

FINAL TRANSCRIPT

Alterra Power Corp.

First Quarter Results Conference Call

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Alterra Power First Quarter Results Conference Call. At this time, all lines are in listen-only mode.

Following the presentation, we will conduct a question-and-answer session. If at any time during this call you require immediate assistance, please press *, 0 for the Operator.

This call is being recorded on Wednesday May 11, 2016.

I would like to turn the conference over to your host, Ross Beaty. Please go ahead.

Ross Beaty — Executive Chairman, Alterra Power Corp.

Thank you very much, Operator, and good morning, ladies and gentlemen. Welcome to Alterra's Q1 financial and technical operating results conference call.

I would first like to draw your attention to the forward-looking statements in our disclosure materials, and note that we have cautionary language there regarding forward-looking statements, and we seek Safe Harbor for these.

So joining me today around the table are our senior management team. We had our Annual Meeting yesterday. We had a nice crowd, lots of questions, and it was really a pleasure to talk about where we are right now.

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We had a very good year in 2015 and continue that in 2016. And you've seen the financial results here, but there's a lot behind those results, a lot of hard work, and a lot of great team work here.

I'm going to turn the call over right now to John Carson, our CEO, who will describe these results in more detail.

John?

John Carson — Chief Executive Officer, Alterra Power Corp.

Thanks, Ross. We had a good quarter this year. Our generation was on target again, and again very strong generation at our Toba Montrose asset. And look forward to telling you all about these items, and I'm going to start by turning it over to our CFO, who will summarize the financial results.

Lynda?

Lynda Freeman — Chief Financial Officer, Alterra Power Corp.

Thanks John, and good morning, everyone. It was only a month ago that we had our year-end results call where we updated the group on the latest developments of Alterra. So I'll keep this first quarter update relatively brief.

This is the first quarter that we've had all six operating assets in use for the whole period. With Shannon coming online on December 10th, we are now reporting the generation and operating

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results of the facility for a full quarter. Other than the introduction of Shannon, this was a routine quarter.

I'll start my presentation with a discussion on the consolidated results of the Company on Slide 4, for those of you following the presentation.

As released yesterday, our consolidated revenue, which reflects 100 percent of the results from HS Orka, was 14.9 million in the quarter, a reduction of 1.5 million against the first quarter of 2015. This reduction is due to lower generation and lower aluminum prices, with 22 percent of HS Orka's revenue linked to the price of aluminum.

Generation at HS Orka was marginally up on budget, with budget reflecting a reduction in generation in 2016 until the reinjection program that is currently underway in Iceland takes effect.

The impact of the two new wells at Svartsengi is also projected to take effect later in 2016. So we're expecting the generation numbers to increase during the year.

The reduction in generation directly impacted gross profit, as cost of sales remained flat quarter on quarter.

The Company reported a loss before tax for the period of just under \$1 million against 17.6 million loss in the same period of 2015. Our consolidated results continue to be affected by large swings caused by noncash items, such as the embedded derivative, foreign exchange, and the fair value of bonds payable. This quarter was no exception.

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Moving on to Slide 5 and our net interest results for the quarter. Generation, revenue, and EBITDA are down for HS Orka, Toba, and Dokie.

Speaking about Toba, I'd like to remind everyone that back in 2015 Toba had a record first quarter as a result of a particularly mild winter. This resulted in generation at 248 percent of budget, which had a direct impact on revenue and EBITDA.

Talking 2016 now, although Toba was down on the prior quarter, I would like to highlight that the generation and revenue numbers were again up on budget.

As mentioned above, this is the first full quarter results for Shannon. The asset is performing well, and generation was in accordance with budget.

Revenue of \$1.3 million was recorded in the period, which is below expectations due to merchant spot prices realized. Shannon will commence selling the majority of its power under a 13-year power hedge on June 1st of this year.

Turning your attention to the balance sheet on Slide 7. Foreign exchange is the largest contributing factors to an increase in assets and liabilities, with both the Canadian dollar and the Icelandic kroner strengthening against the US dollar since December.

The other thing to highlight is consistent with December 31st, the Company remains in a negative working capital position, primarily due to the inclusion of the Sweden bonds of 123 million, which mature in July and December of this year.

