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OPERATOR: Good morning. My name is Tracy (phone), and I will be your conference operator today. At this time, I would like to welcome everyone to the Alterra Power Corp. Six Months Ending December 2011 Results Conference Call with Mr. Ross Beaty, Chairman, and Mr. John Carson, Chief Executive Officer.

All lines have been placed on mute to prevent any background noise.

After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during this time, simply press *, then the number 1 on your telephone keypad. If you would like to withdraw your question, press the # key. Thank you.

I would now like to turn the meeting over to Misters Beaty and Carson. You may begin your conference.

ROSS BEATY (Executive Chairman, Alterra Power Corp.): Thank you very much, Operator, and good morning, ladies and gentlemen. Welcome to Alterra's 2011 year-end conference call. I apologize personally. I have a bit of a gravelly throat due to a bit of a bug attacking me, so hopefully I'll make my way through the call without too many unintelligible comments.

First, I'd first like to draw everyone's attention to our forward-looking statements. We have full disclosure on these in our disclosure documents and to some degree in our news release that we put out



yesterday. We will be talking about a number of forward-looking comments today and we seek Safe Harbour when we discuss these.

Joining me today are John Carson, Alterra's CEO; Bruce Ripley, Alterra's Chief Operating Officer; and Peter Wong, Alterra's Chief Financial Officer. We also have Asgeir Margeirsson, Chairman of HS Orka, and Júlíus Jónsson, CEO of HS Orka, standing by for questions on Iceland if there are any, as well as Anders Kruus, our Manager of Corporate Relations, and Paul Rapp, our Vice President of Wind, again for questions and any potential follow-up that might be needed.

I'll start with some general introductory comments and then turn things over to the management team for details, and then we'll open the call to questions. And I hope of course that we'll answer most of the questions during our comments, requiring a short question period following our comments.

I always seem to open these calls up with an apology for the complexity of our financial statements. Since Magma Energy went public just two-and-a-half years ago, it seems like every quarter we've had some complication that made our accounts hard to fathom. This past quarter is no exception, but I certainly hope, and I really emphasize that, that it will be the last complex set of statements for some time.

The period just ended had two complications, which I know Peter will go into more details on. Firstly, our transition to IFRS. And this has required pages and pages of disclosure on translation adjustments.

And the second, of course, is the change in our year-end to December 31st. So this is just a stub period, and we did this to accord our statements with those of HS Orka, our most important subsidiary, and Plutonic Power, and we think more compatible with industry standards.

So we now have a December 31st year-end. It's going to be like that forever and ever, and I hope going forward we really will have some statements that will be, number one, shorter; and number two, more comprehensible.

And the result, of course, this time is we have five or six pages of financial statements and 60 pages of notes. It's just hard to believe but there it is. This will not happen again, I promise.

A recurring complication, though, arises due to accounting rules on consolidation versus equity accounting. So for example, our consolidated results reflect only 100 percent of HS Orka and Soda Lake operations, even though today we only own 67 percent of HS Orka. So it's somewhat misleading by itself.



And they include none of our financial results from our important subsidiaries in BC, the Toba Montrose operations and the Dokie operations, even though we own 40 percent of Toba Montrose and 51 percent of Dokie.

So they are really quite misleading to the, I think, to the average person trying to understand them. We have tried to reflect our real equity interest in all six of our operations by use of the term net interest in our news release and our MD&A discussion.

Our net interest shows our real revenue, real cash generation, real power generation, and so one. It is the real measure of how we are doing and what we are generating.

Cutting through these accounting complications, our story today is a pretty happy one. Our six operations are all running well. We have low risk brownfields' growth at HS Orka, Toba Montrose, and Dokie that could add 330 to 350 megawatts of new capacity on top of the 570 megawatts we already operate in the next two to three years. We have a large greenfield pipeline of earlier-stage geothermal, wind, and hydro assets that could boost our production capacity beyond 1,000 megawatts later this decade, as well as a very interesting project later this year that we intend to acquire in silver.

We have an exceptional team fully capable of executing all of our growth plans. And we have the financial capacity to fund such growth alongside our likely growth partners, GE and the Icelandic pension funds.

Our heads are down, we're working hard, we have a clear focus, and we are quite simply building value with—building ourselves into a larger, stronger, clean power company. With each step towards this mission, we are building greater value for our shareholders, a long-term, low-risk, high-growth investment.

And with that preamble, I will now ask John Carson, our CEO, to walk through more details of where we are today. Over to you, John.

JOHN CARSON (Chief Executive Officer, Alterra Power Corp.): Thanks, Ross. And I'd like to thank all of our shareholders, analysts, and others for joining us on this call. As you know, Alterra has just reported results for the six-month stub period ending December 31, 2011. And at that end, I will turn it over to our CFO, Peter Wong, to walk all of you through the highlights. Peter?



PETER WONG (Chief Financial Officer, Alterra Power Corp.): Thank you, John. I'm very pleased to report on another strong quarter for the Company. When we reported in November on the last quarter that ended on September 30, 2011, we had our first quarter results from all our operating facilities and were very pleased at the time to report on very good operating results.

Yesterday, we were able to announce that we continued with another very solid and consistent quarter with all our operating facilities continuing to generate the expected positive operating cash flows. We had tie (phon) availability at all our operating facilities, and on an aggregate basis they generated 102 percent of forecasted production. This was despite the fact that Toba Montrose, our large hydro facility in BC, was taken offline in mid-November to allow our contractor to perform warranty work on the penstock.

