

FINAL TRANSCRIPT

Alterra Power Corp.

Second Quarter Results Conference Call

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PRESENTATION

Operator

Good morning, ladies and gentlemen and welcome to the Alterra Power Second Quarter Results Conference Call. At this time, all lines are in the 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 the conference is being recorded today, Wednesday, August 10, 2016.

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

Ross Beaty — Executive Chairman, Alterra Power Corp.

Thank you very much, Operator, and good morning, ladies and gentlemen. Welcome to the Alterra Power Corp. Second Quarter 2016 Financial and Operating Results Call. I'd like to first of all point out we are going to be making some forward-looking statements today and thus direct your attention to the disclosure statement at the beginning of the presentation, in our MD&A, and website.

This presentation is also available to everybody online. If you enter the Alterra Power site, you'll be able to find it easily and follow through with it as we go today. Both John Carson and I are both remote from the office, so I hope this will work reasonably well today, and the best of our management team is in Vancouver and will be making presentations from there.

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So without further ado, I'd like to introduce John Carson, our Chief Executive Officer, who will take us through the results and quarterback the other members of our team to present our results.

Over to you, John.

John Carson — Chief Executive Officer, Alterra Power Corp.

Thanks, Ross. It's a good time in our company. With the addition of the Shannon wind asset in the USA and the Jimmie Creek Hydro asset in British Columbia, we really have effectively completed our large growth phase for the Company. I'm very excited about it personally and our team is. And so it's an exciting time in the Company, and I hope you'll sense some of that as you hear from various management members on this call.

First, I would like to turn the call over to Lynda Freeman, our Chief Financial Officer, who will take us through the slide, which on the presentation that Ross had mentioned just a moment ago, from Slide 4.

Lynda, over to you.

Lynda Freeman — Chief Financial Officer, Alterra Power Corp.

Thanks, John. Morning, everyone. As is the norm at Alterra, so far it's been quite the year, with Jimmie Creek commencing commercial operations at the beginning of this month, the acquisition of Flat Top, the development of the solar portfolio in the US, and the start of the Shannon hedge on

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June 1st, to name the major highlights. Although not all these major achievements have had a direct impact on our financial statements at June 30th, this will be seen over the coming months and years.

We have recorded the acquisition of Flat Top in the quarter, with recognition of cash and contingent payments, as well as the security that was placed with the project transmission provider in the period. On top of advancement in development and construction assets in the quarter, the Company's operating assets continued to perform well. The results of our operating assets are shown in our June 30th income statement, with consolidated revenues and expenses reflecting 100 percent of HS Orka, and all other operating assets accounted for as equity investments.

Turning to Slide 4 of our presentation. Our consolidated results show revenue up marginally on the comparative quarter of 2015 and an adjusted EBITDA down 1 million. This is largely due to increased development spend in the year, as we continue to look for new growth opportunities, predominantly in the US and in Iceland. Management continues to monitor performance of our operating assets on a net interest basis, with Slides 5 and 6 reflecting the quarterly results.

Generation was up at Toba Montrose and Dokie 1. However, the impact of a weakening Canadian dollar quarter-on-quarter reduced the impact on revenue and EBITDA for those assets. Generation was down at HS Orka. This was predominantly due to a five-year maintenance shutdown in the quarter. However, revenue and EBITDA was sustained due to the strengthening of the Icelandic krona in the quarter.

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This is a second full quarter of operations from Shannon, and although the asset is performing extremely well, the results for the quarter suffered from a low wind period, in fact reflecting the lowest wind speeds recorded in the last 20 years. This has had a direct impact on revenue and adjusted EBITDA.

Moving on to the balance sheet on Slide 7. Our assets increased 3 percent to 610 million, largely reflecting the impact of the Flat Top acquisition, as well as favourable movements in foreign exchange with both the Canadian dollar and the Icelandic krona strengthening since December. This line exchange impact naturally also impacted liabilities, and this, together with changes in fair values to short-term bonds, plus recognition of the contingent payment related to Flat Top, which is payable on financial close and not from working capital, resulted in a 5 percent increase in liabilities.

Our working capital continues to be reflected as a negative balance. This is largely due to Sweden holding company bonds, which are due in December 2016 and July 2017.

As seen on Slide 8, the bonds are secured on 44.8 percent of shares in HS Orka. Subsequent to the quarter, the Icelandic krona bond, which was due in July 2016, was extended for 12 months. There was no change in collateral or principal, just an increase in interest rate from 3.5 to 5 percent for this one-year extension. Management expects to resume talks with the bondholders later in the year.

