Amended and Restated Prospectus

THIS PROSPECTUS CONSTITUTES A PUBLIC OFFERING OF THESE SECURITIES ONLY IN THOSE JURISDICTIONS WHERE THEY MAY BE LAWFULLY OFFERED FOR SALE AND THEREIN ONLY BY PERSONS PERMITTED TO SELL SUCH SECURITIES. NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933. ACCORDINGLY, EXCEPT TO THE EXTENT PERMITTED BY LAW, THE SECURITIES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES AND THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY OF ANY SUCH SECURITIES WITHIN THE UNITED STATES (SEE "PLAN OF DISTRIBUTION").

NEW ISSUE

DATED: JUNE 26, 2001
AMENDED AND RESTATED ON OCTOBER 3, 2001

PROSPECTUS

FIRST CANADIAN ELECTRIC INC.

(the "Issuer")

Suite 604, 700 West Pender Street,
Vancouver, BC, V6C 1G8
Phone 604 682 3045

$6,000,000 Minimum (12,000,000 Units)
$7,000,000 Maximum (14,000,000 Units)
Each Unit Consisting of one Common Share and one half Share Purchase Warrant

Price: $0.50 per Unit

and

2,110,000 Common Shares and
1,055,000 Warrants issuable upon the
exercise of 2,110,000 previously issued
Special Warrants

This is an offering (the "Offering") of a minimum of 12,000,000 Units and a maximum of 14,000,000 Units (the "Units") of the Issuer at an issuance price of $0.50 per Unit. Each Unit consists of one Common Share in the capital of the Issuer and one half non-transferable common share purchase warrant (an "A Warrant"). One whole A Warrant will enable the holder thereof to acquire one Common Share at a price of $0.75 on or before 4:30 p.m. (Vancouver time) on the date that is one year from the date of issuance of the Units. The Units are being offered through Haywood Securities Inc., Raymond James Ltd. and Canaccord Capital Corporation (collectively the "Agents") as exclusive Agents for the Issuer for sale only in those jurisdictions where such Units may be lawfully offered for sale. The Offering price of the Units hereunder was determined by negotiation between the Issuer and the Agents. (see "Plan of Distribution").

	Number of Units	Price to Public (1)	Agents' Commission (2)	Net Proceeds to the Issuer (3) (4)
Per Unit (Minimum)	1	$0.50	$0.04	$0.46
Per Unit (Maximum)	1	$0.50	$0.04	$0.46
Minimum Offering	12,000,000	$6,000,000	$480,000	$5,520,000
Maximum Offering	14,000,000	$7,000,000	$560,000	$6,440,000

Notes:

(1) The offering price (the "Offering Price") of $0.50 per Unit was established by negotiation between the Issuer and the Agents.

(2) The Issuer shall pay the Agents a cash commission equal to 8% of the Offering. In addition, the Issuer will issue to the Agents an Agents' warrant exercisable for a period of two years from the Offering Day (the "Agents' Warrants"). The number of securities that may be purchased by the Agents pursuant to the Agents' Warrants shall be equal to 15% of the Units sold under the Offering. In the first year of the term of the Agents' Warrants, the Agents are entitled to purchase Units at the price of $0.50 per Unit; in the second year of the term of the Agents' Warrants, the Agents are entitled to purchase Common Shares at a price of $0.75 per Common Share (see "Plan of Distribution"). In addition, the Issuer will further pay the Agent, Haywood Securities Inc., a cash sponsorship fee in the amount of $30,000 (see "Plan of Distribution").

(3) After deducting the Agents' commission but before deducting the expenses of the Offering estimated to be $100,000.

(4) The Company has granted the Agents an option (the "Greenshoe Option") to purchase up to such number of Units as is equal to 15% of the Units sold under the Offering at a price per Unit equal to the net Offering Price, to cover over-allotments, if any. This Prospectus qualifies the issuance of the Greenshoe Option and all Units that may be issued thereunder. See "Plan of Distribution".

The Agents have agreed to purchase any of the Units offered hereby that have not been sold at the completion of the Offering (the "Guarantee") and, as consideration for the Guarantee, the Agents have been granted the Agents' Warrants.

SPECIAL WARRANT CONVERSION OFFERING

This Prospectus also qualified the distribution of 2,110,000 Common Shares and 1,055,000 share purchase warrants, issued at no additional cost following the exercise on or about the 5th day of July, 2001 of 2,110,000 previously issued Special Warrants, which Special Warrants were qualified by Prospectus receipted on June 29, 2001 (the "Special Warrant Conversion Offering") (See "Plan of Distribution") by the Issuer. The Special Warrants were issued pursuant to prospectus exemptions under applicable securities legislation.

Each of the Special Warrants were exercised at no additional cost for one unit (the "Special Warrant Unit") consisting of one Common Share and one non-transferable half share purchase warrant (a "Warrant") on or about the 5th day of July, 2001.

One whole Warrant entitles the holder to purchase one additional Common Share (a "Warrant Share") at $0.75 per share at any time up to one year from the date the Warrant is issued. See "Plan of Distribution – Special Warrant Conversion Offering". The issue price of $0.50 per Special Warrant was determined arbitrarily by the Issuer.

No additional proceeds were be received by the Issuer nor were any additional fees paid to the Agents with respect to the Special Warrants distributed under the Special Warrant Conversion Offering other than the cash commission of $44,212.50 and 116,400 non-transferable Share Purchase Warrants ("Agents' Private Placement Warrants") previously paid and issued to the Agents as compensation for services provided in connection with the Special Warrant Conversion Offering. Each such Agents' Private Placement Warrant entitles the holder to purchase one Common Share at a price of $0.75 at any time up to the close of business one year from the date the Common Shares are listed (the "Listing Date") on the Canadian Venture Exchange (the "Exchange").

In addition, this Prospectus qualifies the distribution of the Warrant Shares issuable upon the exercise of the Warrants.

Upon completion of the Offering and the Special Warrant Conversion Offering qualified hereunder, the directors, officers, promoters, insiders, holders of escrow securities and the Agents as a group will hold, directly or indirectly, in the case of a minimum Offering, 18,612,000 Common Shares and in the case of a maximum Offering, 20,612,000 and the public will hold in the case of a minimum Offering, 14,012,000 Common Shares and in the case of a maximum Offering, 16,012,000 Common Shares or approximately 76% and 78% respectively of the issued Common Shares.

The Prospectus receipted on June 29, 2001, qualified the distribution of the Agents' Private Placement Warrants and this Prospectus also qualifies the Agents' Warrants and the Common Shares of the Issuer issuable upon exercise thereof ("Agents' Warrant Shares") as well as the Shares issued pursuant to the "Greenshoe Option" (see "Plan of Distribution"). The Agents may sell any Agents' Warrant Shares without further qualification. The exercise price payable upon exercise of the Agent's Private Placement Warrants and the Agents' Warrants will be paid to the Issuer and used for its corporate purposes. The Agents will receive the proceeds from any subsequent sale of such Agents' Warrant Shares and none of such proceeds will accrue to the benefit of the Issuer.

This Prospectus also qualifies the issuance of a Convertible Debenture to Quest Ventures Ltd. ("Quest") in the principal sum of $1,365,000 (the "Convertible Debenture") and the distribution of 2,730,000 Common Shares and 1,365,000 A Warrants that would be issuable to Quest in the event it converted its Convertible Debenture and the distribution of 100,000 Common Shares issued to Quest upon granting of the loan and the distribution of 327,600 Common Shares to Quest in the event the Issuer exercises its right to prepay interest on the Convertible Debenture by the issuance to Quest of its Common Shares (see "Plan of Distribution").

The Exchange has approved conditional listing of the Common Shares being offered under this Prospectus. Final listing is subject to the Issuer fulfilling all the listing requirements of the Exchange.

INVESTMENTS IN SMALL BUSINESSES INVOLVE A HIGH DEGREE OF RISK AND INVESTORS SHOULD NOT INVEST ANY FUNDS IN THIS OFFERING UNLESS THEY CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT. SEE 'RISK FACTORS'.

The Offering Price of $0.50 per Unit exceeds the net tangible value per Common Share after giving effect to the Offering, representing a dilution of, in the case of a minimum Offering, 36.99% and in the case of a maximum Offering, 34.18% without taking into account the exercise of any of the Agents' Warrants or Agents' Private Placement Warrants.

No person is authorized by the Issuer to provide any information or to make any representation other than those contained in this Prospectus in connection with the issue and sale of the Units of the Issuer.

The Agents, as agents, conditionally offer these Units to the public, subject to prior sale, if, as and when issued by the Issuer and accepted by the Agents in accordance with the conditions contained in the Amended Agency Agreement referred to in the section entitled "Plan of Distribution"

All dollar amounts referred to in this Prospectus are expressed in Canadian Dollars, unless expressly stated otherwise.

AGENTS:

HAYWOOD SECURITIES INC.
20th Floor, Commerce Place, 400 Burrard Street,
Vancouver, BC, V6C 3A6

RAYMOND JAMES LTD.
Suite 2100 – 925 West Georgia Street
Vancouver, BC, V6C 3L2

CANACCORD CAPITAL CORPORATION
2200 – 609 Granville Street
Vancouver, BC, V7Y 1H2

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GLOSSARY OF TERMS

In this Prospectus, unless the context otherwise requires, capitalized words and phrases which are not otherwise defined herein shall have the meaning set forth below:

"Agents"	means Haywood Securities Inc., Raymond James Ltd. and Canaccord Capital Corporation
"Agents' Private Placement Warrants"	means the non-transferable Share Purchase Warrant to be issued to the Agents, entitling the Agents to purchase up to 116,400 Common Shares of the Issuer exercisable at a price of $0.75 up to one year from the date the Common Shares are listed.
"Agents' Warrants"	means the non-transferable Share Purchase Warrant to be issued to the Agents The number of securities that may be purchased by the Agents pursuant to the Agents' Warrants shall be equal to 15% of the Units sold under the Offering. In the first year of the term of the Agents' Warrants, the Agents are entitled to purchase Units at the price of $0.50 per Unit; in the second year of the term of the Agents' Warrants, the Agents are entitled to purchase Common Shares at a price of $0.75 per Common Share.
"Agents' Warrant Shares"	means the Common Shares to be issued to the Agents upon the exercise of the Agents' Private Placement Warrants or the Agents' Warrants.
"Canadian Hydro"	means Canadian Hydro Developers Inc., a reporting issuer with its shares trading on the Toronto Stock Exchange.
"Common Shares" or "common shares"	means Common Shares without par value in the capital of the Issuer.
"Convertible Debenture"	means the Convertible Debenture issued by the Issuer, concurrently with the closing of the Offering, to Quest Ventures Ltd. in the principal amount of $1,365,000 and repayable one year from the date of issue together with interest at 1% per month and the principal amount being convertible into Units of the Issuer at the conversion price of $0.50 per Unit.
"Drywood Power Station Project" or "Drywood Power Station"	means the gas fired power station situated at Pincher Creek in Southern Alberta.
"Effective Date"	means the date a receipt is issued by the last of the securities regulatory authorities in each of the Provinces of British Columbia and Alberta for the Prospectus, or amendment thereto qualifying the distribution of the Shares and Warrants, the Agents' Warrants, the Agents' Private Placement Warrants, the Agents' Warrant Shares and the Special Warrant Unit issued on exercise of the Special Warrants.
"Exchange"	means Canadian Venture Exchange Inc.
"Issuer"	means First Canadian Electric Inc.
"Joint Venture"	means the Drywood Power Station Joint Venture, established pursuant to the Joint Venture Agreement.

“Joint Venture Agreement”	means the Joint Venture Agreement dated January 31, 2001 and entered into between Canadian Hydro and the Issuer.
“Listing Date”	means the date the Common Shares of the Issuer are listed on the Canadian Venture Exchange.
“MW”	or “megawatt” is a measure of the power produced by an electricity generating unit of a power station. One MW is equal to 1,000 kilowatts, or 1,000,000 watts.
“MWh”	or “megawatt hour” is a commercial unit of electricity, equal to 1,000 kilowatt-hours or 1,000,000 watt-hours. One kilowatt hour is equal to 3.6 million joules. A typical household will use between 500 and 1000 kilowatt hours of electricity per month, depending on the time of year and the energy efficiency of the home.
“Offering Day”	means the day that the Offering is completed through the facilities of the Exchange.
“Offering Price”	means $0.50 per Unit.
“Pool”	means the Power Pool of Alberta, an open-access competitive market for electrical energy.
“Prospectus”	means the final Prospectus and any amendments thereto.
“Special Warrants”	means the 2,110,000 special warrants of the Issuer issued in February/March 2001 which are convertible into 2,110,000 Special Warrant Units of the Issuer and which were exercised on the fifth business day after the Effective Date of June 29, 2001.
“Special Warrant Conversion Offering”	means the qualification for distribution under this Prospectus of the Special Warrant Shares, the Warrants, the Agents’ Private Placement Warrants, and the Warrant Shares.
“Special Warrant Unit”	means the units offered under the Special Warrant Conversion Offering consisting of one Common Share and one half Warrant.
“Transmission Administrator”	means the party appointed as “Transmission Administrator” under the provisions of the Electric Utilities Act (Alberta) S.A.B. 1995 c.E-5.5 or any successor legislation.
"Units"	means Units of the Issuer offered at an issuance price of $0.50 per Unit. Each Unit consists of one Common Share in the capital of the Issuer and one half non-transferable common share purchase warrant (an "A Warrant"). One whole A Warrant will enable the holder thereof to acquire one common share at a price of $0.75 on or before 4:30 p.m. (Vancouver time) on the date that is one year from the date of issuance of the Units.
“Warrant”	means the non-transferable Share Purchase Warrant issuable on the conversion of the Special Warrants, on the basis of one half of one Warrant for each Special Warrant converted.
“Warrant Share”	means the Common Share issuable upon the exercise of a Warrant.

PROSPECTUS SUMMARY

The following is a summary of the principal features of this offering. More detailed information is contained in the body of the Prospectus.

The Issuer:	The Issuer was incorporated under the laws of Alberta on November 28, 2000 as Sunrise Power Ltd. On January 5, 2001, the Issuer changed its name to First Canadian Electric Inc. **The securities of the Issuer are not currently listed for trading on any stock exchange or electronic quotation system. See "**CORPORATE STRUCTURE**" at page 1.**
Business of the Issuer	The Issuer is engaged in the building and subsequent operation of electric power station projects. The principal project of the Issuer is the expansion of the gas-fired Drywood Power Station located south of Pincher Creek in Southern Alberta, in which project the Issuer is earning a 40% joint venture interest. See "BUSINESS OF THE ISSUER" at Page 1.
The Offering	The Offering consists of a new issue of a minimum of 12,000,000 Units and a maximum of 14,000,000 Units of the Issuer (the "Units") at a price of $0.50 per Unit. Each Unit consists of one common share in the capital of the Issuer and one half non-transferable common share purchase Warrant (an "A Warrant"). One whole A Warrant will enable the holder thereof to acquire one common share at a price of $0.75 on or before 4:30 p.m. (Vancouver Time) on the date that is 12 months from the date of issuance of the Units. See "PLAN OF DISTRIBUTION" at page 40.
The Agents	By an agency agreement dated March 1, 2001 and amended August 1, 2001 and September 17, 2001 (the "Amended Agency Agreement"), the Issuer appointed Haywood Securities Inc., Raymond James Ltd. and Canaccord Capital Corporation to act as its agents (the "Agents"). The Agents will be paid a cash commission equal to 8% of the Offering Price for each of the Units sold. The Issuer has also granted the Agents a two year non-transferable share purchase warrant (the "Agents' Warrants"). The number of securities that may be purchased by the Agents pursuant to the Agents' Warrants shall be equal to 15% of the Units sold under the Offering. In the first year of the term of the Agents' Warrants, the Agents are entitled to purchase Units at the price of $0.50 per Unit; in the second year of the term of the Agents' Warrants, the Agents are entitled to purchase Common Shares at a price of $0.75 per Common Share. The Issuer has also entered into a sponsorship agreement dated March 1, 2001 (the "Sponsorship Agreement") with Haywood Securities Inc. in connection with Haywood Securities Inc. sponsoring the Issuer for its listing on the Exchange. The Issuer has agreed to pay to Haywood Securities Inc. a cash sponsorship fee of $30,000, $10,000 of which has been paid with the remaining $20,000 to be paid out of the proceeds of the Offering. See "PLAN OF DISTRIBUTION – Offering" at page 40
Guarantee	The Agents' have agreed to purchase any of the Units offered hereby with respect to the minimum Offering that have not been sold at the completion of the Offering (the "Guarantee") and, as consideration for the Guarantee, the Agents have been granted the Agents' Warrants.
Special Warrant Conversion Offering	The Special Warrant Conversion Offering consists of a new issue of 2,110,000 Units (the "Special Warrant Units") in the capital of the Issuer on exercise of 2,110,000 previously issued Special Warrants. Each Special Warrant Unit consisted of one Common Share and one half Warrant (with each whole Warrant entitling the holder to purchase an additional Common Share at $0.75 at any time up to one year from the date the Warrant is issued).

Use of Proceeds:

The Issuer has raised $1,055,000 from Special Warrants issued in February and March, 2001. After paying the costs and commissions of that issuance, the net proceeds thereof were expended by the Issuer on account of the purchase of key equipment, preliminary engineering and site permitting and general corporate purposes. See "USE OF PROCEEDS" Page 20.

The gross proceeds from this Offering will be a minimum of $6,000,000 and a maximum of $7,000,000. From these proceeds the Issuer will pay the Agents' commission of $480,000 in the event of the minimum Offering is completed and $560,000 in the event that the maximum Offering is completed. After deducting the Agents' commission, the net proceeds will be $5,520,000 in the case of the minimum Offering and $6,440,000 in the case of the maximum Offering. The Issuer's working capital deficit as at August 31, 2001 is approximately $3,225,000. The net proceeds from the Offering less the working capital deficit is approximately $2,295,000 in the event of the minimum Offering and is approximately $3,215,000 in the event of the maximum Offering (the "Funds Available from the Offering") which will be used as follows:

Description	**Minimum**	**Maximum**
Funds Available from the Offering:	$2,295,000	$3,215,000
Net Proceeds Available from Convertible Debenture issued to Quest Ventures Ltd.:	$1,100,000	$1,100,000
Total Funds Available:	$3,395,000	$4,315,000
Proposed Uses:		
Costs of this Offering:	$100,000	$100,000
Balance due on Sponsorship Fee:	$20,000	$20,000
Amount required to complete Phase 2A of the Drywood Project:	$450,000	$450,000
Repayment of loans (including the Bridge Facility Loan) and costs thereof:	$1,623,000	$1,623,000
General and Administrative expenses for the 12 months following Offering:	$882,000	$882,000
Unallocated working capital:	$320,000	$1,240,000
Total	**$3,395,000**	**$4,315,000**

For further particulars see "USE OF PROCEEDS" at Page 20.

Bridge Facility

On 23 February 2001, the Issuer (jointly with Canadian Hydro) entered into a short term debt facility, currently due on October 25, 2001, with the National Bank of Canada for an amount of $1,300,000 for the purpose of financing the acquisition of certain items of equipment to be used in the expansion of the Drywood Power Station Project (the "Bridge Facility"). As at 31 March 2001, this debt facility was fully drawn down in connection with the purchase of a General Electric 7LM 1500 PE 101 turbine (closing date: 26 February, 2001), and the purchase of two Cooper Bessemer LSV-16 reciprocating engines and associated equipment (purchased May 1, 2001) The Bridge Facility is intended to be repaid from the proceeds of the Convertible Debenture (See "Plan of Distribution").

Convertible Debenture

Concurrently with the closing of the Offering, the Issuer will issue and draw down a convertible debenture for an amount of $1,365,000 from Quest Ventures Ltd., to be used to repay the Bridge Facility. This Convertible Debenture has a term of 12 months, bears interest at 1% per month (payable, at the Issuer's option, in stock at the rate of $0.50 per share) with a bonus of 100,000 common shares and $200,000, and principal sum thereof is convertible, in whole or in part at the election of the holder, into Units, each Unit consists of one common share in the capital of the Issuer and one half non-transferable common share purchase warrant exercisable on or before one year from the date of issuance of the Units. One whole warrant enables the holder thereof to acquire one common share of the Issuer at $0.75, at any time during its term, at a conversion price of $0.50 per Common Share. The Issuer also has the right to prepay the interest on the Convertible Debenture by the issuance of common shares at $0.50 per share. (See "Material Contracts").

Debt Facility:

Following the commissioning of the 7.5 MW expansion to the Drywood Power Station, the Issuer has the potential to establish a capital lease facility of up to $11,000,000 with Embro Energy Capital Corp. (the "Debt Facility") which, if established, would enable the Issuer to leverage its 40% joint venture interest in each completed phase of the Drywood Power Station Project to a maximum debt/equity ratio of 85/15. The Issuer has executed a term sheet in respect of this potential Debt Facility. See "Debt Facility" and "Risk Factors".

