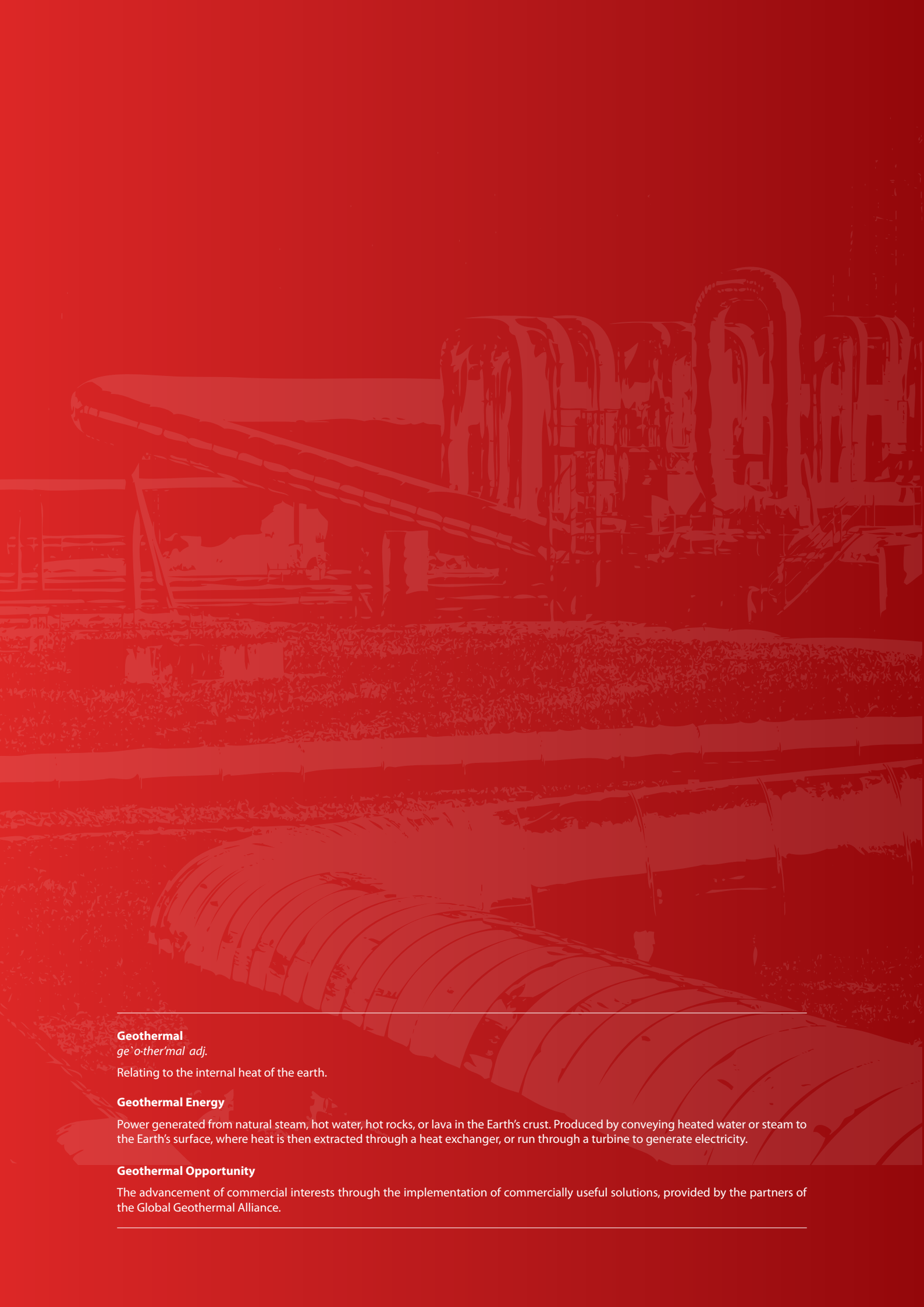


Geothermal Energy Commercialisation

An overview of the integrated, research, strategy, communication, investment & financial services essential for the sustainable development of geothermal energy projects globally.





