



CLEAN • EFFICIENT • ALTERNATIVE ENERGY SOLUTIONS

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. THAT is how we create LIFE WITHOUT LANDFILLS.

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Alter NRG was honored with the IAIR Award for the "Best Company for Leadership, Clean Technology, Canada."

The IAIR awards recognize excellence in global economy and sustainability. Winners were chosen based on IAIR readers' votes, including business and financial journalists in 120 countries, and selection by the editorial staff.

Life WITHOUT  
Landfills



# Q1 2015 HIGHLIGHTS

[TO MAY 7, 2015]

For the first quarter ended March 31, 2015 Alter NRG earned \$0.6 million in revenues which is a decrease over the same period in the prior year. The decreased revenue reflects the late 2014 completion of the construction of the large scale Westinghouse Plasma Solution for the 49 MW facility under construction by a leading Fortune 500 company. The Company is finalizing further sales particularly in China, however Q1 was a period that was without a major fabrication contract. The Company sales pipeline continues to grow with new projects and credible customers advancing projects around the world.

## COMMERCIAL MILESTONE

### Next Generation Large Scale Waste-to-Energy Projects

- The Westinghouse Plasma Solution at large scale (950 tonnes per day producing 49 Megawatts) is currently being commissioned and is a major commercial milestone that redefines the waste-to-energy market with increased efficiency and lower environmental emissions than alternatives.
- The second Westinghouse Plasma Solution has been delivered to 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 tpd 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. Leading incinerators produce 500 to 650 kW/h per tonne of waste, whereas our solution is expected to produce over 1,000 kW/h per tonne.

### 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 in India and Southeast Asia. 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 jointly presented the combined solution at the Power-Gen conference in Abu Dhabi. Since that time, Alter NRG and GE have been co-marketing the solution to GE customers which have turbines that only have access to high cost fuels.

## Q1 HIGHLIGHTS

- Received an offer by Sunshine Kaidi New Energy Group Co., Ltd ("Kaidi") (through a subsidiary) to purchase the shares of Alter NRG for \$5.00 per common share. This offer is at a 160% premium to the Company's 20-day volume weighted average price on the Toronto Stock Exchange ("TSX") for the period ending March 26, 2015 and was unanimously approved by the Alter NRG Board of Directors. The takeover bid circular and related materials were filed on April 22, 2015 with a tender period that is open until May 28, 2015. The offer requires 66 2/3rds of the shares to be tendered for the transaction to proceed.
- Sales of \$0.6 million for the quarter which is a decrease over the prior year. The decreased revenue reflects the late 2014 completion of the construction of the large scale Westinghouse Plasma Solution for the 49 MW facility under construction by a leading Fortune 500 company. The Company is finalizing further sales particularly in China, however Q1 was a period that was without a major fabrication contract. 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 for the first Tees Valley facility being developed by Air Products, a Fortune 500 Company, which has completed final construction and began

commissioning in late 2014. Air Products expects the first plant to go into commercial operation in 2015. Once operational, the facility will generate approximately 49 MW of electricity from non-recyclable waste and produce enough reliable, controllable and renewable electricity to power up to 50,000 homes.

- Delivered the equipment for the US\$21 million purchase ordered by Air Products for the 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 the project delivery on pages 6 and 7). Alter NRG is approximately 96% done the fabrication efforts with the major pieces of our gasification solution already having been delivered, on-time and under-budget.
- Kaidi completed construction of its demonstration facility in China and the Westinghouse Plasma Solution was commissioned in 2012. 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. Upon a successful take-over bid, the Company intends to support Kaidi in scaling up its biomass to liquids facilities in China.
- 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 and slag by-products. The project ran into a regulatory delay, however received final approvals in Q4, 2014. The project has fundamentally completed the engineering phase and the site is being prepared for construction. The scope of supply is being finalized and we expect this will be followed by commencement of fabrication of a 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.
- Continued operational optimization and support of the hazardous waste destruction facility in Shanghai China being operated by GTS Energy. This reference facility handles 30 tonnes per day and complements the incineration market as it turns medical waste and hazardous incinerator ash into an environmentally friendly slag and provides increased energy production. The Company operates under a joint development and marketing agreement which provides for worldwide selling and marketing rights for the sale of turnkey waste-to-energy destruction units. In November 2014, the Company and GTS Energy co-hosted an open house which had over 75 potential customers in attendance and Alter NRG expects further sales of this product to customers in 2015.
- Continued engineering efforts for the project being advanced by China Everbright International Ltd. ("Everbright") for a proposed project in Nanjing, China. Everbright is a leading alternative energy organization with waste-to-energy projects and assets of approximately US\$6 billion. The project is being designed to process 500 tonnes of waste per day, of which a portion will be gasified using the Westinghouse Plasma Technology. The project began engineering in late 2014 and the Company expects construction to begin in the latter half of 2015.
- 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 in Barbados into clean, renewable energy. The project is currently looking for its development financing and upon success is expected to enter into engineering in 2015.

- 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 favorable for the Company as it does not have to deploy the risky development capital but can participate in the project level annuity cashflows after the project has been de-risked. Alter NRG is also working as a minority partner in several projects, including one in the United Kingdom which has a permitted site and is currently working towards securing key contracts.

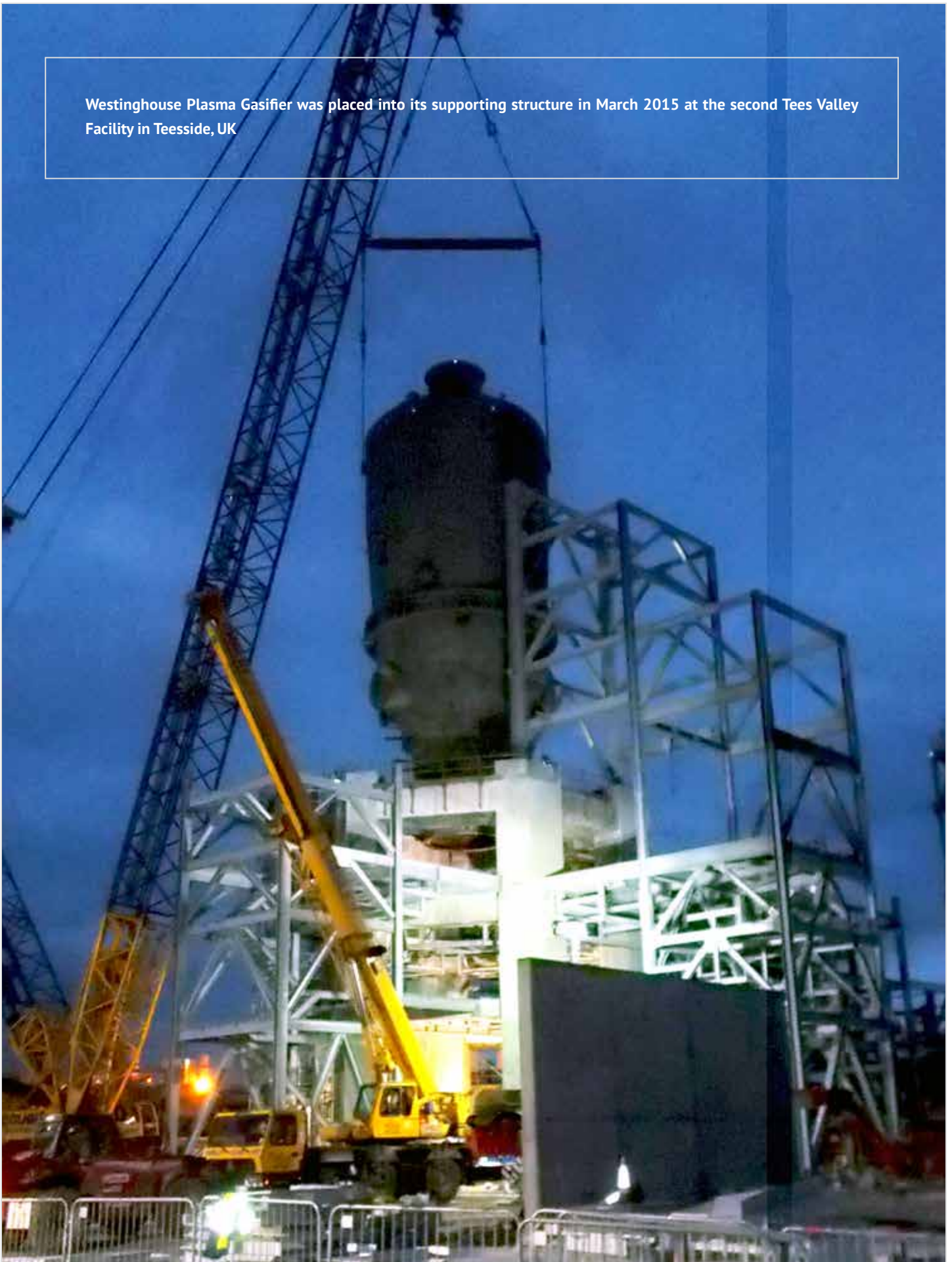
**In addition to the highlights above, customers around the globe continue to advance their business development efforts using the Westinghouse Plasma Solution. This includes exclusive license agreements for territories that are in advanced negotiations, as well as projects which are undertaking engineering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

