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PRESENTATION

Operator

Good morning ladies and gentlemen. Welcome to the Magma Energy Corp. Conference Call. Please be advised that this call is being recorded for instant replay purposes.

I would now like to turn the meeting over to Mr. Ross Beaty, Chairman and Chief Executive Officer of Magma Energy Corp. Please go ahead, Mr. Beaty.

Ross Beaty, Chairman & Chief Executive Officer

Well thank you very much and good morning ladies and gentlemen and thank you very much for joining in today's call.

This is a historic event, this is our first ever quarterly results conference call, but it will be a pattern for the future. I want to say at the outset that there are some forward-looking statements made here and we would like to draw your attention to the forward-looking statement disclaimer and disclosure in our news release as that disclosure will be relevant to what I say today.

As you know, Magma completed its initial public offering on July 7th this year but we began business in early 2008 and spent our first 15 months or so as a private company, building our assets quietly and privately. Our mission is to become one of the preeminent geothermal power companies on the planet and central to achieving this mission is for us to grow quickly and to bulk up in size. As a rule, the larger the company, the lower its cost of capital. Geothermal energy development is a very capital-intensive business due to high costs of reservoir drilling and development, power plant construction, and transmission line development. Once built however, geothermal plants typically have very low operating and maintenance costs and high operating margins.

To more easily and more economically finance our rapid growth and the high front-end capital cost it has been central to our business plan to go public as soon as possible. We hoped to do this last fall but the global market meltdown made that impossible. In April things started opening up and we did all the dreadful legal, accounting and administrative work to put a prospectus together, then we embarked in June on an international road show to financial markets in Canada, the USA and Europe under the guidance of or underwriters led by Raymond James and Cormark.

We were very pleased with the reception to our story. We set out to raise \$50 million but received orders for a multiple of that amount and decided to upsize our IPO financing to \$110 million, which we closed on July 7th. That was a pretty satisfying end to our first full year of operations and to our change in status to a public company. We now have to live under the glare of public markets, exposed to investors who can access all of our disclosure.

Presented today are our financial results for Magma's fourth quarter of fiscal 2008 and full-year results for the year ended June 30, 2009 as well as our MD&A, and I would again draw your attention to a full set of financial materials, the full financials, the MD&A, financial statements and notes to the statements, which can be accessed at our website, which is at www.magmaenergycorp.com. Or you can also find them on SEDAR at www.sedar.com.

We had our first board review of these results yesterday and of course today is our first ever Magma conference call. We plan to have this type of call following every quarter's results announcements and whenever we do something material that we think our shareholders and the public might like more detail on. These calls will be recorded and will be available for replay also on our website, www.magmaenergycorp.com. So the purpose of my comments today is not to regurgitate things you can read in our financial statements announcements but to provide some colour on the words and perhaps answer your questions ahead of time regarding our business. We will have a time for questions as well after my comments but I hope I can pre-answer many of them as I speak.

Our greatest assets of course are our people. Magma now employs an amazing team of people at our four locations: our head office in Vancouver; our operating plant at Soda Lake, Nevada; our USA headquarters in Reno, Nevada; and our Latin American operating exploration office in Santiago, Chile. In a very short period we have attracted to the company a team of deep expertise in geothermal geology, geochemistry, geophysics, geothermal engineering, and plant operations. And joining me today are the following members of our senior management team: by telephone from Reno, Dr. Frank Monastero. Frank is president of our U.S. subsidiary, Magma Energy U.S. Corp. Also in Vancouver with me are Sandra Lim, Magma's Chief Financial Officer; Andrea Zaradic, our Vice-President of Corporate Development; Dr. Cathy Hickson, Magma's Chief Geologist; and Alison Thompson, Magma's Vice-President of Corporate Relations.

Alison has just joined us and I'm really pleased to welcome her today and introduce her to our shareholders. Alison has been executive director of the Canadian Geothermal Energy Association for some time and has run geothermal projects while she was working at Nexen and Suncor, large Canadian energy companies. Alison has degrees in chemical engineering and an MBA and will be our principal contact with investors, analysts and market players, so if you wish to contact us at any time please call her not me.

