

# **Plutonic** **POWER CORPORATION**



Interim Consolidated Financial Statements  
(Expressed in Canadian dollars)

(unaudited)

For the three and nine month periods ended September 30, 2010 and 2009

# PLUTONIC POWER CORPORATION

## Consolidated Balance Sheets

	September 30 2010	December 31 2009
	(unaudited)	
<b>Assets</b>		
Current assets:		
Cash	\$ 10,724,132	\$ 14,403,920
Cash restricted for use in construction activities (note 8(a) and (b))	25,398,460	51,863,652
Accounts receivable	3,383,630	-
Current portion of builder's lien holdback deposit account	22,292,661	16,980,220
Interest and other receivables	1,000,581	174,461
GST / HST recoverable	1,545,454	662,716
Prepaid expenses	452,958	266,907
Investment (note 5)	-	3,614,647
	64,797,876	87,966,523
Performance security deposits	421,458	421,458
Builder's lien holdback deposit account	-	431,919
Power project development costs (note 6)	40,146,670	38,286,084
Property, plant and equipment (note 7)	326,968,108	268,166,267
Intangible assets	5,912,524	5,630,328
	\$ 438,246,636	\$ 400,902,579
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 13,207,348	\$ 8,028,776
Current portion of builder's lien holdbacks payable	22,482,093	17,479,112
Current portion of interest rate swap contracts (note 9)	3,639,396	4,218,755
Current portion of long-term debt (note 8)	196,641	-
Interest and fees payable (note 8 (a) and (b))	853,377	750,086
	40,378,855	30,476,729
Builder's lien holdback payable	-	431,919
Long-term debt (note 8)	272,480,223	238,834,356
Interest rate swap contracts (note 9)	15,504,312	9,482,857
Deferred gain on transfer of assets (note 3(a))	16,073,451	16,189,088
	344,436,841	295,414,949
Shareholders' equity:		
Share capital (note 10)	140,929,266	140,824,318
Contributed surplus (note 11)	15,522,880	14,148,781
Accumulated other comprehensive loss	(7,929,410)	(343,879)
Deficit	(54,712,941)	(49,141,590)
	93,809,795	105,487,630
Operations (note 1)		
Commitments (notes 7 and 13)		
Subsequent events (notes 1, 9 and 10 (d))		
	\$ 438,246,636	\$ 400,902,579

See accompanying notes to the interim consolidated financial statements.

Approved on behalf of the Board:

"Donald A. McInnes" Director

"Peter Flynn" Director

# PLUTONIC POWER CORPORATION

Consolidated Interim Statements of Operations and Comprehensive Income (Loss)

For the three and nine month periods ended September 30, 2010 and 2009  
(unaudited)

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
<b>Expenses:</b>				
Amortization	\$ 20,700	\$ 17,784	\$ 56,886	\$ 48,233
Consulting	31,525	125,839	180,016	407,995
Guarantee fees	-	372,259	-	1,116,776
Office	115,249	105,920	346,771	343,191
Power project development costs written-off	-	-	-	34,900
Professional fees	42,256	44,149	105,315	148,386
Project evaluation	13,999	78,597	56,373	465,740
Rent	110,173	109,533	315,798	332,666
Salaries	1,005,540	813,736	2,805,947	2,303,452
Share-based compensation	436,535	395,433	1,314,444	960,549
Transfer agent and listing fees	15,804	9,227	79,082	50,238
Travel and promotion	129,144	483,640	869,183	1,400,990
<b>Loss before the undernoted</b>	<b>(1,920,925)</b>	<b>(2,556,117)</b>	<b>(6,129,815)</b>	<b>(7,613,116)</b>
<b>Other income (expenses):</b>				
Interest income	13,165	12,597	33,367	103,119
Dividend income (note 5)	-	-	162,390	-
Loss on disposal of investment (note 5)	-	-	(549,516)	-
Realized and unrealized gain (loss) on interest rate swap contracts (note 9)	263,689	(144,292)	912,223	(8,653,500)
	<b>276,854</b>	<b>(131,695)</b>	<b>558,464</b>	<b>(8,550,381)</b>
<b>Net loss for the period</b>	<b>(1,644,071)</b>	<b>(2,687,812)</b>	<b>(5,571,351)</b>	<b>(16,163,497)</b>
<b>Other comprehensive income (loss):</b>				
Change in fair value of effective portion of interest rate swap designated as a hedge (note 9)	(3,337,486)	(3,449,732)	(7,585,531)	205,708
Unrealized loss on available-for-sale investment (note 5)	-	-	(549,516)	-
Reclassification of loss realized on sale of available-for-sale investments (note 5)	-	-	549,516	-
<b>Comprehensive loss for the period</b>	<b>\$ (4,981,557)</b>	<b>\$ (6,137,544)</b>	<b>\$ (13,156,882)</b>	<b>\$ (15,957,789)</b>
<b>Basic and fully diluted loss per common share</b>	<b>\$ (0.03)</b>	<b>\$ (0.06)</b>	<b>\$ (0.09)</b>	<b>\$ (0.37)</b>
<b>Weighted average number of common shares outstanding</b>	<b>65,418,421</b>	<b>44,279,016</b>	<b>65,399,881</b>	<b>44,244,457</b>

See accompanying notes to the interim consolidated financial statements.

# PLUTONIC POWER CORPORATION

## Consolidated Interim Statements of Deficit

For the nine month periods ended September 30, 2010 and 2009  
(unaudited)

	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Deficit, beginning of period	\$ (49,141,590)	\$ (29,872,979)
Net loss for the period	(5,571,351)	(16,163,497)
Deficit, end of period	\$ (54,712,941)	\$ (46,036,476)

## Consolidated Statements of Accumulated Other Comprehensive Income (Loss)

For the nine month periods ended September 30, 2010 and 2009  
(unaudited)

	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Accumulated other comprehensive loss, beginning of period	\$ (343,879)	\$ (3,638,756)
Change in fair value of effective portion of interest rate swap designated as a hedge (note 9)	(7,585,531)	205,708
Unrealized loss on available-for-sale investment	(549,516)	-
Reclassification of loss realized on sale of available-for-sale investment	549,516	-
Accumulated other comprehensive loss, end of period	\$ (7,929,410)	\$ (3,433,048)

See accompanying notes to the interim consolidated financial statements.

