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## PRESENTATION

**Operator:** Good morning. My name is Jonathan and I will be your conference operator today. At this time I would like to welcome everyone to the Alterra Power Corp. third quarter 2012 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 Messrs. Beaty and Carson. You may begin your conference.



**Ross Beaty – Chairman, Alterra Power Corp:** Thank you very much, Operator, and good day to everyone on this call. Thank you very much for joining us in this presentation of Alterra's third quarter 2012 operating and financial results.

I'll start as usual with the note about the forward-looking statements that we will be making today, and the disclaimer in our news release and our financial statements. We seek safe harbour in connection with all statements made today.

Joining me today in Vancouver are a number of our senior management team. Starting with John Carson, our CEO, who will make some comments in a minute; Bruce Ripley, Chief Operating Officer; Peter Wong, our Chief Financial Officer; and then some of our Vice Presidents and Directors, Anders Kruus from Investor Relations; Asgeir Margeirsson is on the phone from Iceland, in charge of our Icelandic HS Orka operations; Donald McInnes, Vice Chairman is with us today, hot off a plane from Asia; Monte Morrison who manages our Soda Lake operations and Nevada projects; Lynda Freeman, our Director of Finance; and Paul Rapp, our Vice President, Wind.

Thank you very much for joining us everybody.

The third quarter of 2012 was a good operating quarter for our company, and the first quarter where we could see comparative results quarter on quarter and year on year following the merger of Plutonic Power and Magma Energy in mid-2011.

I'd like to now welcome John Carson to the call to go over our results in more detail. John?

**John Carson – Chief Executive Officer, Alterra Power Corp:** Thanks, Ross.

Our operating and development and support teams have worked exceptionally hard this quarter with some good results to show for it. And I'd first like to turn to our CFO, Peter Wong, for the quarterly financial detail. Peter?

**Peter Wong – Chief Financial Officer, Alterra Power Corp:** Thank you, John, and good morning to everyone on the call.

I'm very pleased to report another steady financial quarter from our operations in B.C., Iceland and Nevada. Let me begin by summarizing the key points for Alterra's third quarter.



The company recorded a net income of \$14.7 million this quarter compared to a net loss of \$11.4 million for the comparative quarter in 2011, representing a positive change of \$26 million. The combined generation from our facilities, all of which we operate, was 102 per cent of budget or 763 gigawatt hours, and our net interest in our generation was 399 gigawatt hours.

The Toba Montrose hydro plant and our two geothermal plants in Iceland exceeded the generation targets, offsetting lower generation at Dokie due to lower wind than budgeted and lower generation at Soda Lake, which Bruce will discuss.

As mentioned in previous calls, a number of non-cash items continue to cause our quarterly net results to fluctuate significantly. Excluding these non-cash items, we had \$18 million of EBITDA for the quarter net to our interest, demonstrating again the strong operating cash flow of the business.

Let me walk you again through these key non-cash items for the quarter. We recorded a \$29.5 million positive change in the value of bonds and derivatives resulting from changes in future aluminium prices. We also recorded a \$7.4 million improvement related to foreign exchange movement. Offsetting these improvements, we had a non-cash swing in income tax of \$7.5 million, resulting from a \$3.4 million expense this quarter, contrasted to the comparative quarter's non-cash income tax recovery of \$4.1 million. So on a combined basis these selected non-cash items continue to cause our reported net results to fluctuate significantly.

So now moving on to our revenue. Consolidated revenues from our geothermal operations in Iceland and in Nevada were \$3.7 million lower than the comparative quarter, which is pretty much what we expected, given the lower current price of aluminium and the negative change of 6 per cent in the exchange rate for the HS Orka non-U.S. denominated revenues.

Aluminium prices declined 11.3 per cent versus the comparative quarter. As we have pointed out in previous calls, our long-term power sales contracts in Iceland are tied to aluminium prices, and they represent approximately 33 per cent of our Icelandic revenue.

Equity income decreased by \$2.4 million, primarily from lower generation at Dokie as explained earlier. However, that was offset by a \$1.4 million decrease in general and admin costs as the company continues to benefit from the efficiencies of the combined Magma-Plutonic entities, and avoided non-recurring



costs on 2011 that were related to the Nordural arbitration. So as a result our consolidated EBITDA for this quarter was \$19.8 million, and our net interest in EBITDA again was \$17.8 million, which all were down from the comparative quarter is as what we expected, factoring in changes to the price of aluminium, the exchange rate of ISK to U.S. dollars, and lower wind at Dokie.

So to conclude, I think we can say that overall our generation facilities continued to perform on plan, as Bruce will explain shortly.

Thank you, John, and over to you.

**John Carson:** Thanks, Peter. I'd now like to turn to our Chief Operating Officer, Bruce Ripley, to discuss the highlights of our operations for the period. Bruce?

