Alterra Power Corp.

Fourth Quarter Results

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PRESENTATION

Operator

Good morning. My name is Madeleine (phon), and I'll be your conference Operator today. At this time, I would like to welcome everyone to the Alterra Power Corp. Fourth Quarter and Annual Results Conference Call with Mr. Ross Beaty, Chairman, and Mr. John Carson, Chief Executive Officer.

All lines have been placed on mute to prevent any background noise. After the speakers’ remarks, there will be a question-and-answer session. If you'd like to ask a question during this time, simply press *, then the number 1 on your telephone keypad. If you'd like to withdraw your question, press the # key. Thank you.

I'd now like to turn over the meeting to Messrs. Beaty and Carson. You may begin the conference.

Ross Beaty — Chairman, Alterra Power Corp.

Very good. Thank you, Operator, and good morning, ladies and gentlemen. Welcome to Alterra’s fourth quarter 2012 and year-end results conference call.

We're going to do something a little different today, and anybody with access to a computer in front of you, is going to be able to follow our comments today on some slides we've prepared for this conference call. You can access those by going to our website, which is at
www.alterrapower.ca, and if you look there you'll find a blue button, which you can access and get right into our conference call today.

So we'll be going through these slides. You don't need to necessarily have that available. We won't be referring to the slides other than through a text that we provide as well, but hopefully it'll be another addition to our ability to communicate what we're doing here to everybody through the Web.

So I'll start now. And of course I want to start by drawing everyone's attention to the fact that we'll be making lots of forward-looking statements today and that we seek Safe Harbor in respect of those statements, and as otherwise disclosed in the forward-looking statement disclosure on our (unintelligible) on both our website, on our materials today, the news release, the MD&A, and the first slide on the slides for this conference call.

We have all of our senior staff joining us today on the call. We have in Vancouver John Carson, of course, our CEO; Lynda Freeman, CFO; Bruce Ripley is our outgoing COO, but he will add a couple of comments today; and then our team of three great engineers, Jay Sutton, VP Hydro; Paul Rapp, VP Wind, and newly promoted VP of Geothermal Power; Murray Kroeker, who has again been promoted to VP of Solar Power and Engineering, and that's the team today.

We do have some support as well from Iceland; Ásgeir Margeirsson, who runs our Iceland business, is on the call; and Monte Morrison, who's our Manager in the US, especially at our Soda Lake operation in Nevada.
So I'm going to start with some general comments and then I'll turn things over to John and his team.

Well, 2012 really had for us—we have a lot of things going on. We had quite a high burn rate with respect to our general and administrative expenditures, and we spent a lot of money in our development projects. We had a full year of integration of the Plutonic and Magma team, and we did a lot of work moving the Dokie 2, Upper Toba, and Reykjanes expansions in Iceland forward.

We had hoped to get all three to construction status by now, and we spent nearly $13 million in this effort. As you will see, we had some disappointments in 2012 in getting all three of these projects moved forward.

In Iceland, we remain in contract negotiations with Nordural on a satisfactory power purchase agreement for the 80 megawatt expansion planned for the Reykjanes plant. We're still talking to Nordural. We've had plenty of meetings with them in 2012, but we're still hung up on a couple of big points. In the meantime, we are drilling two holes there to explore for more geothermal power. The first hole looks very good, and the second is underway now.

At Dokie 2, as we'll talk about later, we finished a preliminary feasibility study on the project, but we don't yet have a power purchase agreement with BC Hydro which awaits clarity on BC's power needs regarding new mine and LNG projects on the drawing board. So the project is ready to go, but without a power sales contract it's on hold for now.
At Upper Toba, also in British Columbia, as Jay Sutton will discuss, we're moving Jimmie Creek forward aggressively right now, and hope it will get to construction status very soon, while the Upper Toba part of the project is delayed. So we've put a lot of focus—having taken those projects to the end of the year and having really one out of three proceeding in fact, we've decided to rationalize overhead and try to reduce our burn rate to obviously retain more cash flow for our working capital.

And we've taken a lot of action on this already. We've dropped a number of positions from our Vancouver office, from Nevada, and these include our CFO and COO, Peter Wong and Bruce Ripley, who have left us to pursue new opportunities. We thank them very much for their service to the Company and we wish them well.

We are replacing them from within. Lynda Freeman is stepping up to replace Peter, and our three top engineers are going to manage our hydro, wind, solar, and geothermal businesses. In addition, we're planning big reductions in 2013 on our development costs. We're planning to joint venture our geothermal businesses in Chile, Peru, and Italy to essentially eliminate ongoing costs there. We're spending a fraction of our 2012 work—pardon me, costs on our wind and hydro development costs, with only Jimmie Creek seeing significant expenditures.

Here are some numbers that show what I'm talking about here. In 2012, our overhead costs were approximately 7.8 million, and in 2013 our budgeted costs are going to be about 5.6 million. Our development cost expenditures in 2012 were 14 million, and in 2013 our budget is to
spend about 6.9 million. So we've reduced our total development and overhead costs from 21.8 million in 2012 to a budgeted level of 12.5 million in 2013, a reduction of 9.3 million.

And we've done this at the same time as our cash flows from operations are increasing because we're getting full year outputs from Dokie, from Toba Montrose, and of course Iceland. And we've done so while maintaining our strong management team and really focusing our development. If our projects generate budgeted cash flows in 2013, I really hope we'll be able to see our way to kicking out our first dividend announcement later this year.

My second comment is about our share price. It is weak and far below our breakup value. I remain firmly of the view that shareholders will see a number of material announcements during 2013 that will prove that our value is a multiple of today's price.

These might include a decision to proceed on Jimmie Creek; successful results from our Iceland drilling; a possible power purchase agreement in Iceland and expansion advancement there; a possible dividend from Iceland; a potential sale of our Iceland business; conclusion of our joint venture negotiations in Chile and Italy and advancement of those projects; comprehension by the market of the actual current value of our Toba Montrose and Dokie businesses today based on what GE just sold its interest in them for. We can't say the actual number, but it was well in excess of our current market value for those assets alone.
We intend to demonstrate the market is wrong in its assessment of our value. We're going to do that the best we can: with hard work, focus, adequate capital, and a strong team. And with some luck, we should be able to demonstrate that as the year proceeds.

And with those comments, I think I'll turn the meeting right over to John Carson, our CEO.

John?

John Carson — Chief Executive Officer, Alterra Power Corp.

Thank you, Ross, and welcome again; greetings to all of the analysts and other investors who have joined us today. I'd like to start this meeting by reminding everyone that there are slides on the website, as Ross mentioned a few minutes ago. If you haven't already had a chance to open those, again they're at our main website, and there's a large blue trigger to pull down the slides. You can't miss it on the Alterra Power website.

In the meantime, I am going to turn it over to our CFO, Lynda Freeman. And for those of you who are following via slides, you'll see that her presentation will start on Slide #4.

Lynda, over to you.

Lynda Freeman — Chief Financial Officer, Alterra Power Corp.

