

## FINAL TRANSCRIPT

**Alterra Power Corp.**

**First Quarter Results**

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**PRESENTATION****Operator**

Good morning, ladies and gentlemen, and welcome to the Alterra Power Corporation First Quarter Results Conference Call. At this time, all lines are in listen-only-mode.

Following the presentation, we will conduct a question-and-answer session. Instructions will be provided at that time for you to queue up for a question. If anyone has any difficulties hearing the conference, please press \*, 0 for Operator assistance at any time.

I would like to remind everyone that this call is being recorded on Monday, May 13, 2013.

I would now like to turn the conference over to Mr. Ross Beaty, Executive Chairman.

Please go ahead.

**Ross Beaty — Executive Chairman, Alterra Power Corp.**

Good. Thank you, Operator, and good morning, and good afternoon to everybody who's listening in. Welcome to our Q1 financial and operating results conference call.

We have once again put together a short presentation, which is on our Website and it's available in real time. You can access it by going to [www.alterrapower.ca](http://www.alterrapower.ca).

So we're going to start out. The very first slide is our forward-looking statements slide. I'd remind you that we have a number of forward-looking statements, and we seek Safe Harbour in this connection.

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Joining me on this call today: John Carson, our Chief Executive Officer; Lynda Freeman, our CFO; Paul Rapp, VP Wind and Geothermal Power; Jay Sutton, Vice President in Hydro Power; Murray Kroeker, our Vice President in the Solar Power and Engineering; and also, Donald McInnes is here with us, our Executive Vice Chairman. And we have on the line from Iceland, Ásgeir Margeirsson, and from Nevada, Monte Morrison, if we need them at all to answer your questions at the end of the call.

Our financial results reported on Friday night come just a few weeks after we reported our year-end results. When we hosted a conference call and went over it in some detail—I think we spent more than an hour on that call—all of our operations and projects in significant detail. So today I think we'll have an abbreviated session with just a few updates for you.

And I'm going to ask John Carson to start things off right away with an overall summary, and then a presentation from our team.

**John Carson** — Chief Executive Officer, Alterra Power Corp.

Great. Thanks, Ross. The highlight for this quarter to me was our consistent generation over the previous quarter last year, and also consistent revenue and EBITDA.

We are—we have just completed our Iceland drilling program, two wells, and are actually now doing a well workover in addition to the two-well program. The initial results are positive, and we're pleased that that's moving forward.

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Also at Montrose where we experienced a rockslide last year, repairs are well underway, and we think that we'll have that asset back up in full water flow by August of this year. In South America, we're just on the very last stages of documentation of our joint venture agreement with EDC, the Manila-based geothermal operator. And we entered, just recently, into a new solar partnership in Puerto Rico pursuing a 100-megawatt development opportunity.

Finally, we just added a new team member, Jon Schintler, a Director of Project Finance and M&A; very happy to have him aboard and helping the Company with its growth.

And now just—I'm going to turn it over to our CFO, Lynda Freeman, to give you a full update on the numbers for this quarter, and just reminding all of the folks joining us on the call today that the first quarter is typically our lower production quarter seasonally. At the Toba Montrose plant, less than 5 percent of generation occurs during this quarter, so it's a lower quarter for EBITDA on the run rate, but nonetheless we were very close to last year.

Lynda, over to you.

**Lynda Freeman** — Interim Chief Financial Officer, Alterra Power Corp.

Thanks, John, and good morning to everyone. I'm going to commence my presentation with a discussion on the first quarter consolidated results of the Company. Consistent with the comparative quarter ended March 31 2012, the Company continued to consolidate 100 percent of the results of HS Orka and Soda Lake, while the Company's interest in Toba Montrose and Dokie 1 are accounted for as equity investments.

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For those of you that are following the presentation on our Website, I refer you to Slide 4, Consolidated Results and Generation. As demonstrated and explained on the slide, revenue is up 5 percent against the comparative quarter at 17.2 million versus 16.4 million, due to new sales contracts entered into in late 2012 and early 2013 at HS Orka; an increased generation at Soda Lake, due to an additional production well that was put in service late in 2012. The gross profit margin remains steady at 29.1 percent against 28.6 percent quarter on quarter.

During the first quarter, the Company recognized a net equity loss of 3.8 million against a loss of 5.4 million for the same quarter of 2012, representing the Company's interest in Toba Montrose, Dokie 1, and the Blue Lagoon. This reduction in loss, was predominantly due to a noncash movement in the Toba Montrose interest rate swap and other income recognized on the Montrose rockslide insurance proceed in the quarter, offset by lower generation at Dokie 1, due to higher winds in the comparative quarter, where winds were 111 percent of budget.

The Montrose facility was offline during the entire quarter, due to the damage incurred as a result of the December 13, 2012 rockslide. The project insurers have confirmed that the incident is covered by property and business interruption insurance, with insurance deductibles recognized in full at December 31, 2012.

The proceeds from the insurance claim will be recognized in equity income Alterra's statement of operations, and will reflect both business interruption proceeds and reimbursement of

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repair costs. Income received for reimbursement of repair costs represents amounts over and above the original cost to build the damaged section of the penstock as those repair costs are incurred.

As at March 31, 2013, 0.7 million is reflected in equity income, reflecting reimbursement of repair costs incurred in the quarter. Business interruption proceeds were minimal in the first quarter. These amounts are expected to grow significantly in the second and third quarter, as repair work continues and business interruption proceeds increase with seasonal flows.

Included within other income and expenses, are general and administrative costs, which increased from 4 million to 4.2 million against the comparative quarter.

