Alterra
POWER CORP

Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2016 and 2015
Unaudited

(expressed in United States dollars)

Alterra Power Corp.

Condensed Consolidated Balance Sheets (Unaudited)

(expressed in thousands of United States dollars)

	Note	September 30, 2016	December 31, 2015
Assets			
Current assets			
Cash and cash equivalents	20	$ 6,810	$ 10,345
Restricted cash	4	4,523	10,766
Short-term investments		33	7,670
Receivables and other assets		14,649	13,179
Inventories		4,336	3,716
		30,351	45,676
Investment in associates	5	178,252	174,457
Long-term receivable and other assets		19,285	10,909
Plant and equipment		330,973	288,817
Development costs	13	79,843	58,229
Deferred income tax		3,058	2,898
Goodwill and other intangible assets		13,990	12,028
		625,401	547,338
Total assets		$ 655,752	$ 593,014
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ 14,215	$ 13,660
Current portion of long-term debt	14	159,728	135,386
Current portion of embedded derivatives		7,316	8,362
Current portion of interest rate swaps		851	847
Other liabilities	15	13,511	10,689
		195,621	168,944
Long-term debt	14	113,842	120,153
Pension fund obligations		18,799	15,779
Embedded derivatives		47,991	57,348
Interest rate swaps		3,718	2,292
Below market contracts		16,749	15,908
Deferred income tax		20,791	13,340
		221,890	224,820
Total liabilities		$ 417,511	$ 393,764
Equity			
Share capital		$ 363,184	$ 362,905
Contributed surplus		6,918	6,387
Accumulated other comprehensive loss		(1,394)	(20,628)
Deficit		(220,255)	(222,740)
Total equity attributable to owners of the Company		148,453	125,924
Non-controlling interest		89,788	73,326
Total equity		238,241	199,250
Total liabilities and equity		$ 655,752	$ 593,014

Financial instruments - liquidity risk (note 18)
Subsequent events (notes 1, 14, 17, 18 and 22)

Approved by the Board of Directors and authorized for issue on November 8, 2016

"Ross Beaty"
Ross Beaty
(Director)

"Donald Shumka"
Donald Shumka
(Director)

Alterra Power Corp.

Condensed Consolidated Statements of Operations

For the three and nine months ended September 30, 2016 and 2015

(Unaudited)

(expressed in thousands of United States dollars, except for number of shares and per common share amounts)

	Note	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Revenues					
Energy sales		**$ 14,100**	$ 12,232	**$ 42,827**	$ 42,155
Cost of sales		**(11,777)**	(9,362)	**(33,059)**	(30,357)
Gross profit		**2,323**	2,870	**9,768**	11,798
Other income (expenses)					
General and administrative		**(2,791)**	(2,539)	**(8,605)**	(6,733)
General development expenses		**(36)**	(10)	**(961)**	(161)
Research and development for deep drilling		**(840)**	—	**(1,250)**	—
Share of results of equity investments	6-11	**13,430**	17,276	**16,018**	21,251
Finance income		**157**	425	**534**	1,562
Finance costs		**(2,915)**	(3,045)	**(8,906)**	(9,697)
Change in the fair value of bonds payable		**(1,934)**	(2,428)	**(6,691)**	(154)
Change in the fair value of derivatives		**9,449**	(5,524)	**18,510**	(14,362)
Foreign exchange gain (loss)		**(1,439)**	(5,957)	**1,454**	(15,141)
Other income (loss)		**(2,397)**	314	**(2,838)**	1,475
		10,684	(1,488)	**7,265**	(21,960)
Income (loss) before income tax		**13,007**	1,382	**17,033**	(10,162)
Income tax recovery (expense)		**(2,598)**	923	**(5,264)**	3,034
Income (loss) for the period		**$ 10,409**	$ 2,305	**$ 11,769**	$ (7,128)
Attributable to:					
Owners of the Company		**$ 5,563**	$ 1,170	**$ 2,712**	$ (8,694)
Non-controlling interest		**4,846**	1,135	**9,057**	1,566
		$ 10,409	$ 2,305	**$ 11,769**	$ (7,128)
Weighted average shares outstanding (thousands)					
Basic		**46,929**	46,865	**46,889**	46,861
Diluted		**47,221**	46,948	**47,181**	46,944
Income (loss) per share attributable to owners of the Company					
Basic and diluted		**0.12**	$ 0.02	**$ 0.06**	$ (0.19)

Alterra Power Corp.

Condensed Consolidated Statements of Comprehensive Income (Loss)
For the three and nine months ended September 30, 2016 and 2015
(Unaudited)

(expressed in thousands of United States dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Income (loss) for the period	**$ 10,409**	$ 2,305	**$ 11,769**	$ (7,128)
Other comprehensive income (loss)				
Items that may be reclassified to profit and loss:				
Effective portion of change in fair value of cash flow hedges, net of tax	**9,490**	(3,157)	**(3,975)**	(5,595)
Net change in fair value of cash flow hedges transferred to statement of operations, net of tax	**528**	584	**1,578**	1,569
Foreign currency translation adjustment	**19,232**	15,284	**29,850**	11,235
Change in fair value of available-for-sale investments	**—**	13	**195**	7
Items that will never be reclassified to profit and loss:				
Defined benefit plan actuarial losses	**(86)**	(52)	**(426)**	(296)
Tax on items that will never be reclassified to profit and loss	**17**	10	**85**	59
Comprehensive income (loss) for the period	**$ 39,590**	$ 14,987	**$ 39,076**	$ (149)
Attributable to:				
Owners of the Company	**$ 29,978**	$ 11,754	**$ 21,719**	$ (1,392)
Non-controlling interest	**9,612**	3,233	**17,357**	1,243
Comprehensive income (loss) for the period	**$ 39,590**	$ 14,987	**$ 39,076**	$ (149)

Alterra Power Corp.

