

FINAL TRANSCRIPT

Alterra Power Corp.

Q3 2016 Earnings Conference Call

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Mark Wyssbrod
Shareholder

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PRESENTATION

Operator

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

At this time, all lines are in a listen-only mode, but following the presentations we will conduct a question-and-answer session. If at any time during this call, you require immediate assistance, please press *, 0 for the Operator.

Please note that this call is being recorded on Wednesday, November 9, 2016.

I now would like to turn the conference over to Ross Beaty. Please go ahead, sir.

Ross Beaty — Executive Chairman, Alterra Power Corp.

Thank you, Operator, and good morning, ladies and gentlemen. Welcome to Alterra's third quarter financial and operating results conference call. I draw your attention firstly to the forward-looking statements in our materials and remind people that we have these, and that we seek Safe Harbor on these comments.

Well, as everybody knows and you can see from our results today, we had a very busy third quarter. We refinanced \$120 million of our Icelandic debt, raised CAD66 million in an equity issue—the first equity issue, I would remind our shareholders—that we've done in over six years.

We announced plans to kick out our maiden dividend, and we executed on that today with the announcement that we will be paying a dividend in the fourth quarter. We restructured our

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shared capital through a 10-1 rollback, which positions us for increased liquidity and, I think, access to new investors.

Most importantly, we added new assets in the US wind and solar spaces that will really, I think, give us a shared growth trajectory and a great pipeline of growth for the foreseeable future. With a much healthier financial condition today, diversified operating assets, multiple growth assets, and a strong pipeline and a wonderful team of operators and developers, it really, I think, has positioned us for a great future.

So with that, I'm going to turn things over to John Carson, our Chief Executive Officer, and he'll introduce the team and walk people through the slides that we have up on our website.

John Carson — Chief Executive Officer, Alterra Power Corp.

Thank you, Ross. I'd like to direct everybody's attention to that slide show, which you'll find on our website. And just on the front cover there, you'll see actually a very beautiful photo of our Jimmie Creek power plant, which just commenced operations during the quarter on August 1st. I call your attention to it especially because we were pretty proud this week. We got announced the Project Excellence Award by Clean Energy BC here, and our own Jay Sutton received a merit award from the same organization. So a culmination of years of efforts; we were extremely pleased about it, and the project is performing actually very strongly.

With that, outside the fact that this was a down quarter for us resource-wise, we are an intermittent resource-based company. The wind doesn't always blow, and the water doesn't always

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flow. So we've been having record breaking years; for example, the last two years at Toba Montrose. We had a record breaking year last year at Dokie. This year is just a bit of a down year. This quarter was a down quarter. Thankfully, we've already been lifting up nicely in October, and so we're hoping for a little better results for the year, but it won't be the same kind of year we had last year.

That said, all of our assets are performing extremely well. We have good resource availability—availability to resource, excuse me—with the exception of our Reykjanes plant, which has faced a little bit of downturn in generation. Paul Rapp is going to talk to that a bit later.

With that, I'd like to move onto our financial summary. And I turn it over to our CFO, Lynda Freeman.

Lynda Freeman — Chief Financial Officer, Alterra Power Corp.

Thank you, John, and good morning to everyone listening. As Ross has mentioned, Alterra had an extremely busy quarter, with commercial operations starting and term conversion at Jimmie Creek, the acquisition and commencement of construction at Kokomo Solar, the refinancing of the largest suite of bonds held by Reykjavik Energy, and completion of an extremely successful equity raise, to name just the highlights.

The impact of the equity raise, bond refinancing, and Kokomo acquisition will not be seen in our financial statements until the fourth quarter, as they actually all occurred after the quarter-end. However, the impact at Jimmie Creek on our financial results can already be seen in the results just released.

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As you can see, our consolidated results reflect 100 percent of operations from HS Orka, with revenue up 15 percent on the same period for 2015. The increase was predominately due to foreign exchange with the Icelandic krona strengthening in the period, although in local currency, results were still up 3 percent. This true increase in revenue was due to increased retail sales in the period. Despite the increasing sales, our gross profit margin declined against the prior quarter of 2015, due to an increase in third-party power purchases which, with the reduction in generation in the period, were necessary to maximize revenues.

Other income and expenses continue to fluctuate quarter on quarter, with this quarter being no exception. We're finally seeing an increase in our forecast aluminum prices, which resulted in a noncash gain of 9.4 million, representing the change in the value of the embedded derivative in this quarter alone. Another major driver in this cash group was the results from equity investments. I will discuss the operational results of each of our projects momentarily; however, the main non-operational reasons for the change against Q3 last year was predominately the recognition of a noncash gain on the Shannon hedge in the comparative quarter.

