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**OPERATOR:** Good morning. My name is Michelle and I will be your conference operator today. At this time I would like to welcome everyone to the Alterra Power Corp. first fiscal quarter 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 would like to ask a question during this time, simply press \* then the number 1 on your telephone keypad. If you would like to withdraw your question, press the # key. Thank you.

I would now like to turn the meeting over to Mr. Beaty and Mr. Carson. You may begin your conference.

**ROSS BEATY (Chairman, Alterra Power Corp.):** Thank you very much, Operator, and good morning, ladies and gentlemen. Welcome to Alterra Power Corp.'s first quarter 2012 conference call.

With me in Vancouver are John Carson, our Chief Executive Officer; Bruce Ripley, our Chief Operating Officer; and Peter Wong, our Chief Financial Officer, as well as some of our senior operating team like Monte Morrison from our Soda Lake operation; Jay Sutton, our Vice President of Hydro; and Paul Rapp, our Vice President of Wind, as well as Asgeir Margeirsson, our Country Manager and Chairman of HS Orka from Iceland on the telephone.



Starting things off, I'd like to point out our forward-looking statement warning and our disclosure material. We seek safe harbour in our comments today.

Well, in a nutshell we had a great quarter. It was the first quarter of the fully consolidated Alterra Power Corp. post the May 2012 merger between Plutonic Power and Magma Energy. After many quarters of constantly changing accounting treatments as we increased in stages our acquisition of HS Orka in Iceland and then consummated the merger. Finally, we can show a full quarter of operating results incorporated in all six operations we have in British Columbia, Nevada and Iceland.

John, Peter and Bruce will talk more about these operating results, but I'm sure you can imagine my delight that all our operations are running so well and producing at or above our expectations.

I'm going to start now by asking John Carson to begin the discussion of our results today, and have him introduce Peter and Bruce for their respective discussions, and then I'll end with some comments of my own on how I see things moving forward.

John, please go ahead.

**JOHN CARSON (Chief Executive Officer, Alterra Power Corp.):** Thanks, Ross. Like you I'm extremely happy with the results from Alterra's first full quarter and where we're headed as a company. I want to talk more about Alterra's plans for 2012. But first I'd like to turn it over to our CFO, Peter Wong, to discuss our just released quarterly results. Peter, over to you.

**PETER WONG (Chief Financial Officer, Alterra Power Corp.):** Thank you. Good morning, everybody on the call.

I am very pleased to report our quarter ended September 30th, 2011 in U.S. dollars. So, as Ross mentioned earlier, this is the first quarter we have recorded full operating results from each of our six operating plants. This is also the first quarter we're also reporting under IFRS as well. I will focus on the results of this quarter only as the comparative quarters do not include the results of the recently acquired hydro and wind operating assets. And as such the comparative results are not meaningful from a comparative point of view.



But before I begin I'd like to mention one key difference between how we had previously accounted for our investment in the Toba Montrose hydro facility and our investment in the Dokie Wind project. Under Canadian GAAP in the last quarter from the date of acquisition of May 13th, 2011 to June 30th, 2011, we had proportionately consolidated our 40-per-cent share of the Toba Montrose hydro facility and our 51-per-cent Dokie Wind project assets liabilities, revenues and expenses. Under IFRS this quarter we commenced equity accounting for these two investments. So this means instead of disclosing our proportionate share of revenues and expenses, we're now disclosing our net income from Toba Montrose and the Dokie Wind project as a single line item under share of profit of equity accounted investees.

So to be clear, the change in presentation for Toba Montrose and Dokie Wind does not change our income for the period. We continue to consolidate the accounts of HS Orka and Soda Lake. So to aid you in understanding of our operating results with the accounting change for investment in Toba Montrose and Dokie Wind assets, I'll summarize what we report in our statement of operations, and I will also talk about our net interest, which means the effective portion of results that Alterra would have reported if we had directly taken our 75-per-cent share of HS Orka, our 40-per-cent interest in Toba Montrose, our 51-per-cent interest in Dokie Wind, and our 100-per-cent share of Soda Lake.

Moving to revenue, the company's operating assets performed well at a combined 105 per cent of budgeted generation projections. Our consolidated revenue for the quarter was \$17 million while Alterra's net interest in revenue was \$36.1 million. Of that \$36.1 million, our 75-per-cent net interest of HS Orka revenue was \$11.9 million. Our 40-per-cent net interest in Toba Montrose revenue was \$17.3 million in this seasonally strongest quarter. Our 51-per-cent net interest in Dokie Wind revenue was \$5.7 million. Our 100-per-cent interest in Soda Lake revenue was \$1.2 million.

We have elected to exercise a one-time right to increase our firm energy allotment by 10 per cent, which should increase our net interest in revenue by approximately \$1 million.