# PLUTONIC POWER CORPORATION

Consolidated Interim Statements of Cash Flows

For the three and nine month periods ended September 30, 2010 and 2009  
(unaudited)

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Cash provided by (used in):				
Operating activities:				
Net loss for the period	\$ (1,644,071)	\$ (2,687,812)	\$ (5,571,351)	\$(16,163,497)
Items not affecting cash:				
Amortization expense	20,700	17,784	56,886	48,233
Share-based compensation expense	436,535	395,433	1,314,444	960,549
Power project development costs written off	-	-	-	34,900
Amortization of prepaid guarantee fee	-	147,259	-	441,776
Loss on disposal of investment	-	-	549,516	-
Unrealized loss (gain) on interest rate swap contracts	(666,265)	(198,119)	(2,143,435)	7,838,792
	(1,853,101)	(2,325,455)	(5,793,940)	(6,839,247)
Changes in non-cash working capital:				
Interest and other receivables	1,901,416	4,053	(97,982)	149,822
GST / HST recoverable	(798,572)	66,159	(882,738)	781,687
Prepaid expenses	(251,515)	42,556	(186,051)	97,918
Accounts payable and accrued liabilities	861,045	(4,025,630)	5,178,572	(1,227,451)
Interest and fees payable	28,897	104,679	103,291	257,922
Adjustment for non-cash working capital relating to power project development costs and property, plant and equipment	(1,177,896)	3,774,411	(4,824,598)	(1,405,641)
	(1,289,726)	(2,359,227)	(6,503,446)	(8,184,990)
Investing activities:				
Power project development costs	(170,417)	(2,798,417)	(2,356,373)	(10,723,139)
Acquisition costs	-	(168,663)	-	(168,663)
Intangible asset payments	(89,985)	(135,149)	(416,364)	(383,210)
Property, plant and equipment purchases	(22,990,082)	(26,418,197)	(67,380,058)	(67,654,891)
Pre substantial completion revenue	9,949,080	-	9,949,080	-
Builder's lien holdback deposit account	(1,557,469)	(2,379,928)	(4,880,522)	(6,080,451)
Builder's lien holdback payable	1,136,206	1,932,471	4,571,062	6,244,554
Sale of investment	-	-	3,065,131	-
	(13,722,667)	(29,967,883)	(57,448,044)	(78,765,800)
Financing activities:				
Common shares issued for cash	51,585	16,800	78,367	51,800
Long-term debt	4,012,818	25,198,935	33,728,143	59,243,329
Cash restricted for use in construction activities	8,644,154	1,794,597	26,465,192	10,965,022
Financing provided by joint equity partner of TMGP	-	(51,022)	-	(305,207)
	12,708,557	26,959,310	60,271,702	69,954,944
Decrease in cash	(2,303,836)	(5,367,800)	(3,679,788)	(16,995,846)
Cash, beginning of period	13,027,968	16,832,585	14,403,920	28,460,631
Cash, end of period	\$ 10,724,132	\$ 11,464,785	\$ 10,724,132	\$ 11,464,785

Supplementary cash flow information (note 12)

See accompanying notes to the interim consolidated financial statements.

# PLUTONIC POWER CORPORATION

Notes to the Interim Consolidated Financial Statements

For the three and nine month periods ended September 30, 2010 and 2009  
(unaudited)

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## 1. Operations:

Plutonic Power Corporation (the "Company") and all of its wholly and partially owned subsidiary entities are domiciled in the Province of British Columbia ("BC"), Canada. The Company's principal business operations are the identification, development, construction and the operation of clean power projects.

In 2007, the Company and its partner GE Energy Financial Services ("GE"), formed the Toba Montrose General Partnership ("TMGP"), a general partnership formed under the laws of the Province of BC, to own, finance, build and operate the East Toba River and Montrose Creek run-of-river hydro-electric project ("Toba Montrose") in conjunction with our First Nations partners, the Klahoose, Sliammon and Sechelt First Nations. Toba Montrose includes two separate generation facilities and 155 kilometers ("km") of transmission line which interconnects the generation facilities to a BC Hydro and Power Authority ("BC Hydro") substation at Saltery Bay, BC. The Company and GE hold a 40% and 60% respective interest in TMGP. TMGP has a 35 year Electricity Purchase Agreement ("EPA") with BC Hydro to sell all the electricity generated by Toba Montrose, and the two facilities are expected to generate average net annual energy of 710,000 – 730,000 megawatt hours ("MWh").

During the second quarter of 2010, TMGP began selling electricity generated by the East Toba River generation facility, and by the Montrose Creek generation facility early in the third quarter of 2010. Electricity sales in the second and third quarter of 2010 were netted against Property, Plant and Equipment, since the operation of Toba Montrose remained under the control of the contractor while final performance tests were completed.

On November 1, 2010, TMGP's contractor substantially completed the construction of Toba Montrose and TMGP assumed full operational control of the Toba Montrose generation and transmission facilities. Revenue from the sale of electricity beginning November 1, 2010 will be recognized in the Statement of Operations.

In 2009, the Company and GE formed the Dokie General Partnership ("DGP"), a general partnership formed under the laws of the Province of BC, to acquire, finance, complete the construction of and operate the Dokie Wind Project in conjunction with our First Nations partners, the Halfway River, West Moberly and Saulteau First Nations and McLeod Lake Indian Band. The Company and GE hold a 51% and 49% respective interest in DGP. In December 2009, DGP acquired certain assets related to the Dokie Wind Project from EarthFirst Canada Inc. and third parties. DGP arranged debt financing of \$175 million and the Company and GE contributed \$52.5 million of project equity, of which the Company's 51% proportionate contribution was \$26.8 million, to finance the completion of the Dokie Wind Project. This project is located 1,100 km northeast of Vancouver, near Chetwynd, BC and it will use 48 3-MW wind turbines and are expected to generate average net annual energy of 320,000 – 340,000 MWh. Completion of construction and commencement of electricity sales to BC Hydro under a 25 year EPA are scheduled to occur in early 2011. The Company and GE are currently studying the Dokie Wind Expansion Project, including wind assessment, turbine layout and infrastructure and financial verifications.

# PLUTONIC POWER CORPORATION

Notes to the Interim Consolidated Financial Statements

For the three and nine month periods ended September 30, 2010 and 2009  
(unaudited)

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## 1. Operations (continued):

In 2008, the Company and GE signed a memorandum of understanding (“MOU”) to jointly bid the Upper Toba Valley and Bute Inlet run-of-river hydro-electric projects into the BC Hydro 2008 Request for Proposals (“BC Hydro 2008 RFP”). On April 28, 2010, the Company and GE entered into a 40 year EPA with BC Hydro for the modified Upper Toba Valley Project that now includes two power sites with a combined expected average net annual energy generation of 300,000 – 320,000 MWh. The original proposal included a third power site, which was removed during discussions with BC Hydro because of concerns about capacity constraints on a BCTC transmission line between Saltery Bay and Malaspina. Negotiations with BC Hydro for an EPA on the Bute Inlet Project did not move ahead at that time in order to allow for further data collection, studies, due diligence and market assessment.