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Refinancing assets for the ISK-denominated bond have been delayed due to unrelated financial complications of the bondholder. The municipality which holds the bond is seeking resolution with a large group of creditors. If it is unsuccessful it will be placed under state control. Discussions are ongoing to refinance both the ISK and the US dollar bonds.

Further disclosure in relation to the bonds is included within both our financial statements, our MD&A, and is shown on Slide 8.

Excluding HS Orka and the impact of the bonds, working capital was 4.2 million at March 31st, and the Company continues to have its CAD 20 million revolving line of credit at its disposal, which could be used to fund unbudgeted development spend, if necessary.

Finally, the last slide I'm going to talk to is net debt. Other than the Swedish bonds, the Company had holdco debt of 67 million and net project debt of 278 million at March 31st. The Company continues to pay down the debt at each of the operating project locations, is up to date on all interest payments, and is in compliance with all debt covenants.

Further information on the pay down of the debt is contained within Appendix 1 to the presentation.

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

John Carson

Thanks, Lynda. And I'd just like to reiterate that though we mentioned EBITDA and revenue decreasing for what we're terming decreased generation, it's actually a good news story. Last year

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was just an exceptional quarter for generation. We were right on target this year. So that's really the right way to look at it.

With that, we're going to do a review of our assets. And I'm going to turn it over to the leaders of our operations; that's Paul Rapp for Wind and Geothermal and Jay Sutton for Hydro.

Jay, let's start with you.

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

Thanks, John. Referring to Slide 10, TMGP had a successful first quarter of 2016 producing 25 gigawatt hours of energy versus our forecast of 24 gigawatt hours.

Our April generation of 61 gigawatt hours was 238 percent of forecast, resulting in us currently being at 167 percent of year to date. So although our first quarter of 2016 was behind the record production in the first quarter of 2015, we made up for it in April and have had the best January-to-April performance since we started operation in 2010.

We spent the last three months performing our annual maintenance in preparation for the high inflows that started in April, and the plants are running very well. I spoke to the operations crews this morning, and the plants are currently generating 115 megawatts and we are at 150 percent of our forecast month to date for May.

On the slide you can see one of our operators grinding one of our runners, performing some maintenance on it that occurred in March of this year.

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We are continuing to make improvements to reduce outage time, increase the plant efficiency, and squeeze out as much generation and revenue from the plants as we can. The snowpack is near the long-term average for this time of year, so we're looking forward to continued good generation throughout the spring and summer.

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

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

John Carson

Thanks, Jay. Appreciate that. And I'd just like to bring one thing to mind for those who are listening in today is that you get a quarterly update as to how these assets are doing. I happen to get a daily update, and it's a real joy to see those updates come through to see just how hard our team works at keeping this asset in excellent condition. I just seems to do better and better each year: 2014, record breaking; 2015, record breaking; and now 2016, on track again.

So my compliments, Jay, to you and the team and really our whole ops team.

Let's continue with the asset review. Paul?

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

Sure. Thanks, John. We'll start with Shannon. So Shannon we had a great—it's our first quarter of operations, and it really went well.

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The facility is operating very, very well. We've maintained very high wind turbine availability, and we've had very few of the normal teething issues that you would expect to see at a new plant like Shannon.

Generation for Q1 was 99 percent of plan. And we did see low wind in April, but we're seeing very strong generation in May. The last couple of days have been exceptional. GE is maintaining our balance of plant and the wind turbines, and doing a great job in that role.

As Lynda mentioned, we've continued to sell our power into the merchant market until the start of our hedge, which is in just a few weeks. And we're looking forward to it.

Let's move on to the next slide. So Dokie. Dokie continues to operate very well. We have no equipment issues at Dokie.

The plant really is running in a very smooth zone right now. We have very few issues. The Vestas crews are very attuned to the operation. They're doing a very good job of maintaining the turbine, and our turbine availability for the quarter has been at 99 percent, which is exceptional.

Production for the first quarter and year to date is slightly behind plan, and that is strictly due to lower-than-planned wind.

Up at Dokie we also continue to operate very well with no safety or environmental issues, and as I said, no significant equipment issues.

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You may have heard about a number of forest fires in the Fort St. John region. They have been in the order of 80 forest fires burning in the region, but just wanted to note that none of them are anywhere Dokie, unlike a couple of years ago. So Dokie is doing well.