Geothermal

ge'other'mal adj.

Relating to the internal heat of the earth.

Geothermal Energy

Power generated from natural steam, hot water, hot rocks, or lava in the Earth's crust. Produced by conveying heated water or steam to the Earth's surface, where heat is then extracted through a heat exchanger, or run through a turbine to generate electricity.

Geothermal Opportunity


The advancement of commercial interests through the implementation of commercially useful solutions, provided by the partners of the Global Geothermal Alliance.

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Activated Logic Pty Limited
is a member of the Australian
Geothermal Energy Group.



“ The partners of the Global Geothermal Alliance provide an unrivalled 360° understanding of the global geothermal sector, with unique insights across the entire value chain. ”

About the Global Geothermal Alliance

In 2009, leading Investment Bank Islandsbanki and Australian corporate advisory firm, Activated Logic launched a powerful strategic alliance, the Global Geothermal Alliance (GGA) to accelerate the development of geothermal energy projects around the world.

The Global Geothermal Alliance partners provide a comprehensive, full-service offering specifically created for the rapid development and commercialisation of geothermal energy projects. The unique combination of broad range technical collaboration and extensive market experience across key geographic regions, provides the Global Geothermal Alliance with pioneering insights into the effective development of geothermal energy resources.

The alliance partners have extensive experience and unrivalled capability in the five core areas essential for effective geothermal energy development - Research, Strategy, Communication, Investment & Finance.

The Global Geothermal Alliance partners regularly review all major international geothermal asset developments and M&A transactions to ensure a detailed and up to date knowledge of the sector, and to potentially identify appropriate corporate opportunities in the geothermal sector.

For additional information, visit www.globalgeothermalalliance.com

About Islandsbanki



Islandsbanki (formerly Glitnir) builds its value proposition on the success of its global geothermal energy team. The nature of geothermal projects demands a strong understanding of the underlying technical issues and risks. As part of energy activities the bank has formed a team of experienced bankers who focus solely on the geothermal energy industry.

The Islandsbanki geothermal team combines years of experience in the geothermal and renewable energy sectors covering all technical and corporate finance functions and has been involved in key transactions in the geothermal sector in North America, Europe and Asia. With their dedicated geothermal energy industry team, the Bank provides tailored financial services for investors and industry players, building on the strong industry background and heritage of the Icelandic geothermal energy sector.

