



**ANNUAL INFORMATION FORM**  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

MARCH 31, 2014

## 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 projects; management’s expectations regarding our growth; results of operations; business prospects and opportunities; the prospects for advancement of our development and expansion projects; negotiation of a power purchase agreement (“PPA”) related to an expansion of the Reykjanes power plant; estimates of recoverable geothermal energy “resources” or power generation capacities; and 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, occur or be achieved.

A number of known and unknown risks, uncertainties and other factors, may cause our actual results or performance to materially differ from any future results or performance expressed or implied by the 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 expansion programs; failure to discover and establish economically recoverable and sustainable geothermal resources through our exploration and development programs; geothermal exploration and development programs are speculative, are characterized by significant inherent risk and costs, and may not be successful; our financial performance depends on our successful operation of 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; variations in project parameters and production rates; meteorological or geological occurrences not within the Company’s control may compromise our operations and their capacity to generate power; inability to obtain the financing we need to pursue our growth strategy; industry competition may impede our ability to access suitable renewable power resources; we may be unable to enter into PPAs on terms favourable to us, or at all; impact of significant capital cost increases; unexpected or challenging geological conditions; changes to regulatory requirements, both regionally and internationally, governing development, geothermal resources, production, 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; developments regarding First Nations and other indigenous peoples; 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 inter-regional transmission grids; host country economic, social and political conditions can negatively affect our operations; the fluctuation of our common share price could

result in investors losing a significant part of their investment; we currently have no dividend payment policy; if the Company chooses to issue additional equity securities it 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; and other exploration, development and operating risks. There may be other factors that cause unanticipated or unintended actions, events or results. These factors are not intended to represent a complete list of the risk factors that could affect us. 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 upon what management believes to be reasonable assumptions, including, but not limited to: the effects of any increase in power production from our operations; the success and timely completion of planned exploration, 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 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 drilling operations, construction 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; the accuracy of the analysis used to estimate renewable resources and reserves; environmental, administrative or regulatory barriers to the exploration and development of resources on our properties; geological, geophysical, geochemical and other conditions at our properties; the reliability of technical data, including extrapolated temperature gradient, geophysical and geochemical surveys and geothermometer calculations; capital expenditure estimates; availability of capital to fund exploration, development and expansion programs; our competitive position; and general economic conditions. Although management of the Company has taken the identified risk factors into consideration in providing any forward-looking information, forward-looking information is also based upon the assumption that none of the identified risk factors that could cause actual results to differ materially from the forward-looking information will occur.

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.

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## INTRODUCTION

Unless otherwise indicated, the information contained herein is as at December 31, 2013.

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 “Cdn.\$” 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, the Soda Lake facility, the McCoy and Desert Queen properties and Mariposa project, which consists of the Laguna del Maule and Pellado concessions (the “**Mariposa Project**”), 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**”).
- Independent Technical Report: Geothermal Resources and Reserves at Soda Lake Project, Churchill County, Nevada USA dated April, 2010 prepared by GeothermEx, Inc. (“**GeothermEx**”) (the “**Soda Lake Report**”).
- Independent Technical Report Resource Evaluation of the McCoy Geothermal Project, Churchill and Landers Counties, Nevada, USA dated April 29, 2009 prepared by Dr. J. Douglas Walker (Ph.D.) (the “**McCoy Report**”).
- Independent Technical Report Resource Evaluation of the Desert Queen Geothermal Project, Churchill County, Nevada, USA dated May 12, 2009 prepared by Dr. J. Douglas Walker (Ph.D.) (the “**Desert Queen 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 and the Soda Lake Report comply 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.

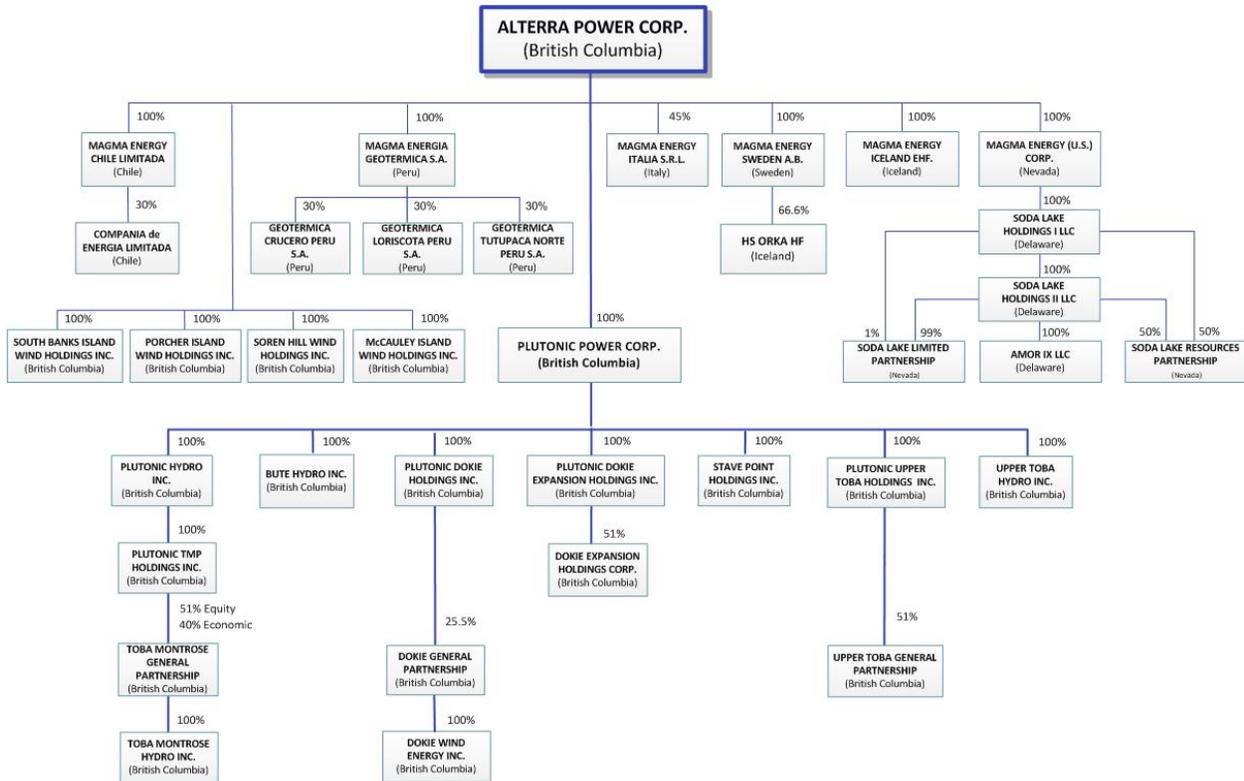
# CORPORATE STRUCTURE

## 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 is located at Suite 600, 888 Dunsmuir Street, Vancouver, British Columbia, Canada, V6C 3K4. We also have offices in Fallon, Nevada; Santiago, Chile; Reykjanesbær, Iceland; Powell River, British Columbia; Lima, Peru; and Castelnuovo di Val di Cecina, Italy; and Arezzo, Italy.

## Intercorporate Relationships

The following diagram illustrates the organizational structure of Alterra, including all its material subsidiaries, as at December 31, 2013.



## 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 six power plants totaling 566 MW of capacity, including two geothermal facilities in Iceland, a geothermal plant in Nevada, British Columbia’s largest run-of-river hydro facilities and the province’s largest wind farm. Our share of this production capacity was 260 MW on December 31, 2013, which is projected to generate over 1,300 GWh of clean energy annually. The Company also has an extensive portfolio of exploration and development projects.