With the change in size of the Upper Toba Valley Project, the Company and GE are in discussions on how to proceed with the development and construction of the Upper Toba Valley Project.

Toba Montrose is now fully operational and is beginning to generate positive cash flow from operations and the Dokie Wind Project is also expected to generate positive cash flow once it is online in early 2011. Distribution of cash flows from the partnerships to the partners requires resolution of remaining conditions in the loan agreements and conversion of the construction loans to operating loans as provided for in the loan agreements. As such, during the next twelve months, the Company will need to access additional working capital. The amount required will be dependent on the timing and results of work currently underway at both the Upper Toba Valley Project and the potential Dokie Wind Expansion Project. As well, further funds will be required for the continued development of the Company’s other power projects and its 40% share of TMGP’s construction cost contingency.

## 2. Significant accounting policies:

### (a) Basis of presentation:

The Company prepares its consolidated interim financial statements in accordance with Canadian generally accepted accounting principles on a basis consistent with those used and described in the annual consolidated financial statements for the year ended December 31, 2009. The disclosures contained in these consolidated interim financial statements do not include all the requirements of Canadian generally accepted accounting principles for annual financial statements, and accordingly, these consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2009.

### (b) International Financial Reporting Standards (“IFRS”):

The Canadian Institute of Chartered Accountants (“CICA”) has announced it will transition Canadian generally accepted accounting principles (“GAAP”) for publicly accountable entities to IFRS. The Company’s consolidated financial statements are to be prepared in accordance with IFRS for the fiscal year commencing January 1, 2011.

While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences related to recognition, measurement, and disclosures. While the effects of IFRS have not yet been fully determined, the Company has identified a number of key areas which are likely to be impacted by changes in accounting policy, including: financial instruments; the accounting for investments in joint ventures, the deferred gain on transfer of assets; and share-based payment transactions.

# PLUTONIC POWER CORPORATION

Notes to the Interim Consolidated Financial Statements

For the three and nine month periods ended September 30, 2010 and 2009  
(unaudited)

### 3. Investment in Toba Montrose General Partnership:

- (a) In 2007, the Company contributed Toba Montrose and related permits, licences, Impact Benefit Agreements ("IBA's") with the Klahoose and Sliammon First Nations and its EPA with BC Hydro to TMGP. In return, the Company received and currently holds 51 Class A Units of TMGP, representing a 51% non-participating, voting interest in TMGP and 100 Class B Units of TMGP, which are non-voting and allow participation in 40% of the distributions of TMGP. After 35 years of operations, the Company's economic interest associated with the Class B Units in TMGP will increase to 51% and its partner's economic interest in TMGP will decrease from 60% to 49%.

The fair value of the intangible assets contributed by the Company to TMGP was \$36.7 million. The Company included in these consolidated interim financial statements its proportionate share of the original cost of the assets contributed and deferred the \$16.2 million gain on contribution of these assets. This deferred gain is to be amortized over the 35 year life of the BC Hydro EPA. The Company began amortizing this deferred gain during the third quarter of 2010 in the amount of \$115,637.

The Company is required to fund its pro-rata share of TMGP's project cost contingency.

- (b) The Company's economic interest in the assets, liabilities, revenue and expenses and cash flows of TMGP accounted for under the proportionate consolidation method, are included in these consolidated interim financial statements as follows:

	September 30 2010	December 31 2009
Cash	\$ 2,185,695	\$ 1,778,234
Cash restricted for use in construction activities	6,857,680	3,632,819
Accounts receivable	3,383,630	-
Interest and other receivables	783,289	11,577
GST / HST recoverable	491,760	245,863
Prepaid expenses	276,246	109,049
Builder's lien holdback deposit account	19,968,104	16,980,220
Performance security deposits	150,000	150,000
Property, plant and equipment	228,298,836	198,614,482
Intangible assets	5,487,674	5,232,310
	267,882,914	226,754,554
Accounts payable and accrued liabilities	8,806,940	4,854,460
Interest and fees payable	853,377	750,086
Builder's lien holdback payable	19,968,104	17,479,112
Long-term debt	185,387,600	151,644,675
Interest rate swap contracts	19,143,708	13,701,612
	234,159,729	188,429,945
Net assets	\$ 33,723,185	\$ 38,324,609

# PLUTONIC POWER CORPORATION

Notes to the Interim Consolidated Financial Statements

For the three and nine month periods ended September 30, 2010 and 2009  
(unaudited)

### 3. Investment in Toba Montrose General Partnership (continued):

	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Realized and unrealized (gain) loss on interest rate swap contracts	\$ (912,223)	\$ 8,653,500
Other expenses	155,126	167,801
Share of TMGP net (income) loss	\$ (757,097)	\$ 8,821,301
Cash flow from operating activities	\$ (757,753)	\$ (1,712,856)
Cash flow from investing activities	(29,068,281)	(67,791,768)
Cash flow from financing activities	30,233,495	69,912,400

  

	Three months ended September 30, 2010	Three months ended September 30, 2009
Realized and unrealized (gain) loss on interest rate swap contracts	\$ (263,689)	\$ 144,292
Other expenses	46,792	50,189
Share of TMGP net (income) loss	\$ (216,897)	\$ 194,481
Cash flow from operating activities	\$ 169,368	\$ (509,349)
Cash flow from investing activities	2,959,432	(26,986,926)
Cash flow from financing activities	(1,994,245)	26,901,242

### 4. Investment in Dokie General Partnership:

- (a) In 2009, the Company contributed \$26.8 million to DGP for 26,775 Class A Units of DGP, representing a 51% participating and voting interest in DGP.
- (b) The Company's 51% interest in the assets, liabilities, revenue and expenses and cash flows of DGP, accounted for under the proportionate consolidation method, are included in these consolidated interim financial statements as follows:

# PLUTONIC POWER CORPORATION

Notes to the Interim Consolidated Financial Statements

For the three and nine month periods ended September 30, 2010 and 2009  
(unaudited)

