)	(24,411,904)
Financing		
Dividends paid	(5,781,230)	(3,133,913)
Repayment of debt	(7,393,316)	(6,372,647)
	(13,174,546)	(9,506,560)
Foreign exchange loss on cash held in foreign currency	(8,622)	(17,649)
Net decrease in cash	(4,852,228)	(19,177,180)
Cash, beginning of period	45,739,008	61,592,219
Cash, end of period	$ 40,886,780	$ 42,415,039

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

1. Organization

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

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

The Company, through its subsidiaries Polaris Energy Nicaragua, S.A. (“PENSA”) and San Jacinto Power International Corporation (“SJPIC”), owns and operates a 72 megawatt (“MW”) (net) capacity geothermal facility (the “San Jacinto Project”), located in northwest Nicaragua, near the city of Leon. PENSA has entered into the San Jacinto Exploitation Agreement with Nicaraguan Ministry of Energy and Mines to develop and operate the San Jacinto Project.

2. Basis of presentation

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting,* as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the IASB, have been omitted or condensed. Accordingly, the interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2016.

These unaudited interim condensed consolidated financial statements have been prepared on a going concern basis, using historical cost convention. The Company’s exploration and development properties and geothermal properties are measured at cost unless impaired or designated to be sold, at which time they are measured at the recoverable amount.

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

These unaudited interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company (the “Board") on November 7, 2017.

3. Summary of significant accounting policies

Principles of consolidation

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

These interim condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of the Company for the year ended December 31, 2016, as presented in Note 3 to the audited consolidated financial statements.

Accounting Standards issued but not yet effective

IFRS 9 – Financial instruments

IFRS 9, “Financial instruments” (“IFRS 9”) was issued by the IASB on July 24, 2014 and will replace IAS 39, “Financial instruments: recognition and measurement” (IAS 39) and earlier versions of IFRS 9 already adopted by the Company. Final amendments to IFRS 9 released on July 24, 2014 introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. Other previously issued amendments to IFRS 9 that have not yet been adopted by the Company include a substantially reformed approach to hedge accounting and requirements to recognize gains or losses that relate to the effect of a company’s own credit risk in measuring liabilities elected to be measured at fair value outside of net earnings or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 and is available for earlier adoption. The Company early adopted IFRS 9 during the year-ended December 31, 2015.

IFRS 15 – Revenue from Contracts and Customers

IFRS 15, "Revenue from Contracts and Customers" ("IFRS 15") was issued by the IASB on May 28, 2014, and will replace IAS 18, "Revenue", IAS 11, "Construction Contracts", and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018. The Company has evaluated the impact of IFRS 15 and determined that adoption will not have a significant impact on measurement or recognition of revenue. Evaluation of the disclosure implications of IFRS 15 is ongoing and expected to be finalized later in 2017.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 Leases, which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied or is applied at the same date as IFRS 16. The Company has not yet evaluated the impact of IFRS 16 on its consolidated financial statements.

4. Revenue

Revenue for the three months ended September 30, 2017 and 2016 of $15,266,442 and $14,259,709, respectively, and for the nine months ended September 30, 2017 and 2016 of $44,547,487 and $38,965,087, respectively, was earned from the sale of energy to Nicaraguan power distributors Distribuidora De Electricidad del Norte, S.A. ("Disnorte") and Distribuidora De Electricidad del Sur, S.A. ("Dissur"), subsidiaries of the Spanish utility TSK-Melfosur Internacional ("TMI"), at the Company's San Jacinto Project.

5. Segment information

The Company currently operates in one reportable operating segment, being the acquisition, exploration, development and operation of geothermal projects, which is conducted principally in Latin America. The Company's chief operating decision maker evaluates the performance of the Company's reportable operating segment, and makes recommendations to the Board to allocate available resources based on various criteria, including the availability of proven resources, costs of development, availability of financing, actual and expected financial performance, and existing debt covenants. The Company has presented the geographic information in the following tables.