Condensed Consolidated Statements of Cash Flows
For the nine months ended September 30, 2016 and 2015
(Unaudited)

(expressed in thousands of United States dollars)

	Note	Nine months ended September 30, 2016	2015
Operating activities			
Income (loss) for the period		**$ 11,769**	$ (7,128)
Items not affecting cash			
Amortization, depreciation and depletion		**9,459**	8,270
Amortization of below market contracts		**(1,316)**	(1,238)
Share of results of equity-accounted investees		**(16,018)**	(21,251)
Change in fair value of bonds payable		**6,691**	154
Change in fair value of derivatives		**(18,510)**	14,362
Finance income and costs, net		**8,372**	8,135
Unrealized foreign exchange (gain) loss		**(1,454)**	15,141
Deferred income tax expense (recovery)		**5,264**	(3,034)
Stock-based compensation		**685**	535
Other		**3,256**	(1,241)
Distributions received from equity investments	6,7,9,10	**14,991**	9,324
Interest received		**148**	881
Interest paid		**(9,073)**	(6,036)
Change in non-cash working capital items	20	**1,211**	(5,078)
Cash generated by operating activities		**15,475**	11,796
Financing activities			
New borrowings	14	**13,234**	1,376
Repayment of loans	14	**(16,885)**	(13,872)
Other		**160**	(870)
Cash used in financing activities		**(3,491)**	(13,366)
Investing activities			
Purchase of plant and equipment		**(11,789)**	(10,706)
Proceeds from sale of plant and equipment		**2,902**	—
Wind development costs		**(1,021)**	(37,536)
Hydro development costs		**(1,679)**	(649)
Use of deep drilling program grants		**(2,767)**	—
Proceeds from sale of Soda Lake		**—**	8,326
Equity contribution in Shannon Group LLC		**—**	(6,927)
Return of capital from Shannon Group LLC	9	**898**	—
Acquisition of Flat Top LLC	12	**(898)**	—
Kokomo project loan		**(2,690)**	—
Security deposits	12	**(7,550)**	(30)
Net proceeds from sale (acquisition) of short-term investments		**7,676**	(3,794)
Release from restricted cash		**639**	4,229
Other		**119**	2,320
Cash used in investing activities		**(16,160)**	(44,767)
Effect of foreign exchange on cash		**641**	(2,351)
Decrease in cash and cash equivalents		**(3,535)**	(48,688)
Cash and cash equivalents - beginning of period		**10,345**	63,216
Cash and cash equivalents - end of period		**$ 6,810**	$ 14,528

Supplementary cash information (note 20)

Alterra Power Corp.

Condensed Consolidated Statements of Changes in Equity
For the nine months ended September 30, 2016 and 2015
(Unaudited)

(expressed in thousands of United States dollars, except for number of common shares)

	Note	Common shares		Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Non - controlling interest	Total equity
		Number of shares	Amount					
Balance, January 1, 2015		46,726,324	$ 362,570	$ 5,733	$ (24,192)	$ (205,723)	$ 75,626	$ 214,014
Shares issued to employees	16	132,362	312	—	—	—	—	312
Shares issued in exchange for options exercised	16	6,542	23	(8)	—	—	—	15
Value assigned to options granted	16	—	—	535	—	—	—	535
Foreign currency translation adjustment		—	—	—	11,478	—	(243)	11,235
Dividend from HS Orka hf		—	—	—	—	—	(800)	(800)
Effective portion of change in fair value of cash flow hedge, net of tax		—	—	—	(5,595)	—	—	(5,595)
Net change in fair value of cash flow hedges transferred to statement of operations, net of tax		—	—	—	1,569	—	—	1,569
Change in fair value of available-for-sale investments		—	—	—	7	—	—	7
Defined benefit plan actuarial losses, net of taxes		—	—	—	—	(157)	(80)	(237)
Income (loss) for the period		—	—	—	—	(8,694)	1,566	(7,128)
Balance, September 30, 2015		46,865,228	$ 362,905	$ 6,260	$ (16,733)	$ (214,574)	$ 76,069	$ 213,927
Balance, January 1, 2016		46,865,228	$ 362,905	$ 6,387	$ (20,628)	$ (222,740)	$ 73,326	$ 199,250
Shares issued in exchange for options exercised	16	69,001	279	(154)	—	—	—	125
Value assigned to options granted	16	—	—	685	—	—	—	685
Foreign currency translation adjustment		—	—	—	21,436	—	8,414	29,850
Dividend from HS Orka hf		—	—	—	—	—	(935)	(935)
Effective portion of change in fair value of cash flow hedges, net of tax		—	—	—	(3,975)	—	—	(3,975)
Net change in fair value of cash flow hedges transferred to statement of operations, net of tax		—	—	—	1,578	—	—	1,578
Change in fair value of available-for-sale investments		—	—	—	195	—	—	195
Acquisition of subsidiary at HS Orka with non-controlling interest		—	—	—	—	—	40	40
Defined benefit plan actuarial losses, net of taxes		—	—	—	—	(227)	(114)	(341)
Income for the period		—	—	—	—	2,712	9,057	11,769
Balance, September 30, 2016		**46,934,229**	**$ 363,184**	**$ 6,918**	**$ (1,394)**	**$ (220,255)**	**$ 89,788**	**$ 238,241**

(tabular amounts expressed in thousands of United States dollars unless otherwise stated)

1) DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Alterra Power Corp. was incorporated on January 22, 2008, pursuant to the Business Corporations Act of British Columbia, Canada.

Alterra Power Corp. and its subsidiary companies (collectively the "Company") are engaged in the development, construction and operation of renewable power projects. The Company's operating facilities consist of a 66.6% net interest in two geothermal power plants in Iceland ("Svartsengi" and "Reykjanes"), a 40% net interest in two run of river hydro power plants ("Toba Montrose"), a 25.5% net interest in a wind farm ("Dokie 1"), and a 51% net interest in a run of river hydro plant ("Jimmie Creek") in British Columbia, and a 50% net interest in the sponsor equity of a wind farm ("Shannon") located in Texas.

In addition to the operating facilities the Company also has the following development assets:

Location	Project	Net ownership	Technology
USA	Flat Top (note 12)	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
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
Chile	Mariposa	30%	Geothermal
Peru	Multiple early stage projects	30%	Geothermal
Italy	Mensano / Roccastrada	45%	Geothermal

On October 11, 2016, the Company completed a partnership agreement with Inovateus Solar, LLC for the Kokomo solar project, ("Kokomo"), a 7 MW_{DC} solar farm located in Kokomo, Indiana which is now under construction. The Company expects to hold an ownership interest in excess of 75% as final ownership interests are subject to adjustment following completion of construction (note 22).