Prior to its acquisition of Plutonic, the Company (operating under the name “**Magma Energy Corp.**”) was primarily a geothermal power company and was actively engaged in operating, developing, exploring and acquiring geothermal energy projects. The Company owns two geothermal power generation plants (the Svartsengi and Reykjanes Plants) and three geothermal exploration projects in Iceland (Eldvörp, Krýsuvík and the adjacent Trölladyngja) through its interest in HS Orka. In addition, we own one geothermal power generation plant in Nevada (Soda Lake), a number of early-stage geothermal exploration properties (the McCoy and Desert Queen properties in Nevada) and a number of early-stage geothermal exploration properties located in Iceland, Peru, Chile and Italy. We also have an interest in the advanced stage geothermal Mariposa Project in Chile.

Alterra’s acquisition of Plutonic in 2011 expanded its operations into other sources of renewable power, primarily run-of-river hydro and wind. In addition to our geothermal projects, we own an interest in the Toba Montrose Facility and Dokie 1 Wind Farm, both of which are located in British Columbia, Canada. We also own a number of water license applications for hydro power generation, an interest in the Dokie 2 wind power expansion site and interests in a number of early-stage wind development assets, also located in British Columbia.

In total and including HS Orka, we have approximately 138 officers and full-time employees and 11 part-time employees.

### Overview of our Operations and Properties

The following provides a brief overview of our geothermal operations and properties as at December 31, 2013.

Property and Location	Property Type	Area (Ha)	Reserves/ Resources <sup>(2)</sup> (MW)	Status
<b>Europe<sup>(3)</sup></b>				
Svartsengi <i>Iceland</i>	Production	175	72 / 0	Current production capacity is 72 MW electrical and 150 MW thermal

<b>Property and Location</b>	<b>Property Type</b>	<b>Area (Ha)</b>	<b>Reserves/ Resources<sup>(2)</sup> (MW)</b>	<b>Status</b>
Reykjanes <i>Iceland</i>	Production	340	100 / 80	Current production capacity is 100 MW electrical, with expansion of additional 80 MW electrical expected
Eldvörp <i>Iceland</i>	Advanced Exploration	1,007	0 / 50	Under development
Krýsuvík <i>Iceland</i>	Advanced Exploration	20,000	0 / 500	Under development
Trölladyngja <i>Iceland</i>	Advanced Exploration	9,500	n/a	Under development
Mensano, Roccastrada <sup>(6)</sup> <i>Italy</i>	Early-Stage Exploration	48,455	n/a	Initial exploration work underway
<b>Total .....</b>		<b><u>79,477</u></b>	<b><u>172 / 630</u></b>	
<b>United States</b>				
Soda Lake <i>Nevada</i>	Production	2,071	14.2 / 28.5 <sup>(4)</sup>	Currently operating at a maximum of 15 MW gross capacity
McCoy <i>Nevada</i>	Advanced Exploration	4,876	n/a	No work planned for 2014
Desert Queen <i>Nevada</i>	Advanced Exploration	4,408	n/a	No work planned for 2014
Granite Springs, Soda Lake East, Upsal Hogback, Hawthorne <i>Nevada</i>	Early-Stage Exploration	11,167	n/a	No work planned for 2014
<b>Total .....</b>		<b><u>22,522</u></b>	<b><u>14.2 / 28.5</u></b>	
<b>South America</b>				
Mariposa <sup>(7)</sup> <i>Chile</i>	Advanced Exploration	104,000	0 / 320 <sup>(5)</sup>	Substantial surface exploration work has been completed; Magnetotelluric Survey completed, 3 slim holes drilled; construction of new roads and drill pads planned

<b>Property and Location</b>	<b>Property Type</b>	<b>Area (Ha)</b>	<b>Reserves/ Resources<sup>(2)</sup> (MW)</b>	<b>Status</b>
Crucero <sup>(7)</sup> , Loriscota <sup>(7)</sup> , Pasto, Tutupaca Norte <sup>(7)</sup> , Panejo, Atarani, Suche <i>Peru</i>	Early-Stage Exploration	140,000	n/a	Preliminary exploration work continuing
Pinchollo, Huaynaputina, Ticsani, Ccollo, Casiri, San Pedro-Aychollo <i>Peru</i>	Early-Stage Exploration	6,950	n/a	Preliminary exploration work continuing
<b>Total .....</b>		<b>250,950</b>	<b>0 / 320<sup>(5)</sup></b>	

Notes:

- (1) Geothermal reserves and resources of MW capacity are subject to uncertainty as to whether they can be accessed in an economically viable manner. It cannot be assumed that all of, or any part of, a geothermal resource will be commercially extracted or that estimates of MW capacity will be achieved.
- (2) The Reserves and Resources 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, 2013.
- (4) Assuming 12% recovery factor, 8% conversion efficiency and a 30-year project life. The Reserves and Resources estimates for Soda Lake are reported in accordance with the Canadian Code.
- (5) The Reserves and Resources estimates for the Mariposa Project are reported in accordance with the Canadian Code.
- (6) Properties are subject to a joint venture with Graziella Green Power, pursuant to which Graziella has acquired a 55% interest in the properties.
- (7) Properties are subject to a joint venture with Energy Development Corporation, pursuant to which EDC has acquired a 70% interest in the properties.

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

<b>Property and Location</b>	<b>Property Type</b>	<b>Potential Megawatt Capacity (MW)</b>	<b>Status</b>
<b>British Columbia – Hydro</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	Advanced Development	62	Preparation for construction underway
Bute Inlet <sup>(2)</sup>	Early-Stage Development	> 1,000	Hydrological studies being undertaken
Green Power Corridor <sup>(3)</sup>	Early-Stage Development	> 750	Hydrological data collection on multiple sites

Property and Location	Property Type	Potential Megawatt Capacity (MW)	Status
<b>British Columbia – Hydro</b>			
Fir Point pump storage	Early-Stage Development	~ 1,000	Preliminary development work underway
<b>Total</b> .....		<u>&gt; 3,047</u>	
<b>Iceland – Hydro</b>			
Bulandsvirkjun <sup>(5)</sup>	Early-Stage Development	150	Pre-feasibility environmental assessment

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 – Wind</b>			
Dokie 1 Wind Farm	Production	144	Production capacity is 144 MW <sup>(6)</sup>
Dokie 2 Wind Expansion	Advanced Development	> 150	Wind resource data being collected and evaluated <sup>(7)</sup>
		<u>&gt; 294</u>	

Notes:

- (1) Together, comprise the Toba Montrose Facility.
- (2) Comprised of a number of run-of-river hydro sites within a radius of approximately 50 kilometres of the head of Bute Inlet.
- (3) A number of hydro sites on the southwestern coast of British Columbia.
- (4) Of which the Company's share is 40% economic, 51% equity (the Company's economic share adjusts to 51% in 2045).
- (5) HS Orka owns 50% of Bulandsvirkjun, and Alterra owns 66.6% of HS Orka.
- (6) Of which the Company's share is 25.5%.
- (7) Of which the Company's share is 51%.

The following provides a summary of the Company's electrical generation in 2013.

	Svartsengi	Reykjanes	Soda Lake	Toba Montrose Facility <sup>(1)</sup>	Dokie 1 Wind Farm <sup>(2)</sup>	ABW Solar Farm <sup>(3)</sup>	Total
Total <sup>(4)</sup>	489.5	790.5	67.5	487.3	301.3	20.6	2,156.8
Net <sup>(4)</sup>	326.0	526.5	67.5	194.9	151.3	2.1	1,268.3

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Notes:

- (1) The Montrose Creek facility, which is part of the Toba Montrose Facility, was shut down by a rockslide from December 13, 2012, to September 22, 2013, and did not generate any electricity during that time. Subject to a deductible amount, the loss of revenue resulting from the shutdown was covered by business interruption insurance.
- (2) The Company sold a 25.5% interest to its partner on December 20, 2013. Prior to this sale, the Company's interest was 51%.
- (3) The Company purchased a 10% interest and commenced operations of the ABW Solar Farm on August 23, 2013. The ABW Solar Farm was sold on November 29, 2013.
- (4) Generation (measured in GWh) is net of plant consumption, station service and transmission losses to the point of interconnection.