For additional information, visit www.islandsbanki.is/energy

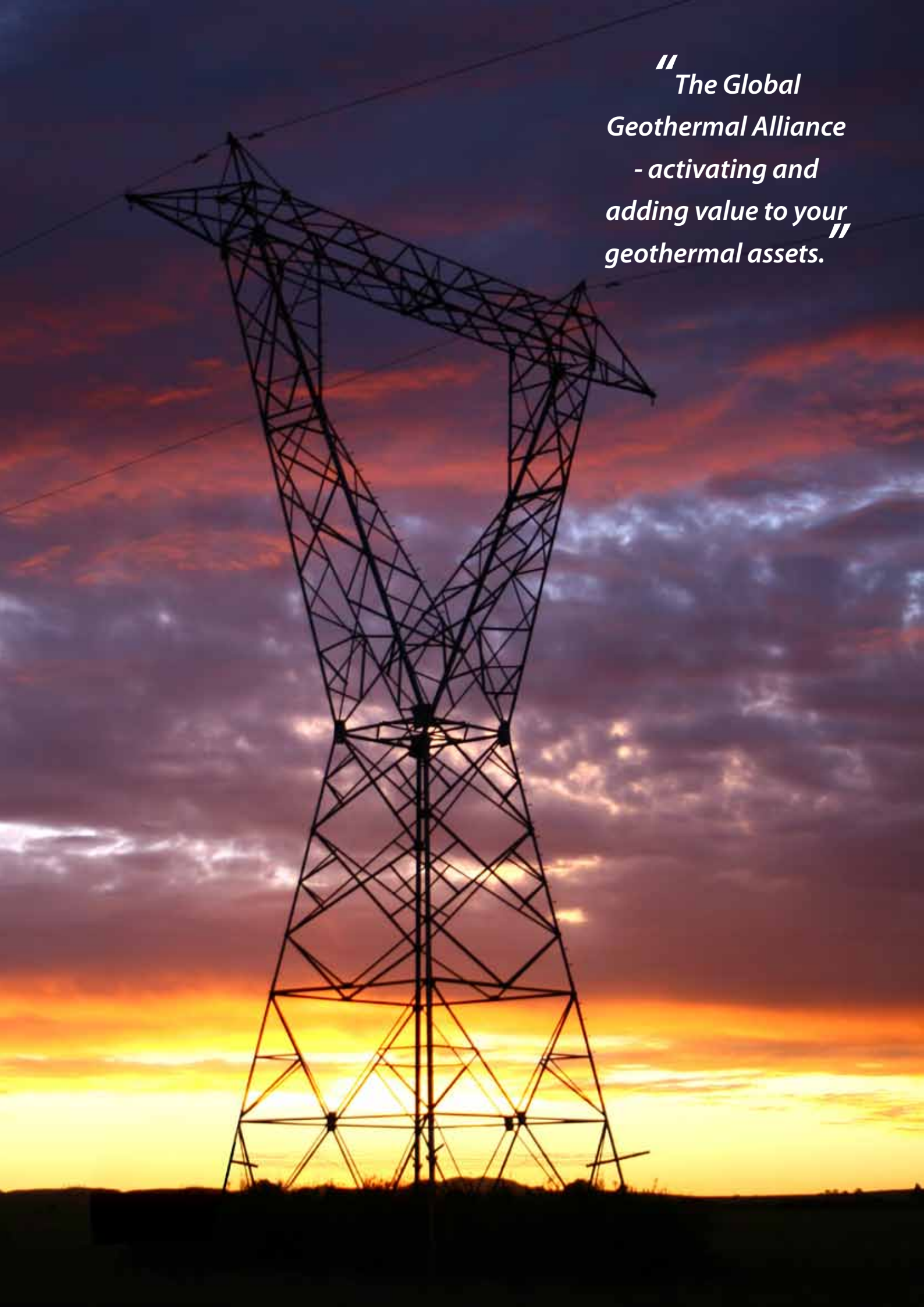
About Activated Logic



Activated Logic is the leading provider of strategic and innovative geothermal project development and commercialisation solutions across the Asia Pacific region. We have developed significant expertise in the sector, enabling us to apply our established corporate research, strategy, investment, finance and communication capabilities to the emerging Australian geothermal sector.

Our experience and extensive interests in the geothermal industry, ranging from extensive industry technical research through to commercial partnerships, make us the ideal partner to take your project from any stage of development through to sustainable commercial success. The Activated Logic research team also publishes the Australian Geothermal Index™, the world's first benchmark composite index of geothermal focused companies listed on the Australian Securities Exchange (ASX).

For additional information, visit www.activatedlogic.com



*“The Global
Geothermal Alliance
- activating and
adding value to your
geothermal assets.”*

Value Added Service Offering

The development of large scale, baseload geothermal projects present project developers, financiers and operators with a range of challenges unique to the geothermal sector. Geothermal projects are typically very capital intensive, and are generally characterised by lengthy and relatively high-risk upfront exploration phases preceding a staged construction of power generation facilities. Project operators aim to obtain long term commitment from power offtake customers through a power purchase agreement (PPA), ensuring projects generate sufficient revenue and provide predictable cashflows for project financiers to recoup their project investments and ultimately realise a return on their investments.

Despite geothermal energy providing valuable baseload power generation capacity, geothermal project development is typically more complex than other renewable energy alternatives, making the processes for successfully achieving goals appreciably more difficult.

A detailed understanding of various technology and engineering options, renewable energy certificates, government grant requirements, innovative power purchase agreements and funding processes is essential for optimal project development and can also serve as a powerful source of project competitive advantage.

“The alliance partners have extensive experience and unrivalled capability in the five core areas essential for effective geothermal energy development - Research, Strategy, Communication, Investment & Finance.”