I'm assuming you have read, or have available to review, our news release, financial statements, and MD&A, so I'll, therefore, quickly summarize the key results and then focus on our operations. And as I do so, I'll make several references to Alterra's net interest, which you'll see emphasized in our news release.

As Ross mentioned, and which I'll repeat again, our financial statements are now reported under International Financial Reporting Standards where we consolidated results of our some of our assets and the equity account for others. We find that the concept of net interest provides clarity around our financial results by demonstrating the amount of revenue, EBITDA, and other items that pertain to our actual ownership at each project.

Specifically, Alterra's net interest statistics for this reporting period reflect Alterra's 40 percent ownership of Toba Montrose, 51 percent ownership of Dokie wind, 95 percent ownership of our Icelandic assets, and 100 percent ownership of Soda Lake.

As we have previously announced, we recently changed our year-end from June 30th to December 31st, so I will therefore focus on the results of the last six months of 2011, which also constitute our first fiscal year under IFRS.

Alterra's reported revenue for the period was 34.7 million, while our net interest and revenue, again reflecting our actual ownership at each asset, was a solid \$54.9 million. The Company's EBITDA for the period was 25.7 million and our net interest in EBITDA was 23.3 million, again reflecting the strong performance of our operating assets.



The Company did report a net loss of 18.3 million but this was largely caused by a 24.5 million noncash negative change in the fair value of derivatives, primarily as a result of lower aluminum prices at December 31, 2011.

Now turning to operations results and starting with Toba Montrose. First the penstock recoating at Toba and at Montrose was carried out under warranty and the costs were paid by our contractor. The warranty work was carried out during the seasonally lowest expected generation. Based on actual order flows during the outage in the quarter, only about 7.7 million of our net interest in revenue during that quarter was foregone because of the plant being offline.

So for the six-month period, Toba Montrose generated EBITDA of 35.5 million and our net interest in the Toba EBITDA was 14.2 million.

A couple of milestones worth mentioning. First, cash distribution of 12.8 million in December 2011, of which our 40 percent share was 5.1 million. Toba also made its first annual principal repayment on its debt of \$4 million in December 2011.

Our Dokie wind facility had a stellar performance during the last six months of 2011 and generated EBITDA of 16.5 million, and our net interest in the Dokie EBITDA was 8.4 million.

During each of the last six months of 2011, Dokie operated at above budgeted numbers at an average of 127 percent of budget as a result of a good wind resource and higher-than-forecast turbine availability. So Dokie is currently projecting to make its first distribution to Alterra and its partner in June of 2012.

Dokie also paid its first two semiannual principal repayments on its debt totalling 2.5 million in 2011. Under IFRS, both Dokie and Toba are now equity accounted, so in the interest of transparency we have provided some additional disclosure in our financial statements in Notes 9 and 10 summarizing our proportionate share of the Dokie and Toba balance sheets and income statements for those of you who want greater depth in their performance.

Our Icelandic operations also operated efficiently during that six-month period, achieving 98 percent of their budgeted output. Excluding the nonrecurring Nordural arbitration costs of 1.8 million, our Icelandic operations generated \$11.6 million of EBITDA. Our share of that EBITDA was 7.3 million.



Most of the cash flow from the Icelandic operations is currently used to repay debt and service interest charges, with principal repayment of 9.5 million in the last six months of 2011.

In March 2012, Icelandic pension funds, which owned 25 percent of our Icelandic operations, invested an additional \$38 million by purchasing additional shares in HS Orka, raising their interest to 33.4 percent. Alterra's interest was reduced from 75 to 66.6 percent. This new financing is expected to be sufficient to allow HS Orka to fund its equity requirement for the planned Reykjanes expansions.

Our Icelandic team also successfully amended the terms of one of its loan agreements with better terms and covenant conditions, which were all met at December 31, 2011.

Moving on to Soda Lake. Soda contributed \$0.8 million of EBITDA for the last six months of 2011, and that number will improve over time as the result of steady improvements in plant operations and reduction in operating costs.

Additionally, we're very pleased also to note that Soda Lake received a US Treasury grant of 2.1 million in March of 2012. So in total, we repaid \$9.8 million of our proportionate share of debt and 23.5 million we had borrowed against our facility.

So to conclude, in the last two quarters our operating assets performed as expected, or better, with high plant availability, taking advantage of the renewable resources during that period, and generating strong positive and stable operating cash flows.

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

JOHN CARSON: Great. Thanks, Peter, for the financial update. And with that, I will ask our Chief Operating Officer, Bruce Ripley, to discuss Alterra's operational highlights from the period. Bruce?

BRUCE RIPLEY (Chief Operating Officer, Alterra Power Corp.): Thank you, John. For operations, Alterra had a very good six months with no significant safety or environmental incidents and generation above plan. Credit for these results goes to our leaders and their teams at each of our operating plants. Our people provide our results and we thank them.

Six-month highlights from HS Orka in Iceland, where we have a 67 interest in 175 megawatts of geothermal assets, include 609 gigawatt hours of generation at the Svarstengi and Reykjanes plants.



Looking forward, we are ready for the planned and budgeted maintenance overhaul of Reykjanes Unit 2 in June.

Six-month highlights from Soda Lake in Nevada, where we have 100 percent interest in a gross 16 megawatt geothermal plant, include 34 gigawatts of generation. Looking forward, we will be installing replacement pumps in two of our production wells in mid-2012, which will increase plant energy output and provide greater production well reliability.

