



**ANNUAL INFORMATION FORM**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

MARCH 31, 2015

## GENERAL MATTERS

In this Annual Information Form, unless otherwise noted or the context otherwise indicates, “Alterra”, the “Company”, “we”, “us” and “our” refers to Alterra Power Corp. and its direct and indirect subsidiaries.

### FORWARD-LOOKING INFORMATION

This Annual Information Form contains certain “forward-looking information” which may include, but is not limited to: statements regarding future events or future performance; the capacity and electricity generation expectations of our projects; management’s expectations regarding our growth; business prospects and opportunities; the prospects for advancement of our development and expansion projects; the timing for completion of financing and construction of our projects, arbitration outcomes regarding a power purchase agreement (“PPA”) related to an expansion of the Reykjanes power plant; estimates of energy resources, and our success in fulfilling the permitting and regulatory requirements related to any such plans. Such forward-looking information reflects management’s current beliefs and is based on information currently available to management. Often, but not always, forward-looking statements can be identified by the use of words such as “anticipate”, “believe”, “forecast”, “plan”, “expect”, “is expected”, “budget”, “estimates”, “goals”, “intend”, “targets”, “aims”, “appears”, “likely”, “typically”, “potential”, “probable”, “continue”, “strategy”, “proposed”, or “project” or variations (including negative variations) of such words and phrases or may be identified by statements to the effect that certain actions “may”, “could”, “should”, “would” or “shall” be taken, or certain conditions may occur or be achieved.

A number of known and unknown risks, uncertainties and other factors may cause our actual results or performance to differ materially from future results or performance expressed or implied by forward-looking information. Such factors are discussed in detail in the “Risk Factors” section, and include, but are not limited to: resource studies may not confirm sufficient resources are available to support our planned development or expansion programs; failure to discover and establish economically recoverable and sustainable geothermal resources through our development programs; geothermal development programs have speculative elements, and are characterized by significant risk and costs, and may not be successful; our financial performance depends on the successful operation of our power plants, which is subject to various operational risks; our renewable power resources may decline over time and may not remain adequate to support the operation of our power plants; imprecise estimation of renewable power resources or power generation capacities; meteorological or geological occurrences not within the Company’s control may compromise our operations and their capacity to generate power; rockslides, avalanches or other steep terrain may affect our ability to operate our hydro projects in British Columbia; inability to obtain the financing we need to pursue our growth strategy or we may be required to spend significant funds to advance development before obtaining financing; delays and construction cost overruns in the construction of our projects; restrictive covenants may impact our current and future indebtedness and limit future business dealings; industry competition may impede our ability to access suitable renewable power resources or enter into PPAs, hedges or other revenue contracts on terms favourable to us, or at all; impact of unexpected capital or operating cost increases; unexpected or challenging geological conditions; changes to regulatory requirements governing project development, production, imports and exports, taxes, labour standards, occupational health, land use, environmental protection, project safety and other matters; failure to obtain or maintain necessary licenses, permits and approvals from government authorities; the success of our business relies on attracting and retaining key personnel; the risk of human error; our officers and directors may have conflicts of interests arising out of their relationships with other companies; we may face adverse claims to our title; unexpected developments regarding First Nations and other local communities; fluctuations in foreign currency exchange and interest rates may affect our financial results; we may not be able to successfully integrate businesses or projects that we acquire in the future; our insurance policies may be insufficient to cover losses; the governments of the countries in which the Company undertakes its activities may take action

which results in fines or other penalties levied against the Company; aluminum price risk with respect to certain contracts the Company has in Iceland; risks associated with transmission grids; economic, social and political conditions of our host countries may negatively affect our operations; the fluctuation of our common share price could result in investors losing a significant part of their investment; if the Company chooses to issue additional equity securities such issuance could negatively impact the trading price of our common shares; the risk of volatility in global financial conditions, as well as significant decline in general economic conditions. Additional risk factors are discussed in the section entitled “Risk Factors” in this Annual Information Form. These factors should be considered carefully and investors should not place undue reliance on forward-looking information.

The forward-looking information contained in this Annual Information Form is based on assumptions that management believes are reasonable, including, but not limited to: the success and timely completion of planned development and expansion programs; our ability to comply with local, state, provincial and federal regulations dealing with operational standards and environmental protection measures; our ability to negotiate and obtain PPAs, hedges or other revenue contracts on favourable terms; our ability to obtain necessary regulatory approvals, permits and licences in a timely manner; the availability of materials, components or supplies; our ability to solicit competitive bids for construction, drilling or other relevant third party services and obtain access to critical resources; the growth rate in net electricity consumption; support and demand for renewable power generation; government initiatives to support the development of renewable power generation; the accuracy of volumetric reserve estimation methodology and probabilistic analysis used to estimate the quantity of potentially recoverable energy; estimations regarding renewable resources and reserves; environmental, administrative or regulatory barriers to the development of resources on our properties; geological, geophysical, geochemical and other conditions at our properties; the reliability of technical data related to our development projects; capital expenditure estimates; availability of capital to fund development and expansion programs; our competitive position within our industry; and general economic conditions.

There can be no assurance that the forward-looking information included in this Annual Information Form will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, investors should not place undue reliance on forward-looking information. Forward-looking information is made as of the date of this Annual Information Form and, other than as required by applicable securities laws, we assume no obligation to update or revise such forward-looking information to reflect new events or circumstances.

## TABLE OF CONTENTS

GENERAL MATTERS .....	i
FORWARD-LOOKING INFORMATION .....	i
INTRODUCTION .....	1
Reporting Currency .....	1
Accounting Policies.....	1
Scientific and Technical Information .....	1
CORPORATE STRUCTURE .....	3
Name, Address and Incorporation.....	3
Intercorporate Relationships.....	3
DESCRIPTION OF THE BUSINESS.....	4
General .....	4
Key Developments Over the Last Three Financial Years .....	4
Overview of our Operations and Properties .....	6
Hydro Operations .....	9
Wind Operations.....	13
Geothermal Operations.....	15
Solar Development .....	21
DIVIDENDS.....	21
DESCRIPTION OF CAPITAL STRUCTURE .....	21
MARKET FOR SECURITIES .....	22
DIRECTORS AND OFFICERS .....	23
Committees of the Board of Directors.....	25
Audit Committee .....	25
Compensation Committee .....	27
Governance and Nominating Committee .....	27
Health and Safety Committee.....	28
Corporate Cease Trade Orders and Bankruptcies.....	28
Penalties and Sanctions .....	29
Conflicts of Interest .....	29
LEGAL PROCEEDINGS .....	30
RISK FACTORS .....	30
Risks Relating to our Business and Industry .....	30
Risks Relating to the Political and Economic Climates of Countries in which We Operate .....	38
Risks Relating to the Common Shares and Trading Market .....	39
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....	40
HOLDING COMPANY FINANCING .....	41
TRANSFER AGENT AND REGISTRAR.....	41
MATERIAL CONTRACTS .....	41
INTEREST OF EXPERTS .....	41
ADDITIONAL INFORMATION.....	42
GLOSSARY OF TERMS .....	G-1
METRIC CONVERSION TABLE.....	G-2
APPENDIX “A” – Audit Committee Charter.....	A-1

## INTRODUCTION

Unless otherwise indicated, the information contained herein is as at December 31, 2014.

See the Glossary of Terms at page G-1 for summaries of the capitalized defined terms used herein.

### Reporting Currency

Unless otherwise indicated, all references to “\$” or “**dollars**” or in this Annual Information Form are to United States dollars. References to “C\$” are to Canadian dollars. References to “**ISK**” are to Icelandic Krona.

### Accounting Policies

All financial information in this Annual Information Form is prepared in accordance with International Financial Reporting Standards.

### Scientific and Technical Information

The disclosure in this Annual Information Form of a scientific nature or technical information for each of the HS Orka properties and Mariposa project, which consists of the Laguna del Maule and Pellado concessions (“**Mariposa**”), is based on the following technical reports, respectively. These reports have been filed on the system for electronic document analysis and retrieval (“**SEDAR**”) and are available for viewing and downloading at [www.sedar.com](http://www.sedar.com).

- Geothermal Resources and Properties of HS Orka, Reykjanes Peninsula, Iceland: Independent Technical Report dated January 29, 2010 prepared by Mannvit hf (the “**HS Orka Report**”).
- Mariposa Geothermal Resource, Laguna del Maule and Pellado Concessions, Chile dated July 17, 2010 prepared by Philip James White of Sinclair Knight Merz Limited (“**SKM**”) (the “**Mariposa Report**”).

Each of the authors of the foregoing technical reports is independent of the Company. Geothermal properties and operations differ from mining or oil and gas properties and operations and Canadian securities regulators have not prescribed a form of technical report for geothermal properties, such as ours. Accordingly, the foregoing technical reports have not been prepared in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* (“**NI 43-101**”) or National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* (“**NI 51-101**”). Furthermore, the authors of these technical reports are not qualified persons for the purposes of NI 43-101 or qualified reserves evaluators or auditors for the purposes of NI 51-101, however they are qualified persons under the Australian Code and the Canadian Code (as defined below). The HS Orka Report has been prepared in accordance with the standards set by the Australian Geothermal Reporting Code (the “**Australian Code**”). On January 18, 2010, the Canadian Geothermal Energy Association announced the release of the Canadian Geothermal Code for Public Reporting (the “**Canadian Code**”). The Mariposa Report complies with the Canadian Code. The Australian and Canadian Codes are considered as the geothermal standard for several countries in the world. All of the other technical reports have been prepared in accordance with accepted practices within the geothermal industry. The technical reports are available for review on the Internet on SEDAR at [www.sedar.com](http://www.sedar.com).

For an explanation of the technical terms used in this Annual Information Form, please see “Glossary of Terms” beginning on page G-1 of this Annual Information Form.

This Annual Information Form contains information from public sources on properties adjacent to our geothermal projects. The accuracy and completeness of this data is not guaranteed. The information presented in this Annual Information Form regarding adjacent properties is not necessarily indicative of the geothermal resources on our properties.

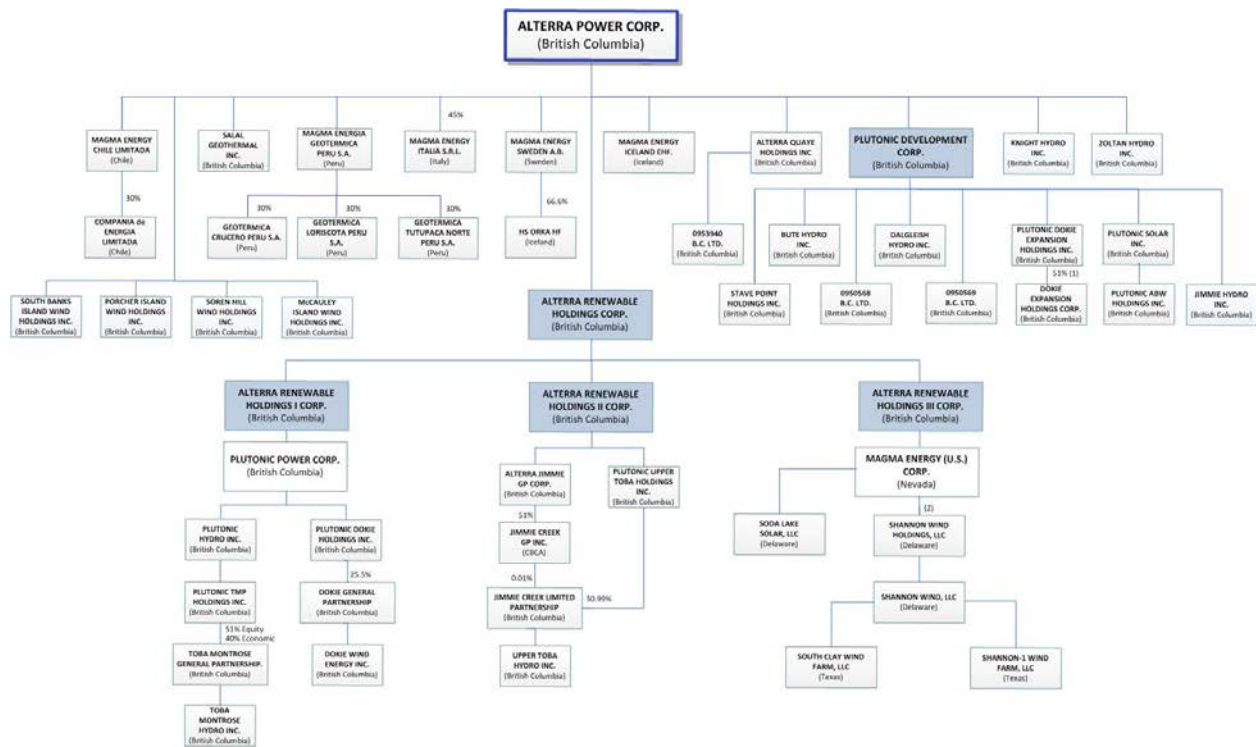
# CORPORATE STRUCTURE

## Name, Address and Incorporation

Alterra was incorporated as Magma Energy Corp. under the *Business Corporations Act* (British Columbia) on January 22, 2008. The Company’s name was changed from “Magma Energy Corp.” to “Alterra Power Corp.” on May 13, 2011. Our head office and registered and records office are located at Suite 600, 888 Dunsmuir Street, Vancouver, British Columbia, Canada, V6C 3K4. We also have offices in Reykjanesbær, Iceland and Powell River, British Columbia.

## Intercorporate Relationships

The following diagram illustrates the organizational structure of Alterra, including all its material subsidiaries, as of the date hereof.



### Notes:

- (1) The Company holds a 51% interest. Following the completion of an agreement with an affiliate of GE Energy Financial Services (“GE EFS”), the Company is expected to own 100%.
- (2) The Company holds a 100% interest. The Company expects to hold 50% of Shannon upon financial closing.

## DESCRIPTION OF THE BUSINESS

### General

Alterra Power Corp. is a leading global renewable power company, formed in 2011 through the merger of Magma Energy Corp. and Plutonic Power Corporation (“**Plutonic**”). We operate five power plants totaling 553 MW of capacity, including two geothermal facilities in Iceland and a 235 MW run-of-river hydro facility and 144 MW wind facility in British Columbia. Alterra’s share of this production capacity is 247 MW (not including an additional 15 MW from a geothermal plant in Nevada which we sold in early 2015) and our fleet is projected to generate over 1,250 GWh of clean energy annually. The Company also has an extensive portfolio of development projects. In total and including HS Orka, we have approximately 141 officers and full-time employees and 16 part-time employees.