Management

Stephen Barber, B. App. Sc., LLM, is the Chairman and a Non-executive Director of the Issuer. He has over 20 years of experience in the international energy sector with qualifications in science and law, specializing in international energy sector corporate finance, mergers and acquisition as well as government regulatory matters in a range of international jurisdictions.

William Bernard, B. Sc. (Hons.), P. Eng., is the President and a Director of the Issuer. He is a senior petroleum engineer and business executive with over 30 years of operations and commercial experience in the North American energy sector. He is a past director of the Independent Power Producers Society of Alberta.

Steven Price, B.Sc., P. Eng., is Executive Vice-President of Operations of the Issuer. He is a senior consulting professional engineer with over 22 years of experience in energy sector engineering and management.

Stefan Erasmus, LL.B (Hons.), C.A., is the Vice-President Finance and Chief Financial Officer. He is a Chartered Accountant and an experienced audit and corporate finance professional, initially with PricewaterhouseCoopers LLP in the UK and Canada, and later in the corporate sector.

Lyle Davis, B. Sc., M.B.A., is a Director of the Issuer. He was the Manager of Trading Operations and Market Information Services at the Vancouver Stock Exchange from 1988 to

1996 and recently has formed Ellardee Group, which provides management and corporate finance services.

Victor Dusik, M.B.A., C.B.V., C.A., is Vice-Chairman and a Director of the Issuer. He is a Chartered Accountant and Chartered Business Valuator with over 30 years experience and was a partner with Ernst and Young, Calgary.

John Tapics, B. Sc. Eng. (Hons.), P. Eng., is a Director of the Issuer. He has over 25 years of experience in the energy and utilities industry including, 11 years as an Officer of TransAlta Corporation in charge business units handling the generation, transmission and distribution of electricity.

See "DIRECTORS, OFFICERS AND PROMOTERS" at Page 23

Financial Statements	Attached hereto are the Issuer’s unaudited financial statements for the periods from January 1, 2001 to March 31, 2001 and from April 1, 2001 to June 30, 2001 and audited financial statements from the date of incorporation to December 31, 2000.

THE FOREGOING IS A SUMMARY ONLY AND SHOULD BE READ IN CONJUNCTION WITH THE MORE DETAILED INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS.

CORPORATE STRUCTURE

Name And Incorporation

The Issuer was incorporated under the laws of Alberta, pursuant to the Business Corporations Act, Alberta (1981) on November 28, 2000 as Sunrise Power Ltd., with incorporation access number 209082411. The name of the Issuer was changed to First Canadian Electric Inc., on January 5, 2001.

The head office of the Issuer is located at Suite 604, 700 West Pender Street, Vancouver, BC, V6C 1G8, with an office in Alberta at Suite 1304, 505 3rd Street, SW, Calgary, AB, T2P 3E6.

The registered and records office and the address for service of the Issuer is located at 1400 - 700 2nd Street SW, Calgary, Alberta, T2P 4V5.

BUSINESS OF THE ISSUER

Description of Business

The Issuer has been formed with the intention of capitalizing on the market niche which exists as a result of Canadian electricity sector deregulation (and in particular, the deregulation process which is currently underway in Alberta).

The Issuer aims to become a growth orientated, publicly-listed, Canadian-based independent power producer ("IPP") through early participation in the market opportunities presented by electricity sector deregulation in Alberta and the pursuit of a focused small to medium sized power station project identification and construction program. Strategic acquisitions, where appropriate, will also be utilized as part of this growth strategy.

Management believes that the opportunity to develop and acquire a portfolio of power generating facilities and thereby establish the Issuer as an important new participant in the category of publicly-listed independent power companies in Canada is significant.

The Issuer plans to emulate, in Canada, the example of the opportunities presented by electricity deregulation in the UK, the USA, Australia and New Zealand by capitalizing on the opportunity presented by the deregulation process in Alberta. Its ability to do so is aided by the presence of a management team possessing complementary technical, operational and commercial skillsets, with first-hand knowledge and experience of the power industry, and the deregulation process, in both Canada and Australia.

The Issuer's focus will be to implement power station projects in those jurisdictions which have an active and non-discriminatory deregulated power market (such as Alberta) or specific projects in regulated markets which have readily quantifiable economic rates of return and risk factors that meet the Issuer's investment criteria. The Issuer's approach in either market will be centered on the provision of power generation capacity which is characterized by low technical risk high availability factors and the use of primarily refurbished equipment, rather than new equipment, in order to obtain capital cost advantages.

The Issuer's first project will be the expansion of the existing 6MWgas-fired Drywood Power Station (the "Drywood Project"), located south of Pincher Creek in Southern Alberta, with the Issuer earning a 40% Joint Venture Interest with Canadian Hydro Developers Inc., by funding 100% of the approximate $4.25 million cost of a 7.5MW expansion, whereupon the Issuer will hold a 40% interest in the entire Drywood Project. The proceeds of the Offering have been largely allocated to funding the costs of this 7.5MW expansion. The Issuer's share of the costs of subsequent expansions to the Drywood Project are intended to be primarily financed with debt, subject to debt financing arrangements being finalized at the relevant time. The Issuer has already acquired some key items of equipment for such subsequent expansions.

Electric Power Industry in Canada[1]

Electricity has become a cornerstone of the Canadian economy. Canadians are the third highest per capita users of electricity in the world. Plentiful energy is required to provide heat in the northern climate, to transport goods in the second largest country in the world and to run a large industrial economy. High-quality electricity supply is also essential to provide the medium for Canada's rapidly growing information economy.

The electric power industry is one of the largest industries in Canada with assets of $148 billion (1997), produces approximately $35 billion in annual revenue and directly employs approximately 78,000 people (with an additional 25,000 people working for manufacturing and engineering companies connected with the industry).

In terms of global rank, Canada is:

- The fifth largest producer of electric power in the world, generating four percent of the world's total;
- The largest producer of hydro power;
- The world's second largest electricity exporter, accounting for 10 percent of global exports of electricity in 1995 by virtue of exports of electricity to the United States.

Electricity Industry Deregulation in Alberta[2]

Regulated publicly and privately owned utility companies have traditionally dominated the North American electricity generation business, using hydroelectric, nuclear or fossil fuel facilities. While regulated utilities continue to dominate the power market in North America, independent power producers are acquiring greater market share as a consequence of progressive deregulation.

The process of deregulation has been implemented in Alberta through the Electric Utilities Act, 1995, and the Electric Utilities Amendment Act, 1998 (together, the "Electricity Reform Acts"), which have been, since 1995, the legislative basis for orderly transformation of Alberta's electricity industry to a deregulated, competition-based environment.

The Electricity Reform Acts marked the turning point in the evolution of Alberta's electricity industry and set the framework under which new independent power producers can enter the Alberta market. Their key purposes are:

- To establish an efficient market for electricity generation based on fair and open competition.
- To ensure that the benefits and costs associated with existing regulated power-plants continue to be shared equitably by current and future customers throughout North America.
- To ensure that investment in new generation is guided by competitive market forces.
- Where regulation was considered to be still necessary, to minimize its cost and provide incentives for efficiency.
- To continue to regulate the high-voltage transmission system and local distribution systems and deregulate those components better provided by a competitive market.

By mid-2000, this deregulation process has begun to fully open the electricity industry in Alberta to independent power producers and independent retailers, as well as to both privately owned and publicly owned utilities, enabling new participants to compete to build new power generation or provide retail services on a level playing field basis, under which no single utility or company is able to exercise undue market power.

Under the Electricity Reform Acts, all power generated in Alberta, except from exempted industrial systems and generators in remote locations not connected to the grid, is now sold through the Pool, whereby power is "pooled" across Alberta's inter-linked grid to meet the total load of all customers on the system. Buyers and sellers dealing with the Pool pay a system access charge that covers the cost of system support services.

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[1] Extracts from "Electric Power – A Canadian Specialty", Industry Canada, 1999

[2] Extracts from "The Power of Competition – A guide to Alberta's new competitive electric industry structure", Alberta Resource Development, March 2000.

The Pool is an open-access, competitive market for electrical energy and functions similarly to a stock market. The market established through the Pool is non-discriminatory and open to any generator, with electricity prices being set every hour at the lowest price that brings on enough supply to meet the demand for the following hour.

Some jurisdictions outside Alberta, in addition to using pools, also allow buyers and sellers to contract with each other directly and in 1999 a direct sales program was commenced by the Pool to allow added flexibility to power marketing in the province, whereby generators can sell directly to customers.

An Independent Power Pool Council governs the Pool and is responsible for its fair, safe and efficient operation. As well, an independent Transmission Administrator oversees the use of the province-wide transmission system by buyers and sellers to ensure fair rates, non-discriminatory access for all market participants and the safe, reliable operation of the system. Open access means that the transmission system is available to all power producers on the same terms (all market participants must have a system access agreement with the Transmission Administrator).

The Electricity Industry in Alberta – Supply and Demand Forecasts

Recent studies, based on the forecast demand and the retirement of existing generation supply capacity in Alberta, clearly show that a significant opportunity currently exists for new independent power producers to fulfill the province's need for future generation:[1]

- In 2000, a total of 52,757,000 megawatt hours (MWhs) of electric power was demanded through the Power Pool of Alberta at an average price of $133.52 per MWh. [2]
- In 1999, the Alberta peak demand was set in December at 7408 MW (excluding the City of Medicine Hat which has its own power generation) after 15 years of steady growth at 200 MW per year. Future demand is expected to grow between 160-370 MW per year to the end of the forecast period of 2014.
- Estimates of the new generation capacity required over the next decade in the Alberta system to both replace the generation equipment being retired and to meet the expected demand growth, ranges from 4,075 MW (low case) to 6,700 MW (high case).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS

Summary And Analysis Of Financial Operations - Incorporation (November 28, 2000) to June 30, 2001

The Issuer's financial year end is September 30. The following table summarizes the Issuer's financial position and operating results for the period ended December 31, 2000 and is qualified in its entirety by the more detailed financial statements included in this Prospectus:

Sales	**Three month period ended June 30, 2001 (unaudited)**	**Three month period ended March 31, 2001 (unaudited)**	**One month period ended December 31, 2000 (audited)**
Gross Profit	-	-	-
Research and Development Expenses	-	-	-
Sales and Marketing Expenses	-	-	-
General and Administrative Expenses	$305,265	$219,636	$96,137
Net Income (Loss)	($305,265)	$(219,636)	$(96,137)

[1] Optimum Energy Management Inc. – 1999 Alberta Electric Energy Supply, Demand and Pool Price Forecast p. 21.

[2] "New Power Generation" – Alberta Resource Development, January 2001.

Working Capital (Deficit) [1]	($3,573,030)	$(372,767)	$(106,637)
Property, Plant and Equipment [2]	$3,918,821	$1,050,344	$15,000
Bank Debt & Loans Payable	$1,622,761	$1,300,000	$42,000
Deferred Research and Development	-	-	-
Other Intangibles	-	-	-
Long Term Liabilities	-	-	-
Shareholders' Equity (Deficit):	-	-	-
Dollar amount	$363,917	$677,577	$(91,637)
Number of securities			
Common Shares	4,502,000	4,502,000	4,500,000
Special Warrants [3]	2,110,000	2,110,000	-

(1) This working capital balance as at March 31, 2001 and June 30, 2001 reflects the $1,300,000 Bridge Facility.

(2) These balances relate to non-refundable costs in respect of equipment and other monies contributed to the Drywood Joint Venture.

(3) Convertible into 2,110,000 Special Warrant Units within five business days following the Effective Date (see "Plan of Distribution").

There are 6,612,000 shares issued and outstanding as at the date of this Prospectus, 4,600,000 of which are held in escrow (see "Share Capital – Escrow Securities"). Upon the successful completion of the Offering, in the case of the minimum Offering, a total of 18,612,000 and in the case of a maximum Offering, a total of 20,612,000 shares will be issued and outstanding, of which 4,600,000 will be held in escrow (to be released in accordance with the provisions of the National Escrow Regime see "Share Capital – Escrow Securities"), and prior to the exercise of the Agents' Warrants, Agents' Private Placement Warrants and Warrants (see "Share Capital").

The Issuer was incorporated on 28 November 2000 for the specific purpose of conducting this Offering and for implementing the Drywood Power Station Project pursuant to the provisions of the Joint Venture Agreement. Accordingly, the operations of the Issuer as of the date of the Audited Financial Statements attached hereto (31 December 2000) have been primarily limited to finalizing the Joint Venture Agreement (together with all matters associated therewith) and implementing the process leading to the filing of this Offering.

In the period subsequent to the date of the Audited Financial Statements on December 31, 2000, the Issuer has undertaken the following principal activities:

- Signing the Joint Venture Agreement on 31 January 2001;
- Undertaking the private placement of special warrants referred to herein, during February and March 2001 to raise $1,055,000 for working capital purposes (including preliminary expenditures on permitting, engineering and procurement as required under the Joint Venture Agreement);
- Placing a Purchase Order with Texacana Turbines Inc., dated 12 January 2001 for the purchase of one General Electric 7LM1500 PE101 Turbine Genset;
- Entering into a Purchase Contract with TXU Business Services Company dated 23 January 2001 for the purchase of two Cooper Bessemer LSV 16 SG reciprocating engines and Westinghouse generators (placed on behalf of the Issuer by Canadian Gas & Electric Company Ltd.);
- Entering into a short term finance facility with the National Bank of Canada on 22 February 2001, (jointly with Canadian Hydro Developers Inc.) for an amount of $1,300,000 for the purpose of financing the acquisition of certain items of equipment to be used in the expansion of the Drywood Power Station Project

(the “Bridge Facility”). As at 22 March 2001, this debt facility was fully drawn down in connection with the purchase of a General Electric 7LM 1500 PE 101 turbine, and the purchase of two Cooper Bessemer LSV-16 reciprocating engines. Although both the Issuer and Canadian Hydro are jointly and severally liable as Joint Venturers for the loan, the Issuer has the primary obligation for repayment and accordingly the Bridge Facility is intended to be repaid from the proceeds of the Convertible Debenture.

- Commencing construction and working towards completion of the 7.5MW Phase 2a expansion to the Drywood Power Station Project.
- Entering into a confidential letter agreement with West Edmonton Mall Inc., (“WEM”) on July 31, 2001, to form a joint venture for the development of an electric generating plant in the property known as the West Edmonton Mall shopping centre located in Edmonton, Alberta.
- On August 1, 2001, the Issuer amended its Agency Agreement to appoint Canaccord Capital Corporation as an agent, along with Haywood Securities Inc. and Raymond James.
- The Issuer signed a term sheet with Quest Ventures Ltd.. on September 18, 2001 in respect of a $1,365,000 Convertible Debenture. Concurrently with the closing of the Initial Public Offering, the Issuer will issue and draw down a convertible debenture for an amount of $1,365,000 to be used for general working capital purposes. This debenture will have a term of 12 months, bearing interest at 1% per month with a bonus of 100,000 common shares and $200,000. The principal sum is convertible, in whole or in part, into Units of the Issuer at any time during its term, at a conversion price of $0.50. The Issuer also has the right to prepay the interest on the Convertible Debenture by the issuance of common shares at $0.50 per share.
- Entering into a confidential letter agreement with InterEnergy AG on September 14, 2001 whereby the parties agreed to work towards finalizing the terms of a strategic alliance with InterEnergy AG.
- Entering into a confidential letter Agreement with Global Bridge Energy Management Corporation ("GBEMC") on September 13, 2001 whereby the parties agreed to finalize the terms of a strategic alliance whereby GBEMC would arrange for the supply of turbines and financing for some of the Issuer's future projects.

LIQUIDITY

As the Issuer was incorporated on 28 November 2000 for the specific purpose of conducting this Offering and implementing the Drywood Power Station Project pursuant to the provisions of the Joint Venture Agreement, any discussion of liquidity only has relevance on a prospective, and not an historical, basis.

In the four-month period to 31 March 2001, subsequent to incorporation on 28 November 2000, the Issuer financed the implementation of the Drywood Power Station Project through the use of the Bridge Facility and funds raised from the private placement of Special Warrants (see “Bridge Facility” and “Share Capital”). Material expenditures in the period ending March 31, 2001 related to management fees and expenses ($220,333 or 70% of G&A), and legal and professional fees ($42,225 or 13% of G&A). The only material capital purchase in the period related to the purchase of a General Electric 7LM1500 PE101 Gas Turbine for $985,344 .

As at March 31, 2001, the Issuer had a $938,485 cash balance, of which approximately $800,000 was applied to the purchase of two Cooper Bessemer LSV 16 SG reciprocating engines and Westinghouse generators on 1 May 2001. The balance of approximately $140,000 was therefore available for working capital purposes.

The Issuer identified a potential liquidity deficiency, as a result of ongoing expenditure requirements in connection with implementing the 7.5MW Phase 2a expansion of the Drywood Project, if the proceeds of the Offering were not received in the month of June. The Issuer remedied the deficiency during May to June by raising approximately $320,000 of unsecured interim financing loans for working capital purposes, which have a maturity date of 30 April 2002 (see “Financial Statements”, Note 8).

The Issuer intends to use the proceeds of the Offering and Convertible Debenture as set out in the section entitled “Use of Proceeds”. This will provide sufficient funding to cover the construction and completion of the 7.5MW Phase 2a expansion to the Drywood Power Station Project. The proceeds of the Offering will also provide sufficient funding to cover the Issuer’s G&A costs for the following twelve-month period ($882,000), leaving unallocated working capital of a further $320,000 on the basis of the minimum Offering and $1,240,000 on the basis of the maximum Offering. Upon commissioning of the 7.5MW Phase 2a expansion of the Drywood Power Station Project (targeted for October 2001), the Issuer will earn its 40% Joint Venture interest and receive revenues to contribute significantly to administration costs. The management of the Issuer expects such revenues to result in the Issuer being cash-flow positive from that time, but the extent of such revenue contribution is dependent upon the wholesale market for electricity, and the prevailing market price for gas as fuel, both of which can be subject to significant price fluctuations (see “Operations” and “Risk Factors”).

In the three-month period to June 30, 2001, the Issuer has used the proceeds of the Bridge Facility and the funds raised from the private placement of Special Warrants (see “Bridge Facility” and “Share Capital”) commenced construction of the 7.5MW Phase 2a of the Drywood Project. As at June 30, 2001, the Company had incurred $3,853,821 in respect of equipment for the Drywood Project and contributed $65,000 to the equity of the joint venture. This figure includes $1,033,354 spent on a General Electric 7LM1500 PE101 Gas Turbine, which the Company intends to use for a further expansion of the Drywood Project.

General and Administrative Expenses for the period to date amounted to a total of $621,038. Material expenditures related to accrued management fees and expenses ($352,834 or 57% of G&A), and accrued legal and professional fees ($57,942 or 9% of G&A).

As at June 30, 2001, the Issuer had a $42,280 cash balance, which was available for working capital purposes. The ability of the Company to meet its ongoing obligations as they become due is dependent upon the support of its creditors, shareholders and upon its ability to obtain the necessary financing to complete its development projects, as outlined in this Prospectus.

Following the commissioning of the 7.5MW Phase 2a expansion to the Drywood Project, the Issuer plans to leverage its interest in the Joint Venture to fund further expansions of the Drywood Project. If the Issuer is unable, following the completion of the 7.5MW Phase 2a expansion, to implement the Debt Facility, the Issuer’s ability to proceed with such further expansions of the Drywood Power Station Project is likely to be dependent on conducting a further equity offering at that time (see “Debt Facility” and “Risk Factors”).

The Issuer is current on the payment of interest on its borrowings, and is not in default of any debt covenants, or in arrears in the payment of any dividends, at the present time nor has it been during the periods shown in the financial statements. In addition, the Issuer currently has no subsidiaries to interfere with its ability to access revenues generated from the Drywood Project.

Accordingly, the management of the Issuer believes that the net proceeds of the Offering, together with cash and equivalents, will be sufficient to meet its cash needs for working capital, capital expenditures and start-up losses through to the generation of first revenues from the Drywood Project and for the twelve month period following the Offering.

Business Objectives

For the 12-month period following completion of the Offering, the Issuer intends to accomplish the following business objectives:

- Complete the 7.5 MW expansion to the Drywood Power Station by funding 100% thereof to earn its 40% joint venture share in the Drywood Power Station Project from Canadian Hydro;
- Complete the 10 MW expansion (subject to final engineering confirmation) to the Drywood Power Station by funding 40% thereof as a 40% joint venture partner with Canadian Hydro;
- Complete the installation (subject to final engineering confirmation) of the 4 MW waste heat optimization unit to the Drywood Power Station by funding 40% thereof as a 40% joint venture partner with Canadian Hydro;
- Complete an anticipated up to 20 MW expansion (subject to mutual agreement between the Issuer and Canadian Hydro under the Joint Venture Agreement) to the Drywood Power Station by funding 40% thereof as a 40% joint venture partner with Canadian Hydro;
- Receive the proceeds of sale of the Issuer’s 40% share of electricity generated by the Drywood Power Station on an ongoing basis as a result of Canadian Hydro’s activities pursuant to the Joint Venture Agreement as Operator, Fuel Manager and Marketer of the Drywood Power Station Joint Venture;
- Identify additional power station projects for future implementation, primarily within Canada, but also possibly outside Canada, subject to technical, economic and sovereign risk parameters;
- Identify appropriate future strategic alliance partners for fuel supply, electricity sales, equipment supply and maintenance, where appropriate, for the implementation of new joint venture power station projects.

