

Henvey Inlet First Nation

Wind Farm Project

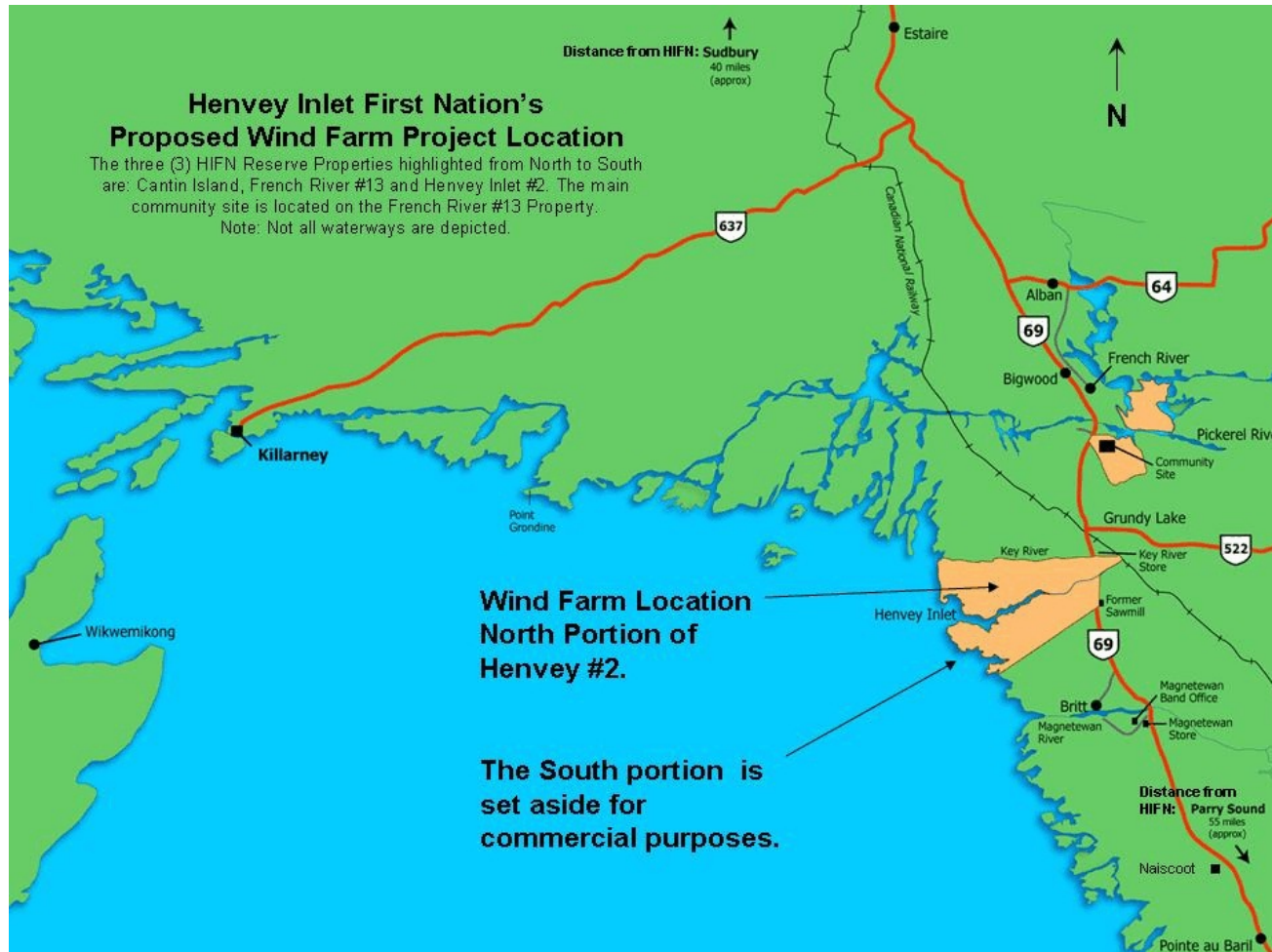
Information Package Update - 2010

The question posed to the Membership in December 2008:

Do you support the development of a wind farm on Henvey Inlet Reserve #2?

(Subject to environmental and engineering studies, 80+ turbines are now being considered that would generate 200-300 Mws of power).