Alterra’s primary business plan is to continue to develop, own and operate new electric generation projects using only renewable and sustainable power sources, including wind, hydro, geothermal and solar resources.

### Key Developments Over the Last Three Financial Years

<u>Year</u>	<u>Key Developments</u>
<i>2014</i>	<ul style="list-style-type: none"><li>• Remobilized onsite construction at Shannon in December 2014</li><li>• Completed non-recourse loan facility of C\$176.5 million for Jimmie Creek in October 2014</li><li>• Completed multi-tranche holding company financing with total proceeds of up to C\$110 million in August 2014</li><li>• Insurance-related waiver from Toba Montrose project’s credit agreement was released allowing resumption of regular equity distributions from the project in July 2013</li><li>• Completed Jimmie Creek partnership arrangements with Fiera Axium in April 2014 under which Fiera Axium will hold 49% of the project upon financial closing</li><li>• Acquired remaining 49% of Jimmie Creek ownership interest from GE EFS in March 2014</li><li>• Commenced construction at Jimmie Creek in March 2014</li><li>• Acquired remaining 90% interest in Shannon in February 2014 for \$0.3 million in consideration plus contingent fees to be paid upon financial closing for the project</li><li>• Completed second joint venture with EDC to jointly develop the Company’s remaining Peruvian assets in January 2014</li></ul>



2013

- Completed the initial phase of on-site construction by Mortenson and commencement of Shannon's main power transformer manufacturing by Siemens Energy Inc. in December 2013
- Completed purchase of 10% interest in Shannon in December 2013
- Sold 25.5% interest in Dokie 1 to Fiera Axium in December 2013 for initial sale proceeds of C\$28,625,000 and right to receive potential further earn-out payments of up to C\$2,250,000
- Sold interest in ABW Solar project to Fiera Axium in December 2013
- Commenced drilling a new large-diameter well in support of field maintenance program at Reykjanes in November 2013
- Entered into a joint venture with an affiliate of Graziella Green Power for development of the Mensano and Roccastrado geothermal concessions in November 2013
- Completed amendment to PPA with BC Hydro in November 2013 to extend the commercial operations date for Jimmie Creek to August 2016
- Resumed operations for the Montrose hydro facility in September 2013
- Completed purchase of 10% interest in ABW Solar project in August 2013

2012

- Naturally occurring rockslide damaged the Montrose penstock in December 2012 resulting in suspended operations for that portion of the Montrose facility
- An investor group led by Fiera Axium purchased GE EFS's partnership interests in Toba Montrose and Dokie 1 thereby making the Company and Fiera Axium partners in December 2012
- Entered into a joint venture agreement with EDC for development of Mariposa and development of five Peruvian geothermal concessions in October 2012
- Entered into a resource development agreement with the Sliammon First Nation for the Bute project in June 2012
- Entered into a resource development agreement with the Klahoose First Nation for the Upper Toba project (as it was then known) in May 2012
- A group of Icelandic pension funds exercised an option to increase its stake in HS Orka to 33.4% by purchasing new shares of HS Orka, adjusting the Company's interest in HS Orka from 75.0% to 66.6% in February 2012

## Overview of our Operations and Properties

The following provides a brief overview of our hydro operations and properties.

Property and Location	Property Type	Potential Megawatt Capacity (MW)	Status
<b>British Columbia</b>			
East Toba River <sup>(1)</sup>	Production	145	Production capacity is 145 MW <sup>(4)</sup>
Montrose Creek <sup>(1)</sup>	Production	90	Production capacity is 90 MW <sup>(4)</sup>
Jimmie Creek <sup>(2)</sup>	Construction	62	Construction underway
Bute Inlet <sup>(3)</sup>	Early-Stage Development	> 1,000	Hydrological studies being undertaken
Green Power Corridor <sup>(4)</sup>	Early-Stage Development	> 750	Hydrological data collection on multiple sites
Fir Point pumped-storage	Early-Stage Development	~ 1,000	Preliminary development work underway
<b>Total.....</b>		> 3,047	
<b>Iceland</b>			
Bulandsvirkjun <sup>(5)</sup>	Early-Stage Development	150	Pre-feasibility environmental assessment
Hvalá <sup>(6)</sup>	Early-Stage Development	55	Pre-feasibility environmental assessment

Notes:

- (1) Together, comprise the Toba Montrose facility.
- (2) Of which the Company's share is 40% economic, 51% equity (the Company's economic share adjusts to 51% in 2045).
- (3) Comprised of a number of run-of-river hydro sites within a radius of approximately 50 kilometres of the head of Bute Inlet.
- (4) A number of hydro sites on the southwestern coast of British Columbia.
- (5) HS Orka owns 50% of Bulandsvirkjun, and Alterra owns 66.6% of HS Orka.
- (6) As at December 31, 2014, HS Orka owns 35.6% of Hvalá, and Alterra owns 66.6% of HS Orka. Ownership by HS Orka of Hvalá is expected to grow to 58% in 2016.

The following provides a brief overview of our wind operations and properties.

Property and Location	Property Type	Potential Megawatt Capacity (MW)	Status
<b>British Columbia</b>			
Dokie 1	Production	144	Production capacity is 144 MW <sup>(1)</sup>
Dokie 2	Development	> 150	Wind resource data being collected and evaluated <sup>(2)</sup>
Coastal Wind	Development	500	Wind resource data being collected and evaluated
<b>Texas</b>			
Shannon	Advanced Development	204	Construction underway <sup>(3)</sup>
		> 498	

Notes:

- (1) Of which the Company's share is 25.5%.
- (2) Of which the Company's share is 51% and is expected to be 100% subject to documenting the transfer of GE EFS's 49% interest to the Company effective March 16, 2015.
- (3) Of which the Company's share is currently 100% and expected to be 50% on financial closing.

The following provides a brief overview of our geothermal operations and properties as at December 31, 2014.

Property and Location	Property Type	Area (Ha)	Reserves/ Resources <sup>(1),(2)</sup> (MW)	Status
<b>Europe<sup>(3)</sup></b>				
Svartsengi <i>Iceland</i>	Production	175	74 / 0	Current production capacity is 74 MW electrical and 150 MW thermal
Reykjanes <i>Iceland</i>	Production	340	100 / up to 80	Current production capacity is 100 MW electrical, with expansion of up to an additional potential of 80 MW electrical
Eldvörp <i>Iceland</i>	Development	1,007	0 / 50	Under development

<b>Property and Location</b>	<b>Property Type</b>	<b>Area (Ha)</b>	<b>Reserves/ Resources<sup>(1),(2)</sup> (MW)</b>	<b>Status</b>
Krýsuvík <i>Iceland</i>	Development	29,500	0 / 500	Under development
Mensano, Roccastrada <sup>(5)</sup> <i>Italy</i>	Early-Stage Development	48,455	n/a	Initial development work underway
<b>Total .....</b>		<b><u>79,477</u></b>	<b><u>174 / up to 130 (Indicated) up to 500 (Inferred)</u></b>	
<b>United States</b>				
Soda Lake <i>Nevada</i>	Production	2,071	n/a	Sold January 30, 2015 <sup>(6)</sup>
<b>Total .....</b>		<b><u>2,071</u></b>	<b><u>n/a</u></b>	
<b>South America</b>				
Mariposa <sup>(7)</sup> <i>Chile</i>	Advanced Development	104,000	0 / 320 <sup>(4)</sup>	Pre-drilling activities completed in anticipation of production-scale drilling in late 2015
Pinchollo, Ticsani, Ancoccollo, San Pedro, Casiri <sup>(7)</sup> <i>Peru</i>	Early-Stage Development	10,800 <sup>(8)</sup>	n/a	Preliminary development work continuing
<b>Total .....</b>		<b><u>114,800<sup>(8)</sup></u></b>	<b><u>0 / 320<sup>(4)</sup></u></b>	

Notes:

- (1) Geothermal reserves and resources are subject to uncertainty as to whether they can be accessed in an economically viable manner. It cannot be assumed that all or any part of a geothermal resource will be commercially extracted or that estimates of MW capacity will be achieved.
- (2) The reserves and resource estimates for the Iceland properties are reported in accordance with the Australian Geothermal Reporting Code.
- (3) The Company's ownership share of all Icelandic properties was 66.6% as at December 31, 2014.
- (4) The reserves and resource estimates for the Mariposa project are reported in accordance with the Canadian Code.
- (5) Properties are subject to a joint venture with Graziella Green Power, pursuant to which Graziella has acquired a 55% interest in the properties.
- (6) The Soda Lake geothermal facility, together with approximately 20 Ha of early-stage development properties, was sold to an affiliate of Cyrq Energy, Inc. on January 30, 2015.
- (7) Properties are subject to a joint venture with EDC, pursuant to which EDC has acquired a 70% interest in the properties.
- (8) In addition, the Company has applied for a further 96,100 hectares which have not been granted.

The following provides a summary of the Company's electrical generation in 2014.

	Svartsengi	Reykjanes	Soda Lake <sup>(1)</sup>	Toba Montrose	Dokie 1	Total
Total <sup>(2)</sup>	510.8	759.8	68.6	788.4	286.1	2,413.7
Net <sup>(2)</sup>	340.2	506.0	68.6	315.4	72.9	1,303.1

Notes:

- (1) The Company sold its interest in the Soda Lake geothermal operations to an affiliate of Cyrq Energy, Inc. on January 30, 2015. Prior to this sale, the Company's interest was 100%.
- (2) Generation (measured in GWh) is net of plant consumption, station service and transmission losses to the point of interconnection.

### Hydro Operations

The Company's Toba Montrose facility is in production, and the Company's portion of revenue from energy sales for the fiscal periods ended December 31, 2013 and December 31, 2014 was as follows:

<u>Fiscal Period Ended</u>	<u>Total Revenue</u>
December 31, 2013	\$20,153,000 <sup>(1)</sup>
December 31, 2014	\$28,597,000

Note:

- (1) The Company also received \$7,166,000 in business interruption payments from the insurance coverage for the rockslide that damaged the Montrose Creek facility penstock. See "Toba Montrose" below.

All but one of the Company's hydro sites in British Columbia are for run-of-river hydroelectric power generation. Run-of-river hydro facilities differ from traditional hydro facilities in that they do not require the damming of a river and the consequent flooding of large areas of land. A run-of-river project requires a minimal amount of retention of water in a stream or river. A portion of the stream or river is diverted into a downward sloping penstock which delivers the water to drive turbines located at the bottom of the grade. The water is then returned to the river without altering the existing flow or water levels downstream.

The environmental attributes of electricity generated by run-of-river hydro plants have several environmentally friendly attributes, including the following:

- Zero greenhouse gas emissions
- Minimal or no pollution or wastes created
- Small environmental footprint
- Non-restrictive use of land
- Minimal impact on fish, vegetation, bird and wildlife habitat

The Company has a number of hydro electricity generation and development sites in British Columbia, Canada.

## Toba Montrose

The Toba Montrose hydro facility has been in commercial operation since May 2010 and is owned by Toba Montrose General Partnership (“**TMGP**”), of which the Company owns a 51% equity and 40% economic interest (with the Company’s economic interest increasing to 51% in 2045). The remaining interests in TMGP are owned by a consortium of Canadian investors led by Fiera Axium.

Toba Montrose is comprised of two run-of-river power generation sites, one on the East Toba River and one on Montrose Creek. Both generation sites are located northeast of the head of Toba Inlet, approximately 100 kilometres north-northeast of Powell River, British Columbia.

The East Toba facility is a 145 MW run-of-river facility in the East Toba River drainage basin, located approximately 45 kilometres northeast of the Toba Inlet’s northernmost extent. This facility diverts water into a penstock intake on the East Toba River which drops in elevation to a surface powerhouse containing turbines in the lower reach of the river. The facility, with its intake located at an elevation of approximately 690 metres above sea level, drains an area of approximately 188 square kilometres. The facility is expected to generate a net 452 GWh of electricity per year.

The Montrose Creek facility is a 90 MW run-of-river facility in the Montrose Creek drainage basin, located approximately 29 kilometres northeast of the Toba Inlet’s northernmost extent. This facility diverts water into a penstock intake on Montrose Creek which drops in elevation to a surface powerhouse containing turbines in the lower reach of the creek. The facility, with its intake located at an elevation of approximately 512 metres above sea level, drains an area of approximately 99 square kilometres. The facility is expected to generate a net 275 GWh of electricity per year.

The electricity generated at Toba Montrose is transmitted via a 230 kV transmission line approximately 155 kilometres in length which was built by TMGP and interconnects to the transmission grid at Saltery Bay, on Jervis Inlet.

BC Hydro purchases 100% of the electricity generated by the facility under a PPA that expires in May 2045.

Toba Montrose is located within the traditional territory of Klahoose First Nation, and the facility’s transmission line also crosses the traditional territories of Klahoose, Sliammon and Sechelt First Nations. The project substation is within the traditional territory of Sechelt First Nation. TMGP has entered into Impact Benefit Agreements with all three of these First Nations, which allow access through the First Nations’ traditional territories and provides revenue sharing, employment and contracting opportunities for First Nations’ members.

The Toba Montrose facility is a participant in the ecoEnergy Program, a Canadian federal government program which encouraged construction of renewable and green projects. TMGP is entitled to receive from ecoEnergy an incentive of C\$10 per MWh up to C\$72.7 million during its first ten years of operations (until 2020). It is anticipated that the 10 year restraint will come into effect rather than the C\$72.7 million cap.

In December 2012, a naturally-occurring rockslide damaged the Montrose penstock, interrupting service from the facility until it was brought back online in September 2013. During the second quarter of 2014, TMGP settled all claims related to the rockslide with its insurers. In June 2014, TMGP secured new insurance at substantially the same coverage terms that existed prior to the rockslide and in July 2014, a temporary distribution waiver under the project’s loan agreement was extinguished.

## Jimmie Creek Project

The Jimmie Creek project (formerly known as the “Upper Toba” project), was originally comprised of two run-of-river power generation sites, one located on Jimmie Creek and one located on the Upper Toba River. In 2013, however, the Company decided not to proceed with development of the site located on the Upper Toba River.