Okay. On to the next slide. Okay. Up to Iceland for Svartsengi and Reykjanes. So both Svartsengi and Reykjanes have had very strong production performance year to date, and combined generation at the plants is 101 percent of the planned for both Q1 and year to date.

Highlights at the Svartsengi plant include the testing of our first of our two new wells that were drilled last year and early this year. Svartsengi 25 has been completed, and the results indicate that the well will be a good producer in the 3 to 5 megawatt range, which is great news.

Work is underway at the plant right now to connect this hole to the plant, and that should be completed in the summer.

The second well, Svartsengi 26, is still heating up after completion of the drilling, and will be tested later this year. However, early indications from the drilling and the testing done during drilling are that it's—are quite positive for it being another good addition to production.

At the same time, we're completing a new discharge system at Svartsengi, which will allow for more steam utilization and generation at the plant all combined with the two new wells that we've drilled.

Down at Reykjanes, our reinjection program that was mentioned by Lynda is well underway. And the pipeline that we've been talking about for quite a few of these calls that supplies injectate

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from the plant to our two big injection wells, wells 33 and 34 to the north of the plant, are in operation, and we are reinjecting as we speak.

And we're also very excited about the start of the deep drilling program at Reykjanes in August, which will deepen an existing production well from about 2.5 kilometres to 5 kilometres. This will be a first for Iceland, and could result in a very strong production well for the plant, as well as providing the consortium that's participating in the project with really valuable information on drilling at these extreme depths and temperatures.

So stay tuned; very exciting development at Reykjanes.

John?

John Carson

Okay. Thanks, Paul. I do want to point out about those two wells which we've drilled at Svartsengi, wells 25 and 26. Twenty-five is on the southern extreme of our field, 26 is on the eastern extreme. Both of these were further out than any other wells in those directions that we've drilled.

And it's very comforting to see that they have likewise strong results. We don't know how big the Svartsengi field is, but it's been generating strongly for about 40 years now. So it's very large—we don't know how large—and we're very happy with it. And these are great results from this drilling.

Jay, let's turn to the construction side of the business and talk about Jimmie Creek.

Jay Sutton

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All right. So I'm on Slide 14 now. Contractors working at Jimmie Creek made great progress in the first quarter of 2016, and the construction of the project is essentially complete.

The photo on the slide shows the completed intake structure at the upper end of the project where the water is diverted into the penstock.

Civil contractors have demobilized from site, and the environmental remediation has been completed on all the sites that were disturbed during the construction. At the end of February, Jimmie Creek was connected into the TMGP transmission line, and all the electrical work to interconnect the facility to the BC Hydro system has been completed and tested.

The installation of the turbines and generators will be completed next week, and we are well into commissioning of the plant systems. In two weeks we'll start running water through the plant as part of what is called wet commissioning, which will be followed by online testing, and finally, our marketable power tests.

We are under budget, ahead of schedule, and expect to complete all the commissioning and start generating by the end of June. I'd really like to thank the Alterra team and all the contractors that worked so hard over the past two years to build us another high-quality asset in the Toba Valley. We're very excited to be bringing this asset online, and can't wait to start producing electricity.

John Carson

Thanks, Jay. And I echo your comments to the team. And we'll be excited to announce the first generation at this plant, hopefully next month.

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Now let's flip to Slide 15, and this will be the last slide of the presentation, Looking Ahead.

So first I'd like to reemphasize we have a strong development focus in the USA.

As we'd publicized, and as really publicized by the industry, last year got a two-year extension to the production tax and investment tax credit programs. This really helps give a kick-start to renewable power projects, which are the ones that we specialize in, of course.

I also cite here that we received further positive guidance just last week. It appears that the credits are going to be good for four years instead of formally two years once construction has commenced. This is another unexpected boon, and another display of the USA's intent to really displace carbon-generating power with clean power. And we happen to be in the right place at the right time.

Next, we are doing greenfield development. Greenfield means that it's an uncharted area; it's an area where nothing's ever been done before for both wind and solar sites.

We have signed leases for multiple sites, and we're actively working in several different power markets. We've included a photograph, which you might not find very exciting, but a wind developer loves this photograph. It's very flat and easy to build on terrain, and you can imagine that the wind is quite strong and steady at a site like this. So this is one of our sites for which we've signed leases in Texas.

