



THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010

Management's Discussion & Analysis

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INTRODUCTION

This Management's Discussion and Analysis ("MD&A") includes financial information from, and should be read in conjunction with, the unaudited Interim Consolidated Financial Statements of Plutonic Power Corporation (the "Company") for the three and nine month periods ended September 30, 2010 and 2009. The Company reports its financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles ("GAAP") in Canadian dollars. This MD&A was prepared with information available as of November 10, 2010. Additional information and disclosure relating to the Company can be found on SEDAR at www.sedar.com

Plutonic Power Corporation and all of its wholly and partially owned subsidiary entities are domiciled in the Province of British Columbia ("BC"), Canada. The Company is a reporting issuer in all the Provinces of Canada, except Quebec, and its common shares trade on the Toronto Stock Exchange ("TSX") under the symbol PCC. The Company's principal business activities are the identification, development, construction and operation of clean power projects, within the BC jurisdiction. The Company is focused on a growth and development path to become a leading supplier of clean electricity that may include projects outside of BC in the future.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "designed", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements. Based on current available information, the Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that those expectations will prove to be correct. The forward-looking statements in this MD&A are expressly qualified by this statement, and readers are advised not to place undue reliance on the forward-looking statements.

HIGHLIGHTS

Projects In Operation

The Company has a 40% economic interest in the Toba Montrose General Partnership ("TMGP") which owns two recently completed run-of-river hydroelectric generation facilities in BC, the East Toba River facility and Montrose Creek facility (collectively "Toba Montrose"). Toba Montrose will generate average net annual energy of 710,000 – 730,000 megawatt hours ("MWh"). In May 2010, TMGP commenced selling all the electricity generated by Toba Montrose to BC Hydro and Power Authority ("BC Hydro") under a 35 year long electricity purchase agreement ("EPA"). At September 30, 2010 Toba Montrose generated \$35.2 million in pre substantial completion revenue. Construction of Toba Montrose was substantially completed on November 1, 2010. The remaining 60% economic interest in TMGP is held by GE Energy Financial Services ("GE").

Project Under Construction

The Company has a 51% interest in the Dokie General Partnership ("DGP") which owns the approximately 80% complete Dokie Wind Farm located in BC. Once completed, the Dokie Wind Farm will consist of 48 Vestas V-90 wind turbines and will generate average net annual energy of 320,000 –

340,000 MWh. DGP expects to substantially complete construction of the Dokie Wind Farm and commence selling electricity to BC Hydro under a 25 year long EPA in early 2011. The remaining 49% economic interest in DGP is held by GE.

Projects Under Development

Dokie Wind Expansion Project

The Company holds a 51% interest on a potential expansion of the Dokie Wind Farm (“Dokie Wind Expansion Project”). GE holds the remaining 49% interest. The Company and GE are currently studying the Dokie Wind Expansion Project including wind assessment, turbine layout and infrastructure and financial verifications.

Upper Toba Valley Project

In 2010, the Company and GE signed a 40 year EPA with BC Hydro for the Upper Toba Valley Project that includes two run-of-river projects (“Power Sites”) with a combined expected average net annual energy generation of 300,000 - 320,000 MWh. The Company and GE are currently in the process of updating a feasibility study on the project.

Other Projects

The Company has a portfolio of 39 other Power Sites at various stages of evaluation, permitting and development with a combined potential average net annual energy generation of approximately 5,200,000 MWh. The majority of these Power Sites are located in the Green Power Corridor™, an area in southwest coastal BC, which includes drainages flowing into the Toba, Bute and Knight Inlets.

PROJECT UPDATES AND OUTLOOK

The Company has assembled, and continues to add to or reduce as required, a team of qualified and experienced professionals and support staff to develop, construct, and operate its current and future power projects.

Toba Montrose – In Operation

Toba Montrose is located in the Toba Valley, approximately 100 km north-east of Powell River, BC. TMGP began selling electricity generated from the East Toba River generation facility in May 2010 and from the Montrose Creek generation facility beginning in July 2010. As at September 30, 2010, TMGP had generated \$25.2 million of electricity sales from the East Toba River generation facility and \$8.2 million from the Montrose Creek generation facility. These revenues were recorded against Property Plant and Equipment, as the operation of Toba Montrose was not substantially complete and remained under the control of the Contractor until final performance tests were completed.

In 2009, TMGP and the Government of Canada signed an agreement under the ecoEnergy for Renewable Power program (“ecoEnergy program”) that provides incentive funding to increase Canada’s supply of clean electricity from renewable sources, including low-impact hydro projects such as Toba Montrose. During the third quarter of 2010, TMGP was awarded their EcoLogo certificate and became eligible to start receiving funding under the ecoEnergy program. TMGP will be entitled to receive up to \$71.5 million in funding under the ecoEnergy program during its first ten years of operations based on \$10 per megawatt-hour of electricity generated by Toba Montrose and sold to BC Hydro. TMGP

recorded \$1.8 million in accrued funding for the third quarter of 2010 which was credited under Property Plant and Equipment.

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. As of November 1, 2010 TMGP began to recognize the sale of electricity and the related ecoEnergy grant as revenue in its Statement of Operations.

Toba Montrose will generate average net annual energy of 710,000 – 730,000 MWh. Forecast productions will be on seasonal basis approximately as follows:

Q1 (January – March)	4%
Q2 (April – June)	32%
Q3 (July – September)	52%
Q4 (October – December)	12%

During operations, the Company will continue to work with our First Nations partners, the Klahoose, the Sliammon and the Sechelt First Nations.

The Company holds a 51% non-participating and voting interest and a 40% economic interest in TMGP. After 35 years of operations, the Company's economic interest in TMGP will increase from 40% to 51% for no additional consideration.