Jimmie Creek is a 62 MW run-of-river facility in the Jimmie Creek drainage basin, located approximately 30 kilometres northeast of Toba Inlet’s northernmost extent. This facility will divert water into a penstock intake on Jimmie Creek which drops in elevation to a surface powerhouse containing turbines in the lower reach of the creek. The project will drain an area of approximately 93 square kilometres and generate an estimated net 166 GWh of electricity per year.

The site is located in close proximity to Toba Montrose, and with the construction of a minimal amount of connector transmission lines will be able to utilize the Toba Montrose transmission line to interconnect to the transmission grid. Some of the roads and other infrastructure built to construct Toba Montrose will also be used to construct Jimmie Creek. There are some additional roads needed to access the new intake and powerhouse locations.

On March 31, 2009, the Company received an Environmental Assessment Certificate from the Environmental Assessment Office for the Jimmie Creek Project. In December 2009, the Canadian Environmental Assessment Agency completed its screening level review under the *Canadian Environmental Assessment Act*, allowing the Jimmie Creek Project to proceed.

On March 29, 2010, the Company and GE EFS formed the Upper Toba General Partnership, which entered into an interconnection agreement and a 40 year PPA with BC Hydro for what was then “Upper Toba”. During 2013, both of these agreements were amended to remove the Upper Toba site, leaving them applicable to Jimmie Creek only and in 2014, both of these agreements were assigned to Jimmie Creek Limited Partnership (“**JCLP**”).

In March 2014, the Company completed the purchase of 49% of the project held by GE EFS. On April 4, 2014, the Company and Fiera Axium formed JCLP to develop the Jimmie Creek Project. The Company and Fiera Axium own 51% and 49% of the project, respectively.

On October 14, 2014, the Company closed a C\$176.5 million non-recourse loan facility. The facility is priced at a fixed rate of 5.26% and will amortize over 40 years commencing at commercial operations (expected in the third quarter of 2016), except for the final 10% of principal which will be paid at maturity. At financial closing, Alterra received proceeds of C\$22.9 million as a return of certain development and construction expenses previously paid by Alterra. The Company does not expect to make any further equity contributions towards the construction of Jimmie Creek, which is now being funded by project financing proceeds and contributions by Fiera Axium.

JCLP has executed all major contracts and full construction is underway, with over 150 workers currently active at the site. Jimmie Creek is being constructed under an engineering, procurement and construction management contract with an affiliate of SNC-Lavalin Group Inc. Progress to date is as follows:

- Road, bridge and camp construction is 100% complete.
- Intake construction is progressing ahead of schedule due to the mild winter. The river diversions and cofferdams are in place, excavation of the intake has been completed and concrete for the intake base slab is scheduled to be in place by April 2014.

- Penstock construction is ahead of schedule. Excavation for the penstock trench is greater than 75% complete, penstock fabrication and delivery is complete and over 50% of the penstock has been installed and welded.
- At the powerhouse, concrete works are 75% complete with completion of the first stage of concrete scheduled for the end of April and building installation scheduled to start in May. Fabrication of the mechanical and electrical equipment is well underway and on schedule for delivery to start in the third quarter of 2015.

Construction is scheduled to be complete in the third quarter of 2016.

The Impact Benefit Agreements entered into with Sliammon and Sechelt First Nations for Toba Montrose are also applicable to Jimmie Creek, so the Company will not need to enter into separate agreements with those two First Nations for Jimmie Creek. In May 2012, the Company entered into a Resource Development Agreement with the Klahoose First Nation with respect to Jimmie Creek, which allows access through Klahoose First Nation's traditional territory for construction of the project and provides revenue sharing, employment and contracting opportunities for its members.

### Bute Inlet Project

The Bute Inlet development project consists of a number of run-of-river sites located within a radius of approximately 50 kilometres of the head of Bute Inlet, which is located approximately 150 kilometres north of Powell River, British Columbia. The transmission design for the project currently includes a 500 kV line from Bute Inlet to a planned point of interconnection at the BC Hydro substation located at Malaspina.

All of the generation sites for the Bute Inlet project are located in the traditional territory of the Homalco First Nation, and the transmission line will run across the traditional territories of the Homalco, Klahoose, Sliammon and Sechelt First Nations. The Company has entered into agreements with each of the Sechelt, Homalco and Sliammon First Nations that include terms regarding access through traditional territories, payment of access and construction fees, revenue sharing, employment, training and contracting opportunities for First Nation members and provisions providing for management of future transmission access through their traditional territories.

During 2014, the Company continued hydrological studies on the Bute Inlet project sites.

### Other Hydro Projects in British Columbia

The Company has completed two stages of work towards securing water licenses and Crown Land rights from British Columbia Ministry of Forests, Lands and Natural Resource Operations for the development of a number of other run-of-river sites on the southwestern coast of British Columbia, as well as the Fir Point 1000 MW pumped-storage project, for which the Company holds an accepted water license application and an investigative use permit.

The Company's activities on these projects have been limited to primarily collecting hydrological data and preliminary engineering work on some of the sites.

### Iceland

HS Orka, which is owned 66.6% by the Company, holds a 50% interest in Bulandsvirkjun, a 155 MW early-stage development hydro project located on the Skaftá River, and a 35.6% interest in Hvalá, a 55



MW early-stage development project located on the Hvalá River. The Company advanced each of these projects in 2014, with further early-stage activities underway in 2015.

## Wind Operations

The Company has several wind generation and development sites in British Columbia and one project under construction in Texas.

Dokie 1 is in production, and the Company's portion of revenue from energy sales for the fiscal periods ended December 31, 2013 and December 31, 2014 was as follows:

<u>Fiscal Period Ended</u>	<u>Total Revenue</u>
December 31, 2013	\$16,658,000
December 31, 2013 (Pro Forma) <sup>(1)</sup>	\$8,520,000
December 31, 2014	\$7,631,000

Note:

- (1) The Pro Forma revenue from Dokie 1 reflect what the results would have been if the Company's ownership has been 25.5% for all of 2013.

Due to the change in ownership in Dokie General Partnership ("DGP") in December 2013, the results are not directly comparable.

### *British Columbia*

#### Dokie 1

The Dokie 1 wind farm is a 144 MW project located approximately 40 kilometres west of Chetwynd, in northeastern British Columbia, and commenced commercial operation on February 16, 2011.

Dokie 1 is owned by DGP, in which the Company holds a 25.5% ownership interest. The Company previously owned a 51% interest in DGP until December 20, 2013, at which time it sold a 25.5% interest to its partner in DGP, a consortium of Canadian investors led by Fiera Axiom, which now owns a 74.5% interest. The Company received initial proceeds of C\$28,625,000 from the sale with the potential to receive further earn-out payments of up to C\$2,250,000 over the ensuing three years, depending on asset performance. Dokie 1 did not meet the earn-out target for 2014 (first of three potential earn-outs).

Dokie 1 consists of 48 Vestas V90 3.0 MW wind turbine generators located on two ridges. Dokie 1 is expected to generate a net electrical output of 330 GWh per year.

BC Hydro purchases 100% of the electricity from Dokie 1 under a PPA that expires in February 2036.

Dokie 1 is located within the traditional territories of the West Moberly, Saulteau and Halfway River First Nations and the McLeod Lake Indian Band. DGP has entered into Memoranda of Understanding with all of these First Nations, which agreements allow access through the First Nations' traditional territories and provide revenue sharing, employment and contracting opportunities for First Nation members.

Dokie 1 also is a participant in the ecoEnergy Program, and on November 19, 2009 DGP signed an agreement with the Government of Canada pursuant to which DGP receives an incentive of C\$10 per

MWh of up to C\$33.3 million during its first ten years of operations (until 2021). It is anticipated that the 10-year restraint will come into effect rather than the C\$33.3 million cap.

## Dokie 2

The Dokie 2 expansion project is located on a number of ridges to the south and west of Dokie 1. Dokie 2 has a projected capacity of up to 156 MW and is owned 51% by the Company. The Company is in the process of documenting the transfer of the remaining 49% interest held by an affiliate of GE EFS.

During 2014, the Company continued to collect and evaluate the wind resource data for the project in order to determine its potential generation capacity. The collection and evaluation of wind resource data is expected to continue in 2015.

Dokie 2 holds a BC Provincial Environmental Assessment Certificate. However amendments to the certificate may be required once the project's final configuration has been determined.

The Memoranda of Understanding for entered into with the Halfway River and West Moberly First Nations and the McLeod Lake Indian Band for Dokie 1 are also applicable to Dokie 2.

## Coastal Wind Projects

In 2012, the Company entered into an agreement with English Bay Energy Limited (“**EBE**”) for the acquisition of EBE's portfolio of early stage wind development assets located at four sites in coastal British Columbia. The four sites are located on Banks Island, Porcher Island, McCauley Island and at Knob Hill on northern Vancouver Island, and have an estimated generation capacity of 1,000 MW.

In consideration for the acquisition, EBE will receive royalty payments from operations and, under certain circumstances, may receive additional compensation of up to 1.34 million shares of Alterra.

The Company is collecting wind resource data and performing limited early-stage analysis on these sites in 2015.

## *Texas*

### Shannon

The Shannon wind project (“**Shannon**”) is a 204 MW wind project located in Clay County, Texas, U.S.A., and is currently 100% owned by the Company. In November 2013, the Company acquired a 10% interest in Shannon Wind, LLC (“**Shannon Wind**”), and the project was then held in partnership with a group led by Horn Wind, LLC. On February 13, 2014, the Company completed the acquisition of the remaining 90% of Shannon Wind for consideration of \$0.3 million together with a contingent developer fee, calculated based on the projected nameplate capacity of the project, and payable at financial close (maximum of \$8.0 million less amounts paid and other adjustments).

In December 2013, the Company completed certain construction activities to ensure Shannon will qualify for the U.S. Production Tax Credit. These activities included contracting with an affiliate of M.A. Mortenson Company (“**Mortenson**”) to complete the initial phase of on-site construction and contracting with Siemens Energy Inc. to begin manufacturing the project's main power transformer.

During 2014, the Company completed additional on-site construction activities to further strengthen qualification for the U.S. Production Tax Credit, as well as continued offsite manufacturing of the

project's main power transformer. In late 2014, Mortenson recommenced mobilization for the remainder of the project construction.

Full construction is underway at site, with onsite offices established, public road improvements complete and other road construction activities underway. Turbine excavations have begun and trenching and placement of collector lines is in process. Procurement of long-lead time items has commenced and two deposits have been paid to an affiliate of General Electric Company in accordance with the project's turbine supply agreement.

The Company is currently working to finalize terms with several financing parties and expects to close construction financing for the project in the first half of 2015. Project design is nearly complete, and the Company is finalizing or has already finalized all significant project contracts (construction, turbine supply, operation and maintenance, etc.). Following the closing of construction financing, the Company expects to own 50% of the project in partnership with a large energy infrastructure fund.

The Company expects to sell approximately 75% of electricity generated from Shannon under a long term power hedging agreement, and will sell the remainder of its output into the grid at the spot price.

In 2014, the Company placed a cash security deposit of \$10.1 million with Oncor Electric Delivery Company LLC, the project's transmission service provider, which has commenced construction of the project's interconnection substation. The Company will receive a return of this deposit at financial closing, and the security deposit will be reimbursed to the project following completion of construction.

### **Geothermal Operations**

Our geothermal operations include both the production and sale of geothermal power and the development of geothermal properties. All geothermal revenue and production in 2014 was generated by our Iceland properties and Soda Lake in Nevada. The Company's portion of the revenue for the fiscal periods ended December 31, 2013 and December 31, 2014 was as follows:

<b><u>Fiscal Period Ended</u></b>	<b><u>Total Revenue<sup>(1)</sup></u></b>
December 31, 2013	\$44,057,000
December 31, 2014	\$48,940,000

Note:

- (1) Total Revenue reflects the Company's 66.6% interest in HS Orka and 100% interest in Soda Lake. The Company sold its 100% interest in Soda Lake in January 2015.

We will continue to investigate, evaluate and, if appropriate, acquire additional development geothermal properties.

### ***Europe***

### ***Iceland***

### **HS Orka**

The Company holds a 66.6% interest in HS Orka, which operates two plants located in the Reykjanes peninsula of southwest Iceland having a total capacity of 174 MW electrical and 150 MW of thermal

heating capacity (which is used for district heating). The electrical operations are connected to the Icelandic transmission grid with a 132 kiloVolt (“kV”) transmission line. HS Orka has two long-term PPAs: one with Landsvirkjun, an energy company owned by the government of Iceland, that terminates at the end of 2019 and one with Norðurál ehf. (together with its affiliates, “Norðurál”), an aluminum smelter operator in Iceland, that terminates in June 2026. HS Orka also holds a 33% interest in Blue Lagoon hf., which operates the Blue Lagoon geothermal tourist attraction in Iceland.

### Economic Dependence

A majority of the electricity demand in Iceland comes from the aluminum industry and in 2014, approximately 26% of HS Orka’s revenue was derived from revenue contracts linked to aluminum market prices. Furthermore, HS Orka sells approximately 49% of its power production (GWh) to Norðurál, with the balance to the retail market and under one other PPA.

HS Orka’s geothermal power plants (Svartsengi and Reykjanes) and its advanced stage geothermal development projects (Eldvörp and Krýsuvík) are all located on the Reykjanes peninsula.

### Svartsengi

The Svartsengi property is located in the municipality of Grindavík approximately 45 kilometres southwest of Reykjavík. HS Orka has leased the Svartsengi property from the Grindavík municipality for 65 years.

The Svartsengi plant is a combined geothermal heat and power plant with a capacity to produce 74 MW of electricity and 150 MW of hot water for district heating. The first power plant system was built in 1976 and has been upgraded in several stages since that time. The power plant has ten turbine/generator units ranging from 1.2 MW to 30 MW in capacity. The Svartsengi power plant is connected to the Icelandic electrical transmission grid with a 132 kV transmission line.

The Svartsengi geothermal field is one of three high-temperature geothermal fields located in the active volcanic rift zone on the western part of the Reykjanes peninsula. The geothermal field is liquid-dominated with temperatures ranging from 235 to 240°C, with a natural steam zone in the eastern portion of the field. The produced fluid is approximately two-thirds seawater and one-third freshwater in composition.