The recovery of the carrying values of the Company's projects and properties is typically dependent upon the successful completion or sale of the projects. The successful completion of a project is typically dependent upon receiving environmental and operating permits, completing contractual arrangements for the development and construction of the project, entering into a power purchase agreement or financial hedge for power sales, obtaining any necessary project financing, and the long-term generation and sale of electricity on a profitable basis. The carrying value of the Company's projects and properties represents

1) DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS (Continued)

net costs to date less amounts amortized and/or written off or fair value allocated to assets on acquisition, and does not necessarily represent current or future values.

During the quarter, the Company consolidated its issued and outstanding common shares on the basis of one (new) post-consolidation common share for each ten (old) pre-consolidation common shares. The common shares and stock options presented in these condensed consolidated interim financial statements have been updated retrospectively for the share consolidation.

At September 30, 2016 the Company has a working capital deficit predominantly due to $131.9 million of its Sweden holding company bonds being classified as a current liability. These bonds had originally been issued in conjunction with the acquisition of HS Orka hf ("HS Orka"). Subsequent to the quarter, the Company refinanced approximately $71.7 million of the bonds into two tranches, with maturities revised to April 2018 and October 2021, respectively (note 14).

The other outstanding bonds issued by the Company's Sweden holding company consist of a $59.0 million bond that matures in July 2017 (the "ISK bond"), for which the Company expects to recommence negotiations with the bondholders later in 2016, and two small bonds the Company plans to retire in the fourth quarter. All bonds issued by the Company's Sweden holding company are non-recourse to the Company and are secured by a portion of the Company's ownership shares in HS Orka. If the Company lost the collateral supporting the ISK bond, the Company's share of HS Orka would be reduced from 66.6% to 53.9%.

On October 26, 2016, the Company completed an equity financing under which it issued 11,322,463 common shares at $6.00 per share for net proceeds of approximately C$65.6 million (note 18).

2) BASIS OF PRESENTATION

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with *International Accounting Standards ("IAS") 34, Interim Financial Reporting* and follow the same accounting policies and methods of application as our most recent annual financial statements and do not include all of the information required for full annual financial statements. Accordingly, they should be read in conjunction with our consolidated financial statements for the year ended December 31, 2015. The policies applied in these condensed consolidated interim financial statements are based on International Financial Reporting Standards ("IFRS"). These condensed consolidated interim financial statements were approved by the Board of Directors on November 8, 2016.

Comparative figures

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

3) CRITICAL JUDGEMENTS AND ESTIMATES

In the preparation of the condensed consolidated interim financial statements the Company has made some critical judgments to determine the accounting treatment of the acquisition of Flat Top Wind I, LLC ("Flat Top LLC") as a business combination.

The purchase price related to a business combination is allocated to the underlying acquired assets and liabilities based on their estimated fair value at the time of acquisition. The determination of fair value requires the Company to make assumptions, estimates and judgments regarding future events. The

(tabular amounts expressed in thousands of United States dollars unless otherwise stated)

3) CRITICAL JUDGMENTS AND ESTIMATES (Continued)

allocation process is inherently subjective and impacts the amounts assigned to individually identifiable assets and liabilities. As a result, the purchase price allocation impacts the Company's reported assets and liabilities and future net earnings due to the allocation's impact on future depreciation and amortization expense and impairment tests.

The estimation process is inherently uncertain, therefore future outcomes could differ from present estimates and assumptions, potentially having a material effect on the Company's future results and disclosures. Valuation of the Company's contingent liability that arose as a result of the acquisition requires the use of significant assumptions, and a change in assumptions could result in a material adjustment to the carrying amount (notes 12, 15 and 18).

4) RESTRICTED CASH

As at September 30, 2016, there is $4.5 million in restricted cash (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 (December 31, 2015 – $4.5 million). During the period, $0.6 million of restricted cash that was held in escrow for the Company's holding company bondholders (Sweden) was released. At December 31, 2015, HS Orka held an additional $5.7 million as restricted, which comprised of a portion of the grants related to HS Orka's deep drilling program. The full amount was distributed to HS Orka's drilling program partners during the period.

5) INVESTMENT IN ASSOCIATES

	Note	September 30, 2016	December 31, 2015
Toba Montrose GP	6	**$ 18,259**	$ 21,961
Dokie GP	7	**4,928**	8,020
Jimmie Creek LP	8	**36,369**	34,034
Shannon Group LLC	9	**64,558**	62,392
Blue Lagoon hf.	10	**29,144**	24,484
Geothermal development projects:			
Mariposa	11	**19,571**	18,579
Peru concessions	11	**2,118**	2,007
Italy	11	**778**	803
Other investments		**2,527**	2,177
Total		**$ 178,252**	$ 174,457

(tabular amounts expressed in thousands of United States dollars unless otherwise stated)

6) INVESTMENT IN TOBA MONTROSE GP

The continuity of the Company's investment in the Toba Montrose General Partnership ("Toba Montrose GP") is as follows:

Investment in Toba Montrose GP		
Investment at January 1, 2016	$	21,961
Share of comprehensive income		2,694
Distributions received		(7,242)
Foreign exchange		846
Investment at September 30, 2016	**$**	**18,259**

The following tables summarize the financial information of Toba Montrose GP as included in its own financial statements, adjusted for fair value adjustments at acquisition, and reconcile the financial information to the Company's carrying value of Toba Montrose GP:

		September 30, 2016		December 31, 2015
Cash and cash equivalents	**$**	**14,488**	$	17,562
Trade and other receivables		**8,711**		1,798
Prepaid expenses		**3,326**		3,018
Plant and equipment		**413,262**		396,710
Intangible assets		**5,208**		5,572
Other assets		**1,727**		1,638
		446,722		426,298
Accounts payable and accrued liabilities		**8,271**		4,757
Long-term debt		**341,609**		323,778
Interest rate swaps		**51,194**		42,859
		401,074		371,394
Net assets (100%)		**45,648**		54,904
Share of net assets (40%)	**$**	**18,259**	$	21,961

	Three months ended September 30,				Nine months ended September 30,			
		2016		2015		**2016**		2015
Revenue	**$**	**29,631**	$	31,056	**$**	**49,085**	$	54,304
Cost of sales		**(2,928)**		(3,342)		**(6,318)**		(7,371)
Depreciation and amortization		**(2,471)**		(2,432)		**(7,293)**		(7,545)
Interest expense		**(5,534)**		(5,479)		**(16,267)**		(17,031)
Other expenses		**(1,022)**		(1,155)		**(3,356)**		(3,811)
Unrealized gain (loss) on interest rate swaps		**—**		40		**—**		(2)
Net income (100%)		**17,676**		18,688		**15,851**		18,544
Share of net income (40%)	**$**	**7,070**	$	7,475	**$**	**6,340**	$	7,417