Key Services Offerings

The Global Geothermal Alliance provides an unrivalled service offering specifically developed for the geothermal sector. The combination of Activated Logic’s innovative research, strategy and communication offerings and Islandsbanki’s established investment and finance capabilities, provide a powerful platform for the effective development of geothermal projects.

The integrated service offering is applied across the entire geothermal development value chain, ensuring value creation and realisation opportunities are captured and optimised at all stages of geothermal project development.

Service Offerings



- Research** - Global research across the geothermal sector including relevant technologies, geothermal resources, current geothermal production, potential production and geothermal exploration and development.
- Strategy** - The development of operational and corporate strategies involving stakeholder engagement, project development, resource and reserve definition, power offtake and financing strategies.
- Communication** - Corporate, strategic and stakeholder communications necessary for achieving stakeholder engagement and support for geothermal project development, specifically project financing activities.
- Investment** - Planning, structuring, engagement, negotiation and support activities required for achieving investment outcomes and relevant project milestones.
- Finance** - The rigorous assessment of project financial requirements and the detailed comparison of financing mechanisms and alternatives likely to deliver the most suitable outcome for the relevant party.

“The Global Geothermal Alliance’s integrated service offering is designed to contribute to incremental value creation, building on the existing project strengths.”



Incremental Value Creation

Traditionally, as geothermal projects progress from the conceptual stages to the more advanced stages of development, project outcomes are increasingly predictable and projects are generally considered more investment worthy. This conventional process of value creation during project and organisational development is very important and should not be underestimated, particularly when considering financing alternatives. However this process should be considered a “base case” scenario and not necessarily the ideal scenario suitable for achieving optimal project outcomes.

With the assistance of the Global Geothermal Alliance, as a geothermal project moves through each of the business development phases, incremental value creation can be achieved through the use of the key service offerings, building on the existing project strengths.

Value Creation Phases

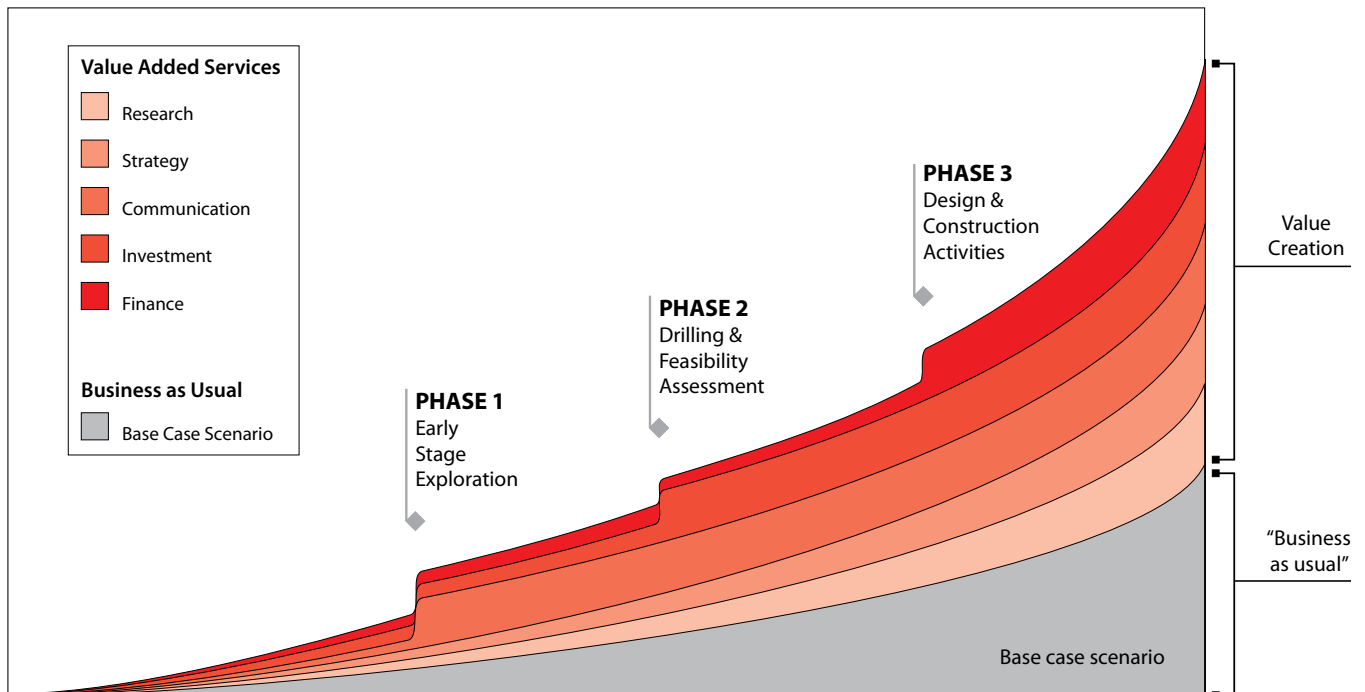
All stages of geothermal project development require a combination of the key service offerings, however each phase of business development requires an approach with a specific emphasis dependent on the stage of development.