The US dollar bonds are due in December, and management is working with a number of parties on refinancing efforts, and we're expecting to complete the financing before they are due.

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Net cash flow from operations for the six-month period remained consistent with the prior period at \$9 million. And subsequent to the quarter, the Company received project dividends of just over \$7.5 million. These funds will be used to fund upcoming working capital and ongoing development spend.

Slide 9 documents our long-term debt on a net interest basis. Consistent with previous periods, I can confirm the Company was in compliance with all debt covenants at June 30th. With the exception of the revolving credit agreement, all debt is non-recourse to Alterra, other than our remaining investment in the projects. I do refer you to Appendix 1 for further information on debt.

Finally, I'd like to also refer you to Appendix 2. This slide is included to provide a little extra guidance in relation to tax equity transactions. With the increase in US production tax credits to 2020, the use of tax equity is likely to be a key source of financing for future transactions for the Company and we wanted to ensure our investors had a full understanding of this unique form of financing.

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

John Carson

Thanks for that, Lynda. And again, for any questions that you may have, to those who have joined us today, we will have a period for you to ask any questions and answers you'd like at the end of the presentation.

With that, I'd like to turn it over to Jay Sutton, our head of Hydro operations to tell us where we are with the Toba Montrose and Jimmie Creek assets. Jay?

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

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Thanks, John. So referring to Slide 10, Toba Montrose had a successful second quarter of 2016, producing 275 gigawatt hours of energy versus our forecast of 227 gigawatt hours, so 121 percent of plan. Our July generation was 95 percent of forecast, due to slightly even lower forecast inflows, but for the year up to the end of July, we are 110 percent of plan, over 40 gigawatt hours ahead of our forecast. The plan also achieved 97 percent utilization. Utilization is the measure of how much of the available resource we capture, so it reflects some of our maintenance outage time that we had in the spring.

We completed our annual maintenance work in April, and the Toba plants continue to run well with no significant outages or operating issues. We continue to strive to reduce operating costs and are now focusing on performing more work with internal resources to drive down these costs and increase our distributions further. Our crews continue to operate and maintain the plant safely and within our environmental commitments, and we are now approaching three years without a recordable incident for our employees or our contractors. That's it for Toba.

John, back to you.

John Carson

Thanks, Jay. I'd just like to point out that, that last bullet on the Slide 10, that it is the Toba Montrose operations team that will also handle the operations for Jimmie Creek. Those two plants are very close to each other; they're basically adjacent. And the highly skilled people we've had at

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Toba Montrose, that Jay was just able to mention, are also going to be handling Jimmie Creek. So, it's a good way to approach the future at Jimmie Creek.

With that, turning it over to you, Paul, for the Shannon highlights.

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

Sure. Thanks, John. Shannon continued to operate very well in Q2, and we had no safety, environmental or equipment issues. We continue to remain very high wind turbine availability and utilization. And GE, who is doing the wind turbine operation and maintenance and the balance and plant maintenance, is exceeding their contractual targets and is really working hard to minimize any downtime.

As Lynda mentioned, April, May, and June saw historically low wind speeds throughout the area of Texas, in which Shannon is located. And in fact, two of the three months are the lowest wind speeds on record. These wind speeds were very anomalous and led to a generation of 67 percent of plan for the quarter. Wind speeds rebounded in July, and we produced 122 percent of planned generation.

Moving on to Dokie. Dokie also continues to operate very well. We completed our annual scheduled maintenance and inspection outage in late May, and the facility is in top shape. Production year-to-date is slightly behind plan at 89 percent, primarily due to lower-than-planned wind in July and January. All other months of the year have met or exceeded their budget targets for this year. Vestas continues to maintain the turbines well and is achieving very high turbine availability and

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utilization, and the Alterra and Vestas staff at site are continuing to operate with no safety or environmental issues.

Moving on to Slide 13. I'll touch on our Icelandic operations. The combined generation from the Svartsengi and Reykjanes plants is at 98 percent of plan for the quarter and year-to-date, and their resource utilization continues to be high. Highlights of the Svartsengi plant include that work will be completed this month, in the next few weeks, to connect the recently drilled new production hold, Svartsengi 25 to the plant, which will provide additional steam for production.

Once that hole is hooked up, we'll move over to the second well that was drilled in the last year, Svartsengi 26, and it will be tested in September. Early indications continue to be positive for this hole, and we think it'll be another good addition to production. It would be hooked into the plant later this year to early 2017.