In terms of our financial results for the year, they were pretty much as expected. Our sole operating assets in Soda Lake produced about on budget. It is a relatively small plant at 8 megawatts and its fixed costs are offset by a relatively small revenue base today. So to improve its cash flow and earnings potential we are now working to double its output by generating an additional 8 megawatts of net power in our first phase and potentially more in our second phase of expansion. This revenue will nearly all flow to the bottom line to increase our cash flow. To double output will require new production wells and some plant upgrades and we have budgeted US\$18 million to do this.

We drilled two holes in June and July to depths of 4,468 feet and 8,995 feet respectively and we are undertaking engineering work now on the existing plant. The holes encountered high temperatures, even higher than expected, but less permeability and flow rates than expected. We are now putting together a comprehensive reservoir model of the Soda Lake field to optimize the production injection strategy needed to achieve our phase-one objective. As well we will be working on phase two planning, increasing power sales beyond 16 megawatts to take Soda Lake to its optimal long-term power production base.

To answer possible specific investor questions about Soda Lake, let me provide the following comments: First of all, we don't know yet whether these two holes we have drilled will be enough to meet our phase-one expansion plans. If we use them as injection wells we may get a production boost from other existing wells and we should know this by November or so. If we need additional steam we will plan further drilling this winter. Any excess can be used in our phase-two expansion. Secondly, we remain on budget for phase one subject to any need for new wells. Third, we have applied for \$5 million in co-funding of future Soda Lake drilling under the American Recovery and Reinvestment Act. We hope to hear in the fall this year about whether the application has been approved or not. And finally, our phase-one expansion is now programmed to be completed in the first quarter of 2010 rather than at the end of this year.

Our other Nevada projects are being permitted for a very aggressive geophysical and drilling program which we hope will begin in November. Again we have applied for about \$20 million in government co-funding for these programs and expect to hear results of this later on this fall. Obviously we don't expect we'll have all of this approved but we certainly hope to have some of it approved and that will be a significant boost to our exploration budget for Nevada over the coming years.

In Latin America most of our attention is on our Maule project in Chile where we announced really exciting results in July. We are planning a \$15 million work program at Maule in the next 16 months, including more drilling and engineering work. Dr. Cathy Hickson is here today if anyone has questions about this major geothermal discovery we have made. It really has tremendous potential to be a large geothermal power producer in southern Chile in the years to come.

Moving to Iceland now, as you know, we announced two deals this summer, one to acquire for \$25 million a 10.8 percent interest in the large Icelandic geothermal power company HS Orka, and the second deal was to acquire for \$30 million cash and a bond having a nominal value of \$70 million a 32 percent interest in HS Orka. Both deals are subject to certain conditions including the waiver of pre-emptive rights held by other shareholders and the waiver of certain breach of debt covenants between HS Orka, certain breaches of debt covenants between HS Orka and a consortium of European banks. These are not significant breaches and we expect these conditions will be met in late September or early October and will then seek to close the transaction which will see Magma become a 43 percent shareholder in HS Orka with an option to acquire another 5 percent.

HS Orka is a large, well run, modern and efficient geothermal power company in a country with deep geothermal resource potential and deep geothermal expertise. It's also a wonderful place to visit with fine people. Its two plants generate 175 megawatts net power and provide geothermal hot water to many homes and businesses. Most of the power is sold to large aluminum smelters under long-term contracts paid in U.S. dollars and partially pegged to world aluminum prices. The plants have extraordinarily low operating costs. HS Orka holds rights to additional resources and expansions are planned over the next six years to boost its output to 425 megawatts.