(tabular amounts expressed in thousands of United States dollars unless otherwise stated)

6) INVESTMENT IN TOBA MONTROSE GP (Continued)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Other comprehensive loss (100%)	**$ (1,268)**	$ (3,449)	**$ (9,115)**	$ (3,637)
Share of other comprehensive loss (40%)	**(507)**	(1,380)	**(3,646)**	(1,455)
Share of net income (40%)	**7,070**	7,475	**6,340**	7,417
Share of comprehensive income (40%)	**$ 6,563**	$ 6,095	**$ 2,694**	$ 5,962

Toba Montrose GP's other comprehensive loss consists solely of changes in the value of the effectively hedged portion of Toba Montrose GP's interest rate swap hedging instrument.

7) INVESTMENT IN DOKIE GP

The continuity of the Company's investment in the Dokie General Partnership ("Dokie GP") is as follows:

Investment in Dokie GP	
Investment at January 1, 2016	$ 8,020
Share of comprehensive income	152
Distributions received	(3,733)
Foreign exchange	489
Investment at September 30, 2016	**$ 4,928**

The following tables summarize the financial information of Dokie GP as included in its own financial statements, adjusted for fair value adjustments at acquisition, and reconcile the financial information to the Company's carrying value in Dokie GP:

	September 30, 2016	December 31, 2015
Cash and cash equivalents	**$ 1,708**	$ 7,664
Restricted cash (debt service reserve)	**2,061**	4,990
Trade and other receivables	**2,896**	3,656
Prepaid expenses	**1,090**	828
Plant and equipment	**102**	121
Intangible assets	**131,833**	129,791
	139,690	147,050
Accounts payable and accrued liabilities	**281**	412
Long-term debt	**120,084**	115,186
	120,365	115,598
Net assets (100%)	**19,325**	31,452
Share of net assets (25.5%)	**$ 4,928**	$ 8,020

(tabular amounts expressed in thousands of United States dollars unless otherwise stated)

7) INVESTMENT IN DOKIE GP (Continued)

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Revenue	**$ 5,241**	$ 6,650	**$ 17,759**	$ 20,515
Cost of sales	**(1,827)**	(1,612)	**(5,300)**	(5,362)
Depreciation and amortization	**(1,562)**	(1,567)	**(4,626)**	(5,272)
Interest expense	**(2,056)**	(2,110)	**(6,130)**	(6,643)
Other expenses	**(404)**	(342)	**(1,105)**	(700)
Net income (loss) (100%)	**(608)**	1,019	**598**	2,538
Share of net income (loss) and comprehensive income (loss) (25.5%)	**$ (155)**	$ 260	**$ 152**	$ 647

There is no other comprehensive income for Dokie GP.

8) INVESTMENT IN JIMMIE CREEK LP

The continuity of the Company's investment in the Jimmie Creek Limited Partnership ("Jimmie Creek LP") is as follows:

Investment in Jimmie Creek LP	
Investment at January 1, 2016	$ 34,034
Share of comprehensive income	2,489
Distribution to Axium on construction completion	(2,014)
Foreign exchange	1,860
Investment at September 30, 2016	**$ 36,369**

In accordance with the Jimmie Creek LP partnership agreement with Axium Infrastructure Inc ("Axium"), any unused construction funds are to be returned to the partners with the first C$6.0 million to Axium, 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% Axium). As at September 30, 2016, the estimated unused contingency funds to be returned to Axium 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.

On August 1, 2016, Jimmie Creek commenced commercial operations, selling all of its power to BC Hydro and Power Authority under a 40-year power purchase agreement.

The following tables summarize the financial information of Jimmie Creek LP as included in its own financial statements, adjusted for fair value adjustments, and reconcile the financial information to the Company's carrying value in Jimmie Creek LP:

(tabular amounts expressed in thousands of United States dollars unless otherwise stated)

8) INVESTMENT IN JIMMIE CREEK LP (Continued)

	September 30, 2016	December 31, 2015
Cash and cash equivalents	**$ 2,768**	$ —
Cash reserved for construction activities	**1,593**	5,080
Cash held in escrow restricted for construction	**6,568**	5,985
Prepaid expenses	**469**	—
Trade and other receivables	**4,446**	846
Builders' lien holdback deposits	**—**	5,066
Equity contribution receivable from partner	**—**	18,033
Property, plant and equipment	**193,368**	157,823
Intangible assets	**326**	212
Other assets	**76**	—
Assets held for sale	**1,906**	—
	211,520	193,045
Accounts payable and accrued liabilities	**6,409**	10,019
Lien holdback liability	**317**	5,824
Long-term debt	**129,988**	110,455
	136,714	126,298
Net assets (100%)	**$ 74,806**	$ 66,747
Share of net assets (51%)	**38,144**	34,034
Distribution payable to Axium on construction completion	**(1,775)**	—
Share of net assets (51%)	**$ 36,369**	$ 34,034

	Three months ended September 30		Nine months ended September 30	
	2016	2015	**2016**	2015
Revenue	**$ 7,642**	$ —	**$ 7,642**	$ —
Insurance proceeds	**—**	156	**—**	156
Cost of sales	**(361)**	—	**(361)**	—
Depreciation and amortization	**(638)**	—	**(638)**	—
Finance expense	**(1,237)**	—	**(1,237)**	—
Other expenses	**(260)**	(156)	**(525)**	(156)
Net income (100%)	**5,146**	—	**4,881**	—
Share of net income and comprehensive income (51%)	**$ 2,624**	$ —	**$ 2,489**	$ —
Distribution to Axium on construction completion	**$ (2,014)**	$ —	**$ (2,014)**	$ —

The projected distributions to Axium on construction completion as described above results in a $2.0 million loss in "other income (loss)" in the Company's statement of operations.

There is no other comprehensive income for Jimmie Creek LP.