Six-month highlights from Toba Montrose in BC, where we have 40 percent interest in a 235 megawatt hydroelectric plant, include 440 gigawatt hours of generation and recently the completion of annual maintenance on all four turbine generators and auxiliary equipment. Also of note on Toba Montrose, warranty repairs on 10 stock coatings were completed in March. We recently completed some repairs to our 230 KV transmission line due an avalanche and have all four generating units available for operation when water flows increase with warmer weather.

Six-month highlights from Dokie in BC, where we have 51 percent interest in a 144 megawatt wind plant, include 217 gigawatt hours of generation, well above plan, and the achievement of final completion for the construction contract in January. Vestas, our turbine supplier and maintenance and service contractor, is performing maintenance activities on schedule.

Looking forward at our development activities, we will be preparing to make our \$6 million 10 percent equity investment in the 50 megawatt ABW Solar project located in Ontario in late 2012 and setting up our systems to be the managing partner. The three sites comprising the ABW project have all been permitted by First Solar, the current project owner, and construction is scheduled to begin in May.

Our other significant development priorities will be the 124 megawatt Upper Toba hydro project, located near Toba Montrose; the 156 MW Dokie 2 wind project located near Dokie; and the 80 MW expansions at the Reykjanes geothermal plant in Iceland. For these projects our goal is to be either construction ready or near construction ready by the end of 2012. Current activities on these projects include design optimization and discussions with equipment suppliers and construction contractors.

In summary, our operating plants have good performance of safety, environment, maintenance, and production, and our development projects are advancing on schedule. Back to you, John.



JOHN CARSON: Thanks, Bruce. With that, I'd like to discuss where we're going as a company and our current strategic focus.

So first, our first primary strategic focus remains our development projects. Advancing our late-stage projects to construction remains job number one for us. As Bruce just mentioned, all three of our late-stage projects, Upper Toba hydro, Dokie 2 wind, and Reykjanes 3 and 4 geothermal, are advancing toward construction, which we're targeting at the end of 2012 or early 2013.

Some current updates for each of these projects are as follows: At the fully contracted Upper Toba project, Alterra has initiated discussions with prospective lenders and those lenders to date have shown strong interest in the project. We've also been actively involved in partnership discussions including face-to-face discussions just this week. We hope to execute a definitive partnership agreement for Upper Toba as early as next month. Finally, Alterra's currently revisiting and refining the design work to achieve optimal performance for the asset.

At the Dokie 2 wind project, we've continued to gather resource data from the four new 80-metre meteorological towers that we installed in late 2011. This data will enable us to produce a thorough resource assessment later this year to support a project financing. Second, we've been working with our partner on the project to determine the optimal turbine technology to use at the plant, given the nature of the wind resource and the character of the wind. Recent turbine and wind analysis is promising and it may enable us to slightly reconfigure the plant to make it more efficient and increase the energy yields. Stay tuned.

Finally, we are gearing up for PPA discussions as a power sales agreement with our prospective offtake for the project, BC Hydro, and we hope to have positive news in the near term.

For the Reykjanes 80 megawatt geothermal expansion in Iceland, we are currently in face-to-face discussions with meetings again just this week over that power sales agreement for the Reykjanes expansion, and we are hopeful that we can achieve resolution there so that we can fully swing into financing and construction efforts on this plant as well.

Also, as we earlier projected, our Board did officially approve the full 2012 work plan to advance each of these late-stage projects. Although we already have partnership funding covering many of these amounts, and we will likely soon have four further funding, even if we receive no partnership funding for any of these



efforts in 2012, Alterra's current working capital is comfortably sufficient to execute this work plan. All of the 2012 efforts are in the low single-digit million range as we've previously notified you.

We believe that our proven project development skills combined with our deal structuring capabilities will result in exceptional value to our shareholders in the near term and in the coming years, and this will provide appropriate rewards to us for the value that we've created at each of these projects and the early-stage risks that we took, again on each of these projects. If we reach our goals at all three of these development projects, we will almost double our current annual EBITDA at Alterra.

The second strategic focus for us is bolstering our position in British Columbia. As many of you know, British Columbia is preparing for significant industrial growth, including potential construction of multiple liquefied natural gas facilities, LNG facilities. If these facilities are constructed, they will require substantial power supply and we consider it highly likely that most of the power supporting these fossil fuel activities will be sourced from renewable resources, like Alterra's power projects, its wind, and its hydro projects.

With that in mind, Alterra has been paying a great deal of attention to its development pipeline in BC. We've jump-started our efforts on many of our early-stage BC projects, and we've dusted off old files and we've renewed conversations, all in an effort to more fully leverage this forecasted ramp-up in BC renewable power demand with an enhanced development asset pipeline as well as examining fresh opportunities for acceleration of our Bute Inlet project.

Given our developer track record in British Columbia, where we've successfully constructed and financed almost 400 megawatts of renewable projects, we believe Alterra is the developer of choice in the province having cracked the code of BC project development through our expertise in permitting, transmission, community relations, contracting, financing, and partnering in the province. Look for us to continue leveraging this position.

Our third strategic focus is opportunistic and accretive transactions. This is nothing new. As previously mentioned, we've been active in considering acquisitions of clean power assets that are new to Alterra in BC and elsewhere. In just the past month, we've been active on internal mandates for hydro assets, geothermal assets, and multiple wind assets, and my hope is that we will execute one or more



acquisitions in this next quarter. Any such transaction, as always, will have to be accretive to our shareholders.