## Geothermal Operations

Our geothermal operations include both the production and sale of geothermal power and the exploration and development of geothermal properties. All geothermal revenue and production in 2013 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, 2012 and December 31, 2013 was as follows:

<u>Fiscal Period Ended</u>	<u>Total Revenue</u>
December 31, 2012	\$61,112,000
December 31, 2013	\$63,872,000

We will continue to investigate, evaluate and, if appropriate, acquire additional exploration and 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 south west Iceland having a total capacity of 172 MW electrical and 150 MW thermal (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 PPAs: one with Landsvirkjun, an energy company owned by the government of Iceland, that terminates at the end of 2019 and one with Norðurál Helgúvík sf (together with its affiliates, "Norðurál"), an aluminum smelter operator in Iceland, that terminates in June, 2026.

During 2013 the Company continued to discuss the sale of its interest in HS Orka with prospective purchasers, however discussions were complicated by approvals required from the Central Bank of Iceland related to currency exchange. The Company is continuing discussions regarding a potential sale of its interest in HS Orka, and is currently considering alternate transaction structures.

#### Economic Dependence

A majority of the electricity demand in Iceland comes from the aluminum industry and, as at December 31, 2013, approximately 29% of HS Orka's current revenue was derived from power prices linked to aluminum market prices. Furthermore, HS Orka sells approximately 50% of its power to Norðurál, with

the balance to the retail market and under one other PPA. As a result, much of HS Orka's revenue is dependent on one customer.

At December 31, 2013, Alterra held a 66.6% interest in HS Orka and accordingly a 66.6% interest in all of HS Orka's geothermal resources and properties. HS Orka's geothermal power plants (Svartsengi and Reykjanes) and its advanced stage geothermal exploration projects (Eldvörp, Krýsuvík and Trölladyngja) are all located on the Reykjanes peninsula, southwest of Reykjavík, the capital of Iceland.

### Svartsengi

The Svartsengi property is part of the Svartsengi geothermal field, which 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 72 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 of various sizes ranging from 1.2 MW to 30 MW. 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 very active volcanic rift zone on the western part of the Reykjanes peninsula. The geothermal field is liquid dominated with temperature in the range of 235 to 240°C, with natural steam zone found in the eastern part of the geothermal 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 Company has investigated whether the current 72 MW electrical production capacity of the Svartsengi plant can be maintained by the geothermal resource with current production and reinjection rates being maintained for the next 30 years.

The Svartsengi geothermal resource has been under investigation and exploration 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, with fluid temperature of approximately 240°C the Svartsengi geothermal field is classified as a proven reserve containing recoverable thermal energy of 72 MW electrical for 30 years, relative to the operational parameters of the Svartsengi geothermal power plant.

### 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 dominate reservoir temperature is approximately 295°C. HS Orka has drilled 24 wells in the Reykjanes geothermal field, of which 18 were drilled for the 100 MW plant already in operation, one was drilled as a research well and one was drilled for the re-injection of fluid.

During the third quarter of 2012, the Company signed a contract with Iceland Drilling Ltd. to have two additional wells drilled in the Reykjanes geothermal reservoir as well as a work-over of one existing well. The primary purpose of the wells is to maintain existing production at Reykjanes. Drilling commenced in November, 2012 and was completed in 2013.

Since commencement of operation of the plant in 2006 a steam cap has developed at depths of approximately 800 to 1,200 metres, resulting in higher fluid enthalpy and reduced mass extraction from the field. The reduced extraction, and most likely increased recharge to the geothermal reservoir, has resulted in a reduced rate of pressure drawdown. Consequently, two shallow production wells were drilled in the field with the objective of producing from the steam cap. The Company is currently planning a 50 MW electrical expansion of the Reykjanes plant, and it is anticipated that this expansion will be supplied in two parts, with two-thirds coming from the steam zone and one-third from deeper parts of the reservoir. Accordingly, the planned expansion is dependent on the expansion and health of the steam cap. The Company anticipates a total of nine to twelve production, re-injection and standby wells will be needed for the expansion.

It is clear that utilization of the steam zone will result eventually in lower temperatures of the steam cap and an impact on well-head pressure and the output of wells producing from the steam cap. The reduced temperature of the steam zone and declined well output will probably call for the drilling of make-up wells to replace the declining well output, which are included in the Company's current projections, but the confirmed need for these wells is currently not known.

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 this expansion as the power source will be low pressure steam generated from current operations.

Expansion of the Reykjanes plant is currently awaiting completion of modifications to HS Orka's existing PPA with Norðurál, obtaining project financing and confirmation of resource.

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

The forecasts of the reservoir pressure drawdown and well-head pressure indicate that the Reykjanes geothermal reservoir is capable of supplying high-pressure steam to the current 100 MW electrical Reykjanes power plant plus both the 50 MW and 30 MW electrical expansions through 2040. However, it can be assumed that replacement wells may be needed sometime in the future to make up for declining well output rates.

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 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.

The Company's expansion plans of adding another 50 MW electrical turbine and a 30 MW electrical secondary turbine to the existing operation is expected to be within the production capability of the current resource, with the assurance that continued reservoir monitoring, reinjection and active numerical modeling is maintained in order to ensure the continued sustainability of the reservoir for 30 years, and beyond.

### 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 fissure swarm 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 has plans to develop a 50 MW electrical geothermal power plant on the property. 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 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 exploration 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 exploration 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. However, temperature data from geothermal wells and other geothermal information available is limited, compared to the indicated extent of the resource, to accurately predict the temperature distribution of the Krýsuvík geothermal resource. As a result the Company plans, at a date yet to be determined, to drill three deep (>2,000 metres) exploration wells in the Sveifluháls geothermal sub-field as the next step in the development of the Krýsuvík field.

The geothermal resource at Krýsuvík, including the Sveifluháls, Austurengjar, Trölladyngja and Sandfell geothermal sub-field resources, is classified according to the Australian Code as an inferred geothermal resource with approximately 105,000 petajoules of thermal energy in place, relative to 5°C. The recoverable and converted energy is equivalent to approximately 500 MW (electrical) for 30 years, by assuming a 20% thermal energy recovery and 7% efficiency factor.

Several research and exploration 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 show that a geothermal resource exists in the sub-field. However, the temperature information available is limited and insufficient to confidently estimate the temperature distribution of the Trölladyngja geothermal sub-field resource. Further exploration drilling, research and development is required.

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	72			
Reykjanes	100		80	
Eldvörp			50	
Krýsuvík <sup>(2)</sup>				500
<b>Total.....</b>	<b>172<sup>(1)</sup></b>		<b>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, 2013.
- (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, which has been in production 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 that are the expression of 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 high heat flow, hot springs, hydrothermal alteration area, recent travertine deposits and significant uplifting on a regional scale.

Field work for a detailed exploration program to confirm the presence of high enthalpy resources is nearing completion at Mensano and Roccastrada. Work carried out in 2012 and 2013 included geological, geophysical and geochemical (magnetotelluric, gravity and magnetics) prospecting suitable to define the best location and targets for exploration wells to be drilled in later phases of exploration. The next stage of work is to continue surface exploration, geophysical surveys and drilling of shallow thermal gradient holes at both Mensano and Roccastrada, planned for 2014.

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.

## *United States*

### *United States Geothermal Leases*

Typically, when we acquire an interest in a property with geothermal potential in the United States we do so by entering into a lease with the owner of the property. The lease grants us the right to explore and develop the geothermal resources on the property. In addition, the lease allows us to use as much of the surface of the property as required to accomplish these objectives.