Phase 1 - Early stage project development generally involves the advancement of an unproven geothermal resource.
At this stage, effective communication forms an integral component of articulating the corporate vision.

Phase 2 - The demonstration phase involves demonstrating the existence and deliverability of the geothermal reservoir.
At this stage, the support of “at risk” investors is critical in ensuring sufficient capital is available for drilling.

Phase 3 - The scale-up phase is the first commercial scale development of the geothermal project with an offtake party in place.
At this stage, securing significant capital investment including debt-financing is essential for the success of the project.

Value Creation Process



Source: Activated Logic, 2009

Without doubt one of the biggest constraints facing the development of the geothermal industry is the ability of developers to secure sufficient capital to achieve project financial close. In order to maximise the likelihood of successfully achieving financial close, project developers need to develop a structured financing strategy to engage prospective investors early in the project development lifecycle.

Research

Research



Research is the first key service offering provided by the Global Geothermal Alliance as it forms the foundations for subsequent services. Detailed research provides a full understanding of the relevant information surrounding a project and the expected impact on existing and future projects. Before any geothermal project is initiated, detailed research should be conducted to determine market opportunities for on/off grid power or direct heat use, the geothermal potential of a particular region and available technologies - all with the objective of building a comprehensive understanding of the project value drivers.

Extensive research provides project operators with an accurate assessment of strengths and weaknesses, it allows project threats to be examined and it allows the company to capitalise on possible opportunities.

The Global Geothermal Alliance conducts in-depth geothermal research for general distribution, as well as private client reports through its geothermal teams in Australia and Iceland.

Recent Research Publications

The Global Geothermal Alliance publishes reports on a range of topics relevant to the geothermal industry. Report topics include the state of play in important geothermal regions around the world as well as specific topics such as financing geothermal projects.



Financing Geothermal Report



US Geothermal Report



Australian Geothermal Report



Research Services

- Benchmark exploration, drilling and plant costs
- Geothermal sector & technology research
- Market, grant and pricing research
- Identification of suitable project & offtake partners
- Identification of potential investors and/or lenders

Strategy



Successful development of geothermal projects involves the engagement of a range of stakeholders including developers, financiers, market participants and offtake partners. Engagement is only achieved through fully understanding a company's vision for a geothermal project, and the implementation of a clearly defined strategy to realise that vision. Effective strategy formulation is essential for determining operational and corporate level objectives.

Strategic planning at the resource definition phase will identify key value drivers and has the capacity to optimise the resource development pathway. For instance, detailed strategic analysis will identify the trade-offs between resource depth and temperature, and the trade-offs between reservoir quality and distance to power offtake, ensuring the scenario with the optimal impact on overall project feasibility will be followed.

Similar trade-offs are encountered at other stages of project development, including resource definition, power offtake and financing stages, where detailed analysis is valuable in ensuring the identified strategies are effective in achieving both the objectives of the project and the company.