Lastly, let me provide an update on our geothermal development projects. Since our last update, we've been extremely active in partnering efforts at each of our Peru and Italy assets as well as at our advanced- stage exploration asset in Chile.

In Chile, we are currently pursuing a definitive agreement with a prospective partner, and likewise in Peru we are also currently working toward an agreement with a prospective partner.

Italy's partnering effort is at an earlier stage, but they are ongoing. Though I'm not at liberty to share any partner names for these projects at this time, as before, we are not just seeking a financial partner but a full value-add partner who can bring construction, transmission, drilling, or other expertise to a partnership.

So that's our update of how we are moving the ball at each of our development projects and where our near-term strategic focus is in efforts to continue building this company in British Columbia and around the world and to building value for our shareholders.

With that, Ross, back to you.

ROSS BEATY: Great. Thanks, John. That was an excellent update, guys. I most appreciate it. I also want to mention to callers here that we also have Donald McInnes on the line. I omitted to include him in the people standing by on the call, and Donald has particular expertise, especially in the BC scene, political scene, and the development scene in BC for renewable energy, and we will also be available to answer questions should they be needed.

I think we've done a pretty good job of describing where we are today, our financial results, operating results, development opportunities. I'm certainly pleased about where we are today and I think on that note, I'll end the call, and open it to questions.

So, Operator, if you could please open the lines to questions. Thank you very much.

OPERATOR: As a reminder, if you would like to ask a question please press *, then the number 1 on your telephone keypad. If you would like to withdraw your question, press the # key. We'll pause for a moment to compile the Q&A roster.

Your first question comes from the line of Jeremy Mersereau with National Bank. Please go ahead.

JEREMY MERSEREAU: Good morning, everyone.

ROSS BEATY: Good morning, Jeremy.

JEREMY MERSEREAU: Just wanted to get a feel for what your equity requirements would be for the Reykjanes expansion and the timing of those equity requirements.

ROSS BEATY: Well, Jeremy, I'll answer that one and maybe, Asgeir, you can chime in if needed. Excuse me.

It's early to predict our equity requirements because we don't yet have our PPA finally negotiated, and from the PPA, the PPA pricing will drive our financial model, and with that model the required equity and debt split. Furthermore, we have to then negotiate project financing with a syndicate of lenders. Of course we've had multiple discussions with potential lenders already, but until we have the model completed we don't know what that split is going to be and what the terms are going to be on the project finance.

We do have a very nice positive equity capital sitting in Iceland right now. We have almost \$40 million plus any cash flow that comes from the project, net of debt repayment and industry payment, over the next period. So we have all of that available. And if there is any additional to that that's needed, we'll be able to calculate that later this year. But right now I don't think we can answer that with any specificity. We are hoping that we will be required to add none or very little new equity to the projects during the next—to get to the next 80 megawatts of plant expansion.

JOHN CARSON: Thanks, Ross. And this is John just adding one extra point on that, just to make it clear. In addition to the 40 million that Ross mentioned that's earmarked for the project, we've also got a 100 percent paid-for turbine there that's \$29 million worth of investments. So all in, we've got \$70 million there and available to plug-in for our equity requirements on the project.

ROSS BEATY: Good point, John. Thank you.

JEREMY MERSEREAU: All right. I guess on a similar vein you mentioned acquisitions likely by next quarter. How would you look to finance these if you've got just over 20 million in cash today?

ROSS BEATY: We'll have to finance them as required, and it'll be dependent entirely on what the acquisition is and what the capital requirements are.

JEREMY MERSEREAU: Okay. And I guess the following two questions are kind of housekeeping. Are you expecting to get any more grants at Soda Lake than the 2.1 million you've received?

ROSS BEATY: Bruce?

BRUCE RIPLEY: Yes. We're not expecting to get any more grants from Soda Lake. This is the last dollars we expect from that source.

JEREMY MERSEREAU: Okay. And the Toba Montrose, I believe I understood that the revenue reduction was about 7.7 million. Is that right?

PETER WONG: No. It's Peter Wong here. It's actually 0.7. I may have misspoken.

JEREMY MERSEREAU: Oh no. 0.7, right.

PETER WONG: 0.7.

JEREMY MERSEREAU: Oh, okay. And just wondering what kind of availability we can expect in Q1?

JOHN CARSON: Well the equipment availability right now is forecast to be very, very high. We've just performed annual maintenance on all of the units and we're all set to go once the flows increase.

JEREMY MERSEREAU: Right. Okay.

JOHN CARSON: And just given though that we're at the end of Q1, specifically to your question, you'll see pretty much no availability during the first quarter when these repairs occurred.

JEREMY MERSEREAU: Okay.

JOHN CARSON: Now that we've wrapped them up, now that units are available, you'll see us returning back to full availability in the second quarter.

JEREMY MERSEREAU: Great. Thank you.

OPERATOR: Your next question comes from the line of Gus Hochschild with Mirabaud Securities. Your line is open.

GUS HOCHSCHILD: Thank you very much. Good morning to you all. A couple of—well, quite a few but very short questions if I may? In the first place, what was the net capacity for Soda Lake? Second question, is to what extent, and presumably it's pretty seasonal, the weather, so is let's say the winds here

have had a particularly strong month for the site or is it fairly even throughout the year? Third quick question, if I may, 124 at Upper Toba that's marginally higher than I was expecting so confirmation on that please?