<p>How to express your opinion:</p>	<p>Due to the overwhelming level of support, Chief and Council have authorised land access for the project. Launching the project is still subject to financing, environmental and engineering studies and access to the electrical grid for sale of the power produced.</p> <p>Your opinion and comments and questions are still welcome.</p> <p>Please direct any comments and concerns to any of the above noted individuals:</p> <p>Phone: (705)857-2331 Fax: (705)857-3021 Mail: Henvey Inlet First Nation 295 Pickerel River Road Pickerel, Ontario P0G 1J0</p> <p>A comment form is also available on our web site: www.hifn.ca</p>
<p>Location:</p>	<p>The proposed location for the wind farm is the undeveloped north half of the reserve property known as Henvey Inlet #2. This site is located on the south side of Key River, on the West side of Highway 69, approximately ½ way between Sudbury and Parry Sound, Ontario.</p> <p>The Reserve is about 20,000 acres in total with the north and south portions being approximately 10,000 acres each. The land is made up of undeveloped bush and swamp lands with numerous rocky out crops, typical of the lands along the central and northern part of Georgian Bay. The south side of the reserve property was set aside for business development in the 2006 referendum (details are on the web site under “Economic and Corporate Development, Land Designation and Leasing”).</p> <p>The location map is presented on page #4.</p>



Proposed Wind Farm - Location Map

Site Impacts:	<p>The wind turbines are 100 metres high and can generally be seen from a distance of 3-5 Km.</p> <p>The most frequently cited complaints include health concerns and visual interference with the view of the landscape, blocking views of the sunset, the beauty of nature, etc. However, others see the turbines as beautiful representations of “green” energy. They also they represent an opportunity for economic self-sufficiency.</p> <p>Each turbine requires a cement base and a buffer zone around the base for safety, usually about 1 acre. In practice, environmental impacts from road construction and the clearings required for tower installation will be greater than site impacts from the towers themselves. While new roads will have an impact on the environment, they also allow increased access for other activities to occur on the lands including hunting and recreational use. Current hunting and trapping activities and future cottage and home locations may be effected.</p> <p>Some studies suggest that low frequency noise and electromagnetic radiation from the turbines can cause health hazards however setbacks from residential properties (distance from homes) are generally being increased. Fortunately, the proposed site location far exceeds any of the current Government setback requirements from existing seasonal and year round residences.</p>
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What Happened to the Projects at Henvey #2 voted on in the 2005 Referendum?

The referendum vote in February 2006 set aside approximately 10,000 acres on the south side of Henvey #2 for commercial development. Some of the planned projects included:

- a youth camp
- marina
- golf course
- cottage lot development
- resort and conference centre
- cultural and education centre

The Band worked with a development group in the planning stages for a few years but they failed to provide an adequate plan to move forward after the referendum. In addition, the leasing authorities required to initiate development have not yet been transferred to the Band from the Crown. So, these development plans are delayed awaiting the leasing authorities which should be available this year.

Even though the Referendum legally approved all of the listed projects as options, many Members were still not in favour of dedicating such a large tract of land for some of the purposes listed above. The development plan has been down-sized as compared to the original concept presented in the referendum process, and this may reduce the level of concern.

Chief and Council remain committed to business development on the lands set aside in the Referendum. They have determined that a slow, small scale approach is more preferable than the developer-driven mega-project approach previously planned.

An engineering study to determine the best access road route to Sandy Bay is now complete and next steps are under consideration.

Traditional Territories:

While the proposed wind farm project will occur only on reserve lands the Band is also seeking access to additional lands available in their Traditional Territories (Crown Land) for future wind farm expansions as well as other economic and traditional uses.

Traditional Lands generally extend along Georgian Bay from Point Grondine near Killarney to Henvey Inlet #2 (see map on Page #4) and includes inland waterways and significant portions of Georgian Bay. The eastern boundary meets the lands traditionally used and occupied by Nipissing and Dokis First Nations near Lake Nipissing.

A Traditional Territories Claim will serve notice of the Band's intent to exercise their inherent right to use and occupy traditional lands for future economic, social and cultural benefit. This right of use and occupancy was never surrendered in the Treaties.

The specific territory boundaries and the demonstration of long term use and occupancy by the Band will be verified in a major research project begun in 2009 which will continue into 2011.