Our original plans were to seek to acquire 100 percent of HS Orka. There's a lot of debate going on in Iceland right now as to whether this is appropriate and so our objective

at the present is to modify our interest in hopes to increase our stake to a 50 percent in partnership with equal Icelandic ownership in a way that will allow Magma to consolidate HS Orka's results in our financial statements and also to let us really focus on this company and help it grow as strongly and as successfully as possible for the benefit of all shareholders and stakeholders, the employees, the local communities, the Icelandic people and of course our own shareholders who are providing capital. We look forward to closing this transaction soon. We could finance these acquisitions from the \$88 million of cash on hand or from a combination of cash and credit lines available to us today or from a dedicated financing in the future. Our present focus is to close the transaction and we will then decide which of these options to elect.

So, to sum up, we had a pretty full year in our first full year of operations and we have a very ambitious plan for the year ahead. We are fundamentally focused in four areas: Soda Lake expansion, Nevada general exploration, Chilean exploration especially at Maule, and the completion of the acquisition and then the wrapping in of the project of the company within our existing plans and aspirations of HS Orka in Iceland. We have a strong management team and the capital to execute all of our plans for the coming year. To achieve our business plan of becoming one of the world's preeminent geothermal power companies we must discover, build, operate, and buy well. As well as we can. This will generate superior (inaudible) returns and make us a leader in the production of the cleanest and lowest cost source of electric power on the planet. Geothermal energy is renewable and sustainable. It's the right type of power for today's market. I'm really excited about our future and I hope many of you will join us as we grow to fulfil our mission.

Now it's time I stop talking and open the call to any questions you might have. Patrick, can you please open the call to questions?

Operator

Certainly. We will now take questions from the telephone lines. If you have a question and you are using a speakerphone, please lift your handset before making your selection. If you have a question, please press star one on your telephone keypad. If at any time you wish to cancel the question, please press the pound sign. Please press star one at this time if you have a question. There will be a brief pause while participants register for their questions. Thank you for your patience.

The first question is from Steven Lee from Raymond James. Please go ahead.

Steven Lee, Raymond James

Yes, hi, thanks. Hi guys. Just, ah, we went through the sale and purchase agreement that was filed so the face value of the bond is indexed to aluminum pricing so I just want to check my numbers. So the face value of the bond could increase by around 40 percent if aluminum pricing goes up 30 to 50? Does that sound right?

Ross Beaty, Chairman & Chief Executive Officer

That sounds approximately right, Steven, yeah.

Steven Lee, Raymond James

Okay, good. And then just a couple of updates. On Soda Lake, any update on the second well? Does it also have permeability issues?

Ross Beaty, Chairman & Chief Executive Officer

Yes it did, Steven.

Steven Lee, Raymond James

Okay, it did. Okay. And also on Peru, I know you've done some preliminary tests there; any updates on Peru?

Ross Beaty, Chairman & Chief Executive Officer

Sorry, I'll come back to the drilling for a second. We cased through a very, very permeable zone to get deep in the second well where we had hoped it would be another permeable zone and we didn't hit that second one. So we have different options as well and I guess, Frank, do you have anything to add to that regarding other options for the second hole?

Dr. Frank Monastero, President, Magma Energy U.S. Corp.

No, we're exploring the options at the present time. You're absolutely correct about the shallower permeable

zone. Of course one of the options is to plug the whole back and test the shallower zone.

Ross Beaty, Chairman & Chief Executive Officer

Thanks. Sorry, Steven, go ahead.

Steven Lee, Raymond James

Yeah, and also I was looking for an update on Peru. I know you've completed some preliminary tests there.

Ross Beaty, Chairman & Chief Executive Officer

Did you say Peru?

Steven Lee, Raymond James

Yes.

Ross Beaty, Chairman & Chief Executive Officer

Yes, Cathy, do you want to just sort of describe what we've done in Peru and what we've got in front of us there?

Dr. Cathy Hickson, Chief Geologist

Yes. We've just finished three weeks of field work and collection of a number of different kind of datasets, including geochemistry from the waters and steam, and those have been sent off to the laboratory. We're expecting those results back in a couple of weeks. So we will have results to update shareholders in probably six to eight weeks.