Recurring general and administrative costs have declined quarter on quarter, and this increase was primarily due to nonrecurring costs associated with a reduction in personnel in the period.

Our results continue to be affected significantly by noncash movements in the embedded derivative 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 14.2 million against 10.2 million in the comparative period.

Moving on to Slides 5 and 6, and also contained within the Company's Management Discussion and Analysis, we are demonstrating the Company's net interest in the generation, revenue, and EBITDA of our operating assets. These numbers reflect the Company's 66.6 percent

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interest in HS Orka, 40 percent interest in Toba Montrose, 51 percent in Dokie 1, and 100 percent interest in Soda Lake.

Due to the change in ownership of HS Orka in the first quarter of 2012, the Company has shown pro forma comparative information reflecting what the Company's net interest would have been had Alterra owned 66.6 percent of HS Orka for the entire comparative quarter.

As shown in the slides and reflected in the MD&A, revenue and generation remained consistent quarter on quarter, with higher revenue and generation at HS Orka and Soda Lake, offset by lower revenue and generation at Dokie 1. The movements of each have been explained earlier.

Quarter on quarter, EBITDA was down 0.9 million due to the cost of seasonal repair work at Toba Montrose, lower generation and revenue at Dokie 1 discussed above, and higher administrative costs at HS Orka, due to ongoing discussions and negotiations with Nordural. The 0.7 million rockslide-related insurance proceeds received for repair costs discussed above have not been included in the EBITDA calculation.

The following slide on Page 7 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, which strengthened against the US dollar at March 31st against December 31, 2012.

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With regards to liabilities, and I've mentioned previously, fluctuations in liabilities is most significantly due to the fair value adjustment for bonds and embedded derivatives that are linked to the future price of aluminum.

The reduction in cash and working capital was primarily due to the cost of the two new geothermal wells at HS Orka, in addition to the classification of Alterra's revolving credit facility to short-term liabilities at March 31, 2013.

The long-term debt position is analyzed on the next slide, Slide 8. As at March 31, 2013, the Company's net interest in project long-term debt was 359.7 million, representing 181.9 million held at Toba Montrose, 88.3 million at Dokie 1, and 89.5 million at HS Orka. During the quarter, principal repayments of 3.8 million were made against the HS Orka debt. And in accordance with the credit agreements of Toba Montrose and Dokie 1, no repayments were made in the period. Interest payments of 5 million were made during the quarter, reflecting 2.9 million at Toba Montrose, 1.5 million at Dokie 1, and 0.6 million at HS Orka.

In addition to project debt, the Company also holds 117.4 million in long-term bonds that were assumed and are secured on the holding of HS Orka, and 7.9 million in a revolving line of credit. The Company is currently working with a lender to obtain financing capital to be secured against distributions from Toba Montrose and Dokie 1, the proceeds of which are expected to be used to repay the revolving line of credit and to fund future cash requirements, including any needed project equity for construction of Jimmie Creek forecast for later in 2013.

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That concludes my update on the first quarter results, and I will now hand back to John.

**John Carson**

Thanks very much, Lynda. With that, I'd like to start our operations update, and first up is Paul Rapp, who is our Vice President of both Wind and Geothermal Power. Paul, over to you.

**Paul Rapp** — Vice President, Wind and Geothermal Power, Alterra Power Corp.

Thank you, John, and good morning, everyone. I'll start with updates on the Dokie 1 wind farm, Page 9 on the slides for those who are following along.

In Q1, the Dokie wind farm performed very well, producing 93 gigawatt hours of electricity or 102 percent of the budgeted generation. Production remains on track, and as of Friday we were at 102 percent of generation.

Dokie Wind turbines continued to perform well in Q1, and our turbine operator, Vestas, has exceeded their contractual guaranteed wind turbine availability at over 97 percent. Really the big message at Dokie is it's steady as she goes.

So with that, I'll move over to our Icelandic operations, Slide 10. Both the Svarstengi and Reykjanes plants performed well in Q1, producing 328 gigawatt hours of energy or 101 percent of the budget generation for the quarter.

As John mentioned earlier, a two-well drilling program commenced in late 2012 adjacent to the Reykjanes plant. We've now completed both of the two planned reserve holes. Flow testing

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of the first hole has confirmed that it will be a good production well. The second hole is currently shut in to allow it to heat up prior to flow testing, but early indications are positive for that hole.

We are currently performing a planned workover of an existing production well with the intent of improving its yield, and obtaining important knowledge on techniques for future maintenance of other production wells. Drilling activities are expected to be completed this month, and the \$9 million estimated total cost is being fully funded from cash on hand at our Icelandic subsidiary.

Over to Soda Lake, Slide 11. Soda Lake achieved 103 percent of the budgeted energy in Q1 or 19 gigawatt hours. As of the end of February, the plant was generating 107 percent of budgeted generation year to date. All of the turbine generators and production wells are currently performing well with no issues. Sorry, that should be end of April the plant has generated 107 percent of budgeted generation.

And that's it for Wind and Geothermal. So next I'll hand over to Jay Sutton, our VP of Hydro Power.

**Jay Sutton** — Vice President, Hydro Power, Alterra Power Corp.

Thanks, Paul. Good morning, everybody. Please refer to Slide 12. Q1 2013 generation for the Toba Montrose plants was under budget due to the repair at the Montrose plant, annual maintenance outage at East Toba, and lower than forecast inflows.