The new discharge system that we've talked about previously is being completed in the next few weeks, in late August at Svartsengi, and this will allow for more steam utilization and generation at the plant, by allowing more throughput of fluids for the plant.

Over at Reykjanes, we completed a scheduled overhaul of Unit 1 in June, and the unit was found to be in excellent condition. The most exciting thing happening at Reykjanes right now is the start of our deep drilling program that we've previously mentioned on these calls. The drill is on site and assembled, and we expect drilling to commence in the next day or two. This program will deepen an existing well in the field from its current depth of about 2.5 kilometres to 5 kilometres. It's a first

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for Iceland and could result in a very, very strong production well for the plant, as well as providing the consortium that's participating in the project with very valuable information on drilling at these extreme depths and temperatures.

That's it for me. John. I'll pass it back over—I guess I'll just pass it over to Jay to talk about Jimmie Creek.

Jay Sutton

Thanks, Paul. So now referring to Slide 14, I'm very pleased to say that construction of Jimmie Creek project is now complete, and we have transitioned the plant into operations. The installation of turbine generators was completed in June, and testing and commissioning was performed through June and July, with our final performance test performed the last week of July.

The plant generated electricity intermittently throughout the testing, and we were able to sell that power to Powerex up until the 1st of August, when we achieved our commercial operation date. At the 1st of August, our energy purchase agreement came into effect, and we are now selling our power to BC Hydro under a 40-year agreement that expires in 2056.

All the contractors have demobilized from site, and we are in the process of closing out the last few commercial items and deficiencies on the project. The final remaining work on site is the dismantling of the camp, which is underway and expected to be complete by next week.

The transition from construction to operations was seamless, and the project is now being operated by the same crews that operate the East Toba and Montrose plants, as John mentioned

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earlier. Up to this morning, our generation is 103 percent of our prorated forecast for August, and we are looking forward to continued strong generation of the plants throughout the fall months. I'd like to thank the Jimmie Creek team here at Alterra and all of our contractors that worked so hard over the past two years to build us another high quality asset in the Toba Valley.

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

John Carson

Thanks, Jay. And I echo your thanks to the team and to you Jay, for your leadership on this project. It's just a fantastic addition to our renewable power portfolio. And I've been up to the plant very recently myself, and it's quite astounding to see what has been constructed there over these last couple of years. We're very happy that it's now operating at full power, generating most days—recently at 62 megawatts full output, so very exciting times and completing a growth leg for our company.

Let's now turn to the last page of the presentation on Slide 15. Looking ahead, the first thing I'd point you to there is a photograph of our small solar project that we're working on. It's the first of a two-project portfolio. This is just a seven-megawatt project in Kokomo, Indiana where I actually lived at one point in my childhood, so it's neat for me to go back there—I just paid a site visit—and see some of the places where I had been and to see our company putting up a small plant there. In addition to that 20 megawatt solar portfolio, we also publicized the acquisition of a development project, a 200 megawatts wind project in Texas called Flat Top.

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Flat Top has one of the best renewable generation profiles that we could find in Texas, having screened many, many projects. It has very high wind, higher than Shannon, and it sits astride three separate power markets to sell into. It's been very attractive to commercial and industrial power purchasers, with several of whom we are in dialogue at this point, and also several hedge providers have approached us. A hedge is what we used on Shannon, where we sell the bulk of the power under our contract for 13 years. But as I've stated, we may also be able to get a power purchase agreement for Flat Top, so exciting times there. We're also deep in equipment procurement conversations for that project, so all the development items are coming together. It's going well.

Moving along to the second bullet. We've also advanced several other additional development stage projects. We haven't publicized these as much. Once they become near-term pipeline, we certainly will publicize them. The reason we're focusing our efforts in the USA is that there's a four-year tax incentive runway, goes all the way through 2020. This is an area in which Alterra itself has deep expertise in executing, arranging and modeling these sophisticated tax transactions. It's something that we have a lot of corporate experience in, and we've done well. So I'm glad that we've invested the time and the team efforts to get to this place of expertise, because with the recent extensions of those tax incentives, we stand to profit well.