(tabular amounts expressed in thousands of United States dollars unless otherwise stated)

9) INVESTMENT IN SHANNON GROUP LLC

The continuity of the Company's investment in Shannon Group Holdings, LLC ("Shannon Group LLC") is as follows:

Investment in Shannon Group LLC		
Investment at January 1, 2016	$	62,392
Share of comprehensive income		3,797
Distributions received		(733)
Return of capital		(898)
Investment at September 30, 2016	**$**	**64,558**

Shannon Group LLC equity accounts for its investment in Shannon Wind Holdings, LLC ("Shannon Holdings"), the entity that owns and operates Shannon, with tax equity investors. The following tables summarize the financial information of Shannon Group LLC as included in its own financial statements, adjusted for fair value adjustments at acquisition, and reconcile the financial information to the Company's carrying value of Shannon Group LLC:

	September 30, 2016	December 31, 2015
Investment in Shannon Holdings	**$ 129,138**	$ 124,813
Accounts payable and accrued liabilities	**22**	30
Net assets (100%)	**129,116**	124,783
Share of net assets (50%)	**$ 64,558**	$ 62,392

The results of Shannon Holdings are calculated in accordance with the hypothetical liquidation at book value (“HLBV”) method which allocates earnings or losses by measuring the distribution amounts that would be due to the members (investors) in a hypothetical liquidation of the entity at the net book value of the underlying assets. The HLBV method is consistent with accounting guidance which prescribes using this method for allocations where tax equity investors are present and is the method that most appropriately reflects how an increase or decrease in net assets of the venture will affect cash payments to investors (both sponsors and tax equity investors) over the life of the venture and upon its liquidation.

(tabular amounts expressed in thousands of United States dollars unless otherwise stated)

9) INVESTMENT IN SHANNON GROUP LLC (Continued)

	Three months ended September 30, 2016	Three months ended September 30, 2015	**Nine months ended September 30, 2016**	Period of initial investment to September 30, 2015 [(a)]
Share of income in equity accounted investee	**$ 470**	$ —	**$ 2,558**	$ —
Gain on power hedge	**—**	18,693	**—**	18,693
General and administrative expenses	**(2)**	(29)	**(24)**	(68)
Loss on settlement of contingent liability	**—**	—	**—**	(743)
Write-off of plant and equipment	**—**	(963)	**—**	(963)
Non-recurring property damage expenses	**—**	(2,293)	**—**	(2,293)
Insurance proceeds	**—**	250	**—**	250
Net income (100%)	**468**	15,658	**2,534**	14,876
Share of net income (50%)	**$ 234**	$ 7,829	**$ 1,267**	$ 7,438

(a) Initial investment was on June 30, 2015.

	Three months ended September 30, 2016	Three months ended September 30, 2015	**Nine months ended September 30, 2016**	Period of initial investment to September 30, 2015 [(a)]
Other comprehensive income (100%)	**$ 20,689**	$ —	**$ 5,060**	$ —
Share of other comprehensive income (50%)	**10,345**	—	**2,530**	—
Share of net income (50%)	**234**	7,829	**1,267**	7,438
Share of comprehensive income (50%)	**$ 10,579**	$ 7,829	**$ 3,797**	$ 7,438

Shannon Group LLC's other comprehensive income consists solely of changes in the value of the effectively hedged portion of Shannon's long-term power hedge.

(tabular amounts expressed in thousands of United States dollars unless otherwise stated)

9) INVESTMENT IN SHANNON GROUP LLC (Continued)

The following tables summarize the consolidated financial information of Shannon as included in its own financial statements:

	September 30, 2016	December 31, 2015
Cash and cash equivalents	**$ 4,045**	$ 7,380
Accounts receivable	**51**	1,828
Other assets	**1,433**	1,003
Plant and equipment	**326,105**	332,411
Intangible assets	**7,780**	7,912
Long-term power hedge	**5,291**	9,685
	344,705	360,219
Accounts payable and accrued liabilities	**3,590**	5,971
Lien holdback payable	**1,047**	1,048
Asset retirement obligation	**11,167**	8,084
	15,804	15,103
Net assets (100%)	**$ 328,901**	$ 345,116

	Three months ended September 30, 2016	Three months ended September 30, 2015	**Nine months ended September 30, 2016**	Period of initial investment to September 30, 2015
Revenue	**$ 3,256**	$ —	**$ 7,941**	$ —
Cost of sales	**(1,240)**	—	**(3,355)**	—
Depreciation and amortization	**(3,289)**	—	**(9,789)**	—
Other expenses	**(1,635)**	(29)	**(3,996)**	(68)
Other income	**—**	—	**2,530**	—
Loss on settlement of contingent liability	**—**	—	**—**	(743)
Write-off of plant and equipment	**—**	(963)	**—**	(963)
Non-recurring property damage expenses	**—**	(2,293)	**—**	(2,293)
Insurance proceeds	**—**	250	**—**	250
Gain on power hedge	**—**	18,693	**—**	18,693
Net income (loss) (100%)	**$ (2,908)**	$ 15,658	**$ (6,669)**	$ 14,876
Other comprehensive income (loss) (100%)	**12,308**	—	**(4,394)**	—
Comprehensive income (loss) (100%)	**$ 9,400**	$ 15,658	**$ (11,063)**	$ 14,876

(tabular amounts expressed in thousands of United States dollars unless otherwise stated)

10) INVESTMENT IN BLUE LAGOON hf

HS Orka holds a 30% interest in Blue Lagoon hf., which operates the Blue Lagoon geothermal spa in Iceland. During the three and nine months ended September 30, 2016, the Company recognized its share of net income of $3.7 million and $5.9 million, respectively (three and nine months ended September 30, 2015 - $2.1 million and $4.2 million, respectively). During the second quarter of 2016, HS Orka received a dividend of $3.3 million from Blue Lagoon hf. (2015 - $2.7 million).

11) INVESTMENT IN GEOTHERMAL DEVELOPMENT PROJECTS

a) South America:

The Company holds a 30% interest in joint ventures with Energy Development Corporation for the development of the Mariposa project in Chile, and certain geothermal development assets in Peru.

The continuity of the Company's investment in South American geothermal properties is as follows:

	Mariposa	Peru	Total
Investment at January 1, 2016	$ 18,579	$ 2,007	$ 20,586
Share of comprehensive loss	(32)	—	(32)
Foreign exchange	1,024	111	1,135
Investment at September 30, 2016	**$ 19,571**	**$ 2,118**	**$ 21,689**

b) Italy:

The Company holds a 45% interest in a joint venture with an affiliate of Graziella Green Power. The joint venture is further developing the Mensano and Roccastrada geothermal concessions.

