

FINAL TRANSCRIPT

Alterra Power Corp.

First Quarter Results

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May 13, 2014 — 11:30 a.m. E.T.
Alterra Power Corp. First Quarter Results

PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Alterra Power Corporation First Quarter Results Conference Call.

At this time, all lines are in listen-only mode. Following the presentation, we will conduct a question-and-answer session. Instructions will be provided at that time for you to queue up for a question. If anyone has any difficulties hearing the conference, please press *, 0 for Operator assistance at any time.

I would like to remind everyone that this call is being recorded on Tuesday, May 13, 2014.

I would now like to turn the conference over to Ross Beaty, Chairman of Alterra Power Corp. Please go ahead.

Ross Beaty — Chairman, Alterra Power Corp.

Thank you, Operator, and good morning, ladies and gentleman. Thank you for joining us today at our first quarter financial and operating results conference call for investors, analysts, and other interested parties.

Before I get going, I want like to remind everybody that we will be making some forward-looking statement today. We have a full disclosure statement in our presentation, on our website, in our news release, and we do seek Safe Harbor for these comments.

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May 13, 2014 — 11:30 a.m. E.T.
Alterra Power Corp. First Quarter Results

So yesterday we had our Annual General Meeting, and for me it was a very nice event. Really the focus and highlight for me personally was really looking at the year that's just gone past. We had some difficulties at our Toba Montrose project. It was occasioned by a landslide at the end of 2012, and it took a lot of work. It actually set us back in a number of areas.

It was a very difficult thing to deal with as it turned out, expensive, and caused some insurance squabbles. And we had a temporary waiver on our lending syndicate.

So we had to work through a lot of those issues last year, and it also sort of slowed down our growth on another project in the same area, which was our Jimmie Creek project, but we got through everything.

And so the message, I guess, from me for the whole year that I tried to convey at the Annual Meeting that I'd also like to present here today is just how immensely proud and pleased I am with the strength of our management team. Companies are really people first and projects second. And you can't do one without the other.

And the strength of our team in both sourcing and developing and financing and operating clean energy projects was really something I wanted to profile to our shareholders and I'd like to profile today. We do have a really high-quality team. I know John will be speaking about this later, but that was the real element to me that I think drives the value of our company more than any other thing.

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May 13, 2014 — 11:30 a.m. E.T.
Alterra Power Corp. First Quarter Results

Otherwise, the results for the first quarter for me, the two main highlights were steady operations and really great progress on some of our growth projects. After a couple years of sort of static activity, we are really now launching a whole new phase of the Company's growth.

We have two projects that could increase our operating capacity by 50 percent. We're in the middle of raising literally \$700 billion of capital to do this. And this is, as you can imagine, an immense amount of work; very strong team executing this work. That's what's happening behind the scenes at Alterra, and you're going to hear some of the comments about this today from John and the other members of our team.

All of this presentation is web accessible. We have some—a nice presentation on the web and any investor can have a look at this as we're speaking, or can dial it in later.

So with those introductory comments, I'm going to actually turn it over to John, who will introduce the team that's around the table and on the telephone and carry on from here.

Over to you, John.

John Carson — Chief Executive Officer, Alterra Power Corp.

Thanks, Ross, and I echo your comments about the Company and our optimism for 2014. One last reminder, and I won't mention it again, we'll be speaking from a website presentation, which has just been posted this morning. If you haven't already downloaded it or accessed it, please go to our website, alterrapower.ca, and you'll see a very prominent button there showing our first quarter results presentation. That's what we'll be speaking to.

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So with that, today in the room with me, Lynda Freeman, our CFO, will be speaking in just a moment; Paul Rapp, our VP of Wind and Geothermal power; Murray Kroeker, our VP of Solar Power and Engineering. Jay Sutton is not with us today, as he typically is. He needed to be on-site today at our Jimmie Creek construction project. And then also in the room with us today, Jon Schintler, our VP of Project Finance, to field any questions that may come his way. And on the phone from Iceland we have Ásgeir Margeirsson, the CEO of our Iceland business, and as well Monte Morrison, who runs our Soda Lake operations.

With that, I'm going to turn it over to Lynda Freeman to discuss our financials for this quarter.

Lynda Freeman — Chief Financial Officer, Alterra Power Corp.

Thanks, John, and good morning to everyone. I'm going to commence my presentation with a discussion on the consolidated results of the Company.