	Three Months Ended		Nine Months Ended	
Revenue	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Canada	$ -	$ -	$ -	$ -
United States	-	-	-	-
Nicaragua	15,266,442	14,259,709	44,547,487	38,965,087
	$ 15,266,442	$ 14,259,709	$ 44,547,487	$ 38,965,087

Comprehensive income (loss)	Three Months Ended		Nine Months Ended	
before income taxes	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Canada	$ (79,695,711)	$ (516,954)	$ (81,137,065)	$ (1,514,957)
United States	79,229,635	(165,851)	79,077,750	(253,804)
Nicaragua	3,390,253	1,128,781	9,199,476	1,400,048
	$ 2,924,177	$ 445,976	$ 7,140,161	$ (368,713)

Assets and liabilities	As at September 30, 2017	As at December 31, 2016
Canada	$ 17,210,794	$ 25,168,327
United States	383,837	377,452
Nicaragua	390,277,270	383,702,047
Total assets	$ 407,871,901	$ 409,247,826
Canada	$ 1,167,664	$ 1,114,126
United States	249,898	249,898
Nicaragua	352,571,823	349,202,065
Total non-current assets	$ 353,989,385	$ 350,566,089
Canada	$ 4,335,021	$ 2,254,009
United States	2,604,716	2,577,436
Nicaragua	212,426,357	209,758,114
Total liabilities	$ 219,366,094	$ 214,589,559

6. General and administrative and other expenses

(a) Direct costs

Direct costs related to the production of energy consist of the following:

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Depreciation and amortization	$ 5,442,618	$ 4,864,816	$ 16,239,889	$ 16,807,398
Employee costs	723,352	709,761	2,137,649	2,092,340
General liability insurance	393,554	411,572	1,211,199	1,332,559
Maintenance	454,419	352,298	1,354,883	1,131,135
Other direct costs	730	12,404	17,412	21,477
	$ 7,014,673	$ 6,350,851	$ 20,961,032	$ 21,384,909

(b) General and administrative expenses

The Company's general and administrative expenses for the three and nine months ended September 30, 2017 and 2016 consisted of:

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Salaries and benefits	$ 330,536	$ 349,756	$ 996,090	$ 969,437
Share-based compensation	107,648	197,188	924,361	803,052
Facilities and support	137,581	109,511	394,370	397,034
Professional fees	109,928	150,490	419,465	374,552
Supplier taxes	4,789	181	8,240	8,389
Insurance	100,661	103,239	306,209	268,361
Depreciation of other assets	6,032	6,805	18,276	27,976
Other general and adminstrative expenses	2,829	4,879	5,179	9,527
Gross general and administrative expenses	800,004	922,049	3,072,190	2,858,328
Total allocation to exploration and development and geothermal properties	-	5,073	-	(41,496)
Net general and administrative expenses	$ 800,004	$ 927,122	$ 3,072,190	$ 2,816,832

(c) Other operating costs

Costs of maintaining the Company's exploration and development properties not currently under active development resulted in other operating costs for the three months ended September 30, 2017 and 2016 of $93,024 and $82,355, respectively, and for the nine months ended September 30, 2017 and 2016 of $293,992 and $194,876, respectively. Other operating costs consist of annual lease costs associated with properties not currently under development, as well as associated property tax and consulting costs.

7. Finance costs

The Company's finance costs for the three and nine months ended September 30, 2017 and 2016 consisted of:

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Interest on debt	$ 3,896,893	$ 5,746,897	$ 11,593,498	$ 13,314,370
Accretion on debt	315,922	330,319	959,652	1,000,630
Accretion of decommissioning liabilities	13,175	5,665	37,918	20,203
Other finance costs	130,337	118,354	415,137	352,070
	$ 4,356,327	$ 6,201,235	$ 13,006,205	$ 14,687,273

Cash paid for interest and return enhancement during the three months ended September 30, 2017 and 2016 was $3,736,303 and $3,377,886. Cash paid for interest and return enhancement during the nine months ended September 30, 2017 and 2016 was $11,062,931 and $9,983,812.