Thank you, John, and good morning to everyone. I'm going to commence my presentation with a discussion on the fourth quarter consolidated results of the Company.
Consistent with prior year, the Company continues to consolidate 100 percent of the results of HS Orka and Soda Lake, while the Company's interest in Toba Montrose and Dokie Wind are accounted for as equity investments.

As John has specified, for those of you that are following on the presentation, I refer you to Slide 4, Results and Generation. As demonstrated and explained on the slide, revenue is reasonably consistent with the comparative quarter at 17.2 million against 17.7 million in 2011, showing only a marginal drop of 3 percent, predominantly due to foreign exchange. The gross profit margin is calculated at 26 percent against 21 percent in 2011. This improvement is due to lower operating costs at HS Orka, together with foreign exchange movements.

Equity losses fluctuated quarter on quarter, ending in a net 1.2 million reduction in loss on the same quarter of 2011. This was due to increased generation in revenues at Toba Montrose, offset by lower revenue at Dokie Wind due to low winds in the fourth quarter, in addition to losses on the Blue Lagoon group of companies.

Included within other income and expenses are general and administrative costs, which declined 1.3 percent on—1.3 million on the comparative quarter. This reduction in costs was due to merger efficiencies in addition to lower legal costs related to the Nordural arbitration at HS Orka. The Company has continued to identify further savings in 2013 as a result of recent cost-cutting efforts.
Our results continue to be affected significantly by noncash movements in the embedded derivatives and bonds payable, both affected by the forward aluminum price. Movements in both these balances are also reflected in other income and expenses. The end result was a loss before tax of 16.5 million against a 7 million loss in the comparative period.

I now refer you to the next slide. The year-end results show revenue of 61.1 million in the 12 months ended December 31, 2012, with a gross margin of 24 percent of revenue. The financial results for the current period and the six-month comparative period are not directly comparable, both as a result of a change in Company's year-end from June to December back in 2011, in addition to the effect of seasonality on generation and results of each operating project.

In order to aid the users of the accounts (phon), for the first time we have presented in the Management Discussion & Analysis pro forma results which represent what the Company's net interest in operating facilities would have been had the Company owned and reported HS Orka at 66.6 percent, Toba Montrose at 40 percent, and Dokie Wind at 51 percent for the full 12 months of 2011 and 2012.

The next two slides demonstrate both in tabular form and graphically the generation revenues and EBITDA at each of the operating projects for 2012 against 2011. As shown in the slides, generation remained consistent in 2011 and 2012, with only a marginal drop of 2 percent. This decrease is due to a reduction in generation at HS Orka following the expiration of a 35 megawatt contract in October 2011, lower than expected winds at Dokie, as well as downtime for...
maintenance activities and delay at Soda Lake. The reduction in generation was offset in part by an increase in generation at the Toba Montrose facility due to a 4 percent increase in flows in 2012.

Revenue from both Toba Montrose and Dokie 1 benefitted in 2012 from an uplift in the firm energy price for both facilities against the comparative pro forma. This increase in revenues from Toba and Dokie is offset by a reduction in revenues at HS Orka, predominantly due to the decreased production, as previously mentioned, coupled with a weakening of the Icelandic krona against the US dollar, resulting in a 5 percent decrease in revenue on a net interest basis.

Year-on-year, EBITDA remained constant with only a small decline of 1 percent, despite fluctuations in revenues, exchange rates, and operating expenses.

Moving on to the next slide, this slide shows—and this is on Page 8 for those of you that are following...

Unidentified Speaker

Seven

Lynda Freeman

Page 8, sorry, contains balance sheet highlights. It is worth noting the value of assets and liabilities fluctuate significantly as a result of foreign exchange: most significantly, movements in the Icelandic krona.
That aside, total assets have increased over 2011, predominantly due to cash from the share issuance of HS Orka of 38 million that occurred in February 2012. This also resulted in an increase in cash and working capital against the prior year.

The Company has continued to invest in early and advanced stage development projects in 2012, the most significant spend during the year in Chile in relation to the Maule property, as well as locally here in British Columbia on both the Upper Toba and the Dokie expansion projects.

During 2012, Alterra received distributions of $2 million from the Dokie General Partnership and $2.8 million from the Toba Montrose General Partnership, with HS Orka receiving 1.3 million in distributions from Blue Lagoon. Further distributions are forecast in 2013.

With regards to liabilities, and as mentioned previously, fluctuations in liabilities is most significantly due to the fair value adjustments for bonds and embedded derivatives that are linked to the future price of aluminum, in addition to movements in net debt, particularly in relation to the pay down of HS Orka loans, which in 2012 was $17.3 million.

The long-term debt position is further analyzed on the next two slides, which show our net interest and forecast principal and interest payments for all project debt over the next 10 years. As demonstrated, the HS Orka variable interest debt continues to be repaid at the current level until 2016, when the principal and interest payments decline significantly. This reduction in debt service is expected to free up significant operating cash flow, which could be used for either further expansion or dividendend back to the owners.
The Toba Montrose 35-year credit facility and the Dokie 1 20-year credit facility show fixed debt repayments over the coming 10 years, which due to the long-term nature of the debt has only a marginal impact on interest payments at this time.

This concludes my update on the fourth quarter and annual financial statements, and I will now hand back to John.

John Carson

Thank you, Lynda. Lynda has been doing a great job since she became our Interim CFO, and that's no surprise because she was already doing a wonderful job on the team prior to her appointment. So, Lynda, welcome again as our CFO, and thanks for that presentation.

With that, I'd like to turn it over to Bruce Ripley, our COO, and Bruce is going to make a couple of introductions on the team that Ross has already made reference to. Bruce, over to you.

Bruce Ripley — Chief Operating Officer, Alterra Power Corp.

Okay. Thanks, John. And I'd also like to express my thanks to all of the Alterra shareholders for the past six years with Alterra and the predecessor companies.

I'm going to introduce Paul, Jay, and Murray. I added up the number of years I've worked with these three guys and in aggregate it's over 60 years, and these are three outstanding engineers. We've been involved working together on design, construction, operations, and maintenance of some pretty tough projects, and they've learned lessons well and they're very capable.
They know the right priorities of safety and taking care of the environment, taking care of their people, taking care of their assets, and watching the pennies while they do all of that. And I've got incredible confidence in their abilities to operate the Alterra assets very well.

So that's all I wanted to say. I'm moving on to something else and looking forward to it, and again, I want to express my thanks to the Company. So back to you, John.

John Carson

Bruce, thank you very much for that, and we likewise, as has been expressed, appreciate everything you've done for this company, putting in a lot of value. And most prominently right now really kind of graduating on having left and put in place really solid leadership as you've just described.

I echo your vote of confidence fully, as I've been here and working with these engineers for the past two years; they have my utmost confidence as well.

With that, we're going to move on and discuss each of our operations and each of the—Jay, and Paul, and Murray will discuss their respective segments.

Jay, over to you for Hydro.