Moving to EBITDA, our company's net interest in EBITDA for the quarter was \$20.5 million. Of that \$20.5 million, our 75-per-cent net interest of HS Orka's EBITDA was \$4.9 million. Our 40-per-cent net interest in Toba Montrose EBITDA was \$15 million, again in this our strongest quarter of hydro generation. Our 51-



per-cent net interest in Dokie Wind EBITDA was \$3 million. And our 100-per-cent interest in Soda Lake EBITDA was \$0.4 million. So this is reduced by our exploration and head office overhead of \$2.9 million for a total net interest of \$20.5 million in EBITDA.

Moving to our net loss, the company and its minority shareholders recorded a net loss of \$11.4 million primarily due to a number of non-cash items, including a \$25.4 million non-cash loss related solely to exchange in the mark-to-market value of HS Orka's two aluminum-linked long-term power contract... long-term power purchase agreement from a downward move in the price of aluminium during the quarter. Our tax expense continued to be strictly non-cash. We have sufficient carry-forward losses, but we can expect not to have to pay taxes for at least five years in Iceland, and for at least the next 10 years for the Toba and Dokie operations.

Moving on to financial position, Alterra ended the quarter with consolidated cash of \$24.7 million compared to \$68.3 million at the end of June 2011. The main change was as a result of a decrease... a repayment of \$18 million to our credit facility; repayment of \$10 million in loans; \$5.6 million in purchase of property, plant and equipment; \$2.7 million in development costs; and \$6 million in acquisition costs relating to the Plutonic acquisition.

So as at September 30th, 2011 the company had a healthy net interest in cash and cash equivalents of \$40.5 million. The company expects to receive its first distribution from Toba Montrose before the end of this year, and from the Dokie Wind project beginning in the second half of 2012.

So our discussions with certain HS Orka banks are continuing. The main goal is to ensure that HS Orka will not be in breach of its financial covenants in the future with the inclusion of certain non-cash items into the calculation of certain covenants. We expect to have a positive resolution before the end of the year. So these are the highlights of our financials, and with that, John, I turn it back over to you.

**JOHN CARSON:** All right. Great, Peter. And really happy that we achieved those numbers this quarter of nearly \$40 million in revenue and over \$20 million of EBITDA for the quarter. Great numbers.

With that I'd like to turn it over to our Chief Operating Officer, Bruce Ripley, to highlight our asset performance over this past quarter. Bruce?



**BRUCE RIPLEY (Chief Operating Officer, Alterra Power Corp.):** Thanks, John.

For operations, we've had a very good first quarter with no significant safety or environment incidents, generation above plan, and operating costs below plan. Credit for these results goes to our leaders and their teams at each of our operating plants. Our people provide our results, and we thank them.

Q1 highlights from HS Orka in Iceland where we have a 75-per-cent interest and operate 175 megawatts of geothermal assets include 290-gigawatt hours of generation at the Svartsengi and Reykjanes plants, and the successful overhaul of Reykjanes unit 1 turbine generator.

Q1 highlights from Soda Lake in Nevada where we have a 100-per-cent interest and operate a 16-megawatt geothermal plant include 14.4-gigawatt hours of generation and completion of two slim exploration holes.

Q1 highlights from Toba Montrose in B.C., Canada where we have a 40-per-cent interest in and operate 235 megawatts of hydroelectric assets, includes 406-gigawatt hours of generation, and the achievement of final completion for construction.

Also of note on Toba Montrose is that we currently have a shutdown of both plants to perform warranty repairs on penstock coatings. This shutdown is scheduled for early November to mid-December of this year for a period of low water flows and low potential revenue.

Q1 highlights from Dokie in B.C. where we have a 51-per-cent interest and operate a 144-megawatt wind plant, include 92-gigawatt hours of generation and the achievement of term conversion on our project loan.

Looking forward at our development activities, we will be preparing to make our \$6 million, 10 per cent equity investment in the 50-megawatt ABW solar project located in Ontario in mid-2012, and setting up our systems to be the managing partner of this project.

Our other significant development priorities will be the 124-megawatt Upper Toba hydro project located near Toba Montrose, and the 156-megawatt Dokie 2 Wind project located near Dokie. For both these projects our goal is to be either construction ready or near-construction ready by the end of 2012.



Looking forward at exploration activities, we will remain active in geothermal exploration in Chile, Peru, Italy and B.C., and with hydroelectric exploration in B.C.

Back to you, John.

**JOHN CARSON:** Great. Thanks, Bruce.

And I want to look into our current plans for 2012, some of which you just mentioned, and reiterate a couple of those items, and throw in a couple of new ones as well. I want to have a particular focus on our internal growth projects and our partnering plans in other areas where management's efforts are currently focused.

First, let's turn to Iceland.

In 2012 we hope to fully gear up for our planned 80-megawatt expansion at Reykjanes where we received a long-awaited operating permit during this quarter. To jump start this construction process we first need to achieve full and final resolution on our contractual differences with Nordural Aluminium. That case has been taken to arbitration, and we currently expect results from that process by the end of the year. Once we get to resolution there, we hope to proceed rapidly into project financing and construction for that project.