Milestones

The significant events that must occur in order to achieve the business objectives of the Issuer set out above and the anticipated time periods and budgets for them, are as follows:

- Completion of this Offering by October 2001.
- Complete engineering and procurement processes for the 7.5 MW and the 10MW expansions of the Drywood Power Station Project (commissioning target: 4th quarters 2001 and 1st quarter 2002 respectively).
- Close Debt Facility following commissioning of the 7.5 MW expansion to fund further expansions through leverage.
- Complete engineering and procurement processes for the 4 MW waste heat optimization unit for the Drywood Power Station Project (commissioning target: 2nd quarter 2002).
- Finalize joint venture approvals and complete engineering and procurement processes for the up to 20MW expansion of the Drywood Power Station Project (commissioning target: 3rd quarter 2002).
- Commence the project planning processes for additional projects during 2001 for implementation during 2002 and 2003.

Acquisitions and Dispositions

The Issuer has made the following material acquisitions or dispositions relating to its current business since its date of Incorporation, November 28, 2000.

- Canadian Gas & Electric Company Ltd. (a wholly owned subsidiary of Canadian Hydro), on behalf of the Issuer, entered into an agreement dated the 23rd day of January, 2001 with TXU Business Services Company to purchase the two 3.75 MW gas fired Cooper Bessemer LSV-16 reciprocating engines, generators and ancillary equipment for the purchase price of US$500,000.

  The purchase price was determined by arms-length negotiations and the full purchase price has been paid by the Issuer on 1 May 2001.

- In addition, the Issuer entered into an agreement with Texacana Turbines on the 12th day of January, 2001 to purchase one 10 MW General Electric 7LM 1500 PE101 gas turbine for the total purchase price of US$625,000.

  The purchase price was determined by arms-length negotiations and the full purchase price has been paid by the Issuer for the acquisition on 26 February 2001.

Management

Stephen Barber, B. App. Sc., LL.M. –Chairman

Mr. Barber, age 45, is one of the founders of the Issuer and has been consulting full time to the Issuer since its inception. Mr. Barber is the Chairman of the Board and a Non-Executive Director of the Issuer. His responsibilities for the Issuer following the Offering will be to provide consulting services regarding corporate finance, business strategy and investor relations. It is expected that the proportion of Mr. Barber's time available as a consultant to the Issuer will be extensive in the three months following the Offering but thereafter will be dependent on the needs of the Issuer. Mr. Barber has over 20 years of experience in the international energy sector with qualifications in science and law, specializing in international energy sector corporate finance, mergers and acquisitions, asset acquisitions, corporate restructuring and the creation of new ventures, as well as government regulatory matters in a range of international jurisdictions. Mr. Barber's dual technical and corporate finance/law background equips him with the skill-sets necessary to bridge the gap between the technical, operational, commercial and government regulatory aspects of the business. During the 1990's, Mr. Barber was closely involved with much of the activity arising out of the deregulation and privatization of the electricity sector in Australia at that time, including:

- Advising the Government of the State of Queensland on the $750 million (Australian) sale of the 1640 MW Gladstone Power Station and the associated operations and maintenance, power purchase, and refurbishment issues.

- Advising the Government of the State of New South Wales on the establishment of new regional transmission grid authorities as part of the deregulation of the electricity industry.
- Advising several major Australian public sector electricity generators and distributors on how best to restructure to meet the challenges of privatization.
- Serving on the Board of one of Australia's largest public sector electricity distributors (South West Electricity), helping to oversee its transition to the new deregulated "power pooling" environment.
- Involvement in the establishment of numerous independent power projects (gas, hydro and co-generation) throughout Australia.
- Involvement with several of the new generation publicly-listed independent power companies which were formed in Australia in the early 1990's in response to the opportunities presented by electricity sector deregulation.

Mr. Barber graduated from the Darling Downs Institute of Advanced Education, Queensland, Australia with a B. App. Sc. degree in May, 1977. He received a LLB degree from the University of Adelaide, Australia in April, 1986 and graduated from the University of Adelaide, Australia in May, 1988, with a Master of Laws Degree.

William Bernard, B. Sc. (Hons.), P.Eng., – President & CEO

Mr. Bernard, age 59, is one of the founders of the Issuer and he has been working full time for the Issuer since its inception . Mr. Bernard is the President and Chief Executive Officer and Director of the Issuer. Mr. Bernard's responsibilities include overseeing operations, business development and strategic implementation. He was previously a Director of the Independent Power Producers Society of Alberta and a senior petroleum engineer and business executive with over 30 years of operations and commercial experience in the North American energy sector.

After 15 years with Mobil Oil (where he held a variety of senior engineering positions in significant offshore oil and gas operations) and Dome Petroleum (where he pioneered offshore oil drilling under Arctic conditions and served as President of the Arctic Petroleum Operators Association), Mr. Bernard was then involved at the start-up of Royal Trust Energy (acquiring $300m worth of oil and gas properties and supervising their ongoing operations and engineering).

Mr. Bernard gained experience in the independent power sector through his role as President of Magrath Energy (a privately held, US-owned royalty earning Canadian energy company), and during the 1990's diversified the company into independent power production with interests in 5 small hydroelectric plants, one gas-fired plant and a biomass (wood chip) power project.

Mr. Bernard also serves on the boards of several non-reporting Canadian oil and gas companies.

Mr. Bernard graduated from the University of Nottingham, England in July, 1967 with a B.Sc. (Hons.) degree in Mining Engineering.

Steven Price, B. Sc., P.Eng., – Executive Vice President, Operations

Mr. Price, age 48, is one of the founders of the Issuer and he has been working full time for the Issuer since its inception. Mr. Price is the Executive Vice-President, Operations and a Director of the Issuer. His responsibilities include project engineering, design and implementation of the Issuer's projects. He is a senior consulting professional engineer, and has over 22 years of experience in energy sector engineering and management, including corporate operations and financial management, facilities management, and facilities design.

Mr. Price also serves on the boards of several non-reporting Canadian companies.

Mr. Price graduated from the University of Manitoba in April, 1975 with a B.Sc. Electrical Engineering degree.

Stefan Erasmus LL.B. (Hons.), C.A. – Vice President, Finance, Chief Financial Officer and Corporate Secretary

Mr. Erasmus, age 29, is the Vice-President, Finance and Chief Financial Officer and Corporate Secretary. Mr. Erasmus joined the Issuer as a full time employee on 9 April 2001 and his responsibilities for the Issuer include accounting, financial management, reporting and compliance. Mr. Erasmus is a Chartered Accountant and an experienced audit and corporate finance professional with a successful track record in the establishment of start-up phase companies, with particular emphasis on financial reporting systems and controls.

As Senior Director of Finance with Service Intelligence Inc., a successful Calgary and Seattle based technology company, Mr. Erasmus was responsible for all aspects of the finance department, including the establishment of all accounting, tax and financial management and reporting systems, and also played a key role in strategic planning and the implementation of financing strategies. Prior to joining Service Intelligence Inc., Mr. Erasmus held the position of Manager - Assurance and Business Advisory Services with PricewaterhouseCoopers LLP in Calgary and Manchester, England, where he managed a niche portfolio of audit, consulting, taxation and accounting clients in the oil and gas, manufacturing, high tech and consumer products industries (with periods of secondment to corporate clients, including contract CFO roles).

Mr. Erasmus graduated from the University of Manchester, England in 1994 with an LL.B. (Hons.) degree. He is a member of the Canadian Institute of Chartered Accountants and the Institute of Chartered Accountants of England and Wales.

Lyle Davis B. Sc., M.B.A. – Non-Executive Director

Mr. Davis, age 46, is a Non-Executive Director of the Issuer. In addition to his role as a Non-Executive Director of the Issuer, Mr. Davis is a director of Consolidated Epix Technologies Limited, and Sitec Ventures Corp., (each listed on the Canadian Venture Exchange).

From 1988 to 1996, Mr. Davis was the Manager of Trading Operations and Market Information Services at the Vancouver Stock Exchange. From 1996 to 1998, Mr. Davis worked in the capital markets group of C.M. Oliver & Co. Limited, and, during the first half of 1999, with Ernst & Young Corporate Finance Inc. In June 1999, he formed Ellardee Group, which provides management and corporate finance services.

Mr. Davis graduated from Queen’s University in 1978 with a Bachelor of Science (Engineering) degree and from the University of British Columbia in 1985 with a Masters of Business Administration.

Victor Dusik M.B.A., C.B.V., C.A.– Vice-Chairman and Non-Executive Director

Mr. Dusik, age 51, is Vice-Chairman and a Non-Executive Director of the Issuer. Mr. Dusik is a chartered accountant, chartered business valuator and senior corporate finance professional with over 30 years experience.

Since September 2000 Mr. Dusik has served as Managing Director of Corporate Finance for Northern Bancorp Inc. providing acquisition, divestiture, financing, valuation and due diligence services to mid market companies. Between 1981 and 2000, Mr. Dusik was a partner with Ernst & Young, Calgary, where he served as Managing Partner (1993-1996), supervising a staff of 300 personnel in the provision of a broad range of services including audit, taxation, accounting, consulting, strategic and financial planning, business risk, corporate reorganization, business valuations and acquisitions and divestitures. Between 1997 and 2000, he was the leader of the Business Risk Consulting practice (Western Canada), where he provided high level comprehensive risk management advisory services for a range of major enterprises, including those in the Utility Sector.

Mr. Dusik is also a member of the Management Advisory Council for the University of Calgary, where he also lectures on a wide variety of topics, including strategic planning, financing and mergers and acquisitions.

Mr. Dusik graduated from the University of Western Ontario in 1977 with a Masters of Business Administration. He is a member of the Canadian Institute of Chartered Accountants and the Canadian Institute of Chartered Business Valuators.

John Tapics, B.Sc. Eng. (Hons), P.Eng. – Non-executive Director

Mr. Tapics, age 47, is a Non-executive Director of the Issuer. He has over 25 years of experience in the energy and utilities industry, including 11 years as an Officer of TransAlta Corporation in charge of the Generation, and

Transmission and Distribution business units. Mr. Tapics' experience encompasses all facets of the utilities business, including strategic planning and business development, much of which has been in the context of a deregulating environment.

Mr. Tapics has been a member of the Board of Directors of the Western Electric Power Institute, the Coal Association of Canada, the Alberta Chamber of Resources, and a Councilor on the Western System Coordinating Council. Also, in 1993 he was awarded the Past President's Medal by the Canadian Institute of Mining and Metallurgy (an award for members younger than age 45 who, by their accomplishments, have set an outstanding example to young men and women contemplating a career in the mineral industry).

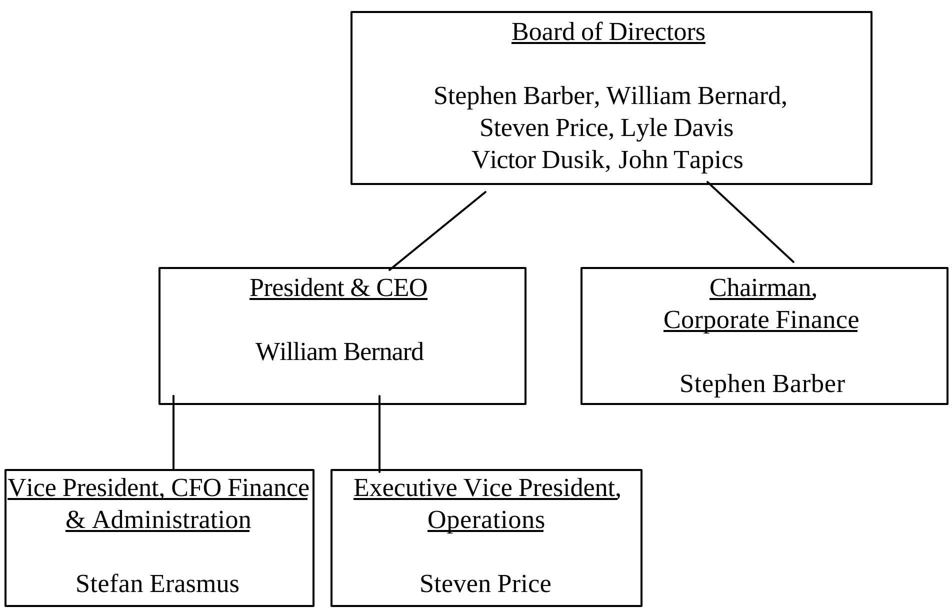
Mr. Tapics graduated from Queen's University in 1975 with a Bachelor of Science (Engineering) (Hons) degree.

The Management Consultancy or Employment Agreements executed by those directors and officers comprising the Issuer's management team contain non-disclosure provisions.

Organizational Structure

The Issuer currently has no full or part-time employees in addition to the directors and officers set out above, and with the exception of hiring one full-time office assistant, only intends to hire further staff in the event that new projects and revenue growth justify this.

The following chart sets out the personnel (together with their functions) presently in each department of the Issuer:



The Drywood Power Station Project, Pincher Creek, Alberta – The Issuer's First Project

The Issuer, on January 31, 2001 entered into a Joint Venture Agreement (the "Joint Venture Agreement") with Canadian Hydro, whereby the Issuer can earn a 40% joint venture interest in Canadian Hydro's gas fired Drywood Power Station Project, situated south of Pincher Creek, in Southern Alberta. The terms of the arrangement with Canadian Hydro are that the Issuer will earn its 40% joint venture interest in the entire Drywood Power Station Project by funding and implementing the construction and commissioning of a 7.5 MW expansion (estimated cost $4.25 million of which the Issuer must pay 100% to own its 40% joint venture interest) to the existing 6 MW generating facility (which itself was successfully commissioned by Canadian Hydro in mid 2000). Once the 7.5 MW expansion is commissioned, the Issuer will have earned a 40% interest in the entire Drywood Power Station Project

All expenditures for expansion of the Drywood Power Station Project beyond this initial 7.5 MW expansion are to be borne on a 40/60 basis between the Issuer and Canadian Hydro.

Shortly after the 7.5 MW expansion (consisting of two gas-powered Cooper Bessemer reciprocating engines), the Issuer and Canadian Hydro intend to implement an additional 10 MW upgrade (consisting of the installation of one General Electric LM 1500 gas turbine). The 7.5 MW and the 10 MW expansions are planned to be implemented for commissioning by the 4th quarter 2001 and 1st quarter 2002 respectively. The key items of equipment for both these expansions have already been purchased.

Upon commissioning of the 7.5 MW and the 10 MW expansions, the capacity of the Drywood Power Station Project will total 23.5 MW, in which the Issuer will be a 40% participating interest joint venture owner.

During the 2nd quarter 2002, it is also planned, subject to final engineering confirmation, to install a waste heat optimization unit to recycle the waste heat generated by the 23.5 MW units for added efficiency, which is estimated to increase the collective capacity of those units by approximately 4 MW, for a total capacity of 27.5 MW, in which the Issuer will be a 40% participating interest joint venture owner. During 2002, the Issuer also intends to participate on a 40% contributing basis in the funding of an anticipated additional expansion of the Drywood Power Station Project of up to 20 MW (subject to mutual agreement between the Issuer and Canadian Hydro under the Joint Venture Agreement), giving a total installed capacity by 3rd quarter 2002 of between 43.5 MW and 47.5 MW in which the Issuer will be a 40% participating interest joint venture owner.

Summary of the Phased Development Proposed for the Drywood Power Station Project

Phase 1: Existing 6 MW Plant:

Two 3MW gas fired Cooper Bessemer reciprocating engines
Commissioned mid-2000

Phase 2: 17.5 MW Expansion:

(a) Two 3.75 MW gas fired Cooper Bessemer reciprocating engines. Total projected estimated costs $4,250,000 (Issuer's share 100%) in order for the Issuer to earn its 40% Joint Venture interest in entire Drywood Power Station Project.
(b) One 10 MW General Electric LM 1500 gas turbine. Total projected estimated cost $5,900,000 (Issuer's share 40%).

Target commissioning 4th quarter 2001 and 1st quarter 2002

Phase 3: 4 MW Expansion:

Installation of combined cycle waste heat optimization unit to utilize waste heat from all previously installed units for an additional capacity of approximately 4 MW. Total projected estimated cost $4,000,000 (Issuer's share 40%).
Target commissioning 2nd quarter 2002

Phase 4: 20 MW Expansion:

One 20 MW or Two 10 MW gas turbines. Total projected estimated cost $12,000,000 (Issuer's share 40%).
Target commissioning 3rd quarter 2002

Debt Facility

Following the application of the proceeds of the Offering to the construction and commissioning of the 7.5MW Phase 2a expansion to the Drywood Power Station Project (see "Use of Proceeds"), the Issuer plans to leverage its then existing 40% Joint Venture interest[1] by establishing a capital lease finance facility or other asset backed loan in respect of such Joint Venture interest (“the Debt Facility”) and to use the funds raised therefrom to fund its 40% Joint Venture share of the cost of construction of the next 10MW Phase 2b expansion. Similarly, the Issuer plans to fund its 40% Joint Venture share of the cost of construction of each subsequent phase of the Drywood Power Station Project by leveraging, through the mechanism of the Debt Facility, its Joint Venture interest in each previously completed phase (See “Phase 2a”, “Phase 2b”, “Phase 3” and “Phase 4” under “Summary of the Phased Development for the Drywood Power Station Project”).

The proposed use of leverage in this way will enable the Issuer to participate in the construction of each of these proposed expansions to the Drywood Power Station Project without the need to raise additional equity beyond the proceeds of the Offering.

The management of the Issuer considers that the implementation of the Debt Facility after the commissioning of the 7.5MW Phase 2a and utilized in the manner referred to above, as opposed to the implementation of a construction finance type of loan facility at the time of construction of each phase, will result in a more effective use of the Issuer’s proceeds from the Offering, because of cost savings associated with, among other things, the removal of any requirement for construction phase cash collateral deposits.

Typical debt/equity ratios for the independent power industry in North America range between 50/50 and 85/15 and the Issuer has determined to borrow against its interest in the Joint Venture with an indicative debt/equity ratio in the 65/35 range, or higher.

Based on an indicative 65/35 debt/equity ratio, upon commissioning of the 7.5MW Phase 2a, the Issuer would be able to secure up to $2.6 million in funds from the Debt Facility, (versus the Issuer’s 40% Joint Venture contribution to the estimated remaining cost to construct Phase 2b of approximately $1.4 million[2]). Upon completion of Phases 2a, 2b, and 3, the Issuer estimates the total amount advanced under the Debt Facility will be approximately $5.2 million, and funds on hand available to the Issuer for its 40% Joint Venture contribution to the cost of Phase 4 will be about $2.2 million[3]. These funds are in addition to funds allocated for G&A and working capital (see “Use of Proceeds) and do not include any accumulated revenues generated by previously completed phases.

The Issuer has, on 25 April 2001, executed a term sheet with Embro Energy Capital Corp., (“Embro”) for the establishment of a Debt Facility to be structured as a capital lease of its Joint Venture interest, with a total facility limit of up to $11 million and a maximum debt/equity ratio of 85/15, with a term of up to 84 months, and with the option of the Issuer to elect, depending on its requirements in respect of each applicable phase of expansion of the Drywood Project, to draw such facility either on a post-construction basis or as a construction loan. Closing of such Debt Facility with Embro would be dependent on the Issuer implementing, prior to draw-down thereof, a hedging arrangement for gas supply and electricity sales acceptable to Embro, and the satisfaction of conditions precedent common in such types of finance facilities. Before finalizing the Debt Facility with Embro, the Issuer plans, while the construction of the 7.5MW Phase 2a expansion is underway, to explore other potential alternative Debt Facilities for their suitability to the Issuer’s requirements.

If the Issuer is unable, following the completion of the 7.5MW Phase 2a expansion, to implement the Debt Facility, the Issuer’s ability to proceed with further expansions of the Drywood Power Station Project is likely to be dependent on conducting a further equity offering at that time. Should such further expansions not be proceeded with, the Issuer’s interest in the Drywood Power Station Project and the revenues derived therefrom would be limited to 40% of the 6MW and 7.5 MW phases. (See “Risk Factors”).

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[1] The Issuer’s Joint Venture interest on completion of the 7.5MW Phase 2a expansion of the Drywood Power Station Project, which would be available as security for the Debt Facility, would be 40% of (6MW+7.5MW), being 40% of 13.5MW, or a 5.4MW net interest to the Issuer.