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It's important to note that less than 5 percent of the forecast annual generation occurs in Q1, which is typically our lowest-producing period. The East Toba plant has been in operation since February, and I'm happy to report that with recent warm weather, the East Toba plant is currently operating at its maximum capacity. To date in May, we are at 150 percent of our forecast for the month.

At the Montrose plant, the work to repair the penstock is continuing, the intake access road has been restored, and construction of the rock fall protection berms has commenced. Replacement penstock pipe is scheduled to arrive on site at the end of May, and we are continuing to forecast completion of the work this summer. There will be no long-term effect on the generation or performance of the plant.

We continue to work closely with our insurers, FM Global, on the project, and the work is fully insured, including revenue losses, as John previously indicated. We are constructing protective berms above the penstock sections and other exposed areas to decrease the likelihood of a similar event in the future.

That's all I have for TMGP. With that, I'll hand it over to Murray Kroeker, our Vice President of Solar.

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

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Thanks, Jay, and good morning. On ABW Solar, Alterra, we're still getting—preparing to purchase our 10 percent of the 50 megawatt ABW Solar plant, which consists of three separate sites in Southern Ontario.

The transaction is scheduled to close in July, provided we can complete all the contractual conditions. The operations have commenced at all three sites, and construction is completed. They are currently being operated by First Solar.

With that, I'll pass it back to you, John.

**John Carson**

Very good. Thanks, Murray. Thanks to all the operations team, and now I'd like to look at some of the growth opportunities, and give you updates on each one of those. Let's start with the Jimmie Creek Hydro update.

And you'll recall that this is actually what we used to call the Upper Toba River plant. This is the first phase of the Upper Toba River complex. It's called the Jimmie Creek plant. Currently, we've got management negotiations underway for the construction of the project with our EPC manager, SNC-Lavalin. Secondly, we have project financing discussions underway, and we have—we are currently developing a term sheet with a prospective lender there.

Meantime, partnership arrangements are still in discussion. You'll recall that GE is the current 51 percent owner there, and so finally we are now engaged in holdco level financing discussions to source any required equity capital that we'll need for the project.

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And with respect to that, as we previously disclosed, we currently estimate that if we are to be—continue as a 51 percent owner there then the equity requirement would be somewhere between 25 million and \$30 million. The holdco level financing that we're currently discussing and acting around would be in the neighbourhood of 50 million to \$60 million.

As a reminder, the highlights of this project are: number one, a 40-year Power Purchase Agreement with BC Hydro. The project is fully permitted, and it has its environmental assessments granted.

It will share services with the Toba Montrose project, which sits right next door to it. It'll share a transmission line, and it will share operation services. This achieves operational synergies for the owners of these plants. And finally, the construction for this plant we currently position as early as summer of 2013.

Moving on to Slide 15, the Reykjanes 3 and 4 plant, which would sit immediately adjacent to the current Reykjanes 1 and 2 plant, is currently being advanced by us in discussions with its offtake. The offtake there is a subsidiary of Century Aluminum, and we've been in PPA discussions for some time with them trying to solve final and last issues to be able to get this project underway.

There are other items also that this project will need in order to be advanced. First of all, project financing will have to be obtained for the project, and lastly we've noted there, confirmation of resource will have to be confirmed as well.

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The drilling program that Paul mentioned earlier is going to be helpful in understanding the Reykjanes field further for a potential tapping of the field for this plant. Also we have a well workover underway at an old well, well RN-22. All of this is to gather further data to make sure that the plant would be optimized with respect to its resource. So that's what this plant moving forward depends on.

As a reminder, this is an 80 megawatt expansion. It's a brownfield opportunity, and we already have a 50 megawatt Fuji turbine on-site. It's the same technology that we have in the Reykjanes plant numbers 1 and 2. And these plants frequently deliver over-budgeted performance and have been extremely reliable since they were installed in 2006. Finally, the plant is already fully permitted for operations.

Moving on to Slide 16, the Dokie 2 wind project. We're still pursuing PPA opportunities there in 2013. As we mentioned on our last call, this might be waiting for a bit till the latter half of the year until we see how certain things here in British Columbia turn out.

Growth here is strongly tied to LNG plant development. There are several consortium of LNG plant developers who plan to put an LNG liquefaction facility a piece—a fair ways north of Vancouver. And that LNG development could potentially call for energy needs to be developing in the province that we might be able to take advantage of.

Other industrial growth in the province may accomplish the same thing, such as mining and continued residential growth. However, at this time we don't think that this will be an

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opportunity that will be filled in the very near term. We are again positioning and working toward potentially getting a Power Purchase Agreement for Dokie 2 in the latter half of the year.

As a reminder, the highlights for this project are it's a 156 megawatt capacity versus 144 for the currently operating farm. The wind resource there is extremely well proven, and we have several meteorological towers on-site to fine tune the data in preparation for the project's financing. We do have a permit for the project, and an environmental impact assessment has been finalized, and almost all of the First Nations agreements that will be relevant for this project are in place. Our partner there remains GE Energy Financial Services, who is our 49 percent partner for the project.

Let's move on to Slide 17, and discuss a new opportunity that Alterra has begun working on in the previous quarter. It's a 100 megawatt solar development opportunity in Puerto Rico. Puerto Rico is a new domicile for Alterra.

For that reason, we partnered with somebody there who has strong Puerto Rico expertise; that's with Greenbriar Capital Corp. We're happy to be partnered with them in a co-development arrangement for this project. That partnership owns a 100 megawatt master agreement with the Puerto Rico Electric Power Authority. Under that agreement, we intend to have PPAs granted to the project, and to develop up to 100 megawatts again of power, solar power, in Puerto Rico with our partner. We'll own 50 percent of that partnership.