Many of the leases presently held by us cover public lands owned by the U.S. Government and have been issued by the U.S. Bureau of Land Management (“**BLM**”). In some cases, the BLM leases were acquired through a competitive bidding process and we are the initial holder of the lease and the beneficiary of the full term of the lease. The rights to the McCoy, Desert Queen and Granite Springs properties were acquired in this fashion. In other cases, we have taken an assignment of BLM leases from other leaseholders during the existing term of a BLM lease. In some cases, we have supplemented our holdings in certain areas by entering into leases with private landowners. In the case of a lease with a private landowner, we generally pay an annual rental payment for the right to explore and develop the geothermal resources on the property. If a geothermal plant is placed in service on the property, the lease generally requires the payment of royalties in place of the annual rental payment. In most cases, the annual rental payments are credited against any royalties payable to the owner.

The BLM leases we acquired at competitive lease sales in Nevada have a primary term of ten years, with the possibility of obtaining certain extensions of the lease term. If a geothermal plant is developed on the property, the leases convert to a royalty structure. Rental fees are payable annually to the Office of Natural Resources Revenue (“**ONRR**”), formerly known as U.S. Minerals Management Service, in the amount of \$2.00 per acre in year one, \$3.00 per acre in years two through ten, and \$5.00 per acre thereafter. These rental fees are payable even after the leases are in production status, however, rental fees are credited against royalties due. Once production commences, royalties are payable to ONRR in

the amount of 1.75% of gross proceeds on the sale of electricity for the first ten years, increasing to 3.5% of gross proceeds after the first ten years of production and for as long as the property produces power; provided, however, that a royalty of 10% of gross proceeds is payable on arms-length sales of electricity.

BLM leases grant the holder the exclusive right to explore for and develop the geothermal resources found beneath the lease, subject to the satisfactory completion of requisite administrative, operational, environmental, and cultural resource permitting requirements, and compliance with the *Geothermal Steam Act of 1970*, as amended, the regulations thereunder, the *National Environmental Policy Act*, as amended, and related environmental protection statutes governing endangered species, clean air, clean water, and cultural resource management.

### *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 a maximum of 15 MW gross capacity.

The Soda Lake Report concludes that the Soda Lake geothermal reservoir contains a proven reserve of 14.2 MW net and an additional 28.5 MW net indicated resource.

Alterra has numerous federal lands under lease, which are located in proximity to Soda Lake. Geothermal resource development may occur on these lands with appropriate permit approval, and Soda Lake may be expanded, with BLM approval, if or when the results of additional exploration and development indicate there is a geological basis for doing so.

Soda Lake sells all of its current electricity output to NV Energy under two 30-year PPAs that terminate in 2021.

### *McCoy Property*

The McCoy property is located in Nevada and straddles the boundary between Churchill County on the west and Lander County on the east, approximately 50 kilometres northwest of Austin. The site is 25 kilometres from a north-south 230 kV transmission line that has approximately 50 MW of capacity available. There is also an east-west 230 kV transmission line with excess capacity approximately 22 kilometres south of the project area.

The McCoy property consists of four BLM leases covering 4,876 hectares. The lands were acquired by the Company at a lease auction conducted by the BLM in August 2008 with additional acreage being added in 2009. The primary lease term for the property is ten years with the possibility of three additional five-year extensions. If a commercial well is drilled on the property, then the acreage can be converted to “held-by-production” status, which continues for as long as the property produces geothermal fluids.

The Company did not carry out any work on the property during the year, and currently does not plan to carry out any work on the property in 2014.

### *Desert Queen Property*

The Desert Queen property is located within and adjacent to the Hot Springs Mountains in west-central Churchill County, Nevada. The site is approximately 38 kilometres northwest of Fallon and is near the Desert Peak and Brady Hot Springs geothermal facilities and Soda Lake, which together comprise three of the twelve producing geothermal fields in Nevada.

The Desert Queen property consists of six BLM leases covering 2,838.7 hectares.

The Company did not carry out any work on the property during the year, and currently does not plan to carry out any work on the property in 2014.

### *Early Stage Exploration Properties*

#### *Granite Springs Property*

The Granite Springs property is located in Pershing County, west-central Nevada. The property consists of five BLM leases with a total area of 5,937 hectares that were acquired at BLM auctions in August 2009 and May 2010. The effective dates of the leases are September 1, 2009 and June 1, 2010.

The Granite Springs property is a large contiguous block of land that overlies a shallow thermal anomaly up to eight miles long in a north-south direction and up to four miles long in an east-west direction. This thermal anomaly was originally outlined with approximately 30 shallow temperature-gradient holes and lies in the central part of the broad Granite Springs Valley. One slim hole was drilled in 1983 to a depth of 547 metres and measured a maximum temperature of 90°C at the bottom of the hole. The temperature gradient at the bottom of the hole was close to zero so there is no way to predict what temperatures are likely to be at greater depths. There are no surficial thermal features associated with the shallow thermal anomaly but two water samples were recovered from shallow wells within the thermal anomaly, giving predicted quartz geothermometer temperatures of 108°C and 162°C and Na/K/Ca predicted temperatures of 124°C and 191°C. To the west of the thermal anomaly the active Shawave Fault Zone separates the Shawave Mountains from Granite Springs Valley and is a likely structural target. Perhaps some eastern strands of this fault zone or hidden faults further east of the mountains transmit hot water up to shallow depths in the western part of Granite Springs Valley. This thermal anomaly has only had one slim hole drilled into it and the Company feels it is worthy of additional exploration, however the Company does not intend to proceed with further development of the property at this time.

#### *Soda Lake East Property*

The Soda Lake East property is located in Churchill County, west-central Nevada, approximately three kilometres east of Soda Lake. The property consists of one BLM lease with a total area of 1,526 hectares that was acquired at a BLM auction in August 2009. The effective date of the lease is September 1, 2009.

The Soda Lake East property is a greenfield prospect located between the operating Stillwater geothermal field and Soda Lake. To date the Company has not carried out any significant exploration in this area.

#### *Upsal Hogback Property*

The Upsal Hogback property is located in Churchill County, west-central Nevada, and essentially forms a ring around the northern part of Soda Lake. The prospect consists of two BLM leases with a total area of 3,554 hectares that were acquired at a BLM auction in August 2009. The effective date of the leases is September 1, 2009.

The Upsal Hogback property overlies the distal portions of the Soda Lake thermal anomaly. A portion of this property can be viewed as containing the northwest, north, and east margins or extensions of the Soda Lake resource while the more northerly part of the property most likely lies beyond the resource boundary. Four sections of BLM land were relinquished in 2011 due to the lack of compelling geologic argument that further work should be completed on those lands. A slim hole temperature gradient well was drilled on the property in 2011, paralleling a slim hole drilled on the property in October, 2010. The well was drilled to a depth of approximately 1,103 metres, and had a maximum measured temperature of 299°F. As the well was not drilled with the intent of analysing flow, no measurement of flowrate was possible.

### Hawthorne Property

The Hawthorne property is located in Mineral County, west-central Nevada, just south of the town of Hawthorne. The property is 149.5 hectares in size and was purchased from a private party in 2009. The property is adjacent to existing slim holes which have moderate shallow temperatures of up to ~100°C.

The Company did not carry out any work on the above-listed early-stage properties during the year, and currently does not plan to carry out any work on the properties in 2014.

### *South America*

#### *Mariposa Project*

The Mariposa Project is comprised of the Laguna del Maule geothermal exploitation concession and the adjacent Pellado geothermal exploration concession, which are located approximately 300 kilometres south of Santiago and 120 kilometres southeast of Talca in the Maule Region of Chile and cover an area of approximately 104,000 hectares. Alterra has been working on the Laguna del Maule geothermal concession since it was purchased from the University of Chile in 2008. Alterra applied for rights to the Pellado exploration concession in early 2009, with the concession being granted in January 2010. The Pellado concession currently runs until January 2014 and a renewal application to convert the exploration concession to exploitation concession has been submitted, whereas the Laguna del Maule exploitation concession is for an unlimited term.