The continuity of the Company's investment in Italian geothermal development projects is as follows:

	Italy Projects
Investment at January 1, 2016	$ 803
Share of comprehensive loss	(53)
Foreign exchange	28
Investment at September 30, 2016	**$ 778**

12) ACQUISITION OF FLAT TOP LLC

On June 15, 2016 the Company acquired a 100% interest in Flat Top LLC, which owns a 200 MW wind farm under development in Comanche County and Mills County, Texas ("Flat Top"). The Company acquired Flat Top LLC for consideration of $0.9 million together with contingent developer fees that are calculated based on the likelihood of completion of certain project milestones and the nameplate capacity of the project. The fees are payable in two milestone payments occurring in December and on financial close of project financing for Flat Top.

The acquisition of Flat Top LLC was accounted for as a business combination.

(tabular amounts expressed in thousands of United States dollars unless otherwise stated)

12) ACQUISITION OF FLAT TOP LLC (Continued)

Consideration

The following summarizes the consideration at the acquisition date:

Cash paid	$	898
Contingent payments		10,357
Total consideration	$	11,255

Identifiable assets acquired

The purchase price was allocated to the assets acquired based upon their fair value at the date of acquisition. There were no liabilities assumed as a result of the transaction.

Development costs	$	11,189
Plant and equipment		66
	$	11,255

Subsequent to the acquisition, the Company has placed interconnection security deposits of $7.6 million with the project's transmission service provider, which has begun the design and equipment procurement for the project's interconnection substation.

13) DEVELOPMENT COSTS

		September 30, 2016		December 31, 2015
Geothermal	**$**	**62,293**	$	55,093
Hydro		**5,034**		2,927
Wind		**12,516**		209
Total	**$**	**79,843**	$	58,229

The increase in wind development costs is primarily due to the acquisition of $11.2 million of development costs as a result of the Flat Top acquisition (note 12).

(tabular amounts expressed in thousands of United States dollars unless otherwise stated)

14) LONG-TERM DEBT

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

	September 30, 2016	December 31, 2015
Holding company bonds (Sweden)	**$ 131,878**	$ 117,977
Holding company loan facility (North America)	**66,027**	62,377
Revolving credit agreement (note 17)	**9,148**	—
HS Orka loans	**66,517**	75,185
	273,570	255,539
Less current portion:		
Holding company bonds (Sweden)	**131,878**	117,977
Revolving credit agreement	**9,148**	—
HS Orka loans	**18,702**	17,409
	159,728	135,386
Long-term portion	**$ 113,842**	$ 120,153

The changes to long-term debt in the period reflect $12.7 million of principal repayments at HS Orka, draws on the revolving credit agreement and changes related to the effects of foreign exchange and fair value movements on the holding company bonds (Sweden).

The details of the holding company bonds (Sweden) at September 30, 2016 are as follows:

Holding company bonds (Sweden)	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 third quarter, the Company reached an agreement with the bondholders of the Icelandic Krona ("ISK") denominated bond to extend the maturity of the bond by one year to July 16, 2017. Under the extension all terms of the original bond are unchanged other than the maturity date and an increase in 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 this extension.

Subsequent to September 30, 2016, the Company refinanced one of the three US dollar bonds (approximately $71.7 million) which was held by Reykjavik Energy ("OR"). Under the refinancing, OR will continue to hold approximately 50% of the outstanding principal of the bond ($36.0 million). The bond will have substantially the same terms as the original bond, expect for the reduced principal, a maturity of 18 months, and a revised interest rate of 5.0%. The bond remains non-recourse to the Company and is collateralized solely by 17.0% of the outstanding shares of HS Orka. The remaining $35.7 million was refinanced through a related party bond with the Company's Chairman (note 17). The remaining two US dollar bonds will be retired in December 2016.

As at September 30, 2016, the Company was in compliance with all debt covenants.

(tabular amounts expressed in thousands of United States dollars unless otherwise stated)

15) OTHER LIABILITIES

	September 30, 2016	December 31, 2015
Flat Top contingent liability	$ 10,542	$ —
Deep drilling grants	2,969	10,689
Total	$ 13,511	$ 10,689

At September 30, 2016 other liabilities includes the contingent liability related to the acquisition of Flat Top (note 12) and the portion of HS Orka's deep drilling grants received but unspent to date.

16) SHARE CAPITAL

a) Capital stock

At September 30, 2016, the Company had unlimited authorized common shares without par value and 46,934,229 common shares issued and outstanding (December 31, 2015 - 46,865,228).

During the nine months ended September 30, 2016, the Company issued 69,001 common shares with a fair value of $0.3 million following the exercise of stock options that had been granted to employees. In 2015, 132,362 shares were issued to employees, and an additional 6,542 shares were issued following the exercise of stock options. The fair value of shares issued in 2015 was $0.3 million.

b) Stock options

Under the Company's stock option plan, the Board of Directors may grant options for the purchase of up to a total of 10% of the total number of issued and outstanding common shares of the Company with a cap of 2,500,000. Options granted under the plan vest over time at the discretion of the Board of Directors. All options granted during the period will vest within two years of the grant and have a life of five years.

Exercise prices on options granted under the plan are determined by reference to the market value on the date of the grant.

The changes in stock options issued are as follows:

	Number of options	Weighted average exercise price (C$/option)
Outstanding, January 1, 2016	1,516,165	$ 4.50
Granted	440,000	4.40
Forfeited and expired	(55,064)	8.13
Exercised	(116,206)	3.67
Outstanding, September 30, 2016	1,784,895	4.32
Exercisable, September 30, 2016	1,344,362	$ 4.22

As at September 30, 2016, incentive stock options represented 3.8% (December 31, 2015 - 3.2%) of issued and outstanding common capital. The aggregate intrinsic value of vested share options (the market value of the underlying share less the exercise value) at September 30, 2016 was $2.4 million (December 31, 2015 - $0.5 million).