We are working fully toward the betterment of our capital position in Iceland through two efforts. First, we're negotiating a new amendment to our credit agreement with one of the lenders at HS Orka. We hope to resolve several issues through this amendment, including distancing the company from one of the current provisions in the loan agreement, which ties aluminium prices into one of our debt covenant tests, which is EBITDA interest expense, as Peter mentioned earlier. We've been working creatively with this lender to get to a mutually satisfactory resolution in the very near term, at which time we plan to fully execute the amendment and thus provide long-term stability around this loan.

Second, we are examining a potential re-financing of certain loans undertaken by Alterra in relation to the acquisition of HS Orka. The hope there is to affect a new long-term financing at a reasonable rate that may end up lowering our overall capital exposure in Iceland. Stay tuned on this one.

Closer to home, turning next to our efforts in British Columbia, we have two headline projects, which Bruce mentioned, which we're planning to aggressively move forward around in 2012, again with the hopes that these assets will be construction ready or nearly so by the end of 2012.

At Dokie 2 we have already moved forward with our current partner, GEEFS, to install new meteorological towers, which will allow us to fine tune our wind data on the specific ridges where the new project will be located. We will only need one year of data from the new towers to round out our view on those ridges, and that data can much more easily be correlated with older towers on neighbouring ridges that have been in service for much longer periods of time.

For the Upper Toba hydro development project we are preparing for 2012 by optimizing our current plant design and our financing plan to ensure we can get the best return for our shareholders. We've engaged a third party to help us in this effort, and the current hope is to have something ready for launch early in 2012 and ready for construction in 2013.

Further reflecting the commitment that we have around these two assets, our company is currently preparing its internal budget for 2012. And I can tell you we are actively planning on and budgeting for the growth I just discussed. We're not talking about significant dollars to effect this level of activity in 2012. It's really just low single-digit millions for both projects combined. But it does present our attitude and our commitment to this organic in-house growth that we're talking about this morning.

Longer term in the province, we're continuing to develop our large future projects in British Columbia, such as the Bute Inlet project, which is an aggregation of 17 hydro projects with an annual generation potential of close to 3 million megawatt hours. We underscored our commitment to this project this year when we finalized an agreement with the Homalco First Nation to cooperate with this project.

We're also continuing our efforts on other early-stage hydro projects, as well as beginning early-stage work on our new geothermal concessions in the province. We hope to have more positive news around these later.

Before I move to our partnering plans, I want to mention one other growth asset we're planning for 2012 that's not in our current portfolio and that Bruce briefly mentioned. This is a 50-megawatt solar plant,



ABW Solar. At this time we plan to make a \$6-million investment in mid-2012 to purchase a 10-per-cent interest in this large solar project where we will also be the managing partner, and Alterra will perform all operational and administrative functions at the plant.

Our projection for this plant annually continues to be about \$3 million of EBITDA and about \$1 million of annual cash flow with solid (inaudible) based off-take agreements. Permitting is the main gating item left in this project's development, and Alterra bears none of the risk on this task since our investment is made at the end of construction.

Although this transaction will certainly open the door wider for future solar project investments, we aren't currently thinking of becoming aggressive in this space. Rather we'll simply have that many more options as we seek to be opportunistic in the entire renewable energy space.

Moving around the globe, I want to discuss our partnering efforts, and one of the areas you should expect to see results in 2012 is identification of partners on some of our geothermal assets. We are currently in very active discussions with prospective partners for our assets in Egypt, Chile, Peru and Italy. For each of these assets we're not just seeking a financial partner, but also a value-added partner who can bring construction or transmission or operational expertise and drilling or some other expertise to a partnership.

Alterra has already created significant value at each one of these assets through the acquisition of some of the best concessions available. And in the case of Chile, we've already identified a 320-megawatt inferred resource, and we've already undertaken successful exploratory drilling. We think the time is right to continue the next phase of drilling there for sure, and we have been actively pursuing partners, and we expect to make arrangements to enable that in the near term.

As for Chile, Peru and Italy, we think it's time to move all of these assets to the next steps and at Upper Toba and Dokie. And as our company examines where our best uses of our time and equity capital are, we think the time is right to begin partnering on the geothermal assets, and therefore our shareholders should expect to see results in 2012. Stay tuned.

Finally, in Nevada we focused our recent efforts on optimizing the Soda Lake plant and completing reach-out exploratory wells. In fiscal 2011 we called several of our exploration properties that had proven to





be less promising, and we re-trenched our focus. Look for this effort at getting more efficient and smarter around the Nevada assets to continue.

One more aspect of our work at value creation in 2012: We will continue to consider acquisitions of other clean power assets, which would be new to Alterra. And many prospective acquisitions, especially the larger ones, will also examine the use of value-added partners to join us in those.