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 carried out geological mapping, chemical sampling and analysis of fumaroles, a magnetotelluric survey over Laguna del Maule and part of the Pellado concession and the drilling of three slimholes. 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. To provide for access to these drill sites, 24 kilometres of road and crew facilities were constructed. Work carried out to date has indicated the existence of an inferred heat resource capable of sustaining approximately 320 MW of electrical production.

The next phase of work planned for the property is the drilling of several large diameter rotary holes to confirm rock permeability to depths of 2,500 metres, to perform flow tests to establish production parameters and to sample geothermal fluids for characterization as a preparatory step to finalizing steam plant designs.

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 as well as several of the Company’s early-stage geothermal concessions in Peru. 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 Mariposa Project and the Loriscota, Crucero and Tutupaca Norte Peruvian concessions. EDC has acquired a 70% interest in the Mariposa Project, subject to its funding the next \$58.3 million in project expenditures, and a 70% interest in the Peruvian concessions, subject to its funding the next \$8.0 million in project expenditures. Subsequent project expenditures and revenues would be shared pro rata between the Company and EDC. EDC is also now the managing partner for the development of the Mariposa Project and the Peruvian concessions. Work to be carried out on the Mariposa Project in 2014 includes the construction of new roads and drill pads, with production-scale drilling expected to commence in late 2015.

### *Early-Stage Exploration Properties*

#### Peru

Instituto Geológico Minero y Metalúrgico (“INGEMMET”), the geological survey department of the Peruvian Ministry of Energy and Mines (“MEM”), undertook a series of studies of thermal and mineral waters across Peru in the late 1990s and early 2000s. Over 500 springs have been characterized by water chemistry, geology and the potential source of thermal waters. Some work on reservoir temperatures has also been carried out.

There are three tectonic settings associated with thermal springs in Peru. These are deep, recent faulting associated with uplift (and extension) of the Andes, active volcanism in the southern Andes and basins filled with sediments. Of these three settings, the area of active volcanism has high potential for very high temperature geothermal resources. In this region of active volcanism in the Southern Andes there are many springs associated with young volcanism and areas of extensive alteration. Hot springs with surface temperatures reported as high as 89°C are found. Accordingly, most of our activity in Peru is focused in this region.

The Company has applied for 26 exploration concessions in Peru, and to date seven have been awarded (Loriscota, Crucero, Panejo, Pasto, Tutupaca Norte, Atarani and Suche). The others remain in various stages of the award process. The concessions lie in southern Peru’s prospective region of volcanoes and geothermal systems and cover a total of approximately 140,000 hectares of land. During 2013 the Company worked with the local communities and landowners to obtain access in preparation for further exploration, and this work is continuing in 2014.

Due to over- and under-lapping land applications and protected areas, the remaining concessions may be awarded in whole or in part. While waiting for these further geothermal lease concession applications to be processed by MEM, we have secured our land position in several other concession areas through the acquisition of mineral claims over the relevant lands. The concession areas secured by mineral claims are the Casiri, Ccollo, Pinchollo, Huaynaputina, Ticsani and San Pedro-Aychullo areas.

As discussed above under the heading “Mariposa Project”, EDC entered into an agreement with the Company for the development of the Mariposa Project and the Crucero, Loriscota and Tutupaca Norte concessions.

## Hydro and Wind Operations

The Company's Toba Montrose Facility and Dokie 1 Wind Farm are in production, and the Company's portion of revenue from energy sales for the fiscal periods ended December 31, 2012 and December 31, 2013 was as follows:

<u>Fiscal Period Ended</u>	<u>Total Revenue</u>
December 31, 2012	\$44,272,000
December 31, 2013	\$36,811,000 <sup>(1)</sup>

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 Facility" below.

### *Competitive Environment*

All of the electricity generated by the Company from its hydro and wind operations in British Columbia is sold to the provincial utility, British Columbia Hydro and Power Authority ("**BC Hydro**"). BC Hydro is one of the largest electric utilities in Canada, owning and supplying the majority of power generating capacity in the province. The remaining capacity is provided by private utilities, large and small industrial self-generators and independent power producers (such as the Company).

At the present time the Company considers that the only feasible purchaser of electricity generated by the Company and other independent power producers in British Columbia is BC Hydro, pursuant to electricity purchase agreements ("**EPAs**") which are awarded in calls for power. These calls for power are the electricity procurement process undertaken by BC Hydro, where from time to time it invites independent power producers to tender offers for EPAs for their projects to BC Hydro. At this time the Company's development properties in British Columbia are therefore substantially dependent on obtaining EPAs from BC Hydro for its projects, and the Company competes for EPAs with other independent power producers who are developing power projects using various technologies, including run-of-river hydro, wind and biomass plants. These competitors range in size from large gas-fired utilities to small independent power producers.

### *Clean Power Generation*

All but one of the Company's hydro sites in British Columbia are for run-of-river hydroelectric power generation, which is a form of clean power generation. Run-of-river hydroelectric generation facilities differ from traditional hydroelectric facilities, which require the damming of a river or other water course and the consequent flooding of large areas of land to provide a reservoir of water to be used to drive the turbines to generate electricity. A run-of-river project only requires a minimal amount of retention of water in a stream or river, limiting it to the amount required to submerge the intake mouth of a conveyance pipe, or penstock. Through the construction of a weir a portion of the water flowing in 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.

It should be noted that because a run-of-river project does not have the ability to store large amounts of water, the amount of electricity it can generate is dependent on water flow. The weather patterns in the areas where the Company's projects are located generally result in increased water flows in the spring and summer months. This has the potential to enhance BC Hydro's ability to better shape its supply of

electricity to meet demand, as BC Hydro's generation capacity is primarily from dam-created reservoirs. BC Hydro would be able to utilize run-of-river produced electricity during high water months instead of drawing down its reservoirs, and thereby allowing its reservoirs to be replenished during these months. This essentially allows BC Hydro's reservoirs to function as large batteries storing power that can be generated by BC Hydro on demand.

The environmental attributes of electricity generated by run-of-river hydro plants (as well as Alterra's wind and solar technologies) 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

### *Hydro Projects*

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

#### Toba Montrose Facility

The Toba Montrose 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 Infrastructure.

The Toba Montrose Facility 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. A new 230 kV transmission line to carry the generated electricity to Saltery Bay for interconnection to the BC Hydro transmission grid was built as part of the Toba Montrose Facility.

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 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 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 from the Toba Montrose Facility 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.

TMGP and BC Hydro have entered into an EPA for the Toba Montrose Facility, expiring in May 2045, pursuant to which 100% of the electricity generated by the Toba Montrose Facility is purchased by BC Hydro.

The Toba Montrose generation facilities are located within the traditional territory of Klahoose First Nation, and the transmission line that links the Toba Montrose Facility's generation facilities to the transmission grid crosses the traditional territories of Klahoose, Sliammon and Sechelt First Nations. The substation that interconnects the Toba Montrose Facility's generation facilities to the transmission grid 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 qualified for participation in the ecoEnergy Program, a Canadian federal government program which encouraged construction of renewable and green projects. Qualified projects are entitled to receive from ecoEnergy an incentive of Cdn.\$10 per MWh for up to 10 years for eligible low-impact, renewable electricity projects built prior to March 31, 2011. On February 16, 2009 TMGP signed an agreement with the Government of Canada pursuant to which TMGP receives Cdn.\$10 per MWh, which commenced with commercial operation of the Toba Montrose Facility in August 2010.

On December 12, 2012, a naturally occurring rockslide near the Montrose Creek facility damaged a 300 metre section of the five kilometre penstock which supplies water from the intake to the power generating plant at the Montrose Creek facility. The Montrose Creek facility was returned to full operation in September 2013. The rockslide incident was covered by property and business interruption insurance.