(tabular amounts expressed in thousands of United States dollars unless otherwise stated)

16) SHARE CAPITAL (Continued)

During the nine months ended September 30, 2016, 440,000 options were granted at a weighted average fair value of C$1.98 per option. The fair value of the stock options issued during the year was estimated at the grant date based on the Black-Scholes Option Pricing Model, using the following assumptions:

	September 30, 2016
Expected dividend yield (%)	**Nil**
Average risk-free interest rate (%)	**0.70%**
Expected life (years)	**5.0**
Expected volatility (%)	**50%**
Expected rate of forfeiture (%)	**5%**

The share-based compensation for the three and nine months ended September 30, 2016 and 2015 has been recognized in the condensed consolidated interim financial statements as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Cost of sales	**$ —**	$ —	**$ —**	$ 1
General and administrative	**145**	457	**685**	534
Total share-based compensation	**$ 145**	$ 457	**$ 685**	$ 535

17) RELATED PARTY TRANSACTIONS

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 has 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 and there is currently no balance outstanding.

On October 24, 2016, the Company’s Sweden 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 (note 14). The new bond is non-recourse to the Company, and is collateralized with a 15% stake of the outstanding shares of HS Orka. 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.

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18) FINANCIAL INSTRUMENTS

Fair Value

The carrying value of the Company's cash and cash equivalents, restricted cash, trade and other receivables, accounts payable and accrued liabilities, and other liabilities approximate fair value due to the relative short-term maturity of these financial instruments. The carrying value of the holding company loan facility (North America), disregarding the effect of financing fees, approximates fair value as a result of the variable interest rates being charged and no significant change in credit risk (classified as Level 2 in the fair value hierarchy discussed below), and the carrying value of the HS Orka loans and revolving credit agreement approximates the fair value. Fair value is determined by discounting future interest and principal payments at the market rate of interest.

Fair value hierarchy

Financial instruments measured at fair value are categorized within a three-tier fair value hierarchy, which prioritizes the inputs in measuring fair value of financial instruments.

(1) Level 1: quoted prices (unadjusted) in active markets or identical assets or liabilities;
(2) Level 2: valuation techniques using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
(3) Level 3: valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments carried at fair value are assessed as follows:

As at September 30, 2016

	Level 1	Level 2	Level 3	Total
Assets:				
Short-term investments	$ 33	$ —	$ —	$ 33
Other assets	—	1,858	—	1,858
Long-term receivable and other assets	—	—	1,026	1,026
	$ 33	$ 1,858	$ 1,026	$ 2,917
Liabilities:				
Embedded derivatives	$ —	$ 55,307	$ —	$ 55,307
Interest rate swaps	—	4,569	—	4,569
Holding company bonds (Sweden)	—	131,878	—	131,878
Other liabilities	—	—	10,542	10,542
	$ —	$ 191,754	$ 10,542	$ 202,296

The amounts included in Level 2 are for the interest rate swaps, other assets and embedded derivatives held at HS Orka, and the holding company bonds held by Magma Energy Sweden A.B. The other assets include the fair value of the bonds receivable and is determined using an income approach by discounting projected future interest and principal repayments using an interest rate of 5% plus indexation to the Icelandic Consumer Price Index. The projected future interest and principal repayments were based on a weighted average probability of receiving 75% of the amounts outstanding. There have been indications of an uncertain financial position of the bondholder, an Icelandic municipality, and thus there is some

(tabular amounts expressed in thousands of United States dollars unless otherwise stated)

18) FINANCIAL INSTRUMENTS (Continued)

uncertainty about the full recoverability of the bond. The fair value of the interest rate swaps is measured using observable future market interest rates (0.54% to 1.37%). The fair value of the embedded derivatives and holding company bonds payable (Sweden) is determined using observable market interest rates (0.89% to 4.98%) and the London Metals Exchange forward market price of aluminum.

The asset recorded as Level 3 in the fair value hierarchy is the long-term receivable and other assets representing $1.0 million of potential earn-out payments related to the sale of Soda Lake. The earn-out payments are based on probabilities of achieving generation, pricing and development targets over the next one to four years discounted at a rate of 8%.

The liability amount included in Level 3 is for the contingent liability (recognized in other liabilities) held by the Company related to the purchase of Flat Top (note 12). The contingent liability is calculated based on the nameplate capacity of the Flat Top project, and is payable on financial close. The fair value is based on a 90% probability of achieving financial close, discounted at a rate of 6.5%.

Changes in one or more of the Level 3 inputs to reasonably possible alternative assumptions would change the fair value measurement significantly.

Gains and losses on the bond receivable, embedded derivatives and holding company bonds (Sweden) were recognized in the statement of operations. There has been one transfer between levels during the nine months ended September 30, 2016, with the embedded derivative associated with a contract expiring in 2026 now classified as Level 2, for the valuation can now be based on observable market aluminum prices which extend out 10 years.

A reconciliation of the former Level 3 embedded derivative liability amount is as follows:

	January 1, 2016	Foreign exchange loss and unrealized gain	Settlement	Transfer to Level 2	September 30, 2016
Embedded derivatives	$ (62,518)	$ 3,560	$ 5,940	$ 53,018	$ —

Liquidity Risk

At September 30, 2016 the Company's current liabilities consisted of trade and other payables, the current portion of long-term debt, other liabilities and other financial instruments. The Company has a negative working capital of $165.3 million primarily due to the classification of the non-recourse holding company bonds (Sweden) of $131.9 million as current at September 30. Subsequent to the quarter, the Company refinanced approximately $71.7 million of the Sweden bonds (see notes 14 and 17). Additionally, on October 26, 2016 the Company successfully completed an equity financing for C$65.6 million (net of fees) to fund project development and for general corporate purposes.

(tabular amounts expressed in thousands of United States dollars unless otherwise stated)

19) SEGMENTED DISCLOSURES

The Company has four operating segments:

a) The development of hydro, wind, solar and geothermal properties;
b) Geothermal operations;
c) Hydro operations; and
d) Wind operations.

Consolidated revenues during the three and nine months ended September 30, 2016 and 2015 were generated from HS Orka (including the Svartsengi and Reykjanes plants) in Iceland and the Soda Lake plant in the USA (until it was sold on January 30, 2015). Revenues and results from hydro operations (Toba Montrose GP and Jimmie Creek LP), wind operations (Dokie GP and Shannon Group LLC), Blue Lagoon hf., and the geothermal investment properties are included in share of results of equity investments. Prior to the commencement of operations on August 1, 2016 the results for Jimmie Creek LP were included in construction and development.

