



MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE QUARTER ENDED – SEPTEMBER 30, 2016



ALTERRA'S KOKOMO SOLAR PROJECT UNDER CONSTRUCTION

TABLE OF CONTENTS

INTRODUCTION	3
CORE BUSINESS AND STRATEGY	4
HIGHLIGHTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016 AND SUBSEQUENT EVENTS	6
OPERATIONS REVIEW	9
ADVANCED DEVELOPMENT AND CONSTRUCTION PROJECTS - INFORMATION, UPDATES AND OUTLOOK	14
DEVELOPMENT PROJECTS - INFORMATION, UPDATES AND OUTLOOK	15
SUMMARY OF QUARTERLY RESULTS	18
REVIEW OF RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016	19
REVIEW OF RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016	21
LIQUIDITY AND CAPITAL RESOURCES	23
TRANSACTIONS WITH RELATED PARTIES	26
OFF-BALANCE SHEET ARRANGEMENTS	26
CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING	27
DISCLOSURE OF OUTSTANDING SHARE DATA	27
ALTERNATIVE PERFORMANCE MEASURES	28

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the significant factors that have affected the performance of Alterra Power Corp. and its subsidiaries (the "Company" or "Alterra") and such factors that may affect its future performance. This MD&A has been prepared as of November 8, 2016 and it should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the three and nine months ended September 30, 2016 prepared in accordance with International Accounting Standards 34, Interim Financial Reporting, and with the audited consolidated financial statements of the Company for the year ended December 31, 2015 and the related notes thereto. All figures are expressed in United States ("USA") dollars except where otherwise indicated. References to C\$ are to Canadian dollars and references to ISK are to Icelandic Krona.

This MD&A refers to certain measures that are not standardized under IFRS, such as "net interest", by which the Company means the effective portion of operating results that the Company would have reported if each of HS Orka hf (66.6%, "HS Orka"), the Toba Montrose General Partnership (40%, "Toba Montrose GP"), Jimmie Creek Limited Partnership (51.0%, "Jimmie Creek LP"), the Dokie General Partnership (25.5%, "Dokie GP"), Shannon Group Holdings, LLC (50%, "Shannon Group LLC") and Soda Lake (100% until Soda Lake was sold on January 30, 2015) had been reported in accordance with the Company's actual share ownership for the three and nine months ended September 30, 2016 (the "current quarter" and "current period", respectively) and for the three and nine months ended September 30, 2015 (the "comparative quarter" and "comparative period", respectively). This measure along with the use of adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"), are non-IFRS measures used by Alterra to better manage and evaluate Company performance and to further assist the Company's shareholders in understanding the Company's holdings, but does not have standardized meaning. To facilitate a better understanding of these measures presented by the Company, qualifications, definitions and reconciliations have been provided in the section "Alternative Performance Measures".

Certain statements contained in this MD&A are forward-looking information within the meaning of applicable Canadian securities laws relating to the Company and its operations. Please refer to the cautionary note regarding the risks associated with forward-looking information at the back of this MD&A and under the heading "Risk Factors" in the Company's Annual Information Form on file with the Canadian securities regulatory authorities. Additional information and disclosure relating to the Company, can be found on the Company's website at www.alterrapower.ca and on the SEDAR website at www.sedar.com. Information contained in or otherwise accessible through our website does not form part of the MD&A.

CORE BUSINESS AND STRATEGY

The Company is engaged in the ownership, operation, development and acquisition of renewable power projects. The Company currently operates seven power plants totaling 819 megawatts ("MW") of capacity, with operations in Canada, USA and Iceland.

The Company's current portfolio of operating and construction facilities is summarized as follows:

	OPERATING						CONSTRUCTION
	Reykjanes	Svartsengi	Toba Montrose	Jimmie Creek ^(a)	Dokie 1	Shannon	Kokomo ^(b)
Location	Iceland	Iceland	British Columbia	British Columbia	British Columbia	Texas, USA	Indiana, USA
Type of generation	Geothermal	Geothermal	Run of river hydro	Run of river hydro	Wind	Wind	Solar
Capacity (MW)	100	74	145 (Toba) 90 (Montrose)	62	144	204	7
Long-term annual electricity generation (MWh)	745,000	520,000	727,000	159,000	330,000	794,000	9,900
% included in consolidated financial statements	100%	100%	40% (equity investment)	51% (equity investment)	25.5% (equity investment)	50% (equity investment)	N/A
Ownership entity	HS Orka	HS Orka	Toba Montrose GP	Jimmie Creek LP	Dokie GP	Shannon Group LLC	MUKO Partnership Holdings, LLC
Alterra net interest	66.6%	66.6%	40.0%	51.0%	25.5%	50.0%	75.0%

(a) Commercial operations commenced on August 1, 2016

(b) Interest acquired on October 11, 2016, ownership % expected to be in excess of 75%

The Company also has development projects in several locations as follows:

Location	Project	Net ownership	Technology
USA	Flat Top	100%	Wind
	Soda Lake Solar	100%	Solar
	Multiple wind projects	100%	Wind
Canada	Tahumming	100%	Hydro
	Bute Inlet	100%	Hydro
	Dokie 2	51%	Wind
	South Toba projects	100%	Hydro
	Coastal wind projects	100%	Wind
	Multiple early stage projects	100%	Hydro
	Multiple early stage projects	100%	Hydro
Iceland	Reykjanes 3-4 (potential expansion)	67%	Geothermal
	Eldvörp / Krýsuvík / Trölladyngja	67%	Geothermal
	Hvalá	44%	Hydro
	Brúarvirkjun	67%	Hydro
	Skúfnavatnavirkjun	44%	Hydro
	Búlandsvirkjun	33%	Hydro
	Multiple early stage projects	67%	Geothermal/Hydro
	Multiple early stage projects	67%	Geothermal/Hydro
Chile	Mariposa	30%	Geothermal
Peru	Multiple early stage projects	30%	Geothermal
Italy	Mensano / Roccastrada	45%	Geothermal

The Company was incorporated on January 22, 2008, pursuant to the *Business Corporations Act* (British Columbia) and effectively commenced operations in February 2008. The Company's head office is located in Vancouver, British Columbia ("BC"), Canada, it is a reporting issuer in all the provinces and territories of Canada except the Province of Quebec, and its common shares trade on the Toronto Stock Exchange under the symbol AXV.

The Company's mission is to be a leading global renewable power company through continued excellence in production and safety as a premier operator/manager and successful originator and developer of new utility-scale projects, and through opportunistic acquisitions of other renewable power projects and development assets.

To execute this strategy, the Company has assembled a core team of professionals with a depth of development, construction, operating, and financial knowledge that allows the Company to advance early stage projects through development, construction, and into operation. The Company has a proven ability to develop and deliver large operating assets at greenfield locations, on-time and on-budget.

In addition to maximizing value for its shareholders, the core values of the Company include being responsible for the environment in which the Company operates, contributing to the long-term development of host communities and ensuring that employees can work in a safe and secure manner. The Company is committed to maintaining positive relations with employees, local communities and government agencies, all of whom are viewed as partners.

HIGHLIGHTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016 AND SUBSEQUENT EVENTS

Operations

- **Fleet Generation:** Lower resource availability across the fleet drove quarterly net interest generation to 91.9% of budget (against 96.9% in comparative quarter). Generation is at 95.4% for the nine-month period (comparative period, 100.6%).

Q3 2016 Generation (MWh)					
Facility	Total		Net Interest		% of Budget
	Budget ^(a)	Actual	Budget ^(a)	Actual	
Reykjanes	168,920	144,409	112,501	96,176	85.5%
Svartsengi	133,500	126,100	88,911	83,983	94.5%
Toba Montrose	377,862	350,426	151,145	140,170	92.7%
Jimmie Creek ^(b)	61,136	64,790	31,179	33,043	106.0%
Dokie 1	71,909	60,553	18,337	15,441	84.2%
Shannon	155,736	144,423	77,868	72,212	92.7%
TOTAL	969,063	890,701	479,941	441,025	91.9%

(a) Includes planned maintenance outages

(b) Measured from commencement of operations on August 1, 2016

- **Strong generation at Jimmie Creek:** Following commencement of operations on August 1, Jimmie Creek achieved 106% of plan in the current quarter due to higher than forecast water flows despite cooler temperatures in the area.
- **Record drilling depth achieved at Reykjanes field:** The deep drilling program at Reykjanes has progressed beyond 3,850 meters of depth, making it the deepest drilled well in Iceland. The target depth remains 5,000 meters, and drilling progresses at 8.5" diameter. The program hopes to determine a previously untapped supercritical steam zone. Current estimates for well bottom temperatures are approximately 400°C.

Jimmie Creek Achieves Commercial Operations

- **Commercial operations achieved:** Jimmie Creek commenced commercial operations on August 1 on time and under budget by approximately \$4.0 million. The project is now selling 100% of its power to the British Columbia Hydro and Power Authority ("BC Hydro") under a 40-year power purchase agreement ("PPA") that expires in 2056.
- **Project financing term conversion:** In September the C\$176.5 million Jimmie Creek construction loan was converted to a term loan. The non-recourse facility is priced at an all-in rate of 5.26% and will amortize over 40 years, except for the final 10% of principal which will be paid at maturity in 2056.

Advancement of Flat Top Wind Project

- **Turbine selection:** Alterra has selected turbine technology for the project from a well-known, top-tier provider and is close to finalizing the project's turbine supply agreement. The Company also plans to utilize the same provider for operations and maintenance services, for which contract negotiations are underway.

