THIRD QUARTER REPORT

SEPTEMBER 30, 2014

EVOLVED ENERGY

Alter NRG provides alternative energy solutions through its wholly owned subsidiary Westinghouse Plasma Corporation. The Westinghouse Plasma Technology is the industry leader with many reference facilities, a robust commercial history and large scale solutions. The technology is able to transform all types of waste, from household waste to hazardous waste, and convert it into many different types of useful, renewable energy such as electricity, replacing higher cost fuel oil or liquefied natural gas, or even create diesel fuel or ethanol. Taking the growing problem of waste and converting it into clean energy ... THAT IS EVOLVED ENERGY.

ALTER NRG

CLEAN · EFFICIENT · ALTERNATIVE ENERGY SOLUTIONS

For the third quarter ended September 30, 2014, Alter NRG earned $6.9 million in revenues, which is an increase of 172% over the prior year's quarter and year-to date revenues of $21.2 million, which is an increase of 88.4% over the prior year. This increased revenue reflects the progress on the fabrication of the second large-scale Westinghouse Plasma Solution for the 50MW facility under construction by a leading Fortune 500 company. There are 5 facilities being constructed or recently commissioned which is more than $1 billion of total capital spending with the Westinghouse Plasma Solution as the core enabling technology. This clearly illustrates the commercial acceptance and growth potential of the Westinghouse Plasma Technology.

COMMERCIAL MILESTONES

Next Generation Large-Scale Waste-to-Energy Projects

The Westinghouse Plasma Solution at large scale (950 tonnes per day producing 50 Megawatts) is currently being commissioned and is a major commercial milestone that re-defines the waste-to-energy market with increased efficiency and lower environmental emissions than alternatives.

The second Westinghouse Plasma Solution has been ordered by the same Fortune 500 Company in advance of the first project being fully commissioned which illustrates their confidence in our technology.

These two projects represent a significant commercial milestone for the following reasons:

- **Commercial Acceptance** - Validation of the Westinghouse Plasma Solution by a well-respected Fortune 500 Company, Air Products and Chemicals Inc. ("Air Products"), has generated significant commercial interest from other companies worldwide.
- **Economies of Scale** - Scale-up of the existing Westinghouse Plasma Solution to 950 tonnes per day is meaningful to leading industrial companies and provides the economies of scale to make sense economically. This size of gasifier is significantly larger than any competitor's and attracts leading companies into the sector.
- **Increased Efficiency and Improved Environmental Performance** - Utilization of a combined cycle power configuration is considerably more efficient than incineration. This is a first-of-a-kind for waste-to-energy and represents the next generation of improved efficiency and environmental performance.

Integration with GE Turbines

The Westinghouse Plasma Solution creates syngas which is an energy rich gas that can be used in conventional turbines such as GE's fleet of gas turbines. Alter NRG has been working with GE and other customers, and GE has concluded that "GE simulated performance of a 6B.03, 7E.03, 7F.04 and a 9F.03 operating on a fuel blend composed of natural gas and syngas generated from a Westinghouse Plasma Gasification system. In all cases the Westinghouse syngas was found suitable for the GE turbines in either a blend or full load scenario."

Many areas of the world use fuel oil, or LNG as the fuel for GE turbines and this can come at a significant cost; up to $16 per MMbtu in Southeast Asia and other places. Alter NRG can replace higher priced commodities in these turbines at a fraction of the cost leaving increased profits for the owner. On October 13, 2014, Walter Howard, CEO of Alter NRG and Jeffrey Goldmeer, Gas Turbine Fuel Flex Manager of GE Power and Water jointly presented the combined solution at the Power-Gen conference in Abu Dhabi.

2014 HIGHLIGHTS

- Sales of $6.9 million which is an increase of 172% over the same period of the prior year. This revenue increase reflects the maturing business plan of Westinghouse Plasma. Currently there are five separate facilities being constructed or recently commissioned with over $1 billion of total capital spending with the Westinghouse Plasma Solution as the core enabling technology. The Westinghouse Plasma Technology continues to be the market leader in terms of reference facilities and commercial experience in next-generation waste-to-energy solutions.
- Supported commissioning efforts at the first Tees Valley project being developed by Air Products, a Fortune 500 Company, which is completing final construction and has begun commissioning of the facility. Air Products expects the first plant to be in start-up phase in late 2014 and go into commercial operation in 2015. Once operational, the facility will generate approximately 50MW of electricity from non-recyclable waste and produce enough reliable, controllable and renewable electricity to power up to 50,000 homes.
- Continued fabrication and execution on a US$21 million purchase order for Air Products for a second facility in Tees Valley, England. The second facility is on adjacent lands and of a similar size and configuration as the first facility (see pictures of both projects on pages 6 and 7). Alter NRG is approximately 86% done the fabrication efforts which will continue throughout 2014 for expected delivery before the end of 2014.
- In February 2014, the Company announced a US$15 million sale of the Westinghouse Plasma Solution in Bijie China. The project is anticipated to take 600 tonnes per day of waste and convert it into electricity. The project has now completed the majority of the detailed engineering and advanced site preparation construction. The project ran into a regulatory delay, however recently had its final public open house and is expecting final approvals in Q4, 2014. These approvals will be followed by commencement of fabrication of the Westinghouse Plasma Gasifier. This project is being advanced by Green Environmental Solutions, and this is the first of many similar projects being advanced by them in Southern China.
- Supported the commissioning of a hazardous waste destruction facility in Shanghai China being operated by GTS Energy. This reference facility is 30 tonnes per day and complements the incineration market as it turns a

Q3 2014 HIGHLIGHTS (TO NOVEMBER 5, 2014)

hazardous incinerator fly-ash (as well as other hazardous waste) into an environmentally friendly slag and provides increased energy production. In the first quarter, the Company signed a joint development and marketing agreement which provides for worldwide selling and marketing rights for the sale of turn-key waste-to-energy destruction units and Alter NRG is finalizing product specifications and marketing materials for this product. The facility has now been successfully commissioned and is actively touring customers around the reference facility, including an open house this November.

- Announced that our technology has been selected by China Everbright International Ltd. ("Everbright") for a proposed project in Nanjing China. Everbright is a leading international company in alternative energy projects, including waste-to-energy, with assets of approximately USD$6 billion. The project intends on processing 500 tonnes of waste per day, of which approximately 250 tonnes of processed waste will be gasified using the Westinghouse Plasma Technology. The project is expected to begin engineering in late 2014 and to begin construction in the latter half of 2015.
- Advanced business development efforts with Waste2Tricity supporting activities in England and Thailand. Last year, Alter NRG granted them an exclusive license in the Thailand market for US$2 million, for which they paid $1 million already and are expected to pay the remaining $1 million in December of 2014. Waste2Tricity has been developing several projects in Thailand, which are expected to enter into the engineering phase in Q4 of 2014 and a project in England, which has advanced to a concept design study. Waste2Tricity has a common shareholder with Alter NRG, Ervington Investments Limited which is a company that has Roman Abramovich as its ultimate beneficial owner.
- Wuhan Kaidi ("Kaidi") completed construction of its demonstration facility in China and the Westinghouse Plasma Solution was commissioned in 2013. The facility processes 100 tonnes per day of biomass waste and converts it into liquid fuels. Recently, Kaidi announced that it had purchased the Rentech liquids conversion technology to convert the syngas into liquid fuels which is a promising step forward for the demonstration project. Alter NRG is currently advancing technology licensing, engineering support and equipment purchase agreements with Kaidi.
- Supported business development efforts for a project in Barbados which is expected to take approximately 600 tonnes per day of the island's waste and convert it to electricity. Cahill Energy signed an agreement with the Government of Barbados on March 15, 2014 to build and operate a leading edge clean energy plant on the Caribbean island. Established to finance, build, own and operate utility-scale waste-to-energy plants in key markets, Cahill Energy plans to utilize the Westinghouse Plasma Technology to transform all kinds of waste on Barbados into clean, renewable energy. The project is expected to enter into engineering in 2014 or early 2015.
- Announced the Marc 4.5 Westinghouse Plasma torch which provides up to 40% greater overall torch efficiency when utilized in the large scale 1,000 tonnes per day Westinghouse G65 Plasma Gasifier. In addition to supporting Westinghouse Plasma waste-to-energy facilities, the newly designed torch satisfies a market demand for an efficient and clean heat source for metallurgical recycling, blast-furnaces, foundry cupolas, iron making and other industries using coal, coke, or higher cost fuels. These torches have been delivered to the Tees Valley site for commissioning.
- Continued due diligence and financing efforts related to the Company's investment options in current projects, as well as supporting developers in the late stages of development. These relationships allow for participation in the annuity cashflow of projects through a partnership structure. These relationships are favourable for the Company as it does not have to deploy the risky development capital but can participate in the project level annuity cashflow after the project has been de-risked.

In addition to the highlights above, customers around the globe continue to advance their business development efforts using the Westinghouse Plasma Solution. This includes exclusive license agreements for territories that are in advanced negotiations, as well as projects which are undertaking engineering and are in regulatory approval processes.

CORPORATE

- In February of 2014, the Company closed a financing of common shares for $5 million at a price of $2.56 per common share. The strengthened balance sheet in conjunction with the orders in late 2013 and early 2014 put the Company in a strong financial position.
- Announced the implementation of a Strategic Technology Advisory Group which includes industry experts for various market segments including conversion of syngas to liquids fuels, waste-to-energy facilities in Europe, and the use of plasma torches for industrial and metallurgical applications.
- Announced the appointment of Scott Whitney to the Board of Directors. Scott was previously the President of Covanta, Europe and brings a wealth of contacts and industry knowledge in the waste-to-energy market.

Our business is getting very exciting. With the world's largest plasma gasification facility about to commence operations in England; a new marketing relationship with the world's largest turbine manufacturer; and our maturing pipeline of projects, the Westinghouse Plasma Technology continues to re-define the waste-to-energy market. This has manifested in increased revenues and a quarter with positive cashflows from operations, which is a significant milestone in a growth company.

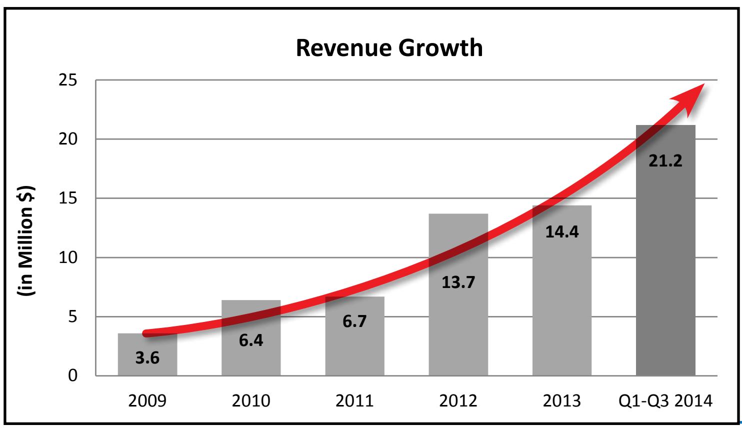
We are helping to commission the world's largest next-generation facility which provides us a reference plant that is of meaningful size and replicable around the world for waste-to-energy facilities. I would like to refer you to page 6 of this report which has a photo of the Tees Valley site and photos of our core Westinghouse Plasma Torches which have now been tested and are operational at the site in England. Although the full facility will not be operational until early next year, it is an exciting time for our Company as we eagerly await its commercial operation. To put it simply, this facility produces both more energy output and cleaner output than existing waste-to-energy solutions. It is attracting significant attention worldwide.

In October, I co-presented with GE at the Power-Gen conference in Abu-Dhabi. The presentation described how the Westinghouse Plasma Technology has the ability to replace higher price fossil fuels (like natural gas, LNG and Fuel Oil) with our syngas. The relationship with GE and having them conclude our syngas is usable in their gas turbines is something that may not be immediately valued by the capital markets, but is something that is very meaningful. GE has literally thousands of turbines operating all over the world and in many cases these operate on high cost fossil fuels like LNG, or Fuel Oil that can cost between $15 to $20 per Mmbtu. We can produce our syngas for less than $5 per Mmbtu which provides significant opportunity for any user of a GE gas turbine to lower their costs and improve profits. This is a very economical solution that also has a huge addressable market – stay tuned.