To date, 23 wells have been drilled in the field. Seven wells produce from the liquid dominated part of the reservoir, while six wells produce dry steam from the steam cap. Two deep reinjection wells have also been drilled in the field. The average depth of the wells in use in the Svartsengi field is approximately 1,050 metres.

The Svartsengi geothermal resource has been under investigation and development for approximately 40 years, resulting in a comprehensive understanding of the reservoir and its response to long term mass extraction. A detailed numerical model of the geothermal reservoir exists, which simulates the production and monitoring history with a high degree of confidence, resulting in reliable forecasts of the reservoir response to long term utilization. As defined and in accordance with the Australian Code, the Svartsengi geothermal field is classified as a proven reserve containing recoverable thermal energy of 74 MW electrical for 30 years under the current operating parameters of the plant.

The Company commenced construction of a new discharge pipe system for the Svartsengi plant in 2013 and construction is ongoing. Once the discharge system is completed and in full operation, additional geothermal fluid can be extracted from the reservoir resulting in the opportunity for increased power

generation. In addition, the Company has entered into a contract for drilling two new production wells at Svartsengi, which will commence in 2015.

The Company is completing an expansion of its district heating capacity at Svartsengi by approximately 20% and expects the expansion to be operational in the second quarter of 2015.

### Reykjanes

The Reykjanes property is part of the Reykjanes geothermal field, which is located at the southwest tip of the Reykjanes peninsula, approximately 20 kilometres south of Reykjanesbær. The Reykjanes plant is a steam driven power plant with a capacity to produce 100 MW of electricity. It was built in 2006 and has two 50 MW steam turbine generator units. The Reykjanes geothermal power plant is connected to the Icelandic electrical transmission grid by a 132 kV transmission line.

The Reykjanes geothermal field is a liquid-dominated high-temperature geothermal system with sea water as the reservoir fluid. The highest temperature in the system has been measured at approximately 320°C, but the dominant reservoir temperature is approximately 295°C. HS Orka has drilled 24 wells in the Reykjanes geothermal field.

As defined and in accordance with the Australian Code, the Reykjanes geothermal system contains a proven reserve with recoverable thermal energy of 100 MW electrical for 30 years and an indicated resource with electrical generation capacity of up to 80 MW electrical for 30 years, relative to the current operational parameters of the Reykjanes geothermal power plant and with the planned secondary flash unit successfully installed. In 2013, however, HS Orka commenced a fluid reinjection program at the Reykjanes field to enhance future field stability, whereby a portion of geothermal fluids extracted in the current operations will be reinjected into the field to maintain or increase subsurface pressure and optimize the resulting electrical output. HS Orka has already drilled one new large diameter reinjection well and based on positive results commenced drilling of a second well in late 2014, which also has positive early results. A pipeline is currently in construction which will connect the two wells to the plant, and reinjection is scheduled to commence in early 2016.

The Company is currently planning a 50 MW electrical expansion of the Reykjanes plant, and a further 30 MW expansion by way of secondary flash turbine is also being planned. However the Company does not anticipate that any additional drilling will be required for the 30 MW expansion as the power source will be low pressure steam generated from current operations.

Expansion of the Reykjanes plant is currently awaiting results of arbitration regarding HS Orka's existing PPA with Norðurál, obtaining project financing and further confirmation of the resource.

The Company has been granted an operating permit for a 80 MW expansion of the Reykjanes plant by Orkustofnun, the National Energy Authority of Iceland.

### Eldvörp

The Eldvörp property is part of the Eldvörp geothermal field, which is located approximately five kilometres west-southwest from the Svartsengi plant. The Company has an exclusive exploration and exploitation license in the Eldvörp geothermal field until 2057.

The Eldvörp geothermal field is located within the same geothermal resource region as both the Reykjanes and Svartsengi geothermal fields. The field has been studied to some extent, including the

drilling of one successful well, and has been included in several surveys as part of investigations of the Svartsengi geothermal field since the 1980s. Results show that the Eldvörp and Svartsengi geothermal fields are part of the same geothermal resource.

The Eldvörp geothermal field is a liquid-dominated high-temperature geothermal system with a steam zone from surface down to approximately 800 metres depth. The reservoir temperature in Eldvörp is approximately 270°C. The composition of the reservoir fluid in Eldvörp is approximately two-thirds seawater and one-third fresh water.

The Company currently has plans to develop an electrical geothermal power plant on the property of up to 50 MW. Because the Eldvörp and Svartsengi geothermal fields are connected and both are part of the same geothermal reservoir, a power plant in Eldvörp could be envisioned as an expansion to the existing power plant in Svartsengi. It is therefore important to investigate the Svartsengi reservoir pressure response to future mass extraction at Eldvörp, as studies indicate mass extraction needed to supply the Eldvörp power plant will result in increased reservoir pressure drawdown at Svartsengi and the well-head pressure decline of production wells.

Based on the results and interpretations predicted by the Company's modelling and in accordance with the Australian Code, the Eldvörp geothermal resource is classified as an indicated resource containing sufficient recoverable thermal energy of 50 MW electrical for 30 years, assuming 50% reinjection and energy utilization parameters similar to the parameters defined by the Svartsengi geothermal power plant.

The Company did not carry out any significant work on the property during the year.

#### Krýsuvík and Trölladyngja

The Krýsuvík geothermal area covers approximately 29,500 hectares and is owned primarily by the Hafnarfjörður municipality and a number of private land owners. The Company has an exclusive exploration license over the complete Krýsuvík geothermal area until 2016.

The Krýsuvík geothermal area belongs to the Krýsuvík volcanic centre and associated fissure swarm and is considered to cover approximately 80 square kilometres. The Krýsuvík geothermal area is divided into four geothermal sub-fields, named Sveifluháls, Austurengjar, Trölladyngja and Sandfell. The area has been known for a long time to be geothermally active and geothermal investigations in the area date back to 1756.

Systematic development started in the 1940s with the drilling of 20 shallow wells at depths of approximately 200 metres. In 1960, three deeper exploration wells were drilled with the deepest one reaching a depth of 1,275 metres. Systematic exploration efforts were continued in the 1980s, including wells drilled to depths of approximately 800 to 900 metres, resulting in detailed research reports. From 1997 to 2001, resistivity campaigns were conducted to outline the extent of the geothermal resource.

The geological and development results obtained in the Krýsuvík geothermal area provide good evidence that the geothermal resource exists in a form, quality and quantity sufficient for eventual economic extraction. The Company plans, at a date yet to be determined, to drill three deep (>2,000 metres) exploration wells as the next step in the development of the Krýsuvík field.

According to the Australian Code, the geothermal resource at Krýsuvík has recoverable and converted energy equivalent to approximately 500 MW (electrical) for 30 years.

Several research and development studies, including geological mapping, geophysical surveys and four exploration wells, have been conducted in the Trölladyngja sub-field since the 1960s as part of the studies for the Krýsuvík geothermal area. The Trölladyngja sub-field is under review by the Government of Iceland for its eligibility for future commercial development.

The geothermal information obtained from two deep exploration wells drilled in Trölladyngja shows that a geothermal resource exists, but the temperature information is limited and currently insufficient to estimate the resource. Further exploration drilling, research and development may be performed at a future date.

The Company did not carry out any significant work on the property during the year.

### Geothermal Resource and Geothermal Reserve Estimates

In summary, the resource and reserve estimates of the Company's Iceland geothermal properties are as follows:

Property	Reserves (MW Electrical)		Resources (MW Electrical)	
	Proven	Probable	Indicated	Inferred
Svartsengi	74			
Reykjanes	100		up to 80	
Eldvörp			50	
Krýsuvík <sup>(2)</sup>				500
<b>Total .....</b>	<b>174<sup>(1)</sup></b>		<b>up to 130<sup>(1)</sup></b>	<b>500<sup>(1)</sup></b>

**Notes:**

- (1) Of which the Company's share was 66.6% as at December 31, 2014.
- (2) Includes Trölladyngja.

### *Italy*

In March 2011 Alterra acquired two geothermal concessions in Italy, Mensano and Roccastrada. The concessions are near the Lardarello geothermal area, where geothermal electric generation has been in operation for nearly 100 years, and the Monte Amiata geothermal system. The Roccastrada concession is 27,190 hectares in size and is characterized by the presence of high heat flow and hot springs indicating a hydrothermal system that may be similar to that found at Monte Amiata. The Mensano concession is 21,265 hectares in size and is characterized by several features associated with productive geothermal sites, including high heat flow, hot springs, hydrothermal alteration areas, recent travertine deposits and significant uplifting on a regional scale.

In November 2013, the Company entered into a joint venture with an affiliate of Graziella Green Power (“**Graziella**”), an Italian developer of solar and geothermal assets. Under the terms of the joint venture Graziella has acquired a 55% interest in Magma Energy Italia S.R.L., the Company's subsidiary which holds the Mensano and Roccastrada properties. Retention of this 55% interest is subject to Graziella funding approximately \$4.0 million in development work on the properties by 2015, of which \$1.1 million has been funded as of December 31, 2014.

Recent field work at Mensano and Roccastrada has included a detailed development program to confirm the presence of high enthalpy resources. Work carried out in 2012 and 2013 included geological, geophysical and geochemical studies designed to identify the best targets for development wells to be drilled in later phases of development. Work carried out in 2014 included further surface exploration,

geophysical surveys/modelling, micro-seismic monitoring network installation and the drilling of shallow thermal gradient holes at both Mensano and Roccastrada.

### ***United States***

#### *Soda Lake*

Soda Lake is located in the southwest portion of Churchill County, Nevada, approximately 11 kilometres northwest of Fallon and 115 kilometres east of Reno. Soda Lake consists of 1,003.2 hectares of private land leases and 1,067.5 hectares of federal land leases for a total of 2,070.7 hectares.

Soda Lake consists of two binary geothermal power production plants currently operating at 15 MW of gross capacity. Soda Lake sells all of its electricity output to NV Energy Company, and also periodically sells portfolio energy credits via bilateral transactions.

On January 30, 2015, the Company sold the Soda Lake facility and certain geothermal development assets to an affiliate of Cyrq Energy, Inc. for proceeds of \$8.5 million. The Company may receive additional compensation over the next five years upon the achievement of certain performance-related or earn-out provisions.

### ***South America***

#### *Mariposa*

The Mariposa project is comprised of the Laguna del Maule and Pellado geothermal concessions, which are located approximately 300 kilometres south of Santiago and 120 kilometres southeast of Talca in the Maule Region of Chile, covering an area of approximately 104,000 hectares.

A geothermal system has been outlined that extends between the Laguna del Maule and Pellado concessions, which is now known as the Mariposa geothermal system.

Alterra has previously carried out multiple exploration activities at the site including the drilling of three slim exploratory holes. The first hole was completed to a depth of 659 metres and a maximum temperature of 202°C was measured just above the bottom of the well. The second hole was drilled to a depth of 897 metres and had a maximum measured temperature of 193°C, and flowed for several weeks in early 2011. The third hole was drilled to a depth of 883 metres and a temperature of 205°C was measured during injection testing. Work carried out to date has indicated the existence of an inferred heat resource capable of sustaining approximately 320 MW of electrical production.

In October 2012, the Company entered into an agreement with Energy Development Corporation (“EDC”), a Philippines-based global leader in the geothermal power industry, for the development of the Mariposa project. EDC then carried out field work and due diligence, and in July 2013 entered into a joint venture with the Company to further develop the project, and acquired a 70% interest in the project. Under the joint venture, EDC would fund 100% of the next \$58.3 million of project expenditures. Subsequent project expenditures and revenues would be shared pro rata between the Company and EDC. EDC is now the managing partner for the development of the project. In 2014, the Company and EDC continued construction activities at the Mariposa project in preparation for planned drilling in late 2015, including upgrades to existing site access roads, construction of new roads, and upgrades of site camp facilities.



The next major phase of activity will include drilling large-diameter holes to confirm the geothermal resource. As of December 31, 2014 EDC has spent approximately \$6.9 million towards the Mariposa project.

### *Early-Stage Development Properties*

#### Peru

In 2012, EDC entered into an agreement with the Company for the development of the Crucero, Loriscota and Tutupaca Norte concessions in Peru. During the fourth quarter of 2014, after further resource review, EDC and the Company have decided not to pursue any of the Peruvian concessions under this joint venture, effectively ending activity on these properties.

In January 2014, the Company completed a second joint venture with EDC covering the remainder of the Company's geothermal development assets in Peru, which included concessions, applications for concessions and mining claims. Under the agreement, EDC obtained a 70% interest in the portfolio and plans to fund 100% of the next \$6.0 million of development costs.

During the second quarter of 2014, EDC and the Company decided not to renew the Ancoccollo, Casiri, and Huaynaputina mining claims, as well as the geothermal concessions for Atarani, Panejo, Pasto, and Suches. However, EDC's projected spend remains \$6.0 million in the joint venture and will be focused on the remaining projects under this second joint venture.

The Company currently holds a 10,800 hectare exploration concession and a further 96,100 hectares under application in southern Peru's prospective region of volcanoes and geothermal systems. The applications are in various stages of the award process. Next activities for these concessions/applications are expected to include further development activities designed to identify the best locations for power plant development and construction.

### **Solar Development**

#### Soda Lake Solar Project

The Company has formed a subsidiary, Soda Lake Solar, LLC, that has retained the rights to develop a 40 MW solar project in the vicinity of the Soda Lake geothermal plant over the next six to eight years.

### **DIVIDENDS**

Alterra has not declared or paid any dividends since incorporation. The Company may consider a change to this policy in the future. The declaration of dividends on our common shares is within the discretion of our Board of Directors and will depend upon their assessment of our earnings, capital requirements, operating and financial condition and other factors it considers to be appropriate. There are no restrictions on our ability to pay dividends.

### **DESCRIPTION OF CAPITAL STRUCTURE**

The Company is authorized to issue an unlimited number of common shares without nominal or par value. The holders of common shares are entitled to receive dividends, as and when declared by the Board of Directors out of monies properly applicable to the payment of dividends, in such amount and in such form as the Board of Directors may from time to time determine and all dividends which the Board of Directors may declare on the common shares will be declared and paid in equal amounts per share on

all common shares at the time outstanding. In the event of the dissolution, liquidation or winding up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of the common shares are entitled to receive the remaining property and assets of the Company. The holders of common shares are entitled to receive notice of and attend all meetings of the shareholders of the Company and will have one vote for each common share held at all meetings of the shareholders of the Company.