Currently, under Canadian GAAP, the Company accounts for its investment in TMGP using the proportionate consolidation method of accounting whereby the Company records its 40% share of TMGP's assets, liabilities, revenues and expenses. In 2011, under IFRS, the Company will adopt equity accounting for its investment in TMGP. As a result, the Company will no longer record its proportionate share of TMGP assets, liabilities, revenues and expenses and will instead show its investment in TMGP as a single line item on the balance sheet and the Company will report its 40% share of equity income from TMGP as a single line item in the Statement of Operations.

The obligations of TMGP, except for the Company's proportionate share of the contingent equity and debt service reserve guaranteed by a GE \$28 million letter of credit, are non-recourse to the Company.

Dokie Wind Farm – Under Construction

The Dokie Wind Farm is located 1,100 km northeast of Vancouver, near Chetwynd, BC and it is expected to achieve substantial completion in early 2011.

DGP acquired certain assets related to the Dokie Wind Project from EarthFirst Canada Inc. and third parties in late 2009. The Company and GE made their respective partner's contributions totalling \$52.5 million, of which the Company's 51% proportionate contribution was \$26.8 million, and DGP arranged the required remaining \$175 million of project debt financing to fund the completion of construction. DGP entered into an EPC contract with its contractor, Mortenson Canada Corporation ("Mortenson") to complete construction of the Dokie Wind Project with scheduled completion in early 2011.

Mortenson mobilized to site in early January 2010 to commence the balance of construction on the Dokie Wind Project. Turbine erection for the remaining 43 units commenced on June 28, 2010 and is scheduled to be completed in November 2010. Mechanical completion of the erected turbines commenced during the third quarter 2010, and pre-commissioning of mechanically complete turbines is underway. The substation construction is complete, and has entered the pre-commissioning stage. The

230 kV transmission line is now energized, and two out of six 35 kV collector lines are providing backfeed power to wind turbines for commissioning. Support from the community has been very positive and DGP continues to work with its First Nations partners, the Halfway River, West Moberly and Saulneau First Nations and the McLeod Lake Indian Band.

This facility will generate average net annual energy of 320,000 - 340,000 MWh. Forecast productions will be on seasonal basis approximately as follows:

Q1 (January – March)	28%
Q2 (April – June)	20%
Q3 (July – September)	22%
Q4 (October – December)	30%

DGP and the Government of Canada signed an agreement under the ecoEnergy for Renewable Power program. Upon commencement of commercial operations for the Dokie Wind Project, DGP will be entitled to receive up to \$33.1 million in funding under the ecoEnergy program during its first ten years of operations based on \$10 per megawatt-hour of electricity generated by the Dokie Wind Project and sold to BC Hydro.

The Company and GE hold respectively a 51% and 49% interest in DGP. The Company accounts for its investment in DGP using the proportionate consolidation method of accounting whereby the Company records its 51% share of DGP assets, liabilities, revenues and expenses. In 2011, under IFRS, the Company will adopt equity accounting for its investment in DGP. As a result, the Company will no longer record its proportionate share of DGP assets, liabilities, revenues and expenses and will instead show its investment in DGP as a single line item on the balance sheet and the Company will report its 51% share of equity income from DGP in 2011 as a single line item in the Statement of Operations. The obligations of DGP are non-recourse to the Company.

Dokie Wind Expansion Project

The Company and GE also acquired the rights to expand the Dokie Wind Farm currently under construction. The Dokie Wind Expansion Project is subject to feasibility confirmation and a successful EPA negotiation with BC Hydro. The Company and GE's interest in these rights are 51% and 49% respectively. The Company and GE have commenced studying the Dokie Wind Expansion Project, including wind assessment, turbine layout, infrastructure and financial verifications. These studies will continue into 2011.

Upper Toba Valley Project

During 2006, the Company applied for and had applications for water licences 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 three Power Sites. The Company then submitted the Upper Toba Valley Project to the BC Environmental Assessment Office (“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, enabling the federal agencies to proceed with the permitting of the Upper Toba Valley Project.

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 a combined expected average net annual energy generation of 300,000 – 320,000 MWh . This represents a modification from the original bid of 3 Power Sites. The Dalgleish Power Site was removed from the Company and GE's bid during discussions with BC Hydro to address capacity constraints identified by BC Hydro on their transmission line between Saltery Bay and Malaspina. The Dalgleish Power Site remains a potentially viable project should the BC Hydro 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. With the change in size of the Upper Toba Valley Project, the Company and GE are now updating feasibility work on how to proceed with the development and construction of the Upper Toba Valley Project.

A new transmission line was built to interconnect Toba Montrose to the BC Hydro substation at Saltery Bay, and subject to a priority use agreement with TMGP, the Company has the right to use the excess and unused capacity of the TMGP transmission line for the Upper Toba Valley Project.

The Company has Impact Benefit Agreements (“IBAs”) with the Sliammon and Sechelt First Nations that cover approval for the Upper Toba Valley Project and is in negotiations on an IBA with the Klahoose First Nation.

Bute Inlet Project – Under Development

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. Eight of these 17 Power Sites were added during 2007 and one was added during 2008. From 2003 through 2008, the Company applied for and had applications for water licences and Crown Land tenure accepted by MOE and ILMB for the Bute Inlet Power Sites.

The Company and GE jointly bid the Bute Inlet Project into the BC Hydro 2008 RFP in November 2008. 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 facilities are located in or near the Homathko River system, seven in the Southgate River system and three in the Orford River system.

In March 2010, the Company and GE jointly 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 this project and will continue with cost-effective work necessary to advance this project in a manner consistent with the high standards set by Governments.

Other Projects Under Development

The Company has 22 other 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 south-

western region of BC. The Company continues to collect hydrological data, conduct engineering work and perform other required studies on these Power Sites.

During 2010 the applications for a water licence and Crown Land tenure were accepted by the MOE and ILMB, for a 1,000 MW pumped storage site in South-western BC.

FINANCING

Toba Montrose is now fully operational and is expected to generate positive cash flow 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.