We've been very active recently in examining potential transactions over the last several months but we've passed on many of those. We will refuse to overpay for any assets, and any transaction we might undertake will need to be carefully and appropriately balanced between risk and reward, and will be structured in such a way as to minimize or eliminate dilution to our current shareholders, and all of senior management here, right here in the room with me, Ross and Bruce and Peter, et cetera, will all be signing off on that transaction together and comfortable with it.

So that's our growth plan and our partnering plan for 2012. We're excited about where we are and our strong quarterly results. We're also very focused on where we're going. And all of our efforts will be, of course, performed with a view toward maximizing shareholder value.

With that, Ross, back to you.

**ROSS BEATY:** Thank you very much, John. And thanks, Peter and Bruce.

A couple of other little quick points then we'll take – close the call and take questions. First of all, I wanted to comment on a couple of things that John said. We are expecting arbitration results towards the end of the year. We hoped to have it by the end of October, but it hasn't come, and now it looks like the end of November or sometime in December.

Last week as well there was a media report from Iceland mentioning a land transfer from the local municipality to the national government. The HS Orka board hasn't yet approved this, and we're currently reviewing it. We expect no change in any of our rights as it's a simple land transfer... land ownership transfer.

We have certainly previously engaged in a dialogue with the national government regarding the length of our geothermal lease there. It's currently 65 years with a possible extension for another 65 years. And we have communicated on many occasions that we are opening to changing this. But no proposal is

currently on the table, and I would encourage people who read about the events in Iceland to understand that there's a lot of rhetoric and noise, but that there's a serious group there in terms of dealing with us. We have – I mean, a serious group in terms of coming up with a truly negotiated solution to the situation regarding the length of the lease rates we have there.

And we don't expect anything dramatic to happen at all. We are very much enjoying our new 25-percent co-owner of HS Orka, which is a group of 14 Icelandic pension funds. They're really proving to be wonderful shareholders, they're very much value adding, and we're really enjoying their input on the board as we together strive to make that asset as good as possible for all stakeholders.

We have sustainable cash flow now and nearly \$1 billion in total assets. We could pay a dividend today if we decided to shutter our growth projects and eliminate the overhead that comes with building a bigger and better company. But we think the most value-adding plan, as John has described, is to grow the business with our existing assets and potential acquisitions without any significant dilution in today's depressed share-price environment. And there's many ways to do this, such as working with partners, as John has described.

We're certainly focused on getting to the point where we can provide our shareholders a yield, and we hope this will happen in the near future.

Yesterday we had an excellent annual general meeting with a lot of shareholders present and plenty of good questions. We are not happy with the current share price, and we think we offer really exceptional value today, based on the numbers you're seeing today, our strong operating performance, our good pipeline of growth assets that are moving toward development, our good balance sheet and our wonderful management team.

Today's share price environment is being buffeted by negative winds, of risk-averse investing preferences where investors are simply not paying for growth and are focused on yield, weak economies in the U.S. and Europe, lesser interest in green companies, and carbon-free power projects and so on. But these conditions will change over time, and I believe the market will again reward companies like Alterra Power that have such a good balance of operations and projects and such a strong team.

We have no intention of issuing new equity any time soon, and we expect our share price will trend higher as we continue to build the company into a larger and stronger business, and as the appetite for growth stories in clean energy returns to the market.

We've already built a large sustainable renewable energy business, and I'm confident the equity markets will reward us with this success as time goes on. We have our heads down and we are working hard on our simple mission of building a large, global renewable power company.

So with those comments I'd like to open the call to questions, Operator. And thank you again for joining us today.

**OPERATOR:** At this time I would like to remind anyone who would like to ask a question to please press \*1 on your telephone keypad.

Your first question comes from Jeremy Mersereau from National Bank Financial. Your line is open.

**JEREMY MERSEREAU:** Good morning, everyone. Just wondering maybe out of curiosity, just wondering why the penstock coatings weren't inspected before the project went to COD?

**ROSS BEATY:** The penstock coatings were inspected before the project went to COD. We were involved in the application of the coatings, and the coatings have failed over the course of the first year, so they're being repaired by Kiewit under the warranty provisions.

**JEREMY MERSEREAU:** I see. And the total cost of that would be incurred by then, and how much would that be approximately do you know?

**ROSS BEATY:** The cost is probably around \$5 million to (inaudible) cost. The cost to us is revenue loss only.

**JEREMY MERSEREAU:** Right. Next, I've noticed you've paid off quite a bit of your temporary loans. Is it safe to assume that you won't be looking to use that cash for growth in the near term?

**ROSS BEATY:** Sorry, when you say we've paid off our temporary loans, we won't be looking to use that cash. You mean the cash that we use to pay off the loans?

**JEREMY MERSEREAU:** That's right.

**ROSS BEATY:** That's correct.

**JEREMY MERSEREAU:** Okay. So I take it you're planning on relying on third parties as opposed to your own cash then?

**ROSS BEATY:** No. We'll have... we're run a mix of our existing working capital and partners, and any other way we can finance our growth, Jeremy. There's many ways to do this, and those are just some alternatives. But we certainly will be using some of our cash for 2012 plans to the extent we need it.

