

UEP Penonome II, S. A.

Report and Financial Statements December 31, 2023

*"This document has been prepared with the knowledge
that its content will be made available to the investing
public and the general public"*

UEP Penonome II, S. A.

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Independent Auditors' Report

To the Board of Directors and Shareholders of
UEP Penonome II, S. A.

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of UEP Penonome II, S. A. (the "Company") as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Company's financial statements comprise:

- the balance sheet as at December 31, 2023;
- the income statement for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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 International Code of Ethics for Professional Accountants (including the International Standards of Independence) issued by the International Ethics Standards Board for Accountants (IESBA Code of Ethics) and the requirements of the code of professional ethics for certified public accountants that are relevant to our audit of the financial statements in the Republic of Panama. We have fulfilled the other ethical responsibilities in accordance with the IESBA Code of Ethics and the ethics requirements of the Republic of Panama.

Key audit matters

The key audit matters are those that, in our professional judgment, were the most significant in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole and to form our audit opinion thereon, and we did not express a separate opinion on them.



To the Board of Directors and Shareholders of
UEP Penonome II, S. A.

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Impairment testing of plant and equipment and goodwill How our audit addressed the matter

As of December 31, 2023, the balances of plant and equipment and of goodwill amounts US\$193,996,920 and US\$20,000,000, respectively, which in the aggregate comprise 82% of the Company's total assets.

The Company is required to, at least annually, test goodwill for impairment. For plant and equipment, the Company is required to review these assets for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable, and at least annually, review whether there is any change in their expected useful lives. For the purpose of performing impairment assessments, plant and equipment and goodwill have been allocated to groups of cash generating units ("CGUs"), which are the smallest group of assets that generate cash inflows that are largely independent of each other. The recoverable amount of the underlying CGUs is supported by value-in-use calculations which are based on future discounted cash flows. This area was important to our audit because the impairment testing is complex, judgmental and based on assumptions that are affected by unexpected future market or economic conditions, particularly those relating to the cash forecast and the applied discount rate.

See Notes 8 and 11 to these financial statements.

Other information

Management is responsible for the other information. The other information comprises the "Annual Report Update (INA, for its acronym in Spanish)" (but does not include the financial statements and our auditor's report thereon).

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

- We involved our internal valuation experts, analyzed the methodology and model of the value in use of the cash generating units.
- We compared the assumptions used to calculate the discount rates with external information.
- We analyzed the projected future cash flows included in the model taking into consideration the current macroeconomic climate and the expected future performance of the cash generating units.
- We compared projected cash flows, including assumptions related to revenue growth rates and operating margins, with the historical performance of Management's projections.
- We performed a sensitivity analysis around the key assumptions above mentioned to ascertain the extent of change in those assumptions that either individually or collectively would be required for the plant and equipment and for the goodwill to be impaired.



To the Board of Directors and Shareholders of
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In connection with our audit of the 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 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 financial statements

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

In preparing the 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 financial statements

Our objectives are to obtain reasonable assurance about whether the 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 ISAs 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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.



To the Board of Directors and Shareholders of
UEP Penonome II, S. A.

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- 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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, the corresponding safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.



To the Board of Directors and Shareholders of
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Report on other legal and regulatory requirements

In compliance with Law 280 of December 30, 2021, which regulates the profession of certified public accountants in the Republic of Panama, we declare the following:

- The direction, execution and supervision of this audit work has been carried out physically in Panamanian territory.
- The audit partner in charge who has prepared this report of the independent auditors is Edereth Barrios with certified public accountant license No.0304-2004.
- The engagement team that has participated in the audit referred to this report is constituted by Edereth Barrios, Partner and Renaldo Melendez, Manager.

PricewaterhouseCoopers

February 29, 2024

Panama, Republic of Panama

E. Barrios B.

Edereth Barrios

CPA 0304-2004

UEP Penonome II, S. A.

Balance Sheet

December 31, 2023

(All amounts in US\$ unless otherwise stated)

		2023	2022
	Notes		
Assets			
Current assets			
Cash and cash equivalents	2, 5 and 6	17,396,949	5,490,195
Trade and other receivables	2, 7 and 16	7,127,866	6,989,164
Related party debt receivable	16	1,138,080	996,982
Prepaid expenses		1,291,507	4,991,808
Inventory		51,726	40,685
Total current assets		<u>27,006,128</u>	<u>18,508,834</u>
Non-current assets			
Plant and equipment, net	2, 8 and 9	193,996,920	202,848,696
Goodwill	2 and 11	20,000,000	20,000,000
Related party debt receivable	16	19,345,052	20,483,131
Intangible assets, net	10	100,851	105,268
Seniority premium		17,359	13,934
Total non-current assets		<u>233,460,182</u>	<u>243,451,029</u>
Total assets		<u>260,466,310</u>	<u>261,959,863</u>
Liabilities and Equity			
Liabilities			
Current liabilities			
Bonds payable	13	16,627,445	15,240,126
Trade and other payables	2, 12 and 16	2,536,737	1,285,733
Lease liabilities	9	229,888	192,094
Total current liabilities		<u>19,394,070</u>	<u>16,717,953</u>
Non-current liabilities			
Lease liabilities	9	7,810,454	8,040,342
Deferred income tax	18	1,425,861	605,394
Provisions		374,016	347,922
Bonds payable	13	211,820,687	224,181,572
Total non-current liabilities		<u>221,431,018</u>	<u>233,175,230</u>
Total liabilities		<u>240,825,088</u>	<u>249,893,183</u>
Equity			
Common shares with US\$1 par value each; authorized and issued: 1,050 shares	2 and 14	1,050	1,050
Capital contribution	2 and 14	55,974,250	55,974,250
Accumulated deficit		(36,200,074)	(43,774,616)
Prepaid dividend tax		(134,004)	(134,004)
Total equity		<u>19,641,222</u>	<u>12,066,680</u>
Total liabilities and equity		<u>260,466,310</u>	<u>261,959,863</u>

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

UEP Penonome II, S. A.

Income Statement

For the year ended December 31, 2023

(All amounts in US\$ unless otherwise stated)

		2023	2022
	Notes		
Energy revenues		54,587,421	40,987,418
Costs of goods and services	8, 10, 15 and 16	<u>(25,573,871)</u>	<u>(21,858,853)</u>
Gross profit		29,013,550	19,128,565
Administrative expenses	15 and 16	<u>(4,482,435)</u>	<u>(3,405,988)</u>
Operating profit		24,531,115	15,722,577
Finance cost, net	16 and 17	<u>(16,142,876)</u>	<u>(9,881,077)</u>
Other income		<u>6,770</u>	<u>130,429</u>
Profit before income tax		8,395,009	5,971,929
Income tax	18	<u>(820,467)</u>	<u>599,370</u>
Profit for the year		<u>7,574,542</u>	<u>6,571,299</u>

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

UEP Penonome II, S. A.

Statement of Changes in Equity For the year ended December 31, 2023 *(All amounts in US\$ unless otherwise stated)*

	<u>Common Shares</u>	<u>Capital Contribution</u>	<u>Accumulated Deficit</u>	<u>Prepaid Dividend Tax</u>	<u>Total Equity</u>
Balance at December 31, 2021	1,050	55,974,250	(50,345,915)	(134,004)	5,495,381
Comprehensive income:					
Profit for the year	-	-	6,571,299	-	6,571,299
Balance at December 31, 2022	1,050	55,974,250	(43,774,616)	(134,004)	12,066,680
Comprehensive income:					
Profit for the year	-	-	7,574,542	-	7,574,542
Balance at December 31, 2023	<u>1,050</u>	<u>55,974,250</u>	<u>(36,200,074)</u>	<u>(134,004)</u>	<u>19,641,222</u>

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

UEP Penonome II, S. A.