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Turning to Slide 18. A reminder about our Chile and Peru geothermal opportunities where we feel we have some of the best resources that are available on the continent there. And we continue there in late-stage documentation with our prospective partner there, Energy Development Corporation, or EDC, a Manila-based geothermal operator with more than 1,300 megawatts of geothermal capacity in operation.

The primary deal terms there remain unchanged. We'll get nearly \$60 million or a 70 percent partnership interest by EDC to put into the project to drill the next set of wells. The operating plan remains to drill if at all possible in the next South American summer, which will be our North American winter or the end of 2013. Also in Peru, which is an earlier-stage opportunity, the agreement calls for \$8 million of earn-in for select Peruvian concessions that Alterra owns.

As a reminder, in our Chile asset we have a 320 megawatt preferred (phon) asset by the Canadian Geothermal Code, and we have multiple components in place for infrastructure, including a base camp and other facilities; a 26 kilometre road. Three slim holes have been drilled at this site with positive results, very high temperatures. And in Peru, we feel we have again some of the best early stage concession areas and high probability areas.

We're very excited as we're moving forward here about, a) the base that we've created, the base of geothermal, solar, wind, and hydro operations here, which have strong and continuous cash flows. And we're also excited about our growth, both internally through projects such as

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Jimmie Creek and externally through new projects, such as the AG Solar One solar development opportunity in Puerto Rico.

So we're excited as we look toward the future. And with that, Ross, I'll turn it back to you.

**Ross Beaty**

Great. Thank you, John. So I'm not going to rehash what you just said. I think you summed up what we're doing very well, and so did the rest of the group.

We did go over, as I said, a full review of our operations and projects just a few weeks ago. So I think I'll close the presentation now, and open the call up to questions from anyone wanting further information.

Thank you again for joining us today, and we'll take questions now, Operator.

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**Q&A**

**Operator**

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press the \*, followed by the 1 on your touch-tone phone. You will hear a three-tone prompt acknowledging your request, and your questions will be polled in the order they are received. Should you wish to decline from the polling process, please press the \*, followed by the 2. If you are using a speakerphone, please lift the handset before pressing any keys. One moment, please, for your first question.

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And your first question comes from Jeremy Mersereau from National Bank. Please, go ahead.

**Jeremy Mersereau — National Bank**

Good morning, everyone.

**Ross Beaty**

Good morning, Jeremy

**Jeremy Mersereau**

Just I thought I'd start with the East Toba. Could you confirm that the 0.7 million in insurance proceeds was or was not included in that EBITDA calculation?

**Lynda Freeman**

The one relating to the Montrose Creek, it was not included in the EBITDA calculation. We will in the future be including the business interruption proceeds component, but we won't be including the repair cost reimbursement in that number.

**Jeremy Mersereau**

I see. Because I think in the MD&A it says that it was included, but maybe it's just missing a knot or maybe I misread it. All right. So it's like you said, Q2/Q3 then we should see relatively elevated EBITDA levels there as though the operations are—the project is operating?

**John Carson**

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Yeah. And I wouldn't characterize those as elevated. I would characterize them more as on target. It will be as if the plant had operated. We have a good system for measuring the water flow in at that plant, Jeremy. So it will be just as if the plant were operating, so not elevated, but on target is the way I would phrase it.

**Jeremy Mersereau**

Sure. I just meant from Q1, that's all. Next on the corporate facility, I'm guessing then that or I'm asking then if that will be used to repay that 11 million drawn on the credit facility and to fund AG Solar?

**John Carson**

I just missed the first part of your question, but I think you're asking about the uses of funds. And yes, we would intend to repay our credit facility and keep that available, as we always have. But secondly, AG Solar would be one source, a minor source this year of capital, but really more substantively, Jimmie Creek would be our next major investment of capital.

And again, we've kind of given an indication there that at the 51 percent ownership level, which is what we project, our equity input there would be 25 million to \$30 million with some potential offset there for previously spent development expenses. So there will be other project expenses there, but I think Jimmie Creek is really the focus for 2013.

AG Solar will be a lesser investment this year. We'd expect AG Solar, if things progress well there, to be an investment in 2014.

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**Jeremy Mersereau**

Okay. And what exactly would you need in order to move your projects forward at AG Solar?

**John Carson**

At AG Solar to go into construction under our current modelling, which is early stage, and so we didn't—we're not publishing these numbers yet. But just to give you just rough guidance, we'd expect somewhere in the neighbourhood of 20 million to \$30 million to get a plant of 100 megawatts up at a fully financed plant.

**Jeremy Mersereau**

That's for—that's all the equity for that 100 megawatts you're saying?

**John Carson**

That's correct.

**Jeremy Mersereau**

And not just AXY?

**John Carson**

Sorry. No. That's AXY's portion as well.

**Jeremy Mersereau**

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Yeah. Okay. Okay. That makes sense. And you did mention in the MD&A that you do have an agreement in principle to purchase the 49 percent share of GE's, I guess, GE's ownership of Jimmie Creek. Just wondering if you can tell us anything at all what that agreement would entail?

**John Carson**

Yeah. No. We haven't disclosed anything about that because it's not finalized yet. We prefer to wait until it is finalized. But, Jeremy, in the meantime we have reached an agreement in principle, and so we'll pend further news updates there on that one.

**Jeremy Mersereau**

Okay. Thank you.

**Ross Beaty**

Thanks, Jeremy

**Operator**

Your next question comes from Ian Tharp from CIBC World Markets. Please go ahead.