Ross Beaty, Chairman & Chief Executive Officer

We're pretty excited about what we see down in Peru as well, Steven, in terms of the size of those systems and the location. They're very, very large systems.

Steven Lee, Raymond James

Okay, great. and then just one last one: That 5 percent option for HS Orka, when does it expire?

Ross Beaty, Chairman & Chief Executive Officer

The 5 percent option expires in 2011.

Steven Lee, Raymond James

2011. Thanks guys.

Operator

Thank you. The next question is from Greg Reid from Wellington West. Please go ahead.

Greg Reid, Wellington West

Good morning. Ross, just two questions, first on Iceland: is there any ROFR on other assets that Geyser Green might hold in the portfolio?

Ross Beaty, Chairman & Chief Executive Officer

ROFR is jargon standing for right of first refusal and the answer is no we don't have any specific ties to Geyser Green Energy's assets at the moment; however, Geyser Green fellows are actually in Vancouver this week and we were talking with them about management of HS Orka.

Needless to say, they have 55 percent currently and we have 43 percent, so the two major shareholder, we will have 43 percent, so obviously we want to have discussions with them about management of this important asset for both of us. They have been working for many years in geothermal energy globally and we're looking also at potential partnerships and other ideas for global exploration and development using our assets, their assets, and a combination of our people, trying to use the skill of Icelanders in geothermal energy to help Magma's other operations.

Greg Reid, Wellington West

Okay, thanks. And in terms of modelling Iceland, I believe that carbon credits, um, when you looked at your acquisition you didn't include them in your assumptions, but are they available to you or do they go to the utility? Or, sorry, to the off-taker?

Ross Beaty, Chairman & Chief Executive Officer

Andrea?

Andrea Zaradic, Vice-President, Corporate Development

We did not include those in our modelling effort, Greg, and we do not believe that they are available at this time.

Greg Reid, Wellington West

Okay. And then my final one is just in terms of PPA negotiations relating to the Soda Lake operations. Wonder if you can give a little bit of colour on the generic pricing environment and how the effective low natural gas prices are impacting things.

Ross Beaty, Chairman & Chief Executive Officer

Sure. I can maybe tackle that or do you want to try that, Andrea? Okay. The plan for Soda Lake, and in fact this is going to be the plan I think for all of our projects going forward, is first we're going to put together the right amount of steam, we know we have the resource in the ground, make sure we have the ability to feed a power plant with the right amount of power and then we're going to go and talk to utilities or other potential buyers of power about exactly what we can deliver with a feasibility study in hand so that we know that it's economic to go and we actually know the power price we need as well. We do not expect we will have any difficulty whatsoever in selling geothermal power in the U.S. markets. We think there will be a multiple of potential buyers based on indications and expressions of interest we've had already. So we're going to put the cart before the horse and not the reverse and we're going to try to develop the steam first, negotiate a PPA second, and then of course build the plant and sell power into it.

The question about indicative terms, we have been striving and we have been, quite (inaudible) of this, we have been and we will continue to strive for a blended power rate for Soda Lake of \$85 a megawatt. We have not really seen any impact from the low natural gas prices today for that blended rate however we have not sat down to negotiate that particular aspect of the contract other than in a general way with the various interested parties for our power in Nevada. Whether we can get it or not it will be something we should know over the course of the winter.

Greg Reid, Wellington West

Okay, that's great. Thanks.

Operator

Thank you. The next question is from James Morrison from Cormark Securities. Please go ahead.

James Morrison, Cormark Securities

Hi guys. With regards to the HS Orka option, is that exercisable just any time?

Ross Beaty, Chairman & Chief Executive Officer

Yes it is. Well there's two, one that is a small option, 2 or 3 percent, which is exercisable in early 2010, and then the other one for 5 percent is exercisable for another year.

James Morrison, Cormark Securities

Right. And is that subject to regulatory approval?

Ross Beaty, Chairman & Chief Executive Officer

No it's not.