Our commercial momentum is further reinforced with having our pipeline mature, by projects advancing into engineering and also by being selected by new customers. In a recent Mayor's forum in Nanjing, China our technology was announced to have been selected by China Everbright. China Everbright is Southeast Asia's leading waste-to-energy company processing over 40,000 tonnes of waste per day and this announcement was the culmination of years of work with them to understand the benefits of our more energy efficient, cleaner solution. Combine this new customer with continued advancements from our customers including GreenWorld Energy Solution which recently obtained regulatory approvals for their project in China, the recent reference facility in Shanghai, and our customer in Barbados receiving a very attractive power offtake agreement; I hope you can understand my excitement.

We appreciate the support from our investors as we continue to develop commercial momentum through increased market penetration. I believe 2014 and 2015 will be exciting times for our shareholders as our momentum continues to increase and our growth is supported by a strong management and technical team. I am excited about the future and investors should continue to expect announcement of maturing projects, new customers and new relationships as we continue to hit significant commercial milestones.

Walter Howard, CEO
November 5, 2014

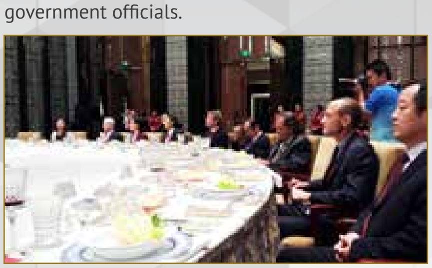


CEO
MESSAGE

Walter Howard (CEO of Alter NRG) speaking at the Gasification Technologies Conference, held in Washington, DC, from October 26-29, 2014.

Walter Howard (CEO of Alter NRG) and Richard Fish (President of Alter NRG) attended the Nanjing Mayor's International Consultative Conference, held in Nanjing, China on September 23, 2014.

Walter Howard making a presentation to government officials.



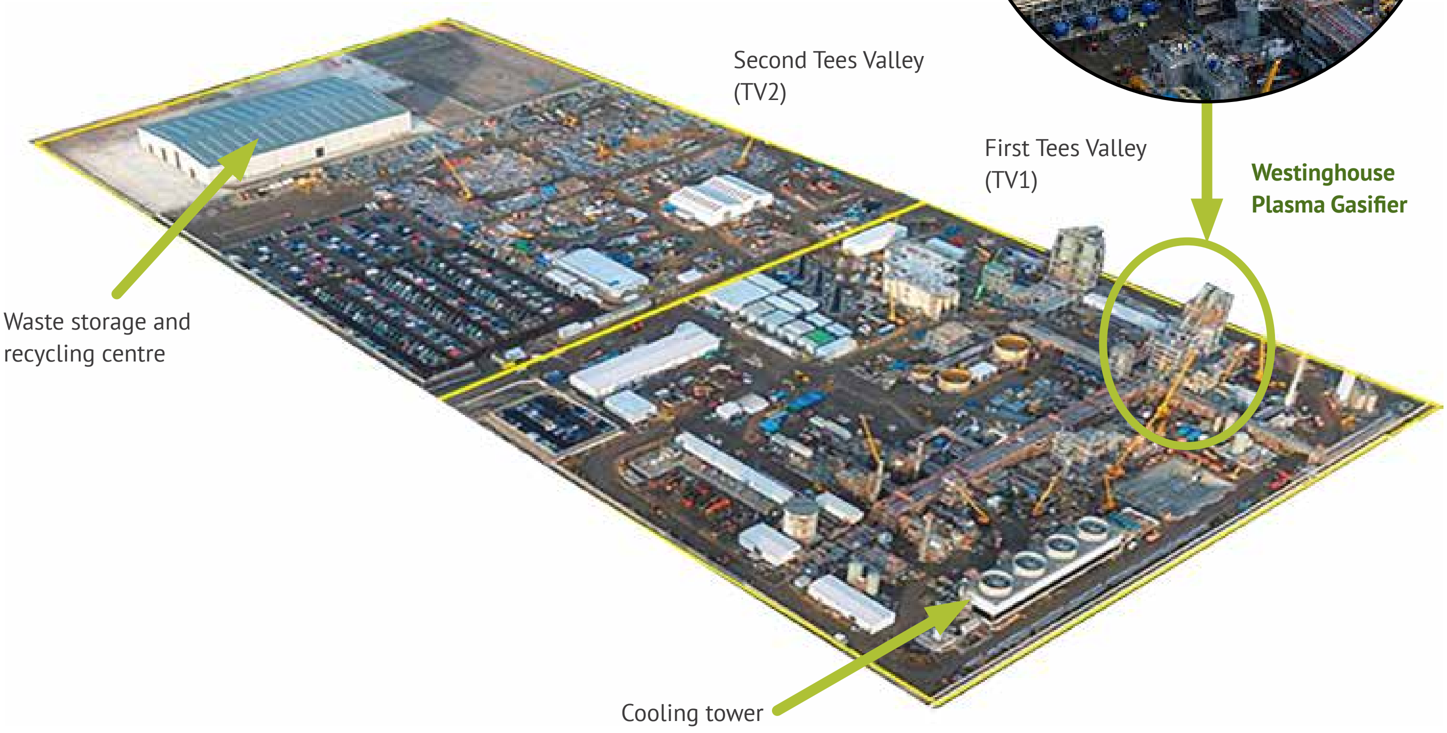
Richard Fish at the banquet.

The Mayor of Nanjing, Ruilin Miao (front row, center), Walter Howard (second row, second from left side) and Richard Fish (top row, second from right).

The Tees Valley projects are industry changing events which showcase more energy efficient and environmentally sustainable waste-to-energy solutions. The Westinghouse Plasma Technology is the core technology which enables the conversion of a waste problem into clean energy.

Air Products has selected the Westinghouse Plasma Technology and is advancing two facilities in Tees Valley, northern England. The first facility (TV1) has completed construction and is planned to be in commercial operation in early 2015. The ground breaking ceremony for the second facility (TV2) was carried out in April 2014 by Francis Maude MP, Minister for the Cabinet Office. The TV2 facility is expected to come onstream in 2016. The picture below illustrates the significant progress and activity on the site since it began active construction in 2012.

Air Products Tees Valley Sites



TEES VALLEY #1 & #2 PROGRESS

The operation of the Tees Valley #1 project will demonstrate:

1. Commercial volumes of syngas:

- 950 tonnes per day of feedstock will produce ~3.5 Million GJ/year of syngas, which can provide 50 MW of electricity
- Base load production of energy

2. Syngas that is consistently produced at the required specification:

- To ensure reliability, the syngas must consistently meet the fuel specification of the gas turbine

3. Ability to create low cost syngas from feedstocks that you get paid to process:

- A moderate tipping fee generates enough revenue to cover the operating costs to make clean syngas

TV1 and TV2 Projects Overview:

- 1,900 tonnes per day of municipal solid waste (in total)
- 100 MW (gross) electrical, base load production of energy using combined cycle power block
- World's first combined cycle waste-to-energy facility.

The photo below, is of the Westinghouse Plasma Torches being commissioned at the TV1 facility in October. Commissioning a large-scale facility is a long and methodical process, where each piece is separately tested prior to full commercial operations. The core technology being the Westinghouse Plasma torches and related power supplies have been successfully tested.

Westinghouse Plasma Gasifier at the Tees Valley 1 (TV1) facility

The Westinghouse Plasma Gasification technology is capable of processing a variety of waste materials to generate a commodity grade syngas, that can be utilized in GE turbines to displace high cost fossil fuels.

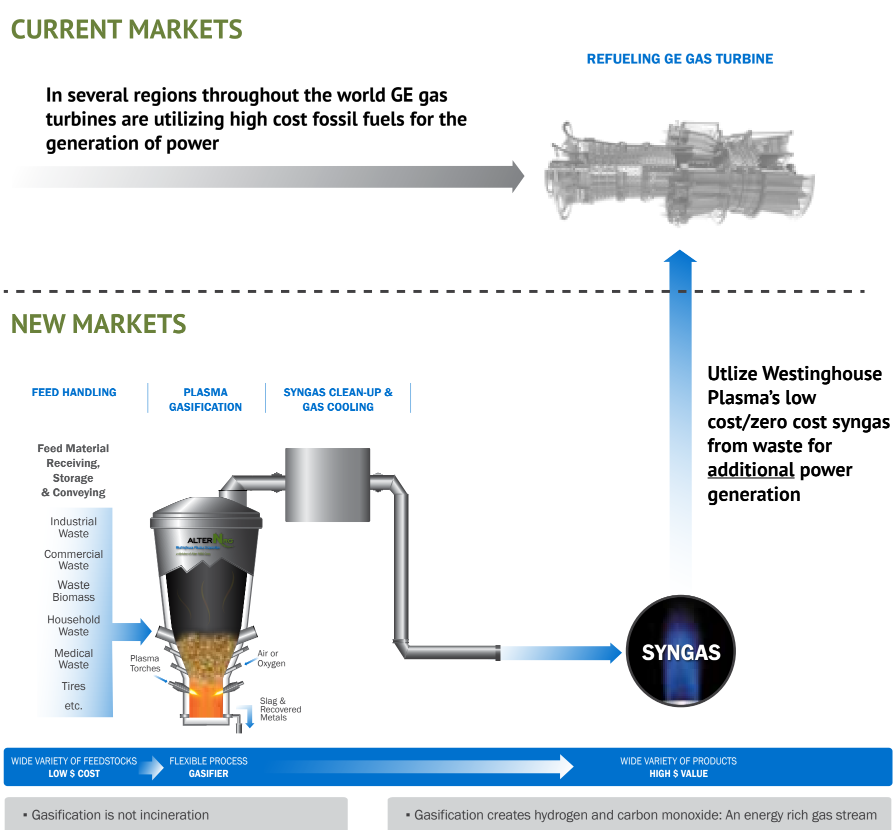
Our Westinghouse Plasma gasifier has the ability to transform 330,000 tonnes per year of waste into 650,000 barrels per year of equivalent energy that can be used to displace higher cost fossil fuels. To capitalize on this opportunity, we are working with GE, who has thousands of gas turbines deployed in target areas around the world. The results of a recently completed feasibility study, confirmed that Westinghouse Plasma gasification syngas is suitable for GE's B, E and F class turbines.

The two questions that were answered during the GE study were:

1). Can the GE turbines operate on Westinghouse Plasma gasification syngas?

2). Will the performance of the gas turbines be negatively affected by syngas?

In all cases, the study confirmed that the Westinghouse Plasma gasification syngas is suitable for GE's B, E, and F class turbines.



Currently, there are over 5,000 6, 7, and 9 series GE gas turbines operating globally that are a potential target for fuel replacement.

"GE simulated performance of a 6B.03, 7E.03, 7F.04 and a 9F.03 operating on a fuel blend composed of natural gas and syngas generated from a Westinghouse Plasma gasification system. In all cases the Westinghouse syngas was found suitable for the GE turbines in either a blend or full load scenario."

- **Jeffrey Goldmeer, Gas Turbine Fuel Flexibility Manager (GE Power & Water)**

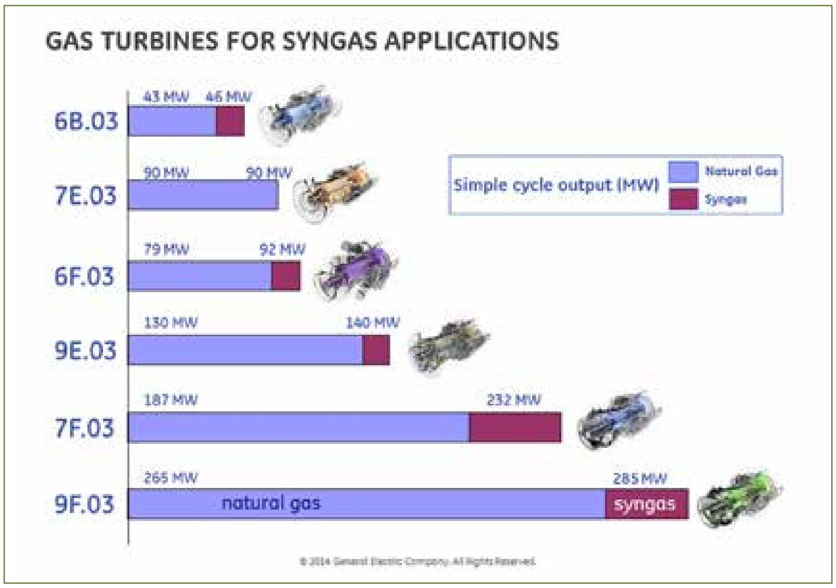
REFUELING GE GAS TURBINES WITH WESTINGHOUSE PLASMA SYNGAS

Our marketing strategy focuses on two groups:

1). Importers/consumers of high cost fuels (natural gas, oil, LNG) for the production of power. The chart (bottom left) shows the October LNG prices and illustrates the high cost of energy in many areas of the world.