We've also seen—the second sub-bullet there—increased corporate and industrial appetite for renewable power. This is important and it's unique. In former days, these types of projects would sell their power to old school utilities, and we're very happy when we're able to sell our power to

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utilities. But recently, we've seen corporate and industrial entities trying to green up their own power procurement portfolio, and renewable projects have benefitted from that. Now the pulling sound that you hear industry-wise is not from the utilities, it is from these corporate industrial offtakes. So this has changed the dynamic, and it's also changed the level of contractual opportunities that our projects face. So again, because of this, we're at the right place at the right time, having thoroughly ensconced ourselves into the USA market.

On the third bullet there. We have further advanced some of our Icelandic projects. Future projects there remain. Reykjanes 4, which is a small secondary steam unit that requires no further drilling, and also a 10-megawatt hydro plant called Brúarvirkjun. Ross and I plan to be in Iceland next week. We're going to observe the beginning of the deep drilling project, and we'll also be visiting the Brúarvirkjun project while we're there.

Lastly, I'd like to tell that we are still forwarding our small hydro development program in BC, featured with the Tahumming project, which we publicized here before. We've gotten our full applications in, and we're just attempting to move that forward as quickly as we can, to take advantage of the BC Hydro standing offer program.

So it's exciting days for us. We have a lot on our tray and it's all good, and the Company is—the people within our company are very excited. The team members have really caught that excitement and it's good days around here at Alterra.

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

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**Ross Beaty**

Okay, John. Thank you for that, and I think you've said it all. We had a good quarter. We've got a strong development pipeline remaining and have had our successes at Shannon and Jimmie Creek right behind us, so lots and lots of runway for continuing growth in the future and better results.

With that, Operator, I'd like to turn the call over to questions. Thank you very much.

Q&A**Operator**

Thank you, sir. Ladies and gentlemen, if you do have a question, please press *, followed by 1 on your touch-tone phone. You will then hear a three-tone prompt acknowledging your request. Note that questions will be taken in the order received. And if you should wish to withdraw your request, you will need to press *, followed by 2. And also, if you're using a speakerphone, please make sure to lift the handset before pressing any keys.

And your first question will be coming from a Rupert Merer at National Bank. Please go ahead.

Rupert Merer — National Bank Financial

Hi. Good morning, everyone and congratulations on your progress. Just to start out with, looking at your growth projects or development projects. Can you confirm that in this environment

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and the PPAs or hedges that you may be looking at, that you're able to achieve your levered after-tax IRRs in the double digits, or if you can give some more colour on thoughts on returns on growth?

Ross Beaty

Thank you, Rupert. I'll turn that question over to John. But for the benefit of any listeners and any people that would like to ask questions, I also want to remind people, we do have our CEO of our Icelandic business, HS Orka on the line, Ásgeir Margeirsson, and he's available as well to answer your questions specific to Iceland that we are—that we want to turn over to him. So John, can you take Rupert's question, please?

John Carson

Sure. When we close a project like Shannon, like Flat Top, we certainly would, Rupert, forecast double-digit return numbers. And we can certainly say that, that remains the case at both projects. So yeah, whether we would go with a traditional PPA, which we're certainly exploring, or a hedge at the Flat Top project, given wind that is even better than Shannon, and given a pricing environment that is even better than Shannon closed at, we certainly would achieve those double-digit types of returns. So I hope that, that clarifies enough for your questions?

Rupert Merer

Yeah. Yeah, great. And you gave some colour on the market for PPAs and interest from corporates for PPAs. How competitive is that market now? Are you seeing pricing on these PPAs that is more attractive than what you might have seen from utilities over the last number of years?

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**John Carson**

I'd have to say probably yes to that, and it's only because there are more opportunities to sell power now. So we were seeing, during the utility eras, just rock-bottom prices from people who repeatedly had come back and back and back to the market again. Proportionately to where gas is pricing today and to where power is pricing today, I'd say we're just a small turn above those days. So I would say informally, I do detect positive effects from that supply and demand change that we've seen.

It's very interesting though. It's just not black and white in pricing. There are different aspects to PPAs these days. Some PPAs are more hedge-like and therefore, you always have to weigh out the pricing you'd get under a hedge-like PPA or a hedge, versus the pricing you'd get from a traditional PPA. And traditional PPA means that the offtake is procuring every megawatt hour you produce, rather than the hedged transaction, where they're taking the bulk of the power that you produce. So you would value that PPA power pricing a little higher, which means you'd be willing to sustain a slightly lower price. So, that's kind of where I'm seeing the pricing fallout today. Of course, I won't really be able to answer that question with definitiveness until we sign that next PPA.