[2] The Issuer has already spent approximately $1,033,354 towards the cost of the 10MW Phase 2b expansion by purchasing the 10MW General Electric 7LM 1500 PE101 gas turbine. (See “Use of Proceeds”)

[3] It is likely that the component of the Debt Facility in respect of the 20MW Phase 4 expansion will be structured as a construction finance type of facility, pursuant to the option of the Issuer to elect to do so under the draft terms sheet with Embro. Structured in this way, the Issuer’s 40% Joint Venture contribution to the construction cost of the 20MW Phase 4 expansion is estimated to be $4,800,000, of which $1,680,000 would be provided from the Issuer’s available funds of $2,200,000 and the balance, being $3,120,000, would be drawn under the Debt Facility construction finance option (all figures assume a 65/35 debt /equity ratio).

Joint Venture Agreement

The Joint Venture Agreement provides the detailed legal framework of the joint venture for the expansion, ownership and operation of the Drywood Power Station Project between the Issuer and Canadian Hydro.

The Joint Venture Agreement was executed on January 31, 2001 and has an effective date of December 1, 2000 and provides that the Issuer will earn its 40% joint venture interest in the entire Drywood Power Station Project by funding and implementing the construction and commissioning of a 7.5 MWexpansion (estimated cost $4,250,000) to the existing 6 MW generating facility. The Issuer is designated as the Construction Manager for this 7.5MW expansion.

The consideration payable by the Issuer to Canadian Hydro for entering into the Joint Venture Agreement is $115,000 (of which $65,000 has been paid as at the date of this Prospectus with the balance of $50,000 remaining outstanding, which is to be paid in connection with the construction of Phase 2a).

Upon successful commissioning of the 7.5MW expansion, the Issuer and Canadian Hydro will respectively hold 40% and 60% participating interests in the entire joint venture, and will from that point forward participate in those proportions in the costs incurred in connection with, and in the revenues generated by, the joint venture operations.

The capital costs of all further expansion to the Drywood Power Station beyond the 7.5MW expansion are to be borne by the Issuer and Canadian Hydro on a pro-rata basis in accordance with their respective participating interests. The agreement provides that such additional expansion is envisaged to be in the following stages:

- a 4 MW combined cycle waste heat optimization unit; and
- a total of up to an additional 30MW gas-fired expansion, which may include the installation of additional reciprocating engines or gas turbine generator units.

The principal terms of the Joint Venture Agreement are as follows:

- The joint venture operations will be supervised and controlled by a Joint Operating Committee which shall consist of two representatives from each party, and decisions will be made by votes taken, with each party having the number of votes corresponding to its participating interest, subject to the proviso that voting on defined fundamental issues shall require a unanimous vote, with such fundamental issues including (among other things):
    - expansion and scope of the joint venture;
    - preparation of the forecasts and budgets for plant operations;
    - modifications to the plant costing more than $50,000;
    - policy for the sale of plant products;
    - policy for the supply of fuel to the plant;
    - planned shutdown of the plant in excess of two days;
    - borrowing money on behalf of the joint venture; and
    - approval of material agreements to be entered into on behalf of the joint venture.

- Canadian Hydro shall be the Operator, Marketer and Fuel Manager on behalf of the joint venture.

- The Issuer shall be the Construction Manager of the 7.5MW expansion phase.

- Each party has the right to elect to supply fuel to, to take and sell in kind its share of production from the plant independently of the other party, provided that the other party is first offered an opportunity to participate in such independent arrangements.

- Each party is entitled to separately finance and mortgage its interest in the plant, provided it maintains its equity interest at a minimum of 15% of the fair market value of its plant participation.

- The agreement places no restriction on the right of either party to engage in other business activities outside the joint venture, whether or not such other activities compete with the activities of the joint venture.

- The agreement provides for penalties to be levied on a party which fails to contribute its share of agreed capital or operating expenditures. Such penalties involve both forfeiture of interest and penalty payments (including interest) of a type which are standard for agreements of this nature.

- The agreement contains provisions regarding the right of first refusal by each party in the event that the other party wishes to sell its interest in the joint venture which are standard for agreements of this nature.

- The agreement provides that the joint venture may only be terminated by the unanimous vote of the Operating Committee.

Background of Canadian Hydro Developers Inc. – the Issuer's Joint Venture Partner in the Drywood Power Station Project

Canadian Hydro is a 10 year old non-utility private developer of power generation facilities using primarily green or renewable fuels, with operations in the Provinces of Alberta, Ontario and British Columbia.

Canadian Hydro, as at December 31, 2000, operated power generation facilities with an aggregate capacity of approximately 70MW (62.1 MW net to Canadian Hydro's interest).

Canadian Hydro's plants include three hydroelectric generating plants totaling 8.1 MW of capacity in Southern Alberta, a 10.0 MW hydroelectric plant in the interior of British Columbia and four hydroelectric plants totaling 10.9 MW of capacity in northeastern Ontario. In addition, it operates 18.9 MW of wind generation capacity in southern Alberta and the 6.0 MW Drywood gas-fired power station, also in southern Alberta at Pincher Creek. In addition, during 2000, Canadian Hydro completed construction of an additional 13 MW hydroelectric plant in southern Alberta (6.5 MW net to its interest), erected an additional five wind turbines (1.875 MW) and acquired the minority 20.5% interest in three of its hydroelectric plants in southern Alberta.

Over the past 5 years, Canadian Hydro has increased its production from 91,628 MWh (net 82,422 MWh) to 184,551 MWh (net 176,492 MWh), during which period its installed capacity has increased from 18.1 MW to the present 70 MW. Gross revenue has increased from $3.9 million in 1995 to $9.6 million in 1999 due to increases in production and contractual price increases. During 2000, production from the new Taylor hydroelectric plant and the Drywood gas-fired plant was sold into the open market in southern Alberta via the Pool.

Marketing the Electricity Generated from the Drywood Power Station Project

Power prices in deregulated electricity markets tend to fluctuate both daily and seasonally based on demand factors, and in this respect the electricity market in Alberta is fairly typical. For example, daily prices tend to be highest during the 8.00 a.m. to 8.00 p.m. period, with peaks generally being reached between 4.00 p.m. and 8.00 p.m., when power demand is highest (especially on cold, dark winter days). Similarly, prices tend to rise from March to October due to decreased supply as a result of routine scheduled maintenance of many of the fossil fuel fired power stations and remain high from November through February because of demand generated by cold winter weather. Periodically prices tend to decline from April through June due to the abundant supply of hydro energy from adjacent jurisdictions.

Gas prices tend to follow a similar trend for the same reasons, with the result that gas and electricity prices tend broadly to track each other, with electricity prices remaining above gas prices in a narrow band called the "spark spread" (which refers to the difference in the cost of acquiring gas and the price received for selling the electricity generated from it). The majority of new power generating capacity currently under construction in Alberta is, like the Drywood Power Station Project, gas-fired, so that electricity prices in Alberta will in future tend to track and reflect the volatility shown by gas prices (as gas prices are a key determinant of both the "spark spread" and the prevailing electricity price).

The existing 6MW Phase 1 of the Drywood Power Station Project was originally planned as a peaking plant (i.e. a plant which was operated so as to run only at times of peak electricity demand), however, the plant is capable of being operated by Canadian Hydro virtually 24 hours per day, 7 days per week, dependent on electricity prices.

In terms of fuel supply and electricity marketing arrangements, the Drywood Power Station is presently operated by Canadian Hydro on a “merchant” or non-contracted (i.e. un-hedged) basis, with all electricity produced being sold on the “spot” market through the Pool at prices that fluctuate in accordance with market supply and demand (in the manner explained above) and all gas fuel requirements similarly being purchased on the spot gas market. The Joint Venture plans to continue operations of the 6MW Phase 1 and the 7.5MW Phase 2a plant on this “merchant” basis for at least the balance of the year 2001. However, in order to endeavor to mitigate part of the inherent market volatility in the electricity sales price and the gas supply price that can result from such “merchant” operations in the longer term, the Joint Venture plans to explore options for the partial contracting, or hedging, of both the electricity sales price and the gas supply price for the year 2002 and beyond in connection with the proposed further expansions of the Drywood Power Station Project. Although no such hedging arrangements are presently in place, the successful implementation of a partial hedging program of this nature may ultimately enable a mix of spot and contracted electricity sales and gas supplies to be achieved by the Joint Venture so as to mitigate the above-mentioned market volatility to some degree. However, it must be recognized that there are also risks inherent in any hedging program and no such program can completely remove or eliminate market volatility.

Competition

Economic theory shows that a demand/supply imbalance tends to attract investment which ultimately results in a tendency towards a re-balancing of demand/supply to normal levels. Accordingly, the demand/supply imbalance in the deregulated electricity market in Alberta has resulted in the announcement of numerous proposals for the construction of new electricity generating facilities, both large and small.

For example, over the last nine months, large companies such as Calpine Corporation, AES Corporation, ATCO Power and PanCanadian Petroleum Limited have announced intentions to construct approximately 950 MW of facilities in aggregate in the Calgary area, and Transalta and ENMAX Corporation have announced plans to investigate the feasibility of constructing power plants of up to 900MW and 400MW capacity respectively, in the Calgary and Edmonton areas. Smaller companies, such as Maxim Power Corp., Vision Quest Windelectric Inc., Benign Energy Canada, Altek Power Corporation and Windpower Inc., have also announced plans to construct approximately 300 MW in aggregate of natural gas or wind powered facilities throughout Alberta.

The larger scale plants (i.e. more than 100MW capacity) proposed by the larger participants in the Independent Power Producing (“IPP”) sector take considerable time to construct (between 3 and 5 years) and accordingly, the smaller participants in the IPP sector, with their smaller sized plants (i.e. less than 50 MW capacity) generally have a near- to mid-term advantage because they can install new capacity in shorter time frames, depending on the backlog for the supply of equipment (for example, six months in the case of some natural gas powered plants). Accordingly, smaller sized IPP sector participants, with a focus on rapid deployment of smaller sized plants, can position themselves to take early advantage of the current demand/supply imbalance in comparison to their larger IPP sector competitors.

It is this market niche (i.e. the rapid deployment of smaller sized power plants) which the Issuer has as its initial strategic focus, which Management believes will position it to benefit from a relatively under-supplied Alberta electricity market in the near- to mid-term.

The Issuer’s Growth Strategy Beyond Drywood

The Issuer believes that there are opportunities for growth available in the following areas for Canadian independent power production:

- in British Columbia where IPP projects are proceeding with the support and cooperation of BC Hydro;
- in Alberta as a result of electricity deregulation and associated capacity demand; and

- in the Maritime Provinces and the Province of Ontario where the Issuer expects that further electricity deregulation could occur.

Accordingly, the Issuer plans to pursue a focused growth strategy to capitalize on these opportunities and to follow the example evidenced by the experience of the independent power producers outside Canada in deregulated electricity markets.

An example of such possible growth opportunity for the Issuer beyond the Drywood Power Station Project is a potential 25MW biomass project in British Columbia, currently undergoing due diligence investigation by the management of the Issuer under the terms of a confidential letter of intent dated 25 April 2001. This letter of intent provides a framework under which the Issuer can conduct due diligence investigations into the project to determine, if it wishes to proceed to finance, develop and construct the project. If, following the conclusion of such due diligence investigations, the Issuer elects to proceed with the project, it is envisaged that a project financing could be implemented during December 2001.

A further example of the Issuer's growth strategy beyond the Drywood Power Station Project is provided by the opportunity to develop an electric generating plant in the property known as the West Edmonton Mall shopping centre (the "Mall") located in Edmonton, Alberta, in joint venture with West Edmonton Mall Inc., ("WEM") of 8882-170th Street, Suite 3000, Edmonton, Alberta. The Issuer entered into a confidential letter agreement with WEM on July 31, 2001, for the development of this project, after regulatory approval, engineering confirmation, satisfactory finance, and the receipt by WEM of all relevant corporate and shareholder approvals. The letter agreement provides for the project to be of not less than 30MW and operated so as supply the Mall, for 10 years at a guaranteed price, with all its power requirements from approximately half of the plant's capacity, with the remaining capacity being available for sale through the Power Pool on a merchant basis. The letter agreement further provides that:

1. the Issuer and WEM will form a new limited liability entity (the "Entity") to be owned jointly for the purpose of developing the project within 120 days from the date of the letter agreement, with completion of construction to take place no later than 24 months from the date of formation of the Entity;

2. each of the Issuer and WEM will appoint one director to the Entity, with the voting rights until completion of the project being 49% and 51% respectively, reverting to 50/50 following completion of the project;

3. the Issuer will be appointed manager of the Entity and the project;

4. WEM shall invest $1,500,000 in the Issuer by way of purchase of 3,000,000 Units from the Offering and WEM shall have the right to appoint its nominee to the Board and to an advisory position with the Issuer, with such appointment to occur with 90 days of the signing of the Letter Agreement (such nominee shall be paid $5,000 per month and be granted options to acquire 500,000 shares at a price of $0.50 per share, subject to regulatory approval).

None of the funds received by the Issuer from this Offering will be applied on the WEM project.

In addition, the Issuer is in the process of finalizing several key strategic alliances which have the capability to materially enhance the implementation of the Issuer’s growth strategy:

1. Pursuant to the terms of a confidential letter dated 13 September 2001 between the Issuer and GBEMC, the Issuer and GBEMC have agreed, following the execution of the letter, to work towards finalizing the terms of a strategic alliance centered upon the provision to the Issuer, on a long term basis, of turbines and related power station equipment, together with vendor financing thereof and engineering support, through GBMEC and companies associated with it (primarily the China National Machinery and Equipment Import and Export Corporation). One of the first priorities of such strategic alliance will be the expeditious implementation of the various phases of the Drywood Power Station Project beyond Phase 2a.

2. Pursuant to the terms of a confidential letter dated 14 September 2001 between the Issuer and InterEnergy AG (“InterEnergy”), the Issuer and InterEnergy have agreed, within 90 days following the execution of the letter, to work towards finalizing the terms of a strategic alliance designed to assist FCE in the identification and financing of

power sector business sector opportunities world wide, with an initial focus on wind power projects in Canada and the exploration of merger and acquisition opportunities internationally.

OPERATIONS

The existing 6 MW Drywood Power Station owned and operated by Canadian Hydro

The power station is a gas fired power generation facility presently consisting of two 3 MW 4000hp Cooper Bessemer LSV-16 SG engines, each direct coupled to 4,160 volt synchronous generators, concrete foundations, generator building, underground and aboveground tanks and air coolers, designed and constructed to deliver electricity to the Transmission Administrator and the Pool through a dedicated 4.16 kV power line which delivers power through an interconnection at the substation designated as substation 415S. The power station as currently configured delivers electricity to a maximum of 6 MW. The engines are fuelled by natural gas which is piped directly to them from the Nova gas pipeline, which is adjacent to the site. Canadian Hydro has reported that the aggregate construction cost of the 6MW Drywood Power Station was approximately $5,100,000.

Canadian Hydro operates the Drywood Power Station as a “merchant” plant that sells power to the Alberta market on a spot basis rather than under a long-term contract. Canadian Hydro has reported that the Plant generated 11,913MWhs. during its first four months of operation to December 31, 2000 and produced roughly 69% of the time. Sales for the four month period averaged $221 per MWh. for this production period.

The Expansion by the Issuer of the Drywood Power Station

Under the terms of the Joint Venture Agreement, the Issuer will earn its 40% interest in the Joint Venture by, at its cost (estimated to be approximately $4,250,000), duplicating the existing plant by installing units virtually identical to the units presently installed on the site, but with slightly higher capacity, being two 3.75 MW 4550hp gas fired Cooper Bessemer LSV-16 SG reciprocating engines, each direct coupled to Westinghouse Model F-S Generators. The electricity generated will be delivered to the Transmission Administrator and the Pool by a new 72 kV power line to an interconnection at substation 415S. The engines will be fuelled by natural gas which will be piped directly to them from the same gas pipeline which presently serves the plant.

Environmental Considerations

The existing 6 MW plant meets all Alberta regulations for the protection of the environment. The Issuer has applied for an environmental permit to cover the installation and operation of the two 3.75 MW gas fired Cooper Bessemer reciprocating engines by way of extension to the existing permit, and the permit extension is currently being advertised as the final step in the approval process, with final approval being expected by mid-June from the Alberta Energy and Utilities Board. The Joint Venture will subsequently apply for environmental permits governing each subsequent stage of the plant’s expansion.

Facilities

The existing 6MW plant is located at Pincher Creek, Alberta (the “Site”) on land leased by Canadian Hydro (the “Lessee”) for twenty (20) years with two rights of renewal, the first for an additional twenty (20) and the second for an additional ten (10) years at a rental to be agreed upon by the parties. The annual rental for the Site is $15,000 plus additional monthly rent of $1.00 per MWH generated to a maximum of $30,000 additional per annum. The Site presently comprises an area of 330 feet by 390 feet on which there is a building of approximately 4,800 sq. ft. which houses the existing two 3MW gas fired Cooper Bessemer reciprocating engines. The building is owned by Canadian Hydro and will form an asset of the Joint Venture pursuant to the terms of the Joint Venture Agreement. The Lessee has the option to expand the generating capacity of the facility by paying increased annual rent of another $15,000 and increased additional rent by $1.00 per MWH up to a maximum of $5,000 per annum for each increase of capacity of the facility by one MW of installed capacity. The Issuer's contracting company has filed a lien in amount of $1,213,327 to cover a balance owing on account of the work done on the facilities on the Site.

The Issuer has built additional facilities on the Site to house the two 3.75 MW gas fired Cooper Bessemer reciprocating engines, which will comprise Phase 2a of the Drywood Power Station Project. These facilities will be owned by the Joint Venture.

Additional facilities will be built on the site to house further expansions, which will also be owned by the Joint Venture.

The Issuer also maintains an administrative and corporate finance office in Vancouver, and engineering and accounting offices in Calgary.

Equipment

The Issuer has, prior to the date of this Offering, purchased the following major items of equipment to be used in the expansion of the Drywood Power Station:

- Two 3.75 MW gas fired Cooper Bessemer LSV-16 SG reciprocating engines, together with two Westinghouse Model F-S generators and associated equipment, to be used in the first 7.5 MW expansion;

- One 10MW General Electric LM 1500 gas turbine, to be used in the subsequent 10 MW expansion;

all of which will form part of the Joint Venture. See “Business of the Issuer – The Drywood Power Station Project” page 9.

In order to purchase the above equipment, the Issuer (jointly with Canadian Hydro) entered into a short term debt facility with National Bank for an amount of $1,300,0000 (the "Bridge Facility"). As at March 31, 2001, this debt facility was fully drawn down in connection with the purchase of the above equipment. The Issuer will repay the Bridge Facility from the proceeds of the $1,365,000 Convertible Debenture which the Issuer will issue to Quest Ventures Ltd. of suite 300 - 570 Granville Street, Vancouver, BC and draw down concurrently with the closing of the Offering.

The Convertible Debenture has a term of 12 months, bears interest at 1% per month (payable, at the Issuer’s option, in stock at the rate of $0.50 per share) with a bonus of 100,000 common shares and $200,000, and principal sum thereof is convertible, in whole or in part at the election of the holder, into Units, each Unit consists of one common share in the capital of the Issuer and one half non-transferable common share purchase warrant exercisable on or before one year from the date of issuance of the Units. One whole warrant enables the holder thereof to acquire one common share of the Issuer at $0.75, at any time during its term, at a conversion price of $0.50 per Common Share. The Issuer also has the right to prepay the interest on the Convertible Debenture by the issuance of common shares at $0.50 per share. (See “Material Contracts”).

Quest is a private British Columbia based merchant banking company that has been in business since December, 1996. Quest provides merchant banking services, bridge financing and may invest or take an equity position in its client companies. Principals of Quest are Brian E. Bayley and A. Murray Sinclair, each as to 50%.

The Debt Facility was originally due on September 28, 2001 and has been extended to October 25, 2001 by a letter dated September 28, 2001 between the Issuer and National Bank.

Following completion of the Offering, the Issuer intends to complete the installation and commissioning of the Cooper Bessemer equipment. The estimated project costs (March 31, 2001) of the major components of the expansion of the Drywood Power Station Project (being the 7.5 MW expansion) was as follows:

Civil engineering costs	$425,000
Mechanical engineering costs	$700,000
Electrical engineering costs	$900,000
Engineering/inspection costs	$300,000
Major Equipment Items (Cooper Bessemer reciprocating engines & generators)	
▪ Purchase	$785,000
▪ Assembly	$550,000
Permits and license costs	$ 25,000
Joint Venture consideration payable to Canadian Hydro	$115,000
Contingencies	$100,000
Total	**$3,900,000**

Total projected cost is now estimated to be $4,250,000, the Issuer has spent approximately $3,800,000 as at August 31, 2001, leaving approximately $450,000 to be funded by the proceeds of this Offering (see "Use of Proceeds"). The breakdown of the $3,800,000 is as follows:

▪ Civil Engineering Costs	$425,000
▪ Mechanical Engineering Costs	$754,000
▪ Electrical Engineering Costs	$685,000
▪ Engineering Inspection Costs	$405,000
▪ Purchase of Cooper Bessemer reciprocating engines and generators	$1,041,000
▪ Assembly Costs	$400,000
▪ Joint Venture Agreement consideration paid to Canadian Hydro	$ 65,000
▪ Permitting Costs	$ 25,000
Total	**$3,800,000**

The Issuer will be responsible for 100% of the above costs. Further expansion of the Drywood Power Station subsequent to this will be undertaken by the Joint Venture and the Issuer, pursuant to the terms of the Joint Venture Agreement, will contribute 40% of the costs of such subsequent expansion. The Issuer will begin to receive revenues from its 40% Joint Venture Interest in the entire Drywood Power Station Project from the date that the 7.5 MW expansion is commissioned, which is currently anticipated to occur during November 2001.