James Morrison, Cormark Securities

Okay. And then on to Soda Lake, with the flow rates as they—I know that you don't have the answer yet but if they don't turn out to be enough for what you need would you be more inclined to go with higher CapEx and get to the capacity that you've stated or would you go with a lower CapEx and lower capacity?

Ross Beaty, Chairman & Chief Executive Officer

I think we would opt for the former; however, it's still early really to say what impact the existing drill results are going to have on our CapEx. We're doing a comprehensive reservoir model right now and the results from that are going to tell us where we are going to be able to get that additional power from. If not from production from the two wells we could, as I say, reverse

it and use them as injection wells and try to boost power from other wells that are already drilled.

James Morrison, Cormark Securities

Right.

Ross Beaty, Chairman & Chief Executive Officer

So it's a little bit early to kind of come up with any definitive results but we—obviously we hope we'll be able to get as much power as we need without any significant additional cost. That's still a work in progress.

Andrea?

Andrea Zaradic, Vice-President, Corporate Development

That's correct.

James Morrison, Cormark Securities

And what is your cash position right now?

Ross Beaty, Chairman & Chief Executive Officer

Sandra?

Sandra Lim, Chief Financial Officer

We have about \$90 million in cash right now.

James Morrison, Cormark Securities

\$90 million. Okay. So let's assume that you go with the HS Orka using that credit line, that C\$20 million credit line, the debt you've already assumed and then equity; how long would it be until you run out of cash with the use of proceeds identified in the prospectus?

Ross Beaty, Chairman & Chief Executive Officer

If we use our existing cash for the HS Orka acquisition our cash would have to be carefully managed if we were to run through the end of next year. We would have to

curtail some of our planned exploration programs that we're looking at in Nevada and in Latin America. There are other sources of capital available to us so (inaudible) think we would be likely, before the end of next year we would likely be topping up our capital as needed to make sure we don't run out of cash and we maintain our current very strong financial position.

James Morrison, Cormark Securities

Right, but presumably most of these proceeds would be equity, like it would be required to use equity, so are you referring to another capital raise?

Ross Beaty, Chairman & Chief Executive Officer

Yes. Before the end of next year we would have to do, we would be looking at another capital raise fundamentally to replenish the capital that we had in our IPO and that we told investors we were going to use for certain things.

James Morrison, Cormark Securities

Right. Okay.

Ross Beaty, Chairman & Chief Executive Officer

We did not plan on the HS Orka transaction although we did say we would be looking to make new acquisitions and this is certainly core to our business plan. However, we didn't finance that acquisition in our IPO so we would be looking to replace that capital, as I said, by the end of next year in order to remain in good financial condition.

James Morrison, Cormark Securities

Right. And then, sorry, back to the Soda Lake: For the downtime that you're planning in September and October, what kind of capacity or production are you expecting for the next quarter?

Andrea Zaradic, Vice-President, Corporate Development

Well right now with downtime—we do it in two steps actually. We take Soda Lake one down, which is the smaller of the two plants, and direct—

Ross Beaty, Chairman & Chief Executive Officer

You're talking about just ordinary maintenance.

Andrea Zaradic, Vice-President, Corporate Development

Yes, just ordinary maintenance.

Ross Beaty, Chairman & Chief Executive Officer

Yeah, sorry, he's talking about if—I think you were assuming, James, that we were going to have to take Soda Lake down in order to do work on the expansion?

James Morrison, Cormark Securities

No, you've said, in the MD&A you just refer to I guess regular maintenance in September and October.

Ross Beaty, Chairman & Chief Executive Officer

I'm sorry, I misunderstood your question. Go ahead, Andrea. You got it right.

Andrea Zaradic, Vice-President, Corporate Development

Yeah, no, that's fine. So the plan, as usual, is to take one of the two plants down first, Soda Lake one, and at that time all the geo-flow from Soda Lake one goes into Soda Lake two. So effectively we don't take a revenue hit at all. As you know, that plant, both plants run under capacity, so there's sufficient capacity during the downtime to maintain our current output.