In February 2014, 1,323,620 bonus shares were granted to six executive officers at a deemed price of \$0.29 per share as part of the Company's short term incentive plan. The vesting of rights in such bonus shares remains subject to ratification by the Company's shareholders and the Company intends to seek ratification by shareholders at the Company's upcoming annual and special meeting to be held May 12, 2015. The bonus shares represent 0.28% of the Company's issued and outstanding number of shares.

### MARKET FOR SECURITIES

The common shares of the Company trade on the TSX under the trading symbol "AXY". The following table sets forth the price ranges and volume of trading of the common shares on the TSX for each month during 2014:

Month Ended	Volume	High	Low	Close
January, 2014	2,849,051	0.32	0.285	0.29
February, 2014	3,491,846	0.31	0.28	0.30
March, 2014	3,851,370	0.34	0.30	0.30
April, 2014	29,300,137	0.34	0.30	0.32
May, 2014	7,148,713	0.34	0.31	0.31
June, 2014	8,631,526	0.37	0.31	0.35
July, 2014	3,185,214	0.35	0.32	0.32
August, 2014	4,716,110	0.35	0.31	0.32
September, 2014	5,682,229	0.33	0.31	0.31
October, 2014	8,324,143	0.33	0.30	0.32
November, 2014	9,183,038	0.36	0.31	0.36
December, 2014	17,762,666	0.385	0.32	0.325

## DIRECTORS AND OFFICERS

The names and jurisdictions of residence of our directors and management team, the positions held by them and their principal occupations for the past five years are as set forth below. The term of office of the directors expires annually at the time of our annual general meeting. The term of office of each officer expires at the discretion of our Board of Directors.

Name and Municipality of Residence	Current Office with the Company	Principal Occupation Since 2010
<b>Directors</b>		
ROSS J. BEATY <i>British Columbia, Canada</i>	Executive Chairman and Director (since January 22, 2008)	Executive Chairman of Alterra since January 2008; former Chief Executive Officer of Alterra from 2008 to August 2011; Chair of Pan American Silver Corp. since 1994
DONALD A. MCINNES <i>British Columbia, Canada</i>	Vice Chairman and Director (since May 13, 2011)	Partner in Oxygen Capital Corp. since 2011; Vice Chairman of the Company since 2011; Chief Executive Officer of Plutonic from 1999 to 2011
DAVID W. CORNHILL <i>Alberta, Canada</i>	Director (since December 1, 2008)	Chair and Chief Executive Officer of AltaGas since 1994
DONALD SHUMKA <i>British Columbia, Canada</i>	Director (since January 22, 2008)	President of Walden Management Ltd. since 2004
JAMES M.I. BRUCE <i>British Columbia, Canada</i>	Director (since July 1, 2012)	Partner of Capital West Partners since 2002
JOHN B. CARSON <i>British Columbia, Canada</i>	Chief Executive Officer and Director (Director since May 14, 2013)	Chief Executive Officer of Alterra since September, 2011; former Executive Vice President of Alterra from February to August 2011; former Senior Vice President - Project Finance of Noble Environmental Power from 2009 to 2011
KERRI L. FOX <i>New York, U.S.A.</i>	Director (since May 12, 2014)	Managing Director and Head, Project & Structured Finance, North America of BBVA Securities Inc. since December 2013; former Executive Director and Head, Project & Structured Finance, North America of BBVA Securities from March 2009 to December 2013; former Managing Director and Head, Global Export & Project Finance, New York of Fortis Capital Corp. from January 2005 to March 2009
<b>Executive Officers</b>		
JOHN B. CARSON <i>British Columbia, Canada</i>	Chief Executive Officer	See above description.

<b>Name and Municipality of Residence</b>	<b>Current Office with the Company</b>	<b>Principal Occupation Since 2010</b>
LYNDA D. FREEMAN <i>British Columbia, Canada</i>	Chief Financial Officer	Chief Financial Officer of Alterra since October 2013; previously Interim Chief Financial Officer of Alterra from February 2013 to October 2013; former Director, Finance of Alterra from August 2011 to February 2013; former Financial Controller of Alterra from May 2011 to August 2011; former Financial Controller of Plutonic from May, 2010 to May, 2011; former Finance Manager at BT Group plc (formerly British Telecom plc) from May 2009 to January 2010
SHANNON D. WEBBER <i>British Columbia, Canada</i>	General Counsel	General Counsel of Alterra since May 2014; formerly a lawyer at Borden Ladner Gervais LLP from July 2004 to May 2014
JAY SUTTON <i>British Columbia, Canada</i>	Vice President, Hydro Power	Vice President, Hydro Power of Alterra since May 2011 and General Manager of TMGP since February 2011; Vice President, Hydro Power of Plutonic from January 2011 to May 2011; previously Project Director for TMGP from 2010 to January 2011; Senior Project Manager, Worley Parsons Engineering from January 2006 to 2010
PAUL RAPP <i>British Columbia, Canada</i>	Vice President, Wind and Geothermal Power	Vice President, Wind and Geothermal Power of Alterra since March 2013 and General Manager of DGP since February 2011; previously Vice President, Wind Power with Alterra from May 2011 to March 2013; former Vice President, Wind Power of Plutonic from January 2011 to May 2011; former Director, Construction of Plutonic from 2008 to 2010
MURRAY KROEKER <i>British Columbia, Canada</i>	Vice President, Solar Power and Engineering	Vice President, Solar Power and Engineering of Alterra since March 2013 and General Manager of ABW Solar General Partnership from April 2013 to November 2013; formerly Director, Engineering of Alterra from May 2011 to March 2013; previously Director, Engineering of Plutonic from February 2008 to May 2011
JONATHAN SCHINTLER <i>British Columbia, Canada</i>	Vice President, Project Finance and Mergers & Acquisitions	Vice President, Project Finance and Mergers & Acquisitions of Alterra since November 2013; formerly Director, Project Finance and Mergers & Acquisitions of Alterra from May 2013 to November 2013; Director at Invenergy LLC from October 2010 to April 2013; Manager of Financial Analyst at Invenergy LLC from March 2010 to October 2010 and Financial Analyst at Invenergy LLC from October 2007 to March 2010

Name and Municipality  
of Residence

Current Office  
with the Company

Principal Occupation Since 2010

---

As of December 31, 2014, the directors and executive officers of the Company, as a group, beneficially own directly or indirectly, or exercise control or direction over 155,246,198 common shares representing approximately 33.1% of the Company's issued and outstanding common shares.

### **Committees of the Board of Directors**

Our Board of Directors has established four board committees: an Audit Committee, a Compensation Committee, a Governance and Nominating Committee and a Health and Safety Committee. The information below summarizes the functions of each of the committees in accordance with their charters.

#### **Audit Committee**

The Audit Committee is a standing committee of the Board of Directors, the primary function of which is to assist the Board of Directors in fulfilling its financial oversight responsibilities, which include monitoring the quality and integrity of the Company's financial statements and related disclosure, the Company's compliance with legal and regulatory requirements, the independence, qualifications and performance of the Company's external auditor, acting as a liaison between the Board of Directors and the Company's external auditor, reviewing the financial information that will be publicly disclosed and reviewing all audit processes and the systems of internal controls management that the Board of Directors have established.

#### ***Audit Committee Charter***

Attached as Appendix "A" is the charter for the Company's Audit Committee.

#### ***Composition of the Audit Committee***

The Audit Committee is comprised of James M.I. Bruce (Chair), Donald Shumka and Kerri L. Fox, each of whom is independent and financially literate.

#### ***Relevant Education and Experience of the Members of the Audit Committee***

##### ***James M.I. Bruce***

James M.I. Bruce holds a Bachelor of Science in Mechanical Engineering and a Master of Business Administration from the University of Manitoba. Mr. Bruce is a Chartered Professional Accountant, and has over 30 years of managerial experience, including 13 years as a partner for Capital West Partners and five years as the Managing Director and Regional Head of Corporate and Investment Banking in British Columbia for TD Securities Inc. For the past 19 years, Mr. Bruce has served as a director or trustee in various public and private companies, crown corporations, and not-for-profit organizations. Since October 2004, Mr. Bruce has been a director and chair of the 2010 Games Operating Trust which manages the Legacy Endowment Fund of approximately C\$130 million for three facilities built for the Vancouver 2010 Olympics.

##### ***Donald Shumka***

Donald Shumka graduated from the University of British Columbia with a B.A. in 1964 and from Harvard University with an MBA in 1966.

From 1976 to 1979, Mr. Shumka worked in various positions in the forest industry. From 1979 to 1989 he was Vice President and Chief Financial Officer of West Fraser Timber Co. Ltd., and from 1989 to 2004 he headed the Forest Products Group for two Canadian investment banks. Mr. Shumka was the Managing Director of Raymond James Ltd. until 2004, and he is currently the President of Walden Management Ltd., a private management company, and a director of Eldorado Gold Corporation, Odin Mining and Exploration Ltd. and Paladin Energy Ltd. Mr. Shumka is also active in the not-for-profit sector.

*Kerri L. Fox*

Kerri L. Fox holds a Bachelor of Arts in International Relations and Russian Studies from Brown University (1990), and a Juris Doctor from Harvard Law School (1993). She has worked in various positions in the project finance industry since 1994. Ms. Fox has been the Head of Project & Structured Finance, North America at BBVA Securities Inc. in New York since March 2009, where she works closely with project developers seeking to finance a variety of infrastructure projects, including renewable energy projects. Prior to joining BBVA, Ms. Fox ran a similar business at Fortis Capital Corp. in New York from January 2005 until March 2009. She has also served as a Vice President and Director in the Project Finance business at Deutsche Bank Securities, Inc., and began her project finance career as an attorney at Milbank, Tweed, Hadley and McCloy.

***Reliance on Certain Exemptions***

The Company's Audit Committee has not relied on any of the exemptions under National Instrument 52-110 during the most recently completed financial year.

***Audit Committee Oversight***

The Board of Directors adopted all recommendations by the audit committee with respect to the nomination and compensation of the external auditor.

***Pre-Approval Policies and Procedures***

The Audit Committee is responsible for overseeing the work of the external auditors and considering whether the provision of non-audit services is consistent with the external auditor's independence. The Audit Committee shall approve in advance all audit and permitted non-audit services with the independent auditors. This includes the terms of engagement and all fees payable.

***External Auditor Service Fees***

PricewaterhouseCoopers LLP ("PWC") was appointed as the Company's external auditor on March 28, 2014 and the appointment was ratified by the Company's shareholders at the annual meeting of shareholders held on May 12, 2014.

The aggregate fees billed by PWC, during the fiscal year ended December 31, 2014, for assurance and related services rendered that are reasonably related to the performance of the audit and review of the Company's financial statements for that period were C\$201,500.

There were no fees billed by PWC during the fiscal year ended December 31, 2014, for professional services for tax compliance, tax advice, tax planning and other services.

Fees payable by Alterra for audit and other services provided by PWC for the fiscal year ended December 31, 2014 and by KPMG LLP for the fiscal year ended December 31, 2013, were as follows:

	Fiscal period ended December 31, 2014	Fiscal period ended December 31, 2013
Audit Fees.....	C\$94,250	C\$124,190
Audit Related Fees .....	C\$ 107,250	C\$144,450
Tax-Related Fees <sup>(1)</sup> .....	nil	C\$198,400
Other Fees.....	nil	nil
<b>Total:</b> .....	C\$ 201,500	C\$467,040

Note:

- (1) Includes fees for professional services rendered for tax compliance, tax advice, tax planning and other related services.

### Compensation Committee

The Compensation Committee is a committee of the Board of Directors to which the Board has delegated its responsibility for oversight of the Company's overall human resources policies and procedures. This includes reviewing the adequacy and form of the compensation paid to the Company's senior management and key employees to ensure that such compensation realistically reflects the responsibilities and risks of such positions. The Compensation Committee's objectives are to assist the Board in meeting its responsibilities in respect of overall human resources policies and procedures including recruitment, performance management, compensation, benefit programs, resignation/terminations, training and development, succession planning and organizational planning and design, to ensure a broad plan of senior management compensation is established that is competitive and motivating in order to attract, retain and inspire senior management and other key employees and to review all compensation and benefit policies and proposals for the Company's senior management and make recommendations to the Board.

Our Compensation Committee is comprised of three independent directors, David W. Cornhill, Kerri L. Fox and Donald Shumka, the latter of whom is the chair of the Compensation Committee.

### Governance and Nominating Committee

The Governance and Nominating Committee is a committee of the Board of Directors, the primary function of which is to assist the Board in fulfilling its responsibilities with respect to developing the process and structure used to supervise the business and affairs of the Company. As this supervision is carried out by the Board, an integral component of this is identifying and evaluating qualified candidates and recommending such candidates for nomination to the Board and its various committees. The corporate governance process and structure will define the allocation of authority between the Board and management, with the objective of achieving accountability to the Company's shareholders and other stakeholders and thereby enhancing the Company's performance and shareholder value. The Governance and Nominating Committee is also responsible for setting the criteria to be applied when selecting new directors and considering the relevant attributes that individuals to be put forth as new directors may bring to the Company and to the various committees of the Board. This allows the Governance and Nominating Committee to assist the Board in maintaining a composition which best combines the skills and experience needed for effective stewardship of the Company.

Our Governance and Nominating Committee is comprised of three independent directors, James M.I. Bruce, Donald Shumka and David W. Cornhill, the latter of whom is the chair of the Governance and Nominating Committee.

### **Health and Safety Committee**

The Company is committed to the health and safety of its employees, contractors and visitors in our workplace, including office and field locations, by providing a safe and healthy environment in which to work, and the Company has developed an Occupational Health and Safety Policy to facilitate this. The policy provides that the Company will identify and remedy any hazardous workplace conditions, establish safe policies and programs and educate workers by providing information, resources, tools and training necessary so that they can perform their work safely.

The Board of Directors has established a Health and Safety Committee to which it has delegated oversight responsibilities to ensure that the Company maintains the integrity of its health and safety policies and that the Company's activities are conducted in an environmentally responsible manner. The Committee oversees management's health, safety and environmental decision making, encourages, assists and counsels management in maintaining and improving health, safety and environmental performance and refers to the Board any matter likely to require a decision by the Board.