## CORPORATE

- On April 22, 2015, Alter NRG and Harvest International New Energy, Co., Ltd. ("Harvest") announced that Harvest, through its wholly-owned subsidiary, 1030629 B.C. Ltd. (the "Offeror"), has commenced its previously-announced board-approved offer to acquire (the "Offer") all of the issued and outstanding common shares of Alter NRG for C\$5.00 in cash per share by mailing the Offer and take-over bid circular to Alter NRG shareholders. Alter NRG's directors' circular recommending that Alter NRG shareholders accept the Offer was mailed concurrently. During the three month period ending March 31, 2015, the Company incurred approximately \$0.4 million of legal and professional fees related to a strategic review and fairness opinion associated with the Offer.
- On March 27, 2015, the Company entered in to an agreement with Harvest, under which Harvest has agreed to offer to acquire, through its wholly-owned subsidiary, 1030629 B.C. Ltd., all of the issued and outstanding common shares of the Company (including any common shares issuable upon the exercise of outstanding option to acquire common shares) for C\$5.00 in cash per common share (the "Offer") by way of a Board-approved take-over bid. The total equity purchase price is approximately C\$147 million.
- Waste2Tricity has not paid their last installment of the exclusive licensing agreement for the Thailand market. As a result, the agreement is now non-exclusive.



Westinghouse Plasma Gasifier was placed into its supporting structure in March 2015 at the second Tees Valley Facility in Teesside, UK



# CEO MESSAGE

On March 27, 2015, Alter NRG announced that Harvest International New Energy Co., Ltd., had agreed to make an offer to acquire, through its wholly-owned subsidiary 1030629 B.C. Ltd., all of the issued and outstanding common shares of Alter NRG for consideration of \$5.00 in cash for each common share. The Board of Directors of Alter NRG has unanimously recommended that shareholders accept the Offer. The Directors' Circular, which can be found on the Alter NRG corporate website, explains why the Board of Directors reached this conclusion. We strongly encourage shareholders to read the Directors' Circular in its entirety. The Board of Directors considered many factors, including a report and recommendation from a Special Committee of Alter NRG Board members and an opinion from the Special Committee's financial advisor, Cormark Securities Inc., whose opinion states that the Offer is fair, from a financial point of view, to Shareholders.

The reasons for the Board's unanimous recommendation of the Offer, among others, include the following key points:

- The Special Committee and the Board of Directors have considered a variety of strategic alternatives and have determined that the Offer is fair, from a financial point of view, to Shareholders and is in the best interests of Alter NRG.
- The Offer consideration represents a 160% premium to Alter NRG's 20-day volume weighted average price on the Toronto Stock Exchange for the period ending March 26, 2015 (the last trading day prior to the announcement of the Offer) and a 159% premium to the Company's closing price on the Toronto Stock Exchange on March 26, 2015 (the last trading day prior to the announcement of the Offer).
- The Board of Directors and Special Committee have received an opinion from the Special Committee's financial advisor, Cormark, that the consideration to be received by Shareholders pursuant to the Offer is fair, from a financial point of view.
- The Board of Directors, executive officers and largest Shareholder, Ervington Investments, have all signed lock-up agreements with Kaidi pursuant to which they have agreed, subject to the terms of those agreements, to tender their Common Shares to the Offer. These shareholders hold approximately 17.9% of the outstanding Common Shares.
- Alter NRG's technology is still at an early stage of global penetration. Timelines are difficult to predict and delays are the "norm" and not the exception.
- The Offer is not subject to any financing condition and the consideration under the Offer will be paid in cash, providing liquidity and certainty of value to Shareholders.
- The Offer has a high likelihood of completion.
- The Board of Directors has preserved the ability, in certain circumstances, to respond to unsolicited superior proposals.

For the above reasons, we urge shareholders to accept the Offer and to tender your Common Shares to the Offer. If you have any questions about the Offer, you should contact your broker. Thank you for your continued support of Alter NRG.



Walter Howard, CEO  
May 7, 2015





Westinghouse Plasma  
gasifier delivered for the  
Tees Valley #2 Facility, UK



# TEES VALLEY #2 UPDATE

## [PLASMA GASIFICATION TECHNOLOGY DELIVERY]

The Westinghouse Plasma Gasification Solution was delivered to the second Tees Valley Facility, UK in March 2015. The Westinghouse Plasma Gasification Solution is capable of providing commodity grade syngas. This syngas is used around the world everyday as industrial energy, as a feedstock for chemical processes like creating plastics, or fertilizer and also to create liquid fuels. Most syngas is created from breaking down or reforming natural gas or oil or gasification of things like biomass or coal. We can create this commodity syngas from waste.

Creating syngas from waste is not only environmentally beneficial by keeping the waste out of landfills, but even more important for our customers it makes economic sense. Simply put, we can provide the lowest cost syngas around because we get paid to take waste. Other feedstocks like coal, natural gas, biomass or oil cost money. This provides the Westinghouse Plasma Gasification Solution a key benefit of creating the lowest cost commodity in the market.

### TEES VALLEY #2

- **Capacity:** 950 tpd
- **Feedstock:** waste
- **Output:** 49 MW (gross), base load production of electricity using combined cycle power block
- **Status:** under construction





# 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 May 7, 2015, provides a review of the Company's financial results for the three months ended March 31, 2015 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 months ended March 31, 2015. 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](http://www.alternrg.com)) and in public filings available through SEDAR ([www.sedar.com](http://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

As was previously announced on March 27, 2015, the Company has entered in to an agreement with Harvest International New Energy, Inc. ("Harvest"), under which Harvest has agreed to offer to acquire, through its wholly-owned subsidiary, 1030629 B.C. Ltd. (the "Offeror"), all of the issued and outstanding common shares of the Company (including any common shares issuable upon the exercise of outstanding option to acquire common shares) for C\$5.00 in cash per common share (the "Offer") by way of a Board-approved take-over bid. The total equity purchase price is approximately C\$147 million.

The Offer consideration represents a 160% premium to the Company's 20-day volume weighted average price on the Toronto Stock Exchange ("TSX") for the period ending March 26, 2015 and a 159% premium to the Company's closing price on the TSX on March 26, 2015.

The Board of Directors of Alter NRG, after consultation with its financial and legal advisors, has unanimously approved entering into the agreement and has unanimously recommended that Alter NRG shareholders tender their shares to the Offer. Cormark Securities Inc., the financial advisor to Alter NRG, has provided a fairness opinion to the effect that, as of the date of the opinion and subject to the limitations and qualifications therein, the consideration of C\$5.00 in cash per share to be received by Alter NRG shareholders is fair, from a financial point of view, to Alter NRG shareholders.

Harvest is a Delaware corporation that is wholly-owned by Sunshine Kaidi New Energy Group Co., a privately held multi-billion dollar company in China. Harvest is focused on investing in and developing renewable energy technology. This transaction is the second acquisition of renewable energy technologies in North America for Harvest. In 2014, Harvest acquired all of Rentech Inc.'s alternative energy technologies.

On April 22, 2015, the Company and Harvest announced that Harvest, through the Offeror, has commenced the board-approved Offer to acquire all of the issued and outstanding common shares of Alter NRG for C\$5.00 in cash per share by mailing the Offer and take-over bid circular to Alter NRG shareholders. The Company's directors' circular recommending that the Company's shareholders accept the Offer was mailed concurrently.

During the three month period ending March 31, 2015, the Company incurred approximately \$0.4 million of legal and professional fees related to a strategic review and fairness opinion associated with the Offer. These costs are separately disclosed as transaction costs in the unaudited consolidated statement of comprehensive loss for the three month period ending March 31, 2015.

This transaction demonstrates the strength of the Westinghouse Plasma Technology and gives credit to the value of the technology. The strategy of the Company is expected to remain unchanged after the take-over, and Alter NRG will continue to sell its technology worldwide and continue to work with our both our existing and new customers.



The Company's focus is the Westinghouse Plasma Technology which is the worldwide leader in creating energy from waste using plasma gasification. 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 waste into energy for more than twelve years. Currently there are additional facilities entering construction in China and England, and undergoing commissioning in England; the English facilities are larger scale applications which is of strategic importance as it provides economies of scale that make it a more mainstream solution to replace landfills. Facilities in China and India focus on the destruction of all types of hazardous waste which is a problem that is attracting more stringent regulation and we provide a significant competitive advantage through our higher temperature solution. 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. The Company endeavors to maintain a flexible capital structure whereby it can apply its knowledge and industry leading technology to attain a carried interest (equity interest without an outlay of cash), and the flexibility to increase our equity ownership through further investment if we have access to reasonably priced capital.

