

FREQUENTLY ASKED QUESTIONS

Definitions

Fund: Blue Chip Energy Fund

Fund Manager: Blue Chip Fund Management

Feed-in Tariff Program: Is a program to help Ontario, Canada meet its renewable energy supply targets by providing a standard pricing regime and simplified eligibility, contracting, and other rules for small renewable electricity generating projects.

1. Why Invest?

- a) **Large Development Portfolio:** Blue Chip Energy Fund has one of the largest power development portfolios available to it in the energy industry. Currently there is over 3700 MW of renewable green power generation that could be developed. The Company has also identified a number of future development sites in other regions.
- b) **Rising electricity prices:** Most analysts expect that prices will remain high for the foreseeable future. High electricity prices will be a benefit by further increasing the economic return of future projects.
- c) **Emission Reduction Credits revenue opportunity:** Emission Reduction Credits (ERC) are negotiable financial instruments that represent the offset of one tonne of greenhouse gases. It is expected that within the next few years these offset credits will represent substantial financial value. Blue Chip's projects may have the potential to offset hundreds of thousands of tonnes of greenhouse gases a year, thus creating further value for shareholders.
- d) **The need for domestic electricity supply:** Canada currently imports about 15% of its demand from out of country. This translates to 1 in 8 homes being powered by imported electricity. Additionally, domestic demand has been increasing at a compounding 2% per year. The Independent Power Producers Association has determined that it is far less expensive for the provinces buy domestically generated power than to import from the United States. There is an urgent need for the development of domestic power generation. Blue Chip Energy Fund is well positioned to help meet this electricity need.
- e) **Long term assets:** Blue Chip's projects are engineered to operate for over 50 years, thus providing a long and stable stream of cash flow to investors.
- f) **No commodity fuel risks:** Unlike gas and coal generated power plants, which are economically affected by changes in commodity prices, Blue Chip's projects are powered by the sun and the wind. On the sales side, energy purchase agreements are normally made under long term contracts (15-30 year terms), which are often annually inflated according to a CPI escalator.
- g) **Non-depleting and renewable resource:** Unlike oil and gas, sun and wind energy is completely renewable and non-depleting. A renewable resource is defined as energy source that can be replenished through natural processes or through sustainable management practices within one human life span.



- h) **Insider ownership:** Management, Directors and Insiders of the company own approximately 10% of the outstanding shares. The Investment Manager controls investment management decisions, but does not have signing authority on the Fund's bank account, and may not control or modify provisions governing the Fund.

2. What are the full details of the Feed-in Tariff Program?

Certain markets have become very attractive for the acquisition and production of renewable energy. The Province of Ontario, Canada, has introduced a "Feed-in Tariff Program" which offers a base rate of 13.5 cents per kWh from electricity generated from wind, and 44.3 to 80.2 cents per kWh from electricity generated from solar.

3. Is there a hedge against inflation?

From the date of installation, twenty percent of the base rate (excluding solar) is indexed for inflation. Ontario's decision to pay a premium price means large projects now make financial and economic sense. By paying a premium for renewable power, Ontario is following other jurisdictions such as Germany and Japan by becoming a world leader in renewable energy projects.

4. What is Alternative Energy all about?

Alternative Energy includes three main groups:

- a) Renewable Energy (Solar, Wind, Hydro, Geothermal, Biomass).
- b) Fuel Cells & Hydrogen
- c) Energy Conservation and Enabling Technologies

Alternative energy saves natural resources while being environmentally superior to conventional coal and oil. Wind, flowing water, energy conservation and geothermal heating are ancient but now employ new advanced technology. Technologies such as solar cells, hydrogen and fuel cells and ocean energy are relatively new. All of the technologies operate efficiently. The present cost effectiveness of some of the newest technologies varies.