- **Construction provider selection:** The Company has completed a proposals process for project construction, and has selected a well-known, top-tier contractor with local area familiarity. Documentation of a fixed-price construction contract is in progress.
- **Offtake:** Alterra is in discussions with multiple potential counterparties on a hedge, PPA or combined offtake solution for the project, and anticipates agreement on terms well prior to project financing.
- **Schedule update:** Substantial projected savings on project costs have been achieved by adjusting commencement of major construction to the first half of 2017. Accordingly, the achievement of commercial operations is now planned for the first half of 2018.
- **Project financing:** The Company is advancing project financing discussions with certain financing parties including tax equity and construction financing providers.
- **Interconnection security:** On September 29, the Company placed a second security deposit of approximately \$6.1 million (\$7.6 million total) in preparation for construction of the project's interconnection substation. No further deposits are required.
- **Other:** All required land for the project has been secured, and the Company is working on select parcels with the goal of further optimizing project layout. Sufficient wind data has been collected for the final wind resource assessment, which is in process by a third party.

Construction Commences on Kokomo Solar Project

- On October 11, the Company announced the closing of a US\$8.9 million construction loan facility for the 7 MW_{DC} Kokomo project ("Kokomo"), located in Kokomo, Indiana. The facility is supported by term loan and tax equity investment commitments, with such investments projected to occur upon the achievement of commercial operations (subject to fulfillment of typical conditions precedent), which is expected in December 2016. Construction is well underway with all panels and inverters on site.

Other Project Development and Acquisition

- **Solar partnership:** In October the Company completed a partnership agreement with Inovateus Solar LLC to co-own the Kokomo project and are actively developing a second solar project, a 13 MW_{DC} project to be located in East Lansing, Michigan. The Company expects to hold a majority interest of 80% in the Michigan project and will hold no less than a 75% ownership interest in Kokomo. Final ownership allocations may vary depending on final project economics. Under a separate agreement, the partners will also look at other potential co-ownership opportunities for renewable power projects through January 2018.
- **USA wind projects:** In light of recent extensions of tax incentives for renewable power projects in the USA, the Company continued to advance several early-stage wind projects and is examining potential acquisitions of other development assets.

Financial

- **Completion of upsized equity financings:** On October 26, the Company completed two equity financings with gross proceeds of approximately C\$67.9 million (upsized from an originally announced amount of C\$50.0 million). Under the financings, the Company issued 11,322,463 common shares at a price of C\$6.00 per share. The Company plans to use the net proceeds to further advance the Flat Top wind project, fund activities designed to qualify certain development

projects for USA production tax credits, retire outstanding amounts under the revolving credit facility and for general corporate purposes.

- **Extension and refinancing of Icelandic bonds:**

- **Extension of ISK-denominated Sweden holding company bond:** In July 2016, the Company reached an agreement with the bondholders of the ISK-denominated bond (\$59.0 million as of September 30) to extend the maturity of the bond by one year to July 2017. Under the extension agreement, all terms of the bond are unchanged other than the maturity and the interest rate, which was adjusted from 3.5% to 5.0% for the one-year extension period. The bond remains non-recourse to the Company and no further collateral was pledged for the extension.
 - **Refinancing of US dollar Sweden holding company bond:** In October 2016, the Company refinanced into two tranches the \$71.7 million bond originally held by Reykjavik Energy ("OR"). In the first tranche, held by OR, the principal has been reduced to \$36.0 million, with an increase in coupon from 1.5% to 5%, and maturity has been extended to April 2018. The second \$35.7 million tranche was issued to Alterra's Executive Chairman, Ross J. Beaty. The second tranche carries an 8.5% coupon and matures in October 2021. Both tranches carry no amortization and have no recourse to the Company, with security consisting solely of approximately 17% and 15% of the outstanding shares of HS Orka respectively.
- **Revenue:** Consolidated revenue increased by 15% to \$14.1 million and net interest revenue increased by 26% to \$28.1 million predominantly due to strengthening of the Icelandic Krona and revenue generated by the Company's new projects (Shannon and Jimmie Creek).
 - **Adjusted EBITDA:** Consolidated and net interest Adjusted EBITDA increased by 21% and 24% to \$21.4 million and \$19.0 million respectively, primarily due to foreign exchange gains as well as Adjusted EBITDA generated by Shannon and Jimmie Creek.
 - **Distributions declared/received:** The Company received distributions as follows:
 - **Toba Montrose:** Toba Montrose GP declared and paid a C\$19.0 million equity distribution on August 3, 2016, of which the Company's share was C\$7.6 million.
 - **Dokie 1:** Dokie GP declared and paid a C\$7.1 million equity distribution on August 4 of which the Company's share was C\$1.8 million. Included in the distribution was a release from the debt service reserve of C\$6.0 million (which was replaced with a letter of credit), of which the Company's share was C\$1.5 million.
 - **Shannon:** Shannon Wind, LLC declared and paid a \$1.2 million equity distribution to the sponsors and tax equity investors of which the Company's share was \$0.4 million.

Other

- **Dividend approved:** On November 8, 2016 the Board of Directors of the Company approved a quarterly cash dividend in the amount of C\$0.0125 per common share. The cash dividend will be distributed on or about Thursday, December 15, 2016, to holders of record of common shares as of the close of business on Wednesday, November 30, 2016. Alterra's dividends are designated as eligible dividends for the purposes of the Income Tax Act (Canada), unless otherwise notified.

- **Common share consolidation:** Effective September 6, 2016 the Company consolidated all of its issued and outstanding common shares on the basis of one (new) post-consolidation common share for each ten (old) pre-consolidation common shares.

OPERATIONS REVIEW

HS Orka (Reykjanes and Svartsengi geothermal facilities), Iceland

The Company holds a 66.6% economic interest in HS Orka, which produces and sells electricity from two operating geothermal plants (Reykjanes and Svartsengi) located in the Reykjanes peninsula of Iceland. The remaining 33.4% economic interest in HS Orka is held by Jarðvarmi slhf, a consortium of Icelandic pension funds. The Reykjanes plant has 100 MW of generation capacity and is expected to generate a long-term average of 745,000 MWh of electricity annually, while the Svartsengi plant has 74 MW of generation capacity and is expected to generate a long-term average of 520,000 MWh of electricity as well as 190 MW (thermal) of capacity for hot water for district heating. HS Orka sells power to a number of commercial and retail customers including power sold under long-term PPAs, with Landsvirkjun, Norðurál ehf (together with its affiliates "Norðurál") and Advania, with the majority of the power being sold under these contracts expiring by 2026.

In 2015, HS Orka signed a long-term PPA with Thorsil ehf., which is planning to construct and operate a silicon metal plant in Helguvík, Iceland. Under the contract, HS Orka would supply up to 44 MW of the plant's power needs. The delivery of the power from HS Orka is subject to several conditions on behalf of both parties.

HS Orka also holds a 30% interest in Blue Lagoon hf., which operates the Blue Lagoon geothermal spa in Iceland. HS Orka, through its "Resource Park", also provides and sells various other geothermal-related products to companies located near the two power plants, including geothermal brine and steam, gas, fresh water, and warm sea water.

HS Orka commenced a fluid re-injection program at the Reykjanes geothermal field in 2013 to mitigate recent decreases in generation at the Reykjanes plant (current generation is under 70 MW) and to enhance future field stability. Under the program, a portion of geothermal fluids extracted in the current operations is being re-injected into the field to maintain or increase subsurface pressure and optimize the resulting electrical output. HS Orka drilled two large-diameter re-injection wells in 2014. A pipeline from the plant to the re-injection wells was constructed in late 2015 and re-injection commenced in early March 2016. The volume of re-injection will increase over the rest of the year and the impact of the program is expected to be realized over the next few years, beginning in late 2016 with more meaningful results expected in 2017. HS Orka is currently examining further methods of field enhancement, including reach-out to nearby geothermal areas outside of the Reykjanes field and further production from existing Reykjanes wells in light of new information from the deep drilling project.

HS Orka has been awarded grants related to the deep drilling program, which is funded by a consortium that includes Norway's national energy company Statoil, two Icelandic power companies including the state-owned Landsvirkjun and several other European entities plus a €6.2 million grant from the European Union. Active drilling commenced in August 2016, and as of early November had progressed to a depth beyond 3,850 meters against the target depth of 5,000 meters. Preliminary results indicate a permeable and productive zone beginning at 3,000 meters, which is a deeper producing zone than previously known in the Reykjanes field. Upon completion of the drilling anticipated in late 2016, the well will undergo temperature, pressure and other tests for approximately six to twelve months. Current estimates of the well bottom temperatures are approximately 400°C. These tests will determine whether the well will best serve as a new production source for the Reykjanes plant or as a deep injection node, providing pressure support for the field from a sub-field location.

HS Orka completed two new production wells at the Svartsengi field in Iceland in 2015 and 2016. The first of these, well SVA 25, was drilled at a new southernmost location in the field, and was connected to the Svartsengi plant in the third quarter of 2016. SVA 25 is supplying 3 to 4 MW of production steam to the Svartsengi plant. The second production well, SVA 26, was drilled at a new easternmost location in the field. Well SVA 26 is undergoing testing and is expected to be connected to the plant in the first half of 2017, with early estimates indicating production potential similar to SVA 25. Both wells extended the known boundaries of the Svartsengi field, which has successfully supported operations since 1978.

HS Orka also completed construction of a new effluent discharge pipe at the Svartsengi plant in the third quarter of 2016. The pipeline is operating and is now undergoing final commissioning. HS Orka believes the increased discharge capacity provided by the pipe will facilitate increased production from the Svartsengi plant.