## COMMERCIAL MILESTONES

### Next Generation Large Scale Waste-to-Energy Projects

The Westinghouse Plasma Solution at large scale (950 tonnes per day producing 49 Megawatts) is currently being commissioned and is a major commercial milestone that redefines the waste-to-energy market with increased efficiency and lower environmental emissions than alternatives.

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

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- **Economies of Scale** - Scale-up of the existing Westinghouse Plasma Solution to 950 tpd 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. Leading incinerators produce 500 to 650 kW/h per tonne of waste, whereas our solution is expected to produce over 1,000 kW/h per tonne.

## 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 in India and Southeast Asia. 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 jointly presented the combined solution at the Power-Gen conference in Abu Dhabi. Since that time, Alter NRG and GE have been co-marketing the solution to GE customers which have turbines that only have access to high cost fuels.

## 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 depending on the Company's eventual scope of supply. 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 sells technology worldwide, and currently has been selected as the core technology for projects in North America, South America, the European Union, the Middle East and Asia Pacific. Many of these projects are being developed by Fortune 500 and other credible companies such as Air Products, Sunshine Kaidi, SMS Infrastructures, China Everbright International, GreenWorld Energy Solutions, GTS 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.

The reference facilities in Shanghai, China and Pune, India are also providing opportunity to the Company. Hazardous waste is created by many different industrial and manufacturing processes; it is a growing problem that is having increased regulatory and environmental scrutiny. Alter NRG's facility in Pune, India has successfully processed over 500 different types of hazardous waste since 2008 which has shown the robust capability of the technology. The facility in Shanghai China, processes medical waste, incinerator ash as well as other hazardous waste streams and was built using modular construction techniques that has reduced the capital cost, as well as making the low cost system replicable around the world as it can be delivered in modules. This allows for a turn-key product that Alter NRG now offers that has a shorter sales cycles and shorter permitting cycle than the large-scale facilities.

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, negotiate carried interests, 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. The Company is executing on a joint development and marketing agreement and the launch of a small scale, turn-key hazardous waste destruction solution with GTS Energy Technology (Shanghai) Ltd. (GTS Energy). It is the intention of the Company to jointly market turn-key incinerator fly-ash and hazardous waste destruction facilities worldwide.

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 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 24 months. The commercial pipeline of customers and projects that have selected the Westinghouse Plasma technology continues to grow in both quantity and quality and management expects this trend will continue as more reference facilities are developed and have longer operations histories.

The first quarter of 2015 was a slower period of activity resulting in lower revenues during the period. The equipment for both Air Products projects has been delivered and other companies are waiting on commissioning of the first large-scale Tees Valley project in England before placing their equipment orders. In advance of equipment orders, the Company expects to receive engineering orders in the second quarter of 2015. As the commissioning of the first large scale, 950 tonnes per day facility, draws nearer an increasing number of large international corporations have shown interest in our technology.

Management is developing new sustainable energy solutions which is a long-term process and recognizes that the Company must generate positive cash flows. Historically, the Company's revenues year over year have been increasing but continues to report operating losses with an accumulated deficit at March 31, 2015 of approximately \$126 million.

## INCOME STATEMENT AND CASH FLOW

For the three months ended March 31				
(Canadian dollars)	2015		2014	2013
Total revenues	\$ 602,637	\$	6,187,701	\$ 4,365,811
Cost of sales	29,818		5,451,567	3,676,255
General, administration, selling and distribution expenses	3,230,803		2,418,746	2,196,136
Share-based payments	192,276		449,568	100,920
Depreciation and amortization	657,235		663,472	586,296
Foreign exchange gain	699,160		662,497	334,379
Share of loss from associate	-		-	78,456
Loss before tax	3,249,837		2,116,048	1,908,732
Loss from operations	3,070,134		1,952,460	1,759,229
Total comprehensive loss	1,316,459		1,236,994	1,458,964
Loss per share – basic and diluted	0.11		0.07	0.08
Cash used in operations before changes in non-cash working capital	\$ (3,190,950)	\$	(1,377,288)	\$ (1,247,272)
Cash used in operations	\$ (101,778)	\$	(526,178)	\$ (4,653,461)



## STATEMENT OF FINANCIAL POSITION

As at March 31	2015	2014	2013
Total assets	\$ 58,045,641	\$ 67,186,085	\$ 66,475,554
Total liabilities	24,087,288	27,266,504	22,715,739
Shareholders' equity	\$ 33,958,353	\$ 39,919,581	\$ 43,759,815

## OVERALL PERFORMANCE

### Plasma sales and services

For the three months ended March 31, 2015, total revenues of \$0.6 million were \$5.6 million or 90% lower than the three months ended March 31, 2014. Gross margins were 95% for the period ended March 31, 2015 compared to 12% for the same period in 2014. The increase in gross margin from the previous year is attributable to improved margins on the construction of the major components of the second Tees Valley gasifier and the partial release of cost contingencies of approximately \$0.4 million during the quarter for this project. As at March 31, 2015, the majority of the costs have been realized and management has revised its cost estimates. Management expected that margins would increase after the first gasifier had been delivered and all associated costs were identified.

For the three month ended March 31, 2015 general expenses, which include general and administration and selling and distribution costs, increased \$0.8 million to \$3.2 million from \$2.4 million for the three months ended March 31, 2014. The majority of the increase in general expenses in the current year is attributable to an increase in employee costs, travel costs and professional fees paid throughout the period. Employees are compensated through salary, bonuses and commissions. Commissions are earned based on performance metrics surrounding revenues, margins, and cashflows. In the first three months of 2015, the release of cost contingencies associated with the construction of the second gasifier resulted in increased margins and therefore increased commissions. Travel costs related to selling and distribution were higher than the same period in prior year, as a result of increased sales effort to secure additional contracts in the Middle East, South East Asia and Europe which require extensive travel. Professional fees increased as a result of higher investor relations activity and a number of general corporate matters. Management continues to monitor and manage expenses to lower costs wherever possible.

## 2015 HIGHLIGHTS

- Received an offer by Sunshine Kaidi New Energy Group Co., Ltd ("Kaidi") (through a subsidiary) to purchase the shares of Alter NRG for \$5.00 per common share. This offer is at a 160% premium to the Company's 20-day volume weighted average price on the Toronto Stock Exchange ("TSX") for the period ending March 26, 2015 and was unanimously approved by the Alter NRG Board of Directors. The takeover bid circular and related materials were filed on April 22, 2015 with a tender period that is open until May 28, 2015. The offer requires 66 2/3rds of the shares to be tendered for the transaction to proceed.
- Sales of \$0.6 million for the quarter which is a decrease over the prior year. The decreased revenue reflects the late 2014 completion of the construction of the large scale Westinghouse Plasma Solution for the 49 MW facility under construction by a leading Fortune 500 company. The Company is finalizing further sales particularly in China, however Q1 was a period that was without a major fabrication contract. 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 for the first Tees Valley facility being developed by Air Products, a Fortune 500 Company, which has completed final construction and began commissioning in late 2014. Air Products expects the first plant to go into commercial operation in 2015. Once operational, the facility will generate approximately 49 MW of electricity from non-recyclable waste and produce enough reliable, controllable and renewable electricity to power up to 50,000 homes.
- Delivered the equipment for the US\$21 million purchase ordered by Air Products for the 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 the project

delivery on pages 6 and 7). Alter NRG is approximately 96% done the fabrication efforts with the major pieces of our gasification solution already having been delivered, on-time and under-budget.

- Kaidi completed construction of its demonstration facility in China and the Westinghouse Plasma Solution was commissioned in 2012. 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. Upon a successful take-over bid, the Company intends to support Kaidi in scaling up its biomass to liquids facilities in China.
- 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 and slag by-products. The project ran into a regulatory delay, however received final approvals in Q4, 2014. The project has fundamentally completed the engineering phase and the site is being prepared for construction. The scope of supply is being finalized and we expect this will be followed by commencement of fabrication of a 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.
- Continued operational optimization and support of the hazardous waste destruction facility in Shanghai China being operated by GTS Energy. This reference facility handles 30 tonnes per day and complements the incineration market as it turns medical waste and hazardous incinerator ash into an environmentally friendly slag and provides increased energy production. The Company operates under a joint development and marketing agreement which provides for worldwide selling and marketing rights for the sale of turnkey waste-to-energy destruction units. In November 2014, the Company and GTS Energy co-hosted an open house which had over 75 potential customers in attendance and Alter NRG expects further sales of this product to customers in 2015.
- Continued engineering efforts for the project being advanced by China Everbright International Ltd. ("Everbright") for a proposed project in Nanjing, China. Everbright is a leading alternative energy organization with waste-to-energy projects and assets of approximately US\$6 billion. The project is being designed to process 500 tonnes of waste per day, of which a portion will be gasified using the Westinghouse Plasma Technology. The project began engineering in late 2014 and the Company expects construction to begin in the latter half of 2015.
- 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 plants to utilize the Westinghouse Plasma Technology to transform all kinds of waste in Barbados into clean, renewable energy. The project is currently looking for its development financing and is running a strategic process and upon success is expected to enter into engineering in 2015.
- 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 favorable for the Company as it does not have to deploy the risky development capital but can participate in the project level annuity cashflows after the project has been de-risked. Alter NRG is also working as a minority partner in several projects, including one in the United Kingdom which has a permitted site and is currently working towards securing key contracts.