**Bruce Ripley – Chief Operating Officer, Alterra Power Corp:** Thanks, John, and good morning, everyone.

For operations we've had a very good third quarter and year-to-date results. Fleet-wide generation for Q3 was 102 per cent of plan, and year to date through end October was 100 per cent of plan. In Q3 we had zero significant environmental incidents and zero significant safety incidents. Credit for these results go to our leaders and teams at each of our operating plants. Our people provide our results, and we thank them.

Q3 highlights from HS Orka in Iceland, where we hold a 67-per-cent interest in 172 megawatts of geothermal assets, include 298 gigawatt hours of generation at the Svarstengi and Reykjanes plants, which is about 106 per cent of plan.

Looking ahead, HS Orka recently finalized a contract with Iceland Drilling for drilling of two reserve wells and one work-over well for the Reykjanes plant. Iceland Drilling is currently mobilizing to site. Drilling will start in late November and continue into early 2013.

Q3 highlights from Soda Lake in Nevada, where we have 100-per-cent interest in a gross 16-megawatt geothermal plant, include 12 gigawatt hours of generation, which is about 80 per cent of plan. The shortfall was due to higher-than-average ambient temperatures at the site, and delay in the installation of a replacement pump. In October the installation of that pump was completed, and it will provide approximately 1-megawatt net additional capacity.

Q3 highlights from Toba Montrose in B.C., where we have 40-per-cent interest in a 235-megawatt hydroelectric plant, include 385 gigawatt hours of generation, which is 104 per cent of plan for the high value firm and tier-one non-firm energy. In mid-October we began the planned annual maintenance outage at the Montrose Creek plant. The outage is scheduled to be completed tomorrow, the 16th of November.

Q3 highlights from the Dokie 1 wind farm in B.C., where we have 51-per-cent interest in a 144-megawatt plant, includes 67 gigawatt hours of generation, which is 93 per cent of plan. Recently we completed repairs to one of our main substation transformers. Production losses during the transformer outage period from the 24th of September to the 10th of November were 3.8 gigawatt hours, representing 10.6 per cent of possible generation for that period. Costs for the repairs are insurable.

Looking forward at our development activities, construction of the 50-megawatt ABW solar plants by First Solar and their contractors is nearing completion, and commissioning will start in mid-November.

In B.C. our development priority is the Upper Toba hydroelectric project located near Toba Montrose. For Upper Toba we are advancing design optimization with an EPC contractor and major equipment suppliers, and have been performing geotechnical drilling and geophysics investigations. We continue to work towards a targeted start of construction in early- to mid-2013.

In summary, our operating plants have had good performance on safety, environment, maintenance and production, and the Upper Toba hydro project is advancing on schedule.

**John Carson:** Thanks, Bruce. And I echo your comments about the performance of our team.

Let me now provide a deeper look at the growth opportunities we've been working on. The Upper Toba hydro project remains our number one development priority. As Bruce mentioned, we currently plan to take the plant into construction by mid-2013, and we continue to ramp up our development activities there. This project has a 40-year PPA executed with B.C. Hydro, and is located extremely closely to our Toba Montrose facility, which we think will provide us with significant operating synergies. We've had further discussions with our partner on this project, and will likely have an update on that front in the next period.

If we assume a 51-per-cent partner stake for Alterra, the construction funding needed for the project is projected at about \$40 million. As we mentioned last period, Alterra has lined up multiple means of raising this capital, all of which are non-dilutive. One potential transaction we have at the term sheet stage is

a financing built around our equity cash flows from our operating assets in B.C. We're also looking at other options to raise this capital. But in any event, let me be clear that we have several options under consideration. It's just a matter of choosing the optimal means for our shareholders.

Moving to Iceland, we're continuing in negotiations to finalize an amended version of our power purchase agreement with a subsidiary of Century Aluminium Company. This agreement will support the 80-megawatt expansion of our generation facility at Reykjanes. The contract discussions are very active with both parties looking forward to finalizing the agreement as soon as feasible, and then taking the expansion out for lender financing.

Separately, in Iceland, as we disclosed in June, a third party approached us with interest of purchasing our geothermal interests there. The nature of the offer was such that we entered into a non-binding term sheet to further explore a possible transaction. Discussions around that potential sale remain active, and we will likely issue a clarifying news release in the next few weeks to provide a more detailed update on this transaction. In the meantime our plan A remains to continue to develop and optimize our holdings in Iceland regardless of whether a transaction ultimately takes place.

Finally, for Dokie 2, our 156-megawatt later-stage wind development project, we continue to work towards obtaining a power purchase agreement, or PPA in B.C. This project is fully permitted and has well advanced positive wind data, and so it should be well-positioned near the front of the line to receive a power purchase agreement. However, we think it's likely that advancing a PPA for Dokie 2 will be tied to either the advancement of a major LNG project in the province or the finalization of the province's integrated resource plan, which is currently scheduled for August 2013.