Administration

The Issuer estimates its aggregate monthly administration costs for the next twelve months to be $73,500 per month.

The above estimated monthly administrative expenses are broken down as follows:

Category	Average Monthly Amount	Annual Amount
Management Fees, Salaries, Benefits[1]	$ 55,000	$ 660,000
Legal and Accounting	4,500	54,000
Register and Transfer Agent	500	6,000
Rent and Utilities	7,000	84,000
Telecommunications	2,500	30,000
Travel and Expenses	3,000	36,000
Miscellaneous	1,000	12,000
TOTALS:	$73,500	$882,000

USE OF PROCEEDS

As at June 30, 2001, the Issuer has used the proceeds of the Bridge Facility and the funds raised from the private placement of Special Warrants (see "Bridge Facility" and "Share Capital") to implement and substantially complete the 7.5MW Phase 2a of the Drywood Project. The Issuer had incurred $3,853,821 in respect of equipment for the Drywood Project and contributed $65,000 to the equity of the Joint Venture. This figure includes $1,033,354 spent on a General Electric 7LM 1500 PE101 Gas Turbine, which t he Issuer intends to use for a further expansion of the Drywood Project, and $785,350 on two Cooper Bessemer LSV 16 SG engines and associated equipment for the current 7.5MW Phase 2a expansion of the Drywood Project. The Issuer has incurred General and Administrative Expenses for the period to date of $621,038.

Funds Available

The gross proceeds from this Offering will be a minimum of $6,000,000 and a maximum of $7,000,000. From these proceeds the Issuer will pay the Agents' commission of $480,000 in the event of the minimum Offering is completed and $560,000 in the event that the maximum Offering is completed. After deducting the Agents' commission, the net proceeds will be $5,520,000 in the case of the minimum Offering and $6,440,000 in the case of the maximum Offering. The Issuer's working capital deficit as at August 31, 2001 is approximately $3,225,000. The net proceeds from the Offering less the working capital deficit is approximately $2,295,000 in the event of the minimum Offering and is approximately $3,215,000 in the event of the maximum Offering (the "Funds Available from the Offering") which will be used as follows:

Description	Minimum	Maximum
Funds Available from the Offering:	$2,295,000	$3,215,000
Net Proceeds Available from Convertible Debenture issued to Quest Ventures Ltd.:	$1,100,000	$1,100,000
Total Funds Available:	$3,395,000	$4,315,000
Proposed Uses:		
Costs of this Offering:	$100,000	$100,000
Balance due on Sponsorship Fee:	$20,000	$20,000

[1] See more detailed disclosure in “Compensation”.

	Amount required to complete Phase 2A of the Drywood Project:	$450,000	$450,000
	Repayment of loans (including the Bridge Facility Loan) and costs thereof:	$1,623,000	$1,623,000
	General and Administrative expenses for the 12 months following Offering:	$882,000	$882,000
	Unallocated working capital:	$320,000	$1,240,000
Total		**$3,395,000**	**$4,315,000**

If the Agents exercise the Greenshoe Option in full, the Issuer will receive up to $900,000 in the case of the minimum Offering or $1,050,000 in the case of the maximum Offering, which will be added to the working capital.

If holders of the Agents' Warrants, the Agents' Private Placement Warrants and the Warrants exercise same within 12 months of the Offering, the Issuer may receive, in the case of the minimum Offering, $4,778,500and in the case of the maximum Offering, $5,428,550, which will be added to the Issuer's working capital. See "Share Capital" and "Plan of Distribution".

If directors, officers, employees and consultants exercise stock options, the Issuer may receive additional funds, which will be added to the Issuer's working capital. See "Share Capital –Stock Options".

There are no assurances that the stock options, the Greenshoe Option, Agents' Warrants, Agents' Private Placement Warrants or Warrants described above will be exercised in whole or in part.

Principal Purposes

The Issuer will spend the funds available on completion of the Offering to carry out its proposed business plan set out in "Business of the Issuer". Although the Issuer believes that the net proceeds of this Offering, when combined with draw down of the Debt Facility, are sufficient to fund the Issuer's share of the expenditure required to implement the planned expansions to the Drywood Power Station Project set out above, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary, in order for the Issuer to achieve its stated business objectives. Any material reallocations and the reasons therefore will be disclosed on a timely basis.

The Issuer's working capital available to fund ongoing operations will be sufficient to meet its administrative costs for twelve months following the Offering.

RISK FACTORS

Investment in the Units offered under this Prospectus must be considered speculative due to the nature of the Issuer's business and its present stage of development. Such investment should be undertaken only by investors who have sufficient financial resources to enable them to assume such risks. Specific risk factors include, but are not limited to the following:

Start-Up Company. The limited extent of the Issuer's assets and the Issuer's early stage of development, as well as the Issuer's limited operating history with no historical earnings, make it subject to the risks associated with start-up companies. In addition, the Issuer's Joint Venture partner Canadian Hydro, who holds a 60% majority interest in the Drywood Project and upon whom the Issuer will be dependent for operating the Drywood Power Station has only recently entered the gas-fired electricity generating business (2nd half of 2000).

Lack of Adequate Financing. If the Issuer is not successful in raising the capital from the sale of Units as described in this Prospectus, there exists the possibility that the Issuer will be undercapitalized and will not be able to fully implement its business plan, or otherwise to carry on business. The Company is relying upon this Prospectus to raise the additional capital necessary to implement its business plan as currently contemplated.

Debt Facility. If the Issuer is unable to implement the Debt Facility following the completion of the 7.5 MW Phase 2a expansion to the Drywood Power Station Project, the Issuer's ability to proceed with further expansion of that project is likely to be dependent on conducting a further equity financing, and there can be no assurance that the Issuer will be able to obtain such financing. Further equity financing may result in dilution. Should such further expansions not be proceeded with, the Issuer's interest in the Drywood Power Station Project and the revenues derived therefrom would be limited to 40% of the 6MW and 7.5 MW phases.

Additional Financing. The Issuer will require additional financing to continue the marketing and building of additional power stations in the future, and there can be no assurance that the Issuer will be able to obtain such financing. Further equity financing may result in dilution.

Dependence on Key Personnel. The success of the Issuer's business depends in large part on its ability to retain the services of its founding management team. The loss of any of their services could have a material adverse effect on the operations of the Company.

Stock Market Price Fluctuations. The market price of the Units may be highly volatile and could be subject to wide fluctuations in response to variations in operating results by the Issuer or its competitors, changes in financial estimates by securities analysts or other events or factors.

Share Price. The price at which Units are offered pursuant to this Prospectus has been determined by negotiation between the Issuer and the Agents and may bear no relationship to earnings, book value, or other criteria of value. Since the price you pay for your Units in this Offering was not established in a competitive market, the subsequent market price may be lower.

Market for Securities of the Issuer. Before this Offering, there has not been a public market for the Issuer's Common Shares, and an active public market for the Common Shares may not develop or be sustained after this Offering. If no public market develops, shareholders may have difficulty selling stock.

Economic Recession/Competition. The Issuer's business may be affected by other factors beyond its control, such as an economic recession, aggressive pricing policies of its competitors and the construction and expansion plans of its competitors.

Construction of Expansion of Power Station. The Issuer is responsible for building out the 7.5 MW Phase 2a expansion of the Drywood Power Station Project and is subject to the risks of incurring construction cost overruns and possible disputes with contractors. Under the terms of the Joint Venture Agreement, the Issuer does not earn its proposed 40% interest in the Drywood Power Station Project until the 7.5MW Phase 2a expansion has been commissioned. It is noted, however, that the Issuer is designated as the Construction Manager for Phase 2a under the Joint Venture Agreement and has already purchased the key items of equipment for this phase.

Availability of Key Equipment. Future expansion beyond Phase 2a of the Drywood Power Station Project will involve equipment which the Issuer has not yet purchased and which may be subject to lead times which could result in delay of implementation of expansion.

Issuer will hold a minority interest in the Drywood Power Station Joint Venture. Following the commissioning of the 7.5 MW Phase 2a expansion of the Drywood Power Station Project, the Issuer will hold a minority 40% joint venture interest and will be dependent on the 60% joint venture interest holder, Canadian Hydro, acting as Operator, Fuel Manager and Marketer (as those terms are defined under the Joint Venture Agreement). It is noted, however, that the interests of the Issuer in this regard are protected by the terms of the Joint Venture Agreement, which requires a unanimous vote of both Joint Venturers on defined fundamental matters, and which also allows each Joint Venturer the right to elect to supply fuel to, and take and sell in kind its share of production from the power station. (See "Joint Venture Agreement").

Risks Relating to the Deregulated Wholesale Electricity Industry:

The Issuer Must Sell Its Electricity Through Transmission Lines Which It Does Not Own: The Issuer will depend on transmission and distribution facilities owned and operated by utilities and other power companies to deliver its electricity. If transmission is disrupted, the Issuer's ability to sell and deliver its products may be hindered, which could materially affect its cash flow and profitability.

Wholesale Electricity Markets Are Subject To Price Fluctuations: Wholesale power markets can be subject to significant price fluctuations over relatively short periods of time and are unpredictable and the Issuer may not be able to successfully manage the risks associated with wholesale power markets. In summary these risks are:

- Prevailing market prices for fuels;
- Supplies of electricity from competitors;
- Transmission costs;
- Transmission constraints;
- Changes in the regulatory framework;
- The rate of growth in demand for electricity;
- Changes in anticipated electricity usage;
- Hedging;
- Liquidity in the general wholesale electricity market; and
- Weather conditions.

Supply of Gas to, and Sale of Electricity from, the Power Station: The Issuer will be dependent on third parties and will be subject to market fluctuations, over which it has no control, for the supply of gas to, and the purchase of electricity from, the Drywood Power Station. Both of these factors are important in determining the Issuer's profitability, or lack thereof, on an ongoing basis.

DIRECTORS, OFFICERS AND PROMOTERS

The following table provides the names and municipalities of residence of each of the current and proposed directors, officers and promoters of the Issuer, their positions and offices within the Issuer, their principal occupations for the past five years and number of shares to be beneficially owned upon completion of the Offerings.

Name, Municipality of Residence and Position with the Issuer	Principal Occupation During past 5 years	Securities Beneficially Owned at Completion of the Offerings	Percentage of Common Shares beneficially owned on Completion of the Offering (Minimum)	Percentage of Common Shares beneficially owned on Completion of the Offering (Maximum)
Stephen Barber, West Vancouver, BC Chairman, Non-executive Director and Promoter	Director of the Issuer from 2000 to present; Company Director, Mistral Capital Inc. from 1997 to 2000 Partner, Phillips Fox Solicitors, from 1991 to 1996	1,125,000 Escrow Shares 375,000 Options [2]	6.04%	5.46%
William Bernard, [1] Calgary, AB President, Director and Promoter	Director of the Issuer from 2000 to present; President, Magrath Energy Corporation from 1989 to 1999	1,737,500 Escrow Shares 12,500 Warrants 400,000 Options [2]	9.34%	8.43%

Name, Municipality of Residence and Position with the Issuer	Principal Occupation During past 5 years	Securities Beneficially Owned at Completion of the Offerings	Percentage of Common Shares beneficially owned on Completion of the Offering (Minimum)	Percentage of Common Shares beneficially owned on Completion of the Offering (Maximum)
Steven Price, Calgary, AB Executive Vice President – Operations and Director and Promoter	Director of the Issuer from 2000 to present; President, Price Engineering Ltd. from 1995 to present	1,737,500 Escrow Shares 12,500 Warrants 400,000 Options [2]	9.34%	8.43%
Stefan Erasmus, Calgary, AB Vice President, Finance, Chief Financial Officer & Corporate Secretary	Vice President, Finance Chief Financial Officer and Corporate Secretary of the Issuer April 2001 to present; Senior Director of Finance, Service Intelligence, Inc., from 1999 to March 2001, Manager – Assurance and Business Advisory Services, PricewaterhouseCoopers LLP from 1994 to 1999.	250,000 Options [2]	Nil	Nil
Victor Dusik, [1] Calgary, AB Vice-Chairman and Non-executive Director	Non-executive Director of the Issuer from 1 March 2001 to present; Managing Director, Northern Bancorp Inc., from August 2000 to present; Partner, Ernst & Young, Calgary, from 1981 to 2000	150,000 Options [2]	Nil	Nil
Lyle Davis [1] North Vancouver, BC Non-executive Director	Non-executive Director of the Issuer from 1 March 2001 to present; Principal, Ellardee Group from June 1999 to present; Manager, Ernst & Young Corporate Finance Inc., 1999; Manager, C.M. Oliver & Co from 1996 to 1998; Manager, Trading Operations, Vancouver Stock Exchange, 1988 to 1996.	150,000 Options [2]	Nil	Nil

Name, Municipality of Residence and Position with the Issuer	Principal Occupation During past 5 years	Securities Beneficially Owned at Completion of the Offerings	Percentage of Common Shares beneficially owned on Completion of the Offering (Minimum)	Percentage of Common Shares beneficially owned on Completion of the Offering (Maximum)
John Tapics, Calgary, AB Non-Executive Director	Non-Executive Director of the Issuer from 18 May 2001 to present; TransAlta Corporation, 1978-2001, various positions including Executive Vice President, Transmission and Distribution; Executive Vice President, Generation; Vice President, Generation; and Director, Fuel Supply	150,000 Options [2]	Nil	Nil

1 Member of Audit Committee.

2 See "Share Capital – Stock Options".

Aggregate Ownership of Securities

Upon the successful completion of this Offering, the directors, officers and promoters of the Issuer, as a group, will beneficially own, directly or indirectly, 4,600,000 Common Shares being approximately, if the minimum Offering, 24.72% or, if the maximum Offering, 22.32% of the issued and outstanding Common Shares after giving effect to the Offering and the conversion of the Special Warrants into Common Shares but prior to the exercise of the Agents' Warrants, the Agents' Private Placement Warrants and the Warrants.

The directors, officers and promoters, as a group, currently hold the incentive stock options set out below in the section entitled "Stock Options".

Other Reporting Issuers

None of the directors and officers of the Issuer have been involved with any other reporting issuers during the past five years except as set out below:

Principal	Reporting Issuer	Capacity	Period
Lyle Davis	Consolidated Epix Technologies Limited	Director	06/99 – Present
		President	12/99 – Present
	Microtec Corp.	Vice President	11/99 – 12/00
	Sitec Ventures Corp.	Director	10/99 – Present
	Dynasty Motorcar Corporation	Director	06/99 – 05/01
John Tapics	TransAlta Utilities Corporation	Vice President	02/90 – 06/98
	TransAlta Corporation	Executive Vice President	07/98 – 12/00
	Integrated Communications, Inc.	President, Chief Operating Officer and Director	06/01 to Present
Stephen Barber	Integrated Communications, Inc.	Chairman, Chief Executive Officer and Director	06/01 to Present

Corporate Cease Trade Orders or Bankruptcies

No director, officer, promoter or other member of management of the Issuer is, or within the five years prior to the date of this Prospectus has been, a director, officer or promoter of any other issuer that, while that person was acting in that capacity, was:

- The subject of a cease trade order or similar order or an order that denied the Issuer to access any statutory exemptions for a period of more than 30 consecutive days; or
- Declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangements or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that person;

Penalties or Sanctions

Within the past 10 years, none of the directors, officers or promoters of the Issuer has been the subject of any penalties or sanctions by a court or a securities regulatory authority relating to trading in securities, the promotion, formation or management of a publicly traded company or involving theft or fraud.

Individual Bankruptcies

No director, officer or promoter or other member of management of the Issuer has been, within the five years prior to the date of this Prospectus, been declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Conflicts of Interest

Certain of the Directors and Officers of the Company may also be directors and officers of other companies involved in non-related businesses.

Mr. Price is a consultant to Texacana Turbines Inc, through which the company plans to source turbines and related equipment.

As a result, there may be situations which involve a potential conflict of interest. In that event, the relevant Director will not be qualified to vote at meetings on resolutions which evoke any such conflict. The Directors will attempt to avoid dealing with other companies in situations where conflict might arise and will at all times use their best efforts to act in the best interests of the Issuer.

INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

No director, officer, promoter or other member of management is or has been indebted to the Issuer since its incorporation.

PAYMENTS TO PROMOTERS AND INSIDERS

For the purposes of this section, “executive officer” of the Issuer means an individual who at any time during the year was a chairman or vice-chairman of the board of directors, where such person performed the function of such office on a full time basis, the president, any vice-president in charge of a principal business unit, or any officer of the Issuer or of a subsidiary or any other person who performed a policy-making function in respect of the Issuer.

The following table is a summary of the compensation paid to the executive officers of the Issuer during the period from date of incorporation (November 28, 2000) to December 31, 2000 and the six month period from January 1, 2001 to June 30, 2001:

Name and Position of Principal	Period Ending	Annual Compensation			Long -Term Compensation			
					Awards		Payouts	
		Salary	Bonus for the Year ($)	Other Annual Compensation	Securities Under Options/SARs Granted (#)	Restricted Shares/ Units Awarded (#)	LTIP [(1)] Payouts ($)	All Other Compen-sation ($)
Stephen Barber[(2)] *Chairman and Director*	Fiscal period ending December 31, 2000	NIL	NIL	NIL		NIL	NIL	NIL
	Fiscal period ending June 30, 2001	$56,000	NIL	NIL	375,000	NIL	NIL	NIL
William Bernard[(2)] *President and Director*	Fiscal period ending December 31, 2000	NIL	NIL	NIL		NIL	NIL	NIL
	Fiscal period ending June 30, 2001	$56,000	NIL	NIL	400,000	NIL	NIL	NIL
Steven Price[(2)] *Executive Vice President – Operations and Director*	Fiscal period ending December 31, 2000	NIL	NIL	NIL		NIL	NIL	NIL
	Fiscal period ending June 30, 2001	$56,000	NIL	NIL	400,000	NIL	NIL	NIL
Dominic Colvin[(3)] *Vice President – Business Development*	Fiscal period ending December 31, 2000	NIL	NIL	NIL		NIL	NIL	NIL
	Fiscal period ending June 30, 2001	$25,834	NIL	NIL	375,000	NIL	NIL	NIL
Stefan Erasmus[(4)] *Vice President, Finance; Chief Financial Officer and Corporate Secretary*	Fiscal period ending December 31, 2000	Nil	NIL	NIL		NIL	NIL	NIL
	Fiscal period ending June 30, 2001	$27,308	NIL	NIL	250,000	NIL	NIL	NIL

(1) "LTIP" or "Long Term Incentive Plan" means any plan which provides compensation intended to serve as incentive for performance to occur over a period longer than one financial year, but does not include option or stock appreciation right plans. No LTIP awards have made to the Named Executive Officers since the Company's incorporation.

(2) The Executive Officers of the Issuer were granted incentive stock options on March 15, 2001.

(3) Dominic Colvin resigned as an officer of the Issuer on September 21, 2001.

(4) Stefan Erasmus was granted an incentive stock option on April 9, 2001

No executive officer of the Issuer has received any salary or other form of compensation (including reimbursement for travel and other out-of-pocket expenses incurred for the benefit of the Issuer) from the Issuer in the period prior to 31 December 2000.

The Issuer has no plan or arrangement whereby any director or officer may be compensated in the event of their resignation, retirement or other termination of employment, or in the event of a change of control of the Issuer, or a subsidiary, or a change in the director’s or officer’s responsibilities following such a change of control, other than as provided for in the Management Consultancy Agreements and the Employment Agreements (which contain notice provisions broadly in accordance with industry standards).

Related Party Transactions

Since the date of Incorporation, the Issuer has paid or accrued to its management, in each case to a corporation 100% owned or controlled by the relevant manager, the following sums in respect of the salary or management fees listed in the table above from Incorporation to June 30, 2001: to Stephen Barber - $86,250; to William Bernard - $86,250; to

Steven Price - $86,250; to Stephan Erasmus - $27,308; to Dominic Colvin - $82,085 (Dominic Colvin resigned as an officer of the Issuer on September 21, 2001 and is no longer employed by the Issuer).

The Issuer entered into a Management Consultancy Agreement with each of the above as at the 1st day of February, 2001 (see "Material Contracts").