(All tabular amounts in \$000s except where specified)

	Three months ended September 30,	
	2016	2015
Generation (MWh)	180,159	191,992
Revenue	9,391	8,147
Adjusted EBITDA	4,693	4,680

Generation decreased primarily due to lower generation at the Reykjanes plant during the quarter as well as a maintenance outages at both the Reykjanes and Svartsengi plants. Revenue and EBITDA increased however due to the strengthening of the Icelandic Krona and results from their equity investment in Blue Lagoon which increased by 38% in originating currency.

Revenue from contracts linked to aluminum prices fell to 23% of total HS Orka revenue (from 29% in the comparative quarter).

Toba Montrose hydroelectric facility, British Columbia, Canada

The Company operates and holds a 40% economic interest (51% voting interest) in the 235 MW Toba Montrose project which is held by Toba Montrose GP and has been in operation since May 2010. The remaining 60% economic interest in the project is held by an investor consortium led by a fund that is managed by Axiom Infrastructure Inc. ("Axiom"). The Company's economic interest in the project will increase from 40% to 51% in May 2045 for no additional consideration.

Toba Montrose sells 100% of its electricity to BC Hydro under a 35-year PPA that expires in May 2045 and the facility is expected to generate a long term average of 727,000 MWh of electricity annually.

Toba Montrose is EcoLogo certified and receives funding under the Government of Canada's ecoENERGY for Renewable Power program (the "ecoENERGY program") of up to C\$72.7 million during its first ten years of operations (until 2020), at a rate of C\$10 per MWh. The Company anticipates the ten year restraint will come into effect rather than the C\$72.7 million cap.

Toba Montrose's annual long-term generation is projected to vary seasonally in the following proportions:

January - March	4%
April - June	32%
July - September	52%
October - December	12%

Alterra operates the Toba Montrose facility in cooperation with Klahoose First Nation, Tla'amin Nation and Sechelt Indian Band (shíshálh Nation).

The operating results of Toba Montrose are shown below and reflect the Company's 40% interest:

	Three months ended September 30,	
	2016	2015
Generation (MWh)	140,170	149,927
Revenue	11,852	12,422
Adjusted EBITDA	10,266	10,617

Generation, revenue and Adjusted EBITDA were lower than the comparative quarter due to lower flows resulting from cooler temperatures during the quarter. The impact on revenue was limited due to lower prices received on excess generation in the comparative quarter. Lower operating expenses in the quarter also reduced the impact of the lower generation on EBITDA.

Jimmie Creek hydroelectric facility, British Columbia, Canada

The Company owns 51% of the 62 MW Jimmie Creek project, in partnership with Axiom. The project is located in close proximity to Toba Montrose and has a nameplate capacity of 62 MW and a projected annual output of 159,000 MWh. Construction was completed on time and within budget. Commercial operation was achieved on August 1, 2016, at which time the project began selling 100% of its power under a 40-year PPA with BC Hydro. The contractors have now fully demobilized from the site and reclamation and restoration work has been completed.

In accordance with the Jimmie Creek LP partnership agreement with Axiom, any unused construction funds are to be returned to the partners with the first C\$6.0 million to Axiom, the next C\$6.0 million to the Company, and any remaining amounts to be allocated based on ownership percentage (51% the Company and 49% Axiom). As at September 30, 2016, the estimated unused contingency funds to be returned to Axiom is C\$5.2 million (with C\$0.6 million distributed during the quarter), and the Company has recognized a reduction in its investment in Jimmie Creek LP as a result of this arrangement.

Jimmie Creek's generation is transmitted using excess capacity on the Toba Montrose transmission line that connects Toba Montrose to the BC Hydro substation at SALTERY Bay. Jimmie Creek LP operates the project in partnership with Klahoose First Nation, Tla'amin Nation and the Sechelt Indian Band (shíshálh Nation).

The C\$176.5 million project construction loan was converted to a term loan on September 20, 2016. The non-recourse loan facility is priced at an all-in rate of 5.26% and will amortize over 40 years, except for the final 10% of principal which will be paid at maturity. The project lender group consists of The Manufacturers Life Insurance Company (administrative agent and lead arranger), Sun Life Assurance Company of Canada, The Canada Life Assurance Company, Industrial Alliance Insurance and Financial Services Inc. and The Great-West Life Assurance Company.

Jimmie Creek's annual long-term generation is projected to vary seasonally in the following proportions:

January - March	1%
April - June	27%
July - September	64%
October - December	8%

The operating results of Jimmie Creek are shown below and reflect the Company's 51% interest:

	Three months ended September 30,	
	2016	2015
Generation (MWh)	33,043	—
Revenue	3,897	—
Adjusted EBITDA	3,580	—

Generation was strong for the quarter at 106% of plan, and operating costs were in line with plan.

Dokie 1 wind farm, British Columbia, Canada

The Company operates and holds a 25.5% ownership interest in the 144 MW Dokie 1 project, which is held by Dokie GP and has been in operation since February 2011. The remaining 74.5% interest in the project is held by an investor consortium led by Axiom. Dokie 1 is expected to generate a long-term average of 330,000 MWh of electricity annually.

Dokie 1 sells 100% of its electricity to BC Hydro under a 25-year PPA that expires in February 2036.

Dokie 1 is EcoLogo certified and receives funding under the ecoENERGY program of up to C\$33.3 million during its first ten years of operations (until 2021), at a rate of C\$10 per MWh. The Company anticipates the 10 year restraint will come into effect rather than the C\$33.3 million cap.

Dokie 1's annual long term generation is projected to vary seasonally in the following proportions:

January – March	28%
April – June	20%
July – September	22%
October – December	30%

Alterra operates the Dokie 1 facility in cooperation with Halfway River First Nation, West Moberly First Nations, Sauteau First Nations, and McLeod Lake Indian Band.

The operating results of Dokie 1 are shown below and reflect the Company's 25.5% interest:

	Three months ended September 30,	
	2016	2015
Generation (MWh)	15,441	19,981
Revenue	1,337	1,696
Adjusted EBITDA	765	1,193

Quarterly generation and revenue decreased due to lower wind speeds. EBITDA decreased due to the lower wind speeds coupled with non-recurring maintenance work performed in the quarter which was not performed in the comparative quarter.

Shannon wind farm, Clay County, Texas, USA

The Company operates and owns a 50% sponsor equity interest in the 204 MW Shannon project, with the remainder held by Starwood Energy Group Global, LLC ("Starwood", collectively with the Company referred to as "Sponsors") and tax equity held by affiliates of Citicorp North America, Inc. and Berkshire Hathaway Energy (the "Tax Equity Investors").

On December 10, 2015, Shannon achieved commercial operations with all 119 turbines placed into operation. Shannon is expected to generate a long-term average of 794,000 MWh of electricity annually and sells the majority of its power under a 13-year power hedge with Citigroup Energy Inc. which

commenced on June 1, 2016. Prior to this, 100% of the project's power was sold on the merchant spot market.

One of the primary incentives for renewable energy in the United States has been the production tax credit program, whereby companies that generate electricity from renewable energy sources, including wind, are eligible for tax credits which provide a tax benefit for each unit of generation for the first ten years of the facility's operation. For Shannon, the Tax Equity Investors are allocated 99% of Shannon's taxable income (losses) and a minority portion of the cash generated until they achieve an agreed after-tax investment return (the "Flip Point"). After the Flip Point, the Tax Equity Investors will be allocated 5% of cash distributions and taxable income (losses), and the Sponsors will be allocated 95% of all cash distributions and taxable income (losses). Due to the exceptionally low winds experienced earlier in the year, management expects a temporarily higher allocation of cash to the tax equity investors will begin in 2017.

There is no project debt associated with Shannon. The project, however, has certain requirements with respect to the allocation of cash distributions, taxable income (losses) and tax credits amongst the Sponsors and Tax Equity Investors.

The operating results of Shannon, shown below and elsewhere, reflect the Company's 50% share in sponsor equity:

	Three months ended September 30,	
	2016	2015
Generation (MWh)	72,212	—
Revenue	1,628	—
Adjusted EBITDA	190	—

Quarterly generation was 93% of budget, due to lower than forecast wind. The low wind combined with lower than expected merchant power prices resulted in lower than planned revenue and EBITDA, though turbine availability, performance and operating costs were in line with expectations.

Summary Comparative Results and Adjusted EBITDA

The following results represent the Company's net interest in generation, revenue, gross profit (loss), and Adjusted EBITDA:

For the three months ended September 30, 2016	HS Orka (66.6%)	Toba Montrose (40%)	Jimmie Creek (51%)	Dokie 1 (25.5%)	Shannon (50%)	Development and head office	Net interest total	Consolidated Results
Generation (MWh)	180,159	140,170	33,043	15,441	72,212	—	441,025	270,509
Total revenue	9,391	11,852	3,897	1,337	1,628	—	28,105	14,100
Gross profit (loss)	1,516	9,693	3,388	472	(636)	—	14,433	2,323
Adjusted EBITDA	4,693	10,266	3,580	765	190	(483)	19,011	21,367

For the three months ended September 30, 2015	HS Orka (66.6%)	Toba Montrose (40%)	Dokie 1 (25.5%)	Development and head office	Net interest total	Consolidated Results
Generation (MWh)	191,992	149,927	19,981	—	361,900	288,275
Total revenue	8,147	12,422	1,696	—	22,265	12,232
Gross profit	1,911	10,098	854	—	12,863	2,870
Adjusted EBITDA	4,680	10,617	1,193	(1,121)	15,369	17,718

ADVANCED DEVELOPMENT AND CONSTRUCTION PROJECTS - INFORMATION, UPDATES AND OUTLOOK

Flat Top wind project, Texas, USA

In June 2016, the Company acquired the 200 MW Flat Top wind project for consideration of \$0.9 million, with further payments to be made on completion of agreed upon milestones. The project, located in the counties of Comanche and Mills in Texas, is currently under development and expected to be in service by early 2018.