2). Countries/customers that utilize native fossil fuel for the production of subsidized power (e.g. Saudi Arabia):

These countries could refine the heavy oil and sell to the international market.



The chart (on left) shows the impact of syngas operation on the capacity of GE gas turbines.

In each case, the syngas created from the Westinghouse Plasma Technology may create additional power from the same unit when compared to natural gas at ISO conditions. The Westinghouse Plasma Solution provides a significantly lower cost of energy as well as increased power output.

GLOBAL MARKET OPPORTUNITY

Source: *Waterborne Energy, Inc.* Data in $US/MMBtu
Note: Includes information and Data supplied by IHS Global Inc. and its affiliates ("IHS"); Copyright (publication year) all rights reserved. Updated September 2014

Walter Howard (CEO, Alter NRG) and Jeff Goldmeer (GE), jointly presented at the Power-Gen Middle East Conference, held in Abu Dhabi, UAE, from October 12-14, 2014 (photo below).

MANAGEMENT'S DISCUSSION & ANALYSIS

The following management's discussion and analysis ("MD&A") for Alter NRG Corp. ("Alter NRG", or the "Company"), prepared as at November 5 2014, provides a review of the Company's financial results for the three and nine months ended September 30, 2014 and consideration of future opportunities. The MD&A should be read in conjunction with the unaudited condensed consolidated financial statements and accompanying notes for the Company for the three and nine months ended September 30, 2014. The unaudited condensed consolidated financial statements, and extracts of those financial statements provided within this MD&A, were prepared in Canadian dollars and are in accordance with International Financial Reporting Standards ("IFRS"). Certain other information with respect to the Company is available on Alter NRG's website (www.alternrg.com) and in public filings available through SEDAR (www.sedar.com).

Readers are cautioned that this MD&A contains certain forward looking statements. Please see the "Forward Looking Statements" section at the end of this document for a discussion concerning the use of such information in this MD&A.

EXECUTIVE SUMMARY

The Company's focus is the Westinghouse Plasma Technology which is the worldwide leader in creating energy from waste using plasma gasification. Plasma gasification is a process that converts solid materials into an energy-rich gas using high temperatures of the plasma torches (without combustion occurring). We market and sell the Westinghouse Plasma Technology through our wholly owned subsidiary, Westinghouse Plasma Corporation ("Westinghouse Plasma"). Westinghouse Plasma is the industry leader for the treatment of all types of waste (industrial, household, commercial, hazardous, etc.) using plasma technology and converting it into useable energy such as electricity, syngas (replacement for natural gas, fuel oil or LNG), heat, steam, or liquid fuels such as diesel or ethanol.

- **Our Vision** – To provide the leading technology platform for converting the world's waste into clean energy for a healthier planet.
- **Our Mission** – As the industry leader, we will forge and dominate an industry segment that transforms current waste management practices. We build shareholder value by enabling customers to convert waste into clean energy by providing plasma gasification products, services and solutions that are innovative and environmentally friendly.

Westinghouse Plasma Technology is a commercially proven technology that is used in commercially operating facilities in Japan, India and China that have been converting different types of waste into energy; these facilities have been in operation for more than twelve years. Currently there are additional facilities under construction and being commissioned in China and England; these facilities apply to different niche markets, as well as larger scale applications. From an environmental perspective, a plasma facility will have significantly lower emissions than other alternative waste-to-energy facilities and have an overall emissions profile lower than a natural gas combined cycle power facility, which is considered the cleanest fossil fuel production. From an economic perspective waste-to-energy projects generally have strong project returns in populous areas, as the projects receive revenues from tipping fees to take the waste and then also receive revenues from the sale of energy.

Alter NRG sells the Westinghouse Plasma systems to developers and supports the developer's projects with engineering and testing for their specific application, licensing of the technology for use, sale of the gasifier and related equipment, and providing replacement parts and operations support once the system is up and running. The Company also has options to invest in projects as well as opportunities to partner with developers in late stage projects, which it intends to fund using internally generated cashflows and third party funding to provide annuity income through participation in selected projects.

COMMERCIAL MILESTONES

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OUR BUSINESS

Alter NRG provides and pursues alternative clean and renewable energy solutions through plasma gasification to meet the growing demand for clean energy in world markets.

Westinghouse Plasma has created industry leading plasma gasification technology that provides clean and renewable energy solutions. Plasma gasification can take renewable feedstocks such as household waste, commercial waste, industrial waste, hazardous waste, waste biomass, or combinations of feedstocks and turn them into syngas. The syngas can be used as a replacement to fuel oil or natural gas, or converted into ethanol, diesel fuel or electricity. This provides clean energy that has a lower carbon footprint and lower emissions of other harmful pollutants and provides affordable domestic energy sources. This is a commercially proven technology being used in facilities turning waste into energy since 2002 and the Company can take clients to reference facilities around the world, which provides a major commercial advantage.

Plasma gasification facilities are large-scale energy projects. The whole facility is generally $50 million to $500 million. The sales cycle for a project is generally three to seven years. In the initial project development stages, the Company receives engineering fees and site license fees, which are generally $1.5 million to $6 million per project. After the project receives regulatory approvals and has project financing, customers order the plasma gasifier equipment which generally would be $10 million to $50 million depending on facility size. In the Asian market, revenues are generated through licensing fees, engineering fees and plasma torch sales, which on these smaller scale projects are expected to be $2 million to $5 million per project. The Company has also signed joint marketing agreements for turn-key hazardous waste solutions where it will market complete hazardous waste solutions based on a reference facility that has recently been commissioned in Shanghai, China.

Westinghouse Plasma's project pipeline continues to mature with five facilities and over $1 billion in investment in facilities under construction, or recently commissioned. The pipeline growth reflects continued commercialization of the technology and a migration toward recognized, globally known companies with a greater ability to execute large-scale energy facilities. Projects around the world continue to do their engineering, apply for regulatory approvals and continue to actively advance. During the maturation period the revenues associated with the project pipeline are expected to be inconsistent and concentrated on the more advanced stage projects.

Westinghouse Plasma sells technology worldwide, and currently has been selected as the core technology for projects in North America, South America, European Union, Middle East and Asia Pacific. Many of these projects are being developed by Fortune 500 companies such as Air Products and other credible companies such as China Everbright, Wuhan Kaidi, SMS Infrastructures, Greenworld Energy Solutions, GTS Power Technology (Shanghai) Co. Ltd (GTS Energy), Waste2Tricity, Cahill Energy and others. The sale of our large-scale gasifier to Air Products has accelerated the pace of adoption and the Company is currently negotiating sales agreements with large, well respected companies around the world with the intention to continue to add to its customer base. The remaining projects are being developed by smaller entrepreneurial companies, the majority of which focus exclusively on building plasma gasification facilities using the Westinghouse Plasma Technology. Westinghouse Plasma intends to support the developers that have the most advanced projects and the capability to execute on their projects.

As the core technology provider of proprietary technology, Alter NRG is often able to negotiate an option to co-invest in the projects themselves, as well as the ability to participate in late development stage opportunities by bringing financial expertise and relationships with engineering companies. In most cases, the projects have strong project economics and are operated by well-respected companies. The Company intends to re-invest the cashflow from technology sales and/or find third party investment into projects with a high rate of return and that are operated by qualified companies to generate recurring revenues. As well, as the Westinghouse Plasma Solution continues to gain traction in the marketplace, companies are looking for exclusivity in certain geographic regions. Alter NRG is currently negotiating exclusive license agreements with well-respected companies, which in most cases include ongoing royalties and/or an option to co-invest to provide recurring cashflows.

Although Westinghouse Plasma is located in the United States, ongoing oversight occurs continually from the Canadian head office of Alter NRG. Financial management is entirely centralized at the Canadian head office.

CAPABILITY

Industry leading technology and market position provides Alter NRG with a competitive advantage. The Company is planning for strategic growth by increasing revenues and capitalizing on the competitive advantages of its Westinghouse Plasma Technology. The customer base continues to strengthen and the Westinghouse Plasma Technology is actively sought out by well-respected companies worldwide. Management believes it has hit a commercial milestone with two large sales to a Fortune 500 Company, which will allow the Company to increase the frequency and magnitude of signing additional commercial contracts in the next 6 to 18 months.

Management is developing new sustainable energy solutions which is a long-term process and recognizes that the Company must generate positive cash flows. The Company is increasing revenues year over year but continues to report operating losses with an accumulated deficit at September 30, 2014 of $121 million. On February 10, 2014, Alter NRG closed a $5.0 million financing which it believes provides a solid foundation for future growth and the working capital to maintain active operations for the foreseeable future.

INCOME STATEMENT AND CASH FLOW

	For the three months ended September 30			For the nine months ended September 30		
(Canadian dollars)	**2014**	2013	2012	**2014**	2013	2012
Total revenues	**$ 6,886,163**	$ 2,527,704	$ 3,214,980	**$ 21,170,055**	$ 11,237,133	$ 8,566,721
Cost of sales	**4,455,872**	988,367	2,688,915	**16,400,446**	8,501,542	6,647,429
General, administration, selling and distribution expenses	**2,328,941**	2,402,701	1,681,023	**7,272,903**	6,928,912	6,385,079
Share-based payments	**139,527**	437,140	169,200	**756,584**	751,468	402,854
Depreciation and amortization	**601,433**	603,589	586,799	**4,307,919**	1,785,353	1,757,516
Foreign exchange gain (loss)	**329,731**	(268,932)	434,798	**696,826**	400,518	(409,041)
Other Income	**6,749**	23	309,022	**18,083**	48,873	363,197
Share of loss from associate	**-**	1,266,430	85,717	**-**	1,906,264	85,717
Impairment on assets held for sale	**50,000**	1,174,766	-	**550,000**	1,174,766	-
Loss before tax from continuing operations	**340,903**	4,603,643	2,124,270	**7,375,246**	9,309,036	6,808,634
Loss from continuing operations	**251,774**	4,449,633	1,976,665	**7,019,651**	8,853,767	6,367,306
Loss from discontinued operations	-	-	65,738	**-**	-	668,651
Gain on sale from discontinued operations	**-**	-	354,503	**-**	-	354,503
Total comprehensive income (loss)	**857,386**	(4,735,280)	(2,240,564)	**(6,121,900)**	(8,352,300)	(7,267,778)
Loss per share – basic and diluted	**(0.01)**	(0.17)	(0.13)	**(0.25)**	(0.35)	(0.40)
Cash (used in) provided by operations	**$ (4,085,958)**	$ (3,146,145)	$ 469,394	**$ (3,502,622)**	$ (13,642,934)	$ 337,354

STATEMENT OF FINANCIAL POSITION

As at September 30	**2014**	2013	2012
Total assets	**$ 60,531,652**	$ 55,712,073	$ 64,151,840
Total liabilities	**25,116,769**	18,442,298	25,809,145
Shareholders' equity	**$ 35,414,883**	$ 37,269,775	$ 38,342,695

OVERALL PERFORMANCE

Plasma sales and services

For the third quarter of 2014, total revenues of $6.9 million were $4.4 million or 172% higher than the same quarter of 2013. Gross margins were 35% and 23% for the three and nine months ended September 30, 2014 compared to 61% and 24% for the same period in 2013. The higher margin for the comparable three months in 2013 was attributable to approved contract change orders. The margins in the third quarter of 2014 include a recovery of prior year costs associated with the first Tees Valley facility that has resulted in a higher gross margin year to date. Now that the first large scale gasification solution has been delivered all associated costs have been identified and margins on future projects are expected to increase.

For the three and nine months ended September 30, 2014 general expenses, which include general and administration and selling and distribution costs, remained relatively constant at $2.3 million and $7.3 million compared to $2.4 million and $6.9 million for the three and nine months ended September 30, 2013. Management continues to monitor expenses and believes that the expenses are scalable whereby we can have significant increases to revenues without significant increases to the general and administrative cost structure. Management believes they have a strong team of people focused on continuing to grow revenue and cashflows going forward.