When we transition over a downtime to Soda Lake two we do that in incremental stages. That plant has set up an individual OEC unit. So we don't take the entire plant down at one time, we take sections of it down, and by that point Soda Lake one is up and running, so there's actually very little impact to overall revenue during the downtime period.

James Morrison, Cormark Securities

Okay, great. Well those are all my questions. Thanks guys.

Operator

Thank you. The next question is from Jeremy Mersereau from National Bank Financial. Please go ahead.

Jeremy Mersereau, National Bank Financial

Yes, hello. I think most of my questions were answered, I've just got a quick one on Chile's recent announcement of new grants on exploration wells. Just wondering if you are going to be eligible for them.

Dr. Cathy Hickson, Chief Geologist

Actually it's a fairly complicated situation. The grant is for failed wells. And we're currently looking at the legislation that's proposed but it is, and I'd like to make that clear, it is for failed wells.

Ross Beaty, Chairman & Chief Executive Officer

So we hope not to (inaudible).

Jeremy Mersereau, National Bank Financial

All right. Okay, that's it for me, thanks.

Operator

Thank you. The next question is from Veny Aleksandrov from Pritchard. Please go ahead.

Veny Aleksandrov, Pritchard Capital Markets

Good morning. I have one question on the Soda Lake update. It's a very insignificant deferral from the end of 2009 to early 2010 but can you tell us is it mainly due to the drilling program or because of the upgrade of the plant by itself?

Ross Beaty, Chairman & Chief Executive Officer

Andrea?

Andrea Zaradic, Vice-President, Corporate Development

Hi, Veny. It's primarily due to the drilling at this point in time. I think two releases ago we provided an update on Soda Lake and the work on the plant is pretty much on track. As previously mentioned here we have a shut-down and a lot of that work is being done during the shutdown to capitalize on that downtime. But as far as the timing for the overall upgrade, yeah, it's primarily a shift due to looking at how we can optimize the current reservoir.

Veny Aleksandrov, Pritchard Capital Markets

And you covered possible CapEx and the spending of more CapEx but can we see a further deferral to go from early 2010 to mid-2010 for the expansion?

Ross Beaty, Chairman & Chief Executive Officer

Let's cross one bridge at a time before we extend things too far. Right now we've got a plan and we're following the plan. We've got a model we're making of the whole field. We're using a huge amount of data from all the historic drilling, the geophysics that's been done. That's going to be finished sometime this fall. We've also got some more geophysics to do to further refine what's going on sub-service at Soda Lake. And I guess from that work, ah, probably the next time we have a conference call, which will be following our September quarter end, which will be in November, that's the time we'll give you a further update on what's going on at Soda Lake and we can tell you more specifically I think the new time schedule.

Veny Aleksandrov, Pritchard Capital Markets

Thank you so much. And then my next question is, ah, you mentioned that you're continuing the acquisition reviews. I know that for competitive reasons you do not want to mention probably specific areas but can you tell us are you targeting further diversification of your portfolio or do you prefer to stay in areas where you're already present.

Ross Beaty, Chairman & Chief Executive Officer

Yeah, good question. I can maybe tackle that one. As I said, for us to succeed in our business plan we need to discover and that means we have to be a very aggressive

exploration company. We have to build, that means we have to be constructing plants over the long-term, we have to operate plants well, and we have to buy well. We have to acquire. We want to be the consolidator in this space, to build a really large company, to have all the advantages of scale and size in this business, which requires a lot of front-end capital and has quite a high degree of drilling risk. So you certainly will not see our assets end at where they are today.

We will be continuing to grow, continuing to add assets. Probably not at the pace that we've been adding them in the last year where we wanted to bulk up as quickly as we could. When one acquires a large operation or an interest in a large operation like HS Orka, this requires time to digest it, to make sure it's running well, to make sure it fits in all of our long-term plans, both financial and technical and administration, and to do that well requires a lot of attention to detail and some time. So certainly when one increases, you know, what HS Orka is doing to Magma is in one transaction increasing our power output by a power of 10 and almost doubling our sort of resource capacity for future growth. So it's a very major transaction and we have to get it right.