Statements of Cash Flows For the year ended December 31, 2023 (All amounts in US\$ unless otherwise stated)

	Notes	2023	2022
Cash flows from operating activities			
Profit before income tax		8,395,009	5,971,929
Adjustments to reconcile profit before income tax to net cash provided by operating activities:			
Depreciation and amortization	10 and 15	13,947,153	13,936,348
Finance cost amortization	17	488,115	488,495
Interest on bond, swaps and lease liabilities	17	16,034,326	17,427,534
Interest income	17	(1,366,104)	(1,429,818)
Fair value gain on derivative financial instrument	17	-	(7,338,074)
Net changes in assets and liabilities:			
Trade and other receivables		(156,919)	1,436,789
Trade and other payables		1,301,174	(608,700)
Prepaid expenses		3,696,876	(3,051,406)
Inventory		(11,041)	(1,894)
Net cash provided by operating activities		<u>42,328,589</u>	<u>26,831,203</u>
Cash flows from investing activities			
Additions of plant and equipment	8	(5,097,893)	(556,464)
Additions of intangible assets	10	(17,143)	(15,000)
Loan receivable - Intercompany collection	16	996,981	898,933
Interest received - Intercompany	16	1,384,321	1,444,586
Net cash (used in) provided by investing activities		<u>(2,733,734)</u>	<u>1,772,055</u>
Cash flows from financing activities			
Payment of issued bonds	13	(11,256,000)	(10,149,000)
Interest paid	13	(16,240,007)	(18,004,832)
Payment on derivative financial instrument	13	-	(287,000)
Principal lease payments	9	(192,094)	(157,732)
Net cash used in financing activities		<u>(27,688,101)</u>	<u>(28,598,564)</u>
Net increase in cash and cash equivalents		11,906,754	4,694
Cash and cash equivalents at the beginning of year		<u>5,490,195</u>	<u>5,485,501</u>
Cash and cash equivalents at the end of year	5	<u>17,396,949</u>	<u>5,490,195</u>

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

UEP Penonome II, S. A.

Notes to the Financial Statements

December 31, 2023

(All amounts in US\$ unless otherwise stated)

1. General Information

UEP Penonome II, S. A. (the “Company”) is incorporated on January 18, 2013 under the laws of the Republic of Panama. The Company is engaged in the production of electricity through its five wind parks located in Penonome, Province of Cocle, Republic of Panama.

The ultimate parent company of UEP Penonome II, S. A. is Basic Energy Ltd., incorporated in Bahamas.

The local regulator, Autoridad Nacional de los Servicios Publicos (ASEP, by its acronym in Spanish), approved the Company’s electricity generation license to 215 MW capacity (Note 19).

The Company is located in Plaza 58 Building, 9th floor, 58E Street, Obarrio, Republic of Panama, and the wind turbines are located in Penonome, Province of Cocle, Republic of Panama.

These financial statements have been approved for issue by the Finance Manager on February 29, 2024.

2. Summary of Material Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

Basis of Preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) (IFRS Accounting Standards). The financial statements have been prepared on the historical cost convention, except for derivative financial instruments measured at fair value.

In the Company's financial statements, the Statement of Other Comprehensive Income is not presented because there are no items that require a separate presentation of this statement.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.2.

Notes to the Financial Statements

December 31, 2023

(All amounts in US\$ unless otherwise stated)

2. Summary of Material Accounting Policies (Continued)

Basis of Preparation (continued)

New Standards, Amendments and Interpretations Adopted by the Company

The Company has applied the following standards and amendments for the first time for its annual reporting period commencing January 1, 2023.

- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 (effective for annual periods starting on January 1, 2023): The IASB amended IAS 1 Presentation of Financial Statements to require entities to disclose their material rather than their material accounting policies. The amendments define what is ‘material accounting policy information’ (being information that, when considered together with other information included in an entity’s financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.
- Definition of Accounting Estimates – Amendments to IAS 8 (effective for annual periods starting on January 1, 2023): The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 (effective for annual periods starting on January 1, 2023): The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:
 - right-of-use assets and lease liabilities, and
 - decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

Notes to the Financial Statements

December 31, 2023

(All amounts in US\$ unless otherwise stated)

2. Summary of Material Accounting Policies (Continued)

Basis of Preparation (continued)

New Standards, Amendments and Interpretations Adopted by the Company (continued)

The cumulative effect of recognising these adjustments is recognised in the opening balance of retained earnings, or another component of equity, as appropriate.

IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

New Standards, Amendments and Interpretations not yet Adopted

- Classification of Liabilities as Current or Non-current – Amendments to IAS 1 (effective for annual periods starting on January 1, 2024): Amendments made to IAS 1 Presentation of Financial Statements in 2020 and 2022 clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date.

The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include:

- the carrying amount of the liability
- information about the covenants, and
- facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants.

Notes to the Financial Statements

December 31, 2023

(All amounts in US\$ unless otherwise stated)

2. Summary of Material Accounting Policies (Continued)

New Standards, Amendments and Interpretations not yet Adopted (continued)

- The amendments also clarify what IAS 1 means when it refers to the ‘settlement’ of a liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an equity instrument. However, conversion options that are classified as a liability must be considered when determining the current/non-current classification of a convertible note. The amendments must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current.
- Supplier finance arrangements – Amendments to IAS 7 and IFRS 7 (effective for annual periods starting on January 1, 2024): The IASB has issued new disclosure requirements about supplier financing arrangements (‘SFAs’), after feedback to an IFRS Interpretations Committee agenda decision highlighted that the information required by IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures falls short of meeting user information needs. The objective of the new disclosures is to provide information about SFAs that enables investors to assess the effects on an entity’s liabilities, cash flows and the exposure to liquidity risk. The new disclosures include information about the following:

The terms and conditions of SFAs:

1. The carrying amounts of financial liabilities that are part of SFAs and the line items in which those liabilities are presented.
2. The carrying amount of the financial liabilities in (b) for which suppliers have already received payment from the finance providers.
3. The range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements.
4. Non-cash changes in the carrying amounts of financial liabilities in (b).
5. Access to SFA facilities and concentration of liquidity risk with finance providers.

Notes to the Financial Statements

December 31, 2023

(All amounts in US\$ unless otherwise stated)

2. Summary of Material Accounting Policies (Continued)

New Standards, Amendments and Interpretations not yet Adopted (continued)

The IASB has provided transitional relief by not requiring comparative information in the first year, and also not requiring disclosure of specified opening balances. Further, the required disclosures are only applicable for annual periods during the first year of application. Therefore, the earliest that the new disclosures will have to be provided is in annual financial reports for December 2024 year-ends, unless an entity has a financial year of less than 12 months.

These standards are not expected to have a material impact in the current or future reporting periods and on foreseeable future transactions.

Monetary Unit and Functional Currency

The financial statements are expressed in U.S. Dollars (US\$), monetary unit of the United States of America, which is at par with the Balboa (B/.), monetary unit of the Republic of Panama. The U.S. Dollar (US\$) circulates and is freely exchangeable in the Republic of Panama and is the functional currency.

Segment Information

A business segment is an identifiable component of the Company, in charge of supplying a single product or service, or a set of them that are related and characterized by being subject to risks and returns of a different nature than those corresponding to other business segments within the same company.

A geographic segment is an identifiable component of the Company in charge of supplying products or services in a specific economic environment, and which is characterized by being subject to risks and returns of a specific nature, and which correspond to other operating components that carry out their activity in different environments.

The Company's business operations are organized and managed as a single business segment, which is to operate the generating plants within the economic environment of electricity generation. Additionally, the Company's internal and reporting organization is predominantly based on a single business segment.

Notes to the Financial Statements

December 31, 2023

(All amounts in US\$ unless otherwise stated)

2. Summary of Material Accounting Policies (Continued)

Financial Assets

The Company classifies its financial assets in the category of loans and receivables assets, based on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables with maturities not greater than 12 months are included in current assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash in hand and other short-term highly liquid investments with original maturities of three months or less.

The statement of cash flows shows the Company's cash flows for the year for operating, investing and financing activities and the change in cash and cash equivalents during the year.

Trade Receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment of receivables. They are classified as current assets as collection is expected in one year or less.

A provision for impairment of trade receivables is established by applying the simplified approach of IFRS 9 to measure expected credit losses using a provision of expected losses over the life of the trade receivables.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Prepaid Expenses

Prepaid expenses are recognized when the Company incurred in payments for goods or services to be received in the future. Prepaid expenses and other assets are initially recorded as assets, but their value is recognized over time onto the income statement.

Notes to the Financial Statements

December 31, 2023

(All amounts in US\$ unless otherwise stated)

2. Summary of Material Accounting Policies (Continued)

Plant and Equipment

Plant and equipment are stated at cost, less accumulated depreciation, amortization and impairment losses. Depreciation and amortization are calculated on the straight-line method over the estimated useful lives of the assets. Costs of maintenance, repairs, minor refurbishments and improvements are charged to expense. Subsequent costs are capitalized only when it is probable that a future economic benefit associated with the item will flow to the Company and the cost of the item can be measured reliably. The Company has a maintenance program that includes inspecting, testing and repairing all operational power equipment based on the equivalent operating hours (EOH).