RESULTS OF OPERATIONS

Three months ended September 30, 2010, compared to the three months ended September 30, 2009

The Company recorded a net loss of \$1,644,071 for the quarter ended September 30, 2010 (\$0.03 loss per common share) compared to a net loss of \$2,687,812 (\$0.06 loss per common share) in the same period in 2009, a decrease in net loss of \$1,043,741, as explained in the following paragraphs.

The Company did not expense any guarantee fees during the third quarter of 2010, while it expensed \$372,259 in guarantee fees during the third quarter of 2009. The guarantee fees for 2009 are comprised of \$147,259 in amortization of the fair value of the 650,000 warrants issued by the Company to GE in 2007 and \$225,000 in cash payments related to the 3% annual cash fee paid to GE for the \$30 million letter of credit GE had posted on behalf of the Company to TMGP lenders. The letter of credit provided by GE guaranteed the \$30 million equity contribution the Company was required to make to TMGP no later than November 1, 2010. The Company made its \$30 million contribution and as such incurred its last guarantee fee expense in November 2009.

During the third quarter of 2010, the Company expensed \$13,999 on project evaluation costs compared to \$78,597 in the same period in 2009. The Company incurs expenditures in evaluating potential projects. If, due to these evaluations, the Company deems a new project technically and economically feasible and intends to develop the project, it will then begin to capitalize development costs related to the project, upon receipt of an associated water license.

Salaries expense was \$1,005,540 in the third quarter of 2010 compared to \$813,736 in the same period in 2009, an increase of \$191,804. The increase is due in part to the payment of long term incentive bonuses of \$145,781 and a general increase in salaries from the same quarter of 2009.

Share-based compensation expense, a non-cash item, is recorded over the vesting period of the stock options that have been granted. This expense was \$436,535 in the third quarter of 2010 compared to \$395,433 in the same period in 2009, an increase of \$41,102. This increase was due to awards granted in 2010.

Travel and promotion expense was \$129,144 in the third quarter of 2010 compared to \$483,640 in the same period of 2009, a decrease of \$354,496. The reduction in costs in the third quarter of 2010 for travel and promotion is due to the Company's primary focus on Toba Montrose and Dokie projects, therefore costs to support the Company's expanded development and growth activities related to other power projects under development had decreased.

During the three months ended September 30, 2010, the Company recorded its share of TMGP's realized loss on interest rate swap contracts of \$402,576 and an unrealized gain on the fair value adjustment of interest rate swap contracts of \$666,265 compared to a realized loss of \$342,411 and an unrealized gain of \$198,119 respectively in the same period in 2009 for a net decrease of \$407,981.

All other costs incurred during the third quarter of 2010 remained consistent with the costs from the third quarter of 2009.

During the three months ended September 30, 2010, the Company recorded an unrealized loss of \$3,337,486 (an unrealized loss of \$3,449,732 in the same period in 2009) in other comprehensive income, representing its share of TMGP's effective portion of the change in fair value of the interest rate swap designated as a cash flow hedge. The unrealized losses and gains on the fair value adjustment of the interest rate swap contracts are non-cash items.

Excluding its proportionate share of Toba Montrose and the Dokie Wind Project expenditures, during the third quarter of 2010, the Company capitalized \$428,771 of costs associated with its Power Sites for on-going engineering and hydrological work, meeting regulatory and permitting requirements, as well as First Nations, community and other stakeholder consultations.

Nine months ended September 30, 2010, compared to the nine months ended September 30, 2009

The Company recorded a net loss of \$5,571,351 for the nine months ended September 30, 2010 (\$0.09 loss per common share) compared to a net loss of \$16,163,497 (\$0.37 loss per common share) in the same period in 2009, a reduction in net loss of \$10,592,146 as explained in the following paragraphs.

The Company did not expense any guarantee fees during the first nine months of 2010 while it expensed \$1,116,776 in guarantee fees during the first nine months in 2009. The guarantee fees for 2009 are comprised of \$441,776 in amortization of the fair value of the 650,000 warrants issued by the Company to GE in 2007 and \$675,000 in cash payments related to the 3% annual cash fee paid to GE for the \$30 million letter of credit GE had posted on behalf of the Company to TMGP lenders. The letter of credit provided by GE guaranteed the \$30 million equity contribution the Company was required to make to TMGP no later than November 1, 2010. The Company made its \$30 million contribution and as such incurred its last guarantee fee expense in November 2009.

During the first nine months of 2010, the Company did not write-off any power project development costs compared to \$34,900 in the same period in 2009. When project development costs no longer meet the criteria for deferral, the costs are expensed. See Critical Accounting Estimates section for details on power project development cost criteria.

During the first nine months of 2010, the Company expensed \$56,373 on project evaluation costs compared to \$465,740 in the same period in 2009. The Company incurs expenditures in evaluating potential projects. If, due to these evaluations, the Company deems a new project technically and economically feasible and intends to develop the project, it will then begin to capitalize development costs related to the project, upon receipt of an associated water license.

Salaries expense was \$2,805,947 in the first nine months of 2010 compared to \$2,303,452 in the same period in 2009, an increase of \$502,495. The increase is due in part to the payment of long term incentive bonuses and a general increase in salaries from the same period in 2009.

Share-based compensation expense, a non-cash item, is recorded over the vesting period of the stock options that have been granted. This expense was \$1,314,444 in the first nine months of 2010 compared to \$960,549 in the same period in 2009, an increase of \$353,895. This increase was due to awards granted during 2010 and the average grant date fair value of the options granted increased from \$1.04 in the first nine months of 2009 to \$1.69 in the first nine months of 2010.

Consulting fees, professional fees, office costs, rent, transfer agent and listing fees and travel and promotion were \$1,896,165 in the first nine months of 2010 compared to \$2,683,466 in the same period in 2009, a reduction of \$787,301. The reduction in both these costs and project evaluation costs in 2010 is due to the Company's primary focus on Toba Montrose and Dokie projects, therefore costs to support the Company's expanded development and growth activities related to other power projects under development had decreased.