Moving on to our operating results by assets, I'll refer you to Slide 5 of the presentation. This slide reflects ownership of HS Orka at 66.6 percent, Toba Montrose 40 percent, Jimmie Creek 51 percent, Dokie 25.5, and Shannon 50 percent sponsor equity. Net interest in revenues generation in EBITDA were up against the comparative quarter. However, this increase was due to inclusion of Jimmie Creek and Shannon in our operations this quarter.

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Looking at individual asset performance. Our operations remained strong, although our results were impacted by the lower winds at Shannon and Dokie, and cooler temperatures experienced at Toba Montrose, which resulted in lower flows. Revenue and EBITDA for these assets was impacted by this lower generation. Jimmie Creek had a strong first period of operations, achieving 106 percent of the budgeted generation and contributing 3.6 million to EBITDA in this quarter.

Moving on to the balance sheet and Slide 7 on the presentation. Both the Canadian dollar and Icelandic krona strengthened from December 2015, which is the main driver for an increased CapEx. Material increase in assets has come from the acquisition of Flat Top in June and the placing of a 7.6 million interconnection security with a transmission service provider.

Liabilities were naturally also affected by the strengthening Canadian dollar and Icelandic krona, and caused around 50 percent of an increase in the Company's holding company bonds held in Sweden alone, since December. These bonds were also recorded in the short term at September 30th, for the Reykjavik Energy bond was refinanced subsequent to the quarter. You will see this 72 million bond as long term at year-end.

The Company reported a negative working capital of 165 million. However, had the Reykjavik Energy bonds been refinanced at September 30th, the working capital deficit would have been reduced to approximately 92 million. Excluding the Magma Sweden bonds, the short-term revolving credit facility that was paid off subsequent to the quarter, and the contingent liability on

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Flat Top—which will be funded on closing of project finance and not from company cash flows—the Company, excluding Orka, had a positive working capital at September 30th of 3.6 million.

The last slide I want to talk to is Slide 9, and our successful equity raise that was completed in late October. The Company initially announced an equity raise of CAD\$50 million. However, the combined bought deal and concurrent private placement will upsize and raise gross proceeds of just under CAD\$68 million. The Company plans to use these proceeds to: further advance the Flat Top wind project; fund activities designed to qualify some of our US assets for US production tax credits; to repay the amount outstanding on the revolver, which has been used to fund Flat Top development and interconnection security deposits in the first place; and for general corporate purposes.

Finally, as Ross mentioned, I am pleased to report that Alterra has announced our first dividend payment, with a quarterly payment of \$0.0125 per share. This equates to \$0.05 per share annually. The first dividend will be paid on or about December 15th with a record date of November 30th.

That concludes my presentation, and I'll hand you back to John.

John Carson

Thanks, Lynda. With that, let's take a look at our operations, and I'm going to hand it over to Jay Sutton, our VP of Hydro Power. Jay?

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

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Thanks, John. So referring now to Slide 11. Toba Montrose had lower third quarter generation, producing 350 gigawatt hours of energy versus our forecast of 376 gigawatt hours, which is 93 percent of plan. Third quarter generation was lower than forecast solely due to lower-than-forecast inflows. The plants utilized all of the available water, and we had no outages.

October generation remained below plan at 61 percent, resulting in the year-to-date generation to the end of October being at 101 percent of plan. Inflows have increased significantly so far this month, and as of this morning, we are at over 200 percent of our prorated forecast for November.

On site, we performed routine maintenance over the third quarter, and the plants ran continuously throughout the summer. In August, the Toba Montrose crew assumed operation and maintenance of the Jimmie Creek plant and have transitioned the new facility into their existing safety, environmental, and maintenance plans. By leveraging the existing operations crews to operate Jimmie Creek, and by performing more work with internal resources, we are continuing to drive down our operating costs and increase our distributions.

As always, our crews continue to operate and maintain the plant safely, and within our environmental commitments, and we are now over three years without a recordable incident for our employees or our contractors.

That's it for Toba. John?

John Carson

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Great.

Jay Sutton

Referring now to Jimmie Creek, on Slide 12. The first three months of Jimmie Creek operations has been great, particularly for a new plant starting out. We had no outages, no major operating issues, and the plant has run continuously since it was placed into operation, utilizing 100 percent of the inflows.