Expenditure on the construction, installation or completion of infrastructure facilities, such as constructions, generators and electric power plants facilities, is capitalized within plant and equipment according to its nature. No depreciation or amortization is charged during the construction phase. The Company begins depreciating an item of plant and equipment when it is available for use.

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

- The amount of the initial measurement of lease liability.
- No restoration costs, and no payments were made at or before the lease commencement date as well as not initial direct costs.

Right-of-use assets are recognized as leasehold and generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Depreciation and amortization rates used are described as follows:

Buildings	2.50%
Leasehold	5%
Generators and plant facilities	5% - 10%
Tools and minor equipment and other assets	25%
Equipment of transportation	25%
Furniture and office equipment	25%

Notes to the Financial Statements

December 31, 2023

(All amounts in US\$ unless otherwise stated)

2. Summary of Material Accounting Policies (Continued)

Plant and Equipment (continued)

Major spare parts and stand-by equipment qualify as plant and equipment when the Company expects to use them during more than one period; and if spare parts and servicing equipment can be used only in connection with an item of plant and equipment, they are accounted for as plant and equipment. Depreciation of spares that are capitalized commences when the asset has been installed and is capable of being used. The depreciation charge is based on the expected useful life of the spare while it is being used, which may be shorter than the useful life of the asset to which it relates. When the spare is itself replaced, the asset is derecognized.

Inventory

Consist of consumable spare parts that are expected to be used for replacement or improvement on existing assets. Inventory is stated at the lower of cost or net realizable value. The cost of inventories includes expenditure incurred in purchases and other necessary costs to bring them to their existing location and condition.

Cost is determined using the weighted average cost method. An allowance for obsolete inventory of spare parts is established based on management's analysis of such items to be used as intended and the consideration of potential obsolescence due to technological changes and consumption patterns.

Impairment of Long-lived Assets

Plant and equipment and other non-current assets which are non-financial assets that are subject to depreciation and amortization, are reviewed for impairment whenever events or changes in the circumstances indicate that the carrying amount may not be recoverable.

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. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

In both cases, the recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Notes to the Financial Statements

December 31, 2023

(All amounts in US\$ unless otherwise stated)

2. Summary of Material Accounting Policies (Continued)

Lease Liabilities

Lease liabilities include the following lease payments:

- fixed payments, less any lease incentives receivable,
- variable lease payment that are based on an index or a rate,
- amounts expected to be payable by the Company 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, to the extent that this can be determined. Otherwise, the discount is the lessee's incremental borrowing rate.

Intangible Assets

Easement right of way

Represent the value attributable to the right of way of a high voltage transmission line for a 25 years period, by virtue of a long-term contract with the landowner and the Company. The intangible assets are recognised at cost and subsequently measured at cost less accumulated amortization, which is calculated using the straight-line method to allocate the cost of the intangible assets over its estimated useful life of 25 years.

Goodwill

Goodwill arises and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquire and the acquisition-date fair value of any previous equity interest in the acquire over the fair value of the identifiable net assets acquired.

Goodwill is not amortized, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Trade and Other Payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the normal course of the business from suppliers. Trade and other payables are classified as current liabilities as payments are due within one year or less. (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

Notes to the Financial Statements

December 31, 2023

(All amounts in US\$ unless otherwise stated)

2. Summary of Material Accounting Policies (Continued)

Provision - Asset Retirement Obligation

The Asset Retirement Obligation Provision (ARO) is valued at the present value of the disbursements that are expected to be necessary to settle the obligation using the best estimate of the Company. The discount rate used to determine the present value reflects current market assessments, at the date of the statement of financial position, of the time value of money, as well as the specific risk related to the particular liability, if applicable. The company has recognized non-current obligations for the dismantling and retirement of its assets at the end of their lives.

Bonds Payable

Bonds payable are initially recognized at fair value, net of transaction costs incurred. Bonds payable are subsequently carried at amortized cost, using the effective interest method; are classified as current liabilities unless the Company maintains the unconditional right to defer the liability for at least twelve months after the reporting date.

Finance Costs

General and specific finance costs directly attributed to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until the assets are substantially ready for their intended use or sale any difference between the net product of transaction costs and the redemption value is recognized in the income statement during the financing period using the effective interest method. All finance costs are recognized in the income statement in the period in which they are incurred.

Current and Deferred Income Tax

Income tax expense for the period comprises current and deferred income tax. Income tax is recognized in the income statement. The current income tax charge is calculated based on the tax laws enacted at the balance sheet date over the taxable income.

Deferred income tax is provided in full, using the liability method, where temporary differences arise between the fiscal bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability, in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available, and the temporary differences can be utilized against it.

Notes to the Financial Statements

December 31, 2023

(All amounts in US\$ unless otherwise stated)

2. Summary of Material Accounting Policies (Continued)

Employee Benefits

Defined Benefit Plan for Employees (Seniority Premium and Indemnification)

The Panamanian Labor Law established a service seniority premium. For this purpose, a provision has been established, which is calculated on the basis of one week of each year of work, equal to 1.92% of salaries paid in the year. In addition, employees dismissed under certain circumstances are entitled to receive compensation based on years of services.

Law N° 44 dated August 12, 1995, established, from the effective date of the law, the employer's obligation to set up a severance fund to pay employees the seniority premium and indemnity for unjustified dismissal established by the Labor Law. This fund is constituted based on seniority premium and the quote of the monthly severance.

Defined Contribution Plan

According to Law No.51 of December 27, 2005, the companies must realize monthly contributions to the Panama Social Security (i.e., Caja de Seguro Social de Panama in Spanish), based on a percentage of the total wages paid to their employees. A portion of these contributions is used by the Panamanian State for the payment of the future retirements of the employees. The contribution for the year amounted to US\$26,288 (2022: US\$25,081).

Equity

Equity comprises the following:

- Common shares: representing the nominal value of equity shares issued to the shareholders. Share capital is represented by ordinary nominative non-endorsable shares of US\$1 nominal value each.
- Capital contribution: representing the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issuance.
- Retained earnings: representing accumulated earnings and losses.

Notes to the Financial Statements

December 31, 2023

(All amounts in US\$ unless otherwise stated)

2. Summary of Material Accounting Policies (Continued)

Energy Revenue Recognition

The Company recognizes energy revenue in the periods that it delivers electricity. Contracted prices are billed in accordance to provisions of applicable power sales agreements and spot sales are billed in accordance with prevailing market prices. The unit of measurement of the contract prices is dollar per megawatt hour (\$/MWh). The following criteria should be met in order to recognize revenue: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the price to the buyer is fixed or determinable; and (4) collection is reasonably assured. Revenues are measured at fair value of the consideration received or receivable for the sale of the energy.

In accordance with IFRS 15, the Company recognized the revenue from contracts with customers based on a five-step model detailed below:

- Step 1: Identify contracts with customers: A contract is defined as the agreement between two or more parties, which creates rights and obligations required and establishes criteria that must be met for each contract. The contracts that are handled are written and grouped in the same type of contracts because all of them are categorized in the same concept of energy sales.
- Step 2: Identify the contract obligations: An obligation is a promise in a contract with a client for the transfer of a good or service.
- Step 3: Determine the price of transaction: The transaction price is the amount of the payment that the Company expects to have the right in exchange for the transfer of the promised goods or services to a client.
- Step 4: Assignment of the transaction price: The Company recognizes the price of the contract payable as specified in the contract, subject to the stipulated conditions and adjustments or proposed deductions, as applicable.
- Step 5: Recognition of revenue according to the criteria established by IFRS 15, the Company continues recognizing revenues over time instead of during a certain time.

Notes to the Financial Statements

December 31, 2023

(All amounts in US\$ unless otherwise stated)

2. Summary of Material Accounting Policies (Continued)

Energy Revenue Recognition (continued)

The Company principally satisfies its performance obligations over time, when, or as, a performance obligation is satisfied, the Company recognizes as revenue the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which the Company expects to be entitled. The transaction price is allocated to the performance obligations in the contract based on standalone selling prices of the goods or services promised.