Excuse me. Paul, over to you for Wind there. And for those of you following on the slides, this is Slide 12.

Paul Rapp — Vice President, Wind and Geothermal Power, Alterra Power Corp.
Thanks very much, John and Bruce. I’m going to briefly just touch on the operational highlights for our wind and our geothermal assets, starting as John said on Slide 12 with the Dokie 1 Wind Farm.

Dokie performed very well in 2012, producing 297 gigawatt hours of electricity, which was 90 percent of the budgeted generation. The primary reason for the lower-than-budgeted generation was low wind in the period from September to December 2012. Through February 2013, we are at 112 percent of budgeted generation for the year.

In December, as was previously mentioned, Fiera Axium replaced GE Energy Financial Services as our partner at Dokie, and the relationship is off to a great start. We’re really enjoying them as a new partner.

The Dokie 1 wind turbines performed very well in 2012, and our turbine operator, Vestas, exceeded their contractual guaranteed wind turbine availability at over 97 percent availability.

So I’ll move over to our geothermal operations now, starting with Soda Lake. That’s Page 13 in the slides for those who are following along.

Soda Lake achieved 83 percent of their budgeted generation in 2012 or 64 gigawatt hours. The primarily reason for the shortfall at Soda Lake was delays in start-up of two new planned production wells. One of the wells has now been placed into service, and we are exploring further options for the second well. As of the end of February, the plant is generating at over 107 percent of
the budgeted generation year to date. All the turbine generators and production wells at Soda Lake are currently performing well with no issues.

Through 2012, we consolidated our Reno and Soda Lake offices, and that resulted in operational efficiencies and savings that will boost the overall economics of our US operations.

Moving on to our Iceland assets. Both the Svarstengi and Reykjanes plants performed well in 2012 as well, producing 1,227 gigawatt hours or 103 percent of the budget generation for the year. Year to date, we’re slightly ahead of the budget generation in 2013.

Our first major planned maintenance on the second Reykjanes unit was performed in 2012 after six years in service. And like Unit 1 in 2011, the maintenance went well and the turbine was in excellent condition and was quickly put back in full service.

As Ross mentioned in his introduction, a two-well drilling program commenced in late 2012 adjacent to the Reykjanes plant. And to date we’ve completed one of the two planned reserve holes, and are currently well progressed in drilling of the second hole. Flow testing of the first hole is currently underway, and initial indications for the well are positive.

Following completion of the second hole, a workover of an existing production hole is planned. Drilling activities are expected to be completed early in Q2, and the $9 million estimated total cost for the drilling is being fully funded from cash on hand at our Icelandic subsidiary.

So with that, I will pass it over to Jay Sutton for an update on Toba Montrose.

Jay Sutton — Vice President, Hydro Power, Alterra Power Corp.
Thanks, Paul. The Toba Montrose plants performed very well in 2012, achieving 95 percent of their planned generation. During the peak generation period, which is April to October when 91 percent of the annual generation occurs, the facility achieved 99 percent of the forecast generation.

As of December 2012, as Paul mentioned, Fiera Axium is now our partner in the Toba Montrose facilities, and we are pleased to have them on board. They bring a great deal of hydro expertise, and already proving themselves to be a value adding partner.

East Toba annual maintenance work for 2013 is now complete, and the plant is ready for the increased inflows that typically start in April. At the Montrose plant, the work to repair the penstock has commenced with slope monitoring installed, replacement penstock ordered, and the contractors have mobilized to site. The work is expected to be complete in July, and there will no long-term effect on the generation or performance of the plant.

We are working closely with our insurers, FM Global, on the project, and the work is fully insured, including revenue losses. We plan to build protective berms on the restored section of the penstock and other exposed areas to decrease the likelihood of a similar event occurring in the future.

And with that, I’ll pass it on to Murray Kroeker, our VP of Solar.

Murray Kroeker — Vice President, Solar Power and Engineering, Alterra Power Corp.

Thanks, Jay. For those following along on the slides, we are now at Page 16.
So Alterra is prepared to purchase 10 percent of the ABW Solar project. This project is a 50 megawatt cluster. It consists of three solar plants, two with 20 megawatt capacity and one with 10 megawatt capacity. All three are located in Southern Ontario.

The two 20 megawatt sites are mechanically complete and ready for commercial operation, and the last 10 megawatt site is on track to complete its testing and commissioning in the first week of April. We're looking forward to the financial close and the start of operations in late April, subject to the seller meeting the contractual conditions upon delivery.

The estimated purchase price for the 10 percent interest in the project is $6 million. And our partner in the solar facility will be GE Energy Financial Services, which you may recall was a former partner of Alterra's in our BC wind and hydro projects. Alterra will be the administrative partner for the facility.

John, back to you.

John Carson

All right. Thanks, Jay. Appreciate that. And with that, let's take a brief look at our growth opportunities and provide you with some updates and let you know exactly where we are.

We're going to start with the Upper Toba Hydro project on Slide 17. And you'll see there that on the first bullet, the plant that we're actually working on the hardest is half of the Upper Toba plant. It's the Jimmie Creek Hydro plant at 62 megawatts.
This plant has a 40-year PPA with BC Hydro for 124 megawatts, and currently again, we're building the first of up to two phases that we will build. The second phase is called Upper Toba River. So right now it's Jimmie Creek. Jimmie Creek construction commencement is now planned for July.

And, Jay, if you don't mind, I'll have you just say a few words about where we are and what our current activities are with the plant.

Jay Sutton

Sure. Right now, John, we're working on completing our preliminary design and cost estimating work. We are updating our hydrology on the Jimmie Creek plant itself and looking towards developing a contracting arrangement with a contractor to proceed with work in July of this year.

John Carson

Excellent. Thanks, Jay. So those of you who have been following along with our timing on this will note that it is now July as a planned construction commencement. We previously indicated April.

What we've done is really just worked harder to improve the economics, spent a little more time and thought and effort into optimizing the design and working with the contractor, so that's why we're taking a little longer here. This is something that takes up a very considerable amount of Jay's time, and actually my time and the rest of the—many team members' time.
This is project number one on our development priority list, and we're advancing it daily. It is a fully permitted project, I'll remind you. The EA is also granted. And one of the nice things about this project is it sits right next to our existing hydro facility, the Toba Montrose facility; actually our current estimate of synergies that between the two plants is about $2 million per year.

Our current partner at Upper Toba and Jimmie Creek is GE EFS. I will emphasize again, as I have before, that partnership arrangements remain under discussion, and we'll revert later on that. So currently though at a 51 percent ownership level, we estimate today that there will be 25 million to $30 million of equity required for that stake. There may be an offset of some development expenses that we already have in the project, but I'd like to keep focused on the 25 to 30 number.

I've made an indication there as to how we may finance that equity need. Most likely it will be financed by a holding company level financing, and many discussions are underway about that and activity is underway. And just briefly, I think that that financing, the indications that we've received, are more around the $50 million plus level.