Lastly, as we've described before, this project is situated adjacent to our Dokie 1 plant, and so we anticipate some synergies between these projects as well.

In the meantime we also continue to work on our earlier stage hydro, wind, and geothermal projects. On the geothermal front we were very happy to enter into an agreement this period with the Energy Development Corporation or EDC. EDC is a Philippines-based leader in geothermal energy, and we're pleased that they've entered into this preliminary agreement with us. They are well equipped with capital and expertise to be a world-class partner with us on what we believe are the pre-eminent geothermal assets in



South America. The parties are currently in daily interaction on next steps, and we look forward to providing an update on this transaction in the near-term.

On the acquisition front, we remain active in looking at growth opportunities. One of these acquisitions, a 10-per-cent interest in the 50-megawatt ABW solar farm in Ontario, is likely to occur within the next three months, as Bruce mentioned, subject to the seller meeting certain agreed conditions. As before, we anticipate making an investment of \$6 million for our interest in the project, which will provide the company with a projected \$3 million of annual EBITDA and \$1 million of annual cash flow to equity.

That wraps up our discussion of growth opportunities for this period. And with that, Ross, back to you.

**Ross Beaty:** Thanks, John, and also thanks to Peter and Bruce.

Well as 2012 draws to a close, perhaps I can add a few words of looking back and then maybe looking forward a little bit in terms of the macro outlook for the renewable energy business and specifically how Alterra is positioned within it.

2012 has been a year in which clean energy has experienced some buffeting as the macro headwinds and tailwinds have engaged each other. One headwind we have suffered, along with the whole industry I think, is the continuing events of natural gas as a low-cost, relatively clean energy source. Another is the stressed financial condition of many European and North American jurisdictions, such that clean energy incentives are being withdrawn and power demand reduced.

Closer to home, British Columbia is entering an election year in 2013, and it remains uncertain about how power markets and renewable energy specifically will fare in the jurisdiction where we have our major generating assets and our deep development pipeline.

On the positive side of course Alterra now has a broad platform of geothermal, wind, hydro, and soon solar assets with operating teams capable of developing any of these technologies. We seek to be a global operator and see great opportunities in certain countries like Chile, which have no gas reserves and experience very high electricity prices. So we look forward to our Chilean geothermal assets advancing within our new partnership with EDC.

We also see tremendous opportunity in B.C. over the medium term as B.C.'s natural resource industries continue to develop. Large new mines are being built today and many more are planned. Five large



liquefied natural gas projects have been announced, and it is probable that several of them will be advanced this decade. These will require huge new energy supplies. While it is likely that some of this will be gas driven, it is also likely that grid-based power demand will also increase enormously, and that companies like Alterra will be called upon to help supply power into that demand with our advanced projects like Dokie 2 and perhaps even some of our very large early-stage pipeline assets like Bute Hydro and English Bay Wind.

Also let's not forget that natural gas is a fossil fuel, and if carbon emissions are ultimately properly priced, our clean energy is both cheaper and far more socially accepted over the long term than gas power, not to mention the jobs and spin-off benefits that clean energy projects offer to local communities, First Nations, and regions.

Finally, financial markets have changed profoundly over the last few years in how they value risk. Today our stable long-term operating assets are highly valued as institutions look for low-risk yield while riskier pipeline assets are heavily discounted and given little value. We are receiving interest in monetizing some of our assets, such as HS Orka, and the price proposals force us to look at these ideas, especially when so little value is being given to our development portfolio.

We have had many discussions at our board and management meetings this year about how best we can maximize shareholder value as financial markets fluctuate, and we have some major initiatives underway to achieve this. Difficult markets often present good opportunities, and we intend to be even better positioned as and when markets improve.

And with those comments, my thanks again to our entire team for generating these good results in the third quarter this year. And with that I would like to open the call to questions, Operator.

Operator?

## Q&A

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

Your first question comes from the line of Jeremy Mersereau from National Bank Financial. Your line is open.

**Jeremy Mersereau – Analyst, National Bank Financial:** Good morning, everyone. Just wanted to start with, I guess, the G&A allocation for the projects. I guess it's shifted slightly from last quarter. Just wondering if you can give us an approximate percentage tied to each of the projects there?

**Ross Beaty:** Maybe Lynda Freeman would like to tackle that or Peter or...?

**Lynda Freeman – Director, Finance, Alterra Power Corp:** So the G&A that's shown in our financial statements is the G&A for Alterra head office and then at HS Orka and Soda Lake, it doesn't include the G&A for Toba and Dokie as they are both equity accounted. Excluding HS Orka, the G&A for the nine months was... for HS Orka's G&A for the nine months was \$2.6 million, and it was \$8 million for the rest of the operations.

Does that answer your questions?

**Jeremy Mersereau:** Sure. I'll have a look at my numbers. Next, just wondering if you can walk us through what you believe EDC's plans are over the next couple of years. And I guess, you know, the progression to COD on those Chilean assets?