Our Health and Safety Committee is comprised of two directors, Kerri L. Fox and Donald A. McInnes, the latter of whom is chair of the Health and Safety Committee.

### **Corporate Cease Trade Orders and Bankruptcies**

Except as noted below, none of the Company's directors or executive officers:

- (a) are, as at the date of this Annual Information Form, or have been, within ten years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including the Company) that,
  - (i) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for more than 30 consecutive days (an "**Order**") that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
  - (ii) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer;
- (b) are, as at the date of this Annual Information Form, or has been within ten years before the date of this Annual Information Form, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or



- (c) have, within the ten years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Regarding the above:

- (a) James M.I. Bruce was a director of Vendtek Systems Inc., a public issuer, from June 24, 2008 to February 16, 2009. Vendtek Systems Inc. received an Order on March 6, 2009 for failure to file financial statements. The failure was rectified and the Order was lifted on March 25, 2010.
- (b) James M.I. Bruce was a director of Sterling Shoes Inc., a public issuer, from June 24, 2010 to October 20, 2011. Sterling Shoes Inc. sought creditor protection under the *Companies' Creditor Protection Act (Canada)* on October 21, 2011. In addition, as a consequence of failing to meet its listing obligations, the common shares and convertible debentures were delisted from the TSX on November 25, 2011.

### **Penalties and Sanctions**

To our knowledge, none of our directors or officers have:

- (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

### **Conflicts of Interest**

To the best of our knowledge, and other than disclosed herein, there are no known existing or potential conflicts of interest among us and our directors, officers or other members of management as a result of their outside business interests except that certain of our directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to us and their duties as a director or officer of such other companies. Conflicts of interest which arise from time to time, if any, will be dealt with in accordance with the provisions of *The Business Corporations Act* (British Columbia). In accordance with *The Business Corporations Act* (British Columbia), directors who have a material interest or any person who is a party to a material contract or proposed material contract with the Company are required, subject to certain exceptions, to disclose those interests and to generally abstain from voting on any resolution to approve the contract. In addition, the directors will be required to act honestly and in good faith with a view to the best interests of the Company. Some of the directors and officers of the Company have or will have either other employment or other business or time restrictions placed on them and accordingly, these directors and officers of the Company will only be able to devote part of their time to the affairs of the Company.

## LEGAL PROCEEDINGS

On April 23, 2007, HS Orka entered into a conditional PPA with Norðurál to sell power from HS Orka's expansion efforts to a new aluminum smelter to be constructed and located in Reykjanesbær, Iceland. The PPA contains a number of conditions which have not been fulfilled, and the Company holds the view that the PPA has lapsed in accordance with its terms. Norðurál disputes this interpretation and maintains that the PPA is a valid agreement. The PPA provides that disputes relating to the PPA are to be resolved by arbitration, and in July 2014, HS Orka initiated proceedings to determine the validity of the PPA. This is the second arbitration on this issue. The arbitration hearing will be held in Iceland in the spring of 2016.

Except as disclosed above, we are not the subject of any material legal proceedings, nor are we or any of our properties a party to or the subject of any such proceedings and no such proceedings are known to be contemplated. We are involved in other routine, non-material litigation arising in the ordinary course of our business from time to time.

## RISK FACTORS

A prospective investor in the Company should carefully consider the risk factors set out below.

### **Risks Relating to our Business and Industry**

#### ***Weather and long term hydrology data***

The revenues generated by run-of-river systems such as those developed by the Company are directly influenced by the amount of electricity generated, which is in turn dependent on available water flows. The Company relies on hydrological studies and data to confirm there is sufficient water flow available to generate enough electricity for its projects to be economically viable. Once built, the Company's hydro projects may be subject to significant variations in precipitation and snow pack, which could affect the water flow necessary for power generation. There can be no assurance that previous estimations using historical water data will remain accurate or that no material hydrologic event will occur and have a negative impact on water flows.

#### ***Assessment of wind resource and production***

The strength and consistency of the wind resource at the Company's wind projects, including Dokie 1 and the Shannon construction project, may vary from the estimates set out in the wind studies for these projects. Weather patterns could change or the historical data could prove to be an inaccurate reflection of the strength and consistency of the wind. There can be no assurance that previous estimations using historical wind data will remain accurate or that weather patterns could change and have a negative impact on project generation.

#### ***Geothermal development programs are highly speculative, are characterized by significant inherent risk and costs, and may not be successful***

Our future performance is partially related to our ability to discover and establish economically recoverable and sustainable geothermal resources on our properties through our development programs. Geothermal development involves significant risk and few properties that are explored are ultimately developed into generating power plants. There is no assurance that our development programs will be successful. Substantial development work is required in order to determine if any economically recoverable and sustainable geothermal resources are located on these development properties.

Successfully discovering geothermal resources is dependent on a number of factors, including the technical skill of development personnel involved. Even in the event commercial quantities of geothermal resources are discovered, it may not be commercially feasible to bring power generation facilities into a state of commercial production from such resources. The commercial viability of a geothermal resource once discovered is dependent on a number of factors, some of which are particular attributes of the resource, such as heat content (the relevant composition of temperature and pressure), useful life, operational factors relating to the extraction of fluids from the geothermal resource, proximity to infrastructure, capital costs to construct a power plant and related infrastructure and power prices. Many of these factors are not within the Company's control.

A geothermal resource cannot be relied upon until substantial development, including drilling, has taken place. The costs of development drilling are subject to numerous variables such as unforeseen geologic conditions underground that could result in substantial cost overruns. Drilling at our properties may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs.

Our drilling operations may be curtailed, delayed or cancelled as a result of numerous factors, many of which are not within the Company's control, including economic conditions, mechanical problems, title problems, weather conditions, compliance with governmental requirements and shortages or delays of equipment and services. If the Company undertakes drilling activities that are not successful, it could materially adversely affect our future results and cash flow.

***Our financial performance depends on our successful operation of power plants, which is subject to various operational risks***

Our financial performance depends on the successful operation of our power plants. At present we operate and have ownership interests in the Svartsengi, Reykjanes, Toba Montrose and Dokie 1 facilities. The cost of operation and maintenance and the operating performance of a facility may be adversely affected by a variety of risk factors, including some that are discussed elsewhere in these risk factors and also the following:

- Unexpected maintenance and replacement expenditures
- Shutdowns due to the breakdown or failure of the plant's equipment
- Labour disputes
- Catastrophic events such as fires, explosions, earthquakes, landslides, floods, releases of hazardous materials, severe storms or similar occurrences affecting a facility, any of the power purchasers from a facility or third parties providing services to a facility
- The aging of facilities, which may reduce their operating performance level and increase the cost of their maintenance
- Fluctuations and changes in weather and other resource-related aspects may impact the Company's operations, causing fluctuations in yearly operating results

Any of these events could significantly increase the expenses incurred by a power plant or reduce the overall generating capacity of a power plant and could significantly reduce or entirely eliminate the revenues generated by a power plant, which in turn would reduce our net income and could materially and adversely affect our business, financial condition, future results and cash flow.

***Our geothermal resources may decline over time and may not remain adequate to support the life of our geothermal power plants***

The operation of geothermal power plants depends on the continued availability of adequate geothermal resources. Although we believe our geothermal resources will be fully renewable if managed properly, we cannot be certain that any geothermal resource will remain adequate for the life of a geothermal power plant.

Any geothermal resource may suffer an unexpected decline in capacity to generate electricity. A number of events could cause such a decline or shorten the operational duration of a geothermal resource, including:

- Power generation above the amount that the applicable geothermal resource will support
- Failure to recycle sufficient geothermal fluids to maintain the applicable geothermal resource
- Failure to properly maintain the hydrological balance of the applicable geothermal resource

If the geothermal resources available to a power plant we develop become inadequate, we may be unable to perform under the PPA for the affected power plant, which in turn could reduce our revenues and adversely affect our business, financial condition, future results and cash flow. If we suffer a decline in our geothermal resources, our insurance coverage may not be adequate to cover losses sustained as a result thereof.

***Uncertainty in the calculation of geothermal resources and probabilistic estimates of MW capacity***

There is a degree of uncertainty attributable to the calculation of geothermal resources and probabilistic estimates of MW capacity. Until a geothermal resource is actually accessed and tested by production wells, the temperature and composition of underground fluids must be considered estimates only. In addition, estimates as to the percentage of the heat that can be expected to be recovered at the surface and the efficiency of converting that heat into electrical energy are subject to a number of assumptions including, but not limited to, resource base temperature, areal extent of the geothermal reservoir, thickness of the geothermal reservoir, percentage of resource recovery and the expected lifetime of the geothermal reservoir. If any of these assumptions prove to be materially incorrect, it may affect the generation capacity of a property.

***Geological occurrences not within the Company's control may compromise our geothermal operations and their capacity to generate power***

Hazards such as unusual or unexpected geologic formations, pressures, downhole conditions, mechanical failures, blowouts, cratering, localized ground subsidence, localized ground inflation, , uncontrollable releases or flows of well fluids, pollution and other physical and environmental risks can affect geothermal development and production activities. These hazards could result in substantial losses including injury and loss of life, severe damage to and destruction of property and equipment, pollution and other environmental damage and suspension of operations.

Additionally, active geothermal areas, such as the areas in which our operations and properties are located, are subject to frequent low-level seismic disturbances. Serious seismic disturbances are possible and could result in damage to our projects or equipment or degrade the quality of our geothermal resources to such an extent that we could not perform under the PPA for the affected project, which in turn could reduce our net income and materially and adversely affect our business, financial condition, future results and cash flow.

***Rockslides, avalanches or other steep-terrain occurrences may affect our ability to operate our hydro projects in British Columbia***

Our operations at Toba Montrose may be interrupted or impaired by unexpected rockslides or other events associated with steep terrain areas similar to the Toba Montrose site. These hazards could result in substantial losses including injury and loss of life, severe damage to and destruction of property or the suspension of operations.

***We may be unable to obtain the financing we need to achieve our growth strategy or other financial goals or we may be required to spend significant funds to advance development before obtaining financing***

The development of our properties often requires a substantial capital investment. Our continued ability to raise capital through project financing, credit facilities or other arrangements is necessary for the success of our growth strategy. Our attempts to secure the necessary capital may not be on favourable terms, or successful at all. Market conditions and other factors may not permit future financings on terms favourable to us. Our ability to arrange financing on favourable terms may be dependent on numerous factors, including general economic and capital market conditions, investor confidence, the continued success of current projects, the credit quality of the project being financed, the political situation in the jurisdiction in which the project is located and the existence of tax laws which are conducive to raising capital. If we experience delays in obtaining financing, we may be required or deem it necessary to spend significant funds to continue project development, including activities necessary to achieve key project milestones, without having first completed financing for the project. If we are unable to secure such development capital through credit facilities or other arrangements, we may have to finance our projects using equity financing which could have a dilutive effect on our common shares. Also, in the absence of favourable financing or other capital raising options, we may decide not to build new plants or acquire properties from third parties. Any of these alternatives could have a material adverse effect on our growth prospects and financial condition.

***Financial leverage and restrictive covenants may restrict our current and future indebtedness and limited future business dealings***

The Company and its subsidiaries are subject to contractual restrictions governing their current and future indebtedness. The degree to which the Company and its subsidiaries are leveraged could have important consequences to shareholders, including: (i) the Company's and its subsidiaries' ability to obtain additional financing for working capital, capital expenditures, acquisitions or other project developments in the future may be limited; (ii) a significant portion of the Company's and its subsidiaries' cash flows from operations may be dedicated to the payment of the principal of and interest on their indebtedness, thereby reducing funds available for future operations; and (iii) the Company and its subsidiaries may be more vulnerable to economic downturns and be limited in their ability to withstand competitive pressures. The Company and its subsidiaries are subject to operating and financial restrictions through covenants in certain loan and security agreements. These restrictions prohibit or limit the Company's and its subsidiaries' ability to, among other things, incur additional debt, provide guarantee for indebtedness, create liens, dispose of assets, liquidate, dissolve, amalgamate, consolidate or effect any corporate or capital reorganization, make distributions or pay dividends, issue any equity interests and create subsidiaries. These restrictions may limit the Company's and its subsidiaries' ability to obtain additional financing, withstand downturns in the Company's and its subsidiaries' business and take advantage of business opportunities. If we default in respect of our obligations under any of our loan agreements, including without limitation servicing existing indebtedness, or to refinance any such indebtedness, our lenders may be entitled to demand repayment and enforce their security against certain projects or other assets.

***We may experience delays and construction cost overruns in the construction of projects***

Delays and cost overruns may occur in completing the construction of development projects, and future projects that the Company will undertake. A number of factors which could cause such delays or cost overruns include, without limitation, permitting delays, construction pricing escalation, changing engineering and design requirements, the performance of contractors, labour disruptions, adverse weather conditions and the availability of financing. Even when complete, a facility may not operate as planned due to design or manufacturing flaws, which may not all be covered by warranty. Mechanical breakdown could occur in equipment after the period of warranty has expired, resulting in loss of production as well as the cost of repair. In addition, if development projects are not brought into commercial operation within the time frame stipulated in their PPA, the Company may be subject to penalty payments or the counterparty may be entitled to terminate the PPA.

***We may incur negative operating cash flow***

Revenues from our operating projects may not be sufficient to fund all of our anticipated expansion, development programs and general and administrative expenses. Our failure to achieve or maintain profitability and positive operating cash flows could have a material adverse effect on our financial condition and results of operations.

***Prospective power prices for our development projects are subject to unpredictable fluctuations***

The market price of power in individual jurisdictions can be volatile and may be incapable of being controlled. If the price of electricity should drop significantly, the economic prospects of the development properties that we have an interest in could be significantly reduced or rendered uneconomic. There is no assurance that a profitable market may exist for the sale of renewable power. Factors not within the Company's control may affect the marketability of any power we could sell from our renewable resource development properties. The marketability of renewable power is also affected by numerous other factors not within the Company's control, including government regulations relating to royalties, allowable production and exporting of energy sources, the effect of which cannot be accurately predicted.

***Industry competition may impede our ability to access suitable renewable resources***

Significant competition exists for the limited number of renewable resource opportunities available. As a result of this competition, some of which is with large established companies with substantial capabilities and greater financial resources than us, we may be unable to acquire additional renewable power operations or properties on terms we consider acceptable. There can be no assurance that our project development and acquisition efforts will yield new renewable power operations or properties.