So if we were to hold that 51 percent ownership at the current estimate of equity required for that, we have well enough space under our comfortable holding company level financing that would enable us to fund this project, and continue to fund every aspect of our business.

Moving on to Slide 18. I'd like to discuss the Reykjaness expansion, which Paul touched on. This is an 80 megawatt opportunity all-in. And we've mentioned before that there is a 50 megawatt
turbine already on site just like the two that we have that have been performing exceptionally well. This third turbine would be utilized in Unit 3 there at the Reykjaness plant.

This is another plant that in many senses is construction ready. The permit is done. The environmental impact assessment is done. What we're waiting on, as Ross mentioned earlier today, is getting our PPA differences resolved with our offtake, Nordural, which is a subsidiary of Century Aluminum. Those discussions, as he said, do remain active, very active, but there's a lot to solve, and we're working very hard at it along with Century, so it's still full steam ahead on trying to get this solved to get some daylight to get this expansion underway.

One other thing I want to mention with respect to HS Orka, our Icelandic subsidiary, is we announced in 2012 that there was a possible sale and that a term sheet had been signed. As we indicated on our interim period update in late January, we've basically paused on that previous transaction, primarily due to currency issues related to the Central Bank of Iceland and certain currency restrictions that exist today.

I want to make one clarification around those currency restrictions. Standard dividends that result from operating of one's assets can thoroughly be exported from the country in hard currency, et cetera. It's just with the large transaction of selling one's entire interest you do face certain other currency restrictions that you don't face with a typical dividend.

So secondly there on the second bullet under this heading indicates that discussions are continuing with prospective purchasers, even though the initial transaction has been paused.
Number one, they certainly continue with the entity with whom we had the original discussion; and number two, other people have contacted us. That's just part of doing business. In the meantime, the third bullet there is the most important one. We remain fully engaged in all aspects of this business. So I want to emphasize that we spend every day involved and closely involved with the management there, the very talented management we have at Iceland, and that remains a huge emphasis in this business.

There on the right of this slide I'd just like to point out that's the drill rig that's currently on the field and working on that second well that Paul mentioned.

Let's go to Slide 19. This is the Dokie 2 wind farm opportunity that Ross had mentioned earlier, and you'll see the statistics up there showing that it's mostly construction ready. So one fundamental piece that we're missing there is the PPA. And again, it will probably be catalyzed by LNG development or mining growth in the province, and we'll look forward to those developments later. As Ross indicated, though, this one's on hold, so we're going to continue working for PPA opportunities in the background, but in the meantime we are focusing our efforts elsewhere at the same time as well.

On to Page 20. This again is one of our highlight assets on the geothermal side in South America, the Mariposa geothermal site. This has been really a site that has been confirmed by many, many people to be one of the most notable and desirable sites in Chile. We've very happy to have carved out this position and to be today 100 percent owners of it.
As mentioned earlier, we've engaged in and we're proceeding toward a partnership transaction here that I'm extremely happy about. The next steps of activity that need to occur on this site are large-scale production well drilling. It is expensive, and there is some risk involved. The rewards are great. You don't get great rewards without some risk.

However, where we are in our capital structure and trying to put capital into our next hydro plan, et cetera, we felt at Alterra that it's time to use other people's money and hopefully a expertise-bringing partner into this project. That's what this transaction is all about.

Our prospective partner, EDC, will bring $60 million to do the next large-scale drilling program to really get to a resource and to prove out just how good this resource is. They're a very well-capitalized partner, but secondly, as I mentioned, they're an expertise bringing partner in all aspects of geothermal plant development, construction, and operation.

We're very happy that we're progressing down this road. The deal’s not done yet. Just now we're nearing execution of a next stage joint venture agreement, which would essentially be the parent agreement for the final stage project agreements. But the due diligence that's part of the exclusive period that we have with EDC is proceeding in parallel, and word is it's going very well. And I've truthfully heard not a single word about it going poorly at all.

So we remain very optimistic that this partnership’s going forward, and we’ll hope to prove that out over the next couple of months.
We also mention Peru geothermal on this slide, which is also part of the same transaction. There we have earlier stage concessions, and there they'll be an $8 million earn-in for a 70 percent partnership interest by EDC. It's a good relationship that we have to date with them, and we're excited about this partnership.

With that, we're done with this segment of the call. And, Ross, I'd like to turn it back to you.

Ross Beaty

Okay. Thanks, John. Thanks, everybody, today. I've got no further comments myself so, Operator, I'd like to open the call to questions, please. And thanks again to everybody for joining us today.

Q&A

Operator

As a reminder if you'd like to ask a question, please press *, then the number 1 on your telephone keypad. If you'd like to withdraw your question press the # key. We'll pause for a moment to compile the Q&A roster.

Your first question comes from the line of Jeremy Mersereau from National Bank Financial. Please go ahead. Your line is open.

Jeremy Mersereau — National Bank Financial

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Good morning, everyone. I'm wondering if you can tell us what portion of the cash that you've got right now is I guess tied to Iceland versus elsewhere?

Lynda Freeman

Yes. I can respond to that one. We actually disclosed that information in Note 35 of our financial statements. We split the cash out between HS Orka and corporate.

Jeremy Mersereau

Okay.

Lynda Freeman

So at December 31st, we had a total of 39.2 million in cash, of which 2.9 million is corporate and the remainder of 36.3 million is HS Orka.

Jeremy Mersereau

And I think you were saying before the overall sale of those assets might trigger some difficulty in trying to repatriate the cash. Would you have a similar issue with this 36 million?

Ross Beaty

No. If we sell the—if we were to sell our interest in HS Orka, the cash would stay in HS Orka and it would be part of the valuation of the business and would be reflected in the purchase price.
To add one note to that, that cash is specifically earmarked at this time for the expansion, and part of that has been used for this current drilling program that we're on. So we have a good supply of cash in Iceland for our future needs.

Jeremy Mersereau

Right. Okay. And next I guess moving on to Chile. The initial six months due diligence was supposed to end in April. It looks like it's been extended a little bit. Are there any weather constraints that we should look for if you were—if you get the go ahead? Are you limited to a particular date when you'd have to basically wait the following year?

John Carson

The drilling will occur in a season. We're up on a pretty high plateau there, but once we've actually starting drilling it's possible if we wanted to and we were in full scale production drilling that we could drill right through the winter. But the plan is currently to wait for the next Chilean summer, which will be our North American winter.

So the drilling would start at the earliest in November of 2013, and that is the plan between us and both EDC should this field go ahead that we will do drilling at the end of this calendar year. One other note, Jeremy, to one thing that you said there; we haven't yet extended our six-month period and everything has gone well, it may close in April. If anything pushes it out it may be more likely to be the documentation aspect, but we have a final date. It won't go for long, so don't expect anything long and protracted. That's where we are with that deal.
Jeremy Mersereau

Okay. That's great. Next moving on to Montrose, how should we go about modelling the project? I mean you're going to be getting payments, but not sure if they'll flow through the income statement or just how will they get pulled into your financial statements?