**John Carson:** Sure. Thanks a lot, Jeremy. And I guess EDC can speak to their plans best, but I'll give you our best view of it today, and as I indicated, we're working with them every day on both our Chilean and Peru projects. So I know that their mandate has gone from where they have extensive geothermal plants and operations today, which is the Philippines, to move out into Chile and Peru and Indonesia. So clearly we've interfaced with them in South America and have been in dialogue with them now for some months.

We know that they are aggressive. We know that they have a large amount of capital that they want to deploy. So we feel it's a good meeting up of incentives with a good end zone in mind. So they want to get to drilling and major project advancement activities as soon as possible.

So for example, we're just coming up on a summer in Chile, in South America. It's going to be impossible to do large-scale wide-diameter drilling, but assuming that we move ahead with EDC into all the final definitive agreements, etcetera, they'd like to, and we'd like to, start those wide diameter large-scale

drilling activities next summer in South America. So we're happy with that. It's an aggressive desire that they have, and we share that. Their desire is to really move things along as quickly as possible.

Assuming that we would start drilling in that summer, I'm thinking that it would be about two years from that point until we get to a place where we'd hopefully have a plant built and be generating onto the grid. So that's a rough timeline on Chile.

Peru, add another year to that because we have plenty of exploration work that we'll be doing next year before we'd get to any large-scale drilling.

**Jeremy Mersereau:** Great. And just finally, it's more of an admin question, wondering when you think that solar project would close? Would that be at the end of this year, next year or early next year?

**John Carson:** Bruce?

**Bruce Ripley:** Sure. The schedule that First Solar's working to is for two of the plants, two of the three plants they'd like to achieve COD before the end of 2012, and then the third plant very early in 2013.

**John Carson:** And Jeremy, we're all involved in all the activities you would imagine that we're involved with there. Even though we don't come in until the thing is built and generating electricity. We're still very involved with, as you'd expect, the project financing, the construction activities. We're keeping people devoted to this project and we're keeping very close supervision of the project. So very happy where we sit there at the moment.

**Jeremy Mersereau:** So for the net... the \$6 million or so that you'd spend would be spent likely in Q1 then?

**John Carson:** It'd actually cross quarters. We'll probably spend \$2 or \$3 million in December, and probably about \$3 million in January as we currently see it. That's subject to change, but yeah, I think the \$6 million will be in tranches and it will occur across the end of the year.

**Jeremy Mersereau:** Great. That's it for me. Thanks.

**Operator:** Your next question comes from the line of Tania Maciver from Northland Capital. Your line is now open.

**Tania Maciver – Analyst, Northland Capital:** Hi, guys. Good morning.

**Ross Beaty:** Good morning, Tania.

**Tania Maciver:** Just a couple of quick questions. Could you just talk about Upper Toba and what your financial commitments are as you lead into construction? And then I guess that's a wrap kind of EPC contract that you're working under right now?

**John Carson:** Yeah. Thanks, Tania. Really our commitments are minimal there. We do have a very limited agreement with our potential EPC contractor. I believe the scope of that agreement is just north of \$1 million all in, if I'm not mistaken. We do have a separate road construction activity that's occurring, but really all-in the commitments, the actual commitments there are minimal, and they don't exceed what I just indicated. So that's hopefully answering your question as to what we'd be required to pay out on this project prior to construction.

**Tania Maciver:** Okay. And then the \$40 million that you require is the equity that's required prior... like at sort of financial close.

**John Carson:** Exactly. At the point of construction. Right. When everything and everybody, including the lenders, are ready to go.

**Tania Maciver:** And is this the same EPC contractor that you'll be using for the rest of the project I presume, and that's under a wrap type of contract?

**John Carson:** It's likely, Tania, that it would be the same contractor and likely that it would be a wrapped contract of some sort. So we'll give a lot more details on this in the future. Right now really the attention is focused on design and optimization, as Bruce pointed out.

**Tania Maciver:** Okay. And are there any other permits required before you move to construction on this project?

**Bruce Ripley:** It's Bruce here. Only construction permits related to the specific construction activities.

**Tania Maciver:** Okay. And yeah, those will come in in time. Okay. And then just a couple of other small items. There was a small write down of development costs in your other assets. What was that related to? I think it was under \$1 million, so...

**Peter Wong:** Yeah, good morning, Tania. These were exploration assets, a couple of hydro exploration assets in British Columbia, and a couple in South America that we had no further plans to work on.

**Tania Maciver:** Okay. And then am I correct in saying you're expecting a distribution out of the partnerships for Toba Montrose in... is it around December? I think you do it twice a year?

**Peter Wong:** Yes. We are looking at a potential distribution towards the end of the year. We'll have to evaluate how the rest of the year goes before we make a decision or the partnership makes a decision on how much that distribution will be.