August and September generation were both above plan, and October generation was lower than planned due to lower-than-forecasted inflows, resulting in the generation to the end of October at a 101 percent of our target. This month has been great so far, and as of yesterday, we have surpassed our target generation for the entire month of November, which will more than make up for the lower month of October.

There are a couple big milestones in the third quarter for Jimmie. On August 1st, our Energy Purchase Agreement came into effect, and we are now selling our power to BC Hydro under a 40-year power purchase agreement that expires in 2056. And on September 20th, Jimmie Creek's \$176 million construction loan was converted to a 40-year term loan, marking the final stage of the transition to operations. On site, the final cleanup has been completed, and the construction camp has been fully dismantled and packaged for sale.

That's it for Jimmie Creek. John, I'll pass that back over to you.

John Carson

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Okay. Thanks Jay. And again, we applaud you for your award—the receipt and the project award. Very excited about that.

With that, let's turn it over to our Wind and Geothermal Operations, Paul Rapp.

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

Thanks, John. I'll direct everyone to Slide 13 and talk a little bit about our Shannon project. So Shannon continues to operate very well, with no safety, environmental, or equipment issues. We continue to maintain (sic) very high wind turbine availability; NG (phon) is exceeding their contractual targets on that metric. The regional low wind pattern that we talked about at the last analyst call, that was seen through Q2, continued through the start of Q3, which led to lower-than-budget year-to-date production. Quarterly, we were 93 percent of plan or 144.4 gigawatt hours. The wind returned to normal levels in October, and production in that month was 105 percent of plan.

Moving on to Slide 14 and our Dokie project. As John mentioned, Dokie also continues to operate very well with no equipment issues. October saw anomalously low wind, and production was 25 percent of the forecast for that month. That, together with a couple of low months earlier in the year, has led to production, year-to-date, being slightly behind planned at 89 percent. Quarterly, we were 84 percent or 60.6 gigawatt hours.

Generation has rebounded strongly in November, and we are currently at nearly 200 percent of planned generation month-to-date. Vestas continues to maintain the turbines well, and they're

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exceeding their turbine availability targets. And Alterra and Vestas staff are continuing to operate the plant with no safety or environmental issues, which we're very pleased with.

Moving on to our geothermal operations in Iceland, I direct everyone to Slide 15. The combined generation from the Svartsengi and Reykjanes plant is 95 percent of plan, year-to-date. Resource utilization continues to be high; the plants are running well. Quarterly, we achieved 89 percent of plan or 270.5 gigawatt hours.

Highlights at the Svartsengi plant over this quarter included the new wells—Svartsengi 25 was connected to the plant—and is providing additional steam for production. The second new well, Svartsengi 26, is currently undergoing testing and will be hooked up to the plant upon successful completion of this testing. And the new discharge system was put in operation in late August at Svartsengi, which will allow for more steam utilization and generation at the plant.

Over at Reykjanes, we completed a scheduled overhaul of Unit 1 in June and Unit 2 in August, and both generating units were found to be in excellent condition. Our reinjection program at Reykjanes is well underway to provide pressure support for the field and mitigate recently reduced generation of less than 70 megawatts, due to pressure drop in the field.

The international deep drilling program at Reykjanes is well underway. Drilling has reached a depth of 3,865 metres as of yesterday, towards a target depth of 5,000 metres. Scientific information is being gathered along the way, and indications today showed very high temperatures

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of around 400 degrees Celsius at the bottom of the hole, and potential permeability deep in the Reykjanes reservoir.

The program has been watched from all over the world as it breaks new ground for the geothermal industry, and it's providing those consortium participating in and funding the project with valuable information on drilling at these extreme depths and temperatures, while completion is planned by year-end, depending on drilling conditions.

And with that, John, I'll pass it back over to you.

John Carson

Great. We have begun a new solar project in this company. We haven't had a solar project in our house for a few years now. And so Murray, tell us all about it.

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

Thanks, John. Good morning, everyone. And yes, we're really pleased to be back and doing solar. Please look at Slide 16 first—the notes. Construction of the 7.2 megawatt DC Kokomo solar farm, which is located in Kokomo, Indiana, started in late July and is progressing on schedule with no safety incidents or environmental incidents to date.

All the key components, including solar panels, inverters, transformers, and interconnection switch gear, are at the site and either installed or ready to be installed. The foundations, the racking, are in the final stages of completion. And as seen in the photo that's on the slide, the installation of the solar panels on the racks is progressing across the site. It's progressing at a rate of between 1,000

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and 1,200 panels per day. Electrical wiring to the inverters and the interconnection are also nearing completion, and we're going to start testing the individual sections electrically starting next week.