Lynda Freeman

Okay. It's a good question with regards to Montrose. Obviously as Jay specified, the project is 100 percent covered by insurance with FM Global, subject to the policy deductibles, which we've already gone past and have already written off those costs.

With regards to ongoing costs, what we'll be—the way we'll be presenting it in the financial statements—actually, well with regards to Alterra because we equity account, obviously we'll only be picking up the one line. What we will be recognizing in the same period as expenses are coming in we'll be recognizing the income from the insurance proceeds.

We are going to be working very closely with FM Global so that we get the insurance proceeds on a bi-weekly or monthly basis, so there won't much of a timing lag between getting the proceeds to match against the costs. So by seeing just an equity pickup you actually won't—it won't make a huge difference to any numbers you're reviewing or modelling, so you should be able to just use the current projections.

Jeremy Mersereau
Okay. I mean I guess normally you split out your EBITDA per project. My assumption then would be that you're—you'd probably include that number as well?

Lynda Freeman

Yeah. It won't change the EBITDA. The only thing that will slightly look maybe a little different is in the notes to the statements where we break it out between sort of other income and expenses because we'll have other income as the insurance proceeds and the expenses being obviously to map against that. But both of those would be included in your EBITDA calculation anyway, so it wouldn't make any difference.

John Carson

And the insurance proceeds should match pretty much exactly what...

Lynda Freeman

Absolutely.

John Carson

The revenue would have been from the power generation side.

Lynda Freeman

Yeah.

John Carson

So it should be pretty seamless there; just come in that other bucket.
Jeremy Mersereau

Okay. And finally, did I understand correctly you believe you should be able to lever the holdco at about 50 million, 60 million or so?

John Carson

That's the indication that we're getting, Jeremy. We've talked to multiple parties. There's even been higher indications that we've had; we've had many. So just to talk to that market for 30 seconds, it's a very attractive and robust market right now. It's a good time for us to be examining the possibility of doing that sort of financing, and that's exactly what we're doing. We're thoroughly examining that possibility.

Jeremy Mersereau

Okay. Thank you very much.

Operator

Your next question comes from Gus Hochschild with Mirabaud Securities. Your line is now open.

Gus Hochschild — Mirabaud Securities

Okay. Thank you very much. Ross, good morning. A couple of questions, if I may; with regards towards the rather protracted discussions with Nordural, and in past you've mentioned that there are other avenues you could pursue. So I mean to what extent will you continue having these
discussions? Or is there a stage by which you could say look, Central Aluminum, we've really done our best here. We're not going anywhere, so we're now going to sell our power to somebody else?

Then in terms of again we've mentioned the Dokie 2 and the need for BC Hydro to come up with a PPA for you guys. Now I know nobody can look at a crystal ball, but perhaps if you could give us some colour of what's going on at Kitimat and what might be a reasonable expectation for the time frame there?

And then lastly, if I may, Lynda, if you could help me please vis-à-vis the accounting of the equity distribution from Toba Montrose and Dokie in the cash flow, which is kind of rather less than has been mentioned on this call?

Ross Beaty

Okay. Thanks, Gus. Thank you very much; nice to hear from you. Regarding Iceland, we also have the same frustration. We have a contract that has been declared to be valid, but it is—terms have not been resolved, conditions have not been met, and we have been working very hard with Nordural to try to reach agreement on some very big picture items, as I've said and as John has said. We haven't done that yet. You cannot have a contract like that in limbo forever.

Gus Hochschild

No.

Ross Beaty
And we've actually had legal advice regarding that point, but we'd prefer to, of course, reach agreement with Nordural rather than have another protracted legal fight on our hands. But at some point that will arise. I just don't know when exactly that point's going to come.

Regarding British Columbia and Dokie 2 power markets, this is very much in flux right now. BC Hydro itself is more or less awaiting some guidance from demand requirements on the LNG businesses and some mines that are under development in British Columbia. As well, we have a provincial election coming up in April, and the new government will want to clarify its own views on power needs, whether they're going to be met by natural gas or by renewable power or by large government-developed hydro. And this is causing some delays, I think, and uncertainties today that we hope will be resolved as the year goes on.

They have to be resolved really before Dokie 2 will move forward into a power purchase contract. On our side we are more or less ready to go. We could build that very quickly. We could get it under construction almost immediately. Our ducks are in a row there. We have our partnership arrangements. We have our—we have financing that could be put in place very quickly on this project and all approvals have been made for it, so really just that one last thing is needed.

Thirdly on the financial side, I'm going to ask Lynda to answer your question.

Lynda Freeman

Hi. Good morning, Gus. That's a good question. The reason for the difference is that two of the distributions, so 1.5 million from Dokie and 2.8 million from Toba Montrose, that's Alterra's
share, were declared on December 31st. But the cash proceeds unfortunately we're not received by Alterra until the 4th of January. So for the purposes of the cash flow they're actually sitting in working capital, so it's in Note 35 to our statement. You'll see it's in the receivable movement there...

Gus Hochschild

Okay.

Lynda Freeman

Rather than actually unfortunately on the face of the cash flow at this time. You'll see it in Q1.

Gus Hochschild

Great. Okay. Well, thank you very much.

Operator

Your next question comes from Ian Tharp, CIBC World Markets. Your line is now open.

Ian Tharp — CIBC World Markets

Great. Thanks and good morning. First a shout out to Bruce; I know you're an integral part of developing those BC projects, so it's interesting to watch and congratulations on your new move and also the new team members. So focusing on Iceland for a minute, we talked about it a little bit. Paul, maybe you could give a bit of detail on the well drilling that's going on there? I want to get a
sense of the size of the wells that you’re expecting. And also you've got a workover, so if that
doesn’t go well is there some risk that you're not able to support the current capacity?

Paul Rapp

Sure. I'll actually ask Ásgeir Margeirsson to jump in on this. He's closer to it.

Ian Tharp

Sure.

Paul Rapp

Ásgeir?

Ásgeir Margeirsson — Country Manager and Chairman, HS Orka, Alterra Power Corp.

Yes. The average output of the wells drilled is usually of the order of 5 to 7 megawatts per
cap well. And as indicated earlier, we already have positive signs for well number 31 that is now being
flow tested. So the order of magnitude is 5 to 7 megawatts per well drilled as a yield.

The well number 31 is a rather shallow well, less than 1,500 metres deep. It’s a so-called
steam cap well producing dry steam. Well number 32 that we're drilling now is a deep resource
well, and these wells tends to go all the way down to 2,500 metres depth, and it's what we call a
double flow of a mix of brine and steam, meaning fluid and steam. But the average output is similar,
sometimes a little bit higher for the steam capped wells.

Ian Tharp

Okay. And then...
Ásgeir Margeirsson

Does that answer the question?

Ian Tharp

Yeah. Sorry. And then just...

Ásgeir Margeirsson

The workover, yeah.

Ian Tharp

Yeah.

Ásgeir Margeirsson

The workover is a mix of two things. One is to get well number 22 back in operational shape; secondly is to explore and study the behaviour of the resource in order to learn more about how we treat wells in general in the long run, so to gain more knowledge about the behaviour of the resource.

