

PLUTONIC POWER CORPORATION

THIRD QUARTER ENDED SEPTEMBER 30, 2007

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 ("Plutonic" or "the Company") for the three and nine month periods ended September 30, 2007. 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 8, 2007. Additional information and disclosure relating to the Company can be found on SEDAR at www.sedar.com

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. Readers are advised not to place undue reliance on forward-looking statements.

OVERVIEW

Plutonic Power Corporation and its wholly owned subsidiary companies, Plutonic Hydro Inc., Plutonic TMP Holdings Inc. and Toba Montrose Hydro Inc., are incorporated in the Province of British Columbia, Canada. The Company is a reporting issuer in British Columbia, Alberta, and Ontario and its common shares trade on the Toronto Stock Exchange ("TSX") under the symbol PCC.

The Company's principal business operations are the identification, development, construction and ultimately operation of economically viable clean power projects. The Company has a current portfolio of 34 run-of-river hydroelectric sites ("power sites") in British Columbia at various stages of permitting and development. The Company is focused on a growth and development path to become a leading supplier of clean electricity in Canada.

The Company's 34 power sites have a total potential design capacity of approximately 1,700 megawatts ("MW") with the potential to generate approximately 5,500 gigawatt hours ("GWh") of electricity annually. The Company and its partner GE Energy Financial Services Holding Company ("GE") have contracted with Peter Kiewit Sons Co. ("Kiewit") to construct the East Toba and Montrose generation facilities and related transmission line. These two generation facilities will have a combined capacity of 196 MW and will generate on average 745 GWh of electricity annually with commencement of delivery and sale of electricity to the British Columbia Hydro and Power Authority, ("BC Hydro") a provincial Crown Corporation, beginning in 2010 under a 35-year Electricity Purchase Agreement ("EPA").

The Company and GE have signed a partnership agreement ("Partnership") to finance and build the East Toba and Montrose project and have executed an approximately \$500 million fixed price EPC (engineering, procurement, construction) contract with Kiewit. In October 2007, the Company and GE completed their respective contributions of assets and project equity to the Partnership. In November 2007, the Partnership entered into a debt financing agreement with a syndicate of financial institutions which together provide 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 East Toba and Montrose EPA with BC Hydro.

The Company continues to conduct engineering, hydrological, permitting and other studies on its remaining 32 run-of-river sites in British Columbia. The Company intends to enter a number of its run-of-river projects into the next BC Hydro Call for Tender ("CFT"), anticipated to be formally unveiled by BC Hydro in late 2007/early 2008, with EPAs being potentially awarded by BC Hydro in 2008.

PROJECT UPDATES

East Toba River and Montrose Creek Project (Green Power Corridor Phase I)

The Company and its partner, GE, executed an approximately \$500 million fixed-price EPC contract with Kiewit for the construction of this project in September 2007. Since November 2006, the Company had engaged Kiewit and had funded final project engineering and the purchase of a number of pre-fabricated bridges and construction camp to maintain a construction schedule that will allow the project to commence operations in 2010. In July 2007, the Company authorized Kiewit through an expanded limited notice to proceed to begin construction of 60 kilometres of access roads and 11 bridges and related infrastructure to access and build the generation facilities. To September 30, 2007, the Company spent approximately \$20.8 million under this limited notice to proceed.

In June 2007, the Company and GE signed a Partnership Agreement (“Partnership”) through which GE will invest up to \$112 million to acquire 49% equity and 60% economic interest in the East Toba and Montrose project for the first 35 years of operations. Subsequently, GE’s economic interest will reduce to 49% from 60% and the Company’s economic interest will increase from 40% to 51%. GE’s contribution will be made up of \$100 million in equity and \$12 million available for its share of cost overruns if any. The Partnership then engaged GE Canada Equipment Financing G.P., GE Capital Markets (Canada) Ltd. (collectively “GE Debt”) and the Manufacturers Life Insurance Company (“Manulife”) to co-lead a \$470 million senior secured debt offering to complete the required remaining debt financing.

In October 2007, the Company and GE completed their respective partner contributions. The Company contributed the project and associated permits, licences, Impact and Benefits Agreements (“IBA”) with the Klahoose and Sliammon First Nations, and the EPA with BC Hydro. The Company will contribute \$30 million in equity after GE’s \$100 million equity contribution and the senior debt facility has been fully drawn. The \$30 million equity contribution will be used to fund an increase in capacity of the 230 kilovolt transmission line to be built from the Toba Valley to Saltery Bay, British Columbia. The Company will have the right to use, subject to a priority use agreement, any additional unused capacity of the transmission line for its three additional Upper Toba Valley sites with generation capacity of 120 MW. In the interim, GE will provide the Company with a bridge credit facility of \$30 million until the Company is required to fund its \$30 million of equity. In return, the Company has granted GE the right to negotiate to finance up to an additional 200 MW of other hydroelectric power projects in British Columbia and has issued to GE 650,000 two year common share purchase warrants of the Company with an exercise price of \$9.03 per common share. The Company would also have to fund its pro-rata share of project cost overruns if any.

In November 2007, the Partnership entered into a debt financing agreement with a syndicate of financial institutions which together provide 38-year senior secured credit facilities 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. The lending syndicate consists of the affiliate of GE Energy Financial Services, Manulife, Sunlife Assurance Company of Canada, the Canada Life Assurance Company, Allied Irish Banks, p.l.c. and Industrial Alliance Insurance and Financial Services Inc. The Company will be reimbursed for project costs it has incurred to date on behalf of the Partnership. As at September 30, 2007, the Company had incurred approximately \$28.9 million of reimbursable costs (\$29.9 million as at October 31, 2007).

In 2006, the Company submitted a tender into the 2006 BC Hydro CFT. BC Hydro subsequently awarded the Company an EPA for the East Toba and Montrose project for the supply of 745 GWh of electricity per year for 35 years beginning in 2010. This EPA was approved by the BC Utilities Commission in October of the same year.

During the quarter ended June 30, 2007, the Integrated Land Management Bureau and the British Columbia Ministry of the Environment granted land tenures and water licenses for the project sites, roads, and transmission line. Fisheries and Oceans Canada, Indian and Northern Affairs Canada and Transport Canada rendered positive decisions in their environmental screening report after their screening level review under the Canadian Environmental Assessment Act, and the British Columbia Environmental Assessment Office (“EAO”) granted the Provincial Environmental Certification to this project.

During the quarter ended June 30, 2007, the Company applied for an incentive of one cent per kilowatt-hour for up to 10 years to eligible low-impact, renewable electricity projects constructed over the next four years from April 1, 2007 to March 31, 2011 from ecoENERGY, a federal program to encourage construction of renewable and green projects. The Company has been notified that the project has passed basic qualification criteria and they are currently reviewing the environmental assessment documents as part of their application review process.

In February 2007, the Company and the Klahoose First Nation finalized an Impact Benefits Agreement (“Klahoose IBA”) which facilitated Klahoose support for the development of the East Toba and Montrose power project which is located within the traditional territory of the Klahoose First Nation. The Klahoose IBA establishes terms under which the Klahoose First Nation supports and endorses the development of