## 4. Investment in Dokie General Partnership (continued):

	September 30 2010	December 31 2009
Cash	\$ 1,601,796	\$ 701,383
Cash restricted for use in construction activities	18,540,780	48,230,833
Interest and other receivables	3,982	19,260
GST / HST recoverable	1,051,705	238,729
Prepaid expenses	27,468	38,609
Performance security deposits	21,458	21,458
Builder's lien holdback deposit account	2,324,557	431,919
Property, plant and equipment	98,473,584	64,977,869
Intangible assets	386,701	382,500
	122,432,031	115,042,560
Accounts payable and accrued liabilities	3,881,807	589,532
Builder's lien holdback payable	2,513,989	431,919
Long-term debt	87,289,264	87,189,681
	93,685,060	88,211,132
<b>Net assets</b>	<b>\$ 28,746,971</b>	<b>\$ 26,831,428</b>

	Nine months ended September 30, 2010	Nine months ended September 30, 2009
General and administrative expenses	\$ 99,081	\$ -
Share of DGP net loss	\$ 99,081	\$ -
Cash flow from operating activities	\$ (97,680)	\$ -
Cash flow from investing activities	(28,691,960)	-
Cash flow from financing activities	29,690,053	-

	Three months ended September 30, 2010	Three months ended September 30, 2009
General and administrative expenses	\$ 38,432	\$ -
Share of DGP net loss	\$ 38,432	\$ -
Cash flow from operating activities	\$ (20,985)	\$ -
Cash flow from investing activities	(16,403,138)	-
Cash flow from financing activities	14,528,916	-

# PLUTONIC POWER CORPORATION

Notes to the Interim Consolidated Financial Statements

For the three and nine month periods ended September 30, 2010 and 2009  
(unaudited)

## 5. Investment:

On January 1, 2010, the Company's special warrants in AltaGas Income Trust ("AltaGas") converted to full participating units with no additional consideration payable. At that time, the Company recorded the AltaGas units as an available-for-sale security and recorded them on the balance sheet at their fair value, based on the quoted market price of AltaGas each period end. Changes in the fair value of the AltaGas units were recorded in accumulated other comprehensive loss. In June 2010, the Company sold its entire investment in AltaGas for net cash proceeds of \$3,065,131. The Company recorded a realized loss of \$549,516 on the sale of this investment. During the nine month period ended September 30, 2010 the Company recorded \$162,390 as received in dividend income on the AltaGas units prior to their sale in June 2010.

## 6. Power project development costs:

	Upper Toba Valley Project	Bute Inlet Project	Other Projects	Total
Balance, December 31, 2008	\$ 5,581,676	\$ 16,335,235	\$ 2,713,663	\$ 24,630,574
Engineering and hydrology	685,891	3,555,083	216,839	4,457,813
Permitting	870,468	6,376,524	22,100	7,269,092
Community consultations	47,976	1,520,564	1,950	1,570,490
Share-based compensation	159,729	233,286	-	393,015
Power project development costs written-off	-	-	(34,900)	(34,900)
Total 2009 Costs	1,764,064	11,685,457	205,989	13,655,510
Balance, December 31, 2009	7,345,740	28,020,692	2,919,652	38,286,084
Engineering and hydrology	762,023	272,820	83,546	1,118,389
Permitting	130,570	164,532	22,072	317,174
Community consultations	15,789	347,305	7,255	370,349
Financing and tender bid costs	2,286	-	-	2,286
Share-based compensation	36,934	15,454	-	52,388
Total 2010 Costs	947,602	800,111	112,873	1,860,586
Balance, September 30, 2010	\$ 8,293,342	\$ 28,820,803	\$ 3,032,525	\$ 40,146,670

The Company has incurred and capitalized direct costs on 41 run-of-river hydroelectric power development projects, excluding Toba Montrose, located primarily in the southwestern region of BC. 34 of the projects are located within the Company's Green Power Corridor™, an area in southwest coastal BC, which includes drainages flowing into the Toba, Bute and Knight Inlets.

The Company's principal power projects, besides Toba Montrose and the Dokie Wind Project, which are disclosed in notes 3 and 4, are as follows:

### (a) Upper Toba Valley Project:

In 2006, the Company applied for and had applications for water licenses and Crown Land tenure accepted by the Water Stewardship Division, Ministry of the Environment ("MOE") and the Integrated Land Management Bureau, Ministry of Agriculture and Lands ("ILMB") for these three power sites. The Company then submitted the Upper Toba Valley project to the BC Environmental Assessment Office

# PLUTONIC POWER CORPORATION

Notes to the Interim Consolidated Financial Statements

For the three and nine month periods ended September 30, 2010 and 2009  
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## 6. Power project development costs (continued):

### (a) Upper Toba Valley Project (continued):

("EAO") for the construction of three run-of-river generation facilities, to be located on Dalglish Creek, Jimmie Creek and the Upper Toba River.

The Company and GE jointly bid the Upper Toba Valley Project into the BC Hydro 2008 RFP in November 2008.

During 2009, the Company was granted a BC Provincial Environmental Assessment Certificate for the Upper Toba Valley Project. In December 2009, the Canadian Federal Government completed its screening level review under the Canadian Environmental Assessment Act, allowing the Upper Toba Valley Project to proceed.

In March 2010, BC Hydro offered the Company and GE an EPA for a modified Upper Toba Valley Project. The Company and GE modified the Upper Toba Valley Project to include two power sites with an expected average net annual energy generation of 300,000 – 320,000 MWh. This represents a modification from the original bid of three power sites. The Dalglish power site was removed from the Company and GE's bid during discussions with BC Hydro to address capacity constraints identified by BCTC on their transmission line between Saltery Bay and Malaspina. The Dalglish power site remains a potentially viable stand alone project should the BCTC transmission line constraints between Saltery Bay and Malaspina be removed in the future. On April 28, 2010, the Company and GE entered into a 40 year EPA with BC Hydro for the modified Upper Toba Valley Project. The three power sites are located on tributaries of the Toba River, close to Toba Montrose, and were added to the Company's power project development portfolio during 2006.

Subject to a priority use agreement, the Company has the right to use any additional unused capacity of the transmission line being built for TMGP for the Company's Upper Toba Valley Project.

### (b) Bute Inlet Project:

The Bute Inlet Project consists of 17 power sites, with an estimated combined potential average net annual energy generation of approximately 2,900,000 MWh.

From 2003 through 2008, the Company applied for and had applications for water licenses and Crown Land tenure accepted by MOE and ILMB for the Bute Inlet power sites.

In 2008, the Company submitted its Bute Inlet Project into the Environmental Assessment Process. The Bute Inlet Project proposal submitted to the BC EAO, the Canadian Environmental Assessment Agency and the Major Projects Management Office was for the construction of 17 run-of-river generating facilities, organized into three interconnected groups. Seven of the sites are located in or near the Homathko River system, seven are in the Southgate River system and three are in the Orford River system. The BC EAO has issued a Section 10 order that commits the project to an environmental assessment under the Environmental Assessment Act.