8. Other gains and losses

The Company's other gains and losses for the three and nine months ended September 30, 2017 and 2016 consisted of:

	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Foreign exchange losses	$ (181,076)	$ (124,918)	$ (416,736)	$ (370,127)
Gain on disposal of assets	-	-	-	69,500
Other losses	(75,515)	(178,305)	(74,232)	(167,914)
	$ (256,591)	$ (303,223)	$ (490,968)	$ (468,541)

9. Accounts receivable

The Company's accounts receivable of $12,012,602 as at September 30, 2017 and $12,023,281 as at December 31, 2016, consisted of amounts due from its customers, Disnorte and Dissur, subsidiaries of the Spanish utility TMI, related to the operations of the San Jacinto Project. Payment terms are 45 days from invoice date.

10. Prepaid expenses and other assets, net

The following is a summary of the Company's prepaid expenses and other assets, net as at:

(a) Prepaid expenses

	September 30, 2017	December 31, 2016
Prepaid insurance	$ 657,242	$ 480,512
Other prepaids	325,892	438,936
	$ 983,134	$ 919,448

(b) Other assets, net

	September 30, 2017	December 31, 2016
Fixed assets, net	$ 26,054	$ 44,330
Recoverable taxes	684,990	639,591
Other deposits	64,231	62,520
	$ 775,275	$ 746,441

Other fixed assets consist of furniture, fixtures and equipment at the Company's Managua office with lives of three to seven years. Depreciation on other fixed assets of $18,276 and $27,976 was recorded for the nine months ended September 30, 2017 and 2016, respectively.

11. Restricted cash

	September 30, 2017	December 31, 2016
Casita exploitation application guarantee	$ 50,000	$ 50,000
San Jacinto guarantees	1,080,000	1,080,000
Reclamation bonds - US and Canada	370,195	361,720
Other restricted cash	9,599	12,858
	$ 1,509,794	$ 1,504,578

In addition to amounts recorded as restricted cash, cash in the amount of $25,076,358 and $21,856,551 held by the Company as at September 30, 2017 and December 31, 2016, respectively, is restricted for use in the San Jacinto project, and is included in the Company's available cash as these amounts are available for current use.

12. Exploration and development properties

The Company incurred the following costs in connection with its exploration and development properties that have not yet reached technical feasibility and commercial viability.

	Balance at December 31, 2016	2017 Additions	Balance at September 30, 2017
Intangible			
Casita	$ 11,034,356	$ 360,284	$ 11,394,640
Total- Intangible	11,034,356	360,284	11,394,640
Tangible			
Casita	100,465	-	100,465
Total-Tangible	100,465	-	100,465
Total Exploration and Development Properties			
Casita	$ 11,134,821	360,284	11,495,105
Total	$ 11,134,821	$ 360,284	$ 11,495,105

13. Geothermal properties

Development costs related to the San Jacinto project that are not yet in operation were $12,401,962 as at September 30, 2017 and $4,174,122 at December 31, 2016. The increase relates to drilling costs for the San Jacinto project.

14. Property, plant and equipment, net

The following is a summary of the activity related to the Company's property, plant and equipment:

	December 31, 2016	2017 Activity	2017 Transfers from Geothermal Properties	September 30, 2017
San Jacinto project	$ 483,943,381	$ 390,769	$ 8,935,711	$ 493,269,861
Accumulated depreciation	(118,153,498)	(16,082,630)	-	(134,236,128)
Accumulated impairment	(38,940,166)	-	-	(38,940,166)
Spare parts inventory	1,998,825	1,684,362	-	3,683,187
	$ 328,848,542	$ (14,007,499)	$ 8,935,711	$ 323,776,754

Property, plant and equipment currently in operation are being depreciated on a straight-line basis over the remaining term of their estimated useful lives. Depreciation expense of $16,082,630 and $ 16,570,647 for the nine months ended September 30, 2017 and 2016, respectively, was recorded in the consolidated statements of operations and comprehensive loss.