**JEREMY MERSEREAU:** Okay. And thirdly and lastly, just wondering if you can give me a bit of colour on where you're seeing the pricing of your geothermal projects now? Are they increasing, decreasing in Iceland, as well as elsewhere?

**ROSS BEATY:** The pricing of our geothermal... Sorry, I'm not...

**JEREMY MERSEREAU:** Your capex costs.

**ROSS BEATY:** Oh, I see. The expenditures to develop... to drill and develop these projects.

**JEREMY MERSEREAU:** That's right.

**ROSS BEATY:** Probably just say... Monte, would you say exploration costs are going up and down, and construction goes up and down? It's sort of a tale of two cities I think here. In some places they're higher, in some places they're lower.

**MONTE MORRISON (Country Manager and Vice President, Operations, Soda Lake, Alterra Power Corp.):** Yes, speaking from the U.S. right now, the cost of building plants is remaining fairly stable, but it's still quite pricey. As far as the power purchase agreements available in the U.S., they are remaining stable or decreasing somewhat.

**JOHN CARSON:** And one thing we see globally actually is just that capital costs are somewhat a function of surrounding activity. If you have a strong basis running activity, for example, activities in Nevada, you will find that, you know, your exploratory wells and most all of your activities will be less expensive.

When you come to what was a pioneering area, such as Chile, they're going to be more expensive, and they were more expensive initially. Now that more activity is ramping up in Chile and more companies are bringing a presence, we're starting to see those costs drop, and look for that trend to continue, at least in Chile for now.

**JEREMY MERSEREAU:** Maybe more specifically then, if I'm looking at both Chile and say Nevada, what kind of capital costs per megawatt am I looking at?

**JOHN CARSON:** Yes. You know, our general rule of thumb is start around \$5,000 a Kw with movement up or down, add some of the extraneous factors are input into that. So it really then though becomes a function of where your location is, what's the nature of the plant, flash versus binary, and all of those different things they can vary. But, you know, the rule of thumb to start is \$5,000 a Kw.

**JEREMY MERSEREAU:** Okay. I guess I was just trying to see if the \$5,000 was relatively constant. I guess I've heard in the recent past, and it has come up a bit over the past year or so. But that's all I wanted to know. Thanks.

**BRUCE RIPLEY:** One additional comment is that if you're expanding an existing plant, the unit costs will be less because of the existing infrastructure.

**JOHN CARSON:** Yes. It could actually be as much as half of that. The \$5,000's a greenfield number for a brand new plant in a brand new location.

**JEREMY MERSEREAU:** Great. Thank you.

**ROSS BEATY:** Okay, Jeremy.

**OPERATOR:** Again, if you'd like to ask a question, please press \*1 on your telephone keypad.

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

**MATT GOWING:** Hello. Good morning, everyone.

**ROSS BEATY:** Good morning, Matt.

**MATT GOWING:** Question relating to... an accounting question relating to the change to IFRS this quarter, we can see that you actually accounted for the Dokie project on the equity income line as opposed to consolidating that. It is 51-per-cent owned. So wondering what's within the IFRS provision that I guess requires you to now put that through the equity line?

**PETER WONG:** Thanks, Matt. As you're aware we have the 51-per-cent interest in Dokie. We have a partnership with GE, and we are the operator. But certain decisions I think require the consent of both parties.

So from an accounting point of view it's viewed as a joint venture. So we have to apply joint-venture accounting to it. We don't consolidate those types of investments.

Does that help you, Matt?

**MATT GOWING:** Yes, that's very helpful. Thank you. So going forward this is how you expect to continue to account for that or could anything change that you would start to consolidate that once again?

**PETER WONG:** We don't anticipate the accounting policies to change at this time. Can't speak for the future, but in the foreseeable future this is what we plan to do and this is how we need to account for those investments.

**JOHN CARSON:** Yes. And it's the exact same piece that's around the Toba Montrose asset as well.

**MATT GOWING:** Great.

**JOHN CARSON:** And we actually could have waited until 2013 to equity account for these investments under IFRS. We could have proportionally consolidated for them this period as we did in the previous period. But we really want to get our financials to a steady state and quit kind of having them shift around. So that's why we made the decision to go ahead and equity account for them now as opposed to waiting 15 months and doing so.

**PETER WONG:** That's a good point, John. Rather than waiting another three or four quarters, we wanted to start showing you what our results look like so it'll give you, you know, an extra four quarters to... effectively a full year to show what our results will look like on a yearly basis.

**MATT GOWING:** Makes sense. Thanks for that. In Iceland, looking at the average price per megawatt hour, it looks to be about \$53. And that's actually a little bit higher than what you had been booking in the past few quarters. Just wondering why the uptick this quarter despite, as your results talk about, the decreasing in the aluminium price? It doesn't like it's reflected in the dollar per megawatt hour that you have on page 2 of your press release.