Interest income was \$33,367 in the first nine months of 2010 compared to \$103,119 in the same period in 2009, a decrease of \$69,752 due to lower interest rates and lower average cash balances on hand.

During the first nine months of 2010, the Company earned dividend income of \$162,390 compared to nil in the same period in 2009 from its investment in AltaGas units that converted from non participating special warrants to participating units on January 1, 2010. The Company sold its investment in AltaGas in June 2010 for cash proceeds of \$3,065,131 (net of commission fees of \$27,114) recording a realized loss on investment of \$549,516 in the nine months ended September 30, 2010.

During the nine month period ended September 30, 2010, the Company recorded its share of TMGP's realized loss on interest rate swap contracts of \$1,231,212 and an unrealized gain on the fair value adjustment of interest rate swap contracts of \$2,143,435 compared to a realized loss of \$814,708 and unrealized loss of \$7,838,792, respectively, in the same period in 2009 for a net decrease of \$9,565,723.

During the nine months ended September 30, 2010, the Company recorded an unrealized loss of \$7,585,531 (an unrealized gain of \$205,708 in the same period in 2009) in other comprehensive income, representing its share of TMGP's effective portion of the change in fair value of the interest rate swap designated as a cash flow hedge. The unrealized losses and gains on the fair value adjustment of the interest rate swap contracts are non-cash items.

In November 2007, TMGP entered into two interest rate swap contracts related to its \$100 million floating rate credit facility to be drawn during the approximately three year construction period and to be repaid during the operating term of 35 years. During 2008, TMGP designated the long dated interest rate swap as a cash flow hedge. In March 2009, 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. The impact to the Company under the terms of the amended TMGP partnership agreement is described in the following paragraphs:

- For the 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 results in the Company being allocated 100% of the unrealized gains and losses from the change in fair value of the short dated interest rate swap contract until its expiry. As a result of

amending the Partnership agreement, the Company recorded a one time adjustment of \$3.3 million in March 2009 for the resulting increase in the interest rate swap contract liability and unrealized losses in the Statement of Operations.

- For the long dated interest rate swap contract, which expires in June 2045, the Company is liable for 100% of 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 would be 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. As a result the Company recorded a one-time adjustment in March 2009 for the resulting increase in the interest rate swap contract liability of \$7.8 million, unrealized losses in the statement of operations of \$5.7 million, and other comprehensive loss of \$2.1 million.
- Gains or losses realized by TMGP through normal monthly or quarterly settlements continue to be allocated 60% to GE and 40% to the Company.

Excluding Toba Montrose and Dokie expenditures, during the first nine months of 2010, the Company incurred and capitalized \$1,860,586 of costs associated with its Power Sites for on-going engineering and hydrological work, meeting regulatory and permitting requirements, as well as First Nations, community and other stakeholder consultations.

SUMMARY OF QUARTERLY RESULTS

The following table summarizes information regarding the Company's operations on a quarterly basis for the last eight quarters. The following financial information has been prepared in accordance with Canadian GAAP and is reported in Canadian dollars.

Quarter Ended	Revenue	Net Loss	Net Loss Per common Share	Net Loss Per Diluted Common Share
30-Sep-10	\$ -	\$1,644,071	\$0.03	\$0.03
30-June-10	-	1,822,994	0.03	0.03
31-Mar-10	-	2,104,283	0.03	0.03
31-Dec-09	-	3,105,114	0.05	0.05
30-Sep-09	-	2,687,812	0.06	0.06
30-Jun-09	-	2,148,508	0.05	0.05
31-Mar-09	-	11,327,177	0.26	0.26
31-Dec-08	-	5,244,182	0.12	0.12

To reflect the amendment to the TMGP Partnership Agreement made in March 2009, the Company recorded a one-time adjustment in the first quarter of 2009 and increased its share of the unrealized loss on interest rate swap contracts in the statement of operations by \$9.0 million.

The Company expects to begin recording operating revenues during the fourth quarter of 2010.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2010, the Company had \$6,936,641 in cash (December 31, 2009 - \$11,924,303), its proportionate interest in TMGP's cash was \$2,185,695 (December 31, 2009 - \$1,778,234), and its proportionate interest in DGP's cash was \$1,601,796 (December 31, 2009 - \$701,383) for a consolidated cash balance of \$10,724,132 (December 31, 2009 - \$14,403,920). At September 30, 2010, the Company's proportionate interest in TMGP's restricted cash was \$6,857,680 (December 31, 2009 - \$3,632,819) and its proportionate interest in DGP's restricted cash was \$18,540,780 (December 31, 2009 - \$48,230,833) for a consolidated restricted cash balance of \$25,398,460 (December 31, 2009 - \$51,863,652).

At September 30, 2010, the Company had consolidated working capital of \$24,419,021 compared to consolidated working capital of \$57,489,794 at December 31, 2009, a decrease of \$33,070,773. Excluding TMGP and DGP, the Company's working capital was \$6,782,534 at September 30, 2010 compared to \$13,395,163 at December 31, 2009, a decrease in working capital of \$6,612,629.

Excluding TMGP and DGP, the Company's working capital decrease in the three and nine month periods ended September 30, 2010 was a result of \$0.4 million and \$1.8 million respectively spent on power project development costs, \$1.3 million and \$4.3 million respectively spent on net administrative costs, and the loss on disposal of available-for-sale investments of \$nil and \$0.5 million, respectively. Excluding TMGP and DGP, the Company's major expenditures during the three and nine month comparative period in 2009 included \$4.5 million and \$7.9 million respectively on power project development costs and \$2.7 million and \$4.8 million, respectively in net administrative costs.