2014 HIGHLIGHTS

- Sales of $6.9 million which is an increase of 172% over the same period of the prior year. This revenue increase reflects the maturing business plan of Westinghouse Plasma. Currently there are five separate facilities being constructed or recently commissioned with over $1 billion of total capital spending with the Westinghouse Plasma Solution as the core enabling technology. The Westinghouse Plasma Technology continues to be the market leader in terms of reference facilities and commercial experience in next-generation waste-to-energy solutions.
- Supported commissioning efforts at the first Tees Valley project being developed by Air Products, a Fortune 500 Company, which is completing final construction and has begun commissioning of the facility. Air Products expects the first plant to be in start-up phase in late 2014 and go into commercial operation in 2015. Once operational, the facility will generate approximately 50MW of electricity from non-recyclable waste and produce enough reliable, controllable and renewable electricity to power up to 50,000 homes.
- Continued fabrication and execution on a US$21 million purchase order for Air Products for a second facility in Tees Valley, England. The second facility is on adjacent lands and of a similar size and configuration as the first facility (see pictures of both projects on pages 6 and 7). Alter NRG is approximately 86% done the fabrication efforts which will continue throughout 2014 for expected delivery before the end of 2014.
- In February 2014, the Company announced a US$15 million sale of the Westinghouse Plasma Solution in Bijie China. The project is anticipated to take 600 tonnes per day of waste and convert it into electricity. The project has now completed the majority of the detailed engineering and advanced site preparation construction. The project ran into a regulatory delay, however recently had its final public open house and is expecting final approvals in Q4, 2014. These approvals will be followed by commencement of fabrication of the Westinghouse Plasma Gasifier. This project is being advanced by Green Environmental Solutions, and this is the first of many similar projects being advanced by them in Southern China.
- Supported the commissioning of a hazardous waste destruction facility in Shanghai China being operated by GTS Energy. This reference facility is 30 tonnes per day and complements the incineration market as it turns a hazardous incinerator fly-ash (as well as other hazardous waste) into an environmentally friendly slag and provides increased energy production. In the first quarter, the Company signed a joint development and marketing agreement which provides for worldwide selling and marketing rights for the sale of turn-key waste-to-energy destruction units and Alter NRG is finalizing product specifications and marketing materials for this product. The facility has now been successfully commissioned and is actively touring customers around the reference facility, including an open house this November.
- Announced that our technology has been selected by China Everbright International Ltd. ("Everbright") for a proposed project in Nanjing China. Everbright is a leading international company in alternative energy projects, including waste-to-energy, with assets of approximately USD$6 billion. The project intends on processing 500 tonnes of waste per day, of which approximately 250 tonnes of processed waste will be gasified using the Westinghouse Plasma Technology. The project is expected to begin engineering in late 2014 and to begin construction in the latter half of 2015.

- Advanced business development efforts with Waste2Tricity supporting activities in England and Thailand. Last year, Alter NRG granted them an exclusive license in the Thailand market for US$2 million, for which they paid $1 million already and are expected to pay the remaining $1 million in December of 2014. Waste2Tricity has been developing several projects in Thailand, which are expected to enter into the engineering phase in Q4 of 2014 and a project in England, which has advanced to a concept design study. Waste2Tricity has a common shareholder with Alter NRG, Ervington Investments Limited which is a company that has Roman Abramovich as its ultimate beneficial owner.
- Wuhan Kaidi ("Kaidi") completed construction of its demonstration facility in China and the Westinghouse Plasma Solution was commissioned in 2013. The facility processes 100 tonnes per day of biomass waste and converts it into liquid fuels. Recently, Kaidi announced that it had purchased the Rentech liquids conversion technology to convert the syngas into liquid fuels which is a promising step forward for the demonstration project. Alter NRG is currently advancing technology licensing, engineering support and equipment purchase agreements with Kaidi.
- Supported business development efforts for a project in Barbados which is expected to take approximately 600 tonnes per day of the island's waste and convert it to electricity. Cahill Energy signed an agreement with the Government of Barbados on March 15, 2014 to build and operate a leading edge clean energy plant on the Caribbean island. Established to finance, build, own and operate utility-scale waste-to-energy plants in key markets, Cahill Energy plans to utilize the Westinghouse Plasma Technology to transform all kinds of waste on Barbados into clean, renewable energy. The project is expected to enter into engineering in 2014 or early 2015.
- Announced the Marc 4.5 Westinghouse Plasma torch which provides up to 40% greater overall torch efficiency when utilized in the large scale 1,000 tonnes per day Westinghouse G65 Plasma Gasifier. In addition to supporting Westinghouse Plasma waste-to-energy facilities, the newly designed torch satisfies a market demand for an efficient and clean heat source for metallurgical recycling, blast-furnaces, foundry cupolas, iron making and other industries using coal, coke, or higher cost fuels. These torches have been delivered to the Tees Valley site for commissioning.
- Continued due diligence and financing efforts related to the Company's investment options in current projects, as well as supporting developers in the late stages of development. These relationships allow for participation in the annuity cashflow of projects through a partnership structure. These relationships are favourable for the Company as it does not have to deploy the risky development capital but can participate in the project level annuity cashflow after the project has been de-risked.

In addition to the highlights above, customers around the globe continue to advance their business development efforts using the Westinghouse Plasma Solution. This includes exclusive license agreements for territories that are in advanced negotiations, as well as projects which are undertaking engineering and are in regulatory approval processes.

CORPORATE

- In February of 2014, the Company closed a financing of common shares for $5 million at a price of $2.56 per common share. The strengthened balance sheet in conjunction with the orders in late 2013 and early 2014 put the Company in a strong financial position.
- Announced the implementation of a Strategic Advisory Group which includes industry experts for various market segments including conversion of syngas to liquids fuels, waste-to-energy facilities in Europe, and the use of plasma torches for industrial and metallurgical applications.
- Announced the appointment of Scott Whitney to the Board of Directors. Scott was previously the President of Covanta, Europe and brings a wealth of contacts and industry knowledge in the waste-to-energy market.

QUARTERLY INFORMATION

	2014			2013				2012
(Canadian dollars)	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales	**$ 6,886,163**	$ 8,096,191	$ 6,187,701	$ 3,199,262	$ 2,527,704	$ 4,343,618	$ 4,365,811	$ 5,143,022
Cost of sales	**4,455,872**	6,493,007	5,451,566	2,966,978	988,367	3,837,021	3,676,255	5,385,767
Gain on sale of assets	**-**	-	-	275,000	-	-	-	-
Write down of inventory	**-**	-	-	-	-	-	-	102,452
(Loss) gain on revaluation of assets held for sale, continuing operations	**(50,000)**	(700,000)	200,000	(200,000)	(1,174,766)	-	-	(1,402,677)
Loss from operations	**(251,774)**	(5,015,418)	(1,752,460)	(2,081,008)	(4,449,633)	(2,644,906)	(1,759,229)	(4,343,723)
Loss on sale of discontinued operations	**-**	-	-	-	-	-	-	81,849
Loss per share - basic and diluted	**(0.01)**	(0.21)	(0.07)	(0.07)	(0.17)	(0.10)	(0.08)	(0.25)
Capital expenditures	**101,282**	207,972	26,859	55,752	138,548	155,387	119,563	48,925
Total assets	**$ 60,531,652**	$ 58,506,441	$ 67,186,085	**$** 56,944,155	$ 55,712,073	$ 62,814,126	$ 66,475,554	$ 57,566,565

Equipment revenues for three and nine months ended September 30, 2014 are primarily attributable to the sale of the second large scale gasification solution to Air Products and have been recognized using the percentage of completion method. The Company continues to pursue long-term stable revenue streams with sales of the gasification technology, including licensing, engineering and testing to achieve equipment sales.

Alter NRG continues to record net losses as management works to secure plasma sales with long sales cycles and continues to build the reputation of Westinghouse Plasma Technology. With a concerted effort, general expenses continue to be monitored and maintained at consistent levels while growing revenues. The Company had positive cashflow from operations (before working capital changes) and positive total comprehensive income in the third quarter.

SALES AND DIRECT COSTS

	For the three months ended September 30		For the nine months ended September 30	
	2014	2013	**2014**	2013
Revenue				
Equipment sales	**$ 5,242,660**	$ 1,551,415	**$ 18,540,365**	$ 9,541,396
Engineering and testing services	**452,089**	866,047	**843,050**	1,211,398
Licensing fees	**27,325**	-	**27,325**	50,000
Parts and other sales	**1,164,089**	110,242	**1,759,315**	434,339
	$ 6,886,163	$ 2,527,704	**$ 21,170,055**	$ 11,237,133
Direct cost of sales				
Equipment sales	**$ 3,587,774**	$ 665,438	**$ 14,949,691**	$ 7,831,207
Engineering and services	**397,134**	217,421	**628,786**	421,075
Licensing fees	**-**	-	**-**	522
Parts and other sales	**470,964**	105,508	**821,969**	248,838
	$ 4,455,872	$ 988,367	**$ 16,400,446**	$ 8,501,642
Gross margin	**$ 2,430,291**	$ 1,539,337	**$ 4,769,609**	$ 2,735,491

Revenues for three and nine months ended September 30, 2014 were $6.9 million and $21.2 million, which is an increase of 172% and 88%, compared to the three and nine months ended September 30, 2013. The majority of revenues are from equipment sales, in particular from the order for the second Tees Valley renewable energy facility which intends to take 950 tonnes of household waste and convert it into 50 MW of electricity; this project was 86% complete at September 30, 2014. Other revenues were from engineering, and testing services and parts sales. In February of 2014, the Company signed agreements for licensing, engineering and equipment for a total of $15 million with GreenWorld Energy Solutions, advancing a project in Bijie, China. The engineering is 81% complete as at September 30, 2014; the final purchase order for the equipment is expected in the fourth quarter of 2014, once final government approvals are obtained.

Direct costs of sales (costs relating to direct labour, materials and expenditures for products sold and services provided) were $4.5 million and $16.4 million respectively, for the three and nine months ended September 30, 2014. Margins for the three and nine months ended September 30, 2014 were 35% and 23%, as compared to 61% and 24% for the same periods of 2013. The higher margin for the three months in 2013 was attributable to approved contract change orders. The margins in the third quarter of 2014 include a recovery of prior year costs associated with the first Tees Valley facility that has resulted in a higher gross margin year to date. Now that the first large scale gasification solution has been delivered all associated costs have been identified and margins on future projects are expected to increase.

Engineering and testing services may lead to plasma gasification equipment orders which are larger transaction sizes of $10 million to $50 million per project or in the Asian market, where the project scope is smaller, with revenues of $2 million to $5 million. Alter NRG has devoted significant efforts into expanding its product offering through completing engineering studies and product design enhancements required to construct the plasma gasification island. The Company works with project developers worldwide in the early stages of planning and developing plasma gasification projects. Engineering services are required in the preliminary planning phase and equipment is ordered only after a project has received regulatory approval and project financing, thus these sales have a long lead-time. The number of proposed projects around the world is increasing and the pipeline continues to grow with larger companies that have the financial strength and development capability to execute upon projects.

Since the Company purchased Westinghouse Plasma it has increased its number of customers. Key customers advancing commercial projects include Air Products, China Everbright, GreenWorld Energy Solutions, GTS Energy, Wuhan Kaidi, Waste2Tricity, SMS Infrastructures, and Cahill Energy which are all companies that we believe, have the ability to execute. Other projects are being advanced by companies, many of which focus exclusively on developing facilities using the Westinghouse Plasma Technology.

GENERAL EXPENSES

	For the three months ended September 30		For the nine months ended September 30	
	2014	2013	**2014**	2013
General and administrative	**$ 1,539,116**	$ 1,652,487	**$ 4,593,714**	$ 4,854,951
Selling and distribution	**789,825**	750,214	**2,679,189**	2,073,961
Total	**$ 2,328,941**	$ 2,402,701	**$ 7,272,903**	$ 6,928,912

Total general expenses, including general and administrative and selling and distribution costs for the three and nine months ended September 30, 2014 remained relatively constant at $2.3 million and 7.3 million compared to $2.4 million and $6.9 million for the three and nine months ended September 30, 2013. The Company continues to focus on key areas to support sales growth whilst achieving operational efficiencies where possible. Sales and marketing efforts have been focused on near-term opportunities and reflect the world wide nature of the Company's market.

Employee costs account for approximately 50% of the total general expenses for the three months ended September 30, 2014, as compared to 49% for the same period of 2013. For the nine months ended September 30, 2014, employee costs account for approximately 50% of the total general expenses compared to 49% for the same period of 2013. At September 30, 2014, the team included 34 full time employees, which is a slight increase from the prior year.