Finance Cost

Comprise interest expense on bonds, unwinding of the discount of provision and deferred consideration.

3. Financial Risk Management

Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

Risk management is carried out by the General Manager and the Director of Financial Department under the supervision of the Board of Directors. They identify and evaluate financial risks in close co-operation with Management of Departments within the Company.

Market Risk

Foreign Exchange Risk

The Company is not substantially exposed to the foreign exchange risk fluctuation, since its revenues and expenses are mainly expressed in U. S. Dollars.

Interest Rate Risk

Interest rate risk is mainly originated from long-term bonds with fixed interest rates.

Interest Rate Sensitivity

As at December 31, 2023, the Company has issued bonds which have fixed rate (Note 13).

Credit Risk

Credit risk arises mainly from cash and cash equivalents and trade and other receivables. The Company works only with well-known foreign and local financial institutions and energy distribution companies.

Notes to the Financial Statements

December 31, 2023

(All amounts in US\$ unless otherwise stated)

3. Financial Risk Management (Continued)

Financial Risk Factors (continued)

Credit Risk (continued)

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit rating.

	2023	2022
Cash at banks and trustee fund accounts:		
A+/AA- (2022: A)	2,237,142	5,323,019
BBB-/BB+ (2022: AA-)	<u>15,158,407</u>	<u>165,776</u>
	<u>17,395,549</u>	<u>5,488,795</u>

The Company has a concentration of its revenues and accounts receivable with the three off takers companies and with affiliated companies operating in the Republic of Panama. Sales of energy made to these customers represent approximately 85% (2022: 80%) of total revenues and 91% (2022: 86%) of total accounts receivable at the end of the period. This concentration of risk is mitigated by the fact that demand for electricity in Panama continues to grow steadily and that the energy market is very well structured and regulated by government authorities. For each power purchase agreement (PPA) a guarantee is required and the payment term of invoices originating in the electric market of Panama is averaged in a range of 30 days from the presentation date of the invoice. The guarantee is a performance bond payable to the collection against any event of default for bad debts or bad debt. There were no default events for unpaid bills as of December 31, 2023 and 2022.

Liquidity Risk

Liquidity risk is the risk that the Company might not be able to comply with all its obligations. The Company minimizes this risk by maintaining adequate levels of cash on hand or in current accounts for fulfilling commitments with recurring suppliers and borrowers. The current liabilities are covered by the cash flow generated by operations.

The Company finance monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed bonds facilities at all times so that the Company does not breach bonds limits or covenants on any of its bonds facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

Notes to the Financial Statements**December 31, 2023***(All amounts in US\$ unless otherwise stated)***3. Financial Risk Management (Continued)****Financial Risk Factors (continued)*****Liquidity Risk (continued)***

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months approximate their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
December 31, 2023					
Bonds payable	27,721,390	28,018,320	84,269,735	212,296,803	352,306,248
Lease liabilities	825,118	847,990	2,689,361	8,918,996	13,281,465
Trade and other payable	2,536,737				2,536,737
	<u>31,083,245</u>	<u>28,866,310</u>	<u>86,959,096</u>	<u>221,215,799</u>	<u>368,124,450</u>
December 31, 2022					
Bonds payable	26,885,088	27,721,390	84,375,015	240,209,843	379,191,336
Lease liabilities	803,013	825,118	2,615,817	9,840,530	14,084,478
Trade and other payable	1,285,733	-	-	-	1,285,733
	<u>28,973,834</u>	<u>28,546,508</u>	<u>86,990,832</u>	<u>250,050,373</u>	<u>394,561,547</u>

Cash Flows Information - Net Debt Reconciliation

The combined analysis of net debt and the movements in the net debt for each of the periods presented is detailed below:

	2023	2022
Cash and cash equivalents	17,396,949	5,490,195
Bonds payable	(231,256,000)	(242,512,000)
Lease liabilities	<u>(8,040,342)</u>	<u>(8,232,436)</u>
Net debt	<u>(221,899,393)</u>	<u>(245,254,241)</u>

Notes to the Financial Statements**December 31, 2023***(All amounts in US\$ unless otherwise stated)***3. Financial Risk Management (Continued)****Cash Flows Information – Net Debt Reconciliation (continued)**

	Leases Liabilities	Bonds Payable	Sub-total	Cash and Equivalents	Total
Net debt as December 31, 2021	(8,390,168)	(252,661,000)	(261,051,168)	5,485,501	(255,565,667)
Payment	157,732	10,149,000	10,306,732	-	10,306,732
Cash flows	-	-	-	4,694	4,694
Net debt as December 31, 2022	(8,232,436)	(242,512,000)	(250,744,436)	5,490,195	(245,254,241)
Payment	192,094	11,256,000	11,448,094	-	11,448,094
Cash flows	-	-	-	11,906,754	11,906,754
Net debt as December 31, 2023	(8,040,342)	(231,256,000)	(239,296,342)	17,396,949	(221,899,393)

Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debt.

Capital is monitored by the debt (bonds payable) to EBITDA ratio. This ratio measures the income generated and available to pay down debt from cash flows generated by the operations.

The debt to EBITDA ratio were as follows:

	2023	2022
Corporate bonds, excluding interest payable and deferred finance costs	231,256,000	242,512,000
EBITDA	38,485,038	29,789,354
Profit for the period	7,574,542	6,571,299
Depreciation and amortization (Notes 8, 9 and 10)	13,947,153	13,936,348
Finance cost, net (Note 17)	16,142,876	9,881,077
Income tax (Note 18)	820,467	(599,370)
Total EBITDA ratio	6.01	8.14

Notes to the Financial Statements

December 31, 2023

(All amounts in US\$ unless otherwise stated)

3. Financial Risk Management (Continued)

Fair Value Estimation

For disclosure purposes, the IFRS Accounting Standards specify a fair value hierarchy that categorizes into three levels based on the inputs used in valuation techniques to measure fair value: The hierarchy is based on the transparency of variables used in the valuation of an asset at the date of valuation. These three levels are:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset and liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The carrying value of cash and cash equivalents, trade and other receivables, trade and other payables approximates its fair value due to the short-term nature.

The fair value of bonds payables is disclosed in Note 13.

4. Critical Accounting Estimates and Judgement

Estimates and judgements are continually evaluated by Management and are based on historical experience and on various other assumptions that Management believes to be reasonable under the circumstances, the results of which form the basis for making judgements.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Asset Retirement Obligation

The Company makes estimates to determine the dismantling values associated with the termination of the lease contracts, this estimate is recorded at its present value in the financial statements of the Company.

Notes to the Financial Statements

December 31, 2023

(All amounts in US\$ unless otherwise stated)

4. Critical Accounting Estimates and Judgement (Continued)

Depreciation and Amortization of Plant and Equipment

The Company makes judgements in assessing its assets estimated useful lives and in determining estimated residual values, as applicable. Depreciation and amortization are calculated on the straight-line method, based on the estimated useful lives of the assets. These estimates are based on analysis of the assets' lifecycles and potential value at the end of its useful life. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Current and Deferred Income Tax Estimation

The Company is subject to income tax. Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Impairment of Goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the corresponding accounting policy disclosed herein. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 11).

Impairment of Non-financial Long-lived Assets

Non-financial long-lived assets, including identifiable intangible assets and right-of-use assets, are reviewed for impairment at the lowest level for which there are separately identifiable cash flows (CGU). For this purpose, each asset group with independent cash flows has been considered a single CGU, as all of their assets jointly contribute to the generation of cash inflows, which are derived from a single service or product; this cash inflows cannot be attributed to individual assets. In order to evaluate if there is evidence that a CGU could be affected, both external and internal sources of information are analyzed. The value in use of each CGU is estimated based on the present value of future net cash flows expected throughout its remaining useful life. Management uses approved long-term models cash flow projections then discounted at the appropriate rates. The discount rates used to discount future net cash flows is the WACC, for each asset or CGU a specific WACC was determined which considered the country conditions where the operations are performed.

Notes to the Financial Statements

December 31, 2023

(All amounts in US\$ unless otherwise stated)

4. Critical Accounting Estimates and Judgement (Continued)

Impairment of Non-financial Long-lived Assets (continued)

In order to calculate the fair value less the costs of disposal, Management uses the estimated value of the future cash flows that a market participant could generate from the appropriate CGU, less the necessary costs to carry out the sale of the corresponding CGU. Management is required to make judgments at the moment of the future cash flows estimation. The actual cash flows and the values may differ significantly from the expected future cash flows and the related values obtained through discount techniques.

