

FINAL TRANSCRIPT

Alterra Power Corp.

Fourth Quarter Results Conference Call

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CORPORATE PARTICIPANTS**Ross Beaty***Alterra Power Corp. — Chairman***John Carson***Alterra Power Corp. — Chief Executive Officer***Lynda Freeman***Alterra Power Corp. — Chief Financial Officer***Jay Sutton***Alterra Power Corp. — Vice President, Hydro***Paul Rapp***Alterra Power Corp. — Vice President, Wind and Geothermal Power***CONFERENCE CALL PARTICIPANTS****Marin Katusa***KCR Fund — Analyst***Steven Hong***National Bank — Analyst*

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PRESENTATION**Operator**

Good morning, ladies and gentlemen, and welcome to the Alterra Power Corp. Fourth Quarter Results Conference Call. At this time, all lines are in a listen-only mode, but following the presentation 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.

Note that this call is being recorded on Wednesday March 16, 2016.

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

Ross Beaty — Chairman, Alterra Power Corp.

Thank you very much, Operator, and good morning, ladies and gentlemen. I'd like to extend my own welcome to you for joining us at Alterra's fourth quarter and year-end results 2015 conference call.

Before I get going, I want to point out that we have a lot; we'll be making some forward looking statements today, and point you to the disclosure statement in our MD&A, financial results materials for this call, and news release. We certainly seek Safe Harbor under forward-looking statements.

So I'm going to start by saying that our 2015 results were really heavily affected by foreign exchange losses due to the strength of US dollars against the Canadian dollar and the Icelandic ISK.

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These results mask what was really our best year ever in revenue growth, production results, and operational growth, as we financed and completed construction of Shannon wind farm in Texas and continued the successful development of our Jimmie Creek hydro project in British Columbia, and made big investments in Iceland that will collectively result in continuing growth across the board in 2016 and future years.

So I'm now going to let our great management team in Vancouver tell you more about our 2015 results and outlook, starting with Alterra's CEO, John Carson.

John, over to you.

John Carson — Chief Executive Officer, Alterra Power Corp.

Thanks, Ross, and I echo your thoughts about this being a successful quarter for us. I'd like to introduce the management team that will be joining me on the call here as well.

First, our CFO, Lynda Freeman, who is back with us full time; secondly, though, our recently moved Interim CFO, Lindsay Murray, who did a great job in Linda's absence. So both of them are here with us, and we're very fortunate to have both of them on our team.

Over on the asset side we have Jay Sutton, our Head of Hydro; and Paul Rapp, our Head of Geothermal and Wind Operations; as well as Murray Kroeker, who is our Head of Engineering and Solar; and then also Jon Schintler, who heads our project finance teams.

To start the presentation, I'd first like to call your attention to the cover of the presentation which you found on our website just to see the asset, the Jimmie Creek asset, under construction. It's

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a very exciting time for our company as this asset is under construction. And there you see the intake at the top of the asset.

And this is just an early stage of construction still, but you can see that it's really quite developed already. And we are on target to deliver this project ahead of schedule and on budget or ahead of budget by the summer of 2016, so very exciting time for the Company.

With that, I'd like to turn to a review of our 2015 year-end financials, and Lynda Freeman is going to provide that. Lynda, over to you.

Lynda Freeman — Chief Financial Officer, Alterra Power Corp.

Thanks, John, and good morning, everyone. 2015 was a busy, but exciting year for Alterra. You'll hear throughout our presentation about the successful completion of construction of Shannon, the ongoing construction of Jimmie Creek, which is on time and on budget, and about the strong performance of our operating assets. All of these factors had a significant impact on the annual results of the Company as released yesterday.

Before I go into more detail on these topics, I'll start my presentation with a discussion on the operating results of the Company on a consolidated basis.

For those of you following on the presentation, Slide 4. The Company's consolidated revenue, gross profit, and adjusted EBITDA were all down against 2014. However, I must highlight that this decline is almost entirely driven by unfavourable foreign exchange movements, with the

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Canadian dollar and Icelandic krona weakening 19 percent and 13 percent, respectively, against the US dollar.