With all of that progress, mechanical completion is on target for end of November, and commercial operations to follow in mid-December. Great. Thanks, John.

John Carson

Thanks, Murray. Our re-entrance into solar is a modestly sized one, but a very solid one. This project will sell us power for 20 years, to a Duke Energy affiliate. So very proud of this project and looking to put up another one next year, as I'll talk to in just a moment.

With that, I'll ask you to look at the last slide of the presentation, on Page 17, where we look ahead. And there you see a beautiful site to a wind developer there, a very flat and easily accessible field. This is the area where we'll be putting our Flat Top turbines for this project next year. We're rapidly advancing the project. It's definitely our featured project, our nearest- to-build time project. Right now, we're optimizing the layout thereof, just some small adjustment to the layout to optimize access, et cetera.

We're also finalizing our PTC or USA production tax credit qualification plan for this project, to ensure that it qualifies for PTCs. Next, we have already selected our turbine technology and we may be making an announcement to that effect in the near term. Of course, it's a top-tier provider, and so same story really for our construction. We have selected a constructor for the project, and

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again, this hasn't been announced yet, but probably soon will be. Very happy to getting this project well on the road.

With respect to its revenue contract, we're still having multiple conversations. We, though, intend to wrap up these discussions and make a final decision on the revenue contract or the off-take for the project within the next month or two. We are looking both at hedge and at PPA options, or as a combined version of the two, or as a hybrid version of the two. So we want to ensure that this project does extremely well. As we've indicated earlier, this project has about 10 percent greater wind output, or generation output, than the Shannon project. It's really one of the premier wind assets in the United States.

We're also circling with various project financiers. This is a very attractive project. If you follow the industry closely, then you know that there haven't been a lot of projects coming to market over the last few years. This project is attracting a lot of positive attention. We're very pleased about it. Lastly there, we placed the interconnection security this period, and so very happy to have that on the way.

Looking forward ahead. We are also PTC-qualifying another 650 megawatts besides Flat Top, for a total of 850 megawatts. As Lynda explained earlier, we carved out about—Lynda, what was it, CAD12 million?

Lynda Freeman

Yep.

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**John Carson**

There to, for those projects, and so not...

Lynda Freeman

11 million.

John Carson

Not only are we building for those 850 megawatts, we're also working with some other developers and likely qualifying some other projects, besides the ones that we own, as well. We are doing our PTC qualification through on-site works where desirable, and also through transformer construction. We are not doing our safe harboring through turbine purchasing. So we think that this is much more better scaled, better suited to Alterra Power.

Then we mentioned the Michigan solar project. That's the sister project to the Kokomo project that Murray just described to you. It's a 13 megawatt project. Right now, we're working on an amendment to the PPA, get things squared away there, and we're finalizing the project schedule, so very active on that file at the moment.

I can't let this go by without mentioning our Icelandic projects, Reykjanes 4 and Brúarvirkjun—more to come on these projects in the new year. Meanwhile, our USA acquisition efforts for new projects continue. This is a very important part of our business, to grow as rapidly and efficiently and as smartly as possible. And lastly, we're also looking at expanding our greenfield efforts

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thereto. The 650 megawatts I mentioned before are Alterra greenfield efforts, and we're expanding that out and looking for where exactly to do that.

So that's kind of where we're headed. The next four years, you're going to hear a lot more about the USA. We did have a tumultuous election, of course, last night that everyone is talking about. We're not fussed by the outcome. We knew that both projects, both at Canada supported wind and solar. We might have felt a little bit better the other way, but I think we're going to do just fine. And even if no further benefits were added, we have a nice four-year runway of project builds ahead of us.

With that, Ross, I'll turn it back to you.

Ross Beaty

Great. Thanks, John. And I think that's all that we need to talk about. As I said, it's been a very busy quarter. We've got all kinds of positive developments, and look forward to a really great quarter coming up as well.

Operator, I'll turn the call over to questions, if any.

Q&A

Operator

Thank you, sir. Ladies and gentlemen, if you do have any questions, please press *, followed by 1, on your touch-tone phone. Your questions will be taken in the order received, and if you should

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wish to withdraw your request, please press *, followed by 2. And note that if you're using a speakerphone, you will need to lift the handset before pressing any keys.

And your first question, sir, will come from Rupert Merer at National Bank. Please go ahead.