5. Cash and Cash Equivalents for Statement of Cash Flows

The cash and cash equivalents for statement of cash flows purposes are detailed as follows:

Trust funds balances are considered as part of the cash and cash equivalents considering that these funds are used as part of the operational process describes in Note 6.

	2023	2022
Cash in U. S. currency	15,142,289	2,800,884
Trustee fund accounts (Note 6)	2,252,455	2,685,382
Petty cash	1,400	1,400
Collection account of trustee fund at 0.35% (2022: 0.35%) (Note 6)	805	2,529
	<u>17,396,949</u>	<u>5,490,195</u>

6. Trust Fund with Specific Use

The trust fund balances with specific use are presented below:

	2023	2022
Debt service accrual account	2,169,838	2,588,165
Spot market account	79,617	94,217
Collection account	805	2,529
Debt reserve account	600	600
Reserve O&M account	600	600
UEP II execution account	600	600
SWAP account	600	600
LC loan account	600	600
	<u>2,253,260</u>	<u>2,687,911</u>

Notes to the Financial Statements

December 31, 2023

(All amounts in US\$ unless otherwise stated)

6. Trust Fund with Specific Use (Continued)

Debt Reserve Account: The debt service reserve account shall be funded from the amounts received from the collection account or letters of credit or a combination of the two in an amount at least equal to the then applicable debt service reserve requirement (other than in respect of amounts of principal or any cash collateralization obligation or reimbursement obligation due under the letter of credit documents); provided that funds held in the debt service reserve account may be withdrawn to make payments of any amounts (including interest expense, principal, fees, premiums or other amounts other than amounts of principal due under the letter of credit documents (except as provided below)) due on the notes and any other secured debt if and to the extent that the amounts held in the account are insufficient to make such payments. amounts on deposit in the debt service reserve account may be used to reimburse or repay draws upon a related letter of credit to the extent such reimbursement or repayment restores dollar for dollar the ability of the collateral trustee to draw upon such letter of credit for such purposes in the future.

Debt Service Accrual Account: The debt service accrual account shall be funded from the amounts received from the collection account pursuant to the accounts' waterfall established under the Panamanian trust.

O&M Reserve Account: The trust O&M reserve account shall be funded from the amounts received from the collection account or letters of credit, or a combination of the two. funds from the trust O&M reserve account may be withdrawn as instructed by the issuer or the intercreditor agent, as applicable, to fund the issuer working capital account or any of the guarantor working capital accounts, if and to the extent that (i) the amounts held in the collection accounts and the issuer working capital account or the guarantor working capital account, as applicable, are insufficient to pay operating and maintenance expenses, or (ii) the amount in the relevant issuer distribution account or the guarantor distribution accounts is insufficient to pay unscheduled operating and maintenance expenses. The O&M reserve account shall be funded up to an amount equal to U.S.\$1 million or such greater amount as the issuer at its option may decide.

UEP II Execution Account: The execution accounts shall be funded from any proceeds derived from foreclosing on the collateral in respect of the issuer and the guarantors in accordance with the intercreditor agreement.

SWAP Account: The SWAP account shall be funded from amounts received from in the issuer collection account pursuant to the accounts waterfall up to an amount sufficient to cover any swap settlement payments or swap termination payments, as applicable, due and payable during the transfer period by the issuer under the Citi swap; provided, that amounts will only be transferred to the swap position account upon satisfaction by the issuer of the conditions set out under "limitation on restricted payments".

UEP Penonome II, S. A.

Notes to the Financial Statements

December 31, 2023

(All amounts in US\$ unless otherwise stated)

6. Trust Fund with Specific Use (Continued)

LC Loan Account: The letter of credit account shall be funded from amounts received in the issuer collection account pursuant to the accounts waterfall to fund amounts payable under the letter of credit documents, other than commitment and letter of credit fees and accrued and unpaid interest.

Issuer Collection Account: The issuer's collection account shall be funded with all income of the issuer, including revenues from the power purchase agreements entered into by the issuer, payments under the intercompany loans, wake effect payments, insurance proceeds, expropriation and termination payments, any other sources of revenue (including any related party payments), construction guaranty payments and liquidated damages payable under the SMA and related agreements, if any, and funds deposited in the issuer spot market account after netting any spot market payments owing to third parties.

Issuer's Spot Market Account: The issuer's spot market account shall be funded, first, prior to each monthly clearing of the spot market payments, from the collection account and, second, after each such monthly clearing, from net proceeds of the monthly clearing of the spot market payments.

7. Trade and Other Receivables

Trade and other receivables are detailed as follows:

	2023	2022
Clients	6,343,999	6,240,818
Related parties (Note 16)	448,935	368,327
Interest receivable related parties (Note 16)	334,670	352,888
Others	262	27,131
	<u>7,127,866</u>	<u>6,989,164</u>

At December 31, 2023 and 2022, there were no past due receivables, therefore, the Company has not recorded any provision for impairment.

As per ASEP resolution AN No-16095-Ele of May 21, 2021, due to COVID -19, the Distribution companies have paid the PPAs to UEP II in the same proportion than they have been received their revenues from their final clients corresponding to the billings for the months of March, April, May and June 2020. Total accounts receivables on hold as of December 2023 is US\$92 thousands (2022: US\$924 thousands). (See Note 20).

Trade and other receivables are parts of the pledged assets, which guarantee the issuance of corporate bonds. (See Note 13).

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Notes to the Financial Statements

December 31, 2023

(All amounts in US\$ unless otherwise stated)

8. Plant and Equipment, Net

Following is the movement of plant and equipment:

	Transportation Equipment	Building	Tools, Minor Equipment and other Assets	Generators and Plant Facilities	Right of Use Assets	Dismantling	Blades Project Inventory	Construction in Progress	Total
Cost at January 1, 2023	423,461	825,607	691,505	318,834,736	8,687,492	323,648	-	225,095	330,011,544
Additions	-	100,723	12,723	-	-	-	4,620,754	363,693	5,097,893
Reclassifications	-	-	-	-	-	-	803	(24,879)	(24,076)
Cost at December 31, 2023	423,461	926,330	704,228	318,834,736	8,687,492	323,648	4,621,557	563,909	335,085,361
Accumulated depreciation at January 1, 2023	(399,294)	(130,891)	(611,231)	(124,139,526)	(1,863,926)	(17,980)	-	-	(127,162,848)
Depreciation charge	(7,250)	(36,970)	(8,975)	(13,386,826)	(467,592)	(17,980)	-	-	(13,925,593)
Accumulated depreciation at December 31, 2023	(406,544)	(167,861)	(620,206)	(137,526,352)	(2,331,518)	(35,960)	-	-	(141,088,441)
Net balance at December 31, 2023	16,917	758,469	84,022	181,308,384	6,355,974	287,688	4,621,557	563,909	193,996,920

	Transportation Equipment	Building	Tools, minor equipment and other assets	Generators and Plant Facilities	Right of Use Assets	Dismantling	Blades Project Inventory	Construction in Progress	Total
Cost at January 1, 2022	394,461	825,607	622,026	318,834,736	8,687,492	-	-	90,758	329,455,080
Additions	29,000	-	69,479	-	-	323,648	-	134,337	556,464
Cost at December 31, 2022	423,461	825,607	691,505	318,834,736	8,687,492	323,648	-	225,095	330,011,544
Accumulated depreciation at January 1, 2022	(394,461)	(103,193)	(599,229)	(110,752,700)	(1,396,334)	-	-	-	(113,245,917)
Depreciation charge	(4,833)	(27,698)	(12,002)	(13,386,826)	(467,592)	(17,980)	-	-	(13,916,931)
Accumulated depreciation at December 31, 2022	(399,294)	(130,891)	(611,231)	(124,139,526)	(1,863,926)	(17,980)	-	-	(127,162,848)
Net balance at December 31, 2022	24,167	694,716	80,274	194,695,210	6,823,566	305,668	-	225,095	202,848,696

Notes to the Financial Statements

December 31, 2023

(All amounts in US\$ unless otherwise stated)

8. Plant and Equipment, Net (Continued)

Plant and equipment include interest on borrowings that are directly attributed to the construction of the assets. During the years ended December 31, 2023 and 2022, there were no interest capitalized.

