Financing Geothermal Development

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Dundee Securities Corporation

African Rift Geothermal Conference 2 2008
Entebbe, Uganda
November 24th - November 28th, 2008
## Financing Geothermal Development:

### Capital Is Available

<table>
<thead>
<tr>
<th>Project</th>
<th>Amount</th>
<th>Lead Underwriter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polaris Geothermal</td>
<td>$32,040,000</td>
<td>Common &amp; Preferred Shares</td>
</tr>
<tr>
<td>Nevada Geothermal</td>
<td>$17,700,000</td>
<td>Common Equity Lead Underwriter</td>
</tr>
<tr>
<td>Western GeoPower Corp.</td>
<td>$22,000,000</td>
<td>Common Equity Lead Underwriter</td>
</tr>
<tr>
<td>U.S. Geothermal Inc.</td>
<td>$25,000,000</td>
<td>Common Equity Lead Underwriter</td>
</tr>
<tr>
<td>AIM PowerGen Corp.</td>
<td>$5,000,000</td>
<td>Common Equity Lead Manager</td>
</tr>
<tr>
<td>Plasco Energy Group</td>
<td>$17,500,000</td>
<td>Common Equity Lead Underwriter</td>
</tr>
<tr>
<td>Ormat Technologies Inc.</td>
<td>$142,887,000</td>
<td>Common Equity Co-Lead Manager</td>
</tr>
<tr>
<td>Canadian Hydro Developers</td>
<td>$172,500,500</td>
<td>Common Equity Co-Lead Manager</td>
</tr>
<tr>
<td>Skypower Corp.</td>
<td>$77,000,000</td>
<td>LP Units Co-Lead Manager</td>
</tr>
<tr>
<td>U.S. Geothermal Inc.</td>
<td>US$34,000,000</td>
<td>Project Equity Co-Lead Manager</td>
</tr>
</tbody>
</table>

Source: Dundee Securities Corp.
Agenda

✓ What is the appeal of Geothermal for investors?
✓ Stages of development (and risk) in Geothermal Investing
✓ Our experience in the geothermal area

My Message

Dundee helps geothermal developers finance projects by matching them with the resources they require to grow their businesses.
Why Are We All Here??

1. The **levelized cost of power from Geothermal** is among the lowest available for new electricity generation sources.

Why does this matter to investors?

- **Higher project returns** due to lower overall production costs
- **Operating Costs are Low**: $16-$20/MWh over the life of the project
- **No Fuel Risk**: (should) lower costs of project debt and equity
Why Are We All Here??

2. **Geothermal Capacity factors** are the highest available from new power sources.

Why does this matter to investors?

- **More Revenues**: produces more electrons in its lifetime.
- **Predictability of Cash Flows**: Geothermal’s seasonality easier to predict than how the wind blows, or how volatile gas prices will be.
- **Reliability**: Geothermal offers something of value to the utility which strengthens its prospects of securing a PPA.
The Challenge: Accessing Capital

Geothermal developers who need capital to grow their businesses must meet several investor requirements:

- **Management Team**
  - Investors gain comfort from strong development teams with successful track records of development and exploration.

- **Resource**
  - Exactly how strong are the prospects at each of your development sites?

- **They Need a Plan**
  - Investors need thorough understanding of the developer’s “Game Plan” for development to gain comfort with risks.

- **Some Diversity Helps**
  - Developers with concentration in only one or two projects give less protection to investors at the holding company level.

- It’s all about risk, and how you will manage it while moving your projects to completion.
- Investors demand experience, which is rare in this nascent industry
The Solution: Match the Developer with Necessary Resources

**Exploration stage**: Equity is expensive at this stage because of the risk profile – need to tap the right sources

- *“Cheap” capital* can be found with DOE, family & friends, public equity offerings

- *More costly capital* is private equity, but it is often accompanied by expertise
The Solution: Match the Developer with Necessary Resources

**Confirmation stage:** Equity is still the primary source of capital for developers. Again, need to tap the right sources

- *Public equity* offers…. Shorter fundraising timeframe, liquidity / tangible rewards for milestone achievements
- *Private equity* offers… Smart, experienced investor, financial discipline
The Solution: Match the Developer with Necessary Resources

Construction stage: Risk is almost entirely eliminated, so developers tap project finance (debt / tax equity)

- Construction financing, which converts to term once project is completed. Power/infrastructure financiers active at this stage
- Leverage available, also PTC tax equity flip structure, accelerated depreciation to raise funding
The Solution: Match the Developer with Necessary Resources

Dundee Provides Developers with the Right Resources – Including Seed Capital.

- When a developer has not yet satisfied investor requirements, we connect them with the appropriate:
  - Seed Capital
  - Resource Professionals
  - Project Development Team
The Solution: Match the Developer with Necessary Resources

*Dundee Draws on its Unique Market Experience.*

- **Uniquely qualified to connect developers and investors thanks to our:**
  - Unparalleled relationships with and access to institutional investors focused on geothermal financing
  - Industry expertise
  - History of success in leading financings
The Solution: Dundee Matches Developers with Resources

*Our firm has the necessary scale and assets to structure financings.*

- **$29 billion AUM**
- **Investment Banking**
- **Research**
- **Institutional Sales and Trading**
- **Retail Distribution**
- **$37 billion AUA**

- Dundee Corporation
  - Dundee Realty Corporation
  - Dundee REIT
  - 78%
  - 16%
  - 58%

- Dundee Wealth Management
  - Blue-Chip Growth
  - Market Cap - $1.5 Billion

- Dundee Capital Markets
  - Dundee Securities Corporation
  - Investment Banking
  - Research
  - Institutional Sales and Trading
  - Retail Distribution
    - $37 billion AUA

- Goodman & Company
  - Dynamic Funds
  - $29 billion AUM

- Dundee Securities Corporation
The Solution: Dundee Matches Developers with Resources

**Draw on Dundee’s Unique Market Expertise**

- **Our firm has the necessary scale and assets to structure financings:**
  - Current market capitalization is approximately $1.5 billion
  - 2005 – 2007: Dundee has been the lead underwriter for over $250 million and a syndicate member for in excess of $1.1 billion in capital transactions within the Renewable Energy sector
  - Dundee has a focused mandate to provide aftermarket support for its Renewable Energy universe

**Bottom line: $150 MILLION OF CAPITAL RAISED FOR GEOTHERMAL POWER PROJECT DEVELOPERS**
Dundee is uniquely positioned to help geothermal developers gain access to capital.
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Thank you
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As at October 31, 2007

Source: Dundee Securities Corporation