In May 2009, the Federal Minister of Environment approved the Environmental Impact Assessment Guidelines for the Bute Inlet Project's Federal environmental assessment process, which would have proceeded by way of panel review. At the same time, the BC EAO issued the Terms of Reference for the Application for an Environmental Assessment Certificate.

# PLUTONIC POWER CORPORATION

Notes to the Interim Consolidated Financial Statements

For the three and nine month periods ended September 30, 2010 and 2009  
(unaudited)

## 6. Power project development costs (continued):

### (b) Bute Inlet Project (continued):

In March 2010, the Company and GE announced negotiations with BC Hydro for an EPA on the Bute Inlet Project would not move ahead at that time in order to allow for further data collection, studies, due diligence and market assessment.

The Company remains committed to the development of the Bute Inlet Project, and will continue with cost-effective work necessary to advance the project in a manner consistent with the high standards set by Governments.

### (c) Other Projects:

The Company has 22 other run-of-river power sites with a combined potential average net annual energy generation of approximately 2,300,000 MWh. These power sites are located primarily in the southwestern region of BC. The Company continues to collect hydrological data, conduct engineering work and perform other required studies on these power sites.

In 2009, the Company and GE acquired the rights to the Dokie Wind Expansion Project and the Company and GE's interest in these rights are 51% and 49% respectively. The Company and GE are currently studying the Dokie Wind Expansion Project, including wind assessment, turbine layout and infrastructure and financial verifications. These studies will continue into 2011.

## 7. Property, plant and equipment:

September 30, 2010	Cost	Accumulated amortization	Net book value
Toba Montrose assets under construction	\$ 228,298,836	\$ -	\$ 228,298,836
Dokie assets under construction	98,473,584	-	98,473,584
Computer equipment	196,894	92,829	104,065
Office equipment	130,216	50,607	79,609
Leasehold improvements	23,709	11,695	12,014
	<u>\$ 327,123,239</u>	<u>\$ 155,131</u>	<u>\$ 326,968,108</u>

December 31, 2009	Cost	Accumulated amortization	Net book value
Toba Montrose assets under construction	\$ 200,961,061	\$ -	\$ 200,961,061
Dokie assets under construction	66,977,869	-	66,977,869
Computer equipment	185,868	74,004	111,864
Office equipment	131,735	37,144	94,591
Vehicle	10,000	5,835	4,165
Leasehold improvements	23,709	6,992	16,717
	<u>\$ 268,290,242</u>	<u>\$ 123,975</u>	<u>\$ 268,166,267</u>

# PLUTONIC POWER CORPORATION

Notes to the Interim Consolidated Financial Statements

For the three and nine month periods ended September 30, 2010 and 2009  
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## 7. Property, plant and equipment (continued):

A summary of the Company's proportionate interest in TMGP assets under construction is as follows:

	September 30 2010	December 31 2009
Engineering, procurement and construction costs	\$ 197,807,882	\$ 171,682,092
EPC change orders and bonus	6,595,374	2,327,527
Project construction management costs	11,014,283	6,333,114
Development costs	1,400,000	1,400,000
Construction insurance costs	1,254,467	1,241,990
BC Hydro interconnection costs	1,313,517	1,115,440
Land lease payments	281,194	154,153
Capital spare parts for use in operations	1,338,532	781,507
Capitalized net financing costs	21,354,437	15,925,238
Pre substantial completion revenue	(14,060,850)	-
	<b>\$ 228,298,836</b>	<b>\$ 200,961,061</b>

In 2007, TMGP executed a \$497.5 million fixed-price Engineering, Procurement and Construction ("EPC") contract with Peter Kiewit Sons Co. for the construction of Toba Montrose. As at September 30, 2010, TMGP had incurred or accrued \$494.5 million under the terms of the EPC contract, of which the Company's proportionate share was \$197.8 million (December 31, 2009 - \$429.2 million and \$171.7 million respectively).

As at September 30, 2010, TMGP incurred and capitalized \$46.6 million (December 31, 2009 - \$33.9 million) in net financing costs directly attributable to the construction of Toba Montrose. The Company's proportionate share of the capitalized net financing costs was \$21.3 million (December 31, 2009 - \$15.9 million).

A summary of the Company's proportionate interest in DGP assets under construction is as follows:

	September 30 2010	December 31 2009
Property, plant and equipment	\$ 62,258,634	\$ 61,361,260
Engineering, procurement and construction costs	24,508,769	4,319,190
EPC issued change orders	634,957	-
Transformers	998,686	231,856
Project construction management costs	4,391,098	199,301
Construction insurance costs	467,886	461,150
Capitalized net financing costs	5,213,554	405,112
Total	<b>\$ 98,473,584</b>	<b>\$ 66,977,869</b>

In December 2009, DGP entered into various agreements to procure assets for the completion of the Dokie Wind Project. Subsequent to this in December 2009, DGP executed a \$56.5 million fixed-price EPC contract with Mortenson Canada Corporation to complete the construction of the 144 MW Dokie Wind Project, which includes the completion of the installation of wind turbines, generators, transformers, a transmission line, and related construction costs. As at September 30, 2010, DGP had incurred or accrued \$48.0 million under the terms of the EPC contract, of which the Company's proportionate share was \$24.5 million (December 31, 2009 - \$8.5 million and \$4.3 million respectively).

# PLUTONIC POWER CORPORATION

Notes to the Interim Consolidated Financial Statements

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## 7. Property, plant and equipment (continued):

Future commitments for fixed asset purchases as at September 30, 2010 total \$2.8 million, of which the Company's proportionate share is \$1.4 million (December 31, 2009 - \$4.2 million and \$2.1 million respectively). These commitments are payable upon satisfaction of certain commissioning conditions and reliability tests.

As at September 30, 2010, DGP had incurred and capitalized \$10.2 million (December 31, 2009 - \$0.8 million) in net financing costs directly attributable to the construction of the Dokie Wind Project. The Company's proportionate interest in the capitalized financing costs was \$5.2 million (December 31, 2009 - \$0.4 million).