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

- On April 22, 2015, Alter NRG and Harvest International New Energy, Co., Ltd. ("Harvest") announced that Harvest, through its wholly-owned subsidiary, 1030629 B.C. Ltd. (the "Offeror"), has commenced its previously-announced board-approved offer to acquire (the "Offer") all of the issued and outstanding common shares of Alter NRG for C\$5.00 in cash per share by mailing the Offer and take-over bid circular to Alter NRG shareholders. Alter NRG's directors' circular recommending that Alter NRG

shareholders accept the Offer was mailed concurrently. During the three month period ending March 31, 2015, the Company incurred approximately \$0.4 million of legal and professional fees related to a strategic review and fairness opinion associated with the Offer.

- On March 27, 2015, the Company entered in to an agreement with Harvest, under which Harvest has agreed to offer to acquire, through its wholly-owned subsidiary, 1030629 B.C. Ltd., all of the issued and outstanding common shares of the Company (including any common shares issuable upon the exercise of outstanding option to acquire common shares) for C\$5.00 in cash per common share (the "Offer") by way of a Board-approved take-over bid. The total equity purchase price is approximately C\$147 million.
- Waste2Tricity has not paid their last installment of the exclusive licensing agreement for the Thailand market. As a result, the agreement is now non-exclusive.

## QUARTERLY INFORMATION

	2015				2014				2013			
(Canadian dollars)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales, continuing operations	\$ 602,637	3,083,549	\$ 6,886,163	\$ 8,096,191	\$ 6,187,701	\$ 3,199,262	\$ 2,527,704	\$ 4,343,618				
Cost of sales	29,818	1,141,118	4,455,872	6,493,007	5,451,566	2,966,978	988,367	3,837,021				
Gain on sale of assets	-	-	-	-	-	275,000	-	-				
Gain (loss) on revaluation of assets held for sale	(500,000)	750,000	(50,000)	(700,000)	200,000	(200,000)	(1,174,766)	-				
Loss from operations	(3,070,134)	(1,538,437)	(251,774)	(5,015,418)	(1,952,460)	(2,081,008)	(4,449,633)	(2,644,906)				
Loss per share basic and diluted	(0.11)	(0.06)	(0.01)	(0.18)	(0.07)	(0.07)	(0.17)	(0.10)				
Capital expenditures	465,383	111,173	101,282	207,972	26,859	55,752	138,548	155,387				
Total assets	\$ 58,045,641	\$ 58,234,486	\$ 60,531,652	\$ 58,506,441	\$ 67,186,085	\$ 56,944,155	\$ 55,712,073	\$ 62,814,126				

Equipment revenues for the three months ended March 31, 2015 are primarily a result of the sale of the second large scale gasification solution to Air Products that 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 expenditures are avoided unless necessary to support the growth of the business.

## SALES AND DIRECT COSTS

For the three months ended March 31	2015		2014	
<b>Revenue</b>				
Equipment sales	\$	471,538	\$	5,906,247
Engineering and testing services		27,075		172,559
Licensing fees		-		-
Parts and other sales		104,024		108,895
	\$	602,637	\$	6,187,701
<b>Direct cost of sales</b>				
Equipment sales	\$	386,213	\$	5,243,596
Engineering and services		21,875		117,563
Parts and other sales		30,040		90,408
Cost of sales		438,128		5,451,567
Release of contingencies		(408,309)		-
<b>Cost of sales, net of contingency release</b>	\$	29,819	\$	5,451,567



Revenues for the three months ended March 31, 2015 were \$0.6 million, which is a decrease of 90%, compared with 2014. The majority of revenues are from equipment sales, in particular from the second gasifier order for the Tees Valley renewable energy facility which intends to take 950 tonnes of household waste and convert it into 49MW of electricity; this project was 96% complete at March 31, 2015. The remaining revenues from the second purchase order are expected to be earned in 2015. In February 2014, the Company signed agreements for licensing, engineering and equipment for a total of US\$15 million with GreenWorld Energy Solutions, advancing a project in Bijie, China. The engineering is 95% complete as at March 31, 2015. The final purchase order for the equipment is expected sometime in mid-2015, once final scope of supply is negotiated with the engineering company engaged by the developer.

Costs of sales (costs relating to direct labour, materials and expenditures for products sold and services provided) were minimal for the three month period ended March 31, 2015. Margins for the three months ended March 31, 2015 were 95%, as compared to 12% for 2014. The increase in gross margin from the previous year is attributable to the release of approximately \$0.4 million in contingencies associated with the delivery of the major components of the second Tees Valley gasifier in March 2015. Without the release of these contingencies the gross margin attributable to equipment sales would have been 18% for the three month ended March 31, 2015 compared to 11% gross margin on equipment sales for the period ending March 31, 2014. The increase in gross margin from the previous period is attributable to improved margins on the construction of the second Tees Valley gasifier.

Engineering and testing services 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, GreenWorld Energy Solutions, GTS Energy, Sunshine Kaidi, and China Everbright International which are all companies that we believe have the ability to execute. Other projects are being advanced by companies, most of which focus exclusively on developing facilities using the Westinghouse Plasma Technology.

## GENERAL EXPENSES

For the three months ended March 31	2015		2014	
General and administrative	\$	2,075,599	\$	1,472,330
Selling and distribution		1,155,204		946,416
Total	\$	3,230,803	\$	2,418,746

Total general expenses, including general and administrative and selling and distribution costs, increased by approximately \$0.8 million or 34% for the three months ended March 31, 2015, as compared to the three months ended March 31, 2014. The majority of the increase in general expenses in the current year is attributable to an increase in employee costs, travel costs, professional fees and by some of the aforementioned costs originating in foreign currencies during the period. Employees are compensated through salary, bonuses and commissions, all of which increased in Q1 2015 compared to the same quarter in prior year. Salaries and bonuses increased as a result of an increase in headcount and there were lower allocations of salaries to cost of sales as the second gasifier for Tees Valley nears completion. Commissions are earned based on performance metrics surrounding project revenues and margins. In the first three months of 2015, the release of cost contingencies associated with the construction of the second gasifier resulted in increased margins and therefore increased commissions. Travel costs increased related to selling and distribution were higher than prior year as a result of increased sales activity in an effort to secure additional contracts. Professional and legal fees also increased due to additional fees incurred with respect to investor relation activity and general corporate matters. Additionally, the weakening of the Canadian dollar resulted in higher foreign exchange recognized on costs originating in currencies other than the Canadian dollar during the period.

Employee costs account for approximately 53% of the total general expenses for the year ended December 31, 2014 as compared to 51% for the same period of 2014. At March 31 2015, the Alter NRG headcount included 33 full time employees which is a slight increase from March 31, 2014. Headcount by department is as follows:

As at March 31	2015	2014
Engineering and operations	16	16
Sales and marketing	9	8
Finance	5	5
Human resources and administration	3	3
<b>Total</b>	<b>33</b>	<b>32</b>

## GENERAL AND ADMINISTRATIVE EXPENSES

For the three months ended March 31	2015	2014
Employee costs, net of allocations	\$ 1,134,026	\$ 673,769
Office and operating costs	416,219	438,640
Professional and consulting fees	409,539	179,970
Travel costs	47,416	53,577
Other costs	68,399	126,374
<b>Total</b>	<b>\$ 2,075,599</b>	<b>\$ 1,472,330</b>

- Employee costs increased by approximately \$0.5 million for the three months ended March 31, 2015; the increase is due to more than one factor. Salaries and bonuses increased as a result of an increase in headcount and there were lower allocations of salaries to cost of sales as the second gasifier for Tees Valley nears completion. Secondly, in the first three months of 2015, the release of cost contingencies associated with the construction of the second gasifier resulted in increased margins and therefore increased commissions.
- Professional and consulting fees for the period ending March 31, 2015 is approximately \$0.2 million higher than 2014 as a result of an increase investor relations activity during the period.

## SELLING AND DISTRIBUTION EXPENSES

For the three months ended March 31	2015	2014
Employee costs	\$ 569,894	\$ 553,513
Professional and consulting	132,294	92,528
Travel	320,295	272,947
Advertising	125,886	21,408
Other	6,835	6,020
<b>Total</b>	<b>\$ 1,155,204</b>	<b>\$ 948,416</b>

- Professional and consulting expenses for the three months ended March 31, 2015 increased slightly during the period. The increase is due primarily from additional legal fees incurred for ongoing business negotiations related to the Company's sales pipeline.
- Travel costs for the three months ended March 31, 2015 slightly increased resulting from efforts aimed at increasing sales opportunities and continued business opportunities focused in the Middle East, Southeast Asia and Europe.
- Advertising costs for the three months ended March 31, 2015 increased by approximately \$0.1 million as a result of promotional service expenditures incurred during the period.