Other income and expenses remained consistent year on year, despite the significant movement of balances that within that category. Specifically, noncash movements in the embedded derivative, foreign exchange, and nonrecurring write-offs in the prior year.

The Company continues to record results from operating projects Toba Montrose and Dokie 1 as equity investments, and in 2015 included the results of Shannon from commencement of operations on December 10th to the end of the year.

That brings me on to talk about Shannon. During the year the Company went from owning 100 percent of a construction asset on January 1st to owning 50 percent equity interest in a fully operating project in December. To get to that point the Company completed construction financing, tax equity investment, and entered into a power hedge during the year.

With commencement of commercial operation in December this was shortly followed by full funding by tax equity on December 14th, and resulted in a return of capital to Alterra of 3.5 million for unused construction contingency.

Including this return of capital, the Company has invested 59 million in Shannon for our 50 sponsor equity.

Consistent with the previous periods, the Company believes the clearest view of our operating results is by looking at the net interest results by reflecting our ownership interest of Toba

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Montrose at 40 percent; HS Orka, 66.6 percent; Dokie 1, 25.5 percent; and now Shannon at 50 percent, reflecting our 50 percent sponsor equity in the project, as demonstrated on Slide 6 and 7 for those of you following our presentation.

Fleet-wide performance was 99.6 percent of budgeted generation, with record high generation at both Toba Montrose and Dokie 1. Once again, the effect of the strong US dollar can be seen in our results, with revenue and adjusted EBITDA down year on year.

Net interest in revenue was down 16 percent to 71.6 million, and we recorded adjusted EBITDA of 37 million, down 10 percent against 2014. I would like to highlight that in originating or functional currency the operating results of Toba Montrose, Dokie 1, and HS Orka were all up year on year, as presented in Slide 8, with increased generation at Toba Montrose and Dokie 1 and greater retail sales at HS Orka driving the increase.

Moving away from our strong operating results to our balance sheet and Slide 9 in the presentation. We recorded net assets of 199 million at December 31st against 214 million in the prior year, with foreign exchange and the fair value of the embedded derivatives the key drivers for the reduction in value.

Looking at our cash and working capital, you will note that our cash position declined significantly. This was due to the investment in Shannon, repayment of loan to HS Orka, and capital spend.

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At December 31st, the Company is showing a negative working capital of 123 million, due to the inclusion of the Company's holding company bonus held by Magma Energy Sweden of 180 million being classified as a current liability.

These bonds were issued in conjunction with the acquisition of HS Orka back in 2010, and they become due in July and December of this year. The bonds are nonrecourse to the Company and are secured on a portion of our shares held of HS Orka.

The Company is in the process of refinancing the bonds. However, if the Company is not able to, or elects to not refinance the ISK bond, which becomes due in July, the Company would lose 1 billion shares of HS Orka, and our interest would fall to 53.9 percent. We would continue to consolidate the results of HS Orka in this instance.

Should the Company be unable to or elect to not finance either of the bonds, then our share in HS Orka would be reduced to 21.8 percent, and we would no longer consolidate their results. We do not see this as a likely outcome.

Excluding the bonds in HS Orka from working capital, the Company has a positive working capital of just over 2 million. In addition, the Company received project dividends from Toba Montrose and Dokie 1 of over CAD 5 million in early 2016.

The Company has access to additional funds to finance further development, including additional holding company-level debt and use of the revolving line of credit, which has a current unused capacity of CAD 20 million.

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Moving on to long-term debt on Slide 11. The Company through HS Orka has continued to pay down debt with over 17 million paid off in 2015. I'd just like to remind everyone that HS Orka is quickly paying off its outstanding debt, with repayments falling significantly over the next few years. I refer you to Appendix 1 for details of repayments.

HS Orka has significant leverage to support additional financing due to the reduction in the debt over the years. All other long-term debt, both at a hold current and project level, have met all required debt service and covenant requirements.