And then can you give us any colour of the potential resources in either Peru or Italy? And then the last question, if I may, is with regards to something rather anal in the accounts. And indeed on the balance sheet, I noticed the embedded derivatives have come down very significantly. So does this mean that this should cause less of a swing in the future? Or is that partly a reflection of just the 20 percent decrease in alum prices?

ROSS BEATY: Thank you very much, Gus. And good evening, to you, in London. I'm going to ask Bruce Ripley to answer the questions on Soda Lake, and Dokie, and Upper Toba. And then perhaps over to you—well Gus, I could answer the question on the geothermal side of Italy and Peru, and then maybe John, or Peter, you guys can fight over who wants to answer the derivatives, embedded derivative question. So over to you Bruce.

GUS HOCHSCHILD: Thank you.

BRUCE RIPLEY: Okay. Thanks, Ross. The Soda Lake plant has an installed equipment capacity of 23 megawatts. We don't operate it at that level however. We typically operate it at a gross output of 12 to 13 megawatts. And then it's got a 4 megawatt load just to run the plant. So the typical net output is 8 to 9 megawatts. So that's covering Soda Lake, the geothermal...

GUS HOCHSCHILD: Splendid. Thank you.

BRUCE RIPLEY: Okay. Now the Upper Toba capacity, there are two projects, there are two sites: Jimmie Creek and the Upper Toba site, and we've signed the EPA with BC Hydro for 124 megawatts. As part of a design optimization work, which we described earlier, we're assessing whether it makes sense to fully develop them at 124 megawatts or perhaps something slightly smaller, and that's just something that we are currently evaluating. Okay. I think over to Peter now.

PETER WONG: So actually what I'll do...

GUS HOCHSCHILD: Thank you.

PETER WONG: If it's okay with you, John, I'll introduce Lynda Markwell, who's our Director of Finance. And, among other things, she's also our specialist in derivatives to answer that question for you.

GUS HOCHSCHILD: Thank you.

LYNDA MARKWELL: Thank you, Peter. With regard to the embedded derivatives, just to clarify one point, the reduction in the derivative has nothing to do with the reduction in our ownership because we're 100 percent consolidating. The reason for the reduction in the derivative is due purely to the reduction in aluminum prices at December 31st, or forecast aluminum prices. So as aluminum prices continue to move in the future, unfortunately we will continue to get the swing through both our income statement and the value reflected on the balance sheet. Just to reiterate obviously our noncash movements. The other...

GUS HOCHSCHILD: Yeah.

LYNDA MARKWELL: The final point just to make on the embedded derivatives is one of sort of contracts that we were having to value an embedded derivative on expired in October 2011, so that will be another reason for a small actual decline. But that contract was winding down during the year. I hope that answers your question?

GUS HOCHSCHILD: Yes. But if I may just follow up on that. So if that contract, I mean, to what extent of the current capacity, or of the current output, that contract accounted for how much of the output, more or less? What percentage?

PETER WONG: The two remaining—this is Peter Wong here by the way, the two remaining...

GUS HOCHSCHILD: Peter, thank you.

PETER WONG: The two remaining contracts account for about 36 percent of our revenue at HS Orka. So does that help you?

GUS HOCHSCHILD: Yes, it does. Thank you.

PETER WONG: Okay.

ROSS BEATY: Good. And then the last question you had was about geothermal resources in Peru and Italy. And although these are very early-stage properties, Gus, the potential is really huge. Peru has untapped potential for literally thousands of MW of geothermal power. We have, I think, the prime concessions in the country, and so our opportunity there is really for certainly many, many hundreds of megawatts ultimately. And they're very large, very hot systems but they're very early stage. So they'll take a tremendous amount of capital to get them advanced through to production.

And similarly in Italy, we have the adjoining concessions to the one of the world's largest geothermal fields in Larderello in Northern Italy; in Tuscany, which currently is 750 megawatts of base load geothermal power for NL (phon); and so the opportunity is significant there. I would say in the hundreds of megawatts.

The problem with all of these areas where we went into when we were a 100 percent geothermal company, Magma Energy, is that they required massive amounts of capital and it's quite risky capital to do all of the drilling necessary to prove up the fields.

And so because we are trying to protect our capital and put it into the most promising projects for near-term development and near-term cash flow, we have opted as a Board, we've opted as a strategy to try to joint venture these opportunities to other companies that want the quality of property position we have in these countries and are prepared to put up the early-stage capital necessary to de-risk the projects and develop geothermal resources on them. That's our current strategy. It's taken a long time.

We—especially in Chile, where we have the most advanced property, the Mariposa project, we had a—we spent close to a year with a very, very good partner in Chile, got right to the altar with the company last fall, and at the very last minute the deal fell apart due to that particular company's internal situation. And so we have now been working very hard to replace that company with another one. And we are again working on a very advanced level with a company to partner that project and we hope we'll have something to announce in the next quarter.

GUS HOCHSCHILD: Certainly. Well, thank you very much indeed.

ROSS BEATY: Very good. Thank you, Gus.

OPERATOR: Your next question comes from Damen Guirdham with Generation Investment. Your line is open.

DAMEN GUIRDHAM: Thank you very much. On the solar project that you intend to buy into later this year, I'd be very grateful for any detail you can give on how you go about getting comfortable with the long-term attractiveness of a solar thin-film project, sort of the context is the degradation issues that First Solar have been quite high profile with over the last few months. And also the fact that I think that if I'm right your company don't have a lot of experience on solar. So just the details of the kind of due diligence that you do would be very helpful.