15. Intangible assets

Amortization expense related to the transmission assets for the San Jacinto project donated to the Nicaraguan utility, ENATREL in December 2011, for the nine months ended September 30, 2017 and 2016 was $157,259 and $236,751, respectively.

16. Accounts payable and accrued liabilities

	September 30, 2017	December 31, 2016
Trade payables	$ 1,525,918	$ 1,672,769
Construction payables	523,091	32,653
Construction accrued liabilities	2,476,682	783,982
Interest payable	489,058	518,061
Other accrued liabilities	3,444,133	1,106,576
	$ 8,458,882	$ 4,114,041

17. Long-term debt, net

	Phase I Senior Debt	Phase I Subordinated Debt	Phase II Senior Debt	Phase II Subordinated Debt	Total Phase I and Phase II Debt	Loan from Former Shareholder	Total
Loans and other borrowings – December 31, 2016	$38,298,077	$13,876,936	$104,877,964	$19,043,199	$176,096,176	$ 789,116	$176,885,292
Accrued interest expense	-	-	-	-	-	13,488	13,488
Return enhancement	-	233,986	-	312,094	546,080	-	546,080
Accretion of deferred transaction costs	370,847	-	588,805	-	959,652	-	959,652
Repayments of debt	(1,842,973)	(550,567)	(4,328,100)	(671,676)	(7,393,316)	-	(7,393,316)
Effect of foreign exchange on loans	-	-	-	-	-	60,428	60,428
Loans and other borrowings – Sep 30, 2017	$36,825,951	$13,560,355	$101,138,669	$18,683,617	$170,208,592	$ 863,032	$171,071,624
Current	$ 3,194,488	$ 954,316	$ 6,251,700	$ 956,630	$ 11,357,134	$ 863,032	$ 12,220,166
Non-current	33,631,463	12,606,039	94,886,969	17,726,987	158,851,458	-	158,851,458
Unamortized transaction costs/return enhancement	1,973,224	(1,484,633)	4,819,631	(1,850,999)	3,457,223	-	3,457,223
Principal balance	$38,799,175	$12,075,722	$105,958,300	$16,832,618	$173,665,815	$ 863,032	$174,528,847
Maturity date	12/15/2024	12/15/2025	12/15/2028	6/15/2029		12/31/2011	

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Phase I Facility				
Interest recorded as financing cost	$ 1,206,762	$ 2,112,524	$ 3,602,338	$ 4,460,345
Accretion recorded as financing cost	122,013	127,600	370,847	386,353
Phase II Facility				
Interest recorded as financing cost	2,685,038	3,630,043	7,977,672	8,841,191
Accretion recorded as financing cost	193,909	202,719	588,805	614,277
Other				
Interest recorded as financing cost	5,093	4,330	13,488	12,834
Total				-
Interest recorded as financing cost	$ 3,896,893	$ 5,746,897	$ 11,593,498	$ 13,314,370
Accretion recorded as financing cost	315,922	330,319	959,652	1,000,630

(a) Credit agreements

As at September 30, 2017 and 2016, interest rates on the Phase I and Phase II senior facilities were 7.82% and 7.35%, respectively. Interest on the Phase I and Phase II subordinated facilities is fixed at 6% annually.

All debt drawn on the Phase I and II Credit Agreements is non-recourse to the Company and all of its subsidiaries other than PENSA and SJPIC.

(b) Loan from former shareholder

The Company assumed a loan from a former shareholder in connection with a historical business combination. The loan is denominated in Canadian dollars and interest is calculated annually at the Royal Bank of Canada's prime rate. The loan matured on December 31, 2011, but the former shareholder appears to have ceased operations. As at September 30, 2017, the Company continues to accrue interest at the Royal Bank of Canada's prime rate of 3.20%. No interest was paid for this loan during the nine months ended September 30, 2017 and 2016.