Other than as described above, the Issuer did not acquire any assets and services from present or past insiders, promoter and members of management and their associates or affiliates.

Compensation

The amounts that the Issuer anticipates it will pay to its executive officers or consultants during the 12-month period following the completion of the Offering are as follows:

Name	Annual Salary(1)	Additional Remuneration
William Bernard	$135,000 (3)	Performance bonus (2)
Stephen Barber	$135,000 (3)(4)	Performance bonus (2)
Steven Price	$135,000 (3)	Performance bonus (2)
Stefan Erasmus	$120,000	Performance bonus (2)

(1) the amounts above are payable pursuant to the terms of the Management Consultancy or Employment Agreements set out under item 6 of "Material Contracts".

(2) annual performance bonus (as yet undefined) based on achievement of defined targets and milestones to be determined by the remuneration committee based on industry standards, benchmarks with the Issuer's industry peers, and any applicable guidelines of the Exchange and subject to approval by the Exchange..

(3) the salaries are payable to a company which the principal controls as to 100%.

(4) Mr. Barber is a Non-Executive Director and consultant to the Issuer and the amount set out above represents the amount which would be payable if Mr. Barber consulted on a full-time basis to the Issuer; while it is expected that the proportion of Mr. Barber's time available as a consultant to the Issuer will be extensive in the three months following the Offering, it will thereafter be dependent on the needs of the Issuer.

The board of directors has appointed a remuneration committee, comprised of directors of the Issuer, the chairman of which is Victor Dusik, who is an independent Director and not an employee of the Issuer, to determine eligibility for, and the amounts of, increases or bonuses, if any, in compensation to be paid to the executive officers of the Issuer in respect of their annual performance. In addition, although actual amounts have not yet been ascertained, the Issuer has made a commitment to its executive officers to adjust salaries to competitive market rates once the first phases of the Drywood Power Station Project expansion have been successfully implemented and are generating revenues, and to pay performance bonuses on achievement of defined milestones and targets.

In addition to the above, the Issuer may in future issue incentive stock options to the directors and key employees of the Issuer. See "Stock Options".

SHARE CAPITAL

Authorized Capital

The authorized capital of the Issuer consists of Unlimited Common Shares without par value. As of the date of this Prospectus, the Issuer has a total of 6,612,000 Common Shares issued and outstanding and reserved, in the case of a minimum Offering, 18,969,000 Common Shares and in the case of a maximum Offering, 20,869,000 Common Shares for issuance on the exercise of Warrants issued under the Special Warrants and the exercise of the Greenshoe Option, Agents' Warrants, Agents' Private Placement Warrants, Warrants and A Warrants. All of the issued Common Shares of the Issuer are fully paid and not subject to any future call or assessment.

Existing and Proposed Share Capital

The following table sets out the Issuer's share capital both before and after the Offerings, but before the exercise of any of the options or warrants referred to herein:

	Minimum Number of Common Shares	**Maximum Number of Common Shares**	**Maximum Price per Security**	**Total Minimum Consideration**	**Total Maximum Consideration**
Issued as at June 30, 2001	4,500,000 (1) 2,000	4,500,000 (1) 2,000	$0.001 $0.50	$4,500 $1,000	$4,500 $1,000
Issued on Exercise of Special Warrants	2,110,000 (2)	2,110,000 (2)	$0.50	$1,055,000	$1,055,000
Offering	12,000,000	14,000,000	$0.50	$6,000,000	$7,000,000
Total Issued (Upon Completion of Offerings)	18,612,000	20,612,000	$0.50	$7,060,500	$8,060,500

Notes:

(1) 4,600,000 shares are subject to escrow to be released in accordance with the provisions of the National Escrow Regime. The 2,000 seed shares and escrow shares released in the first year following the receipt of the Prospectus will not be free-trading until 12 months after the date of the Prospectus receipt. (see "Share Capital – Escrowed Shares").

(2) The Exchange has required that the Warrant Shares be subject to seed share resale restrictions under which such securities will be subject to a 3 month staged hold period following the Offering Day. (See "Seed Share Sale Restrictions").

Stock Options

The Issuer will file an incentive stock option plan (the "Plan") with the Exchange whereby the Issuer may grant incentive stock options to directors, officers, employees and consultants of the Issuer of up to 20% of the issued and outstanding shares of the Issuer following completion of the Offering being 2,900,000 shares. The principal terms of the Plan are as follows:

(a) Any options granted pursuant to the Plan are subject to the following vesting schedule:

on granting by the Issuer, 25% of the optioned shares may be purchased;

6 months from the date of the grant by the Issuer, 25% of the optioned shares may be purchased;

12 months from the date of the grant by the Issuer, an additional 25% of the optioned shares may be purchased;

18 months from the date of the grant by the Issuer an additional 25% of the optioned shares may be purchased;

(b) The options granted under the Plan are subject to cancellation 90 days following an optionee's ceasing to act in a designated capacity. The Issuer may grant, in the future, additional incentive stock options to its directors, officers and employees subject to and in accordance with the policies of the Exchange.

(c) The Plan limits the number of Common Shares subject to incentive stock options in favour of any one optionee to 5% of the number of Common Shares outstanding from time to time.

(d) Options are granted based on the assessment of the Board of Directors of the Issuer of the optionee's past and present contributions to the success of the Issuer.

(e) The exercise price of options is subject to approval by the Exchange and will be set at the time of the grant of options based on the market closing price of the Issuer's Units less the allowable Exchange discount.

(f) Any shares purchased pursuant the option will be subject to a four month hold period from the date the stock options were granted to the optionee;.

(g) In addition, the options must be exercised within (i) 90 days after the option holder ceases to be a director or an employee of the Issuer; and (ii) such number of days following the death of the optionee as is specified in each optionee's option agreement, but in no event exceeding one year.

On March 16, 2001, April 9, 2001 and May 18, 2001, pursuant to the Plan, the Issuer granted incentive stock options to its directors and employees, including executive officers, to purchase up to a total of 1,875,000 Shares at the price of $0.50 per Share, exercisable on or before March 15, 2004, as set out in the following table.

Name and Position of Optionee	**Number of Shares Optioned**
William Bernard	400,000
Stephen Barber	375,000
Steven Price	400,000
Stefan Erasmus	250,000
Lyle Davis	150,000
Victor Dusik	150,000
John Tapics	150,000 (1)
TOTAL	**1,875,000**

(1) Exercisable on or before 18 May 2004

The Options have been granted as incentives and not in lieu of any compensation for services, and are subject to cancellation should the optionee cease to act in a designated capacity.

Options and Other Rights to Purchase Securities

The Issuer is not currently a party to any agreements pursuant to which securities of the Issuer may be issued in the future, other than the Greenshoe Option, the Agents' Warrants, Agents' Private Placement Warrants, Warrants and Incentive Stock Options described above. There are no assurances that options, warrants or other rights described above will be exercised in whole or in part.

Warrants

Upon the completion of the Offerings, the Issuer will have the following non-transferable Warrants outstanding:

Name	Number of Warrants	Exercise Price	Expiry Date
Bernard Energy Services Ltd.	12,500 Warrants	$0.75	One year from the date the Warrant is issued
Price Engineering Ltd.	12,500 Warrants	$0.75	One year from the date the Warrant is issued
Dominic Colvin	25,000 Warrants	$0.75	One year from the date the Warrant is issued
Laurence Guichon	5,000 Warrants	$0.75	One year from the date the Warrant is issued
Anna Colvin	21,000 Warrants	$0.75	One year from the date the Warrant is issued
Kenneth Hlady	10,000 Warrants	$0.75	One year from the date the Warrant is issued
Andrew Dutka	50,000 Warrants	$0.75	One year from the date the Warrant is issued
Daryl French	25,000 Warrants	$0.75	One year from the date the Warrant is issued
Judeth Dusik	10,000 Warrants	$0.75	One year from the date the Warrant is issued
Blair Layton	1,000 Warrants	$0.75	One year from the date the Warrant is issued
Darcy Weston	5,500 Warrants	$0.75	One year from the date the Warrant is issued
Thomas Ockey	10,000 Warrants	$0.75	One year from the date the Warrant is issued
Pamela Weston	10,000 Warrants	$0.75	One year from the date the Warrant is issued
Patrick Barry	15,000 Warrants	$0.75	One year from the date the Warrant is issued
David Rose	10,000 Warrants	$0.75	One year from the date the Warrant is issued
Mike O’Connell	1,000 Warrants	$0.75	One year from the date the Warrant is issued
Rick Vincent	5,000 Warrants	$0.75	One year from the date the Warrant is issued
Douglas Bell	7,500 Warrants	$0.75	One year from the date the Warrant is issued
Joel R. Sardone	2,500 Warrants	$0.75	One year from the date the Warrant is issued

Geoffrey S. Price	1,000 Warrants	$0.75	One year from the date the Warrant is issued
Matthew B. Price	1,000 Warrants	$0.75	One year from the date the Warrant is issued
Border Electric Ltd.	60,000 Warrants	$0.75	One year from the date the Warrant is issued
Texacana Turbines Inc.	5,000 Warrants	$0.75	One year from the date the Warrant is issued
Bill Van Buuren	2,000 Warrants	$0.75	One year from the date the Warrant is issued
G. Frank Stronach	10,000 Warrants	$0.75	One year from the date the Warrant is issued
Li Yen Huang	30,000 Warrants	$0.75	One year from the date the Warrant is issued
602889 BC Ltd.	5,000 Warrants	$0.75	One year from the date the Warrant is issued
J. Fiorante Law Corp.	40,000 Warrants	$0.75	One year from the date the Warrant is issued
LME. Holdings Co. Ltd.	10,000 Warrants	$0.75	One year from the date the Warrant is issued
KGL Capital Corp.	5,000 Warrants	$0.75	One year from the date the Warrant is issued
Bryan Hall	10,000 Warrants	$0.75	One year from the date the Warrant is issued
Marilyn Anne Wozniak	10,000 Warrants	$0.75	One year from the date the Warrant is issued
Legacy Holdings	9,000 Warrants	$0.75	One year from the date the Warrant is issued
Robert Hunter	20,000 Warrants	$0.75	One year from the date the Warrant is issued
Rupert Lee	25,000 Warrants	$0.75	One year from the date the Warrant is issued
Roderick Swenson	5,000 Warrants	$0.75	One year from the date the Warrant is issued
Sheldon Cullen	5,000 Warrants	$0.75	One year from the date the Warrant is issued
Ken Bates	5,000 Warrants	$0.75	One year from the date the Warrant is issued
Kevin S. Husband	5,000 Warrants	$0.75	One year from the date the Warrant is issued
River Road Enterprises	5,000 Warrants	$0.75	One year from the date the Warrant is issued

Ed McKim	5,000 Warrants	$0.75	One year from the date the Warrant is issued
Ladner Rose Investments Ltd.	10,000 Warrants	$0.75	One year from the date the Warrant is issued
Millerd Holdings Ltd.	5,000 Warrants	$0.75	One year from the date the Warrant is issued
Oceanic Management Limited	10,000 Warrants	$0.75	One year from the date the Warrant is issued
Stephen M. Ruddy	10,000 Warrants	$0.75	One year from the date the Warrant is issued
Gertrude Luethy	3,000 Warrants	$0.75	One year from the date the Warrant is issued
Campbell Capital Advisory Inc.	5,000 Warrants	$0.75	One year from the date the Warrant is issued
Julie Hunter	10,000 Warrants	$0.75	One year from the date the Warrant is issued
Hana Knapp	10,000 Warrants	$0.75	One year from the date the Warrant is issued
William Chan	3,000 Warrants	$0.75	One year from the date the Warrant is issued
Terry Chan	3,000 Warrants	$0.75	One year from the date the Warrant is issued
Peter Chan	1,000 Warrants	$0.75	One year from the date the Warrant is issued
Paul Chan	1,000 Warrants	$0.75	One year from the date the Warrant is issued
Patrick Chan	1,000 Warrants	$0.75	One year from the date the Warrant is issued
Jane M. Gibb	3,000 Warrants	$0.75	One year from the date the Warrant is issued
Maximpact Business Consultants	5,000 Warrants	$0.75	One year from the date the Warrant is issued
Douglas Anderson	10,000 Warrants	$0.75	One year from the date the Warrant is issued
Maureen Evers Dakers	1,000 Warrants	$0.75	One year from the date the Warrant is issued
Steven Johnson	25,000 Warrants	$0.75	One year from the date the Warrant is issued
Olsen Hines Holdings	50,000 Warrants	$0.75	One year from the date the Warrant is issued
Christine Pearce	25,000 Warrants	$0.75	One year from the date the Warrant is issued

Hume McLennan	25,000 Warrants	$0.75	One year from the date the Warrant is issued
E. Graeme May	35,000 Warrants	$0.75	One year from the date the Warrant is issued
Iain Weir-Jones	25,000 Warrants	$0.75	One year from the date the Warrant is issued
Michael Hicks	10,000 Warrants	$0.75	One year from the date the Warrant is issued
David Pyke	40,000 warrants	$0.75	One year from the date the Warrant is issued
Gregory Gazin	25,000 Warrants	$0.75	One year from the date the Warrant is issued
John Bolter	25,000 Warrants	$0.75	One year from the date the Warrant is issued
Terry Hing	25,000 Warrants	$0.75	One year from the date the Warrant is issued
R. Eggart	5,000 Warrants	$0.75	One year from the date the Warrant is issued
D. Ockey	30,000 Warrants	$0.75	One year from the date the Warrant is issued
Dallas Thorsteinson	10,000 Warrants	$0.75	One year from the date the Warrant is issued
Lorne O. and Virginia P. Smith	10,000 Warrants	$0.75	One year from the date the Warrant is issued
Don Maxwell	6,000 Warrants	$0.75	One year from the date the Warrant is issued
Blaine Campbell	2,000 Warrants	$0.75	One year from the date the Warrant is issued
Dennis Wolfe	2,000 Warrants	$0.75	One year from the date the Warrant is issued
Fram Moos	10,000 Warrants	$0.75	One year from the date the Warrant is issued
Joel Johnson	10,000 Warrants	$0.75	One year from the date the Warrant is issued
Laura Erasmus	7,500 Warrants	$0.75	One year from the date the Warrant is issued
Innovative Growth Fund	50,000 Warrants	$0.75	One year from the date the Warrant is issued

Agents' Warrants

The Issuer has agreed to grant to the Agents 116,400 Agents' Private Placement Warrants exercisable for a period of one year from the Listing Date.

The Issuer has also agreed to grant to the Agents Agents' Warrants to purchase a minimum of 1,800,000 Units to a maximum of 2,100,000 Units of the Issuer, exercisable for a period of two years from the Offering Date at a price of $0.50 per Unit in the first year and to purchase shares only at $0.75 per share in the second year. See "Plan of Distribution".

There are no assurances that the options and other rights described above will be exercised in whole or in part. There is no market for the Issuer's securities as of the date of this Prospectus.

Fully Diluted Share Capital

The issued and outstanding share capital of the Issuer, assuming the completion of the Offerings and the exercise of all Warrants and other rights to purchase shares, is set out below:

	Minimum Number of Securities	Maximum Number of Securities	Percentage of Total (Minimum)	Percentage of Total (Maximum)
Issued as of June 30, 2001	4,502,000 shares	4,502,000 shares	11.98%	10.85%
Shares Issued Following Completion of the Offering	12,000,000 shares	14,000,000 shares	31.93%	33.75%
Shares Issued Following Completion of Special Warrants Conversion Offering	2,110,000 shares	2,110,000 shares	5.61%	5.09%
Securities Reserved for Future Issuance	18,969,000 shares[1]	20,,869,000 shares	50.47%	50.31%
Total	**37,581,000 shares**	**41,481,000 shares**	**100%**	**100%**

[1] Comprising:- 2,700,000minimum to 3,150,000 maximum shares to be issued upon exercise of the Greenshoe Option;
- 2,700,000 minimum to 3,150,000 maximum shares to be issued upon exercise Agents Warrants;
- 1,055,000 shares to be issued upon exercise of Warrants;
- 4,522,600 shares to be allocated for Quest Ventures Ltd.;
- 116,400 shares to be issued upon exercise of Agents' Private Placement Warrants.
- 1,875,000 shares to be issued upon exercise of incentive Stock Options.
- 6,000,000 minimum to 7,000,000 maximum shares to be issued on exercise of the Warrants

Principal Holders of Voting Securities

To the knowledge of the directors and senior officers of the Issuer, no person or company directly or indirectly owns, controls, or exercises control or direction over, shares carrying more than 10% of the voting rights attached to all shares of the Issuer as at the date of this Prospectus, other than the following persons:

Name and Municipality of Residence	Number of Securities	Percentage of Class Prior to the Offerings	Percentage of Class After the Offering (Minimum)	Percentage of Class After the Offering (Maximum)
Stephen Barber (1) West Vancouver, British Columbia	1,125,000 escrow shares	24.99%	6.04%	5.46%
William Bernard (2) (3) Calgary, Alberta	1,737,500escrow shares	38.58%	9.34%	8.43%
Steven Price (3) Calgary, Alberta	1,737,500 escrow shares	38.58%	9.34%	8.43%

(1) held by Mistral Ventures Limited, 100% controlled by Stephen Barber.
(2) held by Bernard Energy Services Ltd., 100% controlled by William Bernard.
(3) By Agreement dated September 24, 2001 Dominic Colvin transferred his 1,175,000 escrow shares to be divided equally to Bernard Energy Services Ltd. and Price Engineering Ltd., 100% controlled by Steven Price.

Escrowed Shares

There will be 4,600,000 escrowed common shares held by the principals of the Issuer, which represents approximately 24.72% of the total issued and outstanding of the Common Shares of the Issuer upon completion of the Offerings.

Under the applicable policies of the Canadian Venture Exchange Inc., securities held by Principals (as defined below) are required to be held in escrow in accordance with the National Escrow Regime applicable to initial public distributions. Equity securities owned or controlled by Principals are subject to the escrow requirements (except for incentive options issued under the Plan and exercisable at the Offering Price). “Principals” include all persons or companies that, on the completion of the Offering, fall into one of the following categories:

(1) directors and senior officers of the Issuer or of a material operating subsidiary of the Issuer, as listed in this Prospectus;

(2) promoters of the Issuer during the two years preceding this Offering;

(3) Those who own and/or control more than 10% of the Issuer’s voting securities immediately after completion of this Offering if they also have appointed or have the right to appoint a director or senior officer of the Issuer or of a material operating subsidiary of the Issuer;

(4) Those who own and/or control more than 20% of the Issuer’s voting securities immediately after completion of this Offering; and

(5) associates and affiliates of any of the above.

Pursuant to an agreement (the "Escrow Agreement") dated as of April 17, 2001 among the Issuer, Valiant Corporate Trust Company and the Principals of the Issuer set forth in the table below, those Principals agreed to deposit in escrow their Common Shares (the "Escrowed Securities") with the Escrow Agent. The Escrow Agreement provides that the Escrowed Securities will be released from escrow in equal tranches at 6 month intervals over the 36 months following the issue of the final receipt for this Prospectus (that is 15% of each Principal's holdings being released in each tranche) (with 10% of each Principal's holding being exempt from the escrow provisions).

The Issuer is an "emerging issuer" as defined in the applicable policies and notices of the Canadian Securities Administrators and the escrow requirements are those of the Canadian Securities Administrators and are in accordance with the policies of the Exchange. If the Issuer achieves "established issuer" status, as defined in such applicable policies and notices, during the term of the Escrow Agreement, it will "graduate" resulting in a catch-up release and an accelerated release of any securities remaining in escrow under the 18 month schedule applicable to established issuers as if the Issuer had originally been classified as an established issuer. Securities held by Principals of "established issuers" are released from escrow in equal tranches at six month intervals over 18 months (that is 25% of each Principal's holdings being released in each tranche) (with 25% of each Principal's holdings being exempt from the escrow provisions). The 2,000 seed shares and the escrowed shares released in the first year following the receipt of the Prospectus will not be free-trading shares until 12 months after the date of the Prospectus receipt.

Pursuant to the terms of the Escrow Agreement, the securities held in escrow may not be transferred or otherwise dealt with during the term of the Agreement unless the transfers or dealings with escrow are:

(1) transfers to continuing or, upon their appointment, incoming directors and senior officers of the Issuer or of a material operating subsidiary, with approval of the Issuer's board of directors;

(2) transfers to an RRSP or similar trusted plan provided that the only beneficiaries are the transferor or the transferor's spouse or children;

(3) transfers upon bankruptcy to the trustee in bankruptcy; and

(4) pledges to a financial institution as collateral for a bona fide loan, provided that upon a realization the securities remain subject to escrow. Tenders of escrowed securities to a take-over bid are permitted provided that, if the tenderer is a Principal of the successor Issuer upon completion of the take-over bid, securities received in exchange for tendered escrowed securities are substituted in escrow on the basis of the successor Issuer's escrow classification.