You will not see us do anything material until we've done that but following that we will continue to look for new opportunities. Opportunities that deliver value to Magma, size, all of the things that one looks at when one is considering an acquisition, the proper fit of people, the proper fit of stage of project. You know, for example, we have a lot of exploration projects right now, we probably won't be looking at acquiring anything more in the exploration phase of anything material unless it's a particularly spectacular opportunity. We aren't building anything right now apart from the expansion at Soda Lake. Maybe there might be an interest in looking at something which is under construction that could feed a growing pipeline in the future.

In terms of opportunities to acquire operating plants, those are always of interest to me personally because I love operations, it does so many things to a company like Magma, but the key there is to make sure that one can acquire new operations and make money at the same time, (inaudible) within the context of good deals for shareholders on a long-term basis. We are not interested in growing simply for the sake of growing or in buying something if there's no value creation for our shareholders.

So those are the principals that we'll be following going forward and over the next 12 months you'll probably see us doing something else material but I can't tell you when and I can't tell you where. I think you'll just have to watch

us and assume that we are looking out for the interest of all of our shareholders while we do that.

Veny Aleksandrov, Pritchard Capital Markets

Thank you so much. I really appreciate it.

Ross Beaty, Chairman & Chief Executive Officer

Okay. Thank you for the question.

Operator

Thank you. The next question is from John McIlveen from Jacob Securities. Please go ahead.

John McIlveen, Jacob Securities

Yes, good morning. Given the slightly less than control position on the HS Orka what sort of accounting disclosure can we look forward to on a quarterly basis? And perhaps even you can give us some highlights on the operation, revenue, EBITDA, net debt, that sort of thing.

Ross Beaty, Chairman & Chief Executive Officer

Sure, John. We're going to defer the last part of your question until we actually acquire the interest and we've put together a comprehensive model for the operation that we can talk about in sensible terms with everybody. The other reason for that is that we're not, you know, we do want to go up to 50 percent interest and we are working hard to do that right now and not just stay at 43 percent. If we stayed at 43 percent we'd be a minority stakeholder. We'd have to equity account I guess for this and it would be one set of results that would be not as attractive as were we to get into a situation where we can actually consolidate their accounts with ours, which is what we're striving for. So we're working on that transaction, that third-step transaction as it were, and we hope over the course of this fall we'll actually end up there.

There's a number of different moving parts in Iceland right now to allow us to get there. For example, we could acquire the interest from other existing shareholders or we could invest money into the company to increase our stake other than pro rata. We would finance some of the

other shareholder's interest in order to have them dilute and us increase. And that's perhaps a more interesting form of increasing our interest because of course then the money gets into the company and it is allowed to be, it can be used for, say, future expansion and improving the debt equity ratio and so forth. So those are the options we have. And when we do that we'll be able to consolidate the accounts at that time, and that's our goal, and at that time we'll be able to give you some decent numbers that you can start to work on and analyze.

John McIlveen, Jacob Securities

Okay, thank you.

Operator

Thank you. The next question is from Ian Tharp from Dundee Securities. Please go ahead.

Ian Tharp, Dundee Securities

Thanks and good morning. Congratulations on a very active quarter.

Just to follow up, a lot of my questions have been answered, but on Soda Lake, Ross or Andrea, of course there's lots of talk about the DOE grant funding right now, I wonder if you've had any type of clarity given to you about the first or second stages of expansion and their eligibility for grant funding.

Ross Beaty, Chairman & Chief Executive Officer

I'll let Andrea answer that one.

Andrea Zaradic, Vice-President, Corporate Development

Okay. Hi, Ian. As far as—okay, there's actually two streams of funding that we're pursuing for Soda Lake. One, as Ross mentioned, is on the recent DOE funding opportunity for the exploration work. That's a \$5 million target that we've applied for and certainly hopefully get some answer in this fall period.