#### 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 Upper Toba River. During 2013, however, the Company decided not to proceed with development of the site located on the Upper Toba River at this time. The Jimmie Creek site is located northeast of the head of Toba Inlet, in the vicinity of the Toba Montrose Facility.

The Jimmie Creek site 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 would 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 development would 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 the Toba Montrose Facility, and with the construction of a minimal amount of connector transmission lines will be able to utilize the transmission line built for the Toba Montrose Facility to interconnect to the transmission grid. The roads and other infrastructure built to construct the Toba Montrose Facility will also be used to construct the Jimmie Creek Project, together with some additional mainline and other roads to access the new intake location.

On March 31, 2009, the Company received an Environmental Assessment Certificate from the Environmental Assessment Office ("EAO") 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's subsidiary, Plutonic Upper Toba Holdings Inc., and GE EFS Canada Investment Holding Company ("GE EFS"), an affiliate of General Electric, formed the Upper Toba General Partnership ("UTGP") and on April 28, 2010, UTGP and BC Hydro entered into a 40 year EPA for the Upper Toba Project. In April 2012, an interconnection agreement was signed with BC Hydro for the Upper Toba Project. During 2013 both of these agreements were amended to remove the Upper Toba site, leaving them applicable to the Jimmie Creek Project.

In October, 2013, the Company and GE EFS entered into an agreement for the Company's purchase of GE EFS' 49% interest in the Jimmie Creek Project. Completion of the Company's purchase is expected to occur in the first quarter of 2014.

During 2013 the Company continued to carry out engineering and cost estimating, project optimization and design for the Jimmie Creek Project at a cost of approximately Cdn.\$6.3 million. Construction of the Project is expected to commence in 2014.

The Impact Benefit Agreements entered into with Sliammon and Sechelt First Nations for the Toba Montrose Facility are also applicable to the Upper Toba Project, so the Company will not need to enter into separate agreements with those two First Nations for the Upper Toba Project. In May 2012, the Company entered into a Resource Development Agreement with the Klahoose First Nation with respect to the Upper Toba Project, 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 Project, which is not yet under construction, 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 Bute Inlet Project will require transmission facilities to be built to transmit the electricity generated. The currently planned configuration is a 500 kV line from Bute Inlet to the BC Hydro substation located at Malaspina, where it will interconnect with the transmission grid.

Significant logging and other industrial activity has occurred in the vicinity of Bute Inlet since the 1960s, resulting in the development of an extensive network of roads in the area. The Company should be able to utilize these roads for construction of some of the Bute Inlet Project facilities, however the rehabilitation of a number of existing, and the construction of additional, new roads will likely be required.

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. During 2010 the Company entered into an Impact Benefit Agreement with Sechelt First Nation, during 2011 it entered into an Impact Benefit Agreement with Homalco First Nation and in 2012 it entered into a Resource Development Agreement with Sliammon First Nation. These agreements include terms regarding access through their 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 2013 the Company continued with hydrological studies on the Bute Inlet Project sites.

## Green Power Corridor™ Projects

The Company has completed two stages of work towards securing water licenses and Crown Land rights from British Columbia Ministry of Natural Resource Operation for the development of a number of run-of-river sites on the southwestern coast of British Columbia, an area which the Company has named the “Green Power Corridor”™. Also included in the Green Power Corridor is 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 has been limited to primarily collecting hydrological data and preliminary engineering work on some of the sites, and it expects to maintain this activity level during 2014.

## Iceland

HS Orka, which is owned 66.6% by the Company, holds a 50% interest in the Bulandsvirkjun hydroelectric property, an early-stage development property located on the Skaftá River in Iceland. During 2013 the Company continued to advance the project, with commencement of a pre-feasibility report and environmental impact assessment.

## *Wind Projects*

The Company has several wind electricity generation and development sites in British Columbia.

## Dokie 1 Wind Farm

The Dokie 1 Wind Farm is owned by Dokie General Partnership (“**DGP**”). The Company owned a 51% interest in DGP until December 20, 2013, at which time it sold a 25.5% interest to its partner in DGP, Fiera Axium Infrastructure. As a result the Company now owns a 25.5% interest in DGP and Fiera Axium Infrastructure owns a 74.5% interest. The Company received initial proceeds of Cdn.\$28,625,000 from the sale and may receive further earn-out payments of up to Cdn.\$2,250,000 over the next three years, depending on asset performance.

The Dokie 1 Wind Farm is a 144 MW capacity wind farm located approximately 40 kilometres west of Chetwynd, in north-eastern British Columbia, and commenced commercial operation on February 16 2011.

The Dokie 1 Wind Farm consists of 48 wind turbine generators (“**WTGs**”) located on two ridges, with each WTG having a capacity of 3 MW. The first ridge, Johnson Col, has 15 WTGs installed in a line of approximately 3,500 metres and the second ridge, Johnson Ridge, has 33 WTGs installed in a line of approximately 7,500 metres. Each WTG is comprised of a tower 80 metres in height topped with a three MW Vestas V-90 turbine nacelle, which has a turbine blade sweep diameter of 90 metres. The Dokie 1 Wind Farm is expected to generate a net 330 GWh of electricity per year.

The Dokie 1 Wind Farm includes approximately 17 kilometres of 35 kV collector lines running from the WTGs to the project substation. At the substation, power is stepped up to 230 kV and then carried approximately seven kilometres by a 230 kV transmission line to an interconnection point with BC Hydro’s transmission grid.

DGP and BC Hydro have entered into an EPA for the Dokie 1 Wind Farm, expiring in February 2036, pursuant to which 100% of the electricity from the Dokie 1 Wind Farm is purchased by BC Hydro.

The Dokie 1 Wind Farm is located within the traditional territories of the West Moberly, Sauleau 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 provides revenue sharing, employment and contracting opportunities for First Nation members.

The Dokie 1 Wind Farm also qualifies for participation in the ecoEnergy Program, and on November 19, 2009 DGP signed an agreement with the Government of Canada pursuant to which DGP receives Cdn.\$10 per MWh for a period of 10 years, which commenced with commercial operation in February 2011.

### Dokie 2 Wind Expansion

The Dokie 2 Wind Expansion Project is located on a number of ridges to the south and west of the Dokie 1 Wind Farm. The Dokie 2 Wind Expansion Project has a projected capacity of up to 156 MW, and is owned 51% by the Company and 49% by Dokie Wind Holdings Company, an affiliate of General Electric. During 2011 the Company installed four new meteorological towers on the site, and during 2012 and 2013 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 2014.

The Dokie 2 Wind Expansion Project 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 the Dokie 1 Wind Farm entered into with the Halfway River and West Moberly First Nations and the McLeod Lake Indian Band are also applicable to the Dokie 2 Wind Expansion Project, however the Company will need to negotiate a Memorandum of Understanding with the Sauleau First Nations for the project.

### English Bay 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 transaction is expected to close in 2014.

## **Solar Operations**

### ABW Solar Project

During 2013 the Company completed its acquisition of, and then subsequently sold, its 10% interest in the ABW Solar Project. The project consisted of three photovoltaic solar facilities totalling 50 MW in southern Ontario near the towns of Amherstburg (10 MW), Belmont (20MW) and Walpole (20 MW). The ABW Solar Project was acquired by an affiliate of Fiera Axium Infrastructure, Inc..

## DIVIDENDS

Alterra has not declared or paid any dividends since incorporation. The Company will consider a change to this policy in the future when circumstances allow. 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.