18. Decommissioning liabilities

Reconciliation of the provision for decommissioning liabilities by property is as follows:

December 31, 2016	$	1,160,731	$	1,757,650	$	788,670	$	3,707,051
Revision in estimate		(19,822)		(1,550)		(696)		(22,068)
Accretion		8,264		20,469		9,185		37,918
September 30, 2017	$	1,149,173	$	1,776,569	$	797,159	$	3,722,901

The following assumptions were used in the determination of the Company's decommissioning liabilities:

		Discount Rates	
	Undiscounted Costs	September 30, 2017	December 31, 2016
South Meager	1,190,676	1.58%	0.85%
Orita	1,841,147	1.59%	1.55%
Sierra	826,133	1.59%	1.55%

19. Share capital

The Company's capital transactions are presented in the statement of changes in total equity and as follows:

	Number of Shares Authorized	Number of Shares Issued and Fully Paid	Number of Shares Reserved for Issue Under Stock Options (Exercisable)	Number of Shares Reserved for Issue Under Warrants	Number of Shares Reserved for Issue Under Restricted and Deferred Stock
Balance at December 31, 2015	15,513,157	15,513,157	2,451	26,191	77,566
Stock options forfeited or expired	-	-	(2,183)	-	-
Stock options vested	-	-	8,000	-	-
RSUs and DSUs vested	160,775	160,775	-	-	(77,566)
Shares canceled	(654)	(654)	-	-	-
Balance at December 31, 2016	15,673,278	15,673,278	8,268	26,191	-
Stock options forfeited or expired	-	-	(68)	-	-
Stock options vested	-	-	8,000	-	-
RSUs and DSUs vested	-	-	-	-	77,566
Shares issued	2,000	2,000	-	-	-
Balance at September 30, 2017	15,675,278	15,675,278	16,200	26,191	77,566

(a) Stock options, restricted share units and deferred share units

The Company's Omnibus Long-Term Incentive Plan (the "LTIP") adopted in June 2012 and most recently approved in June 2017, provides that stock options may be granted to directors, senior officers, employees and consultants of the Company or any of its affiliates and employees of management companies engaged

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

The following table reconciles stock options outstanding as at September 30, 2017 and December 31, 2016:

	For the nine months ended September 30, 2017	Weighted Average Exercise Price	For the year ended December 31, 2016	Weighted Average Exercise Price (CDN)
Balance at beginning of period	171,397	$ 14.65	26,451	$ 70.54
Granted during the period	-	-	147,129	14.60
Forfeited during the period	(68)	460.00	(1,538)	648.56
Expired during the period	-	-	(645)	782.95
Balance at end of period	171,329	$ 14.48	171,397	$ 14.65

The following table summarizes the information related to stock options outstanding as at September 30, 2017:

	Outstanding Options			Exercisable Options	
Range $CDN	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price ($CDN)	Number of Options Outstanding	Weighted Average Exercise Price ($CDN)
0.00 - 99.99	171,129	3.8	$ 13.95	16,000	$ 10.00
100.00 - 999.99	200	0.1	460.00	200	460.00
	171,329	3.8	$ 14.48	16,200	$ 15.56

For the nine months ended September 30, 2017 and 2016, the Company recognized share-based compensation expense associated with options, with a corresponding increase in contributed surplus, of $139,062 and $44,922, respectively.

There are no performance criteria associated with restricted share units ("RSUs"). During the second quarter 2017, the Company revised its RSU agreements, allowing the participant to elect to receive either shares or a cash equivalent amount in exchange for the RSUs after each vesting date. As a result, the Company recorded a liability in connection with the RSUs, which will be remeasured to the fair value of the RSUs at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period. The Company recognized share-based compensation expense associated with RSUs of $774,063 and $687,563 for the nine months ended September 30, 2017 and 2016, respectively.