Rupert Merer — National Bank Financial

Good morning, everyone. John, I'd like to start by asking a question about the election. I'm sorry to ask this again, but there are a lot of people asking about the potential implications of the election on the PTC. I know it was a Republican Congress that put this existing PTC structure into place. But can you give us a little more colour on your thinking on what the next few years are going to look like? And what gives you comfort that the existing plans aren't going to change?

John Carson

Yeah. Really, there is a strong, strong industry consensus and legal consensus that existing rules don't change for these types of projects, and for IRS guidance, treasury guidance, et cetera. This is a longstanding precedent. It would be highly unusual and kind of landscape-tilting, if one of these agencies were to revert and remove agencies. This is one of the reasons why the USA has strongly been in place of new investment for a long, long time—its strong rule of law, dependable regulatory frameworks, et cetera. So I don't know anybody in the industry who fears that today's regulations are going to be retroactively removed. That would definitely—that's highly unanticipated—not expected at all.

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That said, we don't necessarily know whether there will ever be another extension of the production tax credit. Had the other candidate won, we think that they probably would have been more likely to get a further extension beyond the four-year runway that we currently have. We don't at all count it out, though, under a Trump presidency. He has said very little about the matter. The one thing he did say was that I support wind and solar. He called that out in his second debate. Past that, I'll leave to other commentators to provide their opinions on the matter, but we have no concern about a rollback. We only think that probably, our chances for extension are a little dimmer today than they were yesterday.

Ross Beaty

After four years.

John Carson

Yeah. After the four-year runway that we currently have, Ross is pointing out.

Ross Beaty

Right.

Rupert Merer

Okay. Well, thank you for the colour there. In your use of proceeds, you're looking at 11 million to fund early-stage construction activities, to qualify for the tax credits by year-end. Can you give us a little more colour on the activities there? And give us a sense of what we can expect to hear by the end of the year, or maybe on your Q4 conference call?

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**Paul Rapp**

Sure, thanks. It's Paul Rapp here. I'll answer that. So we're doing it—there's a two-pronged approach to it. So we are actually performing on-site work for some of our earliest—our greenfield projects—where we have land control and have the ability to do work. And that work will align with the IRS guidance in terms of things like foundation, excavations, roads, et cetera.

And for other projects, as John mentioned, we are going to start construction on those projects through the purchase of a number of main power transformers, and by doing and starting construction this year on those main power transformers. And what that does is it locks in the PTCs for those projects, and it also provides future flexibility to transfer one or more of these transformers to another as yet unknown project, to transfer the PTC qualification over. So, it's a very robust strategy that's well vetted within the industry. And so that is the plan, in terms of the use of the proceeds.

Rupert Merer

And presuming those projects move forward, what would be the anticipated time line for those projects to reach construction and COD?

John Carson

Yeah. Really, Rupert, I'd say over the four years is the best way to answer that question. Some of the current projects we hope to have will come, not too long after Flat Top, we hope—some of our greenfield projects. But yeah, more to come on that one. No details to that response right now.

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**Rupert Merer**

Okay. Great. I'll leave it there and jump back in the queue. Thank you.

Operator

Thank you. Next question will be from Jonathan Lo at Raymond James. Please go ahead.

Jonathan Lo — Raymond James

Hi. Thanks for taking my question. So I think I missed the last part there. Did you mention anything about, if you will announce future projects like you announced Flat Top?

John Carson

Yeah. So two ways that we're developing projects here, just to make it clear. One is greenfield, where we are developing and starting land at a very early stage in the project's life, putting together interconnection studies, et cetera, and getting to an agreement. So those are like from the ground up projects, and we have 650 megawatts right now. We aren't calling those projects by name today. We likely will tomorrow and roster them out. And so, that's one method of growth.

The other one, Jonathan, is through mergers and acquisitions. So we had a moment in time last June when we acquired the Flat Top project from a great developer, Pioneer Green Energy. By the way, in the wake of that, we've had a really great run with that project with them. We look for others like that to happen.

I'll volunteer, you know, the things we don't announce sometimes are—involve a whole lot of work in this shop, and pursuing an acquisition is a very intense and thorough exercise, and

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something that takes a great deal of deliberation and work by the team. It's some of the most field work that we do, and it frequently, unfortunately ends in failure due to the ultra- competitive USA market. So we would've loved, for example, to have announced another acquisition in another period at another time. We just don't have any this quarter, and we'll hope to have some in the future. So acquisitions and greenfield, that's our two methods of growth.

Jonathan Lo

And when you compare the stage of development between greenfield and where you acquired Flat Top. How is that—how much time difference is that, and costs would that be?