ROSS BEATY: Sure. Very good question, Damen. Thank you very much. I think, Bruce, perhaps over to you on that.

BRUCE RIPLEY: Okay. In terms of the obtaining the level of comfort, the proposed contract includes performance guarantees. So that's the fundamental commercial comfort that's provided.

And with regard to the due diligence, it's a matter of retaining appropriate specialists to guide us in a monitoring role that we will have during construction and the initial commissioning of the plant to review the design.

And, as you will recall, the structure of this transaction is that we don't—the partnership doesn't become the owner of the project until it's fully constructed and has gone through the required performance tests to show that it can meet the EPA requirements.

DAMEN GUIRDHAM: Thanks.

JOHN CARSON: And, Bruce, if you don't mind, I'll just add one point to that in that we have specifically, on this project, modeled a level of degradation that we have been comfortable with. And with respect to that, we have modeled in a replacement of those units at a certain point in time. So it's an issue that we have looked at closely, that Bruce has looked at closely, and we continue to monitor. So it's fully contained within our pro-forma to adjust for that.

ROSS BEATY: And then I'll just add one last comment, Damen, on the subject of solar. This is a new opportunity for us. It's a new technology. It is something that we are getting our feet wet on. With this project, it is a very modest risk. It's a \$6 million investment for us. It is partnering with GE, who is a very fine partner, and our existing partner on our wind and hydro assets in British Columbia. We know them well. They know us well. We will be the operator such as is required. It's a very low-maintenance project in terms of operatorship. It shouldn't require enormous effort by our company. But it's going to get our feet wet to see if we like the business and we will get fully involved in all of the operating issues involved with the solar business through this limited investment of a 10 percent equity stake in a 60 megawatt solar farm in Ontario, under a long-term contract built by one of the industry's top constructors and developers. And we think it's de-risked but we have a very finite investment. If we love the opportunity, if we love the business, we may get into other ones. And if we don't then we will simply—we'll just simply use this as a one-off. But this is, for



us, a good chance at a modest risk to get involved in this new technology which actually is going to be a very promising and a very much larger business as the world turns and as the future evolves.

DAMEN GUIRDHAM: Fantastic. Just as a small clarification: you said that you've assumed a replacement at a certain point in time. Was that a replacement basically of all the panels at a certain point in time? Or was it just a replacement of a proportion that have degraded below the guaranteed level?

ROSS BEATY: Bruce, if you could respond to that question?

BRUCE RIPLEY: Yeah. It's Bruce here. I'm going to suggest that this is a topic that we move to an off-line discussion if that's acceptable to the question?

DAMEN GUIRDHAM: Yeah, absolutely. That's fine.

BRUCE RIPLEY: Okay. Thank you very much.

ROSS BEATY: Thank you, Bruce. Thank you, Damen. Next question?

OPERATOR: Your next question comes from Jared Alexander with Canaccord Genuity. Your line is now open.

JARED ALEXANDER: Good morning, everyone. Just a couple questions here. I know, Bruce, I believe you mentioned that construction at ABW is going to start up in May, but I thought I came across a reference in the materials that it could be a Q2 or Q3 start date. So I'm just wondering if it is Q3, is it still possible to get that asset up and running by the end of the year? Or is this possibly a Q1 2013 event?

BRUCE RIPLEY: The current schedule is for construction to start in May and for construction to be complete during 2012. That's the current schedule.

JARED ALEXANDER: Okay. So that May date is pretty firm that slipping into Q3 is unlikely?

BRUCE RIPLEY: I'll just repeat my statement construction is scheduled to start in May.

JARED ALEXANDER: Okay. And then that would bring it on in late Q4? Would that be fair?

BRUCE RIPLEY: Correct.

JARED ALEXANDER: Okay. Thank you. If memory serves me correct here, I think we were talking about EBITDA run rate of 50 to 55 million before corporate expenses, but I think that was before the dilution at HS Orka. I was just wondering how we should think about that going forward?

ROSS BEATY: John?

JOHN CARSON: Yeah the EBITDA from HS Orka, as you'll see from our statements, is just north of 20, call it, in our recent periods. So if you notch down our restricted share from 75 percent to the 66 percent level it's really a pretty modest reduction, about call it maximum 2 million. So I'd call it immaterial kind of in the scope of looking at 55 million and a EBITDA reduction of 2 million on that. But that should pretty much give you an indication of what the scope of it is.

JARED ALEXANDER: Okay. Great. Thank you.

ROSS BEATY: And then don't forget we'll add a few million dollars in EBITDA coming from ABW's Solar.

JARED ALEXANDER: Oh, sure. Yeah. Okay.

JOHN CARSON: Yeah. Our share of that should be 3 million a year.

JARED ALEXANDER: Okay. And then maybe if I can just throw a higher-level question at you here. A lot of talk about bringing partners in on all these projects, I'm just curious what kind of opportunities do you think there are to enhance project returns through development fees?

JOHN CARSON: Yeah. If you look at the way that many deals are structured, depending on the economics of the deal, you are able as a developer, if you've properly structured the transaction and you've got the right contracts, to get a development fee. So just for the benefit of everybody who may not know just how this works, you've got several capital providers who may come in to any given project with you. For example, lenders. Right now, fixed rate lending in North America typically is below 7 percent level, let's call it 6.5 percent.