Alterra has selected turbine technology for the project from a well-known, top-tier provider and is close to finalizing the project's turbine supply agreement. The Company also plans to utilize the same provider for operations and maintenance services, for which contract negotiations are underway. The Company has completed a proposals process for project construction, and has selected a well-known, top-tier contractor with local area familiarity. Documentation of a fixed-price construction contract is in progress.

Alterra is in discussions with multiple potential counterparties on a hedge, PPA or combined offtake solution for the project, and anticipates agreement on terms well prior to project financing. The Company is advancing project financing discussions with certain financing parties including tax equity and construction financing providers. All required land for the project has been secured, and the Company is working on select parcels with the goal of further optimizing project layout. Sufficient wind data has been collected for the final wind resource assessment, which is in process by a third party.

Concurrent with the acquisition, the Company placed a \$1.5 million security deposit with the local transmission provider. A second security deposit of approximately \$6.1 million was placed on September 29, 2016 concurrently with a notice-to-proceed to commence activities leading to construction of the interconnection switching station. The deposits serve as security for the design and equipment procurement for the substation and are expected to be reimbursed to the Company following completion of construction of the project.

The Company acquired the Flat Top wind project from Pioneer Green Energy, LLC who has experience in the development of wind energy projects in Texas. As part of the project development program, the Company will undertake certain construction activities in 2016 intended to ensure the Flat Top project will qualify for the full USA Production Tax Credit.

Kokomo solar project, Indiana, USA

On October 11, 2016, the Company announced the closing of a \$8.9 million construction loan facility for the 7 MW_{DC} Kokomo project ("Kokomo"), located in Kokomo, Indiana.

The facility is supplied by 1st Source Bank, a subsidiary of 1st Source Corporation ("1st Source") and consists of a \$8.9 million construction loan plus a \$150,000 letter of credit. Concurrently with the construction loan closing, 1st Source is providing a \$4.0 million tax equity investment commitment and a \$5.0 million term loan takeout which will be used to repay the construction loan upon commencement of commercial operations (each subject to typical conditions precedent). The term loan will have a balloon payment based on a 10-year maturity and 18-year amortization.

The Kokomo solar project is currently under construction with all panels and inverters on site and is expected to begin commercial operations in December 2016. The Kokomo solar project is contracted under a 20-year PPA with Duke Energy Indiana, LLC for 100% of plant output. Construction is being managed by Inovateus, who will also provide operations and maintenance services under a long-term contract.

In October the Company completed a partnership agreement with Inovateus Solar LLC to co-own the Kokomo project. The Company will hold no less than a 75% ownership interest in Kokomo. Final

ownership allocations may vary depending on final project economics.

DEVELOPMENT PROJECTS - INFORMATION, UPDATES AND OUTLOOK

USA projects

The Company furthered development activities for three wind projects with a potential generation capacity of over 500 MW, as well as advancing other development and acquisition efforts for other early-stage wind and solar projects in multiple locations across the USA. The Company will undertake certain construction activities in 2016 intended to ensure all three projects will qualify for the full USA production tax credit.

In July 2016, the Company reached an agreement with Inovateus to acquire approximately 80% ownership interest in a 13MW_{DC} solar development project in East Lansing, Michigan. The Company is currently working with Inovateus to further development of the project and expects construction to commence and complete in 2017. Under a separate agreement, the partners will also look at other potential co-ownership opportunities for renewable power projects through January 2018.

Additionally, the Company holds the rights to develop a 40 MW solar project at the Soda Lake geothermal plant site.

Reykjanes geothermal expansion project, Iceland

The Company continues to assess a potential expansion of the Reykjanes plant capacity from 100 MW to up to 180 MW through two planned expansions, Reykjanes 3 (50 MW) and Reykjanes 4 (30 MW). The expansion project received its operating permit in 2011, and the Company is currently performing further analysis on Reykjanes 4.

HS Orka commenced an arbitration in 2014 to determine the validity of a PPA with Norðurál signed in 2007 to sell power from the Reykjanes expansion to a proposed new aluminum smelter in Helguvík, Iceland. The Company received notice in late October that the timing for delivery of the arbitration award by the tribunal had been extended to November 30, 2016. A separate, related action was filed against Alterra by Century Aluminum Company and Norðurál on April 1, 2015 in Monterey County, California. That action was dismissed by the California court in late August 2015 on jurisdictional grounds; however Norðurál filed a second, related action against Alterra in British Columbia in December 2015. The Company considers the current action to be without merit.

Mariposa geothermal project, Chile

The Mariposa geothermal system, located east of Talca in the VII region of Chile, has a maximum inferred resource potential of 320 MW.

Under the terms of a 2013 joint venture agreement, Energy Development Corporation ("EDC") holds a 70% interest in Mariposa and is responsible for funding 100% of the next \$58.3 million in project expenditures to further advance the project (\$36.1 million funded as of September 30, 2016). After completion of initial funding, project equity contributions and economic sharing will occur on a pro rata basis between the partners. The Company accounts for the project as an equity investment.

In October 2015, EDC as managing partner elected to postpone the previously scheduled 2015 drilling program in response to the current low commodity prices which have negatively impacted the project's forecasted economics. The joint venture will resume the drilling program when certain development conditions are met. Work on the project continues in the meantime, including engineering work for the power plant and transmission interconnection, an environmental impact assessment and other

development activities. Significant site infrastructure (roads, water supply, camps) has been completed and will remain in place to support the rescheduled drill program.

Dokie 2 wind project, British Columbia, Canada

The Company holds a 51% interest in a wind generation project adjacent to Dokie 1 ("Dokie 2") with a projected capacity of up to 156 MW. During 2015, the Company received notice from an affiliate of GE Energy Financial Services ("GE EFS") that it does not intend to proceed with advancement of Dokie 2. The Company expects to complete an agreement with GE EFS to transfer its 49% ownership interest in Dokie 2 to the Company for nominal consideration.

In 2014, the Company wrote off the deferred costs and goodwill associated with the Dokie 2 project due to a decline in the outlook for new renewable power plants in British Columbia. The Company has maintained all existing permits and licenses in good standing and may look to further develop the project in the future when market outlook improves. The Company has no material expenses related to Dokie 2 planned in 2016.

Iceland

The Company's development projects in Iceland include the Eldvörp, Krýsuvík and Trölladyngja geothermal projects and the Búlandsvirkjun, Hvalá, Brúarvirkjun and Skúfnavatnavirkjun hydroelectric projects.

During the current period, HS Orka increased its ownership interest of Vesturverk ehf. to 66.6% (from 52.5%) as a result of further payment of development expenses totaling \$0.8 million. Vesturverk ehf. owns several early-stage hydroelectric development projects including the 55 MW Hvalá and 10 MW Skúfnavatnavirkjun projects, which received research permits from the National Energy Authority in May 2015. In 2016, the National Energy Authority in Iceland awarded research permits to Vesturverk for the Hvanneyrardalsvirkjun, Hest and Skötufjarðarvirkun hydro projects, which have a total projected generation capacity of 35 MW. Research on these projects is in progress.

The 9.9 MW Brúarvirkjun hydroelectric project is 100% owned by HS Orka.

HS Orka also owns 50% of the 155 MW Búlandsvirkjun early-stage hydroelectric development project. The Icelandic Master Plan for Nature Protection and Energy Utilization Steering Committee has recently submitted a proposal to classify Búlandsvirkjun as a protected area and, if this change is approved by Parliament, the Company would not be permitted to carry out additional survey work or obtain licenses for energy generation. Management intends to contest the proposal. At September 30, 2016 the Company has an investment in the project of \$2.1 million.

Other than as specified above, the Company has not made any material expenditures on these projects during the current period.

Peru

In January 2014, the Company completed a joint venture with EDC covering certain of the Company's geothermal development assets in Peru, including geothermal authorizations and applications for authorizations. Under the agreement, EDC obtained a 70% interest in the portfolio and plans to fund 100% of the next \$6.0 million of development costs for any projects that have been given notice to proceed.

In January 2016, EDC provided notice to withdraw from the Pinchollo Libre project but continues to coordinate with the government for the grant of authorizations for the other projects that are under application.

Upon granting of the geothermal authorizations, the joint venture is expected to perform further exploration to identify potential geothermal resources.

The joint venture has not made any material expenditures on these projects to date.

Italy

In 2011, the Company was awarded the Mensano and Roccastrada geothermal concessions, located near the historic Larderello geothermal field that has generated electricity for nearly 100 years in the Tuscany region of Italy.

The Company holds a 45% interest in a joint venture with an affiliate of Graziella Green Power ("Graziella"). The joint venture is currently advancing the Mensano and Roccastrada geothermal concessions as well as a geothermal pilot project (Castelnuovo) near the Mensano concession. Graziella is currently funding all development activities under the joint venture. Current development activities included seismic analysis and certain project permitting activities.

As of September 30, 2016 Graziella had spent \$3.2 million of their \$3.6 million required contribution towards the projects. Once Graziella reaches their specified spend, should the Company choose not to invest further funds into the projects, the Company's ownership percentage in the Graziella partnership will be diluted.

British Columbia, Canada

The Company has rights to 39 run of river hydroelectric power projects in British Columbia as well as certain early-stage wind projects, primarily in the southwestern region of the province.