The last slide and item that I am going to talk to is the inclusion of forecasted results for 2016 and '17 in our MD&A. This is the first time we've included the outlook, and we hope our investors find the information useful.

The Company is forecasting net interest in generation of 1,610 gigawatt hours and 1,706 gigawatt hours in 2017, up 29 percent and 37 percent for 2016 and '17, respectively, largely due to the recognition of 12 months' generation from Shannon and the inclusion of Jimmie Creek, which is expected to come online in the summer of 2016. In addition, generation forecast reflects successful reinjection at Reykjanes and new production wells at Svarstengi.

Based on internal budgets and forecasts, management expects the adjusted EBITDA on a net interest basis to grow 10 percent in 2016 and 30 percent in 2017 due to inclusion of Shannon and Jimmie Creek, and an expected margin increase at HS Orka due to lower forecast power purchases following the increase in forecast generation.

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Regarding all other assumptions, I refer you to our Management Discussion and Analysis for full details.

That concludes my update. I now hand you back to John.

John Carson

Thanks, Lynda. Great. Thanks very much for that. And now we're going to move on to the operating section.

I'm going to turn over to Jay Sutton to let us know what's happening on the hydro side starting with Toba Montrose. Jay?

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

Thanks, John. Referring to Slide 13, TMGP had a successful fourth quarter of 2015 producing 88 gigawatt hours of energy versus our forecast of 83 gigawatt hours, and achieving our annual generation target on 8th of October, which was 10 days ahead of the record set in 2014.

The fourth quarter capped off an exceptional year, with the plants generating 111 percent of our 2015 forecast and establishing a new generation record of 792 gigawatt hours. We continue to make improvements to the plant to increase efficiency and generation, and we spent the last two months performing annual maintenance in preparation for the higher inflows that start in April.

Our flow utilization and availability, which are key measures of the plant performance, both remain above 95 percent.

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For 2016, we're at 91 percent of our forecast generation through the end of February, and the snowpack is above the long-term average for this time of year. So we're looking forward to a good generation through the spring and summer.

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

That's it for Toba Montrose, John. Back over to you.

John Carson

Great. With that, let's turn over to look at the Wind and Geothermal operations side. Paul Rapp.

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

Thanks, John. I direct everyone to Slide 14 for our Shannon project. So Shannon was a huge highlight for the Company, as Ross said in the introduction.

In 2015, we completed construction on schedule and on budget, and commenced commercial operations at Shannon on December 10, 2015. The facility is operating very well. We've contracted with GE to provide wind turbine and balance of plant maintenance at Shannon, and the GE team on site is doing a great job.

Generation has tracked very close to plan for the first three months of operation, and we were at 97 percent of plan year to date at the end of February.

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Turbine availability has also been high, averaging over 97 percent year to date. We've had very few break-in issues with the turbines or with the balance of plant.

We are currently selling our power into the merchant market in Texas until the start of our hedge in June. Current merchant pricing is lower than forecasted historically low gas prices, but we expect this impact will largely go away upon commencement of our hedge in June.

I'll move on to our BC operations here; Dokie 1 on Slide 15. So the Dokie wind farm had a great year, performed exceptionally well in 2015, and achieved 339.8 gigawatts hours of generation, or 103 percent of the annual planned generation.

This is the highest annual generation for Dokie since COD. Because of this, Alterra received an additional earn-out payment of \$750,000 from Axiom Infrastructure, which was associated with the sale of 50 percent of our interest in Dokie two years ago.

That sales agreement allowed for an additional payment of \$750,000 per year for the three years following the sale when the Dokie wind farm achieved greater-than-planned generation. So that was a nice little bonus for us.

Strong production continues in 2016, and year-to-date production is 98 percent of plan through the end of February.

Vestas continued to do a good job of maintaining our turbines at Dokie, and 2015 availability averaged 96 percent. Overall, the Dokie facility continues to operate well with no safety or environmental issues and no significant equipment issues.

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I'll switch over to highlights of our Geothermal operations in Iceland now. Please refer to Slide 16.