Rupert Merer

Okay. Great. And then looking at the capital requirements for these projects. In the past, you've worked successfully with private equity. We are seeing a lot of private equity chasing

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infrastructure assets like this today. Are you in discussions again with some of those same participants and in private equity for financing your growth projects?

Ross Beaty

John?

John Carson

Yeah. I'd say, first of all, just with respect to the project financing itself, i.e. the project lenders and tax equity providers, definitely there's a short and preferred list there of folks whom we continue to remain in contact with. We haven't really engaged, though, in the private equity- type of discussions with much bigger at all yet. We certainly have the ability to build and own all of the 200 megawatt Flat Top project ourselves, and we may do that. However, that said, we have experienced some good and strong interest from known partners to enter into Texas, some for the first time. So it is possible that we might sell 50 percent of the project, for example, at the beginning of construction. That'll remain to be seen and the full dynamic of the transaction.

Rupert Merer

Okay. Excellent. Thanks for the colour. I'll get back in the queue.

Ross Beaty

Thank you, Rupert.

Operator

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

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Jonathan Lo — Raymond James

Hi. Thanks for taking my question. On the three wind projects in the US, with the 500 million megawatt potential, are these fully owned? And would they qualify for the tax incentives?

John Carson

Yeah. We fully own the Flat Top project, and we fully own a few other wind development projects. As to whether they're fully qualified to PTCs, we feel that some of them are. Some of them, there would still be work left to do this calendar year, to make sure that we qualify for that four-year tax incentive program. So, I would say ask me that question again at the end of the year. With terms of the PTC qualification, the answer should be a yes. It's a very modest expansion and a modest amount of work that's required to qualify, but with respect to ownership, yes, we own a growing portfolio of 100 percent owned US wind assets.

Jonathan Lo

And how much equity would you need to complete these projects?

John Carson

Yeah. Generally count on about 30 to 35 percent equity for the projects. That's assuming tax equity-only refinancing. Now stepping back from the project, where we had the 30 to 35 percent equity that I just mentioned, it's very common to have back leverage structures above the project, to provide further debt financing for the project. So while I've told you that typically, the equity is 30 to

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35, in the end, our full equity, if we were to back-lever, might only be, say, 15 or 20 percent of the total project cost.

Jonathan Lo

And would taking the project cost for Shannon be a good representation to these other projects as well?

John Carson

It depends on how you measure it. So I'll just answer that first by saying if you measure it on dollars per kilowatt constructed or dollars per megawatt constructed, then yes, it will roughly be close to the same. It won't vary a lot. If you measure—and I'll just let you know that as we're analyzing new projects, dollars per KW or per megawatt is a very rough metric—it's a first discussion metric. But the real number that you need to have for any project is the dollars per megawatt hour produced. This will reflect not only the strength of the resource; it will also reflect the suitability of the particular turbine equipment for that wind resource.

So we really dig deeply on our team in terms of analysis, to understand what is the cost per dollars, per megawatt hour produced for that project, and there you would see that Flat Top will have a much lower cost per megawatt hour produced than Shannon. And that reflects the higher wind and also the higher power prices now, frankly, that we're seeing there, so that's just a return enhancer for us. So yeah, Flat Top is a well-situated project and even excels Shannon on that metric.

Jonathan Lo

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And so how many of these projects can you do? And is the constraint more on capital side?

Or is it human resources?

John Carson

Yeah. It's the latter. It's the latter. So as we look at constraints for the projects, first of all, let me tell you that on the Flat Top side, we have had many discussions with financiers around the project. They've all been very positively received by those financiers. Everyone wants to be in on the project. In other words, we haven't had a single person say anything remotely close to my desk is too full right now. So we have detected that there aren't a lot of deals hitting the market at the moment, so Flat Top stands alone in that respect.

So with that, I think that the capital for the project is not a significant constraint. What about our equity capital? I've told you ways in which we can minimize the amount of equity capital that we put into a particular project, but that, likewise, we don't see as a particularly constraining factor, given our ability to either back-lever or to raise equity funds through other means. We're not seeing that as a constraint.

There could come a point where we get to a human constraint within the Company, i.e., we have let's say Flat Top, the solar portfolio, a couple of other transactions that we're in execution mode on, and we just really could use another hand or two. We've been acutely aware of that possibility and frankly, that would be a great problem for us to have. We're in contact not only with project financiers, but also with project development folks that we think could be relatively fast additions to

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our team. We don't want to add team members too quickly or ahead of time, so we're really trying to add staff on a just-in-time basis, and I think we've been successful at doing that so far. When the time comes, when we have that good problem of another project, you'll see us hiring more people.