The Company's consolidated working capital, which includes its proportionate share of TMGP's and DGP's working capital, will fluctuate depending on the timing of TMGP's and DGP's construction expenditures and funding from TMGP's long-term credit facilities. During the nine month period ended September 30, 2010, the Company recorded its proportionate share of cash additions to property, plant and equipment of \$38,138,292 for the construction of Toba Montrose and its proportionate share of cash additions to property, plant and equipment of \$28,877,191 for the current construction of the Dokie Wind Project. During the nine month period ended September 30, 2010, the Company also recorded its proportionate share of cash additions to intangibles of \$380,176 for the construction of Toba Montrose and its proportionate share of cash additions to intangibles of \$4,201 for the construction of the Dokie Wind Project. At September 30, 2010, the Company had recorded its proportionate share of TMGP's long-term debt, being \$185,387,600, of which \$nil was deposited in a restricted cash account pending required payments for Toba Montrose construction and related costs. At September 30, 2010, the Company recorded its proportionate share of DGP's long-term debt, being \$87,289,264, of which \$18,540,780 was deposited in a restricted cash account pending required payments for the Dokie Wind Project construction and related costs.

The Company is required to fund its pro-rata share of the Toba Montrose construction cost contingency.

Excluding the TMGP and DGP project financing disclosed below, the Company's main source of financing to date has been from the sale of common shares from treasury. Toba Montrose is now fully operational and is expected to generate positive cash flow 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 review 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.

TMGP project financing

During 2007, TMGP engaged GE Capital Markets (Canada), Ltd., an affiliate of GE, and the Manufacturers Life Insurance Company to arrange the required project debt financing. The co-lead arrangers led a syndicate of financial institutions and provided TMGP with the following:

- 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 interest rate on this credit facility is 6.288% per annum during construction and 6.173% thereafter. As at September 30, 2010, the lenders had funded the full \$370 million under this credit facility of which the Company's proportionate share was \$148 million.
- a \$100 million, 38-year, senior secured credit facility with 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 interest rate on this credit facility is based on one month Canadian dollar bankers' acceptance rates during construction and three months Canadian dollar banker's 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 \$100.0 million under this credit facility of which the Company's proportionate share was \$40.0 million. Concurrently with the closing of this floating rate credit facility, TMGP entered into two interest rate swap contracts, one for the estimated term of the construction period and one for the estimated operating term, to effectively fix the interest rates on the floating rate facility.

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 fair 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).

GE, through an affiliate, provided a \$100 million equity bridge loan to TMGP. In July 2010, following commencement of commercial operations, GE invested \$100 million of equity in TMGP which has been used to repay the \$100 million equity bridge loan. TMGP paid interest to the GE affiliate on the equity bridge loan (up a cumulative maximum amount of \$15 million) payable during construction. As at September 30, 2010, TMGP had repaid the entire \$100 million under the equity bridge loan and had paid a total of \$6.8 million in interest.

DGP project financing

During 2009 DGP engaged the Manufacturers Life Insurance Company to arrange the required project debt financing. The arrangers led a syndicate of financial institutions to provide DGP with a \$175 million loan. During 2009 the credit agreement was executed and a \$175 million Construction Loan

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

The \$175 million loan has a maturity date at the earliest of the 20th 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%.

CONTRACTUAL OBLIGATIONS

In 2009, the Company contributed \$30 million in equity to TMGP, which was primarily to fund an increase in capacity of the 230 KV transmission line built from the Toba Valley to Saltery Bay. The Company has the right to use, subject to a priority use agreement, any additional unused capacity of the TMGP transmission line for the Upper Toba Valley Project. In 2007, an affiliate of GE provided a \$30 million contingent equity guarantee to TMGP senior debt lenders to support the Company's \$30 million equity contribution which was made in 2009. The Company paid the GE affiliate a 3% per annum fee on the amount of guarantee provided, with the last payment made in November 2009.

In 2008, the Company extended an agreement with Knight Piesold to identify and evaluate potential run-of-river sites through to 2014. The agreement provides the Company with a right of first refusal to acquire new projects identified by Knight Piesold and also includes a standard non-compete clause to ensure continued interactions between the two companies are free from conflict. The agreement included the issuance of share purchase warrants for the purchase of 100,000 common shares to Knight Piesold exercisable at a price of \$7.93 per common share until May 13, 2010 and a bonus structure if any of the identified projects become commercially viable. These options expired unexercised in the second quarter of 2010.

During 2006, the Company entered into an agreement to lease premises for the Company's office space. Minimum monthly lease payments are required through 2012.

The Company, excluding TMGP and DGP, has no other material contractual obligations for the next five years. The Company is, however, required to carry on the development work to maintain its rights to the run-of-river and wind sites. The Company can elect to abandon its run-of-river and wind sites and in such instances, the Company would then no longer be required to fund any additional development costs.

TMGP obligations

The obligations of TMGP are non-recourse to the Company.

During 2007, the Company transferred to TMGP Toba Montrose and related permits, licences, IBAs with the Klahoose and Sliammon First Nations and its EPA with BC Hydro. The EPA committed TMGP to supply BC Hydro with all the electricity to be generated from Toba Montrose beginning no later than November 2010 for 35 years, which will generate average net annual energy of 710,000 – 730,000 MWh. The IBAs include financial commitments with respect to signing bonuses, construction access fees, continued access fees, project and training opportunities, and royalty payments. During 2008, TMGP entered into an IBA with the Sechelt First Nations with similarly structured commitments, project and training opportunities and royalty payments to the Klahoose and Sliammon First Nations.

The Company received an Environmental Assessment Certificate from the BC EAO for Toba Montrose in April 2007. This certificate contains a number of commitments that the Company must implement

throughout various phases of the project which include mitigation measures to protect wildlife and areas of cultural significance to the Klahoose, Sliammon and Sechelt First Nations. During 2007, the Company transferred this certificate and commitments to TMGP.