So the lender doesn't care if the project is richer or poorer, the lender doesn't care. The lender just typically wants his 6.5 percent return. Likewise, on the equity side for equity partners, low teens is something you'll often see industry-wide and to see how an equity investor will come into a de-risked project. Again, if the project is richer it has a stronger PPA or it has a weaker PPA, that equity partner doesn't care so much as long as he gets his low mid-teens return.

So, all that said, when those two entities, who are our typical partners on North American deals, come into a deal that lender will get his 6.5 percent. That equity partner will get his, call it, 12.5 percent. Between those two metrics, if the deal is rich, we stand to benefit by taking a development fee from the deal

because those partners all come in at returns and those returns don't vary typically much from project-to-project. So if that's the nature and that's the mechanism by which we can get a development fee.

So typically we would come into a project, we would get two levels of return. We would get a typical equity investors' return for the capital we've put into the project, and the EBITDA, and the free cash flow, and equity that we get from that interest. But then, as you pointed out, if the economics of the project are sufficiently robust, we could also get those development fees. And indeed, as you would imagine, that significantly can bump up our overall return on the project. So hope that answered the question, and let me know if you need any more verification.

JARED ALEXANDER: No. No. That's very helpful.

ROSS BEATY: But more specifically, Jared, we are seeking development fees on the Upper Toba project, Dokie 2 for example is the expansion project in British Columbia that we have pushed along, at early stages invested our own capital, our own time to de-risk and that we hope and expect there will be development fees coming to us from those.

JARED ALEXANDER: Right. Okay. Maybe just one follow-up. Would it be fair to say that more potential for development fees on the geothermal side rather than the wind or hydro?

JOHN CARSON: It really is a function of the individual transaction. You can't really say yes to that, that there's more potential necessarily in geothermal. Just the individual nature of any particular transaction. For example, when we schedule out construction costs, they're generally higher in some regions than others. So it would depend on factors like that.

So I don't think that geothermal has necessarily a greater bias toward development fees per se. So, however, I would say that overall what the advantages that geothermal provides are much—it's much more certain cash flow because it's a 100 percent running asset rather than an intermittent asset. And also the chance to get a residual interest from those projects, a long-term, for example, recapitalizing those projects at a later date given the fact that there's so much megawatts that come off of those projects per dollar invested. For that reason they have much higher probabilities of getting a beneficial recapitalization later in the project. So long term they look much better.

JARED ALEXANDER: Okay. That's pretty...



ROSS BEATY: That was a good answer. Thanks, John. Hope it answered your question.

JARED ALEXANDER: All right. Thanks, guys. Those are all my questions

ROSS BEATY: Okay. Thank you very much.

OPERATOR: Your next question comes from Matt Gowing with Mackie Research Capital. Your line is now open.

MATT GOWING: Good morning, everyone. Thanks for taking the questions.

ROSS BEATY: Okay, Matt.

MATT GOWING: Just a question on the Dokie wind farm and the production there. Very strong in the last two quarters. If you kind of annualize the production, you'll be generating well over that 400,000 megawatt hours for the four quarters of the year, and that compares to your forecast of, I think, 330,000 for an annual forecast. So is there something going on in terms of unusually strong resources there on the wind side this year? Or is it possible that the 330,000 kind of estimate is overly conservative?

ROSS BEATY: Thank you for that, Matt. I'll get Bruce to answer it but I also want to apologize to Gus, we didn't answer your question on Dokie, your earlier question on Dokie. And I'll maybe get Bruce to wrap your—I think the answer's the same so, Bruce, go ahead.

BRUCE RIPLEY: Yeah. The last year was a higher-than-average wind speed year up in the Peace area of Northeastern BC where Dokie is located. At this stage, we haven't seen anything that would cause us to increase our estimate of 331,000 gigawatt hours for the year. But you were correct in your observation that this was a higher-than-average windy period.

MATT GOWING: Okay, great. Thanks for that. And then just on your recent news of the 10 percent increase in your energy allotment for the Dokie PPA, would it be fair to just prorate or increase by 10 percent estimates for power production, sales, and EBITDA for the project as a result of that announcement?

JOHN CARSON: Hey, this is John. Let me jump in on that. The answer to that would be a pretty firm, no. Not at 10 percent bump. If you look at our news release, we actually kind of gave you some direction on that, and we ran a lot of statistical analysis around it. 1.2 percent is the effect that we think we're going to get in revenue there. The cost structure remains the same so EBITDA will respond accordingly. So yeah, 1.2 percent, not 10 percent, on revenue.

MATT GOWING: Okay. Thanks, for that. And then with respect to this resource, the data that you're collecting for the Dokie 2 expansion, there could be some amendments required to your environmental certificate based on the data that you collect. So what could be the level of difficulty, if any, on getting those amendments? And what could be the time requirement in getting those amendments—the amended certificate? Thanks.

ROSS BEATY: Bruce, if you could jump in on that question, and Paul, if he's still with us.

BRUCE RIPLEY: Yeah. It's Bruce here. We're currently discussing with the Ministry of Environment what the potential is to require amendments. And it would be based on any differences in the project as we go forward compared to how the project was originally permitted. And that could include the number of turbines, the locations of turbines, locations of roads, et cetera. So we've initiated those discussions. There are no conclusions yet. So we may require an amendment or we may not require an amendment. And, as a result of that, it's too early to estimate what the time impact could be. But with the layout revisions that we are considering, we're anticipating that the changes to the originally permitted lay out will be modest.