The following table sets forth details of the issued and outstanding securities that are subject to the Escrow Agreement:

Name	**Number of Escrowed Securities**	**Minimum Common Share Percentage on Completion of the Offering**	**Minimum Common Share Percentage on Completion of the Offering**
Mistral Ventures Limited (1)	1,125,000	6.04%	5.46%
Bernard Energy Services Ltd. (2)	1,737,500	9.34%	8.43%
Price Engineering Ltd. (3)	1,737,500	9.34%	8.43%

(1) Mistral Ventures Limited is 100% controlled by Stephen Barber.

(2) Bernard Energy Services Ltd. is 100% controlled by William Bernard.

(3) Price Engineering Ltd. is 100% controlled by Steven Price.

Transfer Within Escrow

By an Agreement dated September 24, 2001, PLC Investments Ltd., a company 100% controlled by Dominic Colvin, transferred 1,175,000 escrow shares to be divided equally to Bernard Energy Services Ltd., a company 100% controlled by William Bernard, (587,500 escrow shares) and Steven Price (587,500 escrow shares).

Seed Share Resale Restrictions

The Exchange has required that the shares to be issued upon the exercise of the Special Warrants and non-transferable Half Share Purchase Warrants be subject to seed share resale restrictions. Under the seed share resale restrictions ("SSRRs"), a hold period is imposed on securities based upon the date of issue of the securities and the amount paid for the securities. The Special Warrants were issued at a price of $0.50 per special warrant and within three months before the date of the receipt (the "preliminary receipt date") issued by the securities regulatory authorities for the preliminary prospectus filed by the Issuer in respect of the Offering. Consequently, as the dates of issuance of the Special Warrants were within three months of the preliminary receipt date and as the issue price of the Special Warrants of $0.50 per special warrant is less than 75%, but greater than 50% of the original Offering Price, a three month Exchange hold period is imposed on those shares which comprise 33% of the seed shares.

Each seed share certificate was legended therefore with the statement:

> "These securities may not be assigned, dealt in, pledged, sold traded or transferred until [specified date]."

The Issuer will instruct the Transfer Agent not to remove the legend until the specified date has passed, except in accordance with the SSRRs.

The release format under SSRR's for the three month Exchange hold period is as follows:

(a) 67% of the shares shall be free trading as of the date of the final receipt for the Prospectus; and

(b) 33% of the shares shall be legended with a hold period expiring 3 months from the date of the final receipt for the Prospectus.

As of the date hereof, all of the shares are free-trading.

Dilution

The following sets forth the dilution per Common Share, based on the net tangible book value as at 31 March 2001, after giving effect to the offering:

	Minimum	**Maximum**
Effective price of Units offered hereunder:	$0.5000	$0.5000
Net tangible book value before Offering:	$0.0550	$0.0550
Increase in net tangible book value attributable to the Offering:	$0.3151	$0.3291
Dilution to investor:	$0.1849	$0.1709
Dilution to investor (expressed as a percentage):	36.99%	34.18%

There are a number of outstanding securities and agreements pursuant to which common shares may be issued in the future. If these shares are issued, this will result in further dilution to the Issuer's shareholders. See "Incentive Stock Options", "Agents' Warrants", "Agents' Private Placement Warrants", and Warrants

There are no assurances that the options, warrants or other rights described above will be exercised in whole or in part.

PLAN OF DISTRIBUTION

Offering

The Issuer, by an agency agreement dated March 1, 2001 and amended August 1, 2001 and September 17, 2001 (collectively the "Amended Agency Agreement"), appointed Haywood Securities Inc., Raymond James Ltd. and Canaccord Capital Corporation as its agents (the "Agents") to offer through the facilities of the Exchange a minimum of 12,000,000 Units and a maximum of 14,000,000 Units of the Issuer (the "Units") at a price of $0.50 per Unit.

The Offering will be made in accordance with the rules and policies of the Exchange on a day (the "Offering Day") determined by the Agents and the Issuer with the consent of the Exchange within a period of 180 days from June 29, 2001, being December 26, 2001.

The securities offered hereunder are offered through the Agents who will be paid a cash commission equal to 8% of the Offering Price for each of the Units sold. In addition, the Issuer will pay Haywood Securities Inc. a cash sponsorship fee of $30,000. The Issuer has paid $10,000 of the sponsorship fee at the date of this Prospectus.

The Issuer has also granted the Agents a two-year non-transferable share purchase warrants (the "Agents' Warrants"). The number of securities that may be purchased by the Agents pursuant to the Agents' Warrants shall be equal to 15% of the Units sold under the Offering. In the first year of the term of the Agents' Warrants, the Agents are entitled to purchase Units at the price of $0.50 per Unit; in the second year of the term of the Agents' Warrants, the Agents are entitled to purchase Common Shares at a price of $0.75 per Common Share. The Agents may sell any shares acquired under the Agents' Warrants pursuant to the Securities Act (British Columbia) and its rules and the Securities Act (Alberta) and its rules without further qualification.

The Agents have agreed to purchase any of the Units under the minimum Offering which have not been sold at the conclusion of the Offering on the Offering Day (the "Guarantee"), including any Units in respect of which a subscription has been received but is not binding on the subscriber by reason of the receipt by the Agents in accordance with the Securities Act (British Columbia) or Securities Act (Alberta) of written notice evidencing the intention of the subscriber not to be bound by the subscription. In consideration therefore, the Agents have been granted non-transferable share purchase warrants disclosed under the heading "Agents' Warrants".

The Agents' Warrant will contain, among other things, anti-dilution provisions and provision for appropriate adjustment of the class, number and price of shares issuable pursuant to any exercise of the Warrants upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the Common Shares or the payment of stock dividends.

The Agents may terminate their obligations under the Amended Agency Agreement by notice in writing to the Issuer at any time prior to the conclusion of the Offering at their discretion on the basis of their assessment of the state of the financial markets and the Amended Agency Agreement may also be terminated upon the occurrence of certain stated events before the opening of the market on the Offering Day.

The Issuer has also granted to the Agents a right of first offer to provide further equity financings for a period of 24 months following the date the Issuer's Common Shares commence trading on the Exchange.

The Agents reserve the right to offer selling group participation in normal course of the brokerage business to selling groups of other licensed broker-dealers, brokers and investment dealers who may or may not be offered part of the commission or bonuses derived from the Offering.

The Issuer has granted the Agents an option (the "Greenshoe Option") to purchase such number of Units as is equal to 15% of the Units issued under the Offering at a price per Unit equal to the net Offering Price. The Agents will advise the Issuer and the Exchange of the number of Units subject to the Greenshoe Option within five business days after the Offering Day. The Agents may cover over-allotments by exercising the Greenshoe Option within 60 days of the Offering Day. The Agents are not obliged to cover over allotments by exercising the Greenshoe Option. This Prospectus qualifies the issuance of the Units pursuant to the Greenshoe Option.

There are no payments in cash, securities or other consideration being made, or to be made, to a promoter, finder or any other person or company in connection with the Offering. The directors, officers and other insiders of the Issuer may purchase shares from the Offering.

Special Warrant Conversion Offering

This Prospectus also qualified the distribution of 2,110,000 Common Shares and 1,055,000 Warrants, issued at no additional cost following the exercise on or about the 5th day of July, 2001 of 2,110,000 previously issued Special Warrants, which Special Warrants were qualified by the Prospectus receipted on June 29, 2001(the "Special Warrant Conversion Offering") by the Issuer. The Special Warrants were issued pursuant to prospectus exemptions under applicable securities legislation.

Each of the Special Warrants were exercised at no additional cost for one unit (the "Special Warrant Unit") consisting of one Common Share and one half Warrant on or about the 5th day of July, 2001.One whole Warrant entitles the holder to purchase one additional Common Share (a "Warrant Share") at $0.75 per share up to one year from the date the Warrant is issued. See "Plan of Distribution – Offering". The issue price of $0.50 per Special Warrant was determined arbitrarily by the Issuer.

No additional proceeds will be received by the Issuer nor will any additional fees be paid to the Agents with respect to the Special Warrants distributed under the Special Warrant Conversion Offering other than the cash commission of $44,212.50 and 116,400 non-transferable Share Purchase Warrants ("Agents' Private Placement Warrants") previously paid and issued to the Agents as compensation for services provided in connection with the Special Warrant Conversion Offering. Each such Agents' Private Placement Warrant entitles the holder to purchase one Common Share at a price of $0.75 at any time up to the close of business one year from the date the Units are listed (the "Listing Date") on the Canadian Venture Exchange (the "Exchange").

In addition, this Prospectus qualifies the distribution of the Warrant Shares issuable upon exercise of the Warrants.

The Prospectus receipted on June 29, 2001, qualified the distribution of the Agents' Private Placement Warrants and this Prospectus also qualifies the Agents' Warrants and the Common Shares of the Issuer issuable upon exercise thereof. The Agents may sell any Common Shares acquired on the exercise of the Agents' Private Placement Warrants or the Agents' Warrants without further qualification. The exercise price payable upon exercise of the Agent's Private Placement Warrants and the Agents' Warrants will be paid to the Issuer and used for its corporate purposes. The Agents will receive the proceeds from any subsequent sale of such Common Shares and none of such proceeds will accrue to the benefit of the Issuer.

This Prospectus also qualifies the issuance of a Convertible Debenture to Quest in the principal sum of $1,365,000 (the "Convertible Debenture") and the distribution of 2,730,000 Common Shares and 1,365,000 A Warrants that would be issuable to Quest in the event it converted its Convertible Debenture and the distribution of 100,000 Common Shares issued to Quest upon granting of the loan and the distribution of 327,600 Common Shares to Quest in the event the Issuer exercises its right to prepay interest on the Convertible Debenture by the issuance to Quest of its Common Shares. For a description of the terms of the Convertible Debenture, see "Prospectus Summary".

The Exchange has approved the conditional listing of the Common Shares being offered under this Prospectus. Final listing is subject to the Issuer fulfilling all the listing requirements of the Exchange.

DESCRIPTION OF SECURITIES OFFERED

Common Shares

The Shares and the Warrant Shares are common shares without par value. The holders of the common shares are entitled to dividends if, as and when declared by the board of directors of the Issuer; to receive those assets distributable to common shareholders upon liquidation, dissolution or winding up of the Issuer; and to receive notice of, and to attend and vote at, all meetings of the shareholders of the Issuer. All of the common shares of the Issuer are common shares of the same class and rank equally as to dividends, voting rights and any distribution of assets on winding up or dissolution. Each common share carries with it the right to one vote.

There are no pre-emptive or conversion rights, and no provision for surrender, sinking or purchase funds. There are no special liquidation rights, subscription rights or redemption provisions. There are no founders, management or deferred shares that carry rights that differ from the rights attached to the common shares.

Provisions as to modification, amendment or variation of the rights attached to the common shares of the Issuer are contained in the Issuer's Articles of Incorporation and the Business Corporations Act 1981 (Alberta).

Warrants

The Warrants will be non-transferable and each Whole Warrant will entitle the holder to purchase one additional Common Share of the Issuer at an exercise price of $0.75 per share for a period of one year following the Offering Day. The Warrants will contain provisions for the appropriate adjustment in the class, number and price of shares issuable under such Warrants upon the occurrence of certain events, including any subdivision, consolidation, or reclassification of the shares of the Issuer, the payment of stock dividends or the amalgamation of the Issuer.

"A" Warrants

The A Warrants will be non-transferable and each whole Warrant will entitle the holder to purchase one additional Common Share of the Issuer at an exercise price of $0.75 per share for a period of one year following the Offering Day. The A Warrants will contain provisions for the appropriate adjustment in the class, number and price of shares issuable under such Warrants upon the occurrence of certain events, including any subdivision, consolidation, or reclassification of the shares of the Issuer, the payment of stock dividends or the amalgamation of the Issuer.

Agents' Private Placement Warrants

The Agents' Private Placement Warrants will be non-transferable and will entitle the Agents to purchase up to 116,400 Common Shares of the Issuer for a period of 12 months from the Offering Day at an exercise price of $0.75 per share. The Agents' Private Placement Warrants will contain provisions for the appropriate adjustment in the class, number and price of shares issuable under such Warrants upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the shares of the Issuer, the payment of any stock dividends or the amalgamation of the Issuer.

Agents' Warrants

The Agents' Warrants will be non-transferable and will have a two-year term. The number of securities that may be purchased by the Agents pursuant to the Agents' Warrants shall be equal to 15% of the Units sold under the Offering. In the first year of the term of the Agents' Warrants, the Agents are entitled to purchase Units at the price of $0.50 per Unit; in the second year of the term of the Agents' Warrants, the Agents are entitled to purchase Common Shares at a price of $0.75 per Common Share. The Agents Warrants will contain provisions for the appropriate adjustment in the class, number and price of shares issuable under such Warrants upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the shares of the Issuer, the payment of any stock dividends or the amalgamation of the Issuer.

Quest Convertible Debenture

If Quest converts its $1,365,000 Convertible Debenture then 2,730,000 Common Shares and 1,365,000 A Warrants would be issued to Quest. The 1,365,000 A Warrants will be non-transferable and each whole Warrant will entitle Quest to purchase one additional Common Share of the Issuer at an exercise price of $0.75 per share for a period of one year following the Offering Day. The A Warrants will contain provisions for the appropriate adjustment in the class, number and price of shares issuable under such Warrants upon the occurrence of certain events, including any subdivision, consolidation, or reclassification of the shares of the Issuer, the payment of stock dividends or the amalgamation of the Issuer. For a description of the terms of the Convertible Debenture, see "Prospectus Summary".

SPONSORSHIP AGREEMENT

The Issuer has entered into a sponsorship agreement dated March 1, 2001 (the "Sponsorship Agreement") with Haywood Securities Inc. in conjunction with the Agent sponsoring the Issuer for its listing on the Exchange.

The Issuer has agreed to pay the Agent a sponsorship fee of $30,000 of which $10,000 has been paid and the balance of $20,000 will be paid out of the proceeds of the Offering.

Under the Sponsorship Agreement, the Agent has agreed to undertake the sponsorship duties described by the policies of the Exchange. These duties involve a general review of the Issuer to determine that the Issuer is a suitable candidate for listing on the Exchange and include reviewing the business and affairs of the Issuer, making a judgement as to the quality and expertise of the Issuer's management and conducting an independent review of the history and future prospects of the Issuer. The Sponsorship Agreement terminates on the day which is one year following the listing of the Common Shares on the Exchange.

INVESTOR RELATIONS ARRANGEMENTS

The Issuer has no written or oral contracts or any other arrangement in effect with any person to provide promotional, investor relations or market-stabilization services.

RELATIONSHIP BETWEEN ISSUER AND AGENTS

The Issuer is not a related party or a connected party of the Agents, as defined in section 75(1) of the Securities Rules (British Columbia). Members of the "Pro-Group", as defined in the Exchange's Rule A. 1.00, purchased a total of 140,000 Special Warrants.

RELATIONSHIP BETWEEN ISSUER AND PROFESSIONAL PERSONS

The Issuer is not aware of any beneficial interest, direct or indirect in any securities or projects of the Issuer or of an associate or an affiliate of the Issuer held by any professional person named in the Prospectus, or any associate of any such professional person as referred to in Section 106(2) of the Securities Rules (British Columbia) or as referred to in Section 85(1) of the Rules made under the Securities Act (Alberta).

Other than as disclosed above, none of such professional persons or responsible solicitors or any associate of such professional person or responsible solicitors is or is expected to be elected, appointed or employed as a director, senior officer or employee of the Issuer or of an associate or affiliate of the Issuer, or is a promoter of the Issuer, or of an associate or affiliate of the Issuer.

LEGAL PROCEEDINGS

Neither the Issuer nor any of its projects is the subject of any pending legal proceedings nor are any such proceedings known to be contemplated other than the contracting company of the Issuer, which has filed a lien in amount of $1,213,327 to cover a balance owing on account of the work done on the facilities on the Site. The amount of the lien, being $1,213,327 is included in the Issuer's working capital deficiency and is to be paid from the proceeds of the Offering (see "Use of Proceeds").

AUDITOR

The auditor of the Issuer is PricewaterhouseCoopers LLP, 425 1st Street SW, Suite 1200, Calgary, Alberta, T2P 3V7.

REGISTRAR AND TRANSFER AGENT

The Registrar and Transfer Agent of the Issuer is Valiant Corporate Trust Company, 510 – 550, 6^{th} Avenue SW, Calgary, Alberta, T2P 0S2.

MATERIAL CONTRACTS

The Company has not entered into any contracts that may be deemed to be material that remain in effect other than the following:

1. Joint Venture Agreement dated January 31, 2001, between the Issuer and Canadian Hydro Developers Inc.

2. Purchase Contract with TXU Business Services Company dated 23 January 2001 for the purchase of two Cooper Bessemer LSV 16 SG reciprocating engines and Westinghouse generators (placed on behalf of the Issuer by Canadian Gas & Electric Company Ltd.).

3. Purchase Order with Texacana Turbines Inc., dated 12 January 2001 for the purchase of one General Electric 7LM1500 PE101 Turbine Genset.

4. Finance Facility with National Bank of Canada dated 23 February 2001 (the “Bridge Facility”), with Canadian Hydro Developers Inc., as a co-borrower and supporting Indemnity Agreement dated 22^{nd} day of February 2001 between the Issuer and Canadian Hydro.

5. National Bank extension letter dated 8 June 2001 and Indemnity Agreement extension letter dated 31 May 2001.

6. National Bank and Indemnity Agreement extension letter dated September 17, 2001.

7. National Bank extension letter dated September 28, 2001

8. Convertible Debenture Dated October 1, 2001

9. Incentive Stock Option Plan dated March 16, 2001, and Incentive Stock Option Agreements, each dated 16 March 2001 and amended 17 September 2001 between the Issuer and each of Stephen Barber, William Bernard, Steven Price, Dominic Colvin, Stefan Erasmus, Lyle Davis and Victor Dusik, Incentive Stock Option Agreement dated May 18, 2001 and amended September 17, 2001 between the Issuer and John Tapics. On September 21, 2001 Dominic Colvin ceased to be employed by the Issuer and accordingly the Incentive Stock Option Agreement in his name has been cancelled.

10. Management Consultancy Agreements, each dated 1 February 2001 between the Issuer and each of Bernard Energy Services Ltd. and William Bernard; Mistral Capital Inc. and Stephen Barber; PLC Investments Ltd. and Dominic Colvin, Price Engineering Ltd. and Steven Price. Employment Agreement dated 21 March 2001 between the Issuer and Stefan Erasmus. On September 21, 2001 Dominic Colvin and subsequently PLC Investments Ltd. ceased to be employed by the Issuer and accordingly, the Management Consultancy Agreement in the name of PLC Investments Ltd. and Dominic Colvin has been cancelled.

11. Escrow Agreement 46-901F dated June 18, 2001 among the Issuer, Valiant Corporate Trust Company, Mistral Ventures Ltd., Bernard Energy Services Ltd., PLC Investments Ltd., Price Engineering Ltd. and Dominic Colvin. By Form 5E – Agreement by Escrow Transferee to be Bound by Escrow Agreement dated September 24, 2001, PLC Investments Ltd. (100% controlled by Dominic Colvin) transferred all of its escrow securities to be divided equally between Bernard Energy Services Ltd., a company 100% controlled by William Bernard) and Steven Price.(see “Share Capital – Escrow Securities”).

12. Agency Agreement dated March 1, 2001, amended August 1, 2001 and amended (restated) on September 17, 2001 between the Issuer, Haywood Securities Inc., Raymond James Ltd. and Canaccord Capital Corporation. (see "Plan of Distribution – Offering").

13. Sponsorship Agreement dated March 1, 2001 between the Issuer and Haywood Securities Inc. (see "Sponsorship Agreement").

14. Lease Agreement made as of the 1st day of January, 2000 and executed on the 30th day of July, 2001 between Glacier Ammonia Ltd. and Canadian Hydro Developers Inc.

15. Terms Sheet dated September 18, 2001 in respect of the $1,365,000 Convertible Debenture from Quest Ventures Ltd. to the Issuer.

Inspection of Contracts and Reports

Material contracts referred to herein may be viewed by any interested party at the office of the Issuer at Suite 604, 700 West Pender Street, Vancouver, British Columbia during normal business hours prior to the Offering day and for a period of 30 days thereafter.

DIVIDEND RECORD

To date, the Issuer has not paid any cash dividends on its Common Shares and the board of directors of the Issuer does not anticipate paying cash dividends in the twelve months following the completion of the Offering as it intends to retain the earnings from the first year of operations to finance the growth of the Issuer's business. The payment of future dividends will depend on such factors as earning levels, anticipated capital requirements, the operating and financial conditions of the Issuer and other factors deemed relevant by the board of directors at its sole discretion.

OTHER MATERIAL FACTS

There are no other material facts relating to the securities offered by this Prospectus which have not previously been disclosed elsewhere in this Prospectus.