Jonathan Lo

Great. And my last question. If you were to initiate a dividend, would you consider a share consolidation first?

Ross Beaty

That is something which we are discussing. We've certainly pondered that for quite a long time, Jonathan, and we do—it does come up quite frequently, both internally and with investor meetings and with our Board. And when we make a call on that definitively, we'll certainly make the announcement and you'll hear about it, but it's something which we do consider, yes.

Jonathan Lo

Great. Thanks for taking my questions.

Operator

Thank you. Next question will be from Marin Katusa at KCR Fund. Please go ahead.

Marin Katusa — KCR Fund

Great work, guys. Look forward to Iceland next week. Just to add on to Jonathan's question. Looking at the financials with the arbitration, any news on the arbitration in Iceland? And also timing

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on the arbitration news, and also potentially where we are at with the concept of a US listing and the dividend? Do we see that in 2016 calendar year? Or more of a 2017?

Ross Beaty

That was good. I'll start the answer on that and John, if you have any adds, you can pick that up. First, on the arbitration, we expect some news on the arbitration decision sometime this fall, Marin, likely end of October, I think, possibly, unless they extend it, as sometimes they do. So that's roughly when we expect that news.

In terms of a dividend, also as I mentioned to Jonathan, we—this comes up very frequently. It's something we do want to work towards. We've made that public many times. And as we grow our free cash flow and as we grow our operations, obviously the time that we're going to be able to initiate that is coming sooner and sooner. So we certainly expect something in the next while, and what that means, to the extent that our Board is comfortable with initiating a dividend, we'll do it. As far as I'm concerned, it can't come too soon, and I've made that comment many times, as you know. Sorry, what was the other question?

Marin Katusa

The timing of a possible US listing?

Ross Beaty

Right. The US listing. So we've been talking about that as well over—for quite a while—and the discussions are really the pluses and the minuses. The pluses are, of course, we have a broader

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exposure to particularly retail investors. We discussed that point with a number of our institutional investors very recently, and their—you could say unanimous view—is that it doesn't matter. Our Canadian listing's perfectly good; it's very easy for them to trade in, on the Toronto Stock Exchange. And it doesn't add anything particularly, especially if there's any cost involved.

There is a cost; it's one of the negatives. It's not huge, but it's not insignificant, and then there's certain potential liability and certainly, more baggage for our legal team, which has already been long suffering with the existing securities regulations in Canada. So there's—it's not a huge cost. It's not a huge amount of baggage. But—and as there are some benefits—but it's a decision we have to think out carefully. And right now, we haven't got enough positives to outweigh the negatives. So it's not something we're looking at doing in the near future. This may change in the future, particularly as we grow our assets in the US.

Currently we only have Shannon in the US; the rest of our generation's in Canada or Iceland. And if we—we're producing today north of 800 megawatts. If we had a couple of more sort of Shannon-sized projects—another couple hundred—another say 400 megawatts of US wind, pretty soon we get up—we go from 800 and change, 830 or so, to 1,230, an increase of 50 percent. But 600 of that would come from the US, so that makes it more sensible, I think, to have a US listing as we become more of a US-centric company. But for the moment, we're not, and so that's on the sidelines for now.

Marin Katusa

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Thanks, guys.

Operator

Thank you. And your next question will be from Mac Whale at Cormark Securities. Please go ahead.

Mac Whale — Cormark Securities

Hi, John. When you look at—with a four-year runway on the tax incentive, and you've got these corporates coming in with interests and offtakes, what does the pipeline of projects look like in terms of quality? Are there a lot of, I guess, the short question is there is a lot of Flat Top—200 megawatt Flat Tops that was there? Can you just give some sort of indication of what the sort of development supply's like?

John Carson

Sure. 200 is usually the larger end of the project sizes that we'd see. Out of our other wholly owned wind assets, we've got one that may be as much as 300, 350, but we might phase that one into the 200 and maybe 150. So just to characterize it, let's call 200 the upper size of the bandwidth. Past that, we're now looking at one that is 150 megawatts, a little bit—a ways from Texas. We are also looking at a couple of smaller opportunities, a 50-plus megawatt opportunity, a 75-megawatt opportunity, and then lastly, a development stage opportunity that we've been working on for some time, that would be one of our largest ones at 320 megawatts.