**Ian Tharp — CIBC World Markets**

Thanks, and good morning. So just going back to Jimmie Creek, if I could. First, I know you have environmental permits for Upper Toba, so is there any need to modify the environmental permits now that you're just going ahead with Jimmie Creek at this point?

**Jay Sutton**

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No. The Upper Toba permits cover both Jimmie Creek and Upper Toba project, so there's no change in the permitting required.

**Ian Tharp**

Okay. Great. Thanks. And then—sorry, go ahead?

**Ross Beaty**

No, no. Over to you.

**Ian Tharp**

Okay. So yeah, Jeremy had asked about the financing there. John, you talked about 50 million to 60 million in equity for that holdco piece. So I mean you've got the holdco piece being negotiated; you also have the debt piece being negotiated. So I wonder if you can talk about how the debt negotiations are going. And then your equity requirements should you be successful in securing the GE piece I'd assume would go up. So how would you propose to cover it in the event that you are successful in securing the GE piece?

**John Carson**

Sure. So first of all just with respect to the debt just recognize, and I'm sure you know, there are two components of debt here related to Jimmie Creek. One is at the project level, and we're under—in negotiations and in discussions with a prospective debt provider there, and it will be debt providers with whom we're very familiar.

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And the second piece is really is to raise our construction equity. It is also debt financing, but that's debt financing raised on our strong cash flows, which currently are about 14 million, \$15 million a year in British Columbia, our free cash flow to equity at each of the projects. Based on that cash flow, again, we project a financing there of 50 million to \$60 million. We are out the gate on some discussions in looking at that financing, and things are progressing and we'll provide further updates as they become relevant.

With respect to GE's piece and the purchasing of that piece, the agreement in principle that we referenced in our MD&A, that would be the case that we would then maybe for a bit own 100 percent. It is still possible and potentially likely that we would partner it out with someone else, and possible to date that we would partner with GE, but again since we've reached this agreement in principle that's the less likely scenario.

So, Ian, I would think it is highly possible that we would still partner at a 51 percent level there. And you could think of prospective people we would partner with there in the Toba Valley.

#### **Ian Tharp**

Okay. Helpful. And then was I right in kind of sensing in the language in the MD&A that you've softened your construction time lines around Jimmie Creek to later in 2013? So just thoughts based on a lot of financial engineering that needs to happen in advance on start of construction?

#### **John Carson**

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Sure. We phrased it carefully as early as summer of 2013. We are still actively targeting it, but look, there are plenty of things that can push this out prospectively, the project financing, et cetera. So we did soften our language just to kind of keep it where we think it should be.

So if you were here internally with us you wouldn't see anything changed here. We're still targeting July, but really it could be pushed out, so the language is appropriately stated as early as summer of 2013.

**Ian Tharp**

Okay. Okay. So just moving on to HS Orka. I know you talked before about the collective of the two wells, the production wells and the workover well being used either for production of the expansion and/or support of current operations. You seemed to have changed it to the two wells being reserved for production at Reykjanes 1. So I know you've got 9 to 12 wells there. You have PPA in negotiations underway. And, Ross, you and I have had this discussion before where you don't necessarily like to have PPAs ahead of a confirmed resource. So it almost seems like you have to turn the speed up on your production efforts at Reykjanes this summer to get confirmation of resource. So just wondering what are your thoughts around de-risking production capacity against the negotiation of the PPA with Nordural?

**Ross Beaty**

Thanks, Ian. So it's a little bit of a chicken and egg situation there. Of course, you PPA before your resource confirmation or vice versa, and we're kind of trying to combine this a bit.

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We've done these two wells in part because we have—we've got to look after existing production, and that requires constant makeup wells over time, which are—in some way in our budget in some way we have to look after the integrity of the existing field, first and foremost.

And it is something that given that it's a very young field for us, it is evolving in our understanding of it. We just had a conference about a month ago in Iceland which really dealt with existing field and how does it look compared to the very, very stable and steady Svarstengi field. And Reykjanes is a much younger plant. Sorry, Svarstengi's been producing for more than 20 years. Svarstengi's just been going for about—Reykjanes has just been going for about five or six years. And the two wells that were drilled into the existing resource, the steam cap, have given us—are giving us helpful information.

But it's in the context of more the existing production than an expansion. And what we're doing is we're looking at all of the data for all of the region around Reykjanes to make sure that we have enough capacity there to sustain the expansion prospects for the current hoped for Power Purchase Agreement with Helguvik that we are actively negotiating. And the plan is to have that work completed in the next few months, the work that we're engaged in right now that's going to assess what the capacity is, where the best place to drill is.

And since we have a good—a very healthy financial position in HS Orka with the funding intended to be used for drilling for the expansion, we certainly don't lack for capital. But we don't really have the field worked out properly yet from the standpoint of the best place to drill for the

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expansion, and that work's ongoing. The sooner we can get it done, the sooner we can get some holes drilled into it.

I don't know when the next plan for additional drilling is, but we've got some very promising targets there and it could be as early as this summer, Vancouver time. Ásgeir, do you have any additional comments to that?

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

No. Not really, Russ. This was perfect.

**Ross Beaty**

Okay. So, Ian, it's a little early to say then just to sum up how we're going to tackle the steam required for the new plant, but we have some very good ideas. We've done a lot of work. It's a matter of trying to produce a model for the entire field right now that's being worked on with all historic data, all historic holes, and the benefit of these two new holes, the benefit of the workover data for the hole being worked over right now. Put all that together, we're going to have a plan that we'll be able to talk about.