## 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 2013:

<u>Month Ended</u>	<u>Volume</u>	<u>High</u>	<u>Low</u>	<u>Close</u>
January, 2013	4,453,010	0.44	0.40	0.41
February, 2013	3,589,148	0.42	0.36	0.395
March, 2013	8,769,628	0.385	0.295	0.31
April, 2013	22,499,908	0.35	0.26	0.335
May, 2013	8,482,687	0.365	0.265	0.265
June, 2013	12,382,210	0.345	0.285	0.315
July, 2013	2,912,217	0.345	0.30	0.32
August, 2013	3,890,440	0.33	0.29	0.30
September, 2013	5,868,202	0.33	0.29	0.30
October, 2013	3,983,914	0.315	0.28	0.295
November, 2013	3,254,786	0.31	0.285	0.285
December, 2013	3,657,206	0.305	0.27	0.295

## 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 2009
<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)	Vice Chairman of the Company since 2011; Chief Executive Officer of Plutonic from 1999 to 2011;
WALTER T. SEGSWORTH <i>British Columbia, Canada</i>	Lead Independent Director (since May 13, 2011)	Self employed businessman and consulting engineer
DAVID W. CORNHILL <i>Alberta, Canada</i>	Director (since December 1, 2008)	Chair and Chief Executive Officer of AltaGas Ltd. Income Trust 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; former Senior Vice President – Finance / Consultant of Terra-Gen Power LLC from 2008 to 2009
<b>Executive Officers</b>		
JOHN CARSON <i>British Columbia, Canada</i>	Chief Executive Officer	See above.
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

<b>Name and Municipality of Residence</b>	<b>Current Office with the Company</b>	<b>Principal Occupation Since 2009</b>
RUPERT A. LEGGE <i>British Columbia, Canada</i>	Executive Vice President, Legal and Corporate Secretary	Executive Vice President, Legal and Corporate Secretary of Alterra since May 2011 and Executive Vice President, Corporate and Legal Affairs of Plutonic since 2008
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
MONTE MORRISON <i>Nevada, U.S.A</i>	United States Country Manager and Vice-President, Operations	US Country Manager and Vice-President, Operations of Alterra since 2010; previously Vice-President Operations (Soda Lake) from 2008 to 2010

As of December 31, 2013, the directors and executive officers of the Company, as a group, beneficially own directly or indirectly, or exercise control or direction over 152,540,550 common shares representing approximately 32.7% 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 Donald Shumka (Chair), Walter Segsworth and James Bruce, each of whom is independent and financially literate.

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

##### ***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, Paladin Energy Ltd., Lumina Copper Corp. and Anfield Nickel Corp. Mr. Shumka is also active in the not-for-profit sector.

##### ***Walter Segsworth***

Walter Segsworth earned a Bachelor of Science degree in Mining Engineering from Michigan Technological University in 1971, and is a registered Professional Engineer in British Columbia. For the first two decades of his career he worked in various technical and operations positions. In 1990 he became President, Chief Executive Officer and a director of Westmin Resources, and in 1998 he became President, Chief Operating Officer and a director of Homestake Mining Company. During his tenures at Westmin Resources and Homestake Mining Company he dealt extensively with financial reporting and carried the ultimate responsibility for the content of the companies' financial statements. Since his retirement from Homestake Mining Company in 2002, Mr. Segsworth has been engaged almost entirely

in serving on the boards of companies in the resource sector (currently four) and has been a member of several audit committees. Mr. Segsworth also serves on the board of Science World, where he is a member of the audit committee.

#### *James Bruce*

James Bruce holds a Bachelor of Science in Mechanical Engineering and a Master of Business Administration from the University of Manitoba. Mr. Bruce is a Certified Management Accountant, and has over 30 years of managerial experience, including 12 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 18 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 Cdn.\$130 million for three of Vancouver's Olympic facilities.

#### *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*

KPMG LLP was appointed as the Company's external auditor in 2011.

The aggregate fees billed by KPMG LLP, during the fiscal year ended December 31, 2013, 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 Cdn.\$249,482.

The aggregate fees billed by Ernst & Young LLP and KPMG LLP during the fiscal year ended December 31, 2013, for professional services for tax compliance, tax advice, tax planning and other services were Cdn.\$178,143. Tax services provided included advice in connection with structuring of transactions and review of tax provisions.

Fees payable by Alterra for audit and other services provided by KPMG LLP and Ernst & Young LLP for the fiscal years ended December 31, 2013 and December 31, 2012, were as follows:

	Fiscal period ended December 31, 2013	Fiscal period ended December 31, 2012
Audit Fees.....	Cdn.\$97,000	Cdn.\$169,551
Audit Related Fees .....	Cdn.\$209,428	Cdn.\$329,555
Tax-Related Fees <sup>(1)</sup> .....	Cdn.\$178,143	Cdn.\$211,041
Other Fees <sup>(2)</sup> .....	Cdn.\$70,718	Nil
<b>Total:</b> .....	<b>Cdn.\$427,625</b>	<b>Cdn.\$710,147</b>

Note:

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

(2) Includes fees for infrastructure and PST advisory work.

### 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, Donald Shumka and Walter Segsworth, 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 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, Walter Segsworth 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 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 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**

In December 2011 the Company initiated arbitration proceedings towards Norðurál concerning interpretation of certain clauses in the power purchase agreement for the Grundartangi smelter concerning minimum purchase of power. The full amount of revenue that should have been received under the agreement was accrued in the financial statements in 2012 and 2013. An arbitration panel ruled on the matter in May 2013 and Norðurál subsequently paid the accrued revenue.

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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.

## **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 proportional to 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 power projects in British Columbia may be subject to significant variations in precipitation and the amount of snow pack in the watershed, which would affect the water flow necessary for power generation. There can be no assurance that 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 the Dokie 1 Wind Farm, may vary from the estimates set out in the wind study for the project. Weather patterns could change or the historical data could prove to be an inaccurate reflection of the strength and consistency of the wind in the future.

If the actual wind resources for a particular project varies from the estimates in the wind study or wind data collected it could have a material adverse effect on that project and, in turn, on the business, financial position or results of operations of the Company.

#### ***Geothermal exploration and 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 exploration and development programs. Geothermal exploration and development involves significant risk and few properties that are explored are ultimately developed into generating power plants. There is no assurance that our exploration and development programs will be successful. Substantial exploration and development work is required in order to determine if any economically recoverable and sustainable geothermal resources are located on these exploration properties. Successfully discovering geothermal resources is dependent on a number of factors, including the technical skill of exploration 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 geothermal 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.

Geothermal exploration and development costs are not fixed. 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 own and operate the Soda Lake facility, and operate and have ownership interests in the Svartsengi and Reykjanes power plants, the Toba Montrose Facility and the Dokie 1 Wind Farm. 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 the following:

- Unexpected maintenance and replacement expenditures
- Shutdowns due to the breakdown or failure of the plant's equipment
- Labour disputes, though the Company currently is not subject to organized labour agreements
- 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, which could cause the applicable geothermal resource to become a non-renewable wasting asset. These events include:

- 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 MW 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, explosions, uncontrollable releases or flows of well fluids, pollution and other physical and environmental risks can occur in geothermal exploration 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.

***We may be unable to obtain the financing we need to achieve our growth strategy or other financial goals***

The development of our properties will often require a substantial capital investment. Our continued access to capital through project financing or through credit facilities or other arrangements with acceptable terms 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 project and acquisition financings on terms favourable to us. Our ability to arrange for 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 continued existence of tax laws which are conducive to raising capital. If we are unable to secure 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.

Several of our subsidiaries are required to service existing and future indebtedness, and their failure to do so or to refinance such indebtedness may entitle the lenders to demand repayment and enforce their security against certain project or other assets.

***It is costly to place renewable power resources into commercial production***

Construction, equipment and administrative costs associated with placing renewable power resources into commercial production can be considerable. Future development and expansion of power production at our properties may result in significantly increased capital costs. To fund expenditures of this magnitude, we may have to seek additional financing and sources of capital. There can be no assurance that additional capital can be found and, if found, it may result in us having to substantially reduce our interest in the project.