Deferred share units ("DSUs") granted to directors of the Company may be redeemed within the 90 days following termination from the Company by providing a notice of redemption specifying an election to receive either a cash payment or Company shares or both. Until the liability is settled, the Company will remeasure the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period. For the nine months ended September 30, 2017 and 2016, the Company recognized share-based compensation of $11,236 and $70,566, respectively, which includes recognition of the grant date fair value and the change in fair value of the share-based compensation liability.

(b) Contributed surplus

The Company's contributed surplus consists of amounts ascribed to equity-settled employee benefits and other share-based payments, such as broker warrants. Additionally, for each transaction related to its stock, the Company allocates the consideration received between share capital and contributed surplus. The amount allocated to share capital is calculated as the number of shares issued multiplied by the market price of the Company's stock on the date of issuance, and the residual is allocated to contributed surplus.

(c) Per share amounts

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

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Total earnings (loss) and comprehensive earnings (loss) attributable to owners of the Company	$ 889,579	$ (1,642,051)	$ 911,376	$ (6,016,955)
Basic weighted average number of shares outstanding	15,674,277	15,671,634	15,673,614	15,594,131
Basic earnigns (loss) per share	$0.06	($0.10)	$0.06	($0.39)

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Total earnings (loss) and comprehensive earnings (loss) attributable to owners of the Company	$ 889,579	$ (1,642,051)	$ 911,376	$ (6,016,955)
Diluted weighted average number of shares outstanding	15,702,842	15,675,866	15,693,986	15,594,131
Diluted earnings (loss) per share	$0.06	($0.10)	$0.06	($0.39)

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

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Stock options - 5/15/2015 grant date	-	-	-	24,000
Stock options - 11/16/2012 grant date	200	268	200	268
Deferred stock units	-	6,452	-	6,452
Warrants	26,191	26,191	26,191	26,191
Total anti-dilutive instruments	26,391	32,911	26,391	56,911

(e) Non-controlling interests

The Company owns 99.34% of Polaris Energy Corp ("PEC"), while PEC owns 95% of Cerro Colorado Corp. ("CCC"), both of which are Panamanian companies. CCC owns 90% of Cerro Colorado Power S.A.("CCPSA"), a Nicaraguan company, which holds the concession to the Casita geothermal project. Losses attributed to the non-controlling interest owners in these subsidiaries for the nine months ended September 30, 2017 and 2016 were $730 and $48,022, respectively.

20. Related party transactions

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

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Short-term employee benefits	$ 134,267	$ 116,393	$ 412,145	$ 360,422
Share-based payment	111,049	197,189	488,070	803,052
Total key management compensation	$ 245,316	$ 313,582	$ 900,215	$ 1,163,474

21. Commitments

The Company enters into agreements for geothermal concessions, capital asset purchases, and building leases. The minimum annual payments required are as follows:

Geothermal property lease commitments

		September 30, 2017
No later than one year	$	-
For years 2 - 5		120,000
Thereafter		300,000
Total commitments for expenditures	$	420,000

Non-cancelable operating lease commitments

		September 30, 2017
No later than one year	$	15,613
For years 2 - 5		15,690
Thereafter		-
Total operating lease commitments	$	31,303

22. Contingencies

Legal proceedings

PENSA is a respondent in a legal claim pending for approximately $0.1 million arising out of a dispute with a previous Director. The Company has not recorded a provision for this claim as the amount and timing of payment of damages, if any, is not certain or estimable as of September 30, 2017.

23. Financial instruments and risk management

(a) Fair value of financial assets and liabilities

As at September 30, 2017 and December 31, 2016, the carrying amounts of accounts receivable, restricted cash, accounts payable and accrued liabilities, and current portion of long-term debt are at fair value or approximate fair value due to the short term to maturity. The fair value of long term-debt approximates carrying value. The carrying value of the long-term debt is net of unamortized transaction costs as further explained in Note 17.

(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.

(c) Interest rate risk

The Phase I and II Senior Facilities bear interest at an applicable margin of 6.5% with quarterly interest payments that are variable based upon 3-month LIBOR. The total rate as at September 30, 2017 was 7.82%. The Phase I and II Subordinated Facilities bears interest at a fixed rate of 6%. The Company determined that a hypothetical 10 basis point increase in 3-month LIBOR would result in an increase of $108,568 in financing costs for the nine months ended September 30, 2017.

Under the amendments to the Phase I and Phase II Credit Agreements, the borrowers are required to enter into interest rate swaps for at least 100% and 50% of the outstanding balance of the Phase I and Phase II Senior Credit Facilities, respectively. Management believes the Company is not exposed to significant interest rate risk on the loans, but is working with the San Jacinto Project lenders to enter into the required interest rate swaps.

(d) Currency risk

The Company operates internationally and is exposed to risks from changes in foreign currency exchange rates. The functional currency of the Company is the US dollar and currently most of the Company's transactions are denominated in US dollars. As at September 30, 2017, the Company had

net Canadian dollar denominated accounts payable and long-term debt of CDN$833,789 (net of cash and security deposits).

The Company determined that a 10% change in the Canadian dollar against the US dollar would have impacted total loss and comprehensive loss by $66,812 for the nine months ended September 30, 2017. The Company does not enter into any foreign exchange contracts to mitigate this risk.

(e) Commodity prices

The Company's commodities consist of power produced and CERs earned. The Company is not exposed to commodity price risk with respect to the power it produces as all power currently produced is sold under the terms of a 20-year PPA which establishes a fixed price and escalator.

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

(f) Credit risk

Credit risk is the risk of financial loss to the Company if a partner or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist of accounts receivable.

The Company deposits its cash with reputable financial institutions, for which management believes the risk of loss to be remote. The Company's accounts receivable relate to PENSA's PPA with the Nicaraguan power distributors Disnorte and Dissur. As both Disnorte and Dissur are subsidiaries of the same company, currently PENSA has a concentration of credit risk. This party is subject to normal industry credit risks. Management does not believe that this represents a significant credit risk as the customer is a power distributor in the country of Nicaragua, and the government is committed to the stability of the sector. Credit risk concentration with respect to trade receivables is therefore mitigated but not eliminated due to the relationship between the Company and the Government of Nicaragua. The Company manages this risk by seeking out alternative customers both in Nicaragua and in other Central American countries so that, in the event of a credit failure on the part of its current customer, it would have alternative arrangements. The Company is entitled to sell its power to alternative customers in the event that its current customer fails to pay for power generated and such failure to pay continues for a period of 60 days.

Maximum credit risk is calculated as the total value of accounts receivable as at the balance sheet date less any liability amounts where there is a legal right to offset. The Company's maximum credit risk as at September 30, 2017 and December 31, 2016 was $12,012,602 and $12,023,281, respectively.

(g) Liquidity risk

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

The following are maturities for the Company's non-derivative and derivative financial liabilities as at September 30, 2017:

	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years	Total
Accounts payable and accrued liabilities	$ 8,458,882	$ -	$ -	$ -	$ 8,458,882
Debt, current and long-term	12,220,164	28,825,630	37,036,538	96,446,515	174,528,847
Interest obligations	12,924,088	22,963,915	17,951,792	20,900,735	74,740,530
	$ 33,603,134	$51,789,545	$54,988,330	$ 117,347,250	$257,728,259

Interest on the San Jacinto Project credit facilities is due and payable quarterly, and is currently estimated to be approximately $3.3 million each quarter. The Company plans to make payments of

interest on the San Jacinto project credit facilities out of its current cash and cash generated by operations.

24. Capital management

The Company's capital structure is comprised of net long-term debt, as further disclosed in Note 17, cash, 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 and approved by the Company's Board.

In preparing its budgets, the Company considers externally-imposed capital requirements pursuant to the terms of the Phase I and Phase II Credit Agreements entered into by PENSA and SJPIC (Note 17). These externally-imposed capital requirements will affect the Company's approach to capital management. The Company's externally-imposed capital requirements include maintaining minimum solvency ratios for PENSA and SJPIC and restrictions on the use of revenue from the San Jacinto project.