John Carson

So yeah, it really depends on the project. So just there is a pretty well laid out development progress for a project in a liquid power market, like Flat Top. Assemble the land package, grab the interconnection, get the wind met towers set up, get the studies done, get the transmission studies done, et cetera. So by the time we got the Flat Top project, almost all the land work had been done. I won't get into a lot of detail, but a lot of the basic project work had been done. The interconnection work had been done. I believe most of the FAA work had been done, Paul? So yeah, it was advanced. And they had been probably a couple of years of strong activity down the road by Pioneer Green.

And so some of our greenfield projects haven't progressed—I think this will answer your question—to the point of the Flat Top project, but they're well on the road to doing that. And you'll

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see those projects again called out by name for us in the future, as they start to mature into medium and late-stage development projects.

Jonathan Lo

And just going back to the election. Do you see a change in potential demand for clean energy perhaps, with where the election turned out?

John Carson

You know, the one negative thing that probably comes out it for this industry, due to Trump's strongly stated support for coal, is that coal retirements may be slowed down. I don't see that as a significant impact to us, but I can't say it would have zero impact. So yeah, there will be some long-term impact potentially, if he continues down his road of coal support. Again, you can look to other commentators to get more details on that thinking.

That said though, the new people who have come into the industry very recently, such as Amazon, Google, Facebook, et cetera, who are purchasing power today, aren't purchasing or looking for coal power. So new project builds will still be induced, we believe, at the same rate that they have been. That's because these companies not only want to get power that's reasonably priced, thanks to the production tax credit incentive, but also power that's green. Nobody wants to buy coal these days.

Jonathan Lo

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Right. And last one from me, for Jimmie Creek. Was it generating revenue based on the PPA this quarter, or is that going forward?

Lynda Freeman

From August 1st, it commenced generation under the 40-year PPA with BC Hydro.

Jonathan Lo

Okay. Great. Thank you.

Operator

Thank you. Ladies and gentlemen, as a reminder, if you do have a question, please press *, followed by 1.

Next will be a follow-up from Rupert Merer at National Bank. Please go ahead.

Rupert Merer

Hi. Returning to Flat Top. What is the likelihood that you will bring an equity partner into this project? And is that something that you would be in discussions on right now? And if you were to bring a partner in, what would be the ideal timing to bring a partner?

John Carson

Thanks, Rupert. It's likely, Rupert. I think we could pull off the whole project by ourselves, if we wanted to. It really does relieve quite a bit of strain and introduce a profitable aspect to the transaction, and frees up our capital to invest in other projects. And plus we have already cultivated some great partners, and so maybe we could do more with them, or more with other partners that

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we know in the industry. There's a lot of capital that is attracted to USA wind projects at this time, and this project has real strong aspects to it that we—you know, it's very attractive to new capital.

So the answer to your question is, it's really likely that we will bring in capital. As to the timing, yes, we're already in some early stage discussions, no formal processes. But the point of investment would almost surely be at the point of notice to proceed or financial closing for the project. Once we start to build it, that's when the new capital would come in.

Ross Beaty

And I think it's also relevant to say we expect a premium for our stake at that time, unlike the situation with Shannon, simply because we're in much better financial condition, and we have the capital to advance things much further.

Rupert Merer

Okay. Excellent And then just quickly on Iceland. I know you touched on the deep drilling program, and it looks like you're getting some decent temperatures so far with the deep drilling. Can you talk a little about the porosity? And do you think this well is going to be appropriate for feeding into Reykjanes? And can you talk a little more about the strategy there and the timing of when that well may become useful to you, after you've done the experimentation?

Ross Beaty

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Sure, Rupert. Thanks. We have our great Icelandic manager who runs our business in Iceland, Ásgeir Margeirsson on the phone, and I'd like Ásgeir—if you could answer that question, please?

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

Thank you, Ross. First of all, please keep in mind that everything I say is based on what we know now, and it's not necessarily going to be like that in the end. We have to pull the drill and test the wells before we will know. But the outline of the project is basically to drill a deep well into warmer formations—hotter formations—than we have done before, and even to reach a super-critical phase of steam up to temperatures of 450 degrees C or higher. To compare, the Reykjanes field where we are exploiting, above 3,000 metres, is around and above 300 degrees C, and Svartsengi generally about 240 degrees C. So these are much higher temperatures.