**ROSS BEATY:** Asgeir, are you available to answer that question?

**ASGEIR MARGEIRSSON (Country Manager and Chairman, HS Orka):** Yes sir, I am. I would think that this is calculated from total revenue as opposed to only power sales because there's all the revenue from sales of portable water and hot water but this seems very high to me.

**JOHN CARSON:** Yes. Exactly. All the revenue exists there that I think you're probably including in your calculation to get to that dollar per megawatt hour number. And as Asgeir's pointing out, there's a fair chunk of revenue in Iceland that comes from the provision of hot water services to the district there.

**MATT GOWING:** So is that contributor quite a bit higher than what's typical this quarter?

**JOHN CARSON:** No, it shouldn't be.

**ASGEIR MARGEIRSSON:** No, it's absolutely normal.

**MATT GOWING:** Okay. And I guess a related question, does the whole change in the aluminium price get booked down to the \$24 million change in embedded derivative charge this quarter? Or is there some portion of the aluminium price variance that actually embeds itself in the top line as well?

**PETER WONG:** No. The entire... the \$24 million is entirely non-cash. We do derive certain revenue from metal linked to aluminium prices. But to answer your question directly, no, all the non-cash embedded derivative is in that \$24 million in other expenses.

**JOHN CARSON:** That is correct. And just to underline what Peter's also saying that we do have top line effect on revenue from aluminium as well. And what essentially that embedded derivative does is reflect the future value. Well if your aluminium has stayed at this price level, going forward, you know, then obviously you're going to have less revenue over time. That changes the value of the derivative.

**MATT GOWING:** Great. Thanks. And then so what's approximately the mix in terms of cash-flow impact versus non-cash flow impact for say every, you know, \$100 change in aluminium price? Is there a way to think about that?

**PETER WONG:** I don't have that handy at my fingertips. Can I take that offline with you, if it's okay with you?

**MATT GOWING:** Yes. That'd be great. That'd be great. I do have more questions. I'll get back in queue right now.

**JOHN CARSON:** That sounds good. And one last point I want to make off the point you just pointed out was that we have had a reduction now actually in the amount of total revenue that is affected by aluminium, and this is in Iceland. It's 36 per cent of our revenues out of Iceland are subject to aluminium price linkage. That's not 36 per cent by any means of Alterra as a whole, but only out of our Icelandic revenues.

So just to point that that number has gone down from 46 to 36 as we saw one contract roll off in October. So just a trend. It is something that we try to limit and mitigate. However, you know, for some time going forward there will be some portion of our revenue in Iceland that will be related to aluminium pricing, and that's because aluminium smelting is a large industry on the island.

**MATT GOWING:** Great. Thanks.

**OPERATOR:** Your next question comes from Mac Whale from Cormark. Your line is open.

**MAC WHALE:** Hi. Peter, can you take us through the... over the next 12 months, the payments on the current portion of the long-term debt?

**PETER WONG:** Yes. It varies from project to project. Could we take that offline, if it's okay with you?

**MAC WHALE:** Okay. In general is it... is it spread through the year or is there just a... is there a lump... one large lump? Because I think it's 18.8 that is associated with Orka.

**PETER WONG:** Yes, it is lumpy, you know, depending on the project. HS Orka has visible payments... repayments at certain times of the year.

**MAC WHALE:** Okay.

**PETER WONG:** So does Dokie and Tuba Montrose as well. I don't have it at my fingertips.

**MAC WHALE:** Okay. So... okay. We can go through that. In terms of the cash flow from... or the income from Toba and Dokie, it was 100-per-cent reversed on the cash flow statement. I'm wondering, can you also take me through how that will cease me being done through the next year?

**PETER WONG:** Yes. As we receive distributions from Toba Montrose and Dokie, the distributions will be reflected on the balance sheet. Obviously our cash will go up, and our net investment in those entities will go down.



Similarly, as we generate net income from those two entities, it will be reflected in the statement of operations, and it'll increase our investment on the balance sheet. That's how equity accounting works.

**MAC WHALE:** I'm aware of that. I'm wondering how much when? The timing and the amount.

**PETER WONG:** Yes. We're anticipating an amount of approximately \$6 million towards the end of the year, our share of it. And a similar amount in 2012, towards the end of 2012. Dokie, we expect a distribution sometime in the second half of 2012. I'd rather not give guidance yet on Dokie because, you know, the project has just started operating for the last six months, and I'd like to see more of the operating results before I can comment on that.

**MAC WHALE:** Okay. So just putting those two questions together then, is there a decent alignment between the long-term debt, the current portion of long-term debt payment and this ceasing of the reversal? Or should we assume that the cash is basically going to go, is my question?

**PETER WONG:** When you say reversal of... what reversal are you referring to?

**MAC WHALE:** Well, your equity. Basically your income from Toba and Dokie is being reversed on the cash flow statement, 100 per cent of it. And you've got enough cash to pay a current portion of your long-term debt.

**PETER WONG:** Yes.

**MAC WHALE:** So I'm just trying to figure out if that's done over the next 12 months, how much extra cash do you actually have?