**Tania Maciver:** Okay. But we should expect something in December recorded in Q4?

**Peter Wong:** Yes. That is our expectation, yes.

**Tania Maciver:** Okay, great. Okay. Thanks very much.

**Ross Beaty:** Thanks, Tania.

**Operator:** Your next question comes from the line of Ian Tharp with CIBC World Markets. Your line is open.

**Ian Tharp – Analyst, CIBC World Markets:** Thanks. Good morning. So just going back to Upper Toba, it sounds like you've got the first step of your EPC contract in place there. So I wonder is there a bit of hesitation around getting the full EPC contract in place there? I guess much of it would likely have to do with the revised design engineering work you're doing. And then I'm wondering if there's any influence by the negotiations that are still likely going on with GE around that partnership?

**John Carson:** No. It's just part of the normal process of a contractor becoming familiar with the project, making the improvements that they can to the project, and then developing their cost estimate and price such that we can start negotiations on price. So I would characterise it as part of the normal process.

**Ross Beaty:** And then with respect to your other part of your question, Ian, whether anything's related to our partnership discussions, et cetera, not at all. Not at all. And again, we'll have a clarifying news release probably around that in a few weeks.

**Ian Tharp:** Okay. So that we'll get a bit more clarity in the coming weeks. That's helpful.

And Bruce, back to the design engineering, do you expect there to be any material shifts in terms of timelines or costs around the project coming out of that effort?

**Bruce Ripley:** No, no material shifts. You know, we're working towards improving the projects. The contractor we're working with is very experienced, and we're benefiting from their experience.

**Ian Tharp:** Okay. Okay, helpful. Okay, and now moving on, you talked a little bit about Dokie 2 and the notion of contracting that facility. So you've talked about bilateral negotiations in the past, so are we to understand, you know, given the changing political climate out there, the uncertainty around industrial growth in the northern part of the province, does the bilateral concept come off the table for now until you've got clarity on these other items?

**John Carson:** Yeah, hi. This is John. I don't think so, necessarily at all. We saw other companies get bilateral contracts earlier this calendar year. So I would expect that the possibility for bilateral contracts will continue, Ian. And certainly we remain in dialogue with B.C. Hydro, and we'd like to think that we're poised to be, as I said earlier, at the front of the line when it's time for a PPA. So yeah, we think the possibility for bilaterals will continue to be out there.

**Ian Tharp:** Okay. So as you mentioned before it's parallel paths between, you know, some kind of upcoming call and the bilateral negotiation.

**John Carson:** Right.

**Ross Beaty:** Right.

**Ian Tharp:** Okay. And then moving to HS Orka, it sounds like we'll get clarifying comments hopefully in the next few weeks on that as well. So I wonder if you can talk to any of the regulatory legislative milestones that you need to reach, if there's any type of government consent or lender consents that you need in order for that to fall into place?

**Ross Beaty:** Do you mean the Icelandic expansion?

**Ian Tharp:** Well no, Ross. I'm referring more to the term sheet, the non-binding term sheet you have in place now. If that were to come more... become more binding, are there things that... conditions precedent that you would have to obtain prior to closing?

**John Carson:** Yeah. We outlined really what those are in our original news release back in June. We mentioned, for example, the central bank will have to approve the structure of transaction that we would ultimately have. Other than that, yeah, I'm sure we would have to have typical lender approvals as well, and again, I underline the word typical there. I would see no speed bumps, but yes, there will be... and I'd really call them overall standard fare approvals that would be required. The biggest one probably is the central bank transaction.

**Ross Beaty:** Yeah, that's for sure, Ian. I don't see any impediment in any of these standard form of consent and so on to this transaction. The really significant one is the issue... the main issue really is that Iceland is still under currency controls, and we'd certainly if we did affect a sale, it would have to be one that we would receive offshore currency. And at the moment this is a bit of a challenge in Iceland because of the significant offshore krona, which exists, and the central bank has been working very hard to reduce that overhang. And this kind of transaction has to fit within their plans for doing that. So that's definitely the thing that we're working on most actively on this.

**Ian Tharp:** Okay. So that's really the anomaly in terms of this transaction. Okay.

**Ross Beaty:** Yeah. It is, absolutely.

**Ian Tharp:** Okay. Helpful. And in your opening remarks around Chile you talked a little bit about the due diligence efforts that are no doubt in place with EDC in Chile. I'm curious why you couldn't get some of the larger diameter work done now. Is it really just because you haven't completed the due diligence with EDC? You're hesitant in spending the higher amount of capital or is it that you're not far enough along in the exploration process? Maybe a bit of both?

**John Carson:** It's a bit of both, Ian. It is number one that we do want to have the definitive agreements in place, get all our diligence done. If you think about it, you know, those next steps of drilling are higher dollar amounts, and they don't want to do that until everything is settled and likewise.