<p>Best Case Scenario:</p>	<p>The wind farm project, if successful, will be the largest project of this type undertaken by any First Nation in Canada. The project will guarantee future financial independence for the Band and full employment, not just for Band Members but many residents in the surrounding communities.</p> <p>Along with a wide range of jobs that will appear directly in the wind energy sector, full employment would come from the many spin-off projects in road construction, cement plant operation, crane and heavy equipment operation and small business development.</p> <p>It is expected that Band Programs for Youth, Elders, Housing and Cultural and Social Programs will expand.</p>
<p>Major Risks:</p>	<p>Currently, the major and most obvious risks include access to development funds and financing and transmission grid access.</p> <p>Access to the transmission grid is very competition as transmission capacity to meet current demands is insufficient. Lack of access to the transmission grid could push our potential start date years into the future. We are exploring various options.</p> <p>We expect our rights to develop such a major project will be challenged, and this could also come from any direction. Interest groups in Southern Ontario and Cottager Associations are generally against wind farm development.</p> <p>These major risks are largely beyond our control and could delay, stall or cancel our project.</p>

Normal Risks:

The development of a large scale wind farm is extremely costly, and all wind developers face a wide range of similar risks on top of the major risks just noted.

Each step exposes new risks. Any study could reveal information that limits the ability to launch the project. Required studies include: wind speed, technical, geophysical analysis and environmental impact assessments. These mandatory studies must be completed to fulfil the requirements for a Power Purchase Agreement.

One issue could cause the project to take several years longer to develop, and another could cancel it in midstream entirely!

Even though Environment Canada data indicates that we possess adequate wind resources (the best on this side of Georgian Bay), we still require wind speed data verification from test towers installed for a minimum of six months.

The most sensitive concerns are environmental in nature. If it is found that the wind farm interferes with the path of migratory birds or bats or if it destroys the habitat of a protected or endangered species such as the three species of snakes on Georgian Bay, then the turbine locations could be limited and the size of the project could be reduced, unless a solution is found.

Of course, First Nation Heritage and Archaeological sites will be protected. We hope to find numerous sites of traditional cultural importance in the environmental assessments and archaeological scans.

Finally, the project would not have proceeded if the Membership was clearly against it. To date, only a few have expressed concerns.

Is it worth the risk?	<p>The Band has examined the risks and the benefits. It is believed that, it is worth the risk to continue to develop the project. It produces green power and the turbines have a small footprint in spite of their size. Current uses can continue in the surrounding lands.</p> <p>The best case scenario would bring benefits to HIFN similar to those Bands who have started a Casino or those who possess oil revenues.</p> <p>If we were able to install as many as 80 wind turbines on the property, we would earn enough income to transform the economy of the First Nation. Total Band income is currently around \$4 Million per year. The net revenues for the wind farm project could be 4 times that amount. Early income estimates are in excess of \$16 Million per year.</p> <p>A better economy would come from a few more jobs and better paying jobs.</p> <p>A "transformed" economy would mean that the whole community would see improvement, more people moving back home, fewer people having to leave the community to find work, more young people would find opportunity right here in HIFN. More babies, more homes, better homes. It's a chance to bring our economy in line with what most Canadians enjoy.</p> <p>The worst case scenario is that the project could be stopped by known or unforeseen circumstances after 2-3 years of hard work by all involved. It normally takes a minimum of 3-4 years just to complete all of the requirements noted earlier. We are taking a very cautious approach due to the risky nature of the industry. We are only investing time, money and energy in studies and activities when it is required.</p>
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Short Medium and Long Term Economic Goals - All eggs not in one basket:

Please be advised that the Band is not placing all future hopes on a single mega-project that takes years to develop.

Short Term Goals: Short term economic and employment related projects in the works include: Taking back the Pickerel Landing RV Park and expanding the operation, starting a similar operation at Henvey Inlet, finding a partner for pit operations, setting up a gas station or considering other business offers all while continuing to improve roads, community facilities and expand housing. All these activities will create ongoing jobs and the possible business activities will generate revenues.

Long Term Goals: Developing a marina/lodge/resort at Sandy Bay along with cottages for sale, rent, lease or time shares on small tracts of land in the immediate area of the main lodge remains a priority. We are examining the possibility of making these projects energy independent using alternative energy technology. While it is possible that we will engage partners for some aspects of this development, management and labour would largely come from the Membership.