**Ian Tharp**

Okay. Thanks, Ross. And is it fair to say that the PPA, if you were to enter that say in the next six months or so, it's going to have to be contingent on the confirmation of resource, and I guess some kind of final budget? Is that fair to say?

**Ross Beaty**

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We're not sure just how we're going to set that up because in addition to the Reykjanes area alone, we have other very, very attractive targets for geothermal power that we already hold title to, we've already done some drilling in. This includes the Eldvörp area and the Krýsuvík area, which are not too far from Svarstengi, and so we have alternatives to the Reykjanes field potential.

But the first step for us is to try to get this 100—try to get this 80 megawatt expansion off of the Reykjanes field, and that needs 50 megawatts of new power at Reykjanes, so that's defiantly a priority for us. And other comment on that, John?

**John Carson**

Really just as far as those parameters wrapping to the final PPA, as it will be realized between us and the offtake, Ian, that will remain to be part of those final negotiations. So yeah, I'd expect—that's how I'd expect those to be wrapped. And we'll disclose those further details as they get negotiated at a later date.

**Ian Tharp**

Okay. Great. And then finally, very quickly on the solar front. It sounds like you're now commissioned, which is great and working toward your financing. So can you remind me, it's \$6 million for your buy in there. How do you intend to fund that? Is that something that's somewhat trapped behind this project equity out west that you're going to do?

**John Carson**

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Yeah. No, nothing trapped at all, Ian. This is really just all further in the course of our 2013 anticipated cash flow. We've cited Jimmie Creek as the largest use of equity this year. ABW will be a smaller use of equity. We'll either fund that if it's prior to the holdco financing closing, we'll fund it out of our current sources of working capital cash.

If it's post that then effectively that will cover it. So all well within plan. And again, this hopefully we'll fund, as Murray indicated, by June.

**Ian Tharp**

Okay. So it is June. I think there was a reference to July before.

**John Carson**

Yeah.

**Murray Kroeker**

Yeah.

**John Carson**

June, July, right about there.

**Ian Tharp**

Fair enough. Those are my questions for now. I'll get back in queue. Thanks.

**Ross Beaty**

Thank you, Ian.

**Operator**

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Your next question comes from Matt Gowing from Mackie Research Capital. Please go ahead.

**Matt Gowing** — Mackie Research Capital

Good morning, everyone. Thanks for taking the questions. Ross, I'm wondering if you could talk a little bit about ABW solar and potentially break out the cash flow contributions that provides to Alterra, both on the 10 percent project cash flow, but then separately what sort of cash flow Alterra could get for managing the facility, please?

**Ross Beaty**

Sure. John?

**John Carson**

Yeah. We anticipate about \$3 million of EBITDA annually for the asset for our 10 percent share of the 50 megawatt facility. That will translate to about \$1 million of free cash flow of equity from project cash flow. In addition to that, we will get an administrative number as well, and as I recall, that's about 200,000 a year.

**Lynda Freeman**

It's about 160,000.

**John Carson**

One hundred and sixty thousand dollars a year. So there you go. That's really our prospective cash flow from that project.

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**Matt Gowing**

Great. Thanks very much for that. And then with respect to Puerto Rico and the master agreement there, I understand that the format of that is almost similar to a conditional PPA. As you get to certain conditions on the projects in Puerto Rico you essentially enter into a firm PPA. Could you just maybe give us some colour on what sort of conditions you need to get to to firm those power purchase agreements up?

**John Carson**

Yeah. The general conditions, I'll speak broadly here, are getting the proper substation interconnection rights and capacity delineated, and of course having the proper land positions that are permitted, et cetera. So it's pretty standard project development. Let me emphasize, this is an early stage opportunity. It happens to have a PPA or the progenitor of a PPA.

Typically it's really the opposite situation of the Dokie 2 wind farm, for example, where at Dokie 2 we have a permitted project, we have land, we have everything done except for the PPA. Here, it's basically the inversion of that where we have a PPA, and we're already working hard on getting some of the other items that we'll need to get this plant up. So there's a real quick thumbnail for you, Matt.

**Matt Gowing**

Okay. Fantastic. And switching over to Chile, you mentioned there talks encouraging with EDC for that company to come in for earn-in; 60 million to get to 70 percent. So once that's done,

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looking a little bit farther, what needs to be spent at the project in total you think to get to 50 megawatts of operating capacity? And what's the financing strategy to get there?

**John Carson**

Yeah. By the time we get to 50 megawatts, which is a bit down the road, of course, the initial drilling has to occur next we'd say for a 50 megawatt plant, right now we're ball parking about \$300 million of total cash flow for that project. So at \$300 million, and if we target a 70 percent debt level, and the financing for that will be pursued as a typical global class project financing, which are available in Chile, and there are many, many projects that have been done under such financings previously. But at a 70 percent level that would indicate \$90 million of net equity put in total. So at 30 percent of 90, you can do that math there. We're about \$27 million of all-in equity there.

That project, though, is at least a couple of years out. I'd say late 2016 at best, but that's about where we position that project at this time capital wise, broad strokes.

**Matt Gowing**

Okay. Great. And then I'll just ask one quick one on Iceland there. Capital is being tied up there owning this Fuji turbine. I'm wondering if it's relevant to think about the market value of that turbine and potentially look at monetizing that somehow, recovering the capital? And then maybe not forsake the project entirely, but wait till things kind of heat up maybe from Nordural's perspective to advancing PPA discussions? Is that something that you think about? Or it's not really possible?

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**Ross Beaty**

No. We have thought about it, Matt, but currently, it's out of the question. It has been out of the question really since we're still hopeful that we will get to a PPA with Nordural at some point this year, and be able to utilize that turbine in the near future.