## 8. Long-term debt:

	September 30 2010	December 31 2009
The Company's proportionate interest in TMGP's credit facilities (a)		
Fixed rate credit facility	\$ 145,921,902	\$ 140,604,675
Floating rate credit facility	39,465,698	11,040,000
	185,387,600	151,644,675
The Company's proportionate interest in DGP's loan (b)	87,289,264	87,189,681
	272,676,864	238,834,356
Less current portion of long-term debt	(196,641)	-
Total	\$ 272,480,223	\$ 238,834,356

### (a) TMGP's Credit Facilities:

- (i) During 2007, TMGP engaged GE Capital Markets (Canada), Ltd., an affiliate of GE, and the Manufacturers Life Insurance Company to arrange the required debt financing for Toba Montrose. The co-lead arrangers led a syndicate of financial institutions to provide TMGP with \$470 million in credit facilities.

In 2007 the credit agreement was executed and the following facilities were made available to TMGP:

- (a) a \$370 million, 38-year senior secured credit facility with a fixed interest rate, a fixed draw down schedule to correspond with the three-year construction period and a repayment period over the 35-year term of the project's EPA with BC Hydro (the "Fixed Rate Facility"). The interest rate on this credit facility is 6.288% per annum during the construction period and 6.173% thereafter. The construction period is defined in the credit facility agreement and includes the period through the date of commercial production, and for greater certainty, a period no later than March 1, 2011. As at September 30, 2010, the lenders had funded the full \$370 million under this credit facility, of which the Company's proportionate interest was \$148.0 million (December 31, 2009 - \$351.5 million and \$140.6 million respectively).

# PLUTONIC POWER CORPORATION

Notes to the Interim Consolidated Financial Statements

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## 8. Long-term debt (continued):

(a)(i) TMGP's Credit Facilities (continued):

(b) a \$100.0 million, 38-year senior secured credit facility with a floating interest rate, flexible draw downs during the three-year construction period and a repayment period over the 35-year term of the project's EPA with BC Hydro (the "Floating Rate Facility"). GE Canada Asset Financing Holding Company ("GE Lender") provides \$50 million (50%) of the Floating Rate Facility. The floating interest rate on this credit facility is based on one month Canadian dollar bankers' acceptance rates during the construction period, and the three month Canadian dollar bankers' acceptance rates thereafter, plus an applicable credit spread in each instance. The credit spread is 1.35% per annum during the construction period and for the first four years thereafter, and 1.60% for the remaining term of the credit facility. As at September 30, 2010, the lenders had funded the full \$100.0 million under this credit facility, of which the Company's proportionate interest was \$40.0 million (December 31, 2009 – \$27.6 million and \$11.0 million respectively).

Following the final draw down of the credit facilities in the third quarter of 2010, financing fees of \$6.5 million (which were incurred to execute the credit agreement), of which the Company's proportionate interest was \$2.6 million, have been applied proportionately against the carrying value of both the fixed rate and floating rate credit facility, and will be accreted to the long-term debt over the period of the loan using the effective interest rate method. As at September 30, 2010, financing fees of \$36,954 have been accreted back to the loan, of which the Company's proportionate interest is \$14,782 (December 31, 2009 - \$nil and \$nil respectively).

TMGP was required to pay to its lenders on a monthly basis a commitment fee of 0.375% per annum on the unused portion of the \$470 million total credit facilities.

The Company's proportionate interest in commitment fees and interest payable under the terms of the credit facilities at September 30, 2010 was \$853,377, of which \$38,301 was payable to GE Lender (December 31, 2009 - \$750,086 and \$12,729 respectively).

(ii) Cash restricted for use in construction activities:

In accordance with the terms of the credit facilities, debt is drawn down by TMGP on a specific monthly schedule that commenced in November 2007. The funds are drawn into a restricted escrow construction account. On a monthly basis TMGP applies for funds to be released from the escrow account to pay for construction costs. At September 30, 2010, a total of \$17.1 million (December 31, 2009 - \$9.1 million) was being held by TMGP in escrow of which the Company's proportionate interest was \$6.9 million (December 31, 2009 - \$3.6 million).

(b) DGP's Loan:

(i) DGP engaged the Manufacturers Life Insurance Company to arrange the required project debt financing. The arranger led a syndicate of financial institutions to provide DGP with a \$175.0 million loan. On December 7, 2009 a credit agreement was executed and the \$175.0 million Construction Loan was funded, of which the Company's proportionate interest was \$89.3 million. At the Term Conversion Date, or the date at which certain conditions have been met, including substantial completion of the Dokie Wind Project, the Construction Loan

# PLUTONIC POWER CORPORATION

Notes to the Interim Consolidated Financial Statements

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## 8. Long-term debt (continued):

### (b) DGP's Loan (continued):

automatically converts to a Term Loan, at which time it will be subject to certain debt covenants and repayment terms.

The \$175.0 million loan has a maturity date of the earlier of the 20<sup>th</sup> anniversary of the Term Conversion Date and expiry of the EPA, which is anticipated to be no earlier than December 31, 2030. The annual interest rate on this loan is fixed at 7.243%. Financing fees of \$4.1 million were incurred to execute the credit agreement, of which the Company's proportionate interest was \$2.1 million. These financing fees are applied against the carrying value of the loan and will be accreted to the long-term debt over the period of the loan using the effective interest rate method. As at September 30, 2010, financing fees of \$210,717 have been accreted back to the loan, of which the Company's proportionate interest is \$107,466 (December 31, 2009 - \$15,457 and \$7,883 respectively). There was no interest payable under the terms of the loan at September 30, 2010 (December 31, 2009 – nil).

### (ii) Cash restricted for use in construction activities:

The funds from the equity investment and the loan are held in restricted escrow construction accounts. On a monthly basis DGP applies for funds to be released from the escrow accounts to pay for construction costs. At September 30, 2010, a total of \$36.4 million was being held in escrow, of which the Company's proportionate interest was \$18.5 million (December 31, 2009 - \$94.6 million and \$48.2 million respectively), and was invested in short term banker's acceptances at rates of interest ranging from 0.743% to 0.745%.

## 9. Interest rate swap contracts:

On November 8, 2007, TMGP entered into two interest rate swap contracts that on a combined basis cover the period from November 8, 2007 to June 30, 2045.

The first interest rate swap contract provided for monthly settlements from November 8, 2007 to November 1, 2010 ("Short Dated Interest Rate Swap"). Pursuant to the interest rate swap agreement, TMGP received interest on a notional amount at the one month Canadian dollar Bankers Acceptance Rate from the counterparty and paid interest on the notional amount at an interest rate of 4.726% per annum. The notional amount was increased monthly in amounts based on a fixed schedule that was based on estimated drawings to be made on the \$100.0 million floating rate credit facility (note 8(a)(i)(b)). On May 1, 2010 the notional amount of the swap reached the maximum amount of \$100.0 million (December 31, 2009 - \$92.6 million). TMGP and the counterparty net settle the amount owing on a monthly basis. On November 1, 2010 the short dated interest rate swap expired.