Bute Inlet project

The Bute Inlet development project consists of 17 run of river projects organized into three interconnected groups with an estimated potential average annual generation of 2.8 million MWh.

The Company formally withdrew from the Environment Impact Assessment ("EIA") process in the period, but maintains all existing permits and licenses in good standing. The Company has completed all hydrology studies for the project and hopes to further develop the project in the future when market outlook improves.

In July 2016, the Impact Benefit Agreement with Homalco First Nation, which was signed in 2011, expired.

Other hydroelectric development projects

The Company holds water rights for other run of river hydroelectric power projects in British Columbia with a combined potential average annual generation of approximately 2.2 million MWh. The Company also holds a British Columbia Crown land tenure and an accepted water license application for the 1,000 MW Fir Point pumped storage project.

On March 12, 2015, the Company signed a memorandum of understanding with Klahoose First Nation to jointly develop the 15 MW Tahumming hydroelectric project, which is in the Toba Valley near the Toba Montrose and Jimmie Creek projects. The Company submitted its application for a Water License and Land Tenure for the project in June 2016 and is working with Provincial agencies to advance the permit application with the target of receiving the required permits in 2017 and potentially submitting the project into BC Hydro's Standing Offer Program ("SOP") for small projects.

In August, BC Hydro announced that the SOP had reached its capacity for projects with commercial operations dates up to and including 2019, and that it will be revising the program for projects with commercial operations dates beyond 2019. The Company will evaluate any changes made to the SOP and subsequently determine whether to submit the Tahumming project into the program.

On October 20, 2015, the Company announced that it had agreed to acquire the water rights for four hydroelectric development projects from Sigma Engineering (the South Toba projects: Chusan, Powell, Eldred North and Eldred South). The projects are located approximately 20-30 kilometers from Alterra's existing Toba Montrose and Jimmie Creek projects, and are situated along the Toba Montrose transmission line. Each project is expected to have between 10-15 MW of generation capacity, and could be eligible for PPAs under the SOP. The transfer of the water license applications was completed in May 2016, which allows the Company to proceed with engineering, environmental and hydrology studies in order to prioritize the projects for future development.

The Company is currently maintaining all of its hydroelectric projects in British Columbia in good standing for future development opportunities.

Coastal wind projects

The Company holds exclusive investigative licenses for wind development projects at several coastal locations in British Columbia including Banks Island, Porcher Island, McCauley Island and Knob Hill. Meteorological towers are installed at four locations. Development activities in the current quarter consisted of ongoing wind resource monitoring.

SUMMARY OF QUARTERLY RESULTS

Seasonality has an impact on the Company's quarterly operating results. HS Orka supplies a lower demand for electricity and heating in the summer months in Iceland. Most prominently, generation at Toba Montrose and Jimmie Creek is higher in the summer months due to spring freshet and glacier melt, and Dokie 1 generation is higher in the winter months.

In addition, the Company has a number of financial derivatives with mark-to-market valuations that can fluctuate significantly from quarter to quarter. These fluctuations are non-cash in nature and are summarized below.

The following table summarizes information regarding the Company's operations on a quarterly basis for the last eight quarters.

	Three months ended			
	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
Revenue	\$ 14,100	\$ 13,797	\$ 14,930	\$ 15,680
Gross profit	2,323	3,591	3,854	4,333
Other income (expense)	10,684	1,376	(4,795)	(15,224)
Income tax recovery (expense)	(2,598)	(1,578)	(1,088)	713
Net income (loss)	10,409	3,389	(2,029)	(10,178)
Net income (loss) attributable to owners of the Company	5,563	922	(3,773)	(8,023)
Earnings (loss) per share attributable to owners of the Company (basic and diluted)	0.12	0.02	(0.08)	(0.17)

	Three months ended			
	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014
Revenue	\$ 12,232	\$ 13,522	\$ 16,401	\$ 19,365
Gross profit	2,870	3,887	5,041	5,044
Other income (expense)	(1,488)	2,147	(22,619)	(35,206)
Income tax expense (recovery)	923	804	1,307	(3,181)
Net income (loss)	2,305	6,838	(16,271)	(33,343)
Net income (loss) attributable to owners of the Company	1,170	5,016	(14,880)	(31,747)
Earnings (loss) per share attributable to owners of the Company (basic and diluted)	0.02	0.11	(0.32)	(0.68)

REVIEW OF RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016

Net income increased from \$2.3 million to \$10.4 million quarter on quarter, primarily due to changes in non-cash items discussed below under "other income (expenses)".

Net income attributable to the owners of the Company was \$5.6 million versus net income of \$1.2 million for the comparative quarter (net income of \$0.12 and of \$0.02 per common share for each quarter, respectively).

Gross profit from operations

Consolidated gross profit from operations was \$2.3 million versus \$2.9 million in the comparative quarter, as follows:

Revenue

Consolidated revenue increased to \$14.1 million versus \$12.2 million for the comparative quarter, from HS Orka operations (Reykjanes and Svartsengi) which are 100% consolidated (ownership is 66.6%). The increase in the current quarter is due to increased third party retail sales and favourable exchange rate movements.

The Company's share of revenue from Toba Montrose, Dokie 1, Jimmie Creek, and Shannon (recorded as equity income) was as follows:

- Toba Montrose - \$11.9 million (comparative quarter: \$12.4 million). Revenue decreased due to lower generation caused by reduced flows resulting from cooler temperatures.
- Dokie 1 - \$1.3 million (comparative quarter: \$1.7 million). Revenue decreased due to lower winds.
- Jimmie Creek - \$3.9 million (comparative quarter: \$nil). Jimmie Creek commenced operations on August 1, 2016 and is now selling 100% of its power to BC Hydro under a 40-year PPA. Generation was at 106% of plan for the period from August 1 to September 30, 2016.
- Shannon - \$1.6 million (comparative quarter: \$nil). Shannon achieved commercial operations on December 10, 2015 and is currently selling the majority of its power under a 13-year power hedge, which became effective on June 1, 2016. Generation was below plan (93%) for the quarter due to low winds.

Cost of sales

Cost of sales totaled \$11.8 million (compared to \$9.4 million in the comparative quarter) from HS Orka's operations. Cost of sales increased predominantly due to foreign currency fluctuations as well as maintenance outage costs at Svartsengi and Reykjanes and an increase in power purchases.

The Company's share of cost of sales (including depreciation and amortization) for Toba Montrose, Dokie 1, Jimmie Creek, and Shannon was as follows:

- Toba Montrose - \$2.2 million (comparative quarter: \$2.3 million).
- Dokie 1 - \$0.9 million (comparative quarter: \$0.8 million).
- Jimmie Creek - \$0.5 million (comparative quarter: \$nil). Jimmie Creek commenced operations on August 1, 2016. Operating costs over that period were in line with budget.
- Shannon - \$2.3 million (comparative quarter: \$nil). Cost of sales were consistent with plan in the current quarter.

Other income (expenses)

Total other income (expenses) resulted in a net gain of \$10.7 million (comparative quarter: \$1.5 million net loss), reflecting the changes below:

- A \$1.4 million foreign exchange loss as a result of unfavorable movements in exchange rates (comparative quarter: \$6.0 million loss).
- A \$9.4 million non-cash gain resulting from the change in the fair value of embedded derivatives primarily driven by an increase in future aluminum prices (comparative quarter: \$5.5 million non-cash loss).
- A \$1.9 million non-cash loss resulting from the change in the fair value of the holding company bonds (Sweden), primarily due to interest rate and aluminum price movements (comparative quarter: \$2.4 million non-cash loss).
- A \$2.4 million loss in other income (loss) primarily related to a \$2.0 million distribution to Axiom from the Jimmie Creek project and a \$0.3 million write-down of the Dokie 1 earn-out payment for 2016 (comparative period: \$0.3 million gain).
- General and administrative expenses increased to \$2.8 million (comparative quarter: \$2.5 million), primarily due to non-recurring legal fees associated with the HS Orka arbitration.
- The Company's share of income from equity investments was \$13.4 million (comparative quarter: \$17.3 million) as follows:

Share of equity income (loss)	For the quarter ended September 30,	
	2016	2015
Toba Montrose GP	\$ 7,070	\$ 7,475
Jimmie Creek LP	2,624	—
Dokie GP	(155)	260
Blue Lagoon	3,654	2,142
Shannon Group LLC	234	7,829
Construction and development projects	3	(430)
Total equity income	\$ 13,430	\$ 17,276

Shannon and Jimmie Creek income reflects commencement of commercial operations in December 2015 and August 2016, respectively. Income decreased at Shannon due to the recognition of a non-cash gain of \$7.8 million related to the power hedge in the comparative quarter.

- Finance income decreased to \$0.2 million (comparative quarter: \$0.4 million) primarily due to decreased interest income at HS Orka from the sale of short-term investments and fluctuations in foreign exchange.
- Finance costs remained relatively consistent at \$2.9 million (\$3.0 million in the comparative quarter).
- \$0.8 million of costs related to the deep drilling project were recognized in the quarter (comparative quarter: \$nil).

REVIEW OF RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

The Company recorded net income of \$11.8 million versus a net loss of \$7.1 million for the comparative period primarily due to certain changes in non-cash items discussed below under "other income (expenses)", offset by decreased share of results in equity investments and increased development spend.

Net income attributable to the owners of the Company was \$2.7 million versus a net loss of \$8.7 million for the comparative period (net income of \$0.06 and net loss of \$0.19 per common share for each period, respectively).