Consistent with the first quarter of 2013, the Company continues to consolidate 100 percent of the results of HS Orka and Soda Lake, while the Company's interest in Toba Montrose and Dokie 1 are accounted for as equity investment.

Starting my presentation on the first quarter consolidated results, Slide 5, for those of you following the presentation. Revenue increased 10 percent to 18.9 million, primarily due to the strengthening of the Icelandic krona against the first quarter of 2013.

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The equity loss remains steady at 3.7 million, with improved results from Toba Montrose and the Blue Lagoon, offset by a reduction in earnings from Dokie 1. As a result of the partial sale in December 2013, the quarter-on-quarter results are not comparable, as the current quarter reflects results at 25.5 percent and comparative quarter at 51 percent for Dokie 1.

The most significant changes against the comparative quarter continue to be movements in other income and expenses with general administrative expenses down by 1.4 million to just under 3 million, due to lower recurring personnel expenses and fewer legal fees than the prior quarter.

Interest expense was down 15 percent to 2.1 million, due to lower indexation on the Icelandic loans, and a reduction in interest expense in Iceland due to the pay-down of those loans. The remaining movement is due to noncash items, including the change in the fair value of the embedded derivative bonds payable, along with foreign exchange.

Moving on to Slides 5 and 6. We are demonstrating the Company's net interest in the generation, revenue, and EBITDA of our operating assets. These numbers reflect the Company's 66.6 percent interest in HS Orka, 40 percent interest in Toba Montrose, 100 percent interest in Soda Lake, and 25.5 percent interest in Dokie 1, with pro forma comparatives reflecting what the net interest would have been if our ownership interest for the comparative quarter has also been 25.5 percent.

As shown in the slides, generation remained consistent quarter on quarter at 262 gigawatt hours, and the Company's net interest and revenue increased 8 percent to 16 million and project EBITDA increased by 54 percent to 6.6 million. The increase is a result from strengthening of the

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Icelandic krona, a decrease in seasonal repair costs at Toba Montrose, and a reduction in general and administrative expenses against the first quarter of 2013.

Slide 7 describes a couple of financial reporting changes in the first quarter of 2014. Firstly, on February 13th, the Company completed the acquisition of the remaining 90 percent of Shannon Wind for 0.3 million, plus a contingent developer fee currently valued at 6.3 million. The Company's interest in Shannon Wind was previously accounted for as an equity investment, and following the acquisition on February 13th, the assets and liabilities of Shannon Wind are now consolidated.

Secondly, on February 8th, the Company entered into a joint venture with our existing partner in South America, EDC. The new joint venture covered the remaining Caribbean assets held by the Company and previously recorded as geothermal development assets. Under the new agreement, EDC obtained a 70 percent interest in the assets, and will be funding 100 percent of the next 6 million of development costs.

The following slide on Page 8 contains balance sheet highlights. It is worth noting the value of assets and liabilities fluctuate significantly as a result of foreign exchange, with the Icelandic krona strengthening in the quarter and the Canadian dollar weakening over the same period.

Total assets increased by 14 million, due largely to spend on Jimmie Creek, the acquisition and subsequent spent on Shannon Wind, including placing 4.5 million into connection security in the quarter, offset by a reduction in equity interest, most notably due to the loss at Toba Montrose in the quarter.

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Total liabilities increased by 20 million due to noncash movements in embedded derivatives and recognition of the contingent payment on the Shannon Wind acquisition, in addition to draws on the revolving credit facility of 6.9 million in the quarter. The latter two items contribute to a reduction in working capital at March 31st, which fell from 21.8 million at December 31st to 2.8 million at the end of the first quarter.

The Company is currently in late-stage negotiations with potential lenders for a holding company level financing to fund future cash requirements, including required project equity for construction of Jimmie Creek and Shannon projects. John will discuss this further later on the call.

The long-term debt position is analyzed on the next slide, Slide 9, and further information on projected debt service is contained in Appendix 1 for this presentation.

As at March 31st, the Company's net interest in long-term project debt was 280.3 million. The total represents 163 million held at Toba Montrose, 37 million at Dokie 1, and 80 million at HS Orka. During the quarter, a total net interest in principal repayments of 4 million and interest of 4.1 million were made by the projects.

In addition to project debt, the Company also holds 124.7 million in long-term bonds that were assumed and are secured on the holding of HS Orka against which no interest was paid in the quarter, and a 6.9 million revolving credit facility, of which 0.2 million of interest and fees were paid in the three months to March 31, 2014.