But secondly, there's the practical constraint of once you determine that you're going to do wide-diameter drilling, you have some long lead time items, specifically well heads, et cetera. And those just aren't available off the shelf. They're unique to the particular project, et cetera. So that's why really the

earliest feasible time that we can start drilling there would be the next South American summer or just about a year from now.

**Ian Tharp:** Okay. And what kind of lead time do you need for the well heads, John?

**John Carson:** I'd say about six months at least.

**Ian Tharp:** Six months. So working back you'd probably want to have some conclusion or line of sight for that work coming out of Q1 of next year? Is that fair?

**John Carson:** That's correct.

**Ross Beaty:** And that's pretty much... that should dovetail with all deadlines that we have.

**Ian Tharp:** Okay. Great. Okay, helpful. And then finally... I know HS Orka's not a fait accompli here in terms of additional cash available, but, you know, you've got a very good operational base in B.C., maybe the start of a base here in Ontario, and also Iceland and South America. So I wonder if you can talk a little bit about your acquisition strategy, you know, over and above the solar project that you mentioned, you know, as you grow the business in the next couple of years?

**Ross Beaty:** Sure, Ian. Let me take a stab at that, and John can... chime in if he'd like. So obviously we have looked at a ton of opportunities in a lot of places, and we have not advanced a single one. It's frustrating to I think everybody that's been involved in this, but at the end of the day we don't want to get into a deal that we don't like that doesn't give us very good returns and that is not competitive with our existing opportunities that we have in house deploy the capital that we have. So we have to be pretty picky and we have been. And have thus haven't actually concluded anything. This is not all because the deal was no good; it was just extraneous factors sometimes that came into play.

We have interesting opportunities, both to acquire and to divest. And so we've spent a fair bit of energy this year on both of those sides, and the HS Orka transaction is just one of those examples that has been sort of advanced to the point we've announced it.

In terms of direction for 2013, I will have to say more of the same. We have our heads down. We're working hard on Upper Toba, as you know. We'd like to work very hard on getting Dokie 2 going. We have it more or less ready to go, and we're just now waiting until we have the signal from the government that they want our power. At the same time we are advancing the expansion of HS Orka, and that has taken a lot of

time to get to the table and meet many, many times this year at the table with the counterparty there, Nordural. All of these things represented a lot of work, but we don't show results until we're really ready to start building. But that is something that is kind of the final event, and 2012 for me was a year of really getting these things organized and getting them ready to go. A lot of not very exciting things have happened, but we've been organizing and preparing for what we hope is going to be a very exciting year ahead of us, without considering new acquisitions.

You want to add anything, John?

**John Carson:** Good enough, Ross.

**Ian Tharp:** Okay, those were my questions, everyone. Thank you.

**Ross Beaty:** Thanks, Ian.

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

**Gus Hochschild – Analyst, Mirabaud:** Yes, John, Ross, Peter, hi. A couple of questions, if I may? In the first instance, looking at the cash flow for the nine months, I've noticed obviously there's nothing from Toba Montrose. Perhaps you can remind me why.

I also noticed that for the first time there is a distribution from Blue Lagoon. So has there been some form of structural change there as considered to, from memory at least, certainly that just came under HS Orka?

Then also perhaps with regard to Dokie 2, you mentioned, John, you mentioned perhaps August. Is that something we can, as far as one can look into a crystal ball, that we should kind of hang our hats around or is that... you know, could that come perhaps sooner?

**Ross Beaty:** So we'll get Lynda to answer the first couple and then over to John.

**Lynda Freeman:** Yeah.

**Gus Hochschild:** Thank you, Lynda.

**Lynda Freeman:** Sorry. With regards to the cash flow, the cash flow includes the consolidated results, so includes obviously HS Orka, Alterra and Soda Lake. So the impact of Toba Montrose only really comes in through the equity pickup, which gets reversed in the cash flow. So there was no dividend in the

nine-month period, so that's why you'd see nothing specific for Toba, whereas you would see the distribution from Dokie. So that's why you see nothing in the cash flow other than the reversal of the equity pickup.

**Gus Hochschild:** Right. But why wasn't... please answer why wasn't there a distribution at all? I mean, have I missed something over the past nine months?

**Bruce Ripley:** Yeah. It's Bruce here, Gus. It's the nature of how the revenue comes in relative to the expenses. So the first part of the year revenues are relatively low coming out of the winter period, but we have significant expenses for water rentals, property taxes, debt payments, et cetera. So it's just the nature of the timing of the distribution for Toba Montrose. June period distributions tend to be very, very low, and you get a larger distribution at December.

**John Carson:** And as Peter pointed out, we expect one this December.

**Bruce Ripley:** Yeah.

**Gus Hochschild:** Yeah.

**Lynda Freeman:** Yeah, so moving on to the Blue Lagoon. There hasn't been any changes in the structure. It's purely that in June of 2012 a dividend was declared by the main Blue Lagoon entity, and that was passed down through to HS Orka, and therefore we've picked it up through our consolidation.