CONTRACTUAL RIGHT OF RESCISSION

In the event that the holder of Special Warrants who acquires Special Units of the Issuer upon the exercise of Special Warrants as provided for in this Prospectus is or becomes entitled under applicable securities legislation to the remedy of rescission by reason of this Prospectus or any amendment thereto containing a misrepresentation, such holder shall be entitled to rescission not only of the holder's exercise of its Special Warrants, but also of the Special Warrant Conversion Offering transaction pursuant to which the Special Warrants were initially acquired, and shall be entitled in connection with that rescission to a full refund of all consideration paid to the Issuer on the acquisition of the Special Warrants. In the event that such holder is a permitted assignee of the interest of the original Special Warrants subscriber, such permitted assignee shall be entitled to exercise the rights of rescission and refund granted to the original Special Warrant subscriber as if such permitted assignee was such original subscriber. The foregoing is a direct contractual right extended by the Issuer alone (but specifically not by either the Agent or the directors, officers or other agents of the Issuer) to holders of Special Warrants, permitted assignees of such holders and holders of units acquired by such holders on exercise of Special Warrants and are in addition to any other right or remedy available to a holder of Special Warrants under Section 168 of the Securities Act (Alberta), section 131 of the Securities Act (British Columbia), the securities legislation of the holder's province or otherwise at law. The purchaser should refer to any applicable provisions of the securities legislation of its province for the particulars of these rights or consult with a legal adviser. The foregoing contractual rights of action for rescission, being based on the availability of a remedy of rescission by reason of the Prospectus or any amendment thereto containing a misrepresentation, is subject to the defence described under section 168(3) of the Securities Act (Alberta) and section 131(4) of the Securities Act (British Columbia) and the corresponding provisions of any other applicable legislation, which defence is incorporated herein by reference, mutatis mutandis and, for similar reasons, no action may be commenced to enforce the foregoing rights of action for rescission more than 180 days after the date of original issuance of the Special Warrants.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment thereof. In several of the provinces and territories of Canada, securities legislation provides a purchaser with remedies for rescission or, in some jurisdictions, damages where this prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchase within the time limit prescribed by the securities legislation of his or her province or territory.

The purchaser should refer to any applicable provisions of the securities legislation of his or her province or territory for the particulars of these rights or consult with a legal adviser.

FINANCIAL STATEMENTS

Attached to and forming part of this Prospectus are the Issuer's audited financial statements comprised of the balance sheet as at 31 December 2000 and the statements of loss and deficit and cash flows for the one month period ended 31 December 2000 and the notes to the aforesaid financial statements, together with the unaudited interim financial statements for the periods from January 1, 2001 to March 31, 2001 and from April 1, 2001 to June 30, 2001.

First Canadian Electric Inc.

Financial Statements
March 31 and June 30, 2001 (Unaudited) and December 31, 2000

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
425 1st Street SW
Suite 1200
Calgary Alberta
Canada T2P 3V7
Telephone +1 (403) 509 7500
Facsimile +1 (403) 781 1825

March 2, 2001
(except for note 11, which is as at October 3, 2001)

Auditors' Report

To the Directors of
First Canadian Electric Inc.

We have audited the balance sheet of **First Canadian Electric Inc.** as at December 31, 2000 and the statements of loss and deficit and cash flows for the one month period then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2000 and the results of its operations and its cash flows for the one month period then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Calgary, Alberta

First Canadian Electric Inc.
Balance Sheet

	As at June 30, 2001 $ (Unaudited)	As at March 31, 2001 $ (Unaudited)	As at December 31, 2000 $
Assets			
Current assets			
Cash	42,280	938,485	24,993
Accounts receivable (notes 6 and 7)	30,991	84,900	4,500
Goods and services tax receivable	137,862	75,570	-
Prepaid expenses	41,664	6,650	-
Deferred financing costs	108,536	-	-
	361,333	1,105,605	29,493
Capital assets (note 4)	18,127	-	-
Investment in power project (note 3)	3,918,820	1,050,344	15,000
	4,298,280	2,155,949	44,493
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (note 8)	2,311,602	178,372	94,130
Loans payable (note 5)	1,622,761	1,300,000	42,000
	3,934,363	1,478,372	136,130
Shareholders' Equity and Deficit			
Share capital (notes 6 and 7)	984,955	993,350	4,500
Deficit	(621,038)	(315,773)	(96,137)
	363,917	677,577	(91,637)
	4,298,280	2,155,949	44,493

Commitment (note 3)

Approved on behalf of the Board of Directors

(signed) "William Bernard" Director

(signed) "Steven Price" Director

PRICEWATERHOUSECOOPERS

First Canadian Electric Inc.

Statement of Loss and Deficit

	Six month period ended June 30, 2001 $ (Unaudited)	Three month period ended June 30, 2001 $ (Unaudited)	Three month period ended March 31, 2001 $ (Unaudited)	One month period ended December 31, 2000 $
Revenue	-	-	-	-
Operating costs	-	-	-	-
Gross profit	-	-	-	-
Expenses				
Management fees and expenses (note 8)	280,834	132,501	148,333	72,000
Salaries and wages	31,102	31,102	-	-
Consulting	31,585	31,585	-	-
Legal and professional fees	35,942	15,842	20,100	22,000
Travel	28,931	9,782	19,149	-
Office rent	9,200	6,200	3,000	2,000
Amortization	1,301	1,301	-	-
Office supplies	6,028	6,028	-	-
Computer expenses	1,483	150	1,333	-
Foreign exchange loss	24,874	24,874	-	-
Other	20,482	18,411	2,071	137
Interest and bank charges	53,139	27,489	25,650	-
	524,901	305,265	219,636	96,137
Net loss for the period	(524,901)	(305,265)	(219,636)	(96,137)
Deficit – Beginning of period	(96,137)	(315,773)	(96,137)	-
Deficit – End of period	(621,038)	(621,038)	(315,773)	(96,137)
Basic loss per share	(0.12)	(0.07)	(0.05)	(0.24)

First Canadian Electric Inc.

Statement of Cash Flows

	Six month period ended June 30, 2001 $ (Unaudited)	Three month period ended June 30, 2001 $ (Unaudited)	Three month period ended March 31, 2001 $ (Unaudited)	One month period ended December 31, 2000 $
Cash provided by (used in)				
Operating activities				
Net loss for the period	(524,901)	(305,265)	(219,636)	(96,137)
Item not affecting cash				
Amortization	1,301	1,301	-	-
	(523,600)	(303,964)	(219,636)	(96,137)
Change in non-cash operating working capital				
Decrease (increase) in accounts receivable	(26,491)	53,909	(80,400)	(4,500)
Increase in goods and services tax receivable	(137,862)	(62,292)	(75,570)	-
Increase in accounts payable and accrued liabilities	237,754	153,512	84,242	94,130
Increase in prepaid expenses	(41,664)	(35,014)	(6,650)	-
	31,737	110,115	(78,378)	89,630
	(491,863)	(193,849)	(298,014)	(6,507)
Financing activities				
Loan advance	1,622,761	322,761	1,300,000	42,000
Issue of share capital	1,000	-	1,000	4,500
Repayment of loan	(42,000)	-	(42,000)	-
Issuance of Special Warrants (net of issuance costs)	979,455	(8,395)	987,850	-
	2,561,216	314,366	2,246,850	46,500
Change in non-cash financing working capital				
Increase in deferred financing cost	(108,536)	(108,536)	-	-
	2,452,680	205,830	2,246,850	46,500
Investing activities				
Investment in capital assets	(19,428)	(19,428)	-	-
Investment in power project	(3,903,820)	(2,868,476)	(1,035,344)	(15,000)
	(3,923,248)	(2,887,904)	(1,035,344)	(15,000)
Change in non-cash investing working capital				
Increase in accounts payable and accrued liabilities	1,979,718	1,979,718	-	-
	(1,943,530)	(908,186)	(1,035,344)	(15,000)
Increase (decrease) in cash for the period	17,287	(896,205)	913,492	24,993
Cash – Beginning of period	24,993	938,485	24,993	-
Cash – End of period	42,280	42,280	938,485	24,993

1 Incorporation and nature of business

The company was incorporated as Sunrise Power Inc. on November 28, 2000, under the provisions of the Business Corporations Act of the Province of Alberta. On January 5, 2001, the company changed its name to First Canadian Electric Inc. The company aims to become an independent power producer through early participation in the market opportunities presented by electricity sector deregulation in Alberta. The company has concluded the process of raising funds through a private placement of special warrants. To date, the company has not earned revenues and is considered to be in the development stage.

The company's ability to continue as a going concern is dependent upon its successful completion of the financing contemplated in the restated and amended prospectus (note 11) or raising additional financing to fund its completion of the Drywood Power Project and extinguish its working capital deficiency.

2 Significant accounting policies

The significant accounting policies are as follows.

Capital assets

Capital assets are recorded at cost. Amortization is calculated using the straight-line method over the following estimated useful lives:

Office equipment	3 years
Computer hardware and software	3 years
Furniture and equipment	5 years

Investment in power project

Initial equity contributions and equipment costs invested in the joint venture are recorded at cost. These costs are assessed periodically to ascertain whether impairment has occurred. If the expected amount of recovery through future related revenues, less relevant costs, is exceeded by the unamortized balance of such costs, the excess will be written off as a charge to income of the period. Once the undivided interest on the project is earned, the company will account for the power project using proportionate consolidation accounting.

Income tax

The company follows the liability method of accounting for income taxes. Under this method, income tax assets and liabilities are recognized based on the estimated tax effect of temporary differences in the carrying value of assets and liabilities, in the financial statements and their respective tax bases, using income tax rates enacted on the balance sheet date. The effect of a change in income tax rates on the future income tax assets and liabilities is recognized in income in the period of change.

Deferred financing costs

Charges relating to initial offering costs are recorded at cost and will be accounted for as a capital transaction upon the closing of the transaction to which they relate. These charges will be expensed if the initial offering is unsuccessful.

Earnings per share

The company adopted the treasury stock method of calculating per share amounts whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period.

3 Investment in power project

The company entered into a Joint Venture Agreement with Canadian Hydro Developers Inc. ("Can Hydro") effective December 1, 2000 and dated January 31, 2001, to provide for the expansion, ownership and operation of the gas fired electricity generation plant and all associated facilities to be developed on the lands leased by Can Hydro in trust for the Owners, known as the Drywood Power Plant at the Palmer Gas Plant near Pincher Creek, Alberta. In order to earn Plant Participation, the company agrees to fund all the construction of Phase Two Plant Expansion (7.5MW), estimated to cost $3,976,830. On completion and successful commissioning of Phase Two, Can Hydro will have a 60% interest and the company will have earned a 40% undivided ownership interest. The company is not entitled to any revenues from the joint venture until the Phase Two Plant Expansion is commissioned. Under the terms of the Indemnity Agreement between the company and Can Hydro, dated February 22, 2000 in respect of the National Bank $1.3 million facility, legal title to the engines and turbine lies with Can Hydro, who hold this title pursuant to the terms of the joint venture agreement.

As at June 30, 2001, the company had incurred non-refundable costs of $3,853,820 (March 31, 2001 – $985,344) in respect of equipment for the Drywood Joint Venture and had made an equity contribution $65,000 (March 31, 2001 – $65,000 and December 31, 2000 – $15,000) to the equity of the joint venture.

Certain of the company's assets in this joint venture have liens against them totalling $1,213,327.

4 Capital assets

	Cost **$**	**Accumulated amortization** **$**	**June 30, 2001** **$** (Unaudited)	**March 31, 2001** **$** (Unaudited)	**December 31, 2000** **$**
Office equipment	1,161	65	1,096	-	-
Computer hardware and software	12,939	1,001	11,938	-	-
Furniture and equipment	5,328	235	5,093	-	-
	19,428	1,301	18,127	-	-

5 Loans payable

	June 30, 2001 $ (Unaudited)	March 31, 2001 $ (Unaudited)	December 31, 2000 $
Bank loan	1,300,000	1,300,000	-
Loans payable	-	-	42,000
Interim financing loan	322,761	-	-
	1,622,761	1,300,000	42,000

The bank loan is a non-revolving demand loan which bears interest at prime plus 1.5% and is repayable in full by October 25, 2001. Security for this facility consists of a fixed charge on the company's assets, a general assignment of the company's book debt, promissory notes from the company and Can Hydro and an assignment of insurance and existing security from Can Hydro.

The loans payable at December 31, 2000 have no specified terms of repayment, bear interest at prime plus 1% and will earn a 5% bonus. Subsequent to December 31, 2000, these loans were repaid in full.

The interim financing loans payable at June 30, 2001 are unsecured with a maturity date of April 30, 2002. In addition to the repayment of the principal amount, carrying charges totalling approximately $40,000 shall be paid by the company at the maturity date.

6 Special Warrants and initial public offering

At December 31, 2000 the company was in the process of raising seed financing through a Private Placement Offering of Special Warrants which was concluded as at March 31, 2001. Refer to note 7 for details of warrant placement subsequent to December 31, 2000. As at June 30, 2001, $nil (March 31, 2001 - $84,900) was included in accounts receivable in respect of amounts receivable from subscribers who had subscribed for warrants that have been reserved for issuance once the monies have been received. The subscription proceeds were released to the company at the time of the subscription.

The company filed a preliminary prospectus dated April 19, 2001 for a common share offering of 8,000,000 common shares at a price of $0.75 per share and an additional 2,110,000 common shares and 1,055,000 warrants issuable upon exercise of the 2,110,000 previously issued special warrants. Each unit consisting of one common share of the company and one half share purchase warrant.

On June 29, 2001 a receipt was issued by the last of the securities regulatory authorities in each of the Provinces of British Columbia and Alberta for a final prospectus and all of the special warrants were exercised July 4, 2001.

7 Share capital

	June 30, 2001 $ (Unaudited)	March 31, 2001 $ (Unaudited)	December 31, 2000 $
Common shares	5,500	5,500	4,500
Special Warrants	979,455	987,850	-
	984,955	993,350	4,500

Common shares

Authorized

Unlimited number of Common Shares without nominal or par value

Unlimited number of Class B Preferred Shares without nominal or par value

Unlimited number of Class C Preferred Shares without nominal or par value

Issued

	Number of shares	Amount $
Issuance of Common Shares (note 6)	4,500,000	4,500
Balance – December 31, 2000	4,500,000	4,500
Issuance of Common Shares	2,000	1,000
Balance – March 31 and June 30, 2001 (Unaudited)	4,502,000	5,500

Special Warrants

	Number of Warrants	Amount $
Special Warrants outstanding at December 31, 2000	-	-
Special Warrants issued	2,110,000	1,055,000
Issuance costs	-	(67,150)
Special Warrants outstanding at March 31, 2001 (Unaudited)	2,110,000	987,850
Issuance costs	-	(8,395)
Special Warrants outstanding at June 30, 2001 (Unaudited)	2,110,000	979,455

Each Special Warrant is exercisable at no additional cost for one unit (the "Special Warrant Unit") consisting of one Common Share and one non-transferable half share purchase warrant ("Half Share Purchase Warrant").

Every two Half Share Purchase Warrants (a "Whole Warrant") entitles the holder to purchase one additional Common Share at $0.75 per share. Each Whole Warrant may be exercised up to July 4, 2002.

Stock options

On March 16, 2001, April 9, 2001 and May 18, 2001, the company granted 1,875,000 stock options to its directors and employees. These options are exercisable at $0.50 until March 15, 2004, April 9, 2004 and May 18, 2004. The vesting of these options is 25% on granting of the options, 25% six months from the date of granting, 25% 12 months from the date of granting and the final 25% 18 months from the date of granting.

8 Related party transactions

a) During the period ended December 31, 2000, the company's management charged the company $60,000 for services rendered in creating the company and business development. Additionally, an amount was charged to the company by one of its managers in respect of office space and other miscellaneous costs. These amounts have been charged to the company based on the actual costs incurred. At December 31, 2000 the total amount owing to management of the company in respect of these amounts was $72,000.

   During the quarter ended June 30, 2001, the company's management charged a further $132,501(quarter ended March 31, 2001 - $148,333) for services rendered. Additional amounts in respect of office space and other miscellaneous costs charged by this manager totalled $nil (quarter ended March 31, 2001 - $38,245) during this period.

b) Accounts receivable at December 31, 2000 consists of $4,500 (June 30, 2001 and March 31, 2001 – $nil) due from directors and management in respect of original issue of 4,500,000 common shares (note 7).

9 Income taxes

The company has established September 30 as its fiscal year end. For the period ended June 30, 2001 it has incurred loss of $524,901for which it has not recognized the benefit in these financial statements due to the lack of certainty of success in its future operations. In addition, the company has tax deductions totalling $19,428, which arose from the acquisition of capital assets, that can be utilized to reduce taxable income in future periods.

10 Financial instruments

The company's financial instruments consist of cash, accounts receivable, accounts payable and loans payable. Unless otherwise indicated, it is management's opinion that the company is not exposed to significant credit risk arising from these financial instruments. The fair value of these financial instruments approximates their carrying values.

11 Subsequent events

a) The company appointed Haywood Securities Inc., Raymond James Ltd. and Canaccord Capital Corporation as agents for a cash commission of 8% of the offering price for each of the shares sold. The company also granted the agents a non-transferable share purchase warrant entitling the agents to purchase a minimum of 1,875,000 to a maximum of 2,175,000 units, exercisable for a period of two years from the offering day, at a price of $0.50 per unit, each unit consists of one common share in the capital of the company and one half non-transferable common share purchase warrant, if exercised in the first year and to purchase shares at $0.75 per share if exercised in the second year. In addition, the company will further pay Haywood Securities Inc. a cash sponsorship fee in the amount of $30,000.

b) On June 29, 2001 a receipt was issued by the last of the securities regulatory authorities in each of the Provinces of British Columbia and Alberta for a final prospectus qualifying the distribution of the common shares and half share purchase warrants on exercise of the special warrants. All of the special warrants were exercised July 4, 2001.

c) On July 31, 2001, the company entered into a confidential letter agreement with West Edmonton Mall Inc. to develop an electric generating plant on the property known as the West Edmonton Mall shopping centre located in Edmonton, Alberta. The plant would be structured to generate approximately twice the base electricity need of the Mall, but in any event, with a capacity at any given time of not less than 30 MW subject to receiving the necessary regulatory approvals.

d) Pursuant to the terms of a confidential commitment letter dated 14 September 2001 between the company and InterEnergy AG (“InterEnergy”), InterEnergy has agreed to subscribe for 5,000,000 common shares pursuant to amended and restated prospectus (see Note 11(f) below). The Company and InterEnergy have agreed, within 90 days following the execution of the agreement, to finalize the terms of a strategic alliance designed to assist FCE in the identification and financing of power sector business sector opportunities world wide, with an initial focus on wind power projects in Canada and the exploration of merger and acquisition opportunities internationally

e) Subsequent to the end of the period the company agreed to issue a convertible debenture to Quest Ventures Ltd. (“Quest”) in the amount of $1,365,000. This debenture is to be issued on closing of the company’s public offering as described in note 11(f). This debenture will be convertible at the option of Quest into 2,730,000 common shares of the company and 2,730,000 half share purchase warrants. This debenture has a term of 12 months and bears interest at 1% per month with carrying charges of $200,000 and 100,000 common shares. The company has the right to prepay the interest by issuance of common shares at $0.50 per share.

f) The company filed an amended and restated prospectus on October 3, 2001 for an offering of a minimum of 12,000,000 to a maximum of 14,000,000 units at a price of $0.50 per unit, each unit consisting of one common share and one half share purchase warrant, together with an additional 2,110,000 common shares and 1,055,000 warrants issuable upon exercise of the 2,110,000 previously issued special warrants.

CERTIFICATE OF THE ISSUER

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by Part 9 of the *Securities Act* (British Columbia), Part 8 of the *Securities Act* (Alberta) and the respective regulations thereunder.

DATED: October 3, 2001

"William Bernard"
Name: William Bernard
Title: Chief Executive Officer and Director

"Stefan Erasmus"
Name: Stefan Erasmus
Title: Chief Financial Officer

On behalf of the Board of Directors

"Stephen Barber"
Name: Stephen Barber
Title: Chairman and Non-executive Director

"Lyle Davis"
Name: Lyle Davis
Title: Non-Executive Director

Promoters

"William Bernard"
Name: William Bernard
Title: President and Director

"Stephen Barber"
Name: Stephen Barber
Title: Chairman and Non-executive Director

"Steven Price"
Name: Steven Price
Title: Executive Vice President, Operations and Director

CERTIFICATE OF THE AGENTS

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus, as required by Part 9 of the *Securities Act* (British Columbia), Part 8 of the *Securities Act* (Alberta) and their respective regulations hereunder.

DATED: October 3, 2001

HAYWOOD SECURITIES INC.	**RAYMOND JAMES LTD.**
"Alfred Stewart"	*"John M. Murphy"*
Name: Alfred Stewart	Name: John M. Murphy
Title: Vice President	Title: Managing Director

CANACCORD CAPITAL CORPORATION

"David J. Horton"

Name: David J. Horton
Title: Senior Vice-President