Gross profit from operations

Consolidated gross profit from operations was \$9.8 million versus \$11.8 million in the comparative period, as follows:

Revenue

Consolidated revenue was \$42.8 million versus \$42.2 million for the comparative period, broken down as follows:

- HS Orka operations (Reykjanes and Svartsengi) 100% consolidated - \$42.8 million (comparative period: \$41.8 million). The increase was due to favorable exchange rate movements.
- Soda Lake - \$nil (comparative period: \$0.4 million). The Soda Lake facility was sold on January 30, 2015.

The Company's share of revenue from Toba Montrose, Dokie 1, Jimmie Creek, and Shannon (recorded as equity income) was as follows:

- Toba Montrose - \$19.6 million (comparative period: \$21.7 million). Generation decreased against the comparative period but remains strong at 104% of plan. The decline in revenue is attributable to decreased water flow and the timing of generation as certain months command higher prices, as well as a weakening of the Canadian dollar.
- Dokie 1 - \$4.5 million (comparative period: \$5.2 million). Revenue declined due to lower winds and a weakening of the Canadian dollar.
- Jimmie Creek - \$3.9 million (comparative period: \$nil). Jimmie Creek achieved commercial operations on August 1, 2016. Revenue was above plan for the two-month period.

- Shannon - \$4.0 million (comparative period: \$nil). Shannon achieved commercial operations on December 10, 2015 and is currently selling power under a 13-year power hedge, which became effective on June 1, 2016. Prior to this, 100% of the power was sold on the merchant spot market.

Cost of sales

Cost of sales totaled \$33.1 million, versus \$30.4 million in the comparative period, and included:

- HS Orka - \$33.1 million (comparative period: \$30.1 million). Cost of sales increased predominately due to foreign currency fluctuations as well as an increase in power purchases, and outage costs due to maintenance shutdowns at Reykjanes and Svarstengi.
- Soda Lake - \$nil (comparative period: \$0.3 million). The Soda Lake facility was sold on January 30, 2015.

The Company's share of cost of sales (including depreciation and amortization) for Toba Montrose, Dokie 1, Jimmie Creek and Shannon is as follows:

- Toba Montrose - \$5.4 million (comparative period: \$6.0 million). Costs were lower due to in-sourcing and timing of major maintenance work as well as a weakening of the Canadian dollar.
- Dokie 1 - \$2.5 million (comparative period: \$2.7 million). The decrease in cost of sales was due to the weakening of the Canadian dollar, as quarterly costs were consistent in originating currency (C\$).
- Jimmie Creek - \$0.5 million (comparative period: \$nil). Cost of sales were consistent with plan for the two-month operational period.
- Shannon - \$6.6 million (comparative period: \$nil). Cost of sales were consistent with plan for the period.

Other income (expenses)

Total other income (expenses) resulted in a net gain of \$7.3 million (comparative period: \$22.0 million loss), reflecting the changes below:

- A \$1.5 million foreign exchange gain as a result of favorable movements in exchange rates (comparative period: \$15.1 million loss).
- A \$18.5 million non-cash gain resulting from the change in the fair value of embedded derivatives primarily driven by an increase in future aluminum prices (comparative period: \$14.4 million non-cash loss).
- A \$6.7 million non-cash loss resulting from the change in the fair value of the holding company bonds (Sweden), primarily due to interest rate and aluminum price movements (comparative period: \$0.2 million non-cash loss).
- General development costs increased to \$1.0 million (comparative quarter: \$0.2 million), due to advancement of early-stage hydroelectric projects in Iceland as well as wind and solar projects in the USA.
- A \$2.8 million loss in other income (loss) primarily related to the Jimmie Creek distribution to Axiom, the sale of the Company's available-for-sale investment, write-down of the Dokie 1 earn-out payment and the partial write-down of the bond receivable at HS Orka (comparative period: \$1.5 million gain from the sale of the Soda Lake plant).
- General and administrative expenses increased to \$8.6 million (comparative period: \$6.7 million) primarily due to non-recurring legal fees associated with the HS Orka arbitration and foreign exchange fluctuations.

- The Company's share of income from equity investments was income of \$16.0 million (comparative period: income of \$21.3 million) as follows:

Share of equity income (loss)	For the nine months ended September 30,	
	2016	2015
Toba Montrose GP	\$ 6,340	\$ 7,417
Jimmie Creek LP	2,489	—
Dokie GP	152	647
Blue Lagoon	5,855	6,241
Shannon Group LLC	1,267	7,438
Construction and development projects	(85)	(492)
Total equity income	\$ 16,018	\$ 21,251

The decrease in equity income is primarily due to the recognition of a non-cash gain related to the power hedge at Shannon in the comparative period slightly offset by the commencement of commercial operations at Jimmie Creek and Shannon.

- Finance costs decreased to \$8.9 million from \$9.7 million in the comparative period primarily due to foreign exchange.
- Finance income decreased to \$0.5 million (comparative period: \$1.6 million) primarily due to decreased interest income at HS Orka due to the sale of short-term investments and fluctuations in foreign exchange.
- Costs of \$1.3 million were recorded in the period related to the HS Orka deep drilling project (comparative period: \$nil).

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2016, the Company had consolidated cash and cash equivalents of \$6.8 million (December 31, 2015: \$10.3 million).

Cash and cash equivalents consist of cash and call deposits that are redeemable prior to maturity on demand and without economic penalty to the Company. The Company's exposure to credit risk on its cash and call deposits is limited by maintaining the major part of its cash and call deposits with major banks with high credit ratings. Other than at HS Orka, a minimal amount of cash is held in the countries where the Company's subsidiaries operate to fund their operating needs.

At September 30, 2016, the Company had restricted cash of \$4.5 million (December 31, 2015: \$10.8 million). HS Orka has \$4.5 million of its cash balance dedicated to loan payments in accordance with a collateral agreement with HS Orka's lenders. Excluding HS Orka and the cash held at the equity-accounted investees, the Company had cash of \$2.5 million at September 30, 2016 (December 31, 2015: \$3.9 million).

During the quarter, the Company received project dividends from Toba Montrose GP (C\$7.6 million), Dokie GP (C\$1.8 million) and Shannon Group, LLC (\$0.4 million), which were used to fund working capital needs and development expenditures.

Working capital is defined as current assets minus current liabilities. Working capital calculations or changes are not measures of financial performance, nor do they have standardized meanings under IFRS. Readers are cautioned that this calculation may differ among companies and analysts and therefore may not be directly comparable. The Company's consolidated working capital deficit at

September 30, 2016 was \$165.3 million compared to a working capital deficit of \$123.3 million at December 31, 2015. Excluding HS Orka, the Company had a working capital deficit of \$147.9 million at September 30, 2016 (December 31, 2015: \$115.8 million), resulting primarily from (i) the holding company bonds (Sweden) of \$131.9 million which have been partially refinanced subsequent to the period end; (ii) the Flat Top developer fee of \$10.5 million, which is expected to be payable at financial close with proceeds from project financing; and (iii) the revolving credit agreement of \$9.1 million, which was used to fund the \$7.6 million Flat Top interconnection deposit during the period, and was paid off in full subsequent to the period end. Excluding the impact of these items, the Company had a working capital of \$3.6 million at September 30, 2016 (December 31, 2015: \$2.2 million).

Equity Financing

Subsequent to the quarter, the Company completed an equity financing with gross proceeds of approximately C\$67.9 million. The financing comprised of a bought deal and concurrent private placement. The bought deal was completed for 6,709,100 shares (including exercise in full by the underwriters of a 15% over-allotment option) at a price of C\$6.00 per share, for gross proceeds of C\$40.2 million. The non-brokered private placement closed with the issuance of 4,613,363 common shares at a price of C\$6.00 per share for gross proceeds of C\$27.7 million.

The Company plans to use the net proceeds to further advance the Flat Top wind project, fund activities designed to qualify certain development projects for USA production tax credits, retire outstanding amounts under the revolving credit facility and for general corporate purposes.

Debt

The Company's consolidated long-term debt is as follows:

	September 30, 2016
Holding company bonds (Sweden)	\$ 131,878
Revolving credit agreement	9,148
Holding company loan facility (North America)	66,027
HS Orka loans	66,517
	273,570
Less current portion:	
Revolving credit agreement	9,148
Holding company bonds (Sweden)	131,878
HS Orka loans	18,702
	159,728
Long-term portion	\$ 113,842

Holding company bonds (Sweden): At September 30, 2016 the balance of \$131.9 million represents the fair value of the holding company bonds originally issued (by Magma Energy Sweden) in conjunction with the acquisition of HS Orka. The Icelandic Krona ("ISK") denominated bond and three US dollar denominated bonds are non-recourse to the Company and are secured by a portion of HS Orka shares. As at September 30, 2016 details of the bonds were as follows:

	ISK denominated bond	US dollar bonds
Balance at September 30, 2016	\$ 59,020	\$ 72,858
Maturity	July 16, 2017	December 14, 2016
Interest rate	5.0%	1.5%
Number of shares of HS Orka pledged as security	996,821,339	2,515,640,459
% of outstanding HS Orka shares pledged as security	12.7%	32.1%

During the quarter, the Company reached an agreement with the bondholders of the ISK denominated bond to extend the maturity of the bond by one year to July 2017. Under the extension agreement, all terms of the original bond are unchanged other than the maturity and the interest rate, which is adjusted from 3.5% to 5.0% for the one-year extension period. The bond remains non-recourse to the Company and no further collateral was pledged for this extension. The Company expects to recommence negotiations with the bondholders later in 2016. If the Company lost the collateral supporting the ISK bond, the Company's share of HS Orka would be reduced to 53.9%.