Ian Tharp

Right. Okay.

Ásgeir Margeirsson

It's not primarily thought of as converting it back to operational shape, but if that happens that will be a bonus.

Ian Tharp
Okay. So by your math you're still looking at two to three more production-sized wells for the first stage of the expansion? Actually, sorry, I'm thinking of 30 megawatts. You probably have to do four or five to get to the 50. And then how many injection wells would you expect to have to drill?

Ásgeir Margeirsson

The total plan for the Unit number 3, 50 megawatts including the injection, is in the order of 9 to 12 wells, including reinjection to cover the 50 megawatts of steam need, plus reinjection. Unit number 4, the 30 megawatt, doesn't any need any wells. It basically refills the fluid that is already on surface from the first two or three units.

Ian Tharp

Right. Okay. Okay. And then—so thank you very much, and then just moving on to the finance side of that. I know that we've got 36 million in cash captive within HS Orka. John or Lynda, maybe talking to the capital requirements for the remainder of the first phase, the 50 megawatt phase?

John Carson

Sure, Ian.

Ian Tharp

How are we going to fund that?
Sure, Ian. The first phase is really about $140 million all-in. We honestly, though, when we modelled this because the build will go both plants most likely at once in a smooth sequence, we look at both together. Both together, the capital requirement's going to be about $230 million, so you see the incremental amount from the second phase.

Out of that amount, we're currently targeting and thinking that we will get about 65 or 70 percent debt financing on to that. What that means is that our equity component there, our equity requirement would be between about 70 million and $80 million. So when you think about what our equity will consist of, it consists of, one, we already have the turbine that will be used in the 50 megawatt unit fully purchased. That's $30 million of equity right there that we will be contributing into the project, and that will be counted towards part of our 30 percent into 100 percent of the capital structure.

And secondly, that would imply that we'd need another 40 million or so, 40 million or up to 50 million of equity capital, which we've just about got. By the time that we would need it we assume that cash flow from operations would cover any extra. At this time, we do not anticipate there would be a need for any equity injection from either of the sponsors to build the expansion at Reykjanes.

Ian Tharp

Okay. So, John, just to put a finer point on that, so the 40 to 50 in equity capital required would be partially covered by cash on hand and then also cash flows?
John Carson

Correct.

Ian Tharp

Okay. Great. Okay. So thank you for that. And then just moving on to, I guess, your other capital requirement, Jimmie Creek. I want to get a sense of the steps that need to be achieved in order for you to move into construction. I know you're going to finalize your EPC contract. Perhaps there's some renegotiation of the EPA or restructuring, any permits. And then also understanding what finance needs to fall into place in order for you in earnest to move that forward in the summer?

Jay Sutton

Sure. This is Jay. We basically have just received all of the final permits, so we've received our final water licence. The in-stream floor requirements have been confirmed, so all of the permitting is complete for the project. What we're really working on right now is grinding down the capital costs and also completing some of the final touches on our preliminary design and updating our hydrology, and with that completing our updated financial model.

Once we've got that completed, it really goes into looking at partners and dealing with the financing end of the project. Jimmie's a relatively low-risk project compared to when we initially started the Toba Montrose project. It's well defined. There are roads up to the intake already. The
transmission line goes right over the power house, so there's not a lot of additional work we need to do to further define the project.

Our geotechnical drilling work was completed in the fall, so we've got a fairly well-defined scope and project now. I think I'll hand over to John the requirements for the financing step.

**John Carson**

Thanks, Jay. On the financing side, I won't give you a hard number, as hard as I gave you for the Reykjanes expansion because we are working on it. It's getting smaller, and we hope that it continues to get smaller. What we are is a little bit north of 200 million and where we pan out and how we're modelling this transaction and where we think financing will be, and we've had a lot of dialogue to think we know pretty well where financing will be, we think that the equity capital, if we partner out at 51 percent as we indicated earlier, would be around the 25 million to $30 million quantum.

You say, well, what if you didn't partner? What if you took all of it? Then you'd at least double that number. That's not the current plan. Right now we think it's probably best to partner this one out, so I think that's what the more likely than not case is. So given that, Ian, note that we already have a little north of $10 million into this project. We've been working on this project for about five years, so we actually have just, I think, it's $11 million of real development capital into the project.
So it's possible, Ian, that there'd be some netting out of that development capital, et cetera. All of that will be in the mix as we really structure what the final financing will look like. There will be a fair amount of moving parts in how the partnership arrangements end up, assuming that we partner, will have a fairly good sized effect on what our equity is. But right now I feel good about saying our equity need there at current plan is between 25 million and 30 million.

Ian Tharp

Okay. And thanks, John, and just pushing out one step further. It sounds—my assumption is that the incumbent partner there is still GE EFS, so correct me if I'm wrong. And then the other side is how far along are you in your debt financing discussions around this project? It really strikes me you've got a lot of major hurdles to still overcome before you enter construction in July.

John Carson

I hear that, Ian, and I will talk to that. First let me mention about GE. They are still the partner of record there, so I can't really—there's not much to say beyond that right now, other than that partnerships arrangements are not currently resolved. And we of course will be seeking the best ultimate resolution in any partnership arrangements that we have around this project, so we'll wait to give you more colour on that later. Back to—sorry, your second question again?

Ian Tharp

Just around the debt financing timing...

John Carson
The debt financing, sure. Sure. Sure. Well, this is an instance where number one, you heard Jay say this is a relatively easier build project than others, and also think about the fact that now we've been there. We've done this and we know the valley extremely well, all of its challenges and all of its benefits.

One thing that this project will utilize that wasn't built when Toba Montrose was being developed is a very world-class long transmission line. It's already built. It's functioning beautifully, and this plant will use it. So that's one tremendous hurdle that the team, Bruce and team, overcame in building Toba Montrose that we won't face.

You could guess that the same lenders who had interest in lending and who did lend at Toba Montrose will and do have interest in lending at the second plant. If they didn't, we have many other opportunities, and we get a lot of phone calls, I'll tell you, about people who have said, love to work out a bond financing for you, this type of financing or that. I would still contend it's mostly likely that the lender makeup and the loan structure will be very similar to a Toba Montrose plant.

So as to where we are with that, to finish answering your question, we are at a stage where we're poised to get into terms and we will do so as soon as we have the pro forma model finalized with what we think are our final costs on this plant. That time is not very far away.

The team of lenders, so again is most likely to work on this, is ready to go on this. So you might think that—I hope I've conveyed to you we're not starting from square one on this financing,
and the prospective lender is well familiar with every challenge in this valley and what these projects behave like. So I think it's not going to be that daunting is my honest opinion, Ian.

Ian Tharp

Okay. Great, John. And then one very quick final question for Jay. There was reference to protective berms and some other kind of preventative measures that you've determined will be wise to put in based on the event in December. I'm wondering is that incremental capital cost back to Alterra. I'd assume that's certainly not going to be covered by the insurance, but maybe a sense of the work there and if there's a magnitude in terms of cost that we can get?