## SHARE BASED PAYMENTS

Total share based payments for the three months ended March 31, 2015 were \$0.2 million which is a decrease of approximately 57% from the prior year. The majority of the decrease is attributable the prior period grant of 1, 321, 370 stock options in 2014; whereas, there were no stock options granted in the same period of 2015.

## DEPRECIATION AND AMORTIZATION

For the three months ended March 31	2015		2014	
Depreciation	\$	40,516	\$	103,563
Amortization		616,719		559,909
Total	\$	657,235	\$	663,472

Depreciation for the three months ended March 31, 2015 decreased by 61% compared to the same period in 2014. In 2014, the Company reviewed the remaining economic lives of certain assets of the Company and determined that some of these assets should be recorded at their salvage value. The effect of this change has resulted in a lower depreciation charge in 2015 when compared to the same period in 2014. All assets in use are being depreciated at their useful lives.

Amortization totaled approximately \$0.6 million for the three months ended March 31, 2015 (2014 - \$0.6 million) 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 months ended March 31, 2015, amortization on these assets totaled approximately \$0.5 million (2014 - \$0.4 million). The increase in amortization is due to the increase in the foreign exchange rate on the US held intangible assets at March 31, 2015. The US subsidiary intangible assets have an estimated useful life of thirty years.
- Internally generated intangible assets are expenditures spent on design and development of plasma technology. Amortization of completed internally generated intangible assets for the three months ended March 31, 2015 amounted to approximately \$0.1 million (2014 - \$0.2 million). These intangible assets are being amortized over an estimated useful life of ten years.

## FOREIGN EXCHANGE GAIN

For the three months ended March 31 2015, the foreign exchange gain was approximately \$0.7 million. The foreign exchange gain is consistent with same period in 2014. This difference from year to year is the result of the fluctuating Canadian dollar during the year and relates to US denominated revenue and supply contracts, as well as intercompany advances which eliminate upon consolidation. The majority of the increase in the value of the US dollar was offset by a decrease in the intercompany balance. 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 September 13, 2013, the Company filed a notice of intention to sell its 10,000,000 shares of SustainCo Inc. (Formerly Bellair Ventures Inc.) ("SustainCo"). These shares were originally acquired as part of the sale agreement of CleanEnergy. Until September of 2013, the Investment in Associate was accounted for using the equity method. As the Company intends to sell the investment, the investment was reclassified to current assets held for sale as of September 30, 2013. During the three months ended March 31, 2015, a loss on revaluation of these assets of \$500,000 has been recorded (2014 – gain of \$200,000).

Assets held for sale, January 1, 2014	\$	1,300,000
Gain on revaluation of assets held for sale		200,000
Assets held for sale, March 31, 2014 and December 31, 2014	\$	1,500,000
Loss on revaluation of assets held for sale		(500,000)
<b>Asset held for sale, March 31, 2015</b>	<b>\$</b>	<b>1,000,000</b>

## FINANCE INCOME AND COSTS

For the three months ended March 31		2015		2014
Finance costs	\$	3,993	\$	20,167
Finance income	\$	5,256	\$	77,262

Finance income relates to funds invested in interest bearing accounts within a Canadian chartered bank. During the three months ended March 31, 2015, finance costs of \$3,993 were incurred as a result of regular banking activity compared to costs of \$20,167 during the three month ended March 31, 2014.

## INCOME TAXES

For the three months ended March 31		2015		2014
Deferred income tax liability	\$	16,557,802	\$	15,107,459
Deferred income tax recovery		184,035		153,558

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 which is an unlikely scenario. 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 increase revenue and execute on its strategic plan. The accumulated deficit at March 31, 2015 was \$126 million (2014 - \$116 million). For the three months ended March 31, 2015, the Company recorded revenues of approximately \$0.6 million as compared to approximately \$6.2 million for the same period of 2014. The loss before tax for the three months ended March 31, 2015 was \$3.2 million as compared to \$2.1 million for the same period of 2014. 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.

Management believes that the Company can increase revenues as the Westinghouse Plasma Technology strengthens its reputation and more 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 \$7.0 million at March 31, 2015, a decrease of \$5.0 million from the working capital balance as at March 31, 2014. Working capital provides funds for the Company to meet its operational and capital requirements.

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 March 31, 2015, the Company has approximately \$0.2 million in restricted cash (2014 - \$0.5 million) against letters of credit and the Company's credit cards and carries a deferred revenue balance of \$0.7 million (2014 - \$5.2 million) primarily for project work in process that has been paid in advance by the customer.

## CAPITAL EXPENDITURES

For the three months ended March 31	2015		2014	
Property, plant and equipment	\$	9,379	\$	12,000
Internally generated intangible assets		456,004		14,859
Total capital expenditures	\$	465,383	\$	26,859

For the three months ended March 31, 2015 expenditures on property, plant and equipment decreased slightly compared to the same period in the prior year. Internally generated intangible asset expenditures increased by \$0.4 million during the period which consists of internal project development work on the Company's plasma gasification solutions. During the three months ended March 31, 2015, the majority of the internally generated intangible assets related to a patent application fees, annuities and intellectual property development efforts.

## EQUITY

As at March 31, 2015, the company had 28,236,979 commons shares issued and outstanding and 2,007,684 stock options issued and outstanding of which, 1,667,373 were vested.

Based on the pending transaction as discussed in the Executive Summary section and disclosed in Note 1 of the unaudited condensed consolidated interim financial statements for the period ending March 31, 2015, all optionholders entered into an Option Exercise and Termination Agreement ("Option Agreement") whereby each optionholder elected to receive a cash payment equal to the amount, if any, by which the exercise price of each option is less than the consideration offered per share pursuant to the Bid, being \$5.00 per share.

In the event the pending transaction does not close, there will be no payment for the options and the optionholder will continue to hold the options, with terms that mirror the terms of each option as of the initial grant date.

## OUTLOOK

The first quarter of 2015 was a slower period of activity resulting in lower revenues during that time. The equipment for both Air Products projects has been delivered and other companies are waiting for commissioning of the first gasifier before placing large equipment orders. In advance of equipment orders, the Company expects to receive engineering orders in the first half of 2015. As the commissioning of the first large scale, 950 tonne per day facility, draws nearer an increasing number of large international corporations have shown interest in our technology.

During the remainder of 2015, the Company expects the plasma projects advancing, using the Westinghouse Plasma Technology, will contribute directly to increased revenues. Further gasification orders could make the Company cashflow positive and the Company is actively supporting near-term opportunities. Management is committed to focusing on capitalizing on revenue generating opportunities and focusing on the short term goals that deliver short-term cashflow.

Cash used in operations for the three months ended March 31, 2015 was \$0.1 million compared to \$0.5 million for 2014. The operational cash burn (excluding working capital changes) has increased to \$3.0 million for the three months ended March 31, 2015 compared to \$1.4 million in 2014. Cash provided by operations is expected to improve as the Company secures additional plasma equipment sales contracts and license revenue. 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 fair value. During the three months ended March 31, 2015, the Company incurred corporate legal fees totaling approximately \$318,725, (2014 - \$52,494) to a legal firm of which one officers of the Company is a partner. At March 31, 2015, \$294,580 (2014 - \$52,494) was owed to the legal firm. These fees are included in general and administrative expenses and transaction costs in the condensed consolidated statement of comprehensive loss. Included in general and administrative expenses is remuneration for the officers and directors of the Company. For the three months ended March 31, 2015 this remuneration included salaries of \$562,695 and \$146,483 of stock based compensation costs (March, 31, 2014 - \$456,243 and \$ 163,551 respectively).

## OFF-BALANCE SHEET ARRANGEMENTS

As at March 31, 2015 and 2014, 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, assets held for sale, accounts payable and accrued liabilities. 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 March 31, 2015 or 2014.

## 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 months ended March 31, 2015 are consistent with those disclosed in the December 31, 2015 audited consolidated 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](http://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) 806-3701.