So both the Svarstengi and Reykjanes plants performed well in 2015, and the overall production was 95.5 percent of plan for the year. Year to date, we're 101 percent of plan.

Highlights at the Svarstengi plant for the year included drilling of two new wells, Svarstengi 25 and 26, both of which are showing very promising indications for production. The holes were just recently completed, and downhole logging and flow testing is underway in these holes, and we expect at least one of these holes will be connected to the plant in 2016.

There's ongoing construction at Svarstengi of a new discharge facility which will dispose of brine from the plant. And this will allow for extraction of more geothermal fluid from the field, and potential increase in power production from the plant as well.

Over at Reykjanes, we completed just in the last few weeks the reinjection pipeline that's been under construction for a while there. And this connects the plant to the previously completed RN-33 and RN-34 well area. Reinjection has commenced into those wells, and will be ramped up over the next short while to provide pressure support to the Reykjanes field.

And that's it for me. John, I'll hand it back to you.

John Carson

Great. Over to you, Jay, for a construction update at Jimmie Creek.

Jay Sutton

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Thanks, John. Referring to Page 17, contractors working at Jimmie Creek made great progress in Q4 of 2015, and the civil portion of the project is now nearly complete.

Civil contractors have started to demobilize from the site, and we are starting to reduce the size of the camp as the number of workers on-site decreases.

We have completed construction of the intake in January, and filled the head pond in early March. We are currently performing final commissioning tests on the gates, and the contractors are cleaning up the intake and demobilizing.

On the penstock, construction and remediation are both complete. We'll perform a final walk-through of the penstock actually next week, and are scheduled to fill and pressure test the penstock by the end of March.

In February, we completed construction of the switch-yard, and performed final testing and commissioning of all the switch-yard and transmission line equipment. The Jimmie Creek plant was connected to the Toba Montrose transmission line on the 1st of March.

And then at the powerhouse, installation of the turbine generation is about 75 percent complete, and you can see in the photo there the insulation of the stator over top of the runner on Jimmie Creek unit 2. And the contractors are now performing the final electrical insulations and mechanical piping to prepare the units for testing and commissioning, which we expect to start in April.

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As John mentioned, the project remains on budget and schedule, and we're looking forward to generating electricity in the second quarter of 2016.

Over to you, John.

John Carson

Okay. Thanks, Jay. And now I'm going get to the section of looking ahead and where our energies are focused here in 2016.

Before I do that, we need to make one correction in the presentation that was posted this morning. On Slide 12 in the outlook table we had a defunct table actually, and I'd just like to clarify the numbers. These are the numbers that are identical with what we have in our news release and our MD&A.

Generation for 2016 and '17 is 1,600 and 1,700 gigawatt hours, respectively; total revenue is 92 million and 100 million, respectively; and adjusted EBITDA is 41 million and 48 million, respectively. The presentation is being uploaded or re-updated as we speak, and the correct numbers will be in that table. Apologies for that inconvenience there.

Now looking to Slide 18, Looking Ahead. As most of you may have heard, there has been an extension of two renewable generation incentives in the United States, which plays right into what we like to do, which is to displace carbon-generating activities with our clean renewable power projects.

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There was a two-year plus tail extension of both the production tax credit, which is typically used for wind projects, and the investment tax credit, which is typically used for solar projects.

This really opens up the playing field for Alterra, and plays right into our expertise of having a deep understanding of tax-focused transactions, such as the one we used at Shannon. And so we are directing our energies there, and we're working on several projects in the USA.

First on the greenfield side, we did lock up two projects with land leases very recently, and we project that these two projects can have a capacity of up to 350 megawatts. And we're looking at other greenfield projects currently as well. So this has been a major boon for us, and we decided to take advantage of it by ramping up on the greenfield side.

Also we're analyzing several development-stage acquisition opportunities in the States. Some of these are wind. In fact, most of them are. Some of them are solar, but most all of these projects that we're currently analyzing for acquisition are in the USA.

The teams are very busy working on this right now, and really crystallizing what our next near-term growth pipeline is going to look like.