TMGP engaged GE Capital Markets (Canada), Ltd., an affiliate of GE, and the Manufacturers Life Insurance Company as co-lead to arrange the required project debt financing. The co-lead arrangers led a syndicate of financial institutions and provided TMGP with \$470 million of 38-year senior secured credit facilities with draw-downs to correspond with the three-year construction period and repayment over the 35-year term of the project's EPA with BC Hydro. These credit facilities are secured by TMGP's assets. As at September 30, 2010, the debt providers had advanced the entire \$470 million loan to TMGP.

TMGP executed a \$497 million fixed-price EPC contract with Kiewit for the construction of Toba Montrose. As at September 30, 2010, TMGP had incurred \$494.5 million under the Kiewit EPC contract.

A GE affiliate provided \$28 million of contingent equity and debt service reserve guarantees during construction of the project and \$8 million of contingent debt service reserve guarantee to TMGP debt providers during operations. TMGP is required to pay to the GE affiliate a 3% per annum fee on the amount of guarantees provided. The Company and GE will be required to fund their pro-rata share of the construction cost contingency.

A GE affiliate provided an \$11.76 million letter of credit to BC Hydro as part of the EPA performance bonding requirements. TMGP is required to pay to the GE affiliate a 3% per annum fee on the face amount of the letter of credit.

DGP Obligations

The obligations of DGP are non-recourse to the Company.

During 2009, DGP signed an EPA with BC Hydro to supply BC Hydro with all the electricity to be generated from the Dokie Wind Project beginning no later than March 2011 for 25 years. DGP will generate average net annual energy of 320,000 – 340,000 MWh.

During 2009, DGP signed MOUs with the McLeod Lake Indian Band and the Halfway River, the West Moberly and the Saulneau First Nations. The MOUs include payments and economic development opportunities for these First Nations during the construction and operation of the Dokie Wind Project.

DGP engaged the Manufacturers Life Insurance Company to arrange the required project debt financing. The co-lead arrangers led a syndicate of financial institutions and provided DGP with a \$175 million loan with repayments to be made from 2011 through 2030. This loan is secured by DGP's assets. As at September 30, 2010, the debt providers had advanced the entire \$175 million loan to DGP.

DGP executed a \$56.5 million fixed-price EPC contract with Mortenson to complete the construction of the Dokie Wind Project. As at September 30, 2010, DGP had incurred \$48.0 million under the Mortenson EPC contract.

A financial institution provided two letters of credit to BC Hydro totalling \$16.3 million as part of the EPA performance bonding requirements. DGP is required to pay to this financial institution a 1% per annum fee on the face amount of the letters of credit.

During 2009, DGP signed various contracts for the maintenance and operation of the wind turbines and associated facilities and equipment.

Summary of Material Obligations

The following table presents the Company's obligations over time:

In millions	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Long-term debt to be (drawn) repaid	\$277.3	\$0.2	\$5.6	\$4.3	\$267.2
Purchase Obligations (EPC)	\$5.5	\$5.5	-	-	-
Other future obligations	\$45.6	\$0.3	\$10.9	\$3.9	\$30.5

The long-term debt and purchase obligations represent the Company's proportionate interest of 40% in TMGP and 51% in DGP. The obligations above exclude interest to be paid on the long-term debt. Furthermore, TMGP has obligations under its interest rate swap contracts which are discussed in the Financial and Other Instruments section of this MD&A.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

The Company has no material transactions with related parties.

PROPOSED TRANSACTIONS

Upper Toba Valley and Bute Inlet Projects

In 2008, the Company and GE signed an MOU to partner on a bid to develop the run-of-river hydro-electric projects in the Toba and Bute Inlets along the southwest coast of BC. The MOU included certain terms for the development and construction of the projects.

The Company and GE jointly bid the Upper Toba Valley and Bute Inlet projects into the BC Hydro 2008 RFP on November 25, 2008. In March 2010, BC Hydro offered the Company and GE an EPA for a modified Upper Toba Valley Project that now includes two Power Sites with a combined expected average net annual energy generation of 315,000 MWh. On April 28, 2010, the Company and GE entered into a 40 year EPA with BC Hydro for the modified Upper Toba Valley Project. With the change in size of the Upper Toba Valley Project, the Company and GE are now in discussions on how to proceed with the development and construction of the Upper Toba Valley Project.

RISKS AND UNCERTAINTIES

The ability of the Company to be a viable provider of clean power is dependant upon a number of factors and includes, but is not limited to, the following: extensive regulation by all levels of government; successful completion of hydrological and wind studies to confirm that water and wind flows are sufficient to generate enough electricity to provide a suitable return on investment; receipt and renewal of water licences; environmental and other permits to build and operate the projects; the successful negotiation of a long-term contract with a purchaser of electricity; industry risk and

competition; the ability to obtain sufficient equity and long-term debt financing to construct the projects, support from First Nations that may have a claim to the land base where the Company's projects lie; community and stakeholder support and the ability to connect the projects to the BC Hydro transmission line; successful design, construction and operation of the generation facilities and related transmission lines.

The Company is dependent upon the personal efforts and commitments of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result.

Toba Montrose is now fully operational and is expected to generate positive cash flow 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.

For further details on risks and uncertainties, see the Company's 2009 Annual Information Form.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets, liabilities and commitments at the date of the financial statements and the reported amount of revenues and expenses during the reporting periods. Significant items subject to such management estimates and assumptions include investments, the recoverability of power project development costs, property, plant and equipment, intangible assets, impairments, the determination of the fair value of interest rate swap contracts, share-based compensation and the determination of future income taxes. Actual results could differ from the estimates and assumptions made in the preparation of these financial statements.

Investment

The Company previously accounted for its investment in the units of AltaGas as available for sale investments, with the value being based on the market price of the units and unrealized gains or losses recorded in other comprehensive income. This investment was sold in June 2010.