Jay Sutton

Yeah. I don't have a cost estimate for it yet. Well, part of it may be covered by the insurance and that will have to relocate a significant amount of rocks from the debris flow to re-slide onto those areas. But there will be additional costs that will certainly not be covered by insurance to install those protective covers or protective slopes over the penstock.

So we'll be looking at in the next month in developing what that cost estimate will look like for that additional areas and getting a better sense of how much of it will be incorporated into the actual work and how much of it will be an additional cost.

Ian Tharp

Okay.

John Carson
Jay, is your current feeling right now about single—low single-digit millions or lower or...

Jay Sutton

Lower than that.

John Carson

Lower than that.

Jay Sutton

Yeah.

Ian Tharp

Okay. Very helpful. Thank you very much.

Operator

Your next question comes from Steven Li from Raymond James. Your line is now open.

Steven Li — Raymond James

Great. Thanks. Just trying to get an update on EBITDA on a net interest basis from your operations, so if I look at Montrose, Dokie, Soda Lake, and Orka, is it still reasonable to think between 50 and 55 for EBITDA on a net basis?

Lynda Freeman

If you take a consolidated—sorry, a net interest on the current ownership percentages...

Steven Li

Yeah.
Lynda Freeman

Maybe 60 to 65.

Steven Li

Sixty. And that would factor in the $9 million of reduction on development expenses that Ross alluded to earlier?

Lynda Freeman

That's excluding the—we're talking project EBITDA.

Steven Li

Okay.

Lynda Freeman

So that would be sitting at the Alterra level, so you wouldn't see it at that point.

Steven Li

Okay. So but at the project level you would see 60 to 65?

Lynda Freeman

Yeah.

Steven Li

And does that include ABW Solar or no?

Lynda Freeman

No. No. That doesn't at this point.
John Carson

ABW Solar, by the way, Steven, will be about $3 million per year we estimate of EBITDA.

Steven Li

Okay. Great. Thanks.

Operator

Your next question comes from Richard Tyson, private investor. Please go ahead.

Richard Tyson — Private Investor

Hi. Thanks very much. Given that current share price doesn’t reflect at all the value in Alterra, has the Board considered at all putting the whole company up for sale?

Ross Beaty

Yes. We have, Richard. We actually had an interested party last year that we went a long way down the road and didn’t get to a deal. It was fundamentally a different view of value. So our preference, I think, is to prove the value by exactly what I said we were going to do, which is execute our business plan, develop our assets, and prove to the market that we have a substantially greater value as a standalone entity than we would have were anyone to purchase us right now kind of a market normal premium.

We think that that type of a transaction would still dramatically undervalue what we have today, and what we have today we should be able to reflect to shareholders relatively quickly. The work that’s been done in the last couple of years especially we think will manifest itself in 2013 with
some really active exciting projects that we have going ahead of us. And I think very much clearer value realization for investors.

Last year was a pretty tough year for us. As I said, we had a lot of disappointments. We had the rock slide at Montrose. We had a lot of projects that didn't get to where we had hoped they were going to get to. We spent a lot of money. What we're really hoping will happen in 2013 is that we won't have those disappointments. In fact, we'll have the result—the beneficial results of the work we did last year for advancement of these projects in the near future.

Richard Tyson

Thanks. Thanks very much.

Operator

Your next question comes from Gus Hochschild, Mirabaud Securities. Your line is now open.

Gus Hochschild

Yeah. Hi. Just a couple of things in the cash flow, if I may, please. Further to, Ross, your comments about—or was it John’s—about paring back expenditure on the Mariposa project and certainly preferring other people to carry that burden, so am I right in assuming the purchase of plants and equipment of $10.5 million, that was expenditure really mostly on Orka? And also some other (phon) intrigues, should we say, on the purchase of short-term investments of 4.5 million, what are they? If you could be so kind as to answer that, please?
Lynda Freeman

Yeah. Gus, it’s Lynda here.

Gus Hochschild

Lynda, thank you.

Lynda Freeman

Absolutely. They’re both actually predominantly to do with HS Orka.

Gus Hochschild

Okay.

Lynda Freeman

The 4.5 million investment is 100 percent HS Orka. It was just when they got the 38 million proceeds from the share issuance they invested some of them in a short-term investment. So that’s all the 4.5 million is.

Gus Hochschild

Thank you.

Lynda Freeman

With regards to the additions to PP&E, it is predominantly at HS Orka. And if you look at the PP&E note you’ll see how it’s split between the project—or not between the projects, but between sort of the capital spend and what is like head office costs, which are minimal. So the
majority of it’s to do with the spend at the projects and some at the camps that we have at Mariposa now (unintelligible).

Gus Hochschild

Okay. Wonderful. Thank you.

Ross Beaty

Thanks, Gus.

Operator

Your next question comes from Matt Gowing, Mackie Research Capital. Your line is now open.

Matt Gowing — Mackie Research Capital

Well thanks. Good morning, everyone. Many of my questions answered; just circling back on a couple housekeeping ones. On the insurance recovery, could you just clarify the amount of the deductible and if that was all paid at this point?

Jay Sutton

Yeah. The deductibles are a $500,000 property deductible and a 25-day business interruption deductible. So we've exceeded the spend now on the property insurance, and we'll be going back to FM Global requesting or invoicing them for payment. And the 25 days occurred from 12th of December to the 7th of January, and it was approximately $100,000 in revenue loss.

Matt Gowing
Okay. Thanks. And on your comments regarding the dividends from the Icelandic geothermal, could you just perhaps give a little bit more colour on what triggers would allow that—those dividend payments to start? And then when—more kind of granularity on perhaps when that would be?

**Ross Beaty**

Yeah. You bet, Matt.

**Matt Gowing**

Thanks.

**Ross Beaty**

First of all, we have approved a dividend at the HS Orka Board level. We are now seeking necessary consents for these, and it's not going to be a material dividend, particularly large, but it's going to be the start of one, and the start of one, which for us is a very symbolic thing in 2013. It's not 100 percent certain, but it's likely, and we'll simply announce the level when we make it.

**Matt Gowing**

Okay. Thanks for that colour, Ross. Appreciate it.

**Ross Beaty**

Okay.

**Operator**

Your next question comes from Jared Alexander from Canaccord. Your line is now open.
Jared Alexander — Canaccord Genuity

Good morning. I was just wondering starting with Reykjanes 3, I've kind of been thinking about this coming online early 2015, but we're now a quarter of the way through 2013 and no PPA. Is early 2015 a bit aggressive now; should we be pushing that back?

John Carson

I'd say that it is actually, Jared. It's probably going to—I'm thinking that the best situation is we get this thing resolved with Nordural here in a few, call it couple of months, and from there we take it out for financing, which will take a few months. So you're looking to be in the second half of 2013 before you get the thing resolved. At a two-year build, that'll put you into later 2015. So I think later 2015 is probably the optimal time of entering construction right now—or excuse me, completing construction right now.