The second interest rate swap contract provides for quarterly settlements from November 1, 2010 to June 30, 2045 ("Long Dated Interest Rate Swap"). Pursuant to the interest rate swap agreement, TMGP will

# PLUTONIC POWER CORPORATION

Notes to the Interim Consolidated Financial Statements

For the three and nine month periods ended September 30, 2010 and 2009  
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## 9. Interest rate swap contracts (continued):

receive interest on a notional amount at the three month Canadian dollar Bankers Acceptance Rate from the counterparty and will pay interest on the notional amount at an interest rate of 5.341% per annum. The notional amount is \$100.0 million and is reduced in amounts based on the scheduled principal repayments on the \$100.0 million Floating Rate Facility over the life of the interest rate swap. TMGP and the counterparty net settle the amount owing on a quarterly basis commencing December 31, 2010.

On July 15, 2008, TMGP designated the Long Dated Interest Rate Swap as an accounting cash flow hedge of the interest on the Floating Rate Facility for the period November 1, 2010 to June 30, 2045. While the fair value of the Long Dated Interest Rate Swap contract continues to be recognized on the balance sheet at each period end, the changes in the fair value of the effective portion of the interest rate swap contract are recorded from July 15, 2008 onwards in other comprehensive income until such time as the gain or loss is realized, at which time the gain or loss is reclassified to net earnings/loss. The changes in the fair value of the ineffective portion of the interest rate swap contract are recorded in the statement of operations.

The Company's proportionate interest in the fair value of the interest rate swap contracts have been reflected in the consolidated financial statements as liabilities as follows:

	September 30 2010	December 31 2009
Short Dated Interest Rate Swap	\$ 620,424	\$ 3,561,440
Long Dated Interest Rate Swap	18,523,284	10,140,172
	19,143,708	13,701,612
Less: Current Portion of Interest Rate Swap Contracts	(3,639,396)	(4,218,755)
Long-term Portion of Interest Rate Swap Contracts	\$ 15,504,312	\$ 9,482,857

The Company's proportionate interest in the realized and unrealized gains and losses on the interest rate swap contracts, and their classification in either the statement of operations or other comprehensive loss, is summarized in the following table:

Period	Statement of Operations		Total	Other
	Realized loss	Unrealized gain (loss)		Comprehensive Income (Loss) Unrealized gain (loss)
Short Dated Interest Rate Swap Contract:				
Nine months ended Sept 30, 2009	\$ (814,708)	\$ (2,183,948)	\$ (2,998,656)	\$ -
Nine months ended Sept 30, 2010	(1,231,212)	2,941,016	1,709,804	-
Long Dated Interest Rate Swap Contract:				
Nine months ended Sept 30, 2009	-	(5,654,844)	(5,654,844)	205,708
Nine months ended Sept 30, 2010	-	(797,581)	(797,581)	(7,585,531)
Total				
Nine months ended Sept 30, 2009	\$ (814,708)	\$ (7,838,792)	\$ (8,653,500)	\$ 205,708
Nine months ended Sept 30, 2010	\$ (1,231,212)	\$ 2,143,435	\$ 912,223	\$ (7,585,531)

# PLUTONIC POWER CORPORATION

Notes to the Interim Consolidated Financial Statements

For the three and nine month periods ended September 30, 2010 and 2009  
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## 9. Interest rate swap contracts (continued):

Period	Statement of Operations			Other
	Realized loss	Unrealized gain (loss)	Total	Comprehensive Income (Loss) Unrealized gain (loss)
Short Dated Interest Rate Swap Contract:				
Three months ended Sept 30, 2009	\$ (342,411)	\$ 567,950	\$ 225,539	\$ -
Three months ended Sept 30, 2010	(402,576)	1,011,609	609,033	-
Long Dated Interest Rate Swap Contract:				
Three months ended Sept 30, 2009	-	(369,831)	(369,831)	(3,449,732)
Three months ended Sept 30, 2010	-	(345,344)	(345,344)	(3,337,486)
Total				
Three months ended Sept 30, 2009	\$ (342,411)	\$ 198,119	\$ (144,292)	\$ (3,449,732)
Three months ended Sept 30, 2010	\$ (402,576)	\$ 666,265	\$ 263,689	\$ (3,337,486)

In March 2009, after a review of the TMGP Partnership Agreement, GE and the Company agreed to a change in the relative responsibility of the partners for the change in fair value of the two interest rate swap contracts in the case of a termination prior to their maturity by way of an amendment to the TMGP Partnership Agreement. Under the terms of the amended TMGP Partnership Agreement, the impact to the Company is as follows:

- (i) For the TMGP Short Dated Interest Rate Swap contract, which expired in November 2010, the Company was solely liable for any gains or losses in the event of an early termination of the contract. This resulted in the Company being allocated 100% of the unrealized gains and losses from the change in fair value of the TMGP short dated interest rate swap contract until it expired in November 2010. In March 2009 the Company had recorded an adjustment to reflect the resulting increase in its share of the interest rate swap contract liability and unrealized losses in the statement of operations for the short dated interest rate swap contract.
- (ii) For the TMGP Long Dated Interest Rate Swap contract, which expires in June 2045, the Company is liable for the first \$13.0 million of any gains or losses in the event of an early termination of the contract. Any gains or losses resulting from the early termination of the contract in excess of \$13.0 million are allocated 60% to GE and 40% to the Company. This results in the Company being allocated 100% of the unrealized gains and losses from the change in fair value of the long dated interest rate swap contract from the inception of the long dated interest rate swap up to a maximum of \$13.0 million and 40% of the unrealized gains and losses in excess of \$13.0 million. In March 2009 the Company recorded an adjustment to reflect the resulting increase in its share in the interest rate swap contract liability in both the Statement of Operations and Other Comprehensive Loss for the long dated interest rate swap contract.
- (ii) As a result of the amendment, for the three months ended March 31, 2009, the Company recorded an additional \$9.0 million of unrealized losses in the statement of operations and recorded an additional \$2.1 million loss in other comprehensive loss that would not have been recognized had the amendment not been made. Realized gains or losses through normal monthly or quarterly settlements continue to be allocated 60% to GE and 40% to the Company.

