

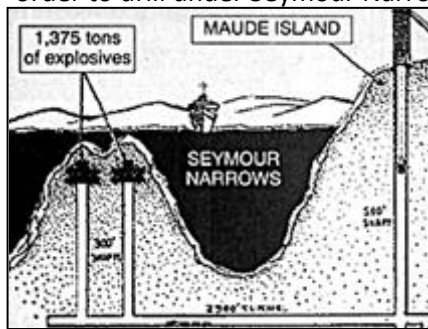
New Energy, along with its partner, Canoe Pass Tidal Energy Corporation, is in the process of implementing the first grid-connected tidal energy project in Canada. The Canoe Pass Tidal Commercialization Project, or Canoe Pass as it is more commonly referred, represents many firsts for tidal energy within British Columbia and Canada as a whole. The 500 kW project is currently in the permitting stage and is expected to be installed in the second half of 2010.



Canoe Pass is a narrow passage between Quadra and Maude Islands off the east coast of Vancouver Island just north of Campbell River, British Columbia. The flow within the passage is currently blocked by a barrage which was constructed by the federal Department of Public Works in 1942 in order to deal with a navigable hazard, Ripple Rock, which was located in Seymour Narrows – directly west of Canoe Pass.



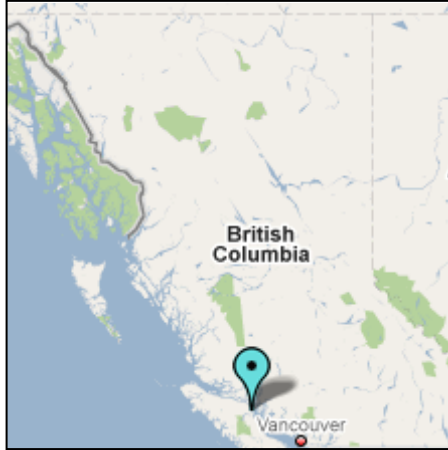
The causeway was used to transport men and equipment from Quadra Island onto Maude Island in order to drill under Seymour Narrows and blow-up Ripple Rock. Ripple Rock was blown up in 1958 with the largest peacetime non-nuclear explosion in history.



For the Canoe Pass project, the existence of the causeway allows for still-water construction of the tidal power plant. This is one of several characteristics that make Canoe Pass an ideal commercialization site. Other attributes include: the location of British Columbia’s distribution grid, with a 25 kV distribution line running directly over the site; an existing construction and staging

area (another leftover from the project to blow-up Ripple Rock) and broad general support for renewable energy initiatives in nearby communities. The Canoe Pass Tidal Commercialization Project has financial backing from Sustainable Development Technology Canada and the British Columbia Innovative Clean Energy Fund. BC Hydro is also a supporter of this project.





Canoe Pass will include the installation of two (2) 250 kW EnCurrent Power Generation Systems in a single span across the passage. The systems will be installed in such a way that the still-water characteristics can be recreated in order to move forward with a full-scale commercial project at some point in the future. First-level numerical modeling which was carried out by ASL Environmental Sciences of Sidney identified the potential for a 3 to 5 MW tidal power plant with capacity factors as high as 50%.

There are three main components to the execution of Canoe Pass: regulatory approvals for the site; scaling up New Energy's product sizes from the current 25 kW models to the 250 kW models required by the project; and, on-site engineering and construction. The regulatory approval process is in progress and the project proponents are finalizing the detailed design for the site. The scale-up of the product is proceeding in parallel with the civil and marine design of the site.

The approval process being undertaken for Canoe Pass will help to map out the permitting process for tidal energy projects within Canada. The proponents are currently working with Fisheries and Oceans Canada, Transport Canada, Environment Canada, Natural Resources Canada, and the British Columbia Integrated Land Management Bureau to coordinate necessary environmental assessment and review.

Current plans call for the hydrokinetic equipment to be installed in Q3 of 2010 followed by interconnection to the British Columbia electrical grid. It is expected that the project will be a springboard to commercial-scale tidal power generation in the region, including the potential for a commercial power plant at Canoe Pass. Campbell River and North Vancouver Island are home to the greatest abundance of tidal energy generating capacity on the West Coast. Seymour Narrows, which lies directly west of Canoe Pass, was identified in BC Hydro's Triton Report as having the largest potential for tidal generation on the BC Coast.