Power project development costs

The Company capitalizes direct costs associated with development of its power projects. If costs associated with the development of projects meet certain criteria, they are classified as intangible assets and ultimately are amortized over the useful life of the projects once commercial production commences. The criteria that the Company must demonstrate are i) technical feasibility of the project; ii) its intention to complete the project and use or sell it; iii) its ability to use or sell the project; iv) how the project will generate probable future economic benefits; v) availability of adequate technical, financial and other resources to complete the development and to use or sell the project; vi) its ability to measure reliably the expenditure attributable to the project during its development. If costs no longer meet these criteria, the costs are written off immediately.

The recovery of power projects development costs is dependent upon the successful completion of the projects or the sale of projects to third parties. The successful completion of the power projects is dependent upon receiving the necessary water and other licences, being awarded an EPA, obtaining the necessary project financing to successfully complete the development and construction of the projects, and the long-term generation and sale of sufficient electricity on a profitable basis.

Property, plant and equipment

Computer equipment, office equipment, leasehold improvements and vehicles are recorded at cost. Amortization is recorded using the declining balance method at an annual rate of 30% for computer equipment, 20% for office equipment and 30% for vehicles. Amortization for leasehold improvements is recorded using the straight-line method over the term of the applicable lease.

Electricity generating facilities, transmission lines, and other costs associated with the construction of Toba Montrose and the Dokie Wind Project are carried at cost, which consists of direct labour, material and equipment costs, engineering and project development costs and other costs incurred that are incremental and directly attributable to the development and construction of the projects. Amortization of these assets over their expected useful lives will begin upon substantial completion of the facilities.

Net incremental project financing costs incurred that are directly attributable to the development and construction of the projects are capitalized. From November 1, 2010 net financing costs in TMGP will be recorded in the Statement of Operations. The capitalization of net financing costs of the Dokie Wind Project will continue until the project is substantially complete and ready for commercial operation.

Intangible assets

Intangible assets include project permits and licenses, the EPA with BC Hydro, prepaid land tenure license amounts, and First Nations IBA and MOU costs for Toba Montrose and the Dokie Wind Project. Payments made to First Nations under the terms of the IBAs and MOUs are capitalized to intangible assets prior to the commencement of commercial operations, after which time such payments will be expensed in the statement of operations.

Amortization of TMGP's intangible assets will be calculated on a straight-line basis over the 35 year term of the EPA, applicable permits, licenses and agreements. DGP's intangible assets will be amortized on a straight-line basis over the 25 year term of the EPA and applicable agreements.

Impairment of long-lived assets

Long-lived assets, including power project development costs, property, plant and equipment, intangible assets and investments, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Recoverability of assets is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows an impairment charge is recognized by the amount that the carrying amount of the asset exceeds its fair value.

Determination of the fair value of interest rate swap contracts

The fair value of interest rate swap contracts are determined using current market rates and takes into account its own credit risk and the credit risk of the counterparty. See Financial and Other Instruments for details on the interest rate swap contracts.

Share-based compensation

The Company uses the fair value method of accounting for options granted under its stock-based compensation plan. Stock options are measured at the fair value of the consideration received or the fair value of the equity instruments issued whichever is more reliably measurable and are charged to operations over the vesting period. The offset is credited to contributed surplus. Cash received on the exercise of stock options is recorded in share capital and the related compensation included in contributed surplus is transferred to share capital to recognize the total consideration for the common shares issued.

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options and compensatory warrants granted. This model is subject to various assumptions. The assumptions the Company makes will likely change from time to time. At the time the fair value is determined, the methodology the Company uses is based on historical information, as well as anticipated future events.

Determination of future income taxes

The Company follows the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in income tax rates on future tax assets and liabilities is recognized in operations in the year in which the change occurs. A future income tax asset is recorded when the probability of the realization is more likely than not.

FUTURE ACCOUNTING STANDARDS

International Financial Reporting Standards (“IFRS”)

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The transition date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for each quarter in the year ended December 31, 2010. The Company has developed a changeover plan to complete the transition to IFRS by January 1, 2011, including the preparation of required comparative information.

The following table provides a summary of our changeover plan, the key activities involved, and the current status of these tasks:

Key Activities	Current Status
Financial Reporting <ul style="list-style-type: none"> Analyze and select accounting policies where alternatives are permitted, including IFRS 1 elections Quantify key differences for opening balance sheet Prepare IFRS consolidated financial statements, including IFRS 1 reconciliations 	<ul style="list-style-type: none"> Finalized IFRS 1 elections and formulated policy positions for key accounting differences during 2009 Preparation of draft consolidated financial statements (opening balance sheet as at January 1, 2010 and the quarter ended March 31, 2010) and IFRS 1 reconciliations are nearing completion.
Training <ul style="list-style-type: none"> Provide technical training to key accounting personnel and management 	<ul style="list-style-type: none"> Training to applicable personnel completed. Specific training has been provided on an as-needed basis during 2010
Control Environment <ul style="list-style-type: none"> Maintain effective controls throughout the IFRS conversion process Revise control environment for changes in processes and controls as a result of transition to IFRS 	<ul style="list-style-type: none"> An assessment of internal controls over the IFRS conversion process is in progress. A review of the control environment under IFRS is in progress.
Financial Information Systems <ul style="list-style-type: none"> Identify impact on financial systems and changes required 	<ul style="list-style-type: none"> Implementation of financial system that captures IFRS information completed

IFRS changeover requires the preparation of an opening statement of financial position at January 1, 2010. This will reflect retrospective application of IFRS subject to certain items where prospective application is either required or permitted. We have identified certain accounting policies whereby IFRS will result in a significant change for the Company, whereas in other areas no policy change is expected. There are unavoidably some areas where the extent of the policy change has not yet been finalized pending completion of related International Accounting Standards Board projects.