Geothermal Market Participants

Understanding the interaction between geothermal market participants is important in understanding market dynamics, as each level of participant has its own objectives, requirements and interests.

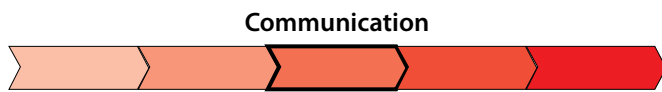


A detailed understanding of the entire geothermal value chain is necessary to develop and implement appropriate strategies for the development of a geothermal project. The Global Geothermal Alliance provides a detailed understanding of industry dynamics and market participants, maximising the probability of a successful project outcome.

Strategy Services

- Financing & power offtake strategies
- Develop operational & corporate strategies
- Determine optimal financial structure
- Determine optimal ownership structure
- Evaluation of acquisition opportunities

Communication



Timely and accurate communication with key project stakeholders, financiers and regulatory authorities is essential in obtaining the broad support necessary for the successful development of geothermal projects.

Communication initiatives include investment focused communication suitable for initial public offerings and secondary capital raisings, prospectus materials, investor roadshows and corporate communications. Proactive project developers with robust corporate strategies can benefit from the development of a suitable information memorandum (IM), which may attract cornerstone investment to underpin a share offering, or attract other forms of significant investment.

The Global Geothermal Alliance provides an integrated corporate communication service including IM preparation with an emphasis on strategic and stakeholder engagement and support for geothermal project development, specifically project financing activities.

Geothermal News Website

The Global Geothermal Alliance works in partnership with and supports ThinkGeoEnergy, the leading geothermal news website. www.thinkgeoenergy.com



Geothermal Events

The Global Geothermal Alliance partners regularly attend and present their research and views at international events. Recent events include the 2009 Renewable Energy Finance Forum in London and the world's largest geothermal gathering - the Geothermal Energy Association's 2009 Expo in Reno, Nevada. The Global Geothermal Alliance is also the dinner sponsor of the 2009 Australian Geothermal Energy Conference (AGEC) and is presenting a geothermal financing breakfast to coincide with the AGEC conference. In addition to public geothermal events, the Global Geothermal Alliance regularly conducts private client roadshows to promote the interests of our clients.

Communication Services

- Prospectus & IM development
- Corporate partner negotiations
- Promotional project collateral
- Investor roadshows & dataroom
- Annual reports & corporate literature