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

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**John Carson**

Thanks, Lynda. With that, let's take a look at our operating assets, and first we're going to start with the Toba Montrose hydro facility.

As I mentioned, Jay Sutton, our VP of Hydro is not with us today, so I'm going to ask Murray Kroeker if he will stand in for Jay and give us the update at Toba Montrose.

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

Thanks, John. I direct people to Page 10 of the presentation. So at Toba Montrose the first quarter generation is lower than budget, as you can see on the slide. Primarily that's because of low inflows primarily resulting from a late melt of the snowpack up in the mountain.

We're utilizing all the flows; the plant is operating very well. It's just a lag in the available water. We did use that time of low flow to get our annual maintenance done on both the plants. It was completed in the first quarter; no significant issues.

The other point to note is that on the rockslide at Montrose, which Ross mentioned earlier is giving us such grief this last year, all the repairs have been completed. And I think it's important to note that as part of those repairs we were able to add additional protection along that penstock length.

So in the very unlikely event that there's another rockslide, the likelihood of any damage happening to our penstock again is exceptionally low. We were able to add more material and stronger material over top of the pipe, so we're very confident that this is not going to occur again.

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May 13, 2014 — 11:30 a.m. E.T.
Alterra Power Corp. First Quarter Results

Also as part of the mitigation and work on the penstock we were able to complete all the insurance matters. That is now settled. And in addition, we were able to add additional and new insurance for earth movement, which is now enabling us to get the waiver removed. And we expect that to occur shortly.

John Carson

Thanks. Murray, it's just great to see that this whole incident is now almost completely behind us, and we're really looking forward now to an exciting year, growth for the Company, which we'll get to shortly.

With that, I'd like to turn it over to Paul Rapp, to talk about our Dokie wind asset.

Paul Rapp — Vice President Wind Power, Alterra Power Corp.

Thanks, John. So if everyone can move to Slide 11, we'll start with Dokie. The Dokie 1 wind farm performed slightly below plan in the first quarter, producing about 95 percent of budgeted generation. This was primarily driven by low-wind conditions throughout the region in February.

Vestas continued to manage the maintenance of the Dokie wind turbines well, and delivered over 98 percent availability for the quarter. The balance of plant equipment performed well with no issues, and the plants are currently preparing for the scheduled annual maintenance outage at the end of May, during which the balance of plant equipment is inspected, tested, and maintained. The plant continues to maintain a sound environmental and safety record.

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Moving on to Soda Lake now on Slide 12. At Soda Lake the plant generated 18.7 gigawatt hours in Q1, or 97 percent of budgeted generation. The plant staff continued to maintain high plant availability, along without outstanding safety and environmental performance.

The plant staff completed a steam reheat system at site, which utilizes excess steam to increase geothermal fluid temperature, and has added approximately 400 kilowatts net capacity to the plant through this project.

Pump replacement in production well 84B-33 is currently underway at the plant. The existing pump had reached end of life. Pump replacement such as this are a part of normal plant maintenance are included in our annual maintenance budgets.

Okay. Moving on to Iceland. At Svarstengi and Reykjanes, both plants performed well in the first quarter and production was at 99.2 percent of plan, or 329 gigawatt hours.

Both plants also continued to maintain high availability in Q1, and had very sound environmental and safety records. Work continued in Q1 on the Reykjanes geothermal field. Flow testing of well RN-32, which was drilled in the spring 2013, continued this quarter in anticipation of future connection to the plant. And a test reinjection program at drill hole RN-33 successfully demonstrated the connectivity between the drill hole and the main production field. This information is being used to design a reinjection program to provide pressure support to the Reykjanes field.

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

John Carson

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Thanks, Paul. Now let's take a look at some of our growth projects, which really take up a good, healthy portion of our time, rightly so.

We want to get the next two projects I'm going to describe to you up and into construction, full construction, with project financing later this year.

First, the Jimmie Creek hydro project. There on the right of Slide 14 you'll see an example of some of the construction that's ongoing; one of the several bridges that have been constructed to enable the full project construction to begin.

There on the left are my highlights. First of all, we will own 51 percent of this project ultimately at financial close with our partner that we had existing with us here in British Columbia, Fiera Axium. They've been a strong, good partner with us, very close with them, and they're great to work with. So we've been very happy to have them, and we're happy to have them in this project.