Then finally in both Canada and Iceland we are advancing multiple hydro development projects, such as Tahumming in British Columbia and Brúarvirkjun and Hvalá in Iceland.

We're very excited about these opportunities, and looking forward to where we can really find the most opportunistic advancements for our development pipeline. And we'll also look at an expansion on to our geothermal project.

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We've long been discussing our Reykjanes plant and potential expansions there. There's one potential expansion, the first portion of it, which doesn't involve drilling any new wells. It's basically just adding on a binary power unit to the existing facility there. And we're currently working that one as well.

So what we see here at Alterra is really a good platform for growth in North America, especially in the United States. And we are fully exploiting it, taking advantage of it and working to maximize our opportunities there for our shareholders to grow new and profitable projects that are generating clean renewable energy.

With that, we're through with the core of our comments. Ross, I'll turn it back over to you.

Ross Beaty

Okay. Thank you very much, John. And I think I'll just wind it up. As John said, we had a good year operationally last year; financial results tarnished somewhat by the flows of foreign exchange fluctuations to the US dollar, but certainly are setting ourselves up for a great year in 2016 and '17 and beyond.

So with that, Operator, I think I'll close the call—presentation and open it to questions now.

Q&A

Operator

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Thank you, sir. Ladies and gentlemen, if you do have any questions, 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 should you wish to withdraw your request, please press *, followed by 2. And if you're using a speakerphone, you will need to lift the handset before pressing any keys.

Please standby for your first question, which will be coming from Marin Katusa at KCR Fund. Please go ahead.

Marin Katusa — KCR Fund

Hey, Ross and John. Great work, guys. A couple quick questions. No mention of the dividend. Where are we at with that?

Ross Beaty

So, Marin, we're still debating that at our Board level. We had a Board meeting yesterday, of course; had extensive discussion on that, and we haven't resolved yet what we're going to do. Of course, we're disappointed that the foreign exchange strength in the dollar, or at least the strength in the US dollar has tarnished our free cash flow when described in US dollar terms. And to some degree that's impacting our deliberations on dividend.

So right now it's a watch this space kind of thing. And we'll have to report later on that.

Marin Katusa

Any hedging strategies that you guys are looking at for the currency?

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Ross Beaty

John?

Marin Katusa

For the FX?

Ross Beaty

John?

John Carson

Currently no hedging plans in effect as of today. It's something that we monitor closely, but I think that we don't see or project any substantial currency movements in the near term.

Lynda, anything else to add there?

Lynda Freeman

Yeah. The only thing I'd add is the currency fluctuations we're seeing, it's mainly in our reporting currency. That's a big impact that we see, so it's just purely reporting.

John Carson

That's right. And originating currencies—

Lynda Freeman

Yeah.

John Carson

—as Lynda explained, were quite profitable; in fact, doing better.

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Marin Katusa

Gotcha. Now the second quarter I got, John, specifically to you; this really stood out, the greenfield wind development, the leases for two new US projects up to 350. That's very significant, but what else can you tell us about it? Where? What? And knowing Ross I'm sure he's got a plan to how to finance that. Is Berkshire in the works? Or Starwood? Like what's the plan there? Because that's pretty significant.

John Carson

Sure. There's two new projects. We're purposely waiting to release more details just a little bit later. We're looking in multiple locations in the USA for those, so more information to come on the precise locations.

With respect to financing, you mentioned Berkshire Hathaway, which was a substantial participant in our Shannon project; great relationship there. It would be not a surprise at all to me if they were participating in our next USA wind project, although there's no commitments or anything else.

I'd say that even if it weren't the participants we had at Shannon—if it weren't Berkshire, if it weren't Citi—there are plenty of other viable financiers for our next renewable energy projects. We have here at Alterra strong relationships with almost all USA tax equity providers and major project lenders.

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So it could be any number of those providers, Marin, but I do expect that there's no shortage of capital for good projects today. So not a concern at all there as far as raising the debt or tax equity capital.