Possible Income Uses:	
	<p>Revenue projections are updated each time timelines and project size changes. The use of the net income from this project is solely up to the Band, meaning both Chief and Council and the Membership collectively.</p> <p>Chief and Council will determine how this decision is made. Community meetings, a referendum vote, polls, surveys and other methods are being considered to allow the Membership to decide on the best use of the funds.</p> <p>Here are some possibilities:</p> <ul style="list-style-type: none"> • expand Band services, especially in areas of: Health, Education, Elder Services and Support, Youth Services and Support, Language Instruction and retention • reinvest in business expansion • reinvest in new business development • pay out a portion directly to Band Members - this is done in Scugog First Nation where each Band Member receives a “dividend” cheque from the profits produced by their Casino, after other needs are met. <p>It would be inappropriate to guess now at how much is spent in each area listed above or to suggest that these are the only ideas. It will take a few years to arrive at a community-based decision that everyone can live with. There is no rush to make this decision.</p> <p>The earliest possible date for income from this project is now 2013-14 as opposed to earlier estimates of 2012.</p>

<p>The Wind Farm Developer:</p>	<p>The Band engaged with a company called 401 Energy since late 2007.</p> <p>We examined many offers at the time and determined that the offer of 401 Energy possessed many advantages. It included a 51% ownership in the project and a 51% share of net revenues for the Band with favourable terms and conditions. The conditions stated that 401 Energy would:</p> <ul style="list-style-type: none"> • raise funds from Government to contribute to our equity portion in the project • acquire the remaining funds from Commercial Banks as needed • get our power “on the grid” in long term contacts with Ontario Power Authority and • provide the expertise necessary to take the project from an idea stage to a fully operational business. <p>As of March 2010, 401 Energy was unable to fulfil the terms and conditions required by Government to compete for a Power Purchase Agreement, so we terminated our relationship.</p>
<p>3rd Party Assessment and Results:</p>	<p>The findings of a 3rd party assessment in 2009 suggested that the chosen developer had the financing and development capacity to implement this project subject to specific limitations as described in the report. Further, the report indicated that the income potential for Henvey Inlet First Nation in the development concept as discussed in this information package exceeded income levels from the usual lease or lease plus income share arrangements available from other power developers currently operating within Ontario.</p> <p>We are now seeking other partners to launch the Project while still retaining controlling interests.</p>

<p>The New Development Strategy:</p>	<p>Goal: To launch a competitive selection process to find firms expert in such areas as: project design, operations, environmental and geophysical assessment, financial management and high level legal services.</p> <p>To acquire Government funds to contribute the equity required by the Band to attract the debt and equity needed to finance the project.</p> <p>HIFN: Currently, a small group of individuals have represented the Band in the preliminary stages of this development: Chief and Council through Chief Wayne McQuabbie, Raymond Kagagins, Economic Development Officer, Ken Noble, Special Projects and William Taggart, the Band's Lawyer. Maurice Biron, CGA and Joseph Linkevic, Attorney at Law and John Beaucage, former Grand Chief for the Anishinabek Nation all provided advisory and technical support under funding from the New Relationship Fund from the Ministry of Aboriginal Affairs.</p> <p>Council participated in various meetings and all actions to date have been properly presented to and sanctioned by Council.</p> <p>The Corporation: Nigig Alternative Energy Corporation has been established to develop the project. Band Members, Ken Noble, Gregory Newton and Gerry Richer form the Board. This corporation will set up and retain controlling interests in a new company (Nigig Power Corporation) that will include directors from major development corporations who will provide expertise and capital to run the venture.</p> <p>The Band encourages individuals to acquire training and education to take advantage of the new employment opportunities as they become available, and predictable.</p>
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If this project continues, how do we make it happen and what happens next?

Well basically, it's a battle, from start to finish, and if we are not aggressive it simply won't happen. The question is: Who do we fight with? The answer: **Obstacles!**

The first obstacle was the Doppler Radar tower at Britt. The wind turbines might cause interference for the weather radar images. We discovered a way to overcome that problem. Move their tower to a new location if necessary.

Other obstacles include: Government rules and regulations and new policies about alternative energy, or a lack of new policies, protests from special interest groups, competition in the industry, transmission line upgrade delays, losing team members, technical matters discovered in studies and assessments and the increasing threats in the finance industry due to the global economic instability.

The key to success is responding to each new challenge immediately, when it arises. Chief and Council, current and new corporate directors, and other specialized members of the growing development team could each play a role in overcoming emerging challenges. Next steps include:

- FIT Program Application,
- confirming GRID access,
- test tower installation,
- registering the long term land use Permit with INAC,
- corporate structuring and growth,
- funding and financing negotiations,
- environmental assessments,
- geophysical assessments,
- project design, turbine location and density selection, etc.
- turbine acquisition, installation and operation.