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So there's a pretty broad range. I'd say the general range of expectation will be from a 40 megawatt minimum up to a 300, 320 megawatt maximum. That's what we expect to see. And then looking at that four-year runway, I would hope that we would get to four to six projects like this, at least, over that runway. That's our goal, and I'd love to beat that goal, but right now, we'd love to have a good strong handful of those larger wind projects to be developed within our company during these next years.

Mac Whale

And so when you aim for that number over that time frame, how many sort of—I'll call them deals—or how many particular projects do you expect to look at and do a deep dive on, to pare it down to that number of successful ones?

John Carson

Yeah. We've become...

Mac Whale

Or ones that you (unintelligible).

John Carson

We've become quite good at triaging the projects and determining which ones are in, which ones are out. There are some that linger, where we're trying to work hard to win a project, which may—it'd stay on our dashboard a little bit longer than that—but by necessity, we've directed our actions in a very focused way toward the projects with the highest likelihood for success. So we're

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hopefully not wasting our time on something that's not going to hit in the end. So again, I'd probably say it's that half dozen of solid and large transactions over this next four-year runway, and we'd very much like to beat that. As mentioned before, I'd love to be hiring new team members to handle new transaction streams, to make those incremental projects happen. I really feel like this is the beginning of a good growth run for us with all of these open windows here in the USA.

Mac Whale

And can you just give an indication of what's the level of wind data that you typically require? I'm trying to get also an idea of the sort of the investment by the time you enter in. Is it \$1 million, or is it a lot more or less than that, by the time you start looking at it?

John Carson

Sure. By the time we've actually spent anywhere like \$1 million, we have done a lot of verifying and confirming work and feel very good about the project. There's really only one project we've done so far in the USA, which is now the Flat Top project. Our other projects that we have in the USA—our other fully held wind projects—we've spent much, much less than \$1 million. It doesn't cost much money. It maybe \$50,000 et cetera to put up an array for wind data collection. It is area-specific, so that's just a general number there.

But the amount of data that you would need, it would also be a function of the contour of the land. If it's more complex land, you will need more towers. If it's generally flatter land, like in the prairies or in Texas, then you'll need only a couple of wind towers, especially if you have good

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surrounding reference stations. So I think the short answer to the question is, as soon as we have started collecting some on-site data and get several months, and are able to coordinate that several month data with nearby reference stations, you can feel good about the wind resource at that project. By the time you're done and by the time you're financed, you will have collected two years of data on that project, but you have made your decision prior to that time. You don't have to wait two years, in other words, to start your project financing. You can already see the light by the reference station correlation. That hopefully made sense?

Mac Whale

Yep. And...

Ross Beaty

And I'd like to add something there as well, Mac. I mean John makes it sound very easy and very cheap, but it is—I would say the devil is in the detail. Not just wind speed, you need your permitting issues resolved with different species, to make sure there's no endangered species or any environmental issues involved, social issues. You've got transmission issues you've got to resolve. So there's a lot of legwork you've got to do; it's not as quite as simple as you might have understood from John's comment or as cheap.

And this is always an issue for us as a small, growing company. Coming back to the dividend that we had a couple of questions on today, how much do you dedicate to returning capital to shareholders from existing operations, versus returning to the ground to add your—to build a bigger

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growth profile? In this business, the cost of capital is so critical, and that tends to decrease as you get bigger. The focus on growth is really our biggest focus.

But at the same time, as a growing Operator and having now seven operations running in different—wind, hydro and geothermal technologies—we do want to graduate to the point that we do produce a dividend as soon as possible, but also have most of our existing cash deployed for growing our business. And as John said as well, the main direction today is on US wind and to some degree, a lot of growth in Iceland that we're working hard on, and that all costs money. It's hard work, it requires a skilled team, and it does require a fair bit of money, but not ridiculous amounts. I think John has given you a good description on that.

Mac Whale

Right. Well, and that makes sense, I mean, given the fact that you figure the money is better in your hands developing new projects and leveraging your G&A, than it would be necessarily to give it back to the market. I mean, we could argue about valuation and things, the lift that you might get. But arguably, when you've got boots on the ground in a couple of states, you want to be able to leverage those activities, on the work you've done on regulations, on environment...

Ross Beaty

Yep.

Mac Whale

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On transmission grids and that type of thing. You really want to be able to leverage that, so it makes sense. And then what I'm trying to get a picture of is, is how that's evolving and whether—and I think John's done a good job in articulating that. And I think—I don't think, really, investors yet really grasp the opportunity that you have in front of you. So it's in any sort of my advice would be any sort of more detail on how that market is evolving is helpful. And then just lastly, John, on hydro in the US, is there any change at all there that you see over the next several years?