**PETER WONG:** Ah, I see. That's actually... relatively sort of complicated calculation. If it's okay with you, I'm happy to do that offline with you.

**JOHN CARSON:** And I do want to say, to make sure you're clear on how the economics of those projects work, is at Toba, at Dokie, both of those are project-based project financings. I know you know, and I just want to make sure everybody else is clear given that we've kind of walked around the circle on this question a little.

Both of those projects are project financed, and the only cash that we actually get from those projects are after, of course, all their bills have been paid and all the debt has been paid.

And as Peter mentioned, you know, at this time we've got a rough estimate that actually we do pay close attention to it of \$6 million that we think Alterra will receive as a distribution, once all the bills are paid, from the hydro asset. It will actually be a larger distribution that we would forecast in 2012 as well, looking ahead into the future.

But the point being is that you will continue to see a wash of income out of the cash flow statement, and except for periods in which we get cash flow from those assets, and then you'll see a different sort of adjustment. You should expect to see something around that at the end of the calendar year.

**MAC WHALE:** Yes, okay. So that \$6 million you mentioned was in excess of payments that you made to debt?

**JOHN CARSON:** Absolutely. Absolutely. It's free and clear distributions to the equity ownership...

**MAC WHALE:** Right. Okay.

**PETER WONG:** And just to be clear, Mac, we expect distributions commencing towards the end of this year and moving forward. So free cash flow... our cash flow from those two projects should be sufficient to number one pay our interest, service our interest, pay the principal repayments, and there should be free cash flow remaining to make distributions on an ongoing basis.

**MAC WHALE:** And then are those payments, do they reflect the seasonality of... because it's a very strong seasonality for Toba...

**PETER WONG:** Yes. We will time our distributions to ensure that the projects have sufficient working capital to account for the seasonality. Absolutely.

**MAC WHALE:** Okay.

**JOHN CARSON:** And further on that, the project financings are also carefully sculpted to meet seasonality. So you should expect... you know, in those assets, is twice a year that you're able to distribute out of those assets. And probably more typically you'll see, you know, larger distributions in December than you will in the middle of the year. But that's the point, is that everything, the whole project is sculpted around that seasonality.

**MAC WHALE:** Right. Okay. And just moving on to Dokie, the cost-of-goods sold looked really high. What happened there?

**PETER WONG:** The cost-of-goods sold, that includes a number of items, including depreciation. We also had certain start-up costs that we had included in the first... in this quarter. That number should be... is expected to go down over the longer term. But we do have some solid costs that we've incurred in the first two quarters.

**MAC WHALE:** Oh, okay. And then my last question's just on the interest expense on the income statement. I'm having trouble finding the corresponding lines on the cash flow statement. I don't see it, I guess, under IFRS. It should be, again, reversed in the operating cash flow, and I don't see the corresponding number. In fact, it looks like it's the opposite, basically it looks like you're actually subtracting more on your cash flow in terms of the interest expense. I'm just confused by that.

**ROSS BEATY:** We'll get Lynda Markwell to answer this question. She's our director.

**LYNDA MARKWELL:** Hi. I'm the Director of Finance here. Just to answer your question, the adjustments for the interest is actually through long-cash working capital items. So that's why you don't ...

**MAC WHALE:** Okay. So it's all part of that. Okay. Okay, that's all I had. Thank you.

**ROSS BEATY:** Thanks very much.

**OPERATOR:** Your next question comes from Donald Betts(ph) from Possamby(ph) Enterprises. Your line is open.

**DONALD BETTS:** Good afternoon. Now earlier in the year, gentlemen, you estimated EBITDA \$50 million for the year. And would it be fair to say that the quarter we're in would be, oh, perhaps half of what you just reported, and therefore leaving another \$20 million for the final two quarters? Or how would you estimate the EBITDA now?

**ROSS BEATY:** Thank you very much for that question, Donald. We did make... give guidance on \$50 to \$55 million in EBITDA for the year, and this quarter, of course, was a tremendous quarter for us. It was a much higher EBITDA than I think most analysts expected, and it's because we have really good operating results.

But there is seasonality to these operating results, especially at Toba Montrose where we have freshet water flows from snow melt. And for example, the current quarter will be low from Toba Montrose because the water is now in the form of snow and ice. So we don't get a lot of flow through the winter, and therefore EBITDA will be lower for the rest of the year. But generally speaking we are going to stick to our guidance.

**DONALD BETTS:** Okay, thanks.

**OPERATOR:** Your next question comes from Matt Gowing from Mackie Research. Your line is open.

**MATT GOWING:** Can you hear me? Hello?

**ROSS BEATY:** Yes, go ahead, Matt. Go ahead.

**MATT GOWING:** I can't... they can't get my call.

**ROSS BEATY:** Yes, we've... somehow they're not hearing us. We're here if you can hear us.

**MATT GOWING:** Can you hear me?

**ROSS BEATY:** Yes.

**MATT GOWING:** Okay. The MD&A talks about cash tax grants at Soda Lake. And what's the timing on completing that submission? And yes, what's the timing on submitting that?