Marin Katusa

Okay. That's great news. Jay, this one would be for you. The Q4 on Toba generation was significantly lower than 2014 Q4. Was it just a—was there anything particular relating to the flow? Or was it in a mechanical issue? Or what was the reason? About 30 percent lower quarter over quarter.

Jay Sutton

Yeah. No, just last year we had really high—we had a mild winter, so we had much higher flows at the end of the year and at the beginning of 2015. So it was strictly related to just to water flows.

Marin Katusa

Okay. Lynda, the last question for me—sorry for hogging so much time here—but when we look at the lump sum payments for the HS Orka loans over the next four or five years, we're looking 17, 15, a couple of 12s, and then an 8. And I get that point how we're dumping the—going to decrease that significantly, but in this market where this project would be—this is what I'd call like hot green debt—you could refinance the 75 million HS Orka loan quite quickly. Is the Company looking at doing the HS Orka loans at the same time as the Swedish debt? Or is the plan, no, we're just going to pay down the debt?

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John Carson

Yeah. Lynda and I are looking at each other here, Marin, but let me speak up first on that one. It's always a consideration, and there is, as you're recognizing there, a great deal of financing capacity at the HS Orka corporate level. So we have had some preliminary discussions around that, and that is a possible outcome in the future.

That said, our first priority is to really refinance the holdco loans, the Sweden house holding company loans. Those term out at the end of the year, and that's why our efforts are put there first and foremost. And those activities are well underway. We have an advisor working for us. We're really just kind of getting everything in line to get that done in a good way. So that's where the focus is, but yes there would be plenty of financing capacity at the HS Orka level. We'll be looking at that in the future.

My last statement about that is that if and as we develop the Brúarvirkjun hydro project, which I mentioned, or the Reykjanes 4 expansion, which I also referred to in the growth section, we may do a project-related refinancing or new financing as well to supplement or complement the existing HS Orka loans.

So a lot of interesting backdrop for Icelandic-related financings, but to reiterate, first and foremost we'll be refinancing these holdco loans.

Marin Katusa

Very exciting. Thanks, all.

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Operator

Thank you. Your next question will be coming from Steven Hong at National Bank. Please go ahead.

Steven Hong — National Bank

Hi. This is Steven filling in on behalf of Rupert. Just have one question in regards to Mariposa geothermal project. I was wondering if you guys could give us more bit more additional colour? Just the fact that it was postponed in October 2015.

John Carson

Okay. Sure. And that was a disappointment for us we referred to, I believe, on our last call. We had originally planned to commence this drilling in late 2015 October. And we announced upon postponement at the election of the managing partner of the project, our partner EDC, Energy Development Corporation, they chose to defer this drilling for a year based on certain factors that were occurring in Chile, primarily a reduction in commodity prices, which gets reflected in reduced forward power prices which affects the level of contracting that this project could get in Chile.

In other words, there seemed to be a negative spike in commodity prices, and they wanted to wait that out a little bit or to reassess. That was their decision to make, and we announced at that time that it would be deferred until late this year.

So that's currently the plan, and who knows ultimately whether they will do it this year or defer further. We hope that certainly it occurs this year; sooner the better in our view.

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But in the end that particular decision is reserved for our partner.

Steven Hong

Okay. That's all I have for today. Thank you.

Operator

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

And currently, Mr. Beaty, Mr. Carson, we have no other questions registered.

Ross Beaty

Okay. Thank you, Operator. We're getting off lightly today. In that case, we'll end the call and thank again, everyone, for participating today. If you have any further questions you can certainly call our office in Vancouver and speak to any of the participants that have been talking today for any further details.

Any other comments, John?

John Carson

No, Ross, other than to say that I'd call everybody's attention to the revised presentation on the website. It has been revised; the proper table on Slide 12 is now there.

Ross Beaty

Okay. Thanks very much. And thanks again, everyone, for joining us. We'll end the call now.

Thank you, Operator.

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Operator

Thank you, sir. Ladies and gentlemen, this does indeed conclude your conference call for today. Once again, thank you for participating, and at this time we do ask that you please disconnect your lines.

Enjoy the rest of your day.

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