Headcount by department is as follows:

As at September 30	**2014**	2013
Engineering and operations	**15**	16
Sales and marketing	**9**	8
Finance and corporate development	**6**	5
Human resources, information technology and administration	**4**	3
Total	**34**	32

GENERAL AND ADMINISTRATIVE EXPENSES

	For the three months ended September 30		For the nine months ended September 30	
	2014	2013	**2014**	2013
Employee costs, net of recoveries	**$ 735,129**	$ 828,868	**$ 2,139,483**	$ 2,487,981
Office and operating costs	**352,454**	464,242	**1,145,221**	1,126,344
Professional and consulting fees	**243,772**	225,539	**627,041**	747,275
Travel costs	**81,869**	47,353	**289,137**	198,536
Other costs	**125,892**	86,485	**392,832**	294,815
Total	**$ 1,539,116**	$ 1,652,487	**$ 4,593,714**	$ 4,854,951

- Employee costs decreased by approximately $0.1 million for the three months and approximately $0.3 million for the nine months ended September 30, 2014 due to the movement of certain engineering salaries to the sales department.
- Office and operating costs for the three months ended September 30, decreased by approximately $0.1 million due continuing efforts to find efficiencies throughout the organization. The increase in office and operating costs over the nine months ended September 30 is due to a one time increase in leasehold operating costs related to the Calgary office relocation.
- Professional and consulting fees for the nine months ended September 30, 2014 decreased by approximately $0.1 million from the same period of 2013, as a result of continuing efforts to reduce external consulting fees.
- Travel costs for the three and nine months ended September 30, 2014 increased by less than $0.1 million. The increased costs were a result of the annual investor open house being hosted in the United Kingdom, instead of the United States as in previous years. Holding the open house in Tees Valley England gave investors, customers, engineering companies, government officials and other stakeholders the opportunity to see firsthand the scale of the two Air Products projects.
- Other costs include information technology costs and corporate governance costs such as financial reporting costs and board of directors' fees. Other costs for the three and nine months ended September 30, 2014 increased by less than $0.1 million due to increased director fees and investor relations services in 2014.

SELLING AND DISTRIBUTION EXPENSES

	For the three months ended September 30		For the nine months ended September 30	
	2014	2013	**2014**	2013
Employee costs	**$ 426,118**	$ 359,431	**$ 1,509,943**	$ 883,651
Professional and consulting	**101,586**	136,449	**306,057**	455,158
Travel	**241,857**	248,063	**805,995**	713,552
Advertising	**15,509**	1,115	**40,921**	12,435
Other	**4,755**	5,156	**16,273**	9,165
Total	**$ 789,825**	$ 750,214	**$ 2,679,189**	$ 2,073,961

- Employee costs for the three months ended September 30, 2014 increased slightly from the prior year as a result of the reclassification of certain employees. For the nine months ended September 30, 2014 the increase of approximately $0.6 million is a result of the reclassification of certain employees, combined with merit and commission increases for 2014.
- Professional and consulting expenses for the three months ended September 30, 2014 are consistent with those of the same period of 2013. For the nine months ended September 30, 2014 the professional and consulting fees decreased by approximately $0.1 million as a result of continuing efforts to reduce external consulting fees.
- Travel costs for the nine months ended September 30, 2014 increased by approximately $0.1 million resulting from efforts aimed at increasing sales opportunities and continued business opportunities focused in SE Asia and Europe

SHARE BASED PAYMENTS

Total share based payments for three months ended September 2014, was approximately $0.1 million, which is 68% lower than the three months ended September 30, 2013. The decrease is due to the fact that there were minimal stock options granted during the third quarter of 2014. Total share based payments for the nine months ended September 30, 2014 was approximately $0.8 million and is consistent with the comparable period in 2014.

DEPRECIATION AND AMORTIZATION

	For the three months ended September 30		For the nine months ended September 30	
	2014	2013	**2014**	2013
Depreciation	**$ 45,582**	$ 69,028	**$ 2,636,821**	$ 201,181
Amortization	**555,851**	534,561	**1,671,098**	1,584,172
Total	**$ 601,433**	$ 603,589	**$ 4,307,919**	$ 1,785,353

Depreciation for the three months ended September 30, 2014 is consistent with the previous period. Depreciation for the nine months ended September 2014 increased by $2.5 million for the nine months ended compared to the same periods in 2013 due to taking accelerated depreciation in the second quarter of 2014. During the second quarter of 2014, the Company decided to relocate the operations of Westinghouse Plasma in 2015. Certain assets will not be moved to the new location; with the increase in commercially operating facilities a full pilot facility is no longer required to support sales efforts. As such, the Company reviewed the remaining economic lives of these assets and determined that these assets should be recorded at their salvage value. The effect of this change was to increase depreciation expense by $2.3 million. This estimate may be revised as further information is available. All assets in use are being depreciated at their useful lives.

Amortization totaled approximately $0.6 million and $1.7 million, respectively for the three and nine months ended September 30, 2014 (2013 - $0.5 million and 1.6 million, respectively) on acquired intangible assets and internally generated intangible assets, which are being amortized on a straight line basis over their estimated useful lives.

- Acquired intangible assets consists of assets acquired through the purchase of the Westinghouse Plasma US subsidiary in 2007. For the three and nine months ended September 30, 2014, amortization on these assets totaled approximately $0.4 million and $1.2 million respectively (2013 - $0.4 million and $1.1 million, respectively). The US subsidiary intangible assets have an estimated useful life of thirty years.
- Internally generated intangible assets are costs spent on design and development of plasma technology. Amortization of completed internally generated intangible assets for the three and nine months ended September 30, 2014 amounted to approximately $0.2 million and $0.5 million respectively (2013 - $0.1 million and $0.5 million respectively). These intangible assets are being amortized over an estimated useful life of ten years.

FOREIGN EXCHANGE LOSS (GAIN)

For the three and nine months ended September 30, 2014, the foreign exchange gain (loss) was $0.3 million and ($0.7) million as compared to ($0.3) million and ($0.4) million for the same periods of 2013. This difference is the result of the fluctuating Canadian dollar during the period and relates to US denominated revenue and supply contracts, as well as intercompany advances which eliminate upon consolidation. US dollar denominated balances are revalued at the exchange rate as of the reporting period date, and transactions during the period are revalued at the average rate for the period.

ASSETS HELD FOR SALE

On July 26, 2012, the Company completed the acquisition of 10,000,000 shares in SustainCo. Inc. (formerly Bellair Ventures Inc.) ("SustainCo") as a part of the sale agreement for CleanEnergy. On July 26, 2012, the Company's ownership in SustainCo was 58%. On December 5, 2012, SustainCo issued shares to acquire Urban Mechanical Ltd. which resulted in a dilution of ownership to 37%. On January 15, 2013, SustainCo finalized a private placement of shares for $1,267,246, which resulted in a further dilution of ownership to 34%.

On September 13, 2013, the Company filed a notice of intention to sell its 10,000,000 shares of SustainCo. In prior reporting periods, the Investment in Associate was accounted for using the equity method. As the Company intends to sell the investment within 12 months, the investment has been reclassified to current assets held for sale.

Investment, December 31, 2012	$	4,581,030
Share of loss from associate		(1,906,264)
Investment, September 30, 2013		2,674,766
Share of loss from associate		(1,174,766)
Loss on revaluation of assets held for sale		(200,000)
Assets held for sale, December 31, 2013	$	1,300,000
Loss on revaluation of assets held for sale		(550,000)
Assets held for sale, September 30, 2014	**$**	**750,000**

INCOME TAXES

		For the three months ended September 30				For the nine months ended September 30		
		2014		2013		**2014**		2013
Deferred income tax liability	**$**	**14,973,483**	$	14,385,326	**$**	**14,973,483**	$	14,385,326
Current income tax expense		**(72,340)**		-		**(131,123)**		-
Provision for deferred income tax recovery		**161,469**		154,010		**486,718**		455,269
Deferred income tax benefit		**-**		-		**-**		-

The deferred income tax liability relates predominately to the difference between the accounting and tax treatment of the intangible assets acquired from Westinghouse Plasma in 2007. This is not a statutory liability and would only be realized if the Company sold the acquired intangible assets for their carrying amount. The provision for income tax recovery arises as the intangible assets are amortized and the difference between the accounting and tax basis is reduced.

The Company has unused deductions for tax purposes, primarily non-capital losses, for which a deferred income tax benefit is not recorded due to lack of certainty regarding realization of this benefit.

LOSS FROM OPERATIONS

The Company continues to incur losses as it continues to build revenue and execute on its strategic plan. The accumulated deficit at September 30, 2014 was $121 million. For three months ended September 30, 2014, the Company recorded revenues of approximately $6.9 million as compared to approximately $2.5 million for of the same period of 2013. The loss before tax for the three and nine months ended September 30, 2014 was approximately $0.3 million and $7.4 million respectively (2013 - $4.6 million and $9.3 million respectively). Even though the business earns positive margins, the total revenue and gross profits are not enough to cover the costs of overhead for administration, selling and distribution at this time. The Company continues to focus on increasing revenues through leveraging its industry leading Westinghouse Plasma Technology and managing costs to be aligned with the revenue base.

Management believes that the business can increase revenues as the Westinghouse Plasma Technology strengthens its reputation as projects progress into the construction phase. The plasma gasification business consists of large dollar sales transactions that have a long-term sales cycle. There are many projects being advanced around the world using the Company's plasma solution that are expected to proceed into the construction phase. Profitability is expected to be achieved as equipment orders are fulfilled and subsequent orders obtained. As well, as the technology matures, customers are seeking exclusivity in regions around the world. License fees for this exclusivity is additive to engineering, testing and equipment revenues and management believes this will accelerate profitability. The Company is working with customers on projects in North America, South America, European Union, Middle East and Asia Pacific. Other potential sales are also possible around the world, however large scale waste-to-energy facilities have inherent risks of delay or being cancelled (see the Business Conditions and Risks section).

LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital balance is approximately $10.6 million at September 30, 2014, an increase of $2.6 million from the balance at December 31, 2013. Working capital provides funds for the Company to meet its operational and capital requirements. On February 10, 2014, the Company raised an additional $5 million in equity which provides additional financial strength.

Management believes that increases in revenues will provide the necessary capital to fund operations as the plasma gasification orders are large scale sales and do not tie up working capital for significant amounts of time. Delays in revenues, diminished project profit margins or higher than expected expenses could result in the need to raise additional working capital. At September 30, 2014, the Company has approximately $0.6 million in restricted cash against letters of credit and the Company's credit cards and carries a deferred revenue balance of less than $0.1 million primarily for project work in process that has been paid in advance by the customer.

CAPITAL EXPENDITURES

	For the three months ended September 30		For the nine months ended September 30	
	2014	2013	**2014**	2013
Property, plant and equipment	**$ 6,537**	$ 18,380	**$ 199,059**	$ 79,227
Internally generated intangible assets	**94,745**	120,168	**129,178**	334,271
Total capital expenditures	**$ 101,282**	$ 138,548	**$ 328,237**	$ 413,498

For the nine months ended September 30, 2014 expenditures on property, plant and equipment have slightly increased due to minimal expenditures related to the Calgary office move. Internally generated intangible asset expenditures consist of internal project development work on the Company's plasma gasification solutions, and reflect the technology modifications that Company engaged in to increase the global marketability of the technology.

EQUITY

The authorized share capital of the Company consists of an unlimited number of common shares. On February 10, 2014 there were 1,953,125 new common shares issued at a price of $2.56 for a total investment of $5 million.

As at September 30, 2014, the Company had 28,236,979 common shares issued and outstanding and 2,081,781 stock options issued and outstanding, of which 1,579,668 were vested.

On January 9, 2014, the Company granted to certain directors, officers and employees 348,602 stock options at an exercise price of $3.12 per share, which are exercisable for a period of five years.

On August 19, 2014, the Company granted certain employees 6,250 stock options at an exercise price of $2.62 per share, which are exercisable for a period of five years.

On September 15, 2014 the Company granted certain employees 5,000 stock options at an exercise price of $2.71 per share, which are exercisable for a period of five years.

On June 13, 2014, the shareholders of the Company approved a special resolution for the consolidation of the issued and outstanding Common Shares of the Company on the basis of four (4) existing Common Shares for one (1) new Common Share. On June 26, 2014 the Company executed the four (4) for one (1) common share consolidation which reduced the number of outstanding shares from 112,837,908 to 28,209,479.

OUTLOOK

During 2014, the Company expects that plasma projects advancing, using the Westinghouse Plasma Technology, will contribute directly to increased revenues. Further gasification orders could make the Company cash flow positive and the Company is actively supporting near-term opportunities. Management is committed to capitalizing on revenue generating opportunities and focusing on the short term goals that deliver short-term cash flow.

Cash used in operations for the three and nine months ended September 30, 2014 was $4.1 million and $3.5 million respectively compared to $3.2 million and $13.7 million for the same periods of 2013. Cash provided by operations is expected to continue to improve as the Company secures plasma equipment sales contracts and license revenue and reduces costs. The timing of these cash flows is a function of sales timing, type and margin and can be affected by various operating issues as outlined further in the "Business Conditions and Risks" section.