# PLUTONIC POWER CORPORATION

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## 10. Share Capital:

- (a) Authorized  
 Unlimited common shares without par value  
 Unlimited preferred shares without par value, issuable in series

- (b) Common shares - Issued and outstanding:

	Number of common shares	Amount
Balance, December 31, 2009	65,386,005	\$ 140,824,318
Issued for cash from exercise of options	40,532	78,367
Transfer from contributed surplus on exercise of vested options	-	26,581
<b>Balance, September 30, 2010</b>	<b>65,426,537</b>	<b>\$ 140,929,266</b>

- (c) Share purchase warrants:

The continuity of share purchase warrants during the nine month period ended September 30, 2010 is as follows:

Expiry date	Exercise price per common share	Balance Dec 31, 2009	Issued	Exercised	Expired	Balance, Sept 30, 2010
May 13, 2010	\$ 7.93	100,000	-	-	(100,000)	-
		100,000	-	-	(100,000)	-

- (d) Stock options:

A summary of share option activity and information concerning outstanding and exercisable options at September 30, 2010 and December 31, 2009 is as follows:

	Options granted	Weighted average exercise price
Balance, December 31, 2009	5,384,000	\$ 4.29
Options granted	1,138,800	3.39
Options exercised	(40,532)	1.93
Options forfeited	(639,566)	5.17
<b>Balance, September 30, 2010</b>	<b>5,842,702</b>	<b>\$ 4.03</b>

The weighted average grant-date fair value of stock options granted during the nine month period ended September 30, 2010 was \$1.69 per common share (December 31, 2009 - \$1.04 per common share). The Company determines the fair value of the options granted using the Black-Scholes option pricing model, recognizing forfeitures as they occur, using the following weighted average assumptions

# PLUTONIC POWER CORPORATION

Notes to the Interim Consolidated Financial Statements

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## 10. Share capital (continued):

(d) Stock options (continued):

	2010	2009
Risk-free interest rate	2.1% to 2.9%	1.5% to 1.8%
Expected life	3.0 to 4.8 years	3.8 to 5.0 years
Expected volatility	57% to 64%	64% to 67%
Expected dividend yield	Nil	Nil

No options were granted in the three month period ended September 30, 2010 (on September 28, 2009, the Company granted 250,000 stock options at an exercise price of \$3.43 per common share to newly appointed directors of the Company ).

Subsequent to September 30, 2010, 5,000 stock options were forfeited and nil stock options were exercised.

The following table summarizes information concerning outstanding and exercisable options at September 30, 2010:

Grant date	Expiry date	Number outstanding	Average exercise price	Remaining contractual life (in years)	<u>Vested and Exercisable</u>	
					Number	Exercise price
Mar 27, 2006	Mar 26, 2011	100,000	\$0.80	0.49	100,000	\$0.80
June 7, 2006	June 6, 2011	302,000	1.65	0.68	302,000	1.65
July 10, 2006	July 9, 2011	190,000	1.63	0.78	190,000	1.63
July 25, 2006	July 24, 2011	150,000	2.12	0.82	150,000	2.12
Dec 18, 2006	Dec 17, 2011	74,000	2.80	1.22	74,000	2.80
Mar 27, 2007	Mar 26, 2012	350,000	4.20	1.49	350,000	4.20
Mar 28, 2007	Mar 27, 2012	1,233,000	4.25	1.49	1,233,000	4.25
Apr 20, 2007	Apr 19, 2012	230,000	5.28	1.55	230,000	5.28
Jul 11, 2007	Jul 10, 2012	27,500	7.80	1.78	27,500	7.80
Sept 13, 2007	Sept 12, 2012	47,500	6.90	1.95	47,500	6.90
Apr 15, 2008	Apr 14, 2013	849,458	7.70	2.54	684,286	7.70
Sept 8, 2008	Sept 7, 2013	138,340	6.40	2.94	92,227	6.40
Nov 25, 2008	Nov 24, 2013	30,000	2.16	3.15	18,333	2.16
Mar 24, 2009	Mar 23, 2014	748,304	2.10	3.48	374,152	2.10
Sept 28, 2009	Sept 27, 2014	250,000	3.43	3.99	83,333	3.43
Nov 10, 2009	Nov 9, 2014	100,000	3.15	4.11	-	3.15
Jan 28, 2010	Jan 27, 2015	812,600	3.46	4.33	-	3.46
May 12, 2010	May 11, 2015	200,000	3.06	4.61	-	3.06
May 25, 2010	May 24, 2015	10,000	2.95	4.65	-	2.95
		5,842,702	\$4.03	2.51	3,956,331	\$4.26

As at September 30, 2010, there were 1,578,952 options available for grant under the Company's rolling stock option plan.

# PLUTONIC POWER CORPORATION

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## 11. Contributed surplus:

Balance, December 31, 2009	\$ 14,148,781
Share-based compensation expense	1,314,444
Fair value of options capitalized to power project development costs	52,388
Fair value of options capitalized to property, plant and equipment	33,848
Transfer to share capital on exercise of vested options	(26,581)
<b>Balance, September 30, 2010</b>	<b>\$ 15,522,880</b>

## 12. Supplemental cash flow information:

	Three months ended Sept 30		Nine months ended Sept 30	
	2010	2009	2010	2009
Supplementary information:				
Interest and fees paid	\$4,188,953	\$2,850,588	\$ 12,163,900	\$4,674,649
Interest received	101,611	33,763	241,437	199,101
Non-cash transactions:				
Fair value of options and warrants capitalized to power project development costs	12,050	64,954	52,388	359,004
Fair value of options for TMGP employees capitalized to property, plant and equipment	348	27,386	33,848	79,842
Accretion of long-term debt capitalized to property, plant and equipment	48,585	-	114,365	-
Amortization of intangibles assets capitalized to property plant and equipment	124,812	-	124,812	-
Amortization of the TMGP deferred gain credited to property plant and equipment	(115,637)	-	(115,637)	-
			September 30	December 31
			2010	2009
Cash is comprised of:				
Cash of the Company			\$ 6,936,641	\$ 11,924,303
Company's proportionate interest in cash of TMGP			2,185,695	1,778,234
Company's proportionate interest in cash of DGP			1,601,796	701,383
			<b>\$ 10,724,132</b>	<b>\$ 14,403,920</b>

## 13. Commitments:

In addition to commitments previously disclosed in note 7, the Company's minimum future payments for various maintenance and operational commitments, including its proportionate share of TMGP's and DGP's commitments, are as follows:

2010	\$ 264,744
2011	6,792,657
2012	4,075,520
2013	3,905,546
2014	3,905,546
Thereafter	26,709,944
<b>Total</b>	<b>\$ 45,653,957</b>

# **PLUTONIC POWER CORPORATION**

Notes to the Interim Consolidated Financial Statements

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