The additions of the asset retirement obligation and the related provision are non-cash transactions for purpose of the statement of cash flows.

Plant and equipment are included into the onshore Security Agreements which includes the mortgage on movable and immovable assets, including the Company's generation licenses. (Note 13).

9. Lease

As of December 31, 2023, plant and equipment include leases which correspond to the lease located in Penonome. Lease terms are between 14-yr and 25-yr contract with an incremental rate of 2% year until expiration. The discount rate applied to the lease liability is 7.5%.

The leased properties are presented below:

	2023	2022
<i>Right-of-use assets</i>		
Cost	8,687,492	8,687,492
Accumulated depreciation	<u>(2,331,518)</u>	<u>(1,863,926)</u>
Net balance	<u>6,355,974</u>	<u>6,823,566</u>
<i>Lease liabilities</i>		
Current	229,888	192,094
Non-current	<u>7,810,454</u>	<u>8,040,342</u>
	<u>8,040,342</u>	<u>8,232,436</u>

The movement of lease liabilities is as follows:

	2023	2022
At the beginning of the year	8,232,436	8,390,168
Lease payment	(803,013)	(781,646)
Interest	<u>610,919</u>	<u>623,914</u>
At the end of the year	<u>8,040,342</u>	<u>8,232,436</u>

UEP Penonome II, S. A.

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9. Lease (Continued)

The statement of profit or loss shows the following amounts relating to lease:

	2023	2022
Depreciation charge of right-of-uses assets leased properties	<u>467,592</u>	<u>467,592</u>
Interest expenses (included in finance cost)	<u>610,919</u>	<u>623,914</u>
The total cash outflow for lease	<u>803,013</u>	<u>781,646</u>

10. Intangible Assets

The movement of intangible assets is as follows:

	2023	2022
Cost		
At January 1	187,896	172,896
Additions	<u>17,143</u>	<u>15,000</u>
Balance at the end of the year	<u>205,039</u>	<u>187,896</u>
Accumulated amortization		
At January 1	(82,628)	(63,211)
Depreciation charge	<u>(21,560)</u>	<u>(19,417)</u>
Balance at the end of the year	<u>(104,188)</u>	<u>(82,628)</u>
Net balance at the end of the year	<u>100,851</u>	<u>105,268</u>

Intangible assets - *easement right of way*: correspond to contracts with landowners with a single payment, these contracts were obtained for the constitution of an easement for the high voltage transmission line for a period of 25 years.

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11. Goodwill

In April 2014, IEH Penonome Holdings acquired the share capital of UEP Penonome II, S. A. for US\$8,518,361. In December 2014, it acquired a further share capital for US\$20,000,000 and obtained control of UEP Penonome II, S. A.

The following table summarizes the consideration paid for UEP Penonome II, S. A., the fair value of assets acquired at the acquisition date:

Consideration transferred	
Cash	28,518,361
Recognized amounts of identifiable assets acquired and construction in progress	<u>(8,518,361)</u>
Goodwill	<u>20,000,000</u>

The recoverable amounts of the business unit are calculated based on their value in use. The value in use is determined by discounting the future cash flows expected from the continuous use of each unit. The calculation of value in use is based on the following basic assumptions:

- Business plan for 2023 was used to project future cash flows. Future cash flows were projected using average growth rates based on the long-term assumptions growth rates, projected power generation, power contract price and spot market price. The forecast period is based on the long-term perspective of the Company with respect to the operation of this unit which was determined in 15 years.
- The discount rate of 6.50% was applied in determining the amounts recoverable for the business unit. This rate is calculated on the basis of market experience and the weighted average cost of capital (WACC) allocated for this unit.

The key assumptions described above may change as economic and market conditions change. The Company estimates that reasonably possible changes in these assumptions are not expected to affect the recoverable amount of the business unit or drops below the value of the carrying amount.

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12. Trade and Other Payables

Trade and other payables are detailed as follows:

	2023	2022
Suppliers	2,091,158	995,333
Others	364,808	290,016
Related parties (Note 16)	80,771	384
	<u>2,536,737</u>	<u>1,285,733</u>

13. Bonds Payable

Through resolution No. SMV 515-20, dated December 2, 2021, the Company issued on December 18, 2021, with Tecnisol I S. A., Tecnisol II S. A., Tecnisol III S. A. and Tecnisol IV S. A., (together “Tecnisol Group”), as joint guarantor, corporate bonds guaranteed for a total of US\$262,664,000, issued under Regulation 144A and Regulation S of the United States of America, with semi-annual amortizations and final maturity on October 1, 2038 with an interest rate of 6.5%, registered in the stock exchanges of Panama (Latin American Stock Exchange-LATINEX) and Singapore (Singapore Exchange Limited, SGX). The resources obtained from the bond issuance were used to prepay the syndicated loan acquired on December 29, 2014 with the IFC and other financial entities for US\$228,436,514, payment of the financial instrument derived from interest rate for US\$18,049,401, financing costs for US\$5,208,636, and loan performed with Tecnisol I S. A., Tecnisol II S. A., Tecnisol III S. A. and Tecnisol IV S. A., (together “Tecnisol Group”) for US\$10,969,449.

The most relevant commitments and restrictions on this debt are detailed below (all financial ratios expressed below are calculated based on the results of the Company and the Tecnisol Group combined).

- Limitation of indebtedness: for the Company to enter into a permitted indebtedness, it needs to maintain a debt coverage service ratio, both historical and prospective, of at least 1.31.
- Mortgages and / or liens are prohibited, except for certain permitted liens.
- Sale of assets and mergers: prohibited, except under certain conditions.
- Modifications to the main contracts are prohibited.
- Limitations on new investments.
- Restricted payments: you cannot make restricted payments if you do not meet both historical and prospective debt coverage service relationship of at least 1.20.

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13. Bonds Payable (Continued)

Guarantee Agreement: Includes the pledge on the Company's shares; transfer in guarantee of the energy purchase agreements and lease titles of ANATI; mortgage of movable and immovable property (including, among the latter, the Company's generation licenses). The Bank of Nova Scotia (Panama) acts as trustee (FID-135). The debt contract establishes that the Company must maintain a "Debt Service Reserve" and an "O&M Reserve" through a deposit or a letter of credit to ensure, in the first case, the next payment of interest. more capital and, in the second case, a certain level of operation and maintenance. (See Note 6).

On December 18, 2020, the Company contracted two letters of credit corresponding to Letter of Credit (DSR) (\$15,537,000) and Letter of Credit (OMR) (\$1MM) for three years. On December 11, 2023 the Company renewed the mentioned Letters of Credit under the same conditions for three additional years, ending on December 18, 2026.

As of December 31, 2023, the Company is in compliance with all its commitments.

The movement of bonds payable is as follows:

	2023	2022
Corporate bonds	231,256,000	242,512,000
Interest payable	3,778,445	3,984,126
Less: unamortized finance costs	(6,586,313)	(7,074,428)
Bonds and interest payable, net	228,448,132	239,421,698
Less: current portion and interest payable	(16,627,445)	(15,240,126)
Long - term of bonds payable	<u>211,820,687</u>	<u>224,181,572</u>
Outstanding at January 1	239,421,698	249,248,937
Procceds from issuance of bonds	-	-
Payment of bonds	(11,256,000)	(10,149,000)
Interests expense	15,423,407	16,142,742
Interests payment	(15,629,088)	(16,309,475)
Amortization of debt issuance costs	<u>488,115</u>	<u>488,494</u>
Outstanding bonds at December 31	<u>228,448,132</u>	<u>239,421,698</u>

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13. Bonds Payable (Continued)

The movement of the unamortized finance costs is as follows:

	2023	2022
Beginning balance	7,074,428	7,562,922
Amortization of the year	<u>(488,115)</u>	<u>(488,494)</u>
Balance at December 31	<u>6,586,313</u>	<u>7,074,428</u>

The fair value of the bonds payable is US\$182,173,193 as of December 2023 (2022: US\$181,487,633), based on discounted cash flows using a rate based on the loan rate of 6.5% and is within Level 3 of the fair value hierarchy.

On December 18, 2021, the Company contracted a receive-floating interest rate swaps by which the Company agrees to exchange the difference between fixed and floating interest rate amounts calculated on agreed notional principal amounts for US\$9,024,700. On June 22, 2022, the Company signed a Termination Agreement with the Counterparty in respect of the receive-floating interest rate swaps.