***We may be unable to enter into PPAs on terms favourable to us, or at all***

The electrical power generation industry is highly competitive and we may not be able to compete successfully or grow our business. The industry is complex and, depending on the jurisdiction, may be composed of public utility districts, cooperatives and investor-owned power companies. Many of the participants in this industry produce and distribute electricity. Their willingness to purchase electricity from an independent producer may be based on a number of factors and not solely on pricing and surety of supply. If we cannot enter into PPAs on favourable terms to us, or at all, it would negatively impact our future projected revenue and our decisions regarding development of additional properties.

### ***Contractual risks with BC Hydro PPAs***

Subsidiaries of the Company have entered into long-term PPAs with BC Hydro for Toba Montrose, Dokie 1 and Jimmie Creek, and we intend to enter into additional long-term PPAs with BC Hydro for the Company's other projects in British Columbia. If the Company is unable to negotiate and enter into such PPAs, the development of its other projects in British Columbia could be delayed. Furthermore, our revenues from projects in British Columbia are substantially dependent upon a sole customer, BC Hydro.

### ***Turbine design, performance and local climatic conditions***

The turbines installed at Dokie 1 and planned for Shannon were chosen because of their advanced design and their expected ability to withstand local weather conditions. However, there can be no assurance that these turbines will be able to withstand all weather conditions that may be experienced, or that extreme weather will not otherwise materially impact the production of electricity. In the event that the turbines do not perform as expected and any deficiencies cannot be corrected in an efficient manner, there may be an adverse effect on the production of electricity at our projects. The wind turbines utilized for our projects may break down from time to time and may degrade over time. Breakdowns and degradation will adversely affect the operations and increase the expenses of, and decrease the revenues from, our wind projects. In addition, any equipment breakdown after expiry of applicable warranty periods will increase expenses at our projects.

### ***Regulatory and political risks***

The development of the Company's power projects and their future operation are subject to extensive regulation by various federal, provincial, state and municipal governments, and changes in the policies and laws of any of these governments could have a significant impact on the Company and its projects, including regulations relating to environmental policies and conflicts of interest with other parties and other related matters beyond the direct control of the Company. Specific risks include increases in water rentals, wind participation rent, property and other taxes and changes in regulations which could make it more difficult to obtain necessary permits.

### ***Environmental and other regulatory requirements may add costs and uncertainty***

Our current and future operations, including development activities and electricity generation from power plants, require licences and permits from various governmental authorities and such operations are and will be subject to laws and regulations governing development, geothermal resources, water use, production, wind participation rents, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, project safety and other matters. The Company may experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations, licences and permits. There is no assurance that all required approvals, licences and permits will be obtained. Additional permits, licences and studies, which may include environmental impact studies conducted before licences and permits can be obtained, may be necessary prior to the development of properties, or the operation of power plants, in which we have interests, and there can be no assurance that we will be able to obtain or maintain all necessary licences or permits that may be required on terms that enable operations to be conducted at economically justifiable costs. Failure to comply with applicable laws, regulations, licensing or permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. We may be required to compensate those suffering loss or damage by reason of our activities, and may have civil or criminal fines or penalties imposed upon us for violations of applicable laws or regulations.

Applicable laws and regulations, including environmental requirements and licensing and permitting processes, may require public disclosure and consultation. It is possible that a legal protest could be triggered through one of these requirements or processes that could delay, or require the suspension of, an development program or the operation of a power plant and increase our costs. Because of these requirements, we could incur liability to governments or third parties for any unlawful discharge of pollutants into the air, soil or water, including responsibility for remediation costs. We could potentially discharge such materials into the environment: from a well or drilling equipment at a drill site; leakage of fluids or airborne pollutants from gathering systems, pipelines, power plants or storage tanks; damage to geothermal wells resulting from accidents during normal operations; and blowouts, cratering and explosions.

No assurance can be given that new laws and regulations will not be enacted or that existing laws and regulations will not be applied in a manner that could limit or curtail our development programs or the operation of our power plants. Amendments to current laws, regulations, licences and permits governing operations and activities of geothermal companies, or more stringent implementation thereof, could have a material adverse impact on us and cause increases in capital expenditures or production costs, or reduction in levels of production, or abandonment, or delays in development of the business.

#### ***Employee recruitment, retention and human error***

Recruiting and retaining qualified personnel is critical to our success. We are dependent on the services of key executives including our Chief Executive Officer and other highly skilled and experienced executives and personnel focused on managing our interests. The loss of any of their services could have a material adverse effect upon us. The number of persons skilled in the acquisition, development and operation of renewable power properties is limited and competition for such persons is intense. As our business activities grow, we will require additional key financial, administrative and technical personnel as well as additional operations staff. There can be no assurance that we will be successful in attracting, training and retaining qualified personnel as competition for persons with these skill sets increase. If we are not successful in attracting, training and retaining qualified personnel, the efficiency of our operations could be impaired, which could have an adverse impact on our future cash flows, earnings, results of operations and financial condition.

Despite efforts to attract and retain qualified personnel, as well as the retention of qualified consultants, to manage our interests, even when those efforts are successful, people are fallible and human error could result in significant uninsured losses to us. These could include loss or forfeiture of assets for non-payment of fees or taxes, significant tax liabilities in connection with any tax planning effort we might undertake and legal claims for errors or mistakes by our personnel.

#### ***Our officers and directors may have conflicts of interests arising out of their relationships with other companies***

Several of our directors and officers serve (or may agree to serve) as directors or officers of other companies or have significant shareholdings in other companies. To the extent that such other companies may participate in ventures in which we may participate, the directors may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. From time to time several companies may participate in the development of properties or projects thereby allowing for their participation in larger development programs, permitting involvement in a greater number of development programs and reducing financial exposure in respect of any one development program. It may also occur that a particular company will assign all or a portion of its interest in a particular development program to another of these companies due to the financial position of the company making the assignment.



***We may face adverse claims to our title***

Although we have taken reasonable precautions to ensure that legal title to our properties is properly documented, there can be no assurance of title to any of our property interests, or that such title will ultimately be secured. Our property interests may be subject to prior unregistered agreements or transfers or other land claims, and title may be affected by undetected defects and adverse laws and regulations.

***Developments regarding First Nations and other indigenous peoples***

We explore and operate in certain areas inhabited by First Nations and other indigenous communities. Developing laws and movements respecting the acquisition of lands and other rights from such communities may alter decades-old arrangements made by prior owners of our renewable power properties or even those made by us in more recent years. We have used commercially reasonable efforts in our dealings with all First Nations and indigenous communities to ensure all agreements are entered into in accordance with the laws governing such communities but because of complex procedural and administrative requirements in some jurisdictions, there is no guarantee that such agreements will ultimately protect our interest, nor can there be any guarantee that future laws and actions will not have a material adverse effect on our financial position, cash flow and results of operations.

The Company's British Columbia projects may be located on Crown land which is subject to ongoing, unresolved claims by First Nations. The Company's failure to reach agreements with such First Nations could result in delays to the development of the Company's British Columbia projects.

***Fluctuation in foreign currency exchange rates may affect our financial results***

We maintain accounts in Canadian and U.S. dollars and other currencies. Our development work and operations in the United States, Iceland, Italy and South America make us subject to foreign currency fluctuations. Foreign currency fluctuations are material to the extent that fluctuations between the Canadian and other currencies are material. We do not at present engage in foreign currency transactions to hedge such exchange rate risks but we may enter into such transactions in the future and we do convert certain Canadian funds to U.S. dollars and other currencies in anticipation of expenditures in such currencies.

***Fluctuations in interest rates may affect our financial results***

Interest rate fluctuations are of particular concern to a capital-intensive industry such as the renewable energy business. The Company generally mitigates underlying interest rate risk with respect to its project-related floating-rate bank credit facilities and holding company financing by entering into interest rate swap agreements to effectively fix the underlying interest rate on floating-rate debt. The credit spread portion of floating interest rate loans cannot be hedged and could increase materially at loan maturity, thus reducing a project's cash flow. In other cases, the Company procures fixed-rate debt when financing its projects to minimize interest rate risk.

A significant rise in interest rates may materially increase the cost of capital and prevent certain development projects from proceeding as the economics may no longer be feasible at higher rates, possibly resulting in termination or asset impairment.

***We may not be able to successfully integrate businesses or projects that we acquire in the future***

Our business strategy is to expand in the future, including through acquisitions. Integrating acquisition targets is often costly, and we may not be able to successfully integrate acquired companies with their

existing operations without substantial costs, delays or other adverse operational or financial consequences. Integrating our acquired companies involves a number of risks that could materially and adversely affect our business, including:

- The failure of the acquired companies to achieve expected results
- Inability to retain key personnel of acquired companies
- Risks associated with unanticipated events or liabilities
- Difficulties associated with establishing and maintaining uniform standards, controls, procedures and policies, including accounting and other financial controls and procedures

***Our insurance policies may be insufficient to cover losses***

As protection against operating hazards, we maintain insurance coverage against some, but not all, potential losses. We may not fully insure against all risks associated with our business either because such insurance is not available or because the cost of such coverage is considered prohibitive. The occurrence of an event that is not covered, or not fully covered, by insurance could have a material adverse effect on our financial condition and results of operations.

***Aluminum price risk***

A significant portion of the revenue of our Icelandic operations is subject to the market price for aluminum. In addition, a portion of the Company's debt obligations are partially linked to the market price for aluminum. Accordingly, fluctuations in the market price for aluminum could have a material adverse effect on the Company's financial position.

**Risks Relating to the Political and Economic Climates of Countries in which We Operate**

***Host country economic, social and political conditions can negatively affect our operations***

A number of our properties are located in foreign domiciles. As we conduct development activities and operations in certain countries, we may be exposed to a number of risks and uncertainties, including:

- Terrorism and hostage taking
- War or civil unrest
- Military repression
- Expropriation or nationalization without adequate compensation
- Renegotiation or nullification of existing concessions, licenses, permits and contracts
- Difficulties enforcing judgments obtained in Canadian or United States courts against assets located outside of those jurisdictions
- Labour unrest
- High rates of inflation

- Changes to royalty and tax regimes
- Restrictions on foreign exchange or repatriation
- Extreme fluctuations in currency exchange rates
- Volatile local political and economic developments
- Difficulty with understanding and complying with the regulatory and legal framework respecting the ownership and maintenance of geothermal properties and power plants
- Difficulty obtaining key equipment and components for equipment
- Currency controls and government regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction

Host country economic, social and political uncertainty can arise as a result of lack of support for our activities in local communities in the vicinity of our properties. Such uncertainties also arise as a result of the relatively new and evolving promotion of private-sector power development. Though the effects of competition will increase the likelihood of market efficiencies and benefit our properties, elimination of energy cost subsidies may increase the inability of end-use consumers to pay for power and lead to political opposition to privatization initiatives and have an adverse impact on our properties and operations.

### **Risks Relating to the Common Shares and Trading Market**

#### ***If our common share price fluctuates, investors could lose a significant part of their investment***

Stock markets are subject to significant price and volume fluctuations. This volatility can have a significant effect on the market price of securities issued by many companies for reasons unrelated to the operating performance of these companies. The market price of our common shares could similarly be subject to wide fluctuations in response to a number of factors, some of which we cannot control, including:

- Changes in securities analysts' recommendations and their estimates of our financial performance
- The public's reaction to our press releases, announcements and filings with securities regulatory authorities and those of its competitors
- Changes in market valuations of similar companies
- Investor perception of our industry or prospects
- Additions or departures of key personnel
- Commencement of or involvement in litigation
- Changes in environmental and other governmental regulations

- Announcements by us or our competitors of strategic alliances, significant contracts, new technologies, acquisitions, commercial relationships, joint ventures or capital commitments
- Variations in our quarterly results of operations or cash flows or those of other companies
- Revenues and operating results failing to meet the expectations of securities analysts or investors in a particular quarter
- Future issuances and sales of our common shares
- Changes in general conditions in the domestic and worldwide economies, financial markets or the power industry

The impact of any of these risks and other factors not within the Company's control could cause the market price of our common shares to decline significantly.

***The issuance of additional equity securities may negatively impact the trading price of our common shares***

We may issue equity securities to finance our activities in the future. In addition, outstanding options to purchase our common shares may be exercised, resulting in the issuance of additional common shares. Our issuance of additional equity securities or a perception that such an issuance may occur could have a negative impact on the trading price of our common shares.

**INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as disclosed below and elsewhere in this Annual Information Form, none of our directors or senior officers or any shareholder holding, on record or beneficially, directly or indirectly, more than 10% of the issued common shares, or any of their respective associates or affiliates, had any material interest, directly or indirectly, in any material transaction with us within the three preceding years or in any proposed transaction which has materially affected us or would materially affect us.

As of the date hereof, Ross Beaty, the Company's Executive Chairman beneficially owns, directly or indirectly, or exercises control or direction over, 151,865,506 common shares, being 32.4% of the issued and outstanding share capital of the Company.

In 2011, the Company entered into an agreement with Ross Beaty, the Company's Executive Chairman that created a C\$20.0 million revolving credit facility (the "**Credit Facility**"). Since 2011, the maturity date and the borrowing amount of the Credit Facility have been extended. The Credit Facility was renewed effective December 31, 2014 with a maximum facility amount of C\$20.0 million. All funds advanced under the Credit Facility are repayable on the earlier of March 31, 2016, a change of control of the Company or on a default by the Company. Interest at the rate of 8% per annum, compounded daily, is payable monthly on the last Business Day of every month commencing with the last Business Day of the month in which the advance was made. In addition, a standby fee in the amount of 1% of the credit facility and a drawdown fee in the amount of 1.5% of the amount advanced is payable in cash.

On July 7, 2014, the Company entered into a second and interim credit agreement with Ross Beaty, the Company's Executive Chairman, to extend an additional principal amount of up to C\$23.4 million (the "**Interim Facility**"). Under the Interim Facility, interest was payable at the rate of 12% per annum, compounded monthly, and was payable monthly on the last Business Day of every month commencing with the last Business Day of the month in which the advance was made. In addition, a drawdown fee in

the amount of 1.5% of the amount advanced was payable in cash. The Interim Facility was repaid in full and terminated on August 18, 2014 after closing of the Company's holding company financing.