## 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 periods 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 March 31, 2015 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:

- timing of expected revenues;
- 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	March 31, 2015	December 31, 2014
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 6,275,018	\$ 6,407,470
Restricted cash	4	169,995	563,344
Accounts receivable		3,372,887	5,980,768
Prepaid expenses		488,058	513,807
Inventories		511,836	453,421
Assets held for sale	5	1,000,000	1,500,000
		11,817,794	15,418,810
Non-current assets:			
Property, plant and equipment	6	1,081,587	1,034,237
Intangible assets	7	45,146,260	41,781,439
<b>Total assets</b>		<b>\$ 58,045,641</b>	<b>\$ 58,234,486</b>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 4,312,135	\$ 4,849,226
Operating lease obligation	8	119,540	137,373
Deferred revenue		690,741	348,031
		5,122,416	5,334,630
Non-current liabilities:			
Deferred income tax		16,557,802	15,337,577
Operating lease obligation	8	218,967	237,744
Warranty provision	9	2,188,103	2,158,629
<b>Total liabilities</b>		<b>24,087,288</b>	<b>23,068,580</b>
Shareholders' equity:			
Shareholders' capital	10	145,523,895	145,523,895
Contributed surplus		327,765	327,765
Reserves		13,715,404	11,852,823
Deficit		(125,608,711)	(122,538,577)
<b>Total shareholders' equity</b>		<b>33,958,353</b>	<b>35,165,906</b>
<b>Total shareholders' equity and liabilities</b>		<b>\$ 58,045,641</b>	<b>\$ 58,234,486</b>

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 LOSS (UNAUDITED)

For the three months ended March 31 (Canadian dollars)	Note	2015	2014
Sales	\$	602,637	\$ 6,187,701
Cost of sales		29,818	5,451,567
Gross profit		572,819	736,134
General and administrative expenses	13	2,075,599	1,472,330
Selling and distribution costs	13	1,155,204	946,416
Transaction costs	1	443,206	-
Share-based payments	11	192,276	449,568
Depreciation and amortization		657,235	663,472
Foreign exchange (gain)		(699,160)	(662,497)
Other (income)		(441)	(11,116)
Finance costs		3,993	7,242
Finance (income)		(5,256)	(13,233)
Loss before taxes		(3,249,837)	(2,116,048)
Current income tax expense		(4,332)	-
Deferred income tax recovery		184,035	163,588
Loss from operations		(3,070,134)	(1,952,460)
(Loss) gain on revaluation of assets held for sale		(500,000)	200,000
Exchange gain on translating foreign operations		2,253,675	515,466
Total comprehensive loss	\$	(1,316,459)	\$ (1,236,994)
<b>Loss per share</b>			
Basic and diluted loss per share	12	\$ (0.11)	\$ (0.07)

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 CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

(Canadian dollars)	Issued Capital	Contributed Surplus	Revaluation of Assets Held-for-Sale Reserve	Equity Settled Employee Benefits Reserve	Foreign Currency Translation Reserve	Deficit	Total
As at January 1, 2014	\$ 140,311,799	\$ 327,765	\$ -	\$ 9,166,569	\$ 19,188	\$ (113,980,488)	\$ 35,844,833
Loss for the period	-	-	-	-	-	(1,952,460)	(1,952,460)
Other comprehensive gain	-	-	200,000	-	515,466	-	715,466
Share based compensation	-	-	-	324,596	-	-	324,596
Issuance of common shares under employee stock option plan	94,997	-	-	(36,198)	-	-	58,799
Private placement	5,000,000	-	-	-	-	-	5,000,000
Share issue costs, net	(71,653)	-	-	-	-	-	(71,653)
As at March 31, 2014	\$ 145,335,143	\$ 327,765	\$ 200,000	\$ 9,454,967	\$ 534,654	\$ (115,932,948)	\$ 39,919,581
Loss for the period	-	-	-	-	-	(6,605,629)	(6,605,629)
Other comprehensive gain (loss)	-	-	-	-	1,364,145	-	1,364,145
Share based compensation	-	-	-	375,339	-	-	375,339
Issuance of common shares under employee stock option plan	205,897	-	-	(76,282)	-	-	129,615
Share issue costs, net	(17,145)	-	-	-	-	-	(17,145)
As at December 31, 2014	\$ 145,523,895	\$ 327,765	\$ 200,000	\$ 9,754,024	\$ 1,898,799	\$ (122,538,577)	\$ 35,165,906
Loss for the period	-	-	-	-	-	(3,070,134)	(3,070,134)
Other comprehensive gain (loss)	-	-	(500,000)	-	2,253,675	-	1,753,675
Share based compensation	-	-	-	108,906	-	-	108,906
Issuance of common shares under employee stock option plan	-	-	-	-	-	-	-
Share issue costs, net	-	-	-	-	-	-	-
<b>As at March 31, 2015</b>	<b>\$ 145,523,895</b>	<b>\$ 327,765</b>	<b>\$ (300,000)</b>	<b>\$ 9,862,930</b>	<b>\$ 4,152,474</b>	<b>\$ (125,608,711)</b>	<b>\$ 33,958,353</b>

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 CASHFLOWS (UNAUDITED)

For the three months ended March 31 (Canadian dollars)	Note	2015	2014
<b>Cash provided by (used in):</b>			
<b>Operating:</b>			
Loss before taxes		\$ (3,249,837)	\$ (2,116,048)
Add (deduct) items not involving cash:			
Share-based payments	11	108,906	324,596
Depreciation and amortization		657,235	663,472
Warranty provision	9	29,474	266,455
Finance costs		3,993	7,242
Finance income		(5,256)	(13,233)
Unrealized foreign exchange gain		(735,465)	(509,772)
		(3,190,950)	(1,377,288)
Change in deferred revenue		342,710	4,652,028
Change in non-cash working capital		2,746,462	(3,800,918)
Cash used in operations		(101,778)	(526,178)
<b>Financing:</b>			
Issue of share capital		-	5,000,000
Proceeds from stock options exercised		-	58,799
Share issue costs, net		-	(71,653)
Finance costs		(3,993)	(7,242)
Cash (used in) provided by financing activities		(3,993)	4,979,904
<b>Investing:</b>			
Purchase of property, plant and equipment	6	(9,379)	(12,000)
Purchase of intangible assets	7	(456,004)	(14,859)
Restricted cash		393,349	(31,352)
Finance income received		5,256	13,233
Cash used in investing activities		(66,778)	(44,978)
<b>Cash flow from operating, financing and investing activities:</b>			
Cash flow (used in) provided by operating, financing and investing activities		(172,549)	4,408,748
Effect of translation on foreign currency cash		40,097	(60,482)
(Decrease) increase in cash and cash equivalents		(132,452)	4,348,266
Cash and cash equivalents, beginning of period		6,407,470	7,628,798
Cash and cash equivalents, end of period		6,275,018	11,977,064
<b>Cash and cash equivalents</b>			
Cash at banks and on hand		3,192,369	10,405,616
Short-term deposits		3,082,649	1,571,448
<b>Total cash and cash equivalents</b>		<b>6,275,018</b>	<b>11,977,064</b>

See accompanying notes to the condensed consolidated financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## NOTE 1 CORPORATE INFORMATION

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Alter NRG or 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 on May 7, 2015.

### **Pending Transaction**

On March 27, 2015, Alter NRG Corp. and Harvest International New Energy, Inc. ("Harvest") announced that they have entered into an agreement under which Harvest has agreed to offer to acquire, through its wholly-owned subsidiary, 1030629 B.C. Ltd. (the "Offeror"), all of the issued and outstanding common shares of the Company by the Offeror (including any Common Shares issuable upon the exercise of outstanding options to acquire Common Shares) for \$5.00 in cash per Common Share (the "Offer") by way of a Board-approved take-over bid. The total equity purchase price is approximately \$147 million.

The Offer consideration represents a 160% premium to the Company's 20-day volume weighted average price on the Toronto Stock Exchange ("TSX") for the period ending March 26, 2015 and a 159% premium to the Company's closing price on the TSX on March 26, 2015.

The Board of Directors of Alter NRG, after consultation with its financial and legal advisors, has unanimously approved entering into the agreement and has unanimously recommended that Alter NRG shareholders tender their shares to the Offeror. The financial advisors to the Company, Cormark Securities Inc., have provided a fairness opinion to the effect that, as of the date of the opinion and subject to the limitations and qualifications therein, the consideration of \$5.00 in cash per share to be received by Alter NRG shareholders is fair, from a financial point of view, to Alter NRG shareholders.

All of Alter NRG's directors and executive officers, as well as Ervington Investments, holding in the aggregate approximately 17.9% of the Common Shares, have entered into lock-up agreements with the Offeror, pursuant to which they have agreed to tender all of their Alter NRG shares to the Offer.

On April 22, 2015, the Company and Harvest announced that Harvest, through the Offeror, has commenced the board-approved Offer to acquire all of the issued and outstanding common shares of Alter NRG for C\$5.00 in cash per share by mailing the Offer and take-over bid circular to Alter NRG shareholders. The Company's directors' circular recommending that the Company's shareholders accept the Offer was mailed concurrently.

During the three month period ending March 31, 2015, the Company incurred approximately \$0.4 million of legal and professional fees related to a strategic review and fairness opinion associated with the Offer. These costs are separately disclosed as transaction costs in the unaudited consolidated statement of comprehensive loss for the three month period ending March 31, 2015.

## NOTE 2 BASIS OF PRESENTATION

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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, 2014, that were prepared in accordance with IFRS.

## NOTE 3      SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS, ESTIMATES AND ASSUMPTIONS

During the three months ended March 31, 2015 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, 2014.