In October 2016, the Company refinanced one of the three US dollar bonds, the \$71.7 million bond originally held by OR, into two tranches. In the first tranche, held by OR, the principal has been reduced to \$36.0 million, with an increase in coupon from 1.5% to 5.0%, and maturity has been extended to April 2018. The second \$35.7 million tranche was issued to Alterra's Executive Chairman, Ross J. Beaty. The second tranche carries an 8.5% coupon and matures in October 2021. Both tranches carry no amortization and have no recourse to the Company, with security consisting solely of approximately 17% and 15% of the outstanding shares of HS Orka respectively.

The remaining two US dollar bonds will be retired in December 2016.

Revolving credit facility: Refer to 'Transactions with Related Parties' below for detailed of the facility. The balance of \$9.1 million was repaid in full subsequent to the period end.

Holding company loan facility (North America): In 2014 the Company completed a C\$89.8 million loan facility to a newly formed holding company (the "Holdco Facility"), primarily to support the Company's equity investments into the Jimmie Creek and Shannon projects. The Holdco Facility is secured by the future cash flows from, and indirect equity interests in, the Company's investments in Toba Montrose GP, Dokie GP and Jimmie Creek LP. The Holdco Facility matures in 2023, and has no scheduled principal payments until then. The Holdco Facility provider has expressed interest in expanding the facility or creating a similar facility pending inclusion of our investment in Shannon Group, LLC into the facility.

HS Orka loans: The Company recognizes \$66.5 million of loans at HS Orka, representing 100% of HS Orka's corporate debt (though the Company only owns 66.6% of HS Orka), which matures primarily between 2016 and 2023.

The long-term debt of Toba Montrose GP, Dokie GP, and Jimmie Creek LP is not consolidated by the Company as the Company's investments at these projects are recorded as equity investments. The Company's 40% share of Toba Montrose GP's long term-debt is \$134.8 million, which matures in 2045, and the Company's 25.5% share of Dokie GP's long-term debt is \$28.1 million, which matures in 2030. The Company's 51% share of Jimmie Creek LP's long-term debt is \$66.3 million, which has annual principal repayments starting in 2017 until 2056 (the amounts quoted above do not include the fair value adjustments which are included in the notes to the financial statements).

The Holdco Facility, and the loans or bonds at HS Orka, Magma Energy Sweden, Toba Montrose GP, Dokie GP, and Jimmie Creek LP are non-recourse to the Company other than the remaining portion of the Company's investment in these entities, which may not be fully recovered in the event of a default. All project companies are expected to generate sufficient cash flow to service and repay their existing long-term loans. The holding company bonds (Sweden) are serviced by dividends from HS Orka (partial support, remainder funded by the Company's cash flow) and the Holdco Facility is serviced by dividends from the Toba Montrose, Dokie 1 projects and future dividends from the Jimmie Creek project.

There is no project debt associated with Shannon. However, the project has certain requirements with respect to the allocation of cash distributions, taxable income (losses) and tax credits among the Sponsors and Tax Equity Investors as described earlier.

Shannon guaranty

Tax equity investors in US wind projects generally require sponsor guaranties as a condition to their investment. To support the tax equity investment at Shannon, the Company executed a guaranty effective on funding of the tax equity investment by the Tax Equity Investors indemnifying them against certain breaches of project level representations, warranties and covenants and other events. The Company believes the indemnification covers matters which are substantially under the Company's control, and are very unlikely to occur.

TRANSACTIONS WITH RELATED PARTIES

The Company holds a revolving credit facility with the Company's Chairman that has a borrowing amount of C\$20.0 million with a maturity date of March 31, 2017. The facility makes funds available on a revolving basis at an interest rate of 8% per annum, compounded and payable monthly. In addition, a standby fee in the amount of 0.75% of the facility, and a drawdown fee in the amount of 1.5% of amounts advanced, are payable in cash.

As at September 30, 2016, the Company had C\$12.0 million outstanding (December 31, 2015: no amounts outstanding) under the revolving credit facility. The Company has paid C\$0.4 million in interest and fees for the period ending September 30, 2016 (C\$0.2 million for the nine months ended September 30, 2015). Subsequent to September 30, 2016, the Company repaid the outstanding balance of C\$12.0 million in full and no amounts are currently outstanding under the facility.

On October 24, 2016, the Company's Sweden-based holding company issued a five-year, \$35.7 million bond to the Company's Chairman, with proceeds used to retire approximately 50% of the original OR bond. The new bond is non-recourse to the Company, and is collateralized with a 15% stake of the outstanding shares of HS Orka owned by the Company. The bond pays interest at 8.5% per annum. An upfront fee of 2% of the principal was paid on the closing date and is recoverable in certain circumstances.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet financial arrangements.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no changes in the Company's internal controls over financial reporting during the current quarter that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting. Future changes to internal controls over financial reporting may be deemed to constitute a material modification (either individually or when considered collectively), and any material changes to internal controls over financial reporting will be disclosed as they occur.

Limitations of Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected. The Company's management is not aware of any misstatements due to error or fraud.

DISCLOSURE OF OUTSTANDING SHARE DATA

At November 8, 2016 the Company had the following common shares and stock options outstanding:

Common shares	58,262,565
Stock options (vested and unvested)	1,771,288
Total	60,033,853

Net Interest

“Net Interest” means the effective portion of operating results that the Company would have reported if each of HS Orka (66.6%), Toba Montrose GP (40%), Jimmie Creek LP (51%), Dokie GP (25.5%), and Shannon Group LLC (50% sponsor equity interest) had been reported in accordance with the Company’s actual share ownership for the current quarter, as opposed to consolidating 100% of HS Orka (with an allocation to non-controlling interest), and equity accounting for Toba Montrose GP, Jimmie Creek LP, Dokie GP and Shannon Group LLC.

Adjusted EBITDA

Adjusted EBITDA is defined by the Company as earnings before interest, taxes, foreign exchange, depreciation and amortization, as well as adjustments for changes in the fair value of holding company bonds (Sweden) and derivatives, write-offs of development costs, other income (expense) except business interruption insurance proceeds, amortization of below market contracts, value assigned to options granted, share of results of equity investments, the Company’s proportionate interest in Adjusted EBITDA of its equity investments, research and development costs for deep drilling program and non-recurring items (insurance deductibles, litigation and arbitration costs). Adjusted EBITDA has been calculated on a consistent basis with the comparative quarter. The Company discloses Adjusted EBITDA as it is a measure used by analysts and by management to evaluate the Company’s performance. As Adjusted EBITDA is a non-IFRS measure, it may not be comparable to Adjusted EBITDA calculated by others. In addition, Adjusted EBITDA is not a substitute for net earnings. Readers should consider net earnings in evaluating the Company’s performance. Readers should also consider the risks and assumptions in estimates of Adjusted EBITDA discussed under the heading “Cautionary Note Regarding Forward-Looking Statements”.

The following reconciles consolidated income for the three months ended September 30, 2016 and 2015 to Adjusted EBITDA:

	Quarter ended September 30, 2016
Income for the quarter	\$ 10,409
Adjustments:	
Income tax expense	2,598
Share of results of equity investments	(13,430)
Share of Adjusted EBITDA of equity investments	18,460
Change in the fair value bonds payable	1,934
Change in the fair value of derivatives	(9,449)
Foreign exchange gain (loss)	1,439
Other expenses	2,397
Finance costs	2,915
Finance income	(157)
Amortization of below market contracts	(458)
Amortization, depreciation, depletion and accretion	3,337
Stock based compensation	145
Research and development costs for deep drilling program	840
Other non-recurring items	387
Adjusted EBITDA	<u>\$ 21,367</u>

	Quarter ended September 30, 2015
Income for the quarter	\$ 2,305
Adjustments:	
Income tax recovery	(923)
Share of results of equity investments	(17,276)
Share of Adjusted EBITDA of equity investments	13,879
Change in the fair value bonds payable	2,428
Change in the fair value of derivatives	5,524
Foreign exchange gain (loss)	5,957
Other income	(314)
Finance costs	3,045
Finance income	(425)
Amortization of below market contracts	(412)
Amortization, depreciation, depletion and accretion	2,790
Stock based compensation	457
Other non-recurring items	683
Adjusted EBITDA	<u>\$ 17,718</u>

Certain of the comparative quarter figures have been reclassified to conform to the current quarter's presentation.