So the best outcome would be that this is a very powerful producer, a well like this. It's not only being drilled down towards 5,000 metres; it's also cased off from surface to 3,000 metres. So the formations we are exploiting around the well now are close from—close away, so to speak, from this well, so it doesn't mix with the upper field, so to speak. The second solution would be, if not a producer, then deep injector to provide steam support to the field by injecting underneath it.

The third one is to learn from the project, what is underneath. And that we are doing from day one in the project; we have already learned a lot. The first learning is that we do have what we call lots of circulation or permeability in the formations below 3,000 metres. That we did not know

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before, because we had not been there by drilling. And we know that we have had lots of circulation all the way from 3,000 metres down to where they are now, as Paul said, 3,865. How we will be able to make use of that one, to produce from the well, is yet to be seen. We anticipate to finalize drilling around about the end of this year, hopefully at around 5,000 metres, or more technically speaking, our goal is not necessarily 5,000 metres, but 450 degrees C temperature.

We aim to get there by the holidays, and it will take at least a year also, even after two years, to fully test and lock the well, in order to kind of make the next steps into the future. But so far, we've been very successful. We've been able to pull up a core—a rock sample—a solid rock sample from around 3,700 metres depth, and we've even been encouraged by our Chairman to get a deeper core further down, which we aim to do. And this is all very exciting to us; the first learnings are very positive about the field, that we may be able to produce from lower or deeper and hotter resource than before.

Ross Beaty

Thank you, Ásgeir. That was a great answer. I hope you got as much detail as you needed, Rupert, or maybe even more?

Rupert Merer

No. That's helpful...

Ross Beaty

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The other thing, I think, that is relevant regarding that hole is that our cost—our share of the cost and let's say HS Orka's share of the cost—the total well cost will be in the range of 11 million or US\$12 million, and our share of that will be about 2.7 million all-in. And our partners on that will be Statoil, the European Union, and the other geothermal producers in Iceland, who are all sharing the costs of this research well.

Rupert Merer

That's great. Thank you very much.

Operator

Thank you. Next question will be from Steven Li at Raymond James. Please go ahead.

Steven Li — Raymond James

Thank you. Hey, John. Is there an update on the arbitration proceedings in Iceland? If I remember correctly, the timing was around the end of October.

John Carson

It was, Steven. We just got a note late in October saying that it's going to be another month. So no updates or no portent in that message, just a little process there. It's going to be end of November now.

Steven Li

All right. Great. Thanks.

Operator

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Thank you. Next question will be from Robert Kelly, Private Investor.

Robert Kelly — Private Investor

This question is for Ross Beaty or John. I'm wondering about the share price. As you know, it's dropped quite a bit over the last couple of months, and I'm wondering where do you see that going over the next year? And also, where are we at with attracting new investors?

Ross Beaty

Yeah. Thanks for that question. It's far more disappointing to me than to anyone else, I think, as the largest shareholder in the Company, and having just invested another \$16 million in new equity on the refinancing that was done just recently, at \$6. So it's a surprise to me that we're down. I just don't—it's the way markets run sometimes. I can't explain it. I don't know who's selling. It's a great buy right now. There's all sorts of reasons to own the stock, and for obvious reasons, I think—it's Robert, right?

Robert Kelly

Yes.

Ross Beaty

I mean our forecast and our opt—our expectation is the stock's going to trade much higher in the course of the next 12 months.

We've got every single ingredient that a successful company with improving fundamentals for its stock have. We have a tremendous management team. We have a much improved financial

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condition, diversified operating assets that are generating cash every single day, and multiple growth assets to continue our company's growth into a bigger and bigger condition. So if that doesn't juice our stock rates over the next year, I don't what will.

The other question you had is about our Investor Relations program. We have definitely kicked up our focus on this; we did a lot more Investor Relations this year than we have in recent years—in quite a few recent years. And we're going to continue this exercise of informing our investors.

Our recent equity issue brought in a whole bunch of great new institutional and retail investors, and—20 new institutional investors and a whole bunch of retail investors—and we look forward to feeding the market with lots of news in the near future, and over the course of the next year, as well as meeting investors, going to conferences, talking up the story. We hope with our improved share structure, which will encourage new institutional investors, particularly that weren't able to buy sub-\$1 companies, and with the commencement of our dividend plan, we will again be attractive to more pools of new investors, and that will increase our liquidity, and that will, in itself, drive a higher share price by itself.

So, lots of things, I think, to look forward to. In the short term, share price fluctuations—they're just things that happen. I would say the whole sector has been rather weak in the last month or two, but it's a disappointment and a surprise to me, but there you have it.

Robert Kelly

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Thank you very much, Ross.