John Carson

Not a fundamental change. There are a few isolated opportunities that present themselves now and again, and we've spoken with a few potential partners on projects—again smaller megawatt opportunities. Usually these are projects that are built around old, old hydro assets, but are new-generation opportunities. So it's just a much more complex subject there. They're not considered to be, in many jurisdictions, purely renewable. You don't receive the same types of renewable energy credits, et cetera. So you may see us working on hydro transaction and we have screened several, but stay tuned on that one. I just don't consider that there will be a rush of those projects like we expect to see on the wind and hopefully, the solar as well.

Mac Whale

Okay. Okay. Great. Thanks, guys.

Ross Beaty

Thank you.

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Operator

Thank you. Next is a follow-up from Rupert at National Bank. Please go ahead.

Rupert Merer

Thanks. So Ross, you mentioned potential for some growth in Iceland. If we could just dive into that a little bit? You've got some new wells that have been drilled. Can you maybe give us some colour on how the performance in Iceland could trend versus historic levels on the production side? And what's the potential production you could see, versus your current nameplate on those facilities?

Ross Beaty

Sure. So I was thinking, well I—John, I suggest we let Ásgeir give some thoughts to that and he's our wonderful CEO in Iceland and a tremendous guy and a wonderful manager. So Ásgeir, how about if you tackle that? And if we have any comments, Paul or John can add some further colour.

Ásgeir Margeirsson — Icelandic Country Manager and Chairman of HS Orka

Sure, Ross. First of all, geothermal operations are something that you have to learn to deal with in each field, and we have a difference in our experience with the Svartsengi and Reykjanes, the two different fields that partly relate to the time that we've been operating those.

In Svartsengi, we have quite a long time ago developed reinjection and changed the trend, the pressure trend of the field to stabilize it. In Reykjanes, however, we have about 10 years of history, whereas we have 40 years in Svartsengi. We have now just recently commissioned the reinjection system earlier this year, and we expect that to improve the situation. And we're also, as we go,

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learning where to reinject, where to drill, and how to improve, and we're actually dealing with big steps of the Reykjanes production this year through reinjection and the deep drilling project. I guess these are the main points.

John Carson

And then, of course, our growth in Iceland, I think he also alluded to, both in geothermal and hydro, Ásgeir.

Ásgeir Margeirsson

Yes, absolutely. An important part of the development opportunities in Iceland relates to a governmental framework master plan, where to allow for development or not. And we do have very interesting and exciting projects, both in geothermal and hydro, that are classified for development, and we are working on those. And we expect to move forward shortly, as John said earlier, like the Reykjanes 4 project. Then of course, we have the Eldvörp and Krýsuvík projects, and then some hydro projects that we are dealing with, both the Brúarvirkjun one and also bigger hydros that are very, very interesting.

Rupert Merer

Great. Thanks.

Ásgeir Margeirsson

So we have a pipeline of a couple of hundred megawatts or even more.

Rupert Merer

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Great. And can you give us more colour on the Icelandic power market? How is the supply-demand balance today? And what's the outlook for the next few years?

Ásgeir Margeirsson

It's actually clearly a seller's market now; it has changed dramatically over the last five years or so, and there's a lot of demand for power. The prices have been coming up like for industrial and data centres, et cetera. Retail prices are gradually increasing in a slower pace. So we have—our most recent PPAs are the ones with the highest prices, and we expect that to continue. The main demand part in the market now is for silica industries. Two of those projects have already started construction, but getting close to commissioning, and two of those are still in the development phase. And then the data centres are picking up a bit more power, but on a smaller scale. The silica project runs something like 40, 50, up to 70, 80 megawatts each. Data centres are 10, 20 each and then grow gradually.

Rupert Merer

Excellent. Thanks for your colour.

Ross Beaty

Thank you. Thanks, Ásgeir.

Operator

Thank you. Ladies and gentlemen, as a reminder, if you do have any questions, please press

*, followed by 1.

And at this time, Mr. Beaty, it appears that we have no other questions, sir.

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**Ross Beaty**

Thank you very much, Operator, and thanks, everyone for the call. We'll end there then and appreciate your interest in our company. Thank you all.

Operator

Thank you, sir. Ladies and gentlemen, this does indeed 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 great day.

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