Jared Alexander

Okay. Great. Thanks for that, John. I guess now if we'd just turn to Upper Toba. So you're going ahead with Jimmie Creek. That's 62 megawatts. I think you said the PPA is for 124. What's the plan, I guess, for the rest? And is there an expiry on that PPA? Do you have a tight timeline I guess to plan on what to do with the rest?

Jay Sutton
Okay. Our plan is to do additional engineering and evaluation work through 2013 and make a decision certainly by the end of the year, if not the end of the third quarter on whether or not we’re going to proceed with Upper Toba.

Jared Alexander

Okay. Great. Thank you. And I guess we’ve talked a little bit about the pending BC election, but I understand there’s also an election coming in Iceland next month. I was just curious if you had any colour on what that might mean for the business environment? And I suppose for the prospects of expansion or sale for that matter?

John Carson

With that, I’m going to turn that over to our country manager and Chairman of HS Orka. Ásgeir, can you come back on the line and talk to that? You’ll certainly address that better than anyone.

Ross Beaty

But if I could ask, Ásgier, be brief. One can talk about...

Ásgeir Margeirsson

I will, Ross. Thank you.

Ross Beaty

Thank you.

Ásgeir Margeirsson
We have had a left, a very left government for four years now. The election day is April 27th. Everything points towards a swing to the right, which would mean a better business environment. That's it.

Ross Beaty

Thank you very much.

Jared Alexander

All right. That's great.

Ross Beaty

You got that, Jared?

Jared Alexander

I do. I appreciate that answer. It's perfect. Those are my questions, guys. Thanks a lot.

John Carson

Thanks, Jared.

Ross Beaty

Thank you.

Operator

Your next question comes from Mike Plaster, Salman Partners. Your line is now open.

Mike Plaster — Salman Partners
Hi. Thanks very much. Good morning, everyone. Actually I think you've answered most of my question previously on the phase 2 of Upper Toba, but just wondering maybe you could elaborate a bit more in terms of, I guess, your thinking with respect to those decision you'll be making over the course of the year? Is this kind of driven by perhaps a decision to defer capital expenditures? Or is there other issues that would factor into that decision?

John Carson

Go ahead.

Jay Sutton

No. It's mainly driven by issues we encountered when we were doing the geotechnical investigations at Upper Toba. At the intake there's some geotechnical issues we'll have to redesign our intake. Also we've encountered some—we've been doing modelling of our sediment loading, and there is relatively high sediment loading at the Upper Toba site. So we're looking at ways to re-address that.

So it's really—it's a matter of going back through, doing some additional engineering, and seeing if the project is still economic based on any redesign that we have to do.

John Carson

Yeah. And let me echo on that, Mike, and just to really hit your point. There is certainly not an element of deferral because of wanting to avoid CapEx. Believe me, if this thing were ready to go right now, it's just needs this further work, we'd be going for both sides of the plant right now. So it...
really is just a matter of getting past the issues that Jay mentioned. We'd love to build both sides of this as soon as possible. And we certainly think that we'd be able to do that.

Mike Plaster

Okay. Thank very much, guys.

Operator

Your next question comes from Ian Tharp, CIBC World Markets. Your line is now open.

Ian Tharp

Hi. Thanks. Just some follow-ups staying on Upper Toba; John, if you can remind me when the COD, the commercial operation date, is with BC Hydro? And is there the concept now that you would split the current PPA from the 124 into two 62 megawatt parts, such that Upper Toba, the Upper Toba portion kind of can still live, but not meet the same timelines as Jimmie Creek?

Jay Sutton

This is Jay. The COD for the Upper Toba project is January 1, 2014, and we've discussed with BC Hydro that we will not meet that date, that we'll likely finish in 2015. LDs will apply for the project, and those are incorporated in our financial model.

As far as the split between Jimmie Creek and Upper Toba, if we drop Upper Toba before our COD date, there's essentially no penalty, but we would not be splitting—we wouldn't be in a position to split the actual EPA. Hydro will require that we maintain both under the same EPA contract.
Ian Tharp

Okay. So you couldn't split it into two identical 62-megawatt portions, one for Jimmie Creek, one for Upper Toba?

Jay Sutton

No. That's correct.

Ian Tharp

Okay. Okay. So a long story short, we're still kind of at risk around the PPA related to upper Toba, given the delays here. Okay. Okay. So I understand that better. Thank you.

And then, Ross, just going back to your comments around dividend from HS Orka; you're going through the approval processes, et cetera, to I guess free up that first payment. Is the idea to set up a more regular payment schedule from that investment? Perhaps quarterly or semi-annually, just to smooth the cash flows from it?

Ross Beaty

That's not the current thinking. It's going to be maybe annual, but it hopefully will be an annual payment that will grow over time fairly significantly. And I think the real key is the paydown. As Lynda mentioned, most of our cash flow right in Iceland is going to pay down our corporate debt there very rapidly. And that is—that's—I mean 80 percent of our cash flow is probably going to principal and interest, if not more.

Lynda Freeman
Mm-hmm.

Ross Beaty

So when that runs out is when the big dividend payments are going to come because of course the cash flow will come to us instead the banks at that point. Until then they'll be relatively modest, and as I said, you’ll see the size when they're announced, but it will most likely be on an annual basis.

Ian Tharp

Okay. Great. Thank you.

Ross Beaty

And sorry, I think, just to clarify, you might have got the wrong impression from Jay based on the risk with respect to Hydro and the current COD date. We see that as no risk at all. We've had very amicable discussion with Hydro about extending that date upon payment of liquidated damages. And liquidated damages are relatively modest, and they are built into our financial plan.

Ian Tharp

Okay. Great. Thank you.

Ross Beaty

Okay.

Operator

Your next question comes from Jared Alexander from Canaccord. Your line is open.
Jared Alexander

Just one quick follow-up question here; one of your peers recently increased its budget for their BC projects due to us moving back to the PST from the HST. And it was actually a surprising amount; I think it was about 4 percent of their total budget. Do you see that change affecting CapEx at BC development?

Lynda Freeman

Hi. It's Lynda here. With regards to the spend on the project, particularly the big one would be Upper Toba. Because of it being electricity-generating, a number of the major costs are costs to do with the penstock, costs to do with the power house generated, et cetera, are all PST exempt, so we have no issues with regards to that. We have in all our models we've built in the additional cost of PST on all other items, but it's not forecast to have a major impact on Upper Toba.

Jared Alexander

Okay. Great. Thank you.

Operator

Ladies and gentlemen, as a reminder should you have a question, please press the *, 1 on your telephone keypad.

There are no further questions. I'll turn the call back over to you, Mr. Beaty and Mr. Carson.

Ross Beaty
Great. Thank you very much, Operator, and thanks again to everybody. I've got no further comments, so with that I will declare this conference call at an end, and again, appreciate everyone's time and attention. Good day.

Operator

This concludes today's conference call. You may now disconnect.

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