IFRS 1 – First-time Adoption of IFRS

IFRS 1, “First time adoption of International Financial Reporting Standards”, generally requires that all IFRS standards and interpretations be accounted for on a retrospective basis. IFRS 1 provides for certain optional exemptions and other mandatory exceptions to this general principal. The most significant IFRS optional exemptions which we expect to apply are:

Accounting Policy	IFRS 1 Exemption	Will the IFRS 1 exemption be applied?
IFRS 3, Business Combinations	This allows an entity that has conducted prior business combinations to apply IFRS 3 on a prospective basis from the date of transition. This avoids the requirement to restate prior business combinations.	Yes, IFRS 3 will be applied prospectively and prior business combinations will not be restated.
IFRS 2, Share-based	Full retrospective application may	Yes, IFRS 2 will be

Payment Transactions	be avoided for certain share-based payment transactions depending on the grant date, vesting terms and settlement of any related liabilities.	applied prospectively for prior share-based payment transactions.
IFRIC 4, Leases	The Company may determine whether an arrangement existing at the date of transition to IFRSs contains a lease on the basis of facts and circumstances existing at that date rather than at the inception of the arrangement.	Yes, IFRIC 4 will be applied prospectively for all leases.

Other key changes identified relating to the adoption of IFRS include:

Investments in Joint Ventures

IAS 31 – *Investments in Joint Ventures* is currently under revision and the new standard is expected to be finalized in 2010. It is expected that IAS 31 will require investments in joint ventures to be accounted for using the equity method. This change will result in the Company changing its method of accounting for its investments in TMGP and DGP from proportionate consolidation to the equity method.

The Company will account for its investments in joint ventures from the inception of the investment using the equity method. This will result in significant changes in the presentation of the statement of financial position and the statement of operations. Net earnings/loss and net assets are not expected to differ as a result of applying the equity method of accounting. However, the balances of each line item on the statement of financial position and the statement of operations are expected to change significantly.

The Company has identified that the deferred gain on the transfer of assets to TMGP that is currently recognized on the balance sheet will be eliminated on transition.

Financial Instruments

IAS 39 – *Financial Instruments* will be applied prospectively in the opening IFRS statement of financial position as this is required under IFRS 1 as a mandatory exemption. The cash flow hedge currently held by TMGP is tested for effectiveness on a quarterly basis. Under Canadian GAAP, the effectiveness of the hedge is tested without consideration for the credit risk of the party or counter-party (depending on whether the hedge is in an asset or a liability position). Under IAS 39, the effectiveness of the hedge needs to be tested considering the credit risk of the party or counter-party. This may result in the hedge becoming ineffective or a change to the amount of the hedge that is effective and ineffective. The Company has put in place the appropriate IAS 39 compliant hedging documentation at January 1, 2010.

Share-Based Compensation

IFRS 2– *Share Based Payments* will be applied prospectively in the opening IFRS statement of financial position, as the Company has elected to apply the IFRS 1 exemption. Under IFRS each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches. Currently under Canadian GAAP these awards are calculated as one grant and the resulting fair value is recognized on a straight-line basis over the vesting periods.

The Company has not yet completed the quantification of the impact the above noted changes will have on its financial statements.

Accounting For Leases

IFRIC 4 – Determining whether an arrangement contains a lease: The Company is in the process of assessing the impact of this interpretation on the accounting for the EPA with BC Hydro in TMGP and DGP. The results of this assessment have not yet been finalized.

FINANCIAL AND OTHER INSTRUMENTS

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 pays 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 million floating rate credit facility. On May 1, 2010 the notional amount of the swap reached the maximum amount of \$100 million. TMGP and the counterparty net settled the amount owing on a monthly basis. On November 1, 2010 this interest rate swap contract 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 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 million and is reduced in amounts based on the scheduled principal repayments on the \$100 million floating rate facility over the life of the interest rate swap. TMGP and the counterparty will net settle the amount owing on a quarterly basis commencing on December 31, 2010.

Prior to July 15, 2008, the Company and TMGP had not designated the two interest rate swap contracts as hedges in accordance with CICA Handbook Section 3865, Hedges. As such, TMGP and the Company accounted for the interest rate swaps as derivative financial instruments and recorded the fair value of the two interest rate swap contracts on its balance sheet at each period end, with realized and unrealized gains or losses from the change in fair value recorded in the statement of operations.

On July 15, 2008, TMGP designated the Long Dated Interest Rate Swap as an accounting cash flow hedge. 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. The changes in the fair value of the ineffective portion of the interest rate swap contract are recorded in the statement of operations.

In March 2009, GE and Plutonic TMP Holdings Inc. signed an amendment to the TMGP partnership agreement, which resulted in a reallocation of the gains and losses arising from the change in fair value of the interest rate swap contracts. For the short dated interest rate swap contract, which expires in November 2010, the Company is now solely liable for any gains or losses in the event of an early termination. For the long dated interest rate swap contract, which expires in June 2045, the Company would be liable for the first \$13.0 million of any gains or losses in the event of an early termination. See the Results of Operations section for details on the reallocation of the interest rate swap gains and

losses. Further details on the interest rate swap contracts can be found in note 9 of the Interim Consolidated Financial Statements.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

In compliance with the requirements of National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, our Certifying Officers have reviewed and certified the unaudited interim Consolidated Financial Statements for the three and nine month period ended September 30, 2010, together with other financial information included in our annual securities filings. Our Certifying Officers have also certified that disclosure controls and procedures have been designed to provide reasonable assurance that material information relating to our Company is made known within our Company during the three and nine month period ended September 30, 2010.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal controls over financial reporting during the three and nine month period ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. Management will continue to update controls as necessary as the Company transitions from a development stage company to a production stage company, and on full adoption of IFRS in 2011. Future changes to internal controls over financial reporting may be deemed to be a material modification (either individually or when considered collectively) and therefore any material changes to internal controls over financial reporting will be disclosed as they occur.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at November 10, 2010, the Company had the following common shares, stock options and warrants outstanding:

Common shares	65,426,537
Stock options (vested and unvested)	5,837,702
Warrants	-
Fully Diluted common shares outstanding	71,264,239