Investment

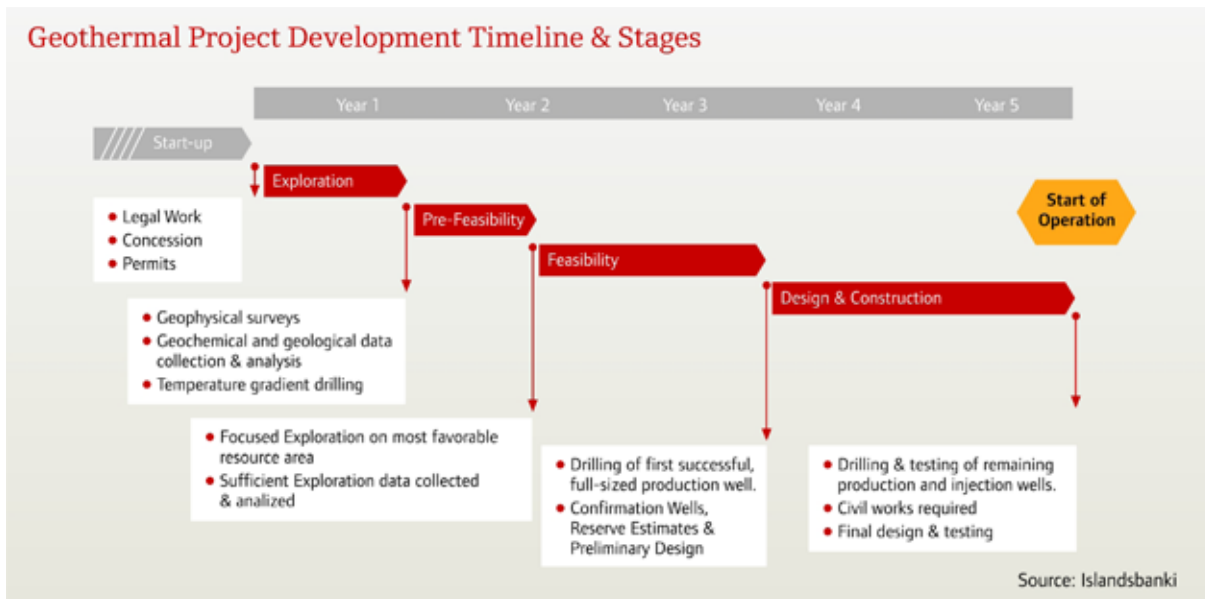


The Global Geothermal Alliance provides knowledge and experience across key project development stages and provides a service offering specifically developed for the geothermal sector. In addition to the range of standard investment services ranging from IPO's to project due-diligence, the Global Geothermal Alliance provides planning, structuring, engagement, negotiation and support activities required for achieving successful investment outcomes and relevant project milestones.

The integrated investment service offering provides the Global Geothermal Alliance's clients with a comprehensive, in-depth approach, offering scenarios most likely to deliver a suitable outcome for the project.

Geothermal Project Development Timeline

A detailed understanding of the geothermal project development cycle is important in building a critical appreciation of the specific requirements at each major stage of development and the interdependence of the respective stages.



Investment Services

- Initial public offerings & sub-underwriting
- Project assessment & valuations
- Merger & acquisition evaluation
- Investor roadshows & engagement
- Identification of strategic investments

Global Geothermal Alliance - Services

Finance

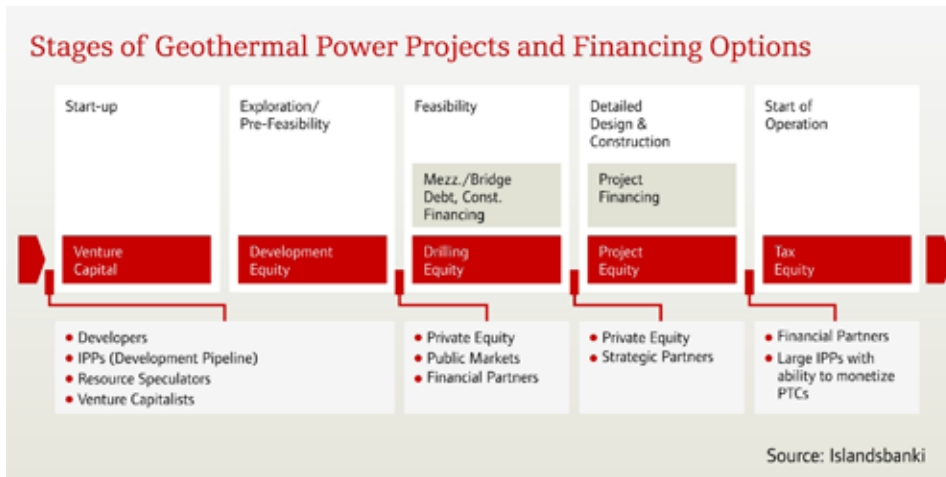


Unlike more established sources of renewable energy, there are limited options for financing geothermal projects available to project developers. Generally, the primary sources of project finance up until the detailed design and construction phase for a proven resource, are heavily dependent on equity funding and government assistance through drilling and development grants.

Through Islandsbanki, the Global Geothermal Alliance is able to conduct a rigorous assessment of project financial requirements and offer a detailed comparison of financing mechanisms and alternatives likely to deliver the most suitable outcome for the project.

Geothermal Project Financing Options

The financing options available for geothermal projects are generally determined by the development stage of a project, with debt funding only available once a proven resource is in production. Until a project reaches this stage, alternative funds must be utilised for project scale-up. Financial institutions generally do not finance geothermal projects because of the difficulty in accurately assessing project risk. Through Islandsbanki, the Global Geothermal Alliance has extensive experience in assessing project risk and has successfully made direct and indirect investments and attracted external investment on behalf of a number of geothermal projects (Refer to Geothermal Case Studies, page 13).