**ROSS BEATY:** Monte?

**MONTE MORRISON:** Certainly. Thank you for that question. Yes, our expectation is that we will be submitting the application before the end of 2011, and then there is a 60-day period for the treasury to review and respond to the application. If there are no questions or delays on treasury's side we would expect payment to happen toward the end of Q1 of '12.

**MATT GOWING:** Okay. So you're expecting somewhere in the neighbourhood of 10 to 30 per cent on \$21.7 million?

**MONTE MORRISON:** Yes. We're actually expecting the 10 per cent response from the treasury by the end of Q1. And that would be on the order of about \$2.17 million.

**MATT GOWING:** Okay, great. Thanks. And in Iceland on your 80-megawatt expansion program, I understand that there's no drilling required for 30 megawatts of that. But essentially how much steam behind

pipe do you have for that project, and how much more... how many more wells do you think that you will have to drill in Iceland for that?

**ROSS BEATY:** Thank you. Right now – Asgeir, chime in if you want – the current plan is to... so the expansion really is two phases. There's a 50-megawatt phase requiring drilling, and there's a 30-megawatt phase that requires no drilling. For the 50-megawatt phase we have approximately 5 megawatts behind pipe right now, possibly more. But the current plan is to require about 11 new drill holes to really get to the full 50 megawatts and have some injection, re-injection holes as well.

**MATT GOWING:** Okay, great. Thanks. And in terms of your power purchase agreements in Iceland, do you have any PPAs that are coming due to expire? Is there any opportunities there to negotiate prices higher?

**ROSS BEATY:** Yes, indeed. In fact, we announced in Q2 I think it was or Q1, I forget, we announced that one – I think it was Q2... sorry. The quarter ending in June this year, and we announced that one of our PPAs with an existing smelter for 35 megawatts was expiring in October, and that has now expired. And we are reselling that power. We signed a power purchase agreement with a silica manufacturing business was being constructed in Iceland or planning for construction in Iceland at significantly higher rates with no aluminium exposure for that amount of power.

So that's one of the reasons why our aluminium exposure on our revenue contracts has dropped from 46 per cent to 36 per cent because that contract's fallen away.

There's no other contracts that are going to fall away. We just have one remaining contract with the aluminium smelter, and that's a long-term contract.

**MATT GOWING:** Okay, great. Thanks. Would you be able to provide an update on your other Nevada properties – McCoy and Desert Queen – in terms of what the plan is for development on those properties near-term or what's been done on those more recently? Thanks.

**JOHN CARSON:** Yes. We really have outlined a plan here, and Monte can actually walk through it we wanted to get granular on that plan of how to approach the next steps, exploration on those assets. We're

currently assessing when and how we're going to effect those plants. So those are still under study, as you saw.

And I repeat from earlier in the call, we did cull our portfolio a bit this past year, and after having looked at several properties long and hard we decided to engage no further activity on those properties. We actually wrote them down in the previous quarter. We've not done those with those properties. Those are clearly more advanced properties than the previous ones.

**ROSS BEATY:** Yes, I mean, you know, really Matt, it's also a question of risk and reward. The issue is some of the Nevada properties was that they were just small, and they were quite expensive, and that contrasts with the very large systems we have in Chile and Peru and Italy where the same amount of effort brings far, far more reward. And so we're having a hard look at, you know, the whole of our Nevada portfolio, quite frankly, to see whether it's... you know, where we get the best bang for the buck and is that the best thing to do there? We're still looking at that right now.

**MATT GOWING:** Okay, great. Thanks. And one last question for me. The \$20 million new credit facility that you've now closed upon, when do you expect to have that fully drawn? Would that be by the end of the December 30th quarter or the quarter after that or at some other point in time?

**ROSS BEATY:** The answer, we hope it'll never be drawn, and certainly not fully drawn. This is a short-term facility to the extent that the company needs working capital for any reason, any shortfall, any new deal, any acquisition, any short-term signing, that's really what it's for. It's not meant to be drawn down on. It's a revolver, and that's exactly what it's been used for. It's the same revolver that's been around for the last two or three years, and it's going to be used in the same way.

**MATT GOWING:** Great. That's it for me. Thanks very much.

**OPERATOR:** Gentlemen, I have no further questions in queue. I turn the call back over to you for closing remarks.

**ROSS BEATY:** Okay. Thank you very much, Operator. Thank you, ladies and gentlemen, for joining us today. As I said, very pleased with the quarter really showing the run rate at all of our operations. They're



running smoothly. They're extremely well managed, and we hope to have those things continue to produce for us for decades to come.

That's the beautiful thing about clean energy and the wonderful thing about building a clean energy company. This is a long-term business. It's sustainable and we're all I think really happy with the quarter's results.

So on that note, I'll end the call. Thank you again.

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

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