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Next, we're analyzing several acquisitions of opportunities that are development stage. Some of them are early stage, some of them are later stage, and I would expect to see some deals—some transactions completed by us as the year goes on.

Next turning our attention to Iceland—and by the way for questions and answers we've included our CEO of the Iceland business, Ásgeir Margeirsson, with us—our team there is advancing several projects.

The two I'll just mention today are the first ones in line, which are Reykjanes 4 plant, which really will adjoin our existing Reykjanes 1 and 2 plant. We've emphasized before that this new plant, 30 megawatts is what we are targeting, would require no further drilling. It will only use the steam that's currently being released after generation at the current units.

So it's really within the respect of geothermal projects one of the easiest projects you could build, and very low risk.

Secondly, I mentioned the 9.3 megawatt Brúarvirkjun project. It's a small, but high-capacity factor hydro project about an hour and half away from our existing operations in the Reykjanes Peninsula.

So these are just two assets we'll be talking about in the future. There's more behind them as well, and our Iceland team has done a fantastic job. We're very excited about where we're headed there.

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I'd also mentioned our small hydro program in BC, taking advantage of the standing offer program that BC Hydro, the local utility has. We've talked about our Tahumming project several times, and we also mentioned the South Toba projects before on these calls. These projects would be suitable for that program, so stay tuned there as we continue to develop those projects.

And finally, we've mentioned our Mariposa geothermal project in Chile with whom we partner there with EDC, the Philippine Geothermal Operator. We are still thinking together with them about when we will start drilling. They visited us here in our offices last month.

We considered things strongly, and we'll have to just wait and see as we look at market factors and other factors that would affect the timing for our drilling program; still holding out hope for this year, but we'll update that as we go.

With that, Ross, that completes our formal presentation. I turn it back to you.

Ross Beaty

Thanks very much, John. And I think I have no further comments. It was an orderly quarter, and we look forward to some further news on acquisition particularly in the next quarter.

So with that, Operator, I will turn it over to questions. Thank you, all.

Q&A

Operator

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Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press *, followed by 1 on your touch-tone phone. You will hear a three-tone prompt acknowledging your request, and your questions will be polled in the order they are received.

If you are using a speakerphone, please lift the handset before pressing any keys.

Your first question comes from Jonathan Lo, Raymond James. Jonathan, please go ahead.

Jonathan Lo — Raymond James

Hi. Thanks for taking the questions. Just on the guidance, you didn't mention it this quarter. Is it still the same for 2016/2017?

Lynda Freeman

Yeah. Hi, Steven. Yes. It is at this stage. We looked at the actuals against budget and looked at our forecast, and we believe still that we're on track for the numbers that we put in the MD&A back in December. It was baked in the December one.

Jonathan Lo

Great. And were there any further discussions on the dividend expectation for this year? Or going forward?

Ross Beaty

There's no further discussion. We have this—we bring this up at virtually every Board meeting. We have the obvious balance between issuing a return of capital to our shareholders and

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deploying the capital in our business for growth. And at the current time we're still doing the latter, but we do have as an objective to kick out a dividend as soon as possible. And so watch this space literally on a quarterly basis.

Jonathan Lo

And for Shannon, how should we look at the pricing, the merchant pricing for 2Q? Should it be about the same as the first quarter? Or is it—has it improved?

John Carson

Yeah. I don't have that crystal ball, unfortunately, to tell you where it will move. I can easily tell you where it has moved. We were very disappointed with how low the prices were in the first quarter. It's—it moves at all times, and the reason it moved so low was if you look at where natural gas was pricing, Henry Hub or whatever node you choose to look at, it was at a historic low. We're talking a decades-low point. That directly affects the power prices realized in Texas, and that's why we saw low prices.

I'm happy to report over the just the last few days that we have had a combined not only of high power generation, high wind, it has been accompanied by higher power prices. So we've had some very good revenue days actually right here in May. We hope that that continues, but in any event the very good news is that our hedge will kick in next month provided by an affiliate of Citigroup.

That hedge lasts for 13 years, I'll remind you, and it's certainly priced higher than anything we're seeing in the power market at the moment.