MATT GOWING: Okay. Great. That's helpful. Thank you. And then, one last question. It's very interesting to hear you talk about the LNG opportunity and British Columbia. Can you provide any sort of time line on when we could expect some news around the LNG investments? And who the companies are that would make that LNG investment? And for Alterra's opportunity to supply power to those projects, will those be existing projects in your portfolio? Or would they—would you need to go out and acquire a project to be able to be a supplier there? Thanks.

ROSS BEATY: Okay. Maybe, Donald, if you have a chance to clear your throat a little bit and answer some of the questions on the LNG landscape in BC. And I'll answer the second question right away.

Certainly we would be supplying clean energy to those if this is in the cards from either our existing operations or new ones that we acquire in the region which we're very active on seeking.

DONALD MCINNES: Thanks, Ross. There's—I think it's been estimated there's no less than six different possible LNG projects that are being conceived up for Northwestern British Columbia. The most advanced is the Apache EOG Encana project. At this point though, no LNG project has been given a go on financing. Shell is very much in the mix here as well. I think BC Hydro's on record as saying that they

probably have enough power or electricity in the system to meet the electricity needs of the first two projects. So until there's a financing decision made on the third project, which is expected to be Shell, we won't know what the electricity requirements of BC Hydro will be. But we would be selling electricity to BC Hydro under a long-term contract from any of our projects that we have today or those that we can advance in the future, and BC Hydro would be selling directly to the LNG companies.

MATT GOWING: Okay. Great. We'll watch for news, and good luck on that, guys. Thanks.

ROSS BEATY: Thank you very much.

OPERATOR: Your next question comes from Barry Bishop, private investor. Your line is now open.

BARRY BISHOP: Good morning. Ross, when you did your opening statement I thought I heard you say something about a possible acquisition of a silver project. Did I hear you wrong or...

ROSS BEATY: Yes you did. I said nothing of the sort.

BARRY BISHOP: Okay. Sorry about that. I must have misunderstood something you said then. Sorry.

ROSS BEATY: Okay.

OPERATOR: Again, if you would like to ask a question, please press *, then the number 1, on your telephone keypad.

Your next question comes from Mac Whale, Cormark Securities. Your line is now open.

MAC WHALE: Hi. I just wanted to follow up with Donald on what he expects to see over the next 12 months out of BC Hydro in terms of the LNG prospects? There seems to be a disconnect between what the government wants to do and the long-term acquisition plan at BC Hydro. So are they in any position to really start to contract anything from suppliers? When do you think they're going to have to be in a position to do that? And what do we expect to see prior to that in terms of modifications to the LTAP or RFPs or anything of that nature?

DONALD MCINNES: Thanks, Mac. The process that is going on today as run by BC Hydro is they're in the middle of the IRP, Integrated Resource Plan, process. They are going to make public in May their draft plan with recommendations and put that out for comment. And that will be worked on with stakeholders through the next few months and filed with government sometime in the fall. So I don't know the

specifics on when a procurement opportunity may come from BC Hydro, but it's estimated and accepted by government and Hydro that over the next 20 years or so Hydro's needs will be to increase power generation in the province by up to 40 percent.

So I think there's a fantastic long-term opportunity for development companies, like Alterra, that have significant projects in their pipeline. And the timing of it is the part that we all need to be questioning as to when it will come to pass. So we're spending our capital modestly, getting ready on our expansion opportunities, but focused more so on the short term on Upper Toba and Dokie expansion.

MAC WHALE: And are you active in that process? Like are you in a position—is Alterra in a position to be able to influence the direction of that process?

DONALD MCINNES: Well we directly, as a company, and then additionally through the Clean Energy Association are very active in trying to provide advice to government and to BC Hydro on the resources that exist through various development companies that are out there. I think that the government's LNG strategy, which is to continue to provide electricity to the industrial load in the province and sticking with the 93 percent clean threshold is a direct result of work that the Association and other companies have done in trying to stay the course on the electricity policy as it exists today. So I think there's been a positive outcome from what developers have put into the process thus far, Mac.

And the new government, or the government under the new leadership of Christy Clark, has stayed committed to the 93 percent clean target. And the LNG companies, specifically Shell, have said they do not want to self-generate. They want to get firm grid-based power from BC Hydro. And that's the incredible opportunity that is out there for companies like us.

MAC WHALE: It's—I think...

ROSS BEATY: I'd also add that we are—just to remind listeners—that Alterra is the largest independent power produced in British Columbia, we have the largest wind farm in the province, and we have largest running (phon) river in the province, of course both operated in partnership with GE.

MAC WHALE: That's helpful. Thanks, guys.

OPERATOR: There are no further questions. I turn the call back over to you, Mr. Beaty and Mr. Carson.



ROSS BEATY: Great. Thank you very much, Operator, and thanks again, one and all, for listening in. You can certainly see that we're a very active company and we have some pretty good traction right now on some excellent low-risk growth projects right adjacent to our existing operations in Iceland and British Columbia at wind, and there's going to be other at our hydro projects. We're very, very excited about the year ahead and we're looking forward to executing all of our plans, and that's really the focus of the Company right now. As I said, our heads are down, we're working hard, and every single step we take towards achieving those goals will be value-adding step for our shareholders.

So I really look forward to a great year ahead for us, and until the next conference call I think we'll close the call. If there's any other questions from—or any other observation from you, John? Or anybody else in Vancouver?

JOHN CARSON: No. Likewise, Ross, we will continue to update everyone on the next call, and moving all systems ahead.

ROSS BEATY: Very good. Thank you very much. And that's the end of the call.

OPERATOR: This concludes today's conference call. You may now disconnect.