RELATED PARTY TRANSACTIONS

The Company transacts with related parties in the normal course of business. The transactions are measured at the exchange amount, which is equivalent to the market rate. During the three and nine months ended September 30, 2014, the Company incurred corporate legal fees totaling approximately $7,876 and $138,134 respectively (2013 – $36,784 and $173,324, respectively) with a legal firm of which one officer of the Company is a partner. At September 30, 2014, $7,639 (2013 - $31,562) was owed to the legal firm. These fees are included in general and administrative expenses in the condensed consolidated statement of comprehensive loss.

OFF-BALANCE SHEET ARRANGEMENTS

As at September 30, 2014 and 2013, the Company did not have any off-balance sheet arrangements.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities and lease obligations. Due to the short term nature of these financial assets and liabilities, the carrying values equal the fair values. The Company however, remains exposed to various risks associated with financial instruments including credit risk, foreign currency risk, interest rate risk and liquidity risk. The Company did not hold or issue any derivative financial instruments during the three months ended September 30, 2014 or 2013.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's audited consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date and the reported amounts of revenue and expenses for the periods presented. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Anticipating future events involves uncertainty and consequently the estimates used by management in the preparation of the audited consolidated financial statements may change as future events unfold, additional experience is acquired or the Company's operating environment changes. The key sources of estimation uncertainty for the three and nine months ended September 30, 2014 are consistent with those disclosed in the December 31, 2013 audited consolidated financial statements, other than the estimated useful lives of certain property, plant and equipment as referenced in the Depreciation and Amortization section of this report, as well as in NOTE 6 of the financial statements.

BUSINESS CONDITIONS AND RISKS

The business of Alter NRG is subject to certain risks and uncertainties. Prior to making any investment decision regarding Alter NRG investors should carefully consider, among other things, the risks described herein including the risks and uncertainties listed in the Forward-Looking Statements section below and the risk factors set forth in the most recently filed Annual Information Form of the Company which is incorporated by reference.

The Annual Information Form is available through the internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR), which can be accessed at www.sedar.com. Copies of the Annual Information Form may be obtained by request, at no charge, by contacting Alter NRG Corp., Suite 460, 227 – 11th Avenue S.W., Calgary, Alberta, T2R 1R9, or by contacting Investor Relations at (403) 214-4235 or by facsimile at (403) 806-3721.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company has established disclosure controls and procedures to ensure the timely and accurate preparation of financial and other reports. Disclosure controls and procedures are designed to provide reasonable assurance that material information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to the appropriate members of management and properly reflected in the Company's filings. The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") oversaw the evaluation and implementation process and have concluded that the design and operation of disclosure controls and procedures are adequate and effective in ensuring that the information required to be disclosed under applicable securities laws is accurate and complete and filed within the time period required.

The Company's CEO and CFO evaluated the design and implementation of internal controls over financial reporting and have concluded that these controls are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards.

It should be noted that the Company's CEO and CFO recognize that all internal controls systems, no matter how well designed, have inherent limitations and therefore have concluded that these systems provide reasonable, but not absolute assurance, that the financial information is accurate and complete in all material respects. Any control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

During the three months ended September 30, 2014 the Company did not make any significant changes to its internal controls over financial reporting that would have materially affected, or would likely materially affect, the effectiveness of such controls.

The MD&A and Financial Statements are reviewed by the Audit Committee of the Board of Directors which is charged with oversight of financial reporting, disclosure and regulatory filing compliance. Once approved by the Audit Committee, the MD&A and Financial Statements are presented to and approved by the Board of Directors.

FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A are "forward-looking statements". In particular, this MD&A contains forward-looking statements pertaining to capital expenditures, schedules and commencement of operations of existing projects and projects under development; availability of project financing; timing of sales; industry trends; factors influencing capital investments and development activities; the Company's reputation and market position within the industries in which it operates and the Company's strategy and competitive advantages.

Forward-looking statements require management to make estimates and assumptions with respect to the outcome of future events. These estimates and assumptions could, in the future, turn out to be inaccurate and materially affect the final outcome. The significant estimates and assumptions within the Company's forward-looking statements include:

- availability and cost of key materials and labour and availability of funds with respect to the amount of capital expenditures and scheduled commencement of operations;
- timing of regulatory approval including various permits from federal, provincial, state and local authorities;
- the assessment of capital markets including the availability of debt and equity in current market conditions;
- commodity prices for electricity, natural gas, coal and other resources that impact the Company's operations directly and indirectly;
- extent of investment by government authorities in infrastructure projects;
- the financial and operational health of key partners in various projects; the continued development of the Company's technology and its use in various applications; and
- consumer demand for our solutions.

Forward-looking statements are frequently characterized by words such as “plan”, “expect”, “project”, “propose”, “target”, “intend”, “believe”, “should”, “anticipate”, “estimate” or other similar words, or statements that certain events or conditions “may” or “will” occur. Forward-looking statements are not based on historical facts but rather on the expectations of management of the Company regarding, among other things, the Company’s future plans and intentions, results of operations, levels of activity, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities.

Forward-looking statements reflect management’s current beliefs and assumptions, based on information currently available to management. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, many of which are beyond the control of the Company. Among the material factors that could cause actual results to differ materially from those indicated by such forward-looking statements are:

- that the information is of a preliminary nature and may be subject to further adjustment;
- the completion of strategic partner’s projects;
- arrangements with key suppliers;
- potential product liability and other claims;
- other business risks outlined in this MD&A, including risks associated with the proprietary technology;
- the possible unavailability of financing at competitive rates and the related effect on development activities;
- the effect of energy price fluctuations;
- changes in government regulation, including changes to environmental regulations;
- the effects of competition;
- the dependence on senior management and key personnel; and
- fluctuations in currency exchange rates and interest rates.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

As at (Canadian dollars)	Note		September 30, 2014		December 31, 2013
Assets					
Current assets:					
Cash and cash equivalents		$	8,499,606	$	7,628,798
Restricted cash	4		570,600		454,689
Accounts receivable			7,635,403		1,895,283
Contract work in progress			69,340		862,060
Prepaid expenses			567,981		481,435
Inventories			378,825		320,940
Assets held for sale	5		750,000		1,300,000
			18,471,755		12,943,205
Non-current assets:					
Property, plant and equipment	6		1,134,791		3,453,325
Intangible assets	7		40,925,106		40,547,625
Total assets		$	60,531,652	$	56,944,155
Liabilities and Shareholders' Equity					
Current liabilities:					
Accounts payable and accrued liabilities		$	7,690,186	$	4,351,656
Operating lease obligation	8		135,721		95,652
Deferred revenue			84,000		522,619
			7,909,907		4,969,927
Non-current liabilities:					
Deferred income tax			14,973,483		14,692,567
Operating lease obligation	8		258,747		292,501
Warranty provision	9		1,974,632		1,144,327
Total liabilities			25,116,769		21,099,322
Shareholders' equity:					
Shareholders' capital	10		145,523,415		140,311,799
Contributed surplus			327,765		327,765
Reserves			10,563,842		9,185,757
Deficit			(121,000,139)		(113,980,488)
Total shareholders' equity			35,414,883		35,844,833
Total shareholders' equity and liabilities		$	60,531,652	$	56,944,155

See accompanying notes to the condensed consolidated financial statements.

Approved by the Board of Directors:

(Signed) "Paul Heagren"
Director

(Signed) "Kevin Bolin"
Director

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

		For the three months ended September 30		For the nine months ended September 30	
(Canadian dollars)	**Note**	**2014**	2013	**2014**	2013
Sales		**$ 6,886,163**	$ 2,527,704	**$ 21,170,055**	$ 11,237,133
Cost of sales		**(4,455,872)**	(988,367)	**(16,400,446)**	(8,501,642)
Gross profit		**2,430,291**	1,539,337	**4,769,609**	2,735,491
General and administrative expenses	**13**	**(1,539,116)**	(1,652,487)	**(4,593,714)**	(4,854,951)
Selling and distribution costs	**13**	**(789,825)**	(750,214)	**(2,679,189)**	(2,073,961)
Share based payments	**11**	**(139,527)**	(437,140)	**(756,584)**	(751,468)
Depreciation and amortization		**(601,433)**	(603,589)	**(4,307,919)**	(1,785,353)
Foreign exchange gain (loss)		**329,731**	(268,932)	**696,826**	400,518
Other income		**6,749**	23	**18,083**	48,873
Share of loss from associate		**-**	(1,266,430)	**-**	(1,906,264)
Loss on revaluation of assets held for sale		**(50,000)**	(1,174,766)	**(550,000)**	(1,174,766)
Finance costs		**(2,700)**	(5,703)	**(13,547)**	(16,350)
Finance income		**14,927**	16,258	**41,189**	69,195
Loss before taxes		**(340,903)**	(4,603,643)	**(7,375,246)**	(9,309,036)
Current income tax		**(72,340)**	-	**(131,123)**	-
Deferred income tax recovery		**161,469**	154,010	**486,718**	455,269
Loss from operations for the period		**(251,774)**	(4,449,633)	**(7,019,651)**	(8,853,767)
Exchange gain (loss) on translating foreign operations		**1,109,160**	(285,647)	**897,751**	501,467
Total comprehensive income (loss)		**$ 857,386**	$ (4,735,280)	**$ (6,121,900)**	$ (8,352,300)
Loss per share					
Basic and diluted loss per share	**12**	**$ (0.01)**	$ (0.17)	**$ (0.25)**	$ (0.35)

See accompanying notes to the condensed consolidated financial statements.

The 4 for 1 common share consolidation affected all the Company's outstanding common shares as at the effective date; as a result, the prior year presentation in the financial statements has been restated.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

(Canadian dollars)		Issued Capital		Contributed Surplus		Equity Settled Employee Benefits Reserve		Foreign Currency Translation Reserve		Deficit		Total
As at January 1, 2013	$	129,203,784	$	327,765	$	8,551,897	$	(901,864)	$	(103,045,714)	$	34,135,868
Loss for the period		-		-		-		-		(8,853,767)		(8,853,767)
Other comprehensive gain		-		-		-		501,467		-		501,467
Share based compensation		-		-		467,464		-		-		467,464
Private placement		11,100,000		-		-		-		-		11,100,000
Share issue costs		(81,257)		-		-		-		-		(81,257)
As at September 30, 2013	$	140,222,527	$	327,765	$	9,019,361	$	(400,397)	$	(111,899,481)	$	37,269,775
Loss for the period		-		-		-		-		(2,081,007)		(2,081,007)
Other comprehensive gain		-		-		-		419,585		-		419,585
Share based compensation		-		-		180,680		-		-		180,680
Issuance of common shares under employee stock option plan		89,272		-		(33,472)		-		-		55,800
As at December 31, 2013	$	140,311,799	$	327,765	$	9,166,569	$	19,188	$	(113,980,488)	$	35,844,833
Loss for the period		-		-		-		-		(7,019,651)		(7,019,651)
Other comprehensive gain		-		-		-		897,751		-		897,751
Private placement		5,000,000		-		-		-		-		5,000,000
Share issue costs		(89,278)		-		-		-		-		(89,278)
Share based compensation		-		-		592,814		-		-		592,814
Issuance of common shares under employee stock option plan		300,894		-		(112,480)		-		-		188,414
As at September 30, 2014	**$**	**145,523,415**	**$**	**327,765**	**$**	**9,646,903**	**$**	**916,939**	**$**	**(121,000,139)**	**$**	**35,414,883**

See accompanying notes to the condensed consolidated financial statements.