**Ross Beaty:** Right. What's the book value of the Blue Lagoon right now? Is it around \$4 million?

**Lynda Freeman:** Give me a moment.

**Ross Beaty:** Okay. I mean, I just wanted to add that's one of our little hidden assets in the company, and it's a very, very well run spa in Iceland that takes its water from the Svarstengi geothermal plant that we own and operate through HS Orka. It's, as I said, very well run. It's the most popular tourist attraction in Iceland. They've got over 300,000 visitors a year, and it's really running well right now, generating a lot of cash and kicking out this nice dividend that we should continue to enjoy.

The equity value is... or should I say the real value of the asset is a significant multiple over that book value.

**Gus Hochschild:** But Ross, may I ask, I mean, HS Orka owns how much of Blue Lagoon?

**Ross Beaty:** Thirty-four per cent.

**Gus Hochschild:** Okay. Thank you.

**John Carson:** All right. And Gus, then to your question around Dokie 2 and the possibility of a PPA in August. No, there's nothing there to hang your hat or our hat on at all unfortunately. That is the date though, that the integrated resource plan for the province is now scheduled to be completed by. That will probably – and we hope – give us a roadmap to when we might expect to get a PPA, and hopefully it will give us some good impetus toward one. But no, that won't be the time at all that we'd be expecting to finalize one.

**Gus Hochschild:** Okay. Thank you.

**Operator:** And again, if you would like to ask a question, please press \* then the number 1 on your telephone keypad.

Your next question comes from the line of Nicoletta Pasinetti who's a shareholder. Your line is open.

**Nicoletta Pasinetti – Private Investor:** Hello, everybody. I have a question about your Italian project. Where do you stand with the projects Mensano and Roccastrada, and did you find any partners?

**Ross Beaty:** The answer is that we have it more or less on hold right now, and we have not yet found a partner, but we are continuing to look for one.

**Nicoletta Pasinetti:** Okay. Thank you very much.

**Ross Beaty:** Thank you.

**Operator:** Your next question comes from the line of Ian Tharp with CIBC World Markets. Your line is open.

**Ian Tharp:** Hi. Just two points. First, I'd advocate for you keeping your interest in Blue Lagoon, even if you sell HS Orka. I'm not sure if that's possible. And then the next thing, we're a month and a half into Q4, and I think you had great production compared to your peers in Q3. So how are things shaping up in terms of production in Q4 here?

**Ross Beaty:** Bruce?

**Bruce Ripley:** Yeah, Q4 is continuing the trend that we've seen throughout the year so far. The Svarstengi plant had a very good October. Reykjanes also had a very good October. Soda Lake, with the cooler temperatures, saw an improvement relative to September. Toba Montrose had a very good October, and this included the period of time for the Montrose plant when we were down for the outage. And then on

Dokie, unfortunately the wind didn't blow like we hoped it would in October. We had relatively high equipment availability other than the transformer that we saw. So Dokie came in below what we expected. But overall for the whole fleet during October we sat in at about 92 per cent.

**Ian Tharp:** Ninety-two per cent. You've got three of the larger plants good. I guess the maintenance outage likely would have had an impact on that, Bruce?

**Bruce Ripley:** Primarily the Dokie impact with low wind.

**Ian Tharp:** Okay. Okay, so mostly Dokie. Okay, that was my follow-up question. Thank you.

**Bruce Ripley:** And Dokie in November – by the way just to add a little side note – Dokie in November's been a totally on budget month so far.

**Operator:** Your next question comes from the line of Raveel Afzaal. Your line is open.

**Raveel Afzaal – Analyst, Mackie Research:** Yes. Hi. Thank you for hosting the call. I have a quick question on the potential sale of HS Orka. And I'm wondering if what impact if any does the outcome of your discussions with Nordural have on your decision to go ahead with this potential sale or not?

**John Carson:** It of course is a part of the whole, so it is important to it. I wouldn't characterize it as being utterly crucial or anything, but it's part of the normal progress of the asset. So yes, the prospective parties on the other side are interested in that and following that. And as we've indicated, we're very active in that discussion. So I don't think that it's, you know, any more crucial of an aspect of that transaction than any other, but it is certainly part of the whole.

**Raveel Afzaal:** Okay. Thank you. That was my only question.

**Operator:** Your next question comes from the line of Jared Alexander with Canaccord Genuity. Your line is open.

**Jared Alexander – Analyst, Canaccord Genuity:** Good morning. I just want to start off here, I'm going to ask you about a rumour, so I want to apologize about that first off. But the rumour about GE selling off their share of your B.C. assets, and then of course the other rumour floating around that you may also be selling. I'm just curious in the event of GE selling out, are you more likely a buyer or a seller do you think?