14. Shareholders' Equity

The shareholders' equity is as follows:

	Common Shares	Capital Contribution	Total
Balance as of December 31, 2023 and 2022	<u>1,050</u>	<u>55,974,250</u>	<u>55,975,300</u>

The shareholders composition of the Company is the following:

InterEnergy Holding UK Ltd. (2022: IEH Penonome Holdings)	95.24% economic interest
Green Field Panama, S. A.	4.76% economic interest

On December 28, 2023, by means of a meeting of the board of directors, UEP Penonome II, S.A. authorized the issuance of new share certificates representing the totality of the shares transferred from IEH Penonome Holdings to InterEnergy Holding UK Ltd. This change did not have any impact in the equity composition of the Company.

The shareholder's equity is part of the guarantees given in the issuance of corporate bonds issued by UEP Penonome II, S. A. (See Note 13).

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15. Costs and Expenses

The Company classifies its costs and expenses by nature, as follows:

	2023	2022
Cost of goods and services		
Depreciation and amortization (Notes 8, 9 and 10)	13,947,153	13,936,348
Repairs and maintenance	7,795,090	6,278,352
Fees transmission cost	2,784,099	703,317
Internal consumption	571,262	611,932
Salaries and other benefits to employees	273,892	126,528
Security	202,375	202,375
	<u>25,573,871</u>	<u>21,858,852</u>
 Administrative expenses		
Management services (Note 16)	1,290,000	322,500
Insurance costs	987,481	905,626
Wake effect compensation (Note 19)	820,324	637,229
Substation connection fee	471,510	534,132
Regulator fees	348,760	382,672
Professional fees	245,254	270,800
Other expenses	201,989	235,616
Audit fees	50,481	52,441
Maintenance office	26,929	22,850
Fuel	21,611	25,672
Communication expenses	15,388	12,717
Office expenses	2,708	3,732
	<u>4,482,435</u>	<u>3,405,987</u>
	<u>30,056,306</u>	<u>25,264,839</u>

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December 31, 2022

(All amounts in US\$ unless otherwise stated)

15. Costs and Expenses (Continued)

Salaries and other benefits to employees are included in cost of good and services and are detailed as follows:

	2023	2022
Salaries and wages	194,550	131,929
Other	49,759	26,065
Statutory contributions	26,288	25,081
Seniority premium and indemnity	3,295	(56,547)
	<u>273,892</u>	<u>126,528</u>

16. Balances and Transactions with Related Parties

The Company is fully controlled by InterEnergy Partners, L. P., its ultimate parent company. The Company carried out transactions and maintained balances with related companies, as described below:

	2023	2022
Transactions		
<i>Energy revenues</i>		
Other related parties -		
Energy sold in the spot market (b)	<u>18,598</u>	<u>11,049</u>
Other Related Parties -		
Energy sold under reserve contracts (c)	<u>2,822,042</u>	<u>1,613,353</u>
<i>Costs of goods and services</i>		
Other related parties -		
Energy purchases in the spot market (b)	<u>1,207</u>	<u>2,392</u>
<i>Administrative expenses</i>		
Shareholders: InterEnergy Holding UK Ltd. -		
Professional fees expenses (a)	<u>1,290,000</u>	<u>322,500</u>
<i>Finance cost, net</i>		
Other Related Parties -		
Earned interest (d)	<u>1,366,104</u>	<u>1,429,818</u>

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(All amounts in US\$ unless otherwise stated)

16. Balances and Transactions with Related Parties (Continued)

	2023	2022
Balances		
<i>Trade and other receivables - other related parties</i>		
Accounts receivable energy reserve contracts (c)	445,512	366,403
Accounts receivable energy spot market (b)	<u>3,423</u>	<u>1,924</u>
	<u>448,935</u>	<u>368,327</u>
Loan interest receivable- intercompany (d)	<u>334,670</u>	<u>352,888</u>
<i>Debt receivable - other related parties</i>		
Loan receivable - intercompany (d)	<u>20,483,132</u>	<u>21,480,113</u>
<i>Trade and other payables</i>		
Accounts payable professional fees (a) - Shareholders: InterEnergy Holding UK Ltd.	80,625	-
Accounts payable energy spot market (b) - other related parties	<u>146</u>	<u>384</u>
	<u>80,771</u>	<u>384</u>

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16. Balances and Transactions with Related Parties (Continued)

The movements in the loan and interest intercompany during the year is a follows:

	2023	2022
Loan receivable - intercompany		
At January 1	21,480,113	22,379,046
Collections received	(996,981)	(898,933)
Loan receivable - intercompany (d)	<u>20,483,132</u>	<u>21,480,113</u>
Interest receivable - intercompany		
At January 1	352,888	367,656
Interest collected	(1,384,321)	(1,444,586)
Adjustment on movement	(1)	-
Earned interest	<u>1,366,104</u>	<u>1,429,818</u>
Loan Interest receivable- intercompany (d)	<u>334,670</u>	<u>352,888</u>

- (a) Administrative and asset management services rendered by related parties.
- (b) Sales and purchases of energy with related parties in the energy spot market.
- (c) Energy Reserve Contracts described in Note 19.
- (d) Loan receivable with related companies Tecnisol I, S. A., Tecnisol II, S. A., Tecnisol III, S. A. and Tecnisol IV, S. A. These loans are backed by promissory notes issued by the companies mentioned above in favor of UEP Penonome II, S. A. and assigned to FID 135. (See Note 6).

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17. Finance Cost, Net

Finance costs are detailed as follows:

	2023	2022
Interest on bonds (Note 13)	15,423,407	16,142,742
Other finance cost	960,445	708,666
Interest on lease liabilities (Note 9)	610,919	623,914
Amortization of deferred financing costs	488,115	488,495
Financial dismantling cost	26,094	24,274
Interest on Swaps (Note 13)	-	660,878
Fair value gain on derivative financial instrument	-	(7,338,074)
Interest income (Note 16)	(1,366,104)	(1,429,818)
	<u>16,142,876</u>	<u>9,881,077</u>

18. Income Tax

The income tax is presented as follows:

	2023	2022
Deferred tax	<u>820,467</u>	<u>(599,370)</u>

The movement in deferred income tax assets and liabilities during the year is as follows:

	2023	2022
<i>Deferred income tax assets</i>		
At January 1	-	54,184
Charged to statement of comprehensive income	-	(54,184)
At December 31	-	-
<i>Deferred income tax liabilities</i>		
At January 1	605,394	1,258,948
Charged to statement of comprehensive income	820,467	(653,554)
At December 31	<u>1,425,861</u>	<u>605,394</u>
At December 31, net	<u>(1,425,861)</u>	<u>(605,394)</u>

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18. Income Tax (Continued)

Deferred income tax liability is the result of temporary differences from accelerated tax depreciation and tax bases of and other depreciation tax treatment of the cash compensation received.

Under current tax legislation in the Republic of Panama, the profits of the Company from local operations are subject to income tax.

Income tax is based on the higher of the following computations:

- a. The rate of 25% on taxable income.
- b. The net taxable profit resulting from applying 4.67% to the total taxable income times the rate of 25% which represents 1.17% of taxable income (alternative minimum tax).

In certain circumstances, if the application of 1.17% of revenue results in the entity incurring losses for tax reasons, or the effective tax rate is higher than 25%, then the entity may choose to request not to apply minimum tax. In such cases, the Company must file a petition to the Tax Authority, who may authorize the no application for a term of three years.

The income tax resultant by applying the in-force rates to the net profit (loss), is reconciled with the income tax provision presented in the financial statements, as follows:

	2023	2022
Profit before income tax	8,395,009	5,971,929
Fiscal adjustment to recognize accelerated depreciation	8,794,527	(2,830,951)
Less: Non-taxable income	(21,233)	(7,338,074)
Plus: Non-deductible expenses	313,297	615,103
Taxable loss	17,481,600	(3,581,993)
Income tax (traditional method)	-	-
Tax effects of temporary differences	820,467	(599,370)
Income tax	820,467	(599,370)

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18. Income Tax (Continued)

According to Tax Legislation of Panama, income tax returns for the last three (3) years are subject to review by fiscal authorities, including year ended December 31, 2023.