Now the second source of funding, if you read the detailed outline for the energy grant, and we've modelled all scenarios, we've looked at the tax credits, the

production tax credit, the investment tax credit and the 30 percent energy grant, and certainly the energy grant is a slam dunk as far as being the most favourable option to us. And, as you know, we can only select one of the three.

Now as far as the question about eligibility, that's a very good question. When you read the most recent announcements that have come out from the Treasury Department it does indicate that installation costs are eligible. It doesn't specifically go into the details that the IRS code does between the section 48 and 45 in terms of tangible versus intangibles. So we would take the position that the full cost is eligible.

Ian Tharp, Dundee Securities

Okay, so for both phases of the project. There's no kind of issue in terms of having a legacy asset there. And obviously you'd want to meet the timelines by the end of 2010. Well you're certainly going to meet 5 percent by the end of 2010, that's for sure.

Andrea Zaradic, Vice-President, Corporate Development

Well the timeline for the energy grant are the applications have to be in by October 2011, so certainly we would meet the timeline for both.

Ian Tharp, Dundee Securities

Right. Okay. And I think I can telegraph the answer, Ross, I mean we, I think there was a question asked at Kangia(sp.) last week about a district heating that would be on the back end of any of your geothermal projects and the answer was that you would be opportunistic about any opportunities to do that. Is there any expectation within Magma that you would look at things like solar thermal if there was some type of complementarities to the projects that you have either in the U.S. or other places?

Ross Beaty, Chairman & Chief Executive Officer

Those are all opportunities that, you know, I think you said it right, we will look at it on an opportunistic basis. we haven't modeled any of that in our financial models for any of our projects, nor have we modelled, you know, selling carbon or any kind of green credits other than what exists in U.S. law, but we haven't modelled that for

Chile or for the States or for anywhere for that matter. These all rank as opportunistic opportunities that hopefully we'll take advantage of but, no, we haven't done any work on that yet.

Ian Tharp, Dundee Securities

Okay. So then focusing on geothermal, others have been trying to secure funding from the U.S. government by means of using new technologies, etcetera; I wonder if you're working on any projects right now that would leverage new technologies or techniques and avail yourself of those funds.

Ross Beaty, Chairman & Chief Executive Officer

Thanks very much, Ian. Frank, can you talk about that please?

Dr. Frank Monastero, President, Magma Energy U.S. Corp.

Yeah, we have two specific projects that were submitted to the DOE along those lines. One of them deals with imaging fractures associated with faults. It's conceptually based on a lot of the work that was done for oil and gas. It is significantly different because of the fluid media that we're working with but they're, ah, it involves what they call 3D/3C reflection seismology, and it will be applied to our Soda Lake facility. The second one has to, the second similar kinds of technology or technique approach is an application to our McCoy prospect. McCoy prospect is a very large thermal anomaly that was identified in the early 1980s, late 1970s. And at that particular location we are looking at, well, without getting terribly complicated, we are looking at a structural model that has not been applied anywhere else in the basin and range and has the potential to be an organic model that can be useful in identifying geothermal systems in a lot of places.

Ian Tharp, Dundee Securities
Ian Tharp, Dundee Securities

Okay, great. Thanks very much.

Ross Beaty, Chairman & Chief Executive Officer

Great. Hope that helps, Ian.

Ian Tharp, Dundee Securities

I think so.

Ross Beaty, Chairman & Chief Executive Officer

Thanks, Frank. That was great.

Operator

Thank you. As a reminder, you may press star one if you have a question.

There are no further questions registered at this time. I would to turn the meeting back over to Mr. Beaty.

Ross Beaty, Chairman & Chief Executive Officer

Okay. Well thank you very much one and all for joining us today. I think I'll wrap it up at that and I look forward to speaking to you again in three months time. Thank you all and good day.

Operator

Thank you. The conference has now ended. Please disconnect your lines at this time. Thank you for your participation.