The following reconciles net interest income (loss) for the three months ended September 30, 2016 to net interest Adjusted EBITDA:

Three months ended September 30, 2016	HS Orka	Toba Montrose	Jimmie Creek	Dokie 1	Shannon	Development and head office	Total net interest
Income (loss) for the quarter before income tax	\$ 10,882	\$ 7,070	\$ 2,624	\$ (155)	\$ 234	\$ (3,332)	\$ 17,323
Adjustments:							
Share of results of equity investments	(2,520)	—	—	—	(235)	(9,645)	(12,400)
Share of Adjusted EBITDA of equity investments	2,520	—	—	—	191	(127)	2,584
Change in the fair value bonds payable	—	—	—	—	—	1,934	1,934
Change in the fair value of derivatives	(6,293)	—	—	—	—	—	(6,293)
Foreign exchange (gain) loss	(2,492)	—	—	—	—	5,180	2,688
Other (income) loss	(45)	—	—	—	—	2,464	2,419
Finance costs	239	2,214	631	524	—	2,556	6,164
Finance income	(95)	(6)	—	(2)	—	(14)	(117)
Amortization of below market contracts	(305)	—	—	—	—	—	(305)
Amortization, depreciation, depletion and accretion	2,222	988	325	398	—	—	3,933
Stock based compensation	—	—	—	—	—	145	145
Unrealized loss on cash flow hedge	—	—	—	—	—	—	—
Deep drilling costs	559	—	—	—	—	—	559
Other non-recurring items	21	—	—	—	—	356	377
Adjusted EBITDA	\$ 4,693	\$ 10,266	\$ 3,580	\$ 765	\$ 190	\$ (483)	\$ 19,011

Three months ended September 30, 2015	HS Orka	Toba Montrose	Dokie 1	Development and head office	Total net interest
Income (loss) for the quarter before income tax	\$ 1,678	\$ 7,475	\$ 260	\$ (1,137)	\$ 8,276
Adjustments:					
Share of results of equity investments	(1,412)	—	—	(15,155)	(16,567)
Share of Adjusted EBITDA of equity investments	1,412	—	—	(52)	1,360
Change in the fair value bonds payable	—	—	—	2,428	2,428
Change in the fair value of derivatives	3,679	—	—	—	3,679
Foreign exchange (gain) loss	(2,604)	—	—	9,867	7,263
Other income	—	(15)	(32)	(314)	(361)
Finance costs	470	2,192	538	2,339	5,539
Finance income	(266)	(7)	(4)	(25)	(302)
Amortization of below market contracts	(275)	—	—	—	(275)
Amortization, depreciation, depletion and accretion	1,849	988	431	13	3,281
Stock based compensation	—	—	—	457	457
Unrealized gain on cash flow hedge	—	(16)	—	—	(16)
Other non-recurring items	149	—	—	458	607
Adjusted EBITDA	\$ 4,680	\$ 10,617	\$ 1,193	\$ (1,121)	\$ 15,369

Certain of the comparative quarter figures have been reclassified to conform to the current quarter's presentation.

Net interest cash position - September 30, 2016

	HS Orka	Toba Montrose	Jimmie Creek	Dokie 1	Shannon	Development and Head Office	Total
Total	\$ 4,278	\$ 14,488	\$ 2,768	\$ 1,708	\$ 4,045	\$ 2,532	\$ 29,819
Net interest	66.6%	40.0%	51.0%	25.5%	50.0%	100.0%	
Net interest cash position	\$ 2,849	\$ 5,795	\$ 1,412	\$ 436	\$ 2,023	\$ 2,532	\$ 15,047

Net Interest in Revenue - Three Months Ended September 30, 2016

	HS Orka	Toba Montrose	Jimmie Creek	Dokie 1	Shannon	Development and Head Office	Total
Total	\$ 14,100	\$ 29,631	\$ 7,642	\$ 5,241	\$ 3,256	\$ —	\$ 59,870
Net interest	66.6%	40.0%	51.0%	25.5%	50.0%	100.0%	
Net interest revenue	\$ 9,391	\$ 11,852	\$ 3,897	\$ 1,336	\$ 1,628	\$ —	\$ 28,104

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements and information in this MD&A constitute “forward-looking information” within the meaning of applicable Canadian securities laws relating to the Company and its operations. All statements, other than statements of historical fact, are forward-looking information. Such statements may include, but are not limited to: statements with respect to future events or future performance; the capacity and electricity generation expectations of our projects; management’s expectations regarding our growth; results of operations; business prospects and opportunities; the use of proceeds from the Company’s recent equity financings; marketing of power and ability to secure power purchase or offtake agreements in respect of the same; timing and successful completion of construction of, and commencement of commercial operations at, the Kokomo Solar Project; successful development and construction of Flat Top Wind Project and the Michigan Solar Project, and the timing of each of the same; securing, and successful completion of, financing, turbine supply, offtake and other material components of the development of the Flat Top Wind Project; an increase to, and the availability of, capital from the Holdco Facility provider; timing and expected results of the drilling, reinjection and other expansion programs at the Reykjanes and Svartsengi power plants; increased production from deep drilling; programs to upgrade and develop the Company’s geothermal resources; permitting, scheduling and successful completion of the Company’s expansion and development efforts in respect of Alterra’s various development assets and programs; estimates of recoverable geothermal energy “resources” or power generation capacities; permitting and regulatory requirements related to any such plans; all statements regarding the Company’s plans and expectations for the declaration of future dividends, including the timing and amount thereof; and successful refinancing of, and retaining of the collateral supporting, the holding company bonds. Such forward-looking information reflects management’s current beliefs and is based on information currently available to management. Often, but not always, forward-looking statements can be identified by the use of words such as “anticipate”, “believe”, “forecast”, “plan”, “expect”, “is expected”, “budget”, “estimates”, “goals”, “intend”, “targets”, “aims”, “appears”, “likely”, “typically”, “potential”, “probable”, “outlook”, “continue”, “strategy”, “proposed”, or “project” or variations (including negative variations) of such words and phrases or may be identified by statements to the effect that certain actions “may”, “could”, “should”, “would” or “shall” be taken, occur or be achieved.

A number of known and unknown risks, uncertainties and other factors may cause our actual results or performance to materially differ from any future results or performance expressed or implied by the forward-looking information. Such factors include, but are not limited to: hydrological studies may not confirm that water flows are sufficient to generate enough electricity to support our planned hydro development programs; wind studies may not confirm that wind resources are sufficient to generate enough electricity to support our planned wind development programs; failure to discover and establish economically recoverable and sustainable geothermal resources through our development programs; geothermal development programs are highly speculative, are characterized by significant inherent risk and costs, and may not be successful; our financial performance depends on our successful operation of power plants, which is subject to various operational risks; our renewable power resources may decline over time and may not remain adequate to support the operation of our power plants; imprecise estimation of renewable

power resources or power generation capacities; imprecise estimation of renewable resources; variations in project parameters and generation rates; meteorological or geological occurrences beyond our control may compromise our operations and their capacity to generate power; inability to obtain the financing or refinancing we need to pursue our growth strategy and business plans; we may be required to spend significant funds to advance development or construction before obtaining financing; financing arrangements and associated covenants may restrict our ability to pursue future financings and potentially limit our future business dealings; the significant cost of placing power plants into commercial production; non-contracted power prices are subject to dramatic and unpredictable fluctuations; industry competition may impede our ability to access suitable renewable power resources; risk that we are subject to litigation or arbitration that has an adverse outcome; we may be unable to enter into PPAs on terms favourable to us, or at all; the cancellation or expiry of government initiatives to support renewable energy generation may adversely affect our business; we may experience delays or be impacted by unexpected capital cost increases; unexpected or challenging geological conditions; changes to regulatory requirements, both regionally and internationally, governing development, renewable resources, generation, exports, taxes, labour standards, occupational health, land use, environmental protection, project safety and other matters; failure to obtain or maintain necessary licenses, permits and approvals from government authorities; the success of our business relies on attracting and retaining key personnel; the risk of human error; our officers and directors may have conflicts of interests arising out of their relationships with other companies; we may face adverse claims to our title; developments regarding aboriginal, First Nations and other indigenous peoples; fluctuations in foreign currency exchange and interest rates may affect our financial results; we may not be able to successfully integrate businesses or projects that we acquire in the future; our insurance policies may be insufficient to cover losses; the governments of the countries in which the Company undertakes its activities may take action which results in fines or other penalties levied against the Company; aluminum price risk with respect to certain contracts the Company has in Iceland; merchant price risk for the non-contracted portion of sales at Shannon; risk of under delivery of generation under the power hedge at Shannon; risks associated with inter-regional transmission grids; host country economic, social and political conditions can negatively affect our operations; the fluctuation of our common share price could result in investors losing a significant part of their investment; if the Company chooses to issue additional equity securities it could negatively impact the trading price of our common shares; the risk of volatility in global financial conditions, availability of capital and future cash flows, project operating risks, the Company's future growth plans, as well as significant decline in general economic conditions; and other exploration, development and operating risks. There may be other factors that cause unanticipated or unintended actions, events or results. These factors are not intended to represent a complete list of the risk factors that could affect us. Additional risk factors are discussed in the section entitled "Risk Factors" in our Annual Information Form, copies of which are available at www.sedar.com. These factors should be considered carefully and investors should not place undue reliance on forward-looking information.

The forward-looking information contained in this MD&A is based upon what management believes to be reasonable assumptions, including, but not limited to: the effects of any increase in power generation from our operations; the success and timely completion of planned exploration, acquisition, development and expansion programs; our ability to comply with local, state, provincial and federal regulations dealing with operational standards and environmental protection measures; our ability to negotiate and obtain PPAs on favourable terms; our ability to obtain necessary regulatory approvals, permits and licenses in a timely manner; the availability of materials, components or supplies; our ability to solicit competitive bids for drilling operations, construction or other relevant third party services and obtain access to critical resources; the growth rate in net electricity consumption; support and demand for renewable power generation; government initiatives to support the development of renewable power generation; the accuracy of volumetric reserve estimation methodology and probabilistic analysis used to estimate the quantity of potentially recoverable energy; the accuracy of the analysis used to estimate renewable resources and reserves; environmental, administrative or regulatory barriers to the exploration and development of resources on our properties; geological, geophysical, geochemical and other conditions at our properties; the reliability of technical data, including extrapolated temperature gradient, geophysical and geochemical surveys and geo-thermometer calculations; capital expenditure estimates; availability of capital to fund exploration, development and expansion programs; our competitive position; and general economic conditions. Forward-looking information is also based upon the assumption that none of the identified risk factors that could cause actual results to differ materially from the forward-looking information will occur.

There can be no assurance that the forward-looking information included in this MD&A will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, investors should not place undue reliance on forward-looking information. Forward-looking information is made as of the date of this MD&A and, other than as required by applicable securities laws, we assume no obligation to update or revise such forward-looking information to reflect new events or circumstances.