	Three months ended September 30, 2016				
	Construction and development	Operating results			
		Geothermal	Hydro	Wind	Total
Revenues	$ —	$ 14,100	$ —	$ —	$ 14,100
Cost of sales	—	(11,777)	—	—	(11,777)
Gross profit	—	2,323	—	—	2,323
Other income (expenses)					
General and administrative	(1,867)	(924)	—	—	(2,791)
General development expenses	(36)	—	—	—	(36)
Research and development for deep drilling	(840)	—	—	—	(840)
Share of results of equity investments	3	3,654	9,694	79	13,430
Finance income	—	157	—	—	157
Finance costs	(1,715)	(1,200)	—	—	(2,915)
Change in the fair value of bonds payable	—	(1,934)	—	—	(1,934)
Change in the fair value of derivatives	—	9,449	—	—	9,449
Foreign exchange gain (loss)	(5,180)	3,741	—	—	(1,439)
Other income (loss)	(2,464)	67	—	—	(2,397)
	(12,099)	13,010	9,694	79	10,684
Income (loss) before income tax	(12,099)	15,333	9,694	79	13,007
Income tax recovery (expense)	110	(2,708)	—	—	(2,598)
Income (loss) for the period	**$ (11,989)**	**$ 12,625**	**$ 9,694**	**$ 79**	**$ 10,409**

(tabular amounts expressed in thousands of United States dollars unless otherwise stated)

19) SEGMENTED DISCLOSURES (Continued)

	Three months ended September 30, 2015				
	Construction and development	Operating results: Geothermal	Hydro	Wind	Total
Revenues	$ —	$ 12,232	$ —	$ —	$ 12,232
Cost of sales	—	(9,362)	—	—	(9,362)
Gross profit	—	2,870	—	—	2,870
Other income (expenses)					
General and administrative	(1,732)	(807)	—	—	(2,539)
General development expenses	(10)	—	—	—	(10)
Share of results of equity investments	7,399	2,142	7,475	260	17,276
Finance income	10	415	—	—	425
Finance costs	(1,607)	(1,438)	—	—	(3,045)
Change in the fair value of bonds payable	—	(2,428)	—	—	(2,428)
Change in the fair value of derivatives	—	(5,524)	—	—	(5,524)
Foreign exchange gain (loss)	(9,868)	3,911	—	—	(5,957)
Other income	314	—	—	—	314
	(5,494)	(3,729)	7,475	260	(1,488)
Income (loss) before income tax	(5,494)	(859)	7,475	260	1,382
Income tax recovery	45	878	—	—	923
Income (loss) for the period	**$ (5,449)**	**$ 19**	**$ 7,475**	**$ 260**	**$ 2,305**

	Nine months ended September 30, 2016				
	Construction and development	Operating results: Geothermal	Hydro	Wind	Total
Revenues	$ —	$ 42,827	$ —	$ —	$ 42,827
Cost of sales	—	(33,059)	—	—	(33,059)
Gross profit	—	9,768	—	—	9,768
Other income (expenses)					
General and administrative	(4,783)	(3,822)	—	—	(8,605)
General development expenses	(961)	—	—	—	(961)
Research and development for deep drilling	(1,250)	—	—	—	(1,250)
Share of results of equity investments	(220)	5,855	8,964	1,419	16,018
Finance income	—	534	—	—	534
Finance costs	(4,912)	(3,994)	—	—	(8,906)
Change in the fair value of bonds payable	—	(6,691)	—	—	(6,691)
Change in the fair value of derivatives	—	18,510	—	—	18,510
Foreign exchange gain (loss)	(3,477)	4,931	—	—	1,454
Other income (loss)	(3,138)	300	—	—	(2,838)
	(18,741)	15,623	8,964	1,419	7,265
Income (loss) before income tax	(18,741)	25,391	8,964	1,419	17,033
Income tax recovery (expense)	110	(5,374)	—	—	(5,264)
Income (loss) for the period	**$ (18,631)**	**$ 20,017**	**$ 8,964**	**$ 1,419**	**$ 11,769**

(tabular amounts expressed in thousands of United States dollars unless otherwise stated)

19) SEGMENTED DISCLOSURES (Continued)

	Nine months ended September 30, 2015				
	Construction and development	Operating results			
		Geothermal	Hydro	Wind	Total
Revenues	$ —	$ 42,155	$ —	$ —	$ 42,155
Cost of sales	—	(30,357)	—	—	(30,357)
Gross profit	—	11,798	—	—	11,798
Other income (expenses)					
General and administrative	(3,868)	(2,865)	—	—	(6,733)
General development expenses	(161)	—	—	—	(161)
Share of results of equity investments	6,946	6,241	7,417	647	21,251
Finance income	194	1,368	—	—	1,562
Finance costs	(4,861)	(4,836)	—	—	(9,697)
Change in the fair value of bonds payable	—	(154)	—	—	(154)
Change in the fair value of derivatives	—	(14,362)	—	—	(14,362)
Foreign exchange gain (loss)	(16,924)	1,783	—	—	(15,141)
Other income	1,475	—	—	—	1,475
	(17,199)	(12,825)	7,417	647	(21,960)
Income (loss) before income tax	(17,199)	(1,027)	7,417	647	(10,162)
Income tax recovery	45	2,989	—	—	3,034
Income (loss) for the period	**$ (17,154)**	**$ 1,962**	**$ 7,417**	**$ 647**	**$ (7,128)**

20) SUPPLEMENTARY CASH INFORMATION

Change in non-cash working capital items

	September 30, 2016	September 30, 2015
Receivables and other assets	**$ 2,224**	$ 1,163
Inventories	**(101)**	(438)
Accounts payable and accrued liabilities	**(912)**	(5,803)
	$ 1,211	$ (5,078)

Allocation of cash and cash equivalents

	September 30, 2016	December 31, 2015
Corporate and other	**$ 2,532**	$ 3,896
HS Orka	**4,278**	6,449
	$ 6,810	$ 10,345

21) SEASONALITY

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, Dokie 1 wind farm production levels are higher in the winter months, and most prominently, the Toba Montrose and Jimmie Creek hydro facilities' production levels are higher in the summer months due to spring freshet and glacier melt.

22) SUBSEQUENT EVENTS

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).

On October 11, 2016, the Company announced commencement of construction for the Kokomo project. 1st Source Bank, a subsidiary of 1st Source Corporation, supplied a construction loan facility of $8.9 million plus a $150,000 letter of credit.