The prior year presentation of total comprehensive loss has been separated into its components of loss for the year and other comprehensive loss to be consistent with current year presentation. This presentation change has no impact on the financial results.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the three months ended September 30		For the nine months ended September 30	
(Canadian dollars)	**2014**	2013	**2014**	2013
Cash provided by (used in):				
Operating activities:				
Loss before taxes	**$ (340,903)**	$ (4,603,643)	**$ (7,375,246)**	$ (9,309,036)
Add (deduct) items not involving cash:				
Equity-settled share based payments	**128,064**	262,760	**592,814**	467,464
Depreciation and amortization	**601,433**	603,589	**4,307,919**	1,785,353
Warranty provision	**231,106**	24,761	**830,305**	441,345
Unrealized foreign exchange (gain) loss	**(69,428)**	286,303	**(434,538)**	(426,728)
Share of loss from associate	**-**	1,266,430	**-**	1,906,264
Loss on revaluation of assets held for sale	**50,000**	1,174,766	**550,000**	1,174,766
	600,272	(985,034)	**(1,528,746)**	(3,960,572)
Change in deferred revenue	**(1,351,856)**	34,205	**(422,734)**	(2,335,653)
Change in non-cash working capital	**(3,334,374)**	(2,195,316)	**(1,551,142)**	(7,346,709)
Cash used in operations	**(4,085,958)**	(3,146,145)	**(3,502,622)**	(13,642,934)
Financing activities:				
Issue of share capital	**$ -**	$ -	**$ 5,000,000**	$ 11,100,000
Proceeds from stock options exercised	**42,799**	-	**188,414**	-
Share issue costs	**-**	-	**(89,278)**	(81,257)
Cash provided by financing activities	**42,799**	-	**5,099,136**	11,018,743
Investing activities:				
Purchase of property, plant and equipment	**$ (6,537)**	$ (18,380)	**$ (199,059)**	$ (79,227)
Purchase of intangible assets	**(94,745)**	(120,168)	**(129,178)**	(334,271)
Restricted cash	**(94,477)**	57,580	**(111,681)**	337,022
Cash used in investing activities	**(195,759)**	(80,968)	**(439,918)**	(76,476)
Cash flow (used in) provided by operating, investing and financing activities	**$ (4,238,918)**	$ (3,227,113)	**$ 1,156,596**	$ (2,700,667)
Effect of translation on foreign currency transactions	**(183,078)**	(12,986)	**(285,788)**	32,029
(Decrease) increase in cash and cash equivalents	**(4,421,996)**	(3,240,099)	**870,808**	(2,668,638)
Cash and cash equivalents, beginning of period	**12,921,602**	7,594,452	**7,628,798**	7,022,991
Cash and cash equivalents, end of period	**$ 8,499,606**	$ 4,354,353	**$ 8,499,606**	$ 4,354,353
Cash and cash equivalents				
Cash at banks and on hand	**$ 3,499,119**	$ 2,344,981	**$ 3,499,119**	$ 2,344,981
Short-term deposits	**5,000,487**	2,009,372	**5,000,487**	2,009,372
Total cash and cash equivalents	**$ 8,499,606**	$ 4,354,353	**$ 8,499,606**	$ 4,354,353

See accompanying notes to the condensed consolidated financial statements.

The prior year presentation of Operating loss to Loss before taxes has been reclassified to be consistent with current year presentation in accordance with IAS 7 – Statement of Cash Flows. This presentation change has no impact on the financial results.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 CORPORATE INFORMATION

Alter NRG Corp. (the "Company") was incorporated on February 20, 2007 in the Province of Alberta, Canada. The Company is a widely-held, publicly traded company and is domiciled at 460, 227 - 11th Avenue S.W., Calgary, Alberta.

The Company markets and sells plasma gasification technology and invests in alternative energy projects using its core technologies to create saleable energy products.

The Company owns 100% of the outstanding shares of a United States of America ("US") company, Westinghouse Plasma Corporation ("Westinghouse Plasma"), a plasma technology services company.

These financial statements were approved and authorized for issuance by the Board of Directors of Alter NRG Corp. on November 5, 2014.

NOTE 2 BASIS OF PRESENTATION

These unaudited condensed consolidated interim financial statements (the" financial statements") were prepared by management in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" using International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These financial statements do not comprise of all the information required for annual consolidated financial statements and therefore should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2013, that were prepared in accordance with IFRS.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS, ESTIMATES AND ASSUMPTIONS

During the nine months ended September 30, 2014, there have been no changes to accounting policies and these financial statements follow the accounting policies as outlined in NOTE 3 of the audited annual consolidated financial statements for the year ended December 31, 2013.

The preparation of the financial statements in compliance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Corporation's accounting policies. There have been no material changes to the nature of estimates, judgments and assumptions to those reported in the 2013 annual consolidated financial statements, other than the estimated useful lives of certain property, plant and equipment as referenced in NOTE 6 below.

The Company has adopted the following IFRS accounting standards as of January 1, 2014 with no material impact on the financial statements and no change to existing accounting policies:

- IFRIC 21 Levies
- IAS 16 (Amendments) Property, plant and equipment
- IAS 32 (Amendments) Financial Instruments – Offsetting financial assets and financial liabilities
- IAS 36 (Amendments) Impairment of assets – Recoverable amounts disclosures for non-financial assets
- IAS 38 (Amendments) Intangible assets
- Annual Improvements 2010 – 2012 Cycle
- Annual Improvements 2011 – 2013 Cycle

NOTE 4 RESTRICTED CASH

As at		September 30, 2014		December 31, 2013
Cash collateral for corporate credit cards	**$**	**159,000**	$	79,770
Letters of credit		**411,600**		374,919
Total	**$**	**570,600**	$	454,689

At September 30, 2014, the Company held this restricted cash in short term investments including $159,000 (December 31, 2013 - $79,770) in short-term revolving term deposits and $411,600 (December 31, 2013 - $374,919) in guaranteed investment certificates. The term deposits and guaranteed investment certificates earn interest at rates of 1% to 2% (2013 - 1% to 2%). Restricted cash is expected to be released within the next twelve months; accordingly, all restricted cash has been classified as a current asset.

NOTE 5 ASSETS HELD FOR SALE

On July 26, 2012, the Company completed the acquisition of 10,000,000 shares in SustainCo Inc. (formerly Bellair Ventures Inc.) ("SustainCo") as a part of the sale agreement for CleanEnergy. On July 26, 2012, the Company's ownership in SustainCo was 58%. On December 5, 2012, SustainCo issued shares to acquire Urban Mechanical Ltd. which resulted in a dilution of ownership to 37%. On January 15, 2013, SustainCo finalized a private placement of shares for $1,267,246, which resulted in a further dilution of ownership to 34%.

On September 13, 2013, the Company filed a notice of intention to sell its 10,000,000 shares of SustainCo. In prior reporting periods, the Investment in Associate was accounted for using the equity method. As the Company intends to sell the investment within 12 months, the investment has been reclassified to current assets held for sale.

Investment, December 31, 2012	$	4,581,030
Share of loss from associate		(1,906,264)
Loss on revaluation of assets held for sale		(1,174,766)
Investment, September 30, 2013		1,500,000
Loss on revaluation of assets held for sale		(200,000)
Assets held for sale, December 31, 2013	$	1,300,000
Loss on revaluation of assets held for sale		(550,000)
Assets held for sale, September 30, 2014	**$**	**750,000**

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

		Plant and facility		Leasehold improvements		Office equipment		Computer equipment		Total
Cost										
December 31, 2013	$	4,742,354	$	161,590	$	231,332	$	656,675	$	5,791,951
Additions		-		190,685		-		8,374		199,059
Exchange adjustment		251,851		5,078		2,239		8,920		268,088
September 30, 2014	**$**	**4,994,205**	**$**	**357,353**	**$**	**233,571**	**$**	**673,969**	**$**	**6,259,098**
Accumulated depreciation										
December 31, 2013	$	(1,403,633)	$	(124,969)	$	(231,332)	$	(578,692)	$	(2,338,626)
Charge for the period		(2,551,665)		(57,319)		-		(27,836)		(2,636,820)
Exchange adjustment		(134,597)		(5,078)		(2,239)		(6,947)		(148,861)
September 30, 2014	**$**	**(4,089,895)**	**$**	**(187,366)**	**$**	**(233,571)**	**$**	**(613,475)**	**$**	**(5,124,307)**
Net book value										
September 30, 2014	**$**	**904,310**	**$**	**169,987**	**$**	**-**	**$**	**60,494**	**$**	**1,134,791**
December 31, 2013	$	3,338,721	$	36,621	$	-	$	77,983	$	3,453,325

During the second quarter of 2014, the Company decided to relocate the operations of Westinghouse Plasma in 2015. Certain assets will not be moved to the new location; with the increase in commercially operating facilities a full pilot facility is no longer required to support sales efforts. As such, the Company reviewed the remaining economic lives of the assets that will not be moved to the new location and determined that these assets should be recorded at their salvage value. The effect of this change was to increase depreciation expense by $2.3 million. This estimate may be revised as further information is available. All assets in use are being depreciated at their useful lives.

NOTE 7 INTANGIBLE ASSETS

		Acquired intangibles		Development costs		Patents		Total
Cost								
December 31, 2013	$	46,738,056	$	6,103,090	$	224,303	$	53,065,449
Additions		-		-		129,178		129,178
Exchange adjustment		2,478,400		30,291		-		2,508,691
September 30, 2014	**$**	**49,216,456**	**$**	**6,133,381**	**$**	**353,481**	**$**	**55,703,318**
Accumulated amortization								
December 31, 2013	$	(10,451,151)	$	(2,047,510)	$	(19,163)	$	(12,517,824)
Charge for the period		(1,202,068)		(458,213)		(10,816)		(1,671,097)
Exchange adjustment		(582,541)		(6,750)		-		(589,291)
September 30, 2014	**$**	**(12,235,760)**	**$**	**(2,512,473)**	**$**	**(29,979)**	**$**	**(14,778,212)**
Net book value								
September 30, 2014	**$**	**36,980,696**	**$**	**3,620,908**	**$**	**323,502**	**$**	**40,925,106**
December 31, 2013	$	36,286,905	$	4,055,580	$	205,140	$	40,547,625

NOTE 8 OPERATING LEASE OBLIGATION

As at		September 30, 2014		December 31, 2013
Operating lease obligation, beginning of period	$	**388,153**	$	90,385
Additional obligations recognized		**62,849**		318,143
Reductions arising from payments		**(56,534)**		(20,375)
Operating lease obligation	$	**394,468**	$	388,153

As at		September 30, 2014		December 31, 2013
Current	$	**135,721**	$	95,652
Long-term		**258,747**		292,501
Total operating lease obligation	$	**394,468**	$	388,153

NOTE 9 WARRANTY PROVISION

As at		Provision		Claims		Total
December 31, 2013	$	1,144,327	$	-	$	1,144,327
Equipment warranty		830,305		-		830,305
September 30, 2014	**$**	**1,974,632**	**$**	**-**	**$**	**1,974,632**

The Company guarantees the components and workmanship of its equipment sales for periods ranging from 12 to 18 months post commissioning. As at September 30, 2014, none of the commissioning projects that pertain to the warranty provision have been completed. Currently the Company provides for anticipated warranty expense at 5% of contractual revenue. As further data becomes available, this estimate may be refined.

NOTE 10 SHAREHOLDERS' CAPITAL

Authorized

At September 30, 2014 and December 31, 2013, there is an unlimited number of authorized common shares, voting and participating.

	For the nine months ended September 30, 2014			For the year ended December 31, 2013		
Issued and fully paid	**Number Issued**		**Amount**	Number Issued		Amount
Shareholders' capital, beginning of period	**26,168,969**	**$**	**140,311,799**	17,594,258	$	129,203,784
Private placement of shares	**1,953,125**		**5,000,000**	8,538,460		11,100,000
Share issue costs	-		**(89,278)**	-		(81,257)
Stock options exercised	**114,885**		**300,894**	36,251		89,272
Common shares issued and fully paid, end of period	**28,236,979**	**$**	**145,523,415**	26,168,969	$	140,311,799

On June 13, 2014, the shareholders of the Company approved a special resolution for the consolidation of the issued and outstanding common shares of the Company on the basis of four (4) existing common shares for one (1) new common share. On June 26, 2014, the Company executed the four (4) for one (1) common share consolidation which reduced the number of outstanding shares from 112,837,908 to 28,209,479. The 4 for 1 consolidation affected all the Company's outstanding common shares as at the effective date; as a result, the prior year presentation in the financial statements has been restated.

NOTE 11 SHARE BASED PAYMENTS

	For the three months ended September 30		For the nine months ended September 30	
	2014	2013	**2014**	2013
Expenses arising from equity-settled share based payment transactions	**$ 128,064**	$ 262,760	**$ 592,814**	$ 467,464
Expenses arising from cash-settled share based payment transactions	**11,463**	174,380	**163,770**	284,004
Total	**$ 139,527**	$ 437,140	**$ 756,584**	$ 751,468

For the three and nine months ended September 30, 2014, share based payments accounted for 10% and 17%, respectively (September 30, 2013 – 30% and 18%, respectively) of the total employee wage, salary and benefits expense.

Stock option plan

The Company has a stock option plan for employees, officers and directors.

The Company may grant options up to 10% of the aggregate number of common shares outstanding, with no one optionee permitted to hold more than 50% of the total options outstanding. The options vest one-third immediately with an additional one-third on the first and second anniversary dates of the grant and expire in five to ten years from the date of grant. The expected volatility is based upon the movement in the daily share prices of the Company.