**Matt Gowing**

Okay. Great. Thanks. Thanks for the answers.

**Lynda Freeman**

Actually, Matt, can I just, one correction. The ABW fee will be 260, not 160. Just...

**Matt Gowing**

Okay. Gotcha. Thanks very much.

**Lynda Freeman**

Thanks.

**Matt Gowing**

Thanks.

**Operator**

Your next question comes from Jonathan Lo from Raymond James. Please go ahead.

**Jonathan Lo — Raymond James**

Can you hear me? Hello?

**Ross Beaty**

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He must have dropped off.

**Jonathan Lo**

Hello? Can you hear me?

**Ross Beaty**

Yeah. We can hear you.

**Jonathan Lo**

Hi. I just have a quick question. So what was your net interest cash ending the quarter?

**Lynda Freeman**

Sorry. Net interest?

**Ross Beaty**

Interest in cash.

**Jonathan Lo**

Cash?

**Ross Beaty**

It's shown on the...

**Lynda Freeman**

I'll come back to you. Give me two minutes.

**Jonathan Lo**

Okay. Thanks. That was actually my only question so...

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**John Carson**

One second, here.

**Jonathan Lo**

Okay.

**Ross Beaty**

Can we get some other questions going, Operator? Then we'll get to that number.

**Jonathan Lo**

Okay. Thanks.

**Ross Beaty**

It's on Page 7. Cash, 35.7 million.

**Lynda Freeman**

No, because he wants net interest.

**Ross Beaty**

Net interest. Sorry.

**Lynda Freeman**

Yeah. So it was...

**Operator**

Pardon me. Mr. Lo?

**Ross Beaty**

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Yeah. Go ahead. Hello?

**Operator**

Sorry. Mr. Lo? Mr. Lo, if you could just please re-press \*, and 1, after I disconnect you, so you'll be placed back into the queue.

**Jonathan Lo**

Okay.

**Operator**

Okay. Great. Thank you.

**Jonathan Lo**

Thanks.

**Operator**

Your next question comes from Aram Fuchs from Fertilemind Capital. Please go ahead.

**Aram Fuchs — Fertilemind Capital**

Yes. I was wondering, Ásgeir, if you could give a little more details, it was good to see that your drilling costs were under budget; was there any particular reason? And is this something that we can look forward to in the future in any drilling?

**Ásgeir Margeirsson**

Well, I would certainly hope so. The main reason is, I would say, it was properly budgeted, and we got a very good contract on drilling. And one of the wells was a bit shallower than planned.

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**Aram Fuchs**

Okay. And does that imply that the resource might be a little more efficient? Or is that too optimistic?

**Ásgeir Margeirsson**

That is possible, but I wouldn't dare to explicitly state so, but at least we found what seems to be what we were looking for at shallower depths, yes. But we have yet to—that well in particular is being heated up, so we don't know the exact results. But I stated before, it looks fairly positive.

**Aram Fuchs**

And then on the makeover of the other operating well, was that—could you give us details on why that needs to be done over again? Is it scaling? Or what is going on there?

**Ásgeir Margeirsson**

We—possibly the scaling. We decided to pull out the liner of the well. We were successful in doing so, and we've been re-drilling into the bottom of the hole now, and so far so good in that operation. It's been going smoothly.

We have yet to figure out the results of a later stage, but the operation is going well.

**Aram Fuchs**

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Okay. And then on the political front, you've had the election. Is there any—of course we're talking publicly, but what can you say about the change of government in the context of HS Orka and Alterra's wish to monetize some of their investment?

**Ásgeir Margeirsson**

Well, first of all, the elections went pretty much as were forecasted, and as we discussed after the last call. The majority of the votes went to the Progressive Centre Party, and the Independence Party, which is other conservatives. They gained about 51 percent of the votes. There is a rule, there is kind of a threshold rule that each party that runs has to get at least 5 percent of the votes to get on parliament. There were a few parties that did not reach that limit, so about 12 percent of the votes fell dead, so to speak.

So the 51 percent of the votes to these two parties gives them 38 out of the 63 members from parliament. So they have a pretty strong majority in parliament. They are now in formal coalition discussions and agreement. It has been going on now for a week, and it is expected that we will have more news about that towards the end of this week or early next one.

But so far everything points at these two parties joining, which as I've stated before, would be the best alternative for us in terms of which parties would be in our government. And both of these have a very strong focus on spinning the wheels of Icelandic businesses in general, creating more jobs, even building more power plants and industries. So looks fair to us.

**Ross Beaty**

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And thanks, Ásgeir, and just to comment on the latter part of your question, we don't see any significant change in our own situation here to the extent that we—if we were to monetize our investment there, we don't think there's any substantial changes with the new government in allowing it. That is to say, we think they would allow it easily, and it would be positive.

**Aram Fuchs**

Okay. And then, Ross, one other question. In the last couple quarters' calls you've mentioned that you've observed that the price for operating assets is high, and development assets is low. With that as the background, why would you be looking at possibly acquiring the GE stake? It seems like there's so many different buyers out there, infrastructure funds, pension funds, and the like. Maybe you can give us a little more detail on that.

**Ross Beaty**

Sure. The reality is, we're—our Plan A is really not to buy the GE stake, and keeping it to buy it and then turn it over to another partner, and recover it and all new (phon) expenses. That way, it's a much better return for us, and so that is the scenario we're looking at as Plan A.