**Ross Beaty:** Okay, Jared. I think the most obvious thing I can answer to that is that we really can't comment about what's going on with GE. We'd rather let them tell the market what they're doing and respond

to a transaction if there is one, once it's been completed and pretty well baked. So I'm afraid I'll have to duck that question, and similarly for what we're doing.

We... Clearly there is significant interest – and I already said this in my remarks – about our spinning assets. They are being given far, far higher value than the market is giving, for example, Alterra. Alterra common shares, we are seeing the value of our pieces significantly higher than the market is giving us value for, and this is just an issue we're having to live through right now during these uncertain times. And there is interest specifically for one or other of our B.C. assets, along with our Iceland asset. And so we have been considering this, you know, for the last several months, and we continue to consider it. But obviously nothing has been done and nothing will be done without it being announced to the public all at once.

**Jared Alexander:** Okay. Thanks for that, Ross. I'm wondering can you tell me if you have a ROFR or any other kind of right in those partnerships that GE did sell out?

**Ross Beaty:** We do have a right of first offer. And that is in the agreement.

**Jared Alexander:** Great. Thank you. And then Peter, if I can ask you one question here. On the income tax, I know you touched on that a little bit in your opening remarks. I guess I'm just not used to seeing expenses. I expect to see recoveries. Can you just provide maybe a little more colour on that?

**Peter Wong:** Yeah. The income tax expense released to the good operating results we have at HS Orka. Having said that, they also have a certain amount of loss carry forward that they can offset that tax liability. So that's why it is a non-cash liability expense.

**Jared Alexander:** Okay. Okay, great. Thank you for that, Peter. Those are all my questions. Thank you.

**Ross Beaty:** I have a point of correction by the way on... from our Iceland manager Asgeir Margeirsson, who reminded me that actually my numbers were wrong for the Blue Lagoon. They had 460,000 visitors last year, and they estimate 570,000 in 2012. And that contrasts to the entire population of Iceland, which is only 330,000. So it's a wonderful business, running like a top, and I encourage everybody who hasn't been there who ever gets to Iceland to go and visit it.

**John Carson:** And back to you, Ian, we'll take your words of advice around Blue Lagoon under advisement.

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

**Gus Hochschild:** Yeah, hi. Just another question. I noticed for the first time you've given a little more where you've mentioned the Canadian geothermal assets, and obviously this is going to be a project that you might develop in quite a number of moons to come. But could you give us perhaps a feeling of what sort of size it might be or is that far too early to suggest that?

**Ross Beaty:** You know, it's a bit early, Gus. These are... B.C. is a geothermal province, like Nevada is, and the whole... really quite frankly the whole Pacific Rim. There are multiple locations in B.C. where there could be high temperature geothermal systems in areas that are relatively close to transmission and in areas where there's a significant power demand.

But as you pointed out there will be many moons to pass before these will be advanced, and we are doing very early stage work on these assets, really because we have a strong geothermal team and we thought we should at least work in our backyard to see what might be here if we're already working in places as far afield as Italy and Peru and Chile. And that's what we've done. We've acquired a number of early stage prospects, and we are working through the long exploration phases on these to advance them to drilling.

**Gus Hochschild:** These would be high-enthalpy resources presumably?

**Ross Beaty:** That's correct.

**Gus Hochschild:** Thank you.

**Operator:** Your next question comes from the line of Eric Wu with Fertilemind. Your line is open.

**Eric Wu – Analyst, Fertilemind:** Yeah, quick question on the G&A. It looks like it's come down a bit year over year. Is that a trend that we can expect going forward?

**Peter Wong:** Yes. That's our expectation.

**John Carson:** As Peter pointed out in his commentary, part of that was synergies realized over time from the Alterra merger.

**Eric Wu:** Okay.

**Lynda Freeman:** And reduced legal costs.

**John Carson:** And reduced legal costs.

**Eric Wu:** And then back to... you mentioned early about trying to realize shareholder value and your frustration in differing valuations between market and what you guys pursue as true value. Can you comment a little bit more about how you go about doing that or is this beyond sales or acquisitions? And if you consider things like buying back your stock or maybe issuing a special dividend or something like that, should proceeds come in?

**Ross Beaty:** Right. Thank you. All of the above. I think it's very hard to be too specific – it's Eric, right?

**Eric Wu:** Yes.

**Ross Beaty:** It's hard to be too specific, Eric. But certainly what you just said was accurate. We are considering lots of different things, and I did allude to that in my comments, but I obviously can't be too specific until we actually decide to do something and execute it and then announce it.

**Eric Wu:** Okay, great. Thanks for your time.

**Operator:** There are no further questions at this time. I'll turn the call back over to the presenters.

**Ross Beaty:** Thank you, Operator. And thank you, ladies and gentlemen for joining us today. And if there are no further questions we'll end the call, and talk to you next quarter.

Thank you again.

**Operator:** And, ladies and gentlemen, this concludes today's conference call. You may now disconnect.

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