Construction is underway, as I mentioned. Already the road construction is 65 percent complete. We have 58 people currently in our camp working. Ultimately that camp will fill up to 165 people when we get into the full gear of construction.

We've already completed clearing for the key components of the project, and we've also begun excavation for the power house and the penstock. So construction is well underway there and a lot of activity, and as I mentioned, Jay Sutton's up on site today.

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May 13, 2014 — 11:30 a.m. E.T.
Alterra Power Corp. First Quarter Results

SNC-Lavalin will be our construction partner on this. They will deliver the project, manage the construction under an engineering procurement and construction that is managed model. Finally, we expect to close financing for this project within the next few months.

So that's what we're busy on, and we're very excited about the project. This is another beautiful clean energy hydro facility that we will own in British Columbia.

Next, the Shannon Wind project on Slide 15, where we have many ongoing development activities; finalizing many of the key project contracts for turbine supply, construction, et cetera. And working with our financiers, both on the lending side and on the tax equity side to make sure that this project gets fully and well-planned contracts.

We've completed all of electrical fill design to be done prior to closing. We've also completed documentation of our offtake agreement. I'll remind you, in Texas most projects have, as this one will, a power hedge, which will pay us. It's essentially similar to a PPA; it'll pay us an agreed amount for 75 percent of our output.

We have entered into an inclusivity with a large partner, which is a large infrastructure fund, and we expect to close this project with us. It's a well-known partner to us and we'll announce them to you later.

Project financing for the Shannon project is also expected to close later this year. And as I mentioned, we're in full gear for it. And finally, this project should achieve commercial operations by mid-2015, according to our current time lines.

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With that, let's go to Slide 16 and talk about some of our geothermal partnerships. There on the right you'll see a recent photograph of activity that's occurring up on our Mariposa site, Chile, where we partner with Energy Development Corporation, EDC, one of the largest geothermal operators in the world.

They're very excited about this asset, as we are. We're very happy to have them as our partner. We've engaged a lot of construction activities on site, mostly roads right now. The next stage will be water works and other things to support the drilling activities, which will begin in late 2015.

Up above Chile and Peru we have some earlier-stage joint ventures with the same company, EDC, where we'll be doing next-stage exploration later this year.

Finally, over to Italy, where we're happy to be partnering with Graziella Green Power, a successful solar and geothermal developer now in Italy. And we'll do some fieldwork in 2014 to further define our resource there.

And finally on Page 17, I won't go down these items one by one, but just to remind you some of the many other projects that we have in earlier stage, and this is part of our future for the Company. Apart from this slide we're still also adding to this pipeline, as it's propitious for us to do, and we're really setting up for us a long-growth plan.

That's what this company is all about: long-term growth with clean power for the world.

So with that, I'd like to turn it back over to you, Ross, and I think we're ready for Q&A.

Ross Beaty

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Very good, John. Thanks very much for that, and thanks, everybody, here today who presented.

I have no further comments, Operator, so if you'd like to open the call to questions that would very opportune.

Thank you again to everybody for joining us.

Q&A

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press the *, followed by the 1 on your touch-tone phone. You will hear a three-tone prompt acknowledging your request, and your questions will be polled in the order they are received. Should you wish to decline from the poll process, please press the *, followed the 2.

If you are using a speakerphone, please lift the handset before pressing any keys. One moment, please, for your first question.

Your first question comes from Jeremy Mersereau from National Bank Financial. Please go ahead.

Jeremy Mersereau — National Bank Financial

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Yes. Good morning, everyone. Just wondering if we could discuss the development pipeline, particularly Mariposa and the expansion at HS Orka. For Mariposa, just wondering what a reasonable project size would be at this time and what kind of time frame are we looking at now that they're going to drilling at the end of 2015?

Ross Beaty

Yeah. Very good. I'll get John to answer that one, Jeremy.

John Carson

Yeah. Jeremy, right now it'll depend on how the first wells comes in as to what the size of the first plant is. I think ideally we're going to look at about a 70 megawatt project; that's kind of our base case. It will be subject to a fair amount of movement.

As I said, we'll be drilling in late 2015. That means really a plant won't be up and running and having hit COD, commercial operations, until about 2018. So that's the rough time line around the Mariposa project.

Jeremy Mersereau

And for HS Orka? The...