During 2014, the Company paid interest and drawdown fees in the amount of C\$1,817,935 and borrowed an aggregate of C\$51.5 million from the Credit Facility and the Interim Facility collectively to cover interim capital needs (primarily related to Jimmie Creek construction). At December 31, 2014 (and subsequently in 2015) no amounts have been drawn under the Credit Facility and C\$20.0 million is available.

### **HOLDING COMPANY FINANCING**

On August 12, 2014, the Company completed a multi-tranche holding company financing with total proceeds of up to C\$110 million to support its equity investments into the Jimmie Creek and Shannon projects, and potentially for capital for other projects or general corporate needs. Tranche A, totaling C\$67.3 million, was funded on August 15, 2014. Tranche B totaling C\$22.5 million was funded on December 19, 2014. Tranche C, totaling C\$20.2 million, may be funded following the closing of construction financing for Shannon, subject to certain agreed conditions precedent and other factors. Tranches A and B are secured by the future cash flows and pledge of indirect equity interests of the Toba Montrose, Dokie 1 and Jimmie Creek projects.

### **TRANSFER AGENT AND REGISTRAR**

The registrar and transfer agent for our common shares is Computershare Investor Services Inc. at its principal offices in Vancouver, British Columbia.

### **MATERIAL CONTRACTS**

There were no material contracts entered into during the financial year ending December 31, 2014 and still in existence.

### **INTEREST OF EXPERTS**

No person or company whose profession or business who is named as having prepared or certified a statement, report, valuation or opinion described or included in this Annual Information Form holds any beneficial interest, direct or indirect, in any of our securities or property or in the securities or properties of any of our associates, or affiliates and no such person is expected to be elected, appointed or employed as one of our directors, officers or employees or as a director, officer or employee of any of our associates or affiliates and no such person is one of our promoters or the promoter of one of our associates or affiliates. In particular, PricewaterhouseCoopers LLP have informed us that they are independent with respect to Alterra within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

Information of an economic, scientific or technical nature regarding the geothermal resources and properties of HS Orka included in this Annual Information Form is based upon the HS Orka Report. The HS Orka Report was prepared by Mannvit hf. Information of an economic, scientific or technical nature regarding the geothermal resources of Mariposa is based upon the Mariposa Report. The Mariposa Report was prepared by Phillip James White of SKM. See "Scientific and Technical Information".

The authors referenced above are independent of the Company and do not have an interest in the property of the Company.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans will be contained in the Company's information circular to be prepared in connection with the Company's annual meeting of shareholders and will be available on SEDAR at [www.sedar.com](http://www.sedar.com). Additional financial information is provided in the Company's financial statements and management's discussion and analysis for the fiscal year ended December 31, 2014, which are also available on SEDAR.

## GLOSSARY OF TERMS

In this Annual Information Form, the following terms shall have the meanings set forth below, unless otherwise indicated or the context otherwise requires:

“**Australian Code**” means the Australian Geothermal Reporting Code.

“**BC Hydro**” means the British Columbia Hydro and Power Authority.

“**Business Day**” means a day which is not a Saturday, Sunday or a statutory holiday in British Columbia.

“°C” means degrees Celsius.

“**Canadian Code**” means the Canadian Geothermal Code for Public Reporting.

“**C\$**” means Canadian dollars.

“**DGP**” means Dokie General Partnership.

“**dollars**” or “**\$**” means United States dollars.

“**Dokie 1**” means the 144 MW wind farm located west of Chetwynd, British Columbia and the accompanying transmission line from the wind farm to the Dokie interconnection site owned by BC Hydro.

“**Dokie 2**” means the proposed wind farm located southwest of Dokie 1.

“**EBE**” means English Bay Energy Limited.

“**EDC**” means Energy Development Corporation.

“**Fiera Axiom**” means a fund managed by Fiera Axiom Infrastructure Inc.

“**GE EFS**” means an affiliate of GE Energy Financial Services, Inc.

“**GWh**” means one gigawatt-hour or one billion watt hours, or 1,000 megawatt-hours.

“**HS Orka**” means HS Orka hf.

“**HS Orka Report**” means the Geothermal Resources and Properties of HS Orka, Reykjanes Peninsula, Iceland: Independent Technical Report dated January 29, 2010 prepared by Mannvit hf.

“**JCLP**” means Jimmie Creek Limited Partnership.

“**Jimmie Creek**” means the site for proposed run-of-river generation facilities located on the Jimmie Creek, which will utilize the same transmission line being used for Toba Montrose.

“**kV**” means kiloVolt (1000 volts).

“**Mariposa**” means the project associated with the Laguna del Maule and Pellado geothermal concessions in Chile.

“**Mariposa Report**” means the Mariposa Geothermal Resource, Laguna del Maule and Pellado Concessions, Chile dated July 19, 2010 prepared by Philip James White of Sinclair Knight Merz Limited.

“**Mortenson**” means M.A. Mortenson Company.

“**MW**” means megawatt; one million watts.

“**MWh**” means one megawatt-hour or one million watt-hours.

“**NI 43-101**” means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.

“**NI 51-101**” means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*.

“**Norðurál**” means Norðurál Helgúvík sf. and its affiliates.

“**Plutonic**” means Plutonic Power Corporation.

“**PPA**” means power purchase agreement.

“**PWC**” means PricewaterhouseCoopers LLP.

“**SEDAR**” means the system for electronic document analysis and retrieval.

“**Shannon**” means a 204 MW wind project located in Clay County, Texas, U.S.A. whose assets are held by Shannon Wind, LLC.

“**Shannon Wind**” means Shannon Wind, LLC.

“**SKM**” means Sinclair Knight Merz Limited.

“**Soda Lake**” means the geothermal generation facilities located in Churchill County, Nevada.

“**TMGP**” means Toba Montrose General Partnership.

“**Toba Montrose**” means the combined East Toba River and Montrose Creek run-of-river generation facilities and the accompanying transmission line from the facilities to Saltery Bay on Jervis Inlet.

“**TSX**” means the Toronto Stock Exchange.

“**Vestas**” means Vestas Canadian Wind Technology Inc.

#### METRIC CONVERSION TABLE

Metric Unit	U.S. Measure	U.S. Measure	Metric Unit
1 hectare .....	2.471 acres	1 acre .....	0.4047 hectares
1 metre .....	3.2881 feet	1 foot .....	0.3048 metres
1 kilometre .....	0.621 miles	1 mile.....	1.609 kilometres



## APPENDIX “A”

### AUDIT COMMITTEE CHARTER

#### 1. PURPOSE

The purpose of the audit committee (the “**Committee**”) is to assist the board of directors (the “**board**”) in fulfilling its oversight responsibilities for (a) the accounting and financial reporting processes; (b) the internal controls; (c) the external auditors, including performance, qualifications, independence and their audit of the Company’s financial statements; and (d) the performance of the Company’s internal audit function.

#### 2. COMPOSITION

- (a) The Committee shall be composed of three independent directors and shall not include any director employed by the Company.
- (b) The board shall appoint annually, from among its members, the members of the Committee and its chair.
- (c) The members and the chair of the Committee shall serve one-year terms and are permitted to serve an unlimited number of consecutive terms.
- (d) Each member of the Committee shall be financially literate, meaning that each member must have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are reasonably comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

#### 3. MEETING

- (a) The Committee shall meet at least four times per year and any member may call special meetings as required.
- (b) A quorum at meetings of the Committee shall be two members. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present.
- (c) The chair of the Committee shall, in consultation with management and the auditors, establish the agenda for the meetings and ensure that properly prepared agenda materials are circulated to the members with sufficient time for study prior to the meeting.
- (d) The minutes of the Committee meetings shall accurately record the decisions reached and shall be distributed to all directors with copies to the chief financial officer and the external auditors.

#### 4. DUTIES AND RESPONSIBILITIES

##### (a) Financial Information

The Committee shall review:

- (i) the annual financial statements and recommend their approval to the board, after discussing matters such as the selection of accounting policies, major accounting judgements, accruals and estimates with management;
- (ii) other financial information included in the annual report and any other reports to shareholders and others;
- (iii) financial information in any annual information form, management proxy circular, prospectus or other offering document, material change report or business acquisition report;
- (iv) management's discussions and analysis contained in the annual report and quarterly statements, if any;
- (v) earnings press releases and any news release regarding financial results or containing earnings guidance before being released to the public;
- (vi) filings to the securities regulators containing financial information; and
- (vii) audits and reviews of financial statements of the Company and its subsidiaries.

**(b) External Audit**

The Committee shall:

- (i) recommend to the board the external auditors to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company and the compensation of the external auditors;
- (ii) review and approve the Company's hiring policies regarding partners, employees and former partners or employees of the present or former external auditors of the Company;
- (iii) at least annually, review the qualifications and performance of the lead partners of the external auditors and determine whether it is appropriate to adopt or continue a policy of rotating the lead partner of the external auditors;
- (iv) review and pre-approve all audit and non-audit service engagement fees and terms in accordance with applicable law, including those provided to the subsidiaries of the Company by the external auditors or any other person in its capacity as external auditors of such subsidiary;
- (v) review the planning and results of the external audit, including:
  - A. the auditor's engagement letter;
  - B. the reasonableness of the estimated audit fees;
  - C. the scope of the audit, including materiality, locations to be visited, audit reports required, areas of audit risk, timetable, deadlines and coordination with internal audit;
  - D. the post-audit management letter together with management's response;

- E. the form of the audit report;
  - F. any other related audit engagements (e.g. audit of the company pension plan);
  - G. non-audit services performed by the auditor;
  - H. assessing the auditor's performance; and
  - I. meeting privately with the auditors to discuss pertinent matters, including the quality of accounting personnel;
- (vi) discuss with management and the external auditors any significant financial reporting issues considered during the fiscal period and the method of resolution and resolve disagreements between management and the external auditors regarding financial reporting; and
  - (vii) review with management and the external auditors any items of concern, any proposed changes in the selection or application of major accounting policies and the reasons for the change, any identified risks and uncertainties, and any issues requiring management judgment, to the extent that the foregoing may be material to financial reporting.

**(c) Interim Financial Statements**

The Committee shall:

- (i) obtain reasonable assurance on the process for preparing reliable quarterly interim financial statements from discussions with management and, where appropriate, reports from the external and internal auditors;
- (ii) review and discuss with management and the external auditors all interim unaudited financial statements and quarterly reports and related interim management discussion and analysis and make recommendations to the board with respect to the approval thereof, before being released to the public; and
- (iii) obtain reasonable assurance from management about the process for ensuring the reliability of other public disclosure documents that contain audited and unaudited interim financial information.

**(d) Accounting System and Internal Controls**

The Committee shall:

- (i) obtain reasonable assurance from discussions with and/or reports from management and reports from external and internal auditors that the Company's accounting systems are reliable and that the prescribed internal controls are operating effectively;
- (ii) direct the auditors' examinations to particular areas;
- (iii) request the auditors to undertake special examinations (e.g., review compliance with conflict of interest policies);

- (iv) review control weaknesses identified by the external and internal auditors, together with management's response;
- (v) review the appointments of the chief financial officer and key financial executives; and
- (vi) review accounting and financial human resources and succession planning within the Company.

**(e) Internal Audit**

The Committee shall:

- (i) review the terms of reference of the internal audit function and the appointment or removal of the director of the internal audit;
- (ii) review the resources, budget, reporting relationships and planned activities of the internal audit function; and
- (iii) review internal audit findings and determine that they are being properly followed-up.

**(f) Compliance**

The Committee shall:

- (i) monitor compliance by the Company of the governing laws and any regulatory requirements, including all payments and remittances required to be made in accordance with applicable law;
- (ii) monitor compliance by the Company of the terms of the International Business Conduct Policy and report periodically to the board thereon; and
- (iii) establish and oversee the procedures in the Code of Business Conduct and the Company's Whistleblower Policy to address:
  - A. the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
  - B. confidential, anonymous submissions by employees of concerns regarding questionable accounting and auditing matters.

**(g) Other Responsibilities**

The Committee's additional responsibilities to be defined as required, but may include:

- (i) monitoring compliance with the corporate code of conduct;
- (ii) investigating fraud, illegal acts or conflicts of interest;
- (iii) discussing selected issues with corporate counsel; and
- (iv) reviewing compliance with environmental codes of conduct and legislation.

**(h) Liaison with Other Financial Officer/Audit Committees of Subsidiary Companies**

The Committee shall:

- (i) review the mandate and terms of reference of a subsidiary's audit committee;
- (ii) review the financial report(s) of the subsidiary's audit committee to its board of directors; and
- (iii) follow-up, as appropriate, with management, the chairperson of the audit committee or the audit partner of the subsidiary on any matters of concern.

**(i) Reporting**

The Committee shall:

- (i) report, through the chairperson, to the board following each meeting on the major discussions and decisions made by the Committee;
- (ii) report annually, through the board, to the shareholders on the Committee's responsibilities and how it has discharged them; and
- (iii) review the Committee's terms of reference annually and propose recommended changes to the board.

**5. REGULATIONS**

- (a) The Committee shall have the power, authority and discretion delegated to it by the board which shall not include the power to change the membership of or fill vacancies in the Committee.
- (b) The Committee shall conform to the regulations which may from time to time be imposed upon it by the board.
- (c) A resolution approved in writing by the members of the Committee shall be valid and effective as if it had been passed at a duly called meeting. Such resolution shall be filed with the minutes of the proceedings of the Committee and shall be effective on the date stated thereon or on the latest date stated in any counterpart.
- (d) The board shall have the power at any time to revoke or override the authority given to or acts done by the Committee except as to acts done before such revocation or act of overriding and to terminate the appointment or change the membership of the Committee or fill vacancies in it as it shall see fit.
- (e) The Committee shall have unrestricted and unfettered access to all Company personnel and documents and shall be provided with the resources necessary to carry out its responsibilities.
- (f) The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to:

- (i) engage independent counsel, or other advisors, as it determines necessary to carry out its duties;
  - (ii) to select and direct the payment of the compensation for any independent counsel or other advisor engaged by the Committee; and
  - (iii) to communicate directly with the internal and external auditors.
- (g) The Committee shall participate in an annual performance evaluation by the governance and nominating committee, the results of which will be reviewed by the board.