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Jonathan Lo

And that hedge starts on June 1st?

John Carson

I believe, yes, it is the 1st.

Jonathan Lo

Okay. Great. That's all the questions I have today. Thanks.

Ross Beaty

Thanks, Jon.

Operator

Ladies and gentlemen, as a reminder, should you have a question, please press *, followed by 1 on your touch-tone phone.

Your next question comes from Robert Kelly, Private. Robert, please go ahead.

Robert Kelly — Private Investor

Hi. This question is for Ross or John. I'm just wondering about the share price. Is it where you expect it to be? Are you disappointing with the share price? And where do you expect that to be over the next year?

Ross Beaty

Okay. Robert, well, expect and realize are big things. We certainly expect it to go higher. We had a very good year last year. As you know, we were actually the top-performing energy stock in

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Canada last year. That's nothing to write home. About our stock went up about 50 percent, and the oil and gas sector particularly cratered because of the decline in oil and gas prices.

So relatively speaking, we had a great year last year. But we actually do expect that to continue to rise this year. And one of the things we're going to do that we didn't do last year is we're going to start talking about our story.

We wanted to really wait until we had a story that we felt would be very compelling to new shareholders, institutional investors particularly. We haven't been on the road for some time. We're going to start getting on the road and talking about it on a monthly basis. We have a program to do that, and we hope that that alone will result in our stock going to a more, I guess, a price that reflects the reality of our assets.

Whether you look at our stock on a net asset value basis or at a multiple—multiples of EBITDA or revenue or generation, you should see that we are trading at a discount. And it's our job to try to get that discount to become a premium.

We certainly feel we deserve a premium for the quality of our management team, for the execution of our most recent projects, and for the growth we've had in our company.

The other thing we're going to try to do is layer on some new growth that investors can see we'll continue the successful we've had with Shannon and Jimmie Creek, in particular, in the last couple of years. And with that, really get on the road and tell the story, and hope that it has some benefit from the standpoint of share price improvement.

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**Robert Kelly**

Thank you very much.

Ross Beaty

Okay, Robert.

Operator

Thank you. Your next question comes from Rupert Merer, National Bank. Rupert, please go ahead.

Rupert Merer — National Bank

Hi. Good morning, everyone. Thanks for all of the colour. Just have a quick question on your comment about development-stage acquisition opportunities. Can you give us anymore colour on the sorts of opportunities you're looking at? The scale of a project; maybe the type of project in terms of, let's say, generation source? Is it wind? Geothermal? Solar? And what sort of target returns you would be looking at? What would be your hurdles on those potential acquisitions?

John Carson

No. All great questions. We are looking at, as I pointed out, in the USA primarily and at wind primarily and then solar just after wind. We do seek for the opportunistic hydro project now and again, but those are tougher to come by for sure.

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With respect to the scope of the projects, we definitely aim for large ones. You'll notice that the smallest project we have in our whole portfolio is a 62 megawatt project. So definitely we seek to do large projects. It's the same amount of work large and small; we'd always prefer a larger project.

Then also with respect to the stage of development projects, some of these already have revenue contracts and are late in the stage of development needing financing and maybe a few other late-stage items. And some of them are early stage groups of assets with promising futures with interesting locations and resources. So it really spans the breadth of size and stages of development activity.

Ross Beaty

Rate of return.

John Carson

And with respect to the rate of return question, for sure we try to make every project that we have to be well into double-digit returns. That has become more difficult in the industry, a) because of competition, b) because of how off-take pricing has been negatively affected by the aforementioned gas prices.

So there are challenges to achieving those returns, and a lot of investors, though, take comfort in the fact that these are very reliable projects. So in the end while returns may have notched down a turn or two, we're still seeing double-digit returns in all the projects we're looking at.

Ross Beaty

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And I'd just add to what John said, the growth we have right in front of us in Iceland, which will be geothermal-based and hydro-based.

Rupert Merer

Excellent. Thanks very much.

Operator

Thank you. There are no further questions at this time. Please proceed.

Ross Beaty

Very good. Well, if there's no further question, we'll end the call, and thank everyone for joining us today.

Thank you, Operator.

Operator

Thank you. Ladies and gentlemen, this concludes your conference call for today. We thank you for participating. And ask that you please disconnect your lines.

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