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

Revenues from our operating projects may not be sufficient to fund all of our anticipated expansion, development and exploration 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 and technical 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 acquisition programs 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 EPAs***

Subsidiaries of the Company have entered into long-term EPAs with BC Hydro for the Toba Montrose Facility, Dokie 1 Wind Farm and Jimmie Creek Project, and it is intended that additional long-term EPAs will ultimately be entered into with BC Hydro for the sale of electricity from the Company's other projects in British Columbia. If the Company is unable to negotiate and enter into such EPAs, 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.

***Reliance on single turbine supplier***

The wind turbines for the Dokie 1 Wind Farm have been obtained from one supplier only, Vestas-Canadian Wind Technology Inc. ("**Vestas**"). If for any reason Vestas is unable or unwilling to fulfill its contractual obligations under its warranty and maintenance agreement with DGP, it may have a material adverse effect on the Dokie 1 Wind Farm and in turn, the Company. If Vestas ceases business operations prior to the cessation of operations at the Dokie 1 Wind Farm, spare parts for the Dokie 1 Wind Farm may be unavailable and operation of the wind turbines at the Dokie 1 Wind Farm may be adversely affected, which may have a material adverse effect on the business, financial condition and results of operations of the Dokie 1 Wind Farm and in turn, the Company.

***Turbine design and local climatic conditions***

The Vestas turbines installed at the Dokie 1 Wind Farm 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. While the Vestas turbine's ability to perform in accordance with its power curve has been warranted by Vestas, there is no assurance that such performance will in fact occur. 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 by the Dokie 1 Wind Farm. The wind turbines utilized for the Dokie 1 Wind Farm 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, the Dokie 1 Wind Farm. In addition, any equipment breakdown after expiry of the applicable warranty period will increase the expenses of the Dokie 1 Wind Farm.

### ***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 exploration and 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 exploration and development, geothermal resources, water use, production, wind participation rent, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, project safety and other matters. Companies can 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 approvals or required 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 exploration or 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 exploration or 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 exploration and development programs or our operation of 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 acquisition, exploration, 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.

Pursuant to the terms of our BLM leases, we are required to conduct our operations on BLM-leased land in a workmanlike manner and in accordance with all applicable laws and BLM directives and to take all mitigating actions required by the BLM to protect the surface of and the environment surrounding the relevant land. Additionally, certain BLM leases contain additional requirements, some of which relate to the mitigation or avoidance of disturbance of any antiquities, cultural values or threatened or endangered plants or animals, the payment of royalties for timber and the imposition of certain restrictions on residential development on the leased land. In the event of a default under any BLM lease, or the failure to comply with such requirements, or any non-compliance with any of the provisions of the *Geothermal Steam Act of 1970* or regulations issued thereunder, the BLM may, 30 days after notice of default is provided to our relevant project subsidiary, suspend our operations until the requested action is taken or

terminate the lease, either of which could adversely affect our business, financial condition, future results and cash flow.

***Developments regarding Aboriginal, First Nations and Indigenous peoples***

We explore and operate in certain areas inhabited by First Nations and other indigenous people. Developing laws and movements respecting the acquisition of lands and other rights from such people and 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 aboriginal, First Nations, and indigenous people to ensure all agreements are entered into in accordance with the laws governing aboriginal, First Nations, and indigenous peoples and their 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 an agreement 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 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, nor do we plan in the future, to engage in foreign currency transactions to hedge exchange rate risks but we do convert certain Canadian funds to U.S. dollars in anticipation of U.S. expenditures.

***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 exploration and development 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***

In recent years, the stock market has experienced significant price and volume fluctuations. This volatility has had 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, most 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. In particular, the market price for our common shares may be influenced by variations in electricity prices, which are highly volatile.

*We currently have no dividend payment policy*

We have not declared or paid any dividends on our common shares and do not currently have a policy on the payment of dividends. The payment of any future dividends will depend upon earnings and our financial condition, current and anticipated cash needs and such other factors as our Board of Directors considers appropriate.

*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.

In 2011 the Company entered into a Credit Agreement (the "**Credit Agreement**") with Ross Beaty, the Company's Executive Chairman. Pursuant to the terms of the Credit Agreement the Company is able to borrow up to Cdn.\$20,000,000. All funds advanced under the Credit Agreement are repayable on the earlier of January 1, 2015, 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. During 2013 a total of Cdn.\$19,895,000 million was advanced under the Credit Agreement and paid back, and no amounts remained outstanding as at December 31, 2013. During 2013, interest and drawdown fees in the amount of Cdn.\$1,598,027 were paid to Ross Beaty pursuant to the Credit Agreement.

**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**

The following material contract was entered into during the financial year ending December 31, 2013:

- Purchase and Sale Agreement with Fiera Axium Infrastructure dated December 13, 2013, the terms of which are described under the heading "Description of the Business – Wind Operations – Dokie 1 Wind Farm".

A copy of the above material contract is available on SEDAR located at [www.sedar.com](http://www.sedar.com).

## **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, KPMG 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 Soda Lake geothermal resources is based upon the Soda Lake Report. The Soda Lake Report was prepared by GeothermEx. Information of a scientific or technical nature regarding the McCoy and Desert Queen properties included in this Annual Information Form is based upon each of the McCoy Report and Desert Queen Report, respectively. Each of the McCoy Report and Desert Queen Report were prepared by J. Douglas Walker, Ph.D. Information of an economic, scientific or technical nature regarding the geothermal resources of the Mariposa Project 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, 2013, 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.

“**BLM**” means U.S. Bureau of Land Management.

“**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.

“**Cdn.\$**” means Canadian dollars.

“**Credit Agreement**” means the credit agreement between Alterra and Ross Beaty.

“**Desert Queen Report**” means the Independent Technical Report Resource Evaluation of the Desert Queen Geothermal Project, Churchill County, Nevada dated May 12, 2009 prepared by Dr. J. Douglas Walker (Ph.D.).

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

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

“**Dokie 1 Wind Farm**” means the 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 Wind Expansion Project**” means the proposed wind farm located south west of the Dokie 1 Wind Farm.

“**EAO**” means Environmental Assessment Office.

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

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

“**EPA**” means electricity purchase agreement with BC Hydro.

“°**F**” means degrees Fahrenheit.

“**GeothermEx**” means GeothermEx Inc.

“**GW**” means gigawatt; or one billion watts.

“**GWh**” means 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.

“**INGEMMET**” means the Instituto Geológico Minero Y Metalúrgico.

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

“**kV**” means kiloVolt (1000 volts).

“**Mariposa Project**” means the Laguna del Maule and Pellado 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.

“**McCoy Report**” means the Independent Technical Report Resource Evaluation of the McCoy Geothermal Project, Churchill and Landers Counties, Nevada dated April 29, 2009 prepared by Dr. J. Douglas Walker (Ph.D.).

“**MEM**” means the Peruvian Ministry of Energy and Mines.

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

“**MWh**” means one million watt hours.

“**Na/K/Ca**” refers to a sodium-potassium-calcium geothermometer that is a geochemical calculation used to estimate geothermal reservoir temperature from analytical results of liquid samples.

“**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 Helguvík sf. and its affiliates.

“**NV Energy**” means NV Energy Company.

“**ONRR**” means the Office of Natural Resources Revenue.

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

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

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

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

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

“**Soda Lake Report**” means the Independent Technical Report: Geothermal Resources and Reserves at Soda Lake Project, Churchill County, Nevada USA dated April, 2010 prepared by GeothermEx.

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

“**Toba Montrose Facility**” 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.

“**UTGP**” means Upper Toba General Partnership.

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

“**WTGs**” means wind turbine generators.

**METRIC CONVERSION TABLE**

<b>Metric Unit</b>	<b>U.S. Measure</b>	<b>U.S. Measure</b>	<b>Metric Unit</b>
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.