Operator

Thank you. Next question will be from Mark Wyssbrod, shareholder. Please go ahead.

Mark Wyssbrod — Shareholder

Yes. First, congratulations on the Clean Energy Award, and Jay, I met you at the shareholder meeting, and I think you bring a lot to the team, so appreciate your efforts. I've been a long-term shareholder and it's been quite an exciting year, I think. A lot of new things have occurred this year, including a lot of expectations and a lot of changes. And the first expectation, I think, was that early in the year with the forecast for this year and for next year, with the new pipeline. Can we just address if we're on target for meeting the original forecast for 2016? And how the forecast will be updated for 2017, and for the full year of the runway that was mentioned previously?

John Carson

Hey, Mark. John Carson here. I recall meeting with you at the shareholders' meeting as well, so good to speak with you again here over the call. With respect to the pipeline, you're probably aware, these things come in chunks. It's not like a steadily discernible pipeline of growth of 50 megawatts a month, 100 megawatt—300 megawatts a year. So once we've identified a—for example, on the greenfield side—once we've identified a good site, once we've put all the land contracts together, we can assess that this about a 200 megawatt project or a 350 megawatt project, et cetera. So it comes in chunks. That's important to realize.

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Also on the acquisition front, same story. We did get the Flat Top project in since that time—since that shareholder meeting. You saw that as a 200 megawatt chunk of growth for the Company that happened since that time. We've come really close to a couple of others like Flat Top, and we hope to have others in the future.

So that said, you won't find that very satisfying and putting a number on it—putting a number on what that growth is. And really, what we're looking at, Mark, is about 200 megawatts of growth per year over this four-year period. We'd love to exceed that. We'll be disappointed if we don't make that. But that's the rough estimate that we'll give you here, just based on how we're looking at our project opportunities.

Mark Wyssbrod

Are the revenue and adjusted EBITDA—are we on target for that?

Lynda Freeman

Hi. It's Lynda here. We've obviously had some ups and downs as we report quarter on quarter, but combined, our forecast is not expected to be materially different from what we reported in our year-end MD&A.

John Carson

Yeah. And specifically for the outlook. We projected for 2016 and '17 revenue, EBITDA, and generation would be. Yeah, a few ups and downs, and this was a weaker quarter. No doubt about it.

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The wind didn't blow as much. The water didn't flow as much. But on the whole, no, we're not needing to revise our outlook at this time.

Mark Wyssbrod

And then another question is, it looks like there's been a lot going on financially with both growth, capital raise or refinance, and a dividend has been announced, and now we have a record date. Can you talk a little bit about where we're financially positioning the Company, and what you're navigating towards?

John Carson

Really, Mark, it's all about assessing accessing the lowest cost of capital that we can. We're using two spigots or faucets here, basically: one is equity, which you saw us tap this year, and we were very happy with where we came out, and two is debt. The goal overall for the Company is to put us in a position of what debt that we have, which is both project-related and holding company-associated, to have the lowest interest expense, long term as possible.

This enables us to get more projects. It's all about capital in this industry. It is a very capital-intensive industry. For example, the Flat Top project will cost US\$340 million to build. So we will source from premium sources; really some of the best project financiers in our project that there are. You saw us do that on Shannon, where we brought in Warren Buffett's Berkshire Hathaway Energy Company to be our tax equity partner, along with Citigroup and others, and a good partner in Starwood.

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Alterra Power Corp. Q3 2016 Earnings Conference Call

So I think you should take comfort in the fact that we're extremely well ensconced within the renewable industry finance world, and you should anticipate that we will be doing just what I've indicated here, maximizing and actually minimizing our cost of capital. So that's kind of where we are. Get as much cash as we can to build as many projects as we can, and do it in the most efficient way. It's something that I believe we're very good at.

Mark Wyssbrod

Well, thank you very much for answering the questions and keeping us on track for a great future.

Operator

Thank you. And at this time, Mr. Beaty, we have no other questions registered, so I would like to turn the call back over to you.

Ross Beaty

Thank you, Operator. And that's all we have, I think, today. All of our stuff is online, and I look forward to any further discussion, if you can call the office and talk to anybody that's on the call today, but direct it through John Carson, that would be great. With that, we'd like to say good morning, and we'll see you at next quarterly meeting. Thank you.

Operator

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Thank you, sir. Ladies and gentlemen, this does conclude your conference call for today.
Once again, thank you for attending. And at this time, we do ask that you please disconnect your lines.
Have yourselves a lovely day.

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