Plan B would be if we don't get an appropriate transaction settled to keep it, but especially in the Toba Montrose area there's so much synergies to working with, for example, our existing partner there is one choice that we absolutely have to go down that road and see how it ends up.

**Aram Fuchs**

Okay. Great. Thanks for your time.



**Ross Beaty**

Okay. Thank you.

**Lynda Freeman**

Just in response to a couple of questions ago from Jonathan Lo, Alterra's net interest in free cash flow at March 31st was 31.3 million.

**John Carson**

Cash, right?

**Lynda Freeman**

Cash. Free cash. Sorry.

**Ross Beaty**

Thank you.

**Operator**

Ladies and gentleman, as a reminder, should you have a question please press the \*, followed by the 1 on your touch-tone phone.

Your next question comes from John McIlveen from Jacob Securities. Please go ahead.

**John McIlveen — Jacob Securities Inc.**

Yes. Good morning. There's just one item that seems to be missing from past disclosures, and that was the amount of corporate overhead. So of the 4.2 million, how much of that is non-Orka?

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**Lynda Freeman**

2.5 million is non-Orka.

**John McIlveen**

2.5 million? Very good. That's all I needed to know. Thanks.

**Lynda Freeman**

Thanks.

**Ross Beaty**

Thanks, John. Sorry if we missed that.

**John McIlveen**

No problem.

**Ross Beaty**

Very good.

**Operator**

Your next question comes from Jared Alexander from Canaccord Genuity. Please go ahead.

**Jared Alexander — Canaccord Genuity**

Thanks. I'm wondering, can you just tell us what the exploration head office amount that should come off of the EBITDA here?

**Lynda Freeman**

Exploration head office?

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**Jared Alexander**

Yeah. And...

**Ross Beaty**

(unintelligible)

**Lynda Freeman**

Yeah. Because exploration's not in the EBITDA number, but it was minimal in the quarter.

**Jared Alexander**

Right. I'm just thinking back to previous press releases, it had all four facilities, plus an exploration head office category to get to EBITDA?

**Lynda Freeman**

Yeah. The number you're looking for then is 2.3 million.

**Jared Alexander**

2.3 million?

**Lynda Freeman**

Yes.

**Jared Alexander**

Okay. Great. Is there a reason that you made that change?

**Lynda Freeman**

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No. It was just for clarity. We were trying to show comparatives this time, and it all becomes a bit unyielding when you start throwing all these numbers in, but if that's a useful number we'll make sure we put that in future ones.

**Jared Alexander**

Okay. Great. Thank you. And then on the same table, I was wondering if you could tell us what the gross profit was on the four facilities?

**Lynda Freeman**

Gross profit? I'll have to look at it. It is disclosed in our statements; you'd be able to see it for Toba and Dokie, but if you give me a moment I'll calculate that one too.

**Jared Alexander**

Great. Thank you. Those are my questions.

**Ross Beaty**

Thanks very much. And, John McIlveen, I think the other thing to note on the number that you were given there is that it does include some one-off expenses to shrink our overhead, and these were not immaterial. So you're going to see, I think, a significantly reduced number in Q2 and subsequent quarters this year and next year, I hope.

Operator? Operator?

**Operator**

Mr. Alexander, are you—have you completed your questions?

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**Jared Alexander**

Yeah. Those are my questions. Thank you.

**Operator**

Okay.

**Lynda Freeman**

I can—we can take it offline and I'll call you back with the answer to the gross profit question.

**Jared Alexander**

Oh great. Thank you.

**Lynda Freeman**

Okay.

**Operator**

Your next question comes from Ian Tharp from CIBC World Markets. Please go ahead.

**Ian Tharp**

In part I was trying to make some time here, but if you can e-mail me the gross profit numbers as well, I'd appreciate it. So just quickly while we have some time here, I know one of the key gating items for Dokie 2, and I know it's a futuristic project is the Sauteau First Nations negotiations, so I wonder if you can talk to the stage of the negotiations with that First Nations group at this point?

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**Paul Rapp**

Certainly. We have ongoing discussions with them. We are not—because the project is not defined in terms of schedule, size, and layout, we're not at the stage where we can finalize an agreement with them. But we have regular updates with them, and we're keeping them abreast of the situation with the project and our current thoughts on layout.

We recently participated in a community meeting on site where we presented the potential project to the entire community to receive their feedback. So it's a process, and we need a little bit more certainty around time lines, et cetera, before we can finalize those agreements.

**Ian Tharp**

Great. Helpful. And then Bulandsvirkjun—hopefully I'm saying that right. Is the—I think this is the first time you've mentioned it by name. So I wonder if you could talk to who your partner is there, and what activities we might see through 2013 on that project?

**John Carson**

Yeah. I'll start it off and turn it over to Ásgeir for any supplement. We're a 50 percent holder of Bulandsvirkjun, and currently our partner is a small developer who owns the other 50 percent of the project. So we with them are working together on that, and currently the stage of that project is it's under environmental assessment.

Ásgeir, what else can you add of colour with respect to the Bulandsvirkjun project?

**Ásgeir Margeirsson**

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Nothing really, John. We will be working on the environmental impact assessment, and this partner of ours, they have developed a few smaller hydro plants earlier. So they've been in the business a while.

**Ian Tharp**

Okay. Thanks very much.

**Operator**

There are no further questions at this time. Please go ahead.

**Ross Beaty**

Very good. Thank you, everybody, who participated today, and I think we'll wind up the call with that.

I appreciate everyone around the table here as well answering some questions, and we'll call it a day and talk to you at our next conference call.

Thank you again, and thank you Operator.

**Operator**

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines.

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