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 Company's accounting policies. There has been no material revisions to the nature of estimates, judgments and assumptions to those reported in the 2014 annual consolidated financial statements.

The Company has adopted the following IFRS accounting standards as of January 1, 2015 with no material impact on the financial statements:

- IFRS 9 Financial Instruments, classification and measurement

At the date of this report, the IASB has issued the following IFRSs which are not yet effective,

- IFRS 11 (Amendments) Accounting for Acquisitions of Interest in Joint Operations (applicable for 2016)
- IFRS 15 Revenue from Contracts with Customers (applicable for 2017)
- IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization (applicable for 2016)
- IAS 28 Investments in associates and Joint Ventures: Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture (Amendments to IFRS 10 and IAS 28) – (applicable for 2016)
- Annual Improvement 2012 – 2014 Cycle (applicable for 2016)

Management is assessing the impact of these new and revised standards, amendments and interpretations.

## NOTE 4      RESTRICTED CASH

As at	March 31, 2015		December 31, 2014
Cash collateral for corporate credit cards	\$	169,995	\$ 137,008
Letters of credit		-	426,336
<b>Total restricted cash</b>	<b>\$</b>	<b>169,995</b>	<b>\$ 563,344</b>

At March 31, 2015, the Company held its restricted cash in short term investments including \$169,995 (December 31, 2014 - \$137,008) in short-term revolving term deposits and \$nil (December 31, 2014 - \$426,336) in guaranteed investment certificates. The term deposits and guaranteed investment certificates earn interest at rates of 1% to 2% (2014 - 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 September 13, 2013, the Company filed a notice of intention to sell its 10,000,000 shares of SustainCo Inc. (Formerly Bellair Ventures Inc.) ("SustainCo"). These shares were originally acquired as part of the sale agreement of CleanEnergy. Until September of 2013, the Investment in Associate was accounted for using the equity method. As the Company intends to sell the investment, the investment was reclassified to current assets held for sale as of September 30, 2013. During the three months ended March 31, 2015, a loss on revaluation of these assets of \$500,000 has been recorded (2014 – gain of \$200,000).

Assets held for sale, January 1, 2014	\$	1,300,000
Gain on revaluation of assets held for sale		200,000
Assets held for sale, March 31, 2014 and December 31, 2014	\$	1,500,000
Loss on revaluation of assets held for sale		(500,000)
<b>Asset held for sale, March 31, 2015</b>	<b>\$</b>	<b>1,000,000</b>

## NOTE 6 PROPERTY, PLANT AND EQUIPMENT

		Plant and facility		Leasehold improvements		Office equipment		Computer equipment		Total
<b>Cost</b>										
December 31, 2014	\$	5,173,270	\$	289,499	\$	51,709	\$	401,440	\$	5,915,918
Additions		-		-		-		9,379		9,379
Exchange adjustment		475,571		9,589		4,229		8,362		497,751
<b>March 31, 2015</b>	<b>\$</b>	<b>5,648,841</b>	<b>\$</b>	<b>299,088</b>	<b>\$</b>	<b>55,938</b>	<b>\$</b>	<b>419,181</b>	<b>\$</b>	<b>6,423,048</b>
<b>Accumulated depreciation</b>										
December 31, 2014	\$	(4,371,292)	\$	(136,776)	\$	(46,346)	\$	(327,267)	\$	(4,881,681)
Charge for the period		(15,080)		(11,800)		(282)		(13,354)		(40,516)
Exchange adjustment		(401,605)		(9,589)		(4,229)		(3,841)		(419,264)
<b>March 31, 2015</b>	<b>\$</b>	<b>(4,787,977)</b>	<b>\$</b>	<b>(158,165)</b>	<b>\$</b>	<b>(50,857)</b>	<b>\$</b>	<b>(344,462)</b>	<b>\$</b>	<b>(5,341,461)</b>
<b>Net book value</b>										
<b>March 31, 2015</b>	<b>\$</b>	<b>860,864</b>	<b>\$</b>	<b>140,923</b>	<b>\$</b>	<b>5,081</b>	<b>\$</b>	<b>74,719</b>	<b>\$</b>	<b>1,081,587</b>
December 31, 2014	\$	801,978	\$	152,723	\$	5,363	\$	74,173	\$	1,034,237

## NOTE 7 INTANGIBLE ASSETS

		Acquired intangibles		Development costs		Patents		Total
<b>Cost</b>								
December 31, 2014	\$	50,978,581	\$	6,161,849	\$	448,760	\$	57,589,190
Additions		-		354,260		101,744		456,004
Exchange adjustment		4,679,959		75,606		-		4,755,565
<b>March 31, 2015</b>	<b>\$</b>	<b>55,658,540</b>	<b>\$</b>	<b>6,591,715</b>	<b>\$</b>	<b>550,504</b>	<b>\$</b>	<b>62,800,759</b>
<b>Accumulated amortization</b>								
December 31, 2014	\$	(13,098,666)	\$	(2,673,497)	\$	(35,588)	\$	(15,807,751)
Charge for the period		(454,520)		(155,643)		(6,556)		(616,719)
Exchange adjustment		(1,211,792)		(18,237)		-		(1,230,029)
<b>March 31, 2015</b>	<b>\$</b>	<b>(14,764,978)</b>	<b>\$</b>	<b>(2,847,377)</b>	<b>\$</b>	<b>(42,144)</b>	<b>\$</b>	<b>(17,654,499)</b>
<b>Net book value</b>								
<b>March 31, 2015</b>	<b>\$</b>	<b>40,893,562</b>	<b>\$</b>	<b>3,744,338</b>	<b>\$</b>	<b>508,360</b>	<b>\$</b>	<b>45,146,260</b>
December 31, 2014	\$	37,879,915	\$	3,488,352	\$	413,172	\$	41,781,439



## NOTE 8 OPERATING LEASE OBLIGATION

As at	March 31, 2015		December 31, 2014	
Operating lease obligation, beginning of period	\$	375,117	\$	388,153
Additional obligations recognized		-		-
Reductions arising from payments		(36,610)		(13,036)
<b>Operating lease obligation, end of period</b>	<b>\$</b>	<b>338,507</b>	<b>\$</b>	<b>375,117</b>

As at	March 31, 2015		December 31, 2014	
Current	\$	119,540	\$	137,373
Long-term		218,967		237,744
<b>Total operating lease obligation</b>	<b>\$</b>	<b>338,507</b>	<b>\$</b>	<b>375,117</b>

The Company has recognized an onerous lease provision for office space which will not be used by the Company. The provision has been calculated based on the total remaining lease payments less any sublease income for the period in which the leased space is no longer in use. This provision is reduced over the remaining lease term.

## NOTE 9 WARRANTY PROVISION

	Provision		Claims		Total
December 31, 2014	\$	2,158,629	\$	-	\$ 2,158,629
Equipment warranty		29,474		-	29,474
<b>March 31, 2015</b>	<b>\$</b>	<b>2,188,103</b>	<b>\$</b>	<b>-</b>	<b>\$ 2,188,103</b>

The Company guarantees the components and workmanship of its equipment sales for periods ranging from 12 to 18 months post commissioning. 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 March 31, 2015 and December 31, 2014, there is an unlimited number of authorized common shares, voting and participating.

As at	March 31, 2015			December 31, 2014	
Issued and fully paid	Number issued		Amount	Number issued	Amount
Shareholders' capital, beginning of period	28,236,979	\$	145,523,895	26,168,969	\$ 140,311,799
Private placement of shares	-		-	1,953,125	5,000,000
Share issue costs, net	-		-	-	(88,798)
Stock options exercised	-		-	114,885	300,894
<b>Common shares issued and fully paid, end of period</b>	<b>28,236,979</b>	<b>\$</b>	<b>145,523,895</b>	<b>28,236,979</b>	<b>\$ 145,523,895</b>

## NOTE 11 SHARE-BASED PAYMENTS

For the three months ended March 31	2015		2014	
Expenses arising from equity-settled share-based payment transactions	\$	108,906	\$	324,596
Expenses arising from cash-settled share-based payment transactions		83,370		124,972
<b>Total share-based payments</b>	<b>\$</b>	<b>192,276</b>	<b>\$</b>	<b>449,568</b>

For the three months ended March 31, 2015, share-based payments accounted for 10% (March 31, 2014 – 30%) 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 previous five days. The contractual life of the options is five to ten years and there are no cash settlement alternatives. There were no options granted for the three months ended March 31, 2015. The weighted-average fair value of options granted for the three months ended March 31, 2014 was \$0.78 per option.

Based on the pending transaction as disclosed in Note 1, all optionholders entered into an Option Exercise and Termination Agreement ("Option Agreement") whereby each optionholder elected to receive a cash payment equal to the amount, if any, by which the exercise price of each option is less than the consideration offered per share pursuant to the Bid, being \$5.00 per share.

In the event the pending transaction does not close, there will be no payment for the options and the optionholder will continue to hold the options, with terms that mirror the terms of each option as of the initial grant date.