Financial Services

- Financing strategies & capital raisings
- Debt syndication & bookbuild
- Identification of financing options
- Due-diligence & project valuation
- Mergers, acquisitions & asset disposals

Summary of Services

Research Services

- Benchmark exploration, drilling and plant costs
- Geothermal sector & technology research
- Market, grant and pricing research
- Identification of suitable project & offtake partners
- Identification of potential investors and/or lenders

Strategy Services

- Financing & power offtake strategies
- Develop operational & corporate strategies
- Determine optimal financial structure
- Determine optimal ownership structure
- Evaluation of acquisition opportunities

Communication Services

- Prospectus & IM development
- Corporate partner negotiations
- Promotional project collateral
- Investor roadshows & dataroom
- Annual reports & corporate literature

Investment Services

- Initial public offerings & sub-underwriting
- Project assessment & valuations
- Merger & acquisition evaluation
- Investor roadshows & engagement
- Identification of strategic investments

Financial Services

- Financing strategies & capital raisings
- Debt syndication & bookbuild
- Identification of financing options
- Due-diligence & project valuation
- Mergers, acquisitions & asset disposals

“The Global Geothermal Alliance is active in accelerating the development of geothermal projects around the world.”



Geothermal Case Studies

The Global Geothermal Alliance partners, Islandsbanki, its predecessor Glitnir and Activated Logic have substantial experience in the geothermal sector and have provided an extensive range of technical and corporate services to the global geothermal sector in recent years.

Global Geothermal Alliance - Project site visit

During September 2009, Activated Logic Managing Director Mr. Bahay Ozcakmak and Islandsbanki Executive Director of Sustainable Energy Mr. Árni Magnússon visited the 213MW Hellisheidi Geothermal plants in Hengill, an active volcanic ridge in southwest Iceland.

The partners discussed the planned expansion to increase production to 303MWe and 400MWth at the Hellisheidi plant with an engineer from Orkuveita Reykjavíkur.



Hellisheidi Geothermal Plant site visit - Iceland 2009

Islandsbanki’s Geothermal Experience

Islandsbanki’s geothermal team has played an active and visible role in the geothermal sector in recent years. While promoting the potential of geothermal energy to governments and the financial community, the geothermal team has also been involved in some large transactions in the industry.

In 2007 the bank founded the first solely geothermal energy focused investment company, Geysir Green Energy and financed the acquisition of a 32 percent share in Hitaveita Sudurnesja (now HS Orka) in the first privatisation of energy assets in Iceland. It also advised in the acquisition of a leading geothermal drilling company.

The bank provided debt financing to a North American geothermal drilling company to acquire two drilling rigs. It was involved in the acquisition of Caithness’ interest in 18 geothermal, wind and solar power generation projects by Arclight, acted as co-lead arranger in the Coso-Geothermal Holding deal and was sole participating lender in a bridge facility to the holding company.

Furthermore the bank provided bridge financing to Nevada Geothermal Power in a new product to the industry. This bridge financing allowed the company to finish the drilling campaign to reach the construction phase for a 49.5 MW project in Nevada.

Recent transactions



Activated Logic’s Geothermal Experience

Activated Logic has been actively involved in the development of numerous geothermal projects at various stages of development across the Asia Pacific region since 2008. Activated Logic has acted as a strategic advisor in relation to corporate transactions, project valuations and expansion strategies for a range of geothermal companies, including an international engineering company in the process of increasing its interest in the sector.

A recent project completed by Activated Logic involved an in-depth strategic review and the preparation of a comprehensive project development plan and budget for the commercialisation of the project, summarised in an investment grade information memorandum.

The Activated Logic research team also publishes the Australian Geothermal Index™, the world’s first benchmark composite index of geothermal focused companies listed on the Australian Securities Exchange (ASX).

In addition to corporate involvement in the geothermal sector, Activated Logic is a member of the Australian Geothermal Energy Group and a participant in relevant technical interest groups.

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