The exercise price of the options is based on the weighted average market price of the shares for the five trading days immediately preceding the grant date. The contractual life of the options is five to ten years and there are no cash settlement alternatives. The weighted-average fair value of options granted for the nine months ended September 30, 2014 was $3.10 (December 31, 2013 – $1.74) per option.

	For the nine months ended September 30, 2014		For the year ended December 31, 2013	
	Number of Options	**Weighted Average Exercise Price ($/option)**	Number of Options	Weighted Average Exercise Price ($/option)
Outstanding, beginning of period	**1,818,059**	**$ 2.56**	1,517,625	$ 4.49
Granted	**359,852**	**3.10**	730,750	1.74
Forfeited	**(44,246)**	**4.67**	(394,065)	5.19
Exercised	**(114,884)**	**1.64**	(36,251)	1.54
Outstanding, end of period	**2,018,781**	**$ 2.66**	1,818,059	$ 2.56
Exercisable, end of period	**1,579,668**	**$ 2.75**	1,164,285	$ 3.04

As at September 30, 2014		Outstanding			Exercisable		
($/option)		Number of Options	Weighted Average Remaining Contractual Life (years)	Weighted Average Outstanding Strike Price ($/option)	Number of Options	Weighted Average Remaining Exercisable Contractual Life (years)	Weighted Average Exercise Price ($/option)
$	1.00 – 2.50	1,276,413	3.11	$ 1.73	1,042,246	2.97	$ 1.73
	2.51 – 4.00	575,235	3.83	3.22	370,289	3.56	3.31
	5.51 – 7.00	98,755	1.04	6.83	98,755	1.04	6.83
	7.01 – 8.50	9,501	0.47	8.44	9,501	0.47	8.44
	8.51 – 10.00	53,876	2.23	9.11	53,876	2.23	9.11
	13.01 – 14.50	5,001	3.34	13.20	5,001	3.34	13.20
	Total	**2,018,781**	**3.18**	**$ 2.66**	**1,579,668**	**2.95**	**$ 2.75**

The 4 for 1 Common Share consolidation affected all the Company's outstanding stock options as at the effective date; as a result, the prior year presentation in the financial statements has been restated.

NOTE 12 LOSS PER SHARE

Basic and diluted loss per share amounts are calculated by dividing the loss for the period attributable to common shareholders of the Company by the weighted average number of common shares outstanding. The weighted average number of common shares outstanding for the three and nine months ended September 30, 2014 was 27,383,083 and 27,920,107, respectively (September 30, 2013 – 26,132,719 and 25,194,427 respectively). As the Company is in a loss position, any conversion of options would be anti-dilutive to the loss per share calculation. The 4 for 1 common share consolidation affected all the Company's outstanding stock options as at the effective date; as a result, the prior year presentation in the financial statements has been restated.

NOTE 13 EXPENSES

General and administrative

	For the three months ended September 30		For the nine months ended September 30	
	2014	2013	**2014**	2013
Employee costs	**$ 1,019,346**	$ 1,115,375	**$ 3,011,537**	$ 3,332,214
Less amounts allocated to:				
Cost of sales	**(284,217)**	(286,507)	**(864,054)**	(737,424)
Intangible assets	**-**	-	**(8,000)**	(106,809)
Employee costs, net of allocations	**735,129**	828,868	**2,139,483**	2,487,981
Office and operating costs	**352,454**	464,242	**1,145,221**	1,126,344
Professional and consulting fees	**243,772**	225,539	**627,041**	747,275
Travel costs	**81,869**	47,353	**289,137**	198,536
Other costs	**125,892**	86,485	**392,832**	294,815
General and administrative expenses	**$ 1,539,116**	$ 1,652,487	**$ 4,593,714**	$ 4,854,951

Selling and distribution costs

	For the three months ended September 30				For the nine months ended September 30			
		2014		2013		**2014**		2013
Employee costs	**$**	**426,118**	$	359,431	**$**	**1,509,943**	$	883,651
Professional and consulting		**101,586**		136,449		**306,057**		455,158
Travel		**241,857**		248,063		**805,995**		713,552
Advertising		**15,509**		1,115		**40,921**		12,435
Other		**4,755**		5,156		**16,273**		9,165
Selling and distribution expenses	**$**	**789,825**	$	750,214	**$**	**2,679,189**	$	2,073,961

NOTE 14 RELATED PARTY TRANSACTIONS

The Company transacts with related parties in the normal course of business. The transactions are measured at the exchange amount, which is equivalent to the market rate. During the three and nine months ended September 30, 2014, the Company incurred corporate legal fees totaling approximately $7,876 and $138,134, respectively (2013 – $36,784 and $173,324, respectively) with a legal firm of which one officer of the Company is a partner. At September 30, 2014, $7,639 (2013 - $31,562) was owed to the legal firm. These fees are included in general and administrative expenses in the condensed consolidated statement of comprehensive loss.

NOTE 15 SEGMENTED INFORMATION

Revenues for the Company are obtained from a few key customers. One customer's sales accounted for $4,810,889 or 70% and $18,540,365 or 88% of total revenue for the three and nine months ended September 30, 2014, respectively (September 30, 2013 - $1,545,503 61% and $8,820,486, 78%, respectively).

The Company's revenues are obtained internationally. The geographic breakdown of where sales are obtained is listed below:

	For the three months ended September 30						For the nine months ended September 30					
		2014	**% of Sales**		2013	% of Sales		**2014**	**% of Sales**		2013	% of Sales
United Kingdom	**$**	**4,810,889**	**70%**	$	1,545,503	61%	**$**	**18,540,365**	**88%**	$	8,820,486	78%
United States		**1,595,824**	**23%**		866,047	34%		**1,774,846**	**8%**		1,211,398	11%
China		**479,450**	**7%**		116,154	5%		**854,844**	**4%**		1,205,249	11%
Total	**$**	**6,886,163**	**100%**	$	2,527,704	100%	**$**	**21,170,055**	**100%**	$	11,237,133	100%

NOTE 16 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial liabilities comprise accounts payables and accrued liabilities and lease obligations. The Company's financial assets are comprised of cash and cash equivalents, restricted cash, and accounts receivable that arise directly from its operations. The Company did not hold or issue any derivative financial instruments at September 30, 2014 and December 31, 2013.

The Company is exposed to interest rate risk, foreign exchange risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks and is supported by an appropriate financial risk governance framework.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rate relates primarily to the Company's cash and cash equivalents balance.

The Company has deposited its cash and cash equivalents with a Canadian financial institution in a low risk, interest-bearing account. The fluctuation in the Company's comprehensive loss for the three and nine months ended September 30, 2014 would have been approximately $27,000 and $81,000, respectively (September 30, 2013 – $23,000 and $69,000, respectively) for each 1.0% variation in the interest rate on its cash and cash equivalents.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities where revenue or expenses are denominated in a different currency from the Company's functional currency, and the Company's net investments in foreign subsidiaries.

The Company's foreign exchange exposure is primarily on translation of its foreign subsidiary as opposed to transactional. This has primarily an unrealized or non-cash impact on the Company's results. The Company's US subsidiary's operations are in the US and revenue, expenses, assets and liabilities are denominated in US dollars. As a result, the Company's financial statements are impacted by changes in foreign currency exchange between Canadian and US dollars. The US dollar based losses are also converted into Canadian dollars for purposes of consolidated financial reporting. This conversion does not result in foreign exchange gains or losses but does result in lower or higher net losses from US operations than would have occurred had the exchange rate not changed. If the Canadian dollar strengthens against the US dollar, the Canadian dollar equivalent of net losses from US operations will be impacted as reduced losses. For the nine months ended September 30, 2014, the fluctuation in the Company's comprehensive loss would have been approximately $2.1 million (September 30, 2013 - $1.3 million) for each $0.10 variation in the United States/Canadian dollar exchange rate on translation of its US subsidiary upon consolidation.

The Company transacts its Canadian operations primarily in Canadian dollars; however, it occasionally purchases goods and supplies and earns revenue in US dollars. The US operations are transacted in US dollars. These transactions and foreign exchange exposure would not typically have a material effect on the Canadian operation's financial results.

Credit risk

The Company is exposed to credit risk from its operating activities, primarily for trade accounts receivables including deposits with banks and financial institutions.

The Company's cash and cash equivalents and restricted cash are presented on the statements of condensed consolidated statements of financial position, condensed consolidated statements of cash flows and in NOTE 4. Management reviews the financial strength of the financial institutions on a regular basis.

Trade accounts receivable of the Company are subject to credit risk. There is a provision for amounts outstanding at September 30, 2014 of $nil (December 31, 2013 - $56,735); these balances were greater than 90 days past due and the Company felt they were not collectable. The Company believes the remaining amounts outstanding over 90 days, which include amounts owing for project holdbacks, will ultimately be collected. The Company minimizes its credit risk by requiring deposits on technology sales. The maximum exposure risk is limited to the carrying value of financial assets on the Company's consolidated statements of financial position.

The aging of accounts receivable (net of allowance) is as follows:

As at		**September 30, 2014**		December 31, 2013
Current	**$**	**5,956,007**	$	1,420,314
31 to 60 days		**1,146,586**		-
61 to 90 days		**128**		-
Over 90 days		**532,682**		474,969
Accounts receivable total	**$**	**7,635,403**	$	1,895,283

Liquidity risk

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. At September 30, 2014, the Company had positive working capital of approximately $10.5 million. On February 10, 2014, the Company secured financing for $5 million which provided additional financial leverage. The majority of accounts payable are subject to normal 30 day payment terms.

Capital management

The Company's defines capital as shareholders' equity as operations are financed primarily through equity transactions. The Company's objectives when managing capital are to sustain its ability to continue as a going concern, maximize returns for shareholders and benefits for other stakeholders and provide resources to enable growth.

The Company manages the capital structure and responds to changes in economic conditions and planned requirements and will continue to use cash flows from technology sales and equity offerings to fund operations and invest in its capital expenditure program. To the extent the existing strategy is not sufficient to meet capital demands, other capital strategies may include debt financing and obtaining strategic partners to fund a portion of certain development projects.

As at and for the nine months ended September 30, 2014, the Company had a loss before taxes of $7,375,246, negative cash flows from operations of $3,502,622 and had an accumulated deficit of $121,000,139 (as at and for the nine months ended September 30, 2013 – $9,309,036, $13,642,934 and $111,899,481, respectively). Management continues to develop new sustainable energy solutions which is a long-term process and recognizes that the Company must generate positive cash flows or secure additional financial resources in order to meet its liabilities as they come due and to enable the Company to continue operations. Management believes that the entity will continue to be a going concern for the foreseeable future.

Fair value

Financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, assets held for sale, accounts payable and accrued liabilities and lease obligations.

The Company does not have any financial assets or liabilities designated at fair value through profit or loss in its consolidated statements of financial position. Due to the short-term nature of the Company's financial assets and liabilities, the carrying values equal fair values.

The Company classifies financial instruments carried at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than unadjusted quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The fair value of the Company's cash and cash equivalents, and restricted cash have been assessed using the fair value hierarchy described above, and have been determined using Level 1 inputs. At September 30, 2014, the carrying value of accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the short-term nature of the instruments. The Company does not have any financial assets or financial liabilities, held at fair value, classified as Level 2 or Level 3 as at September 30, 2014.

CORPORATE INFORMATION

DIRECTORS

Kevin Bolin (4)
Chairman

Nancy Laird (1)
Lead Director

Walter Howard
Director

Mark Montemurro (2)
Director

Eugene Tenenbaum
Director

Paul Heagren (3)
Director

Wayne Sim
Director

Scott Whitney
Director

MANAGEMENT

Walter Howard
Chief Executive Officer

Danny Hay
Chief Financial Officer

Richard Fish
President

Kent Hicks
Chief Technology Officer

(1) Chair of Compensation, Governance and Nominating Committee

(2) Chair of Health, Safety and Environment

(3) Chair of Audit Committee

(4) Chair of Project Committee

STOCK EXCHANGE LISTINGS

TSX Symbol: NRG
OTCQX Symbol: ANRGD

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Calgary, Alberta

TRANSFER AGENT
VALIANT TRUST COMPANY

Calgary, Alberta

LEGAL COUNSEL

Blake, Cassels & Graydon LLP
Calgary, Alberta

BANKERS

Scotiabank
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GLOSSARY

MW	megawatts
Syngas	synthesis gas
WTE	waste-to-energy
bbl/yr	barrels per year

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