As at	March 31, 2015		December 31, 2014	
	Number of Options	Weighted Average Exercise Price (\$/option)	Number of Options	Weighted Average Exercise Price (\$/option)
Outstanding, beginning of period	2,008,209	\$ 2.65	1,818,042	\$ 2.56
Granted	-	-	359,869	3.10
Forfeited	(525)	1.52	(54,817)	4.91
Exercised	-	-	(114,885)	1.64
<b>Outstanding, end of period</b>	<b>2,007,684</b>	<b>\$ 2.40</b>	<b>2,008,209</b>	<b>\$ 2.65</b>
<b>Exercisable, end of period</b>	<b>1,667,373</b>	<b>\$ 2.75</b>	<b>1,582,336</b>	<b>\$ 2.73</b>

As at March 31, 2015		Outstanding		Exercisable			
		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	1,274,830	2.62	\$ 1.73	1,045,079	2.48	\$ 1.73
	2.51 – 4.00	571,221	3.32	3.23	460,661	3.20	3.27
	5.51 – 7.00	98,755	.54	6.83	98,755	.54	6.83
	7.01 – 8.50	9,501	.17	8.44	9,501	.17	8.44
	8.51 – 10.00	48,376	1.99	9.13	48,376	1.99	9.13
	13.01 – 14.50	5,001	2.84	13.20	5,001	2.84	13.20
<b>Total</b>		<b>2,007,684</b>	<b>2.69</b>	<b>\$ 2.65</b>	<b>1,667,373</b>	<b>2.53</b>	<b>\$ 2.75</b>

## NOTE 12 LOSS PER SHARE

Basic and diluted loss per share amounts are calculated by dividing net 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 months ended March 31, 2015 was 28,236,979 (March 31, 2014 – 27,336,653). As the Company is in a loss position, any conversion of options would be anti-dilutive to the loss per share calculation.

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 period presentation in the financial statements has been restated.

## NOTE 13 EXPENSES

### General and administrative

For the three months ended March 31	2015	2014
Employee costs	\$ 1,322,118	\$ 954,107
Less amounts allocated to:		
Cost of sales	(188,092)	(272,668)
Intangible assets	-	(7,670)
Employee costs, net of allocations	1,134,026	673,769
Office and operating costs	416,219	438,640
Professional and consulting fees	409,539	179,970
Travel costs	47,416	53,577
Other costs	68,399	126,374
<b>General and administrative expenses</b>	<b>\$ 2,075,599</b>	<b>\$ 1,472,330</b>

## Selling and distribution costs

For the three months ended March 31		2015		2014
Employee costs	\$	569,894	\$	553,513
Professional and consulting		132,294		92,528
Travel		320,295		272,947
Advertising		125,886		21,408
Other		6,835		6,020
<b>Selling and distribution expenses</b>	<b>\$</b>	<b>1,155,204</b>	<b>\$</b>	<b>946,416</b>

## 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 fair value. During the three months ended March 31, 2015, the Company incurred corporate legal fees totaling approximately \$318,725 (2014 - \$52,494) to a legal firm of which one officer of the Company is a partner. At March 31, 2015, \$294,580 (2014 - \$52,494) was owed to the legal firm. These fees are included in general and administrative expenses and transaction costs in the condensed statement of comprehensive loss. Included in general and administrative expenses is remuneration for the officers and directors of the Company. For the three months ended March 31, 2015, this remuneration included salaries of \$562,695 and \$146,483 of stock based compensation (March, 31, 2014 - \$456,243 and \$ 163,551).

## NOTE 15 SEGMENTED INFORMATION

Revenues for the Company are obtained from a few key customers. One customer's sales accounted for \$471,538 or 78% of total revenue for the three months ended March 31, 2015 (March 31, 2014 - \$5,906,246, 95%).

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

For the three months ended March 31		2015	% of Sales		2014	% of Sales
United Kingdom	\$	471,538	78%	\$	5,906,246	95%
United States		-	-		124,555	2%
China		131,099	22%		156,900	3%
<b>Total</b>	<b>\$</b>	<b>602,637</b>	<b>100%</b>	<b>\$</b>	<b>6,187,701</b>	<b>100%</b>

## NOTE 16 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial liabilities comprise accounts payables, 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 March 31, 2015 and December 31, 2014.

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 months ended March 31, 2015 would have been approximately \$16,000 (March 31, 2014 - \$24,000) 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 three months ended March 31, 2015, the fluctuation in the Company's comprehensive loss would have been approximately \$2.1 million (March 31, 2014 - \$1.7 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 conducted through a separate US subsidiary. 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 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 no provision for amounts outstanding at March 31, 2015 and December 31, 2014. The Company believes the remaining amounts outstanding over 90 days 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	March 31, 2015	December 31, 2014
Current	\$ 2,684,861	\$ 5,473,089
31 to 60 days	127,653	116,625
61 to 90 days	412,278	3,933
Over 90 days	148,095	387,121
<b>Accounts receivable total</b>	<b>\$ 3,372,887</b>	<b>\$ 5,980,768</b>

## Liquidity risk

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. At March 31, 2015, the Company had positive working capital of approximately \$7.0 million. 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 three months ended March 31, 2015, the Company had a net loss from operations of \$3,070,134, negative cash flows from operations of \$101,778 and had an accumulated deficit of \$125,608,711 (for the three months ended March 31, 2014 – \$1,952,460, \$526,178 and \$115,932,948, 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.

The Company has financial assets 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, restricted cash and assets held for sale have been assessed using the fair value hierarchy described above, and have been determined using Level 1 inputs.

The fair value of the Company's share-based payment transactions, restricted share units, performance stock units, accounts receivable, accounts payable, accrued liabilities and lease obligations have been assessed using the fair value hierarchy described above, and have been determined using Level 2 inputs.

The Company does not have any financial assets or financial liabilities, held at fair value, classified as Level 3 as at March 31, 2015. The financial assets and liabilities by categories as follows:

At March 31, 2015	Fair value through profit or loss	Financial assets available for sale	Other financial liabilities	Total
Financial assets				
Cash and cash equivalents	\$ 6,275,018	\$ -	\$ -	\$ 6,275,018
Restricted cash	169,995	-	-	169,995
Accounts receivable	3,372,887	-	-	3,372,887
Assets held for sale	-	1,000,000	-	1,000,000
<b>Total financial assets</b>	<b>9,817,900</b>	<b>1,000,000</b>	<b>-</b>	<b>10,817,900</b>
Financial liabilities				
Accounts payable and accrued liabilities	-	-	(4,312,135)	(4,312,135)
Operating lease obligation			(338,507)	(338,507)
<b>Total financial liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (4,650,642)</b>	<b>\$ (4,650,642)</b>
At December 31, 2014				
Financial Assets				
Cash and cash equivalents	\$ 6,407,470	\$ -	\$ -	\$ 6,407,470
Restricted cash	563,344	-	-	563,344
Accounts receivable	5,980,768	-	-	5,980,768
Assets held for sale	-	1,500,000	-	1,500,000
Total financial assets	12,951,582	1,500,000	-	14,451,582
Financial liabilities				
Accounts payable and accrued liabilities	-	-	(4,849,226)	(4,849,226)
Operating lease obligation			(375,117)	(375,117)
Total financial liabilities	\$ -	\$ -	\$ (5,224,343)	\$ (5,224,343)

# CORPORATE INFORMATION

## [ALTER NRG CORP.]

### DIRECTORS

Kevin Bolin <sup>(1)</sup>	- Chairman
Nancy Laird <sup>(2)</sup>	- Lead Director
Walter Howard	- Director
Mark Montemurro <sup>(3)</sup>	- Director
Eugene Tenenbaum	- Director
Paul Heagren <sup>(4)</sup>	- Director
Wayne Sim	- Director

### MANAGEMENT

Walter Howard	- Chief Executive Officer
Danny Hay	- Chief Financial Officer
Richard Fish	- President
Kent Hicks	- Chief Technology Officer

(1) Chair of Project Committee

(2) Chair of Compensation, Governance and Nominating Committee

(3) Chair of Health, Safety and Environment

(4) Chair of Audit Committee

### STOCK EXCHANGE LISTINGS

TSX Symbol: NRG

OTCQX Symbol: ANRGF

### LEGAL COUNSEL

Blake, Cassels & Graydon LLP

Calgary, Alberta

### AUDITORS

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Calgary, Alberta

### BANKERS

Scotiabank

Calgary, Alberta

### TRANSFER AGENT

Valiant Trust Company

Calgary, Alberta

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### GLOSSARY

MW	megawatts
Syngas	synthesis gas
WTE	waste-to-energy
tpd	tonnes per day
tpy	tonnes per year



A landscape photograph showing a vast, green, rolling field in the foreground. In the distance, a line of trees and some buildings are visible on a slight rise. The sky is a deep blue with scattered, wispy white clouds. The text "Life WITHOUT Landfills" is centered in the middle of the image.

# Life WITHOUT Landfills