John Carson

For HS Orka what we're doing right now is before we make the expansion, or bring it into full action, we got to do a few things. Number one, we have to straighten out or get clarified around our power purchase agreement with Nordural, which is an affiliate of Century Aluminium. There is an

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old power purchase agreement that we've had some disagreements around historically, and we're currently in discussions with them to try to find a way forward. That has to occur first, and that'll drive the expansion at Reykjanes or in nearby areas.

We also would need to do a project financing, of course, as we would for most any project that we would do. And finally, what we would do there before we finish that construction would be to finish confirmation of the resource.

As Paul mentioned to you, we're in the middle of developing a reinjection program; a very typical thing for a geothermal field to do. So until we feel comfortable around the stability of the field making sure that it can support the 80 megawatts, we would like to have that done before we would proceed with that plant.

Jeremy Mersereau

Okay. And moving to the Shannon Wind, I believe last quarter you were hoping to have a definitive agreement by Q2. Has that been moved out at all?

John Carson

Is that the definitive—which agreement are you thinking about, Jeremy?

Jeremy Mersereau

Well, I think you were going to have an agreement with a third party, as well as potential financing for the project.

John Carson

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Okay. Well, we're right down the road with the potential financing for the project. And as far as the other agreements you're thinking of, I mean we're probably going to sign all of these agreement about on the same date. So we'll have a hedge offtake agreement that will be signed and executed at financial closing, which will pay us, as I mentioned, in a certain amount of money for each megawatt hour we produce.

We'll probably also have a partnership agreement, which will be effective that day with a large energy infrastructure fund, which I mentioned before, and then as well all the financing papers for the project. One good...

Ross Beaty

Sorry, Jeremy, I think, to cut it short—I think everything that we said we were working on last quarter or last time we did this we are absolutely in progress on. We haven't had any major delays or anything. It's moving forward very, very quickly, and so far so good.

Jeremy Mersereau

(unintelligible)

John Carson

And one last good thing, Jeremy, to tell you about the project is that we've had an uptick in our projected power prices there in Texas. So very happy to see that certain air pollution regulations in United States have caused gas prices to go up, which means our power price projections have also gone up. So we're feeling very optimistic about this project.

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**Jeremy Mersereau**

So, sorry, just so I'm clear, when do you plan on having an agreement?

Ross Beaty

We expect to have all of these completed when we hit financial close for the project, which should be sometime in the next, say, three months I would say. That's our current time line.

John Carson

Yeah. Later this year...

Jeremy Mersereau

Okay.

John Carson

Probably next three months, four months.

Jeremy Mersereau

Three, four months. Okay. Thank you very much.

Ross Beaty

Thank you.

Operator

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

Jonathan Lo — Raymond James

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Hi. Just a clarifying question, I guess. For Jimmie Creek, so if Fiera is going to pay 49 percent of the partnership costs, what are the partnership costs? And maybe how are they different than the project financing costs?

John Carson

Yeah. Well, that's really just referring to the project equity costs, so when we come to project financing there'll be a requirement for equity to pay its portion of the cost, which is about 35 percent of the project. Debt will cover about 65 percent of the Jimmie Creek project.

What Fiera is doing is paying 49 percent of its share of project equity costs basically from the beginning of this year forward. And for that they will receive a 49 percent interest in the project.

So we're now in a sharing mode. Alterra is still covering the cost today. We're going to take the project into financial closing, but Fiera will be committed at the point of financial closing; and they're actually already planning to invest right now according to our agreement.

Jonathan Lo

Okay. And with the dividend from HS Orka, are you expecting to pay that out to shareholders any time? Or...

Lynda Freeman

The dividend in cash is expected at the end of the second quarter, and at this point we will use that dividend to pay interest on Magma Energy Sweden bonds that will become due shortly after that.

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**John Carson**

Right. You may have seen that we'll have larger dividends from the project in later years as we finish paying down the debt at HS Orka. And so we'd foresee shareholder distributions to Alterra shareholders round about that time in late 2018.

Jonathan Lo

Okay. Great. Thank you.

Operator

Ladies and gentlemen, as reminder should you have a question, please press the *, followed by the 1.

There are no further questions at this time. Please proceed.

Ross Beaty

Very good. Well, we just had our last conference call, as everyone knows, on March 29th, so it's a relatively short time ago, but we're getting away easy today.

So I think with that we'll close the call, and thank everybody again for joining us today.

Operator

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

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