Management requested to the Tax Authority the non-application of the CAIR for the 2022 fiscal year. The request was accepted and approved for the fiscal years 1022 and 2023.

Law No.52 of August 28, 2012, established the transfer pricing regime oriented to regulate tax purposes transactions between related parties, and applicable to the taxpayer to perform operations with related parties that are tax residents of other jurisdictions. The most important aspects of this regulation include:

- Taxpayers must submit annually an information return related operations with related parties, within six (6) months following the close of the relevant fiscal period. This obligation applies to transactions from fiscal year 2012.
- Failure to submit the report shall be punishable by a fine equivalent to 1% of the total amount of transactions with related parties.
- Persons required to submit the report referred to in the preceding paragraph, shall maintain a transfer pricing study, which shall contain the information and analysis to assess and document their transactions with related parties, in accordance by Law. The taxpayer must present study only at the request of the Department of Revenue of the Ministry of Economy and Finance within 45 days of your request. As per certificate the presentation for the period 2022, was held on May 30, 2023.

19. Commitments

- The Company has twelve PPA Contract's assigned by three to Nuevo Chagres, Portobelo, Rosa de los Vientos and Maranon parks. The PPA's were awarded on March 21, 2012, by which energy production is sold to the three distribution companies in Panama: Empresa de Distribucion Electrica Metro-Oeste, S. A. (EDEMET) (controlled by Gas Natural Fenosa), Empresa de Distribucion Electrica Chiriqui, S. A. (EDECHI) (controlled by Gas Natural Fenosa) and Elektra Noreste, S. A. (ENSA) (controlled by Empresas Publicas de Medellin).

Each PPA states that the energy supply period is for 180 months, beginning on July 1, 2014 and finishing on June 30, 2029. Portobelo and Maranon PPA's were extended until December 2033. Price will be reset annually, keeping 75% of the base price fixed and the remaining 25% will be indexed to Panamanian Consumer Price Index (CPI).

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19. Commitments (Continued)

In December 2014, the Company signed the Wake Effect Agreement with UEP Penonome I, S. A., in which UEP II must compensate UEP Penonome I, S. A. (hereinafter "UEP I") for the energy losses caused by the preferred physical position of the wind turbines which impact the wind regime. The Company agrees to pay a monthly payment beginning with the Commercial Operation Date occurred on February 19, 2018, for 25 years term. The wake effect compensation amount is disclosed in Note 15.

- In January 2016, the Company signed the Amendment No.4 of the PPA's with the offtakers to solve some sections that were ambiguous and penalized UEP II, even if the Company supplied the energy generated.

This amendment clarifies the following subjects:

1. The PPAs contemplate a penalty if the wind farm does not reach the expected generation committed in the PPAs. The portion that the wind farm has to comply in order to avoid such penalty is 0.6 (60%), "Fraccion de la Generacion Esperada" (FGE, for its acronym in Spanish) that represents the portion of the expected generation on an annual basis.

Based on the historical data, the probability of such penalty is remote because it depends on the energy compromised in the PPA. Historical data shows that even in the worst-case scenario, the wind farm complies with 0.6. Also, the buyer must acquire all the energy produced by the seller, so the committed energy in PPAs is less than the energy produced and sold.

2. The base Consumer Price Index (CPI) was fixed to 93.05 to match with the CPI base that reports the Contraloria Nacional de Panama each month.
- On March 16, 2016, the Company was awarded four PPA Contract's by ETESA, through Resolution GC-03-2016, for hiring short-term energy supply only for 2017 until 2019, which will address the requirements of the companies EDEMET, EDECHI and ENSA. This energy it will be supply for Rosa de los Vientos (SPOT).
 - On October 23, 2023, the Company was awarded two PPA Contract's by ETESA, through Resolution GC-02-2023, for hiring short-term energy supply only for 2024 and 2025, which will address the requirements of the companies EDECHI and ENSA. This energy will be supplied with Rosa de los Vientos II (SPOT).

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19. Commitments (Continued)

- In the event that the Company is unable to fulfill its obligations under any of the contracts, the performance bonds that support the obligations may be drawn by the customers. In the event that the customers are unable to fulfil their obligations under any of the contracts, the performance bonds that support their obligations may be drawn by the Company. The amounts of the performance bonds provided by the Company were US\$17,884,163.69 and the amounts of the performance bonds provided by the customers were US\$6,523,936.93. The total amounts of the performance bonds outstanding as at December 31, 2023 were US\$27,219,561.30 (2022: US\$24,408,100.62).
- On November 10, 2017, the Company has signed a reserve contract with its affiliated generator Tecnisol I, by which the excess energy production of Rosa de los Vientos II (50 MW) Wind farm is sold to cover the affiliated company obligations with the market. The Reserve Contract states that the energy supply period is for 12 months (extendable), beginning at the moment the CND (National Dispatch Center) declares the Contract manageable and finishing one year later with the option to extend the supply period if desired by the Contract Parties. Contract Price will be fixed for all the energy supply period.
- Turbine Supply Agreement (TSA) consists in 86 Goldwind G109 2.5 MW wind turbine generators with a hub height of 90 meters to be procured pursuant to an Amended and Restated Turbine Supply Agreement entered on April 23, 2014 (TSA) and further amended on December 10, 2014 with Goldwind International Holdings (HK) Limited, a subsidiary of wind manufacturer Xinjiang Goldwind Science and Technology (“Goldwind”) and together Goldwind Company; for the supply of:
 - 66 turbines contracted energy totaling 165 MW; divided in four wind parks:
 - Nuevo Chagres 62.5 MW.
 - Portobelo 32.5MW.
 - Rosa de los Vientos 52.5 MW. and
 - Maranon 17.5 MW.
 - 20 turbines partially contracted and merchant energy totaling 50 MW.

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19. Commitments (Continued)

Under the TSA, Goldwind Company provided a five years warranty on the equipment for defects, power curve, availability and noise. In addition, the Company entered into a 5-years service and maintenance agreement (SMA) with Goldwind Company for the operation, maintenance, repair and replacement services on the wind turbines at a fixed price adjusted for inflation, including warranties for availability and noise in line with those during the warranty period. Under the First Amendment to the Service and Maintenance Agreement, dated October 1, 2021, Goldwind guarantees a time-based turbine availability rate of 97% for the high wind season and 96% for the low wind season. This SMA amendment Warranty Period commences on November 1, 2021, following the expiration of the Warranty Period of the TSA and can be extended by UEP II until year ten. Additional services to the SMA were signed by Change Order No. 8. This addition was entered into effective as of the 15th day of April, 2022 between Goldwind Service Company Panama, S de RL and UEP II, S.A. This addendum consists of the purchase of Blade Sets and/or other related goods.

On January 19, 2024, the Company entered into a 5-year Service and Maintenance Agreement (SMA) with a Goldwind Company for the operation, maintenance, repair and replacement services on the wind turbines at a fixed price adjusted for inflation, including warranties for availability and noise in line with those during the warranty period. Under the SMA, Goldwind guarantees a time-based turbine availability rate of 97% for the high wind season and 96% for the low wind season.

- ASEP (the regulator) granted final license for the construction, operation, maintenance, power generation and sale of wind farms Marañon, Portobelo Ballestillas, Rosa de los Vientos and New Chagres a Panamanian company Union Eolica Panameña, S. A. (UEP) through Resolutions AN No.4075-Elec the December 10, 2010, AN No.4092-Elec the December 15, 2010, AN No.5379-Elec the June 13, 2012 and AN No.4094-Elec the December 15, 2010, respectively. This final license is granted for a term of forty (40) years from September 26, 2014.
- Subsequently, the ASEP issued resolutions AN No.7252-Elec the April 11, 2014, AN No.7274-Elec the April 11, 2014, AN No.7278-Elec the April 14, 2014 and No.7326 AN-Elec of May 2, 2014, in which is authorized yield UEP for Penonome II, S. A., the final licenses originally granted to UEP.
- On June 15, 2018, the Company and UEP Penonome I, S. A., signed the Phase II Shared Assets Access Agreement, pursuant to which the Company agreed to pay to UEP I, who is the owner of and maintains the El Coco Substation to which UEP II's wind park connects, a monthly access fee of US\$27,129 and the reimbursement of maintenance costs.

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20. Subsequent Events

On February 6, 2024, the board of directors approved the capital reduction and dividend distribution for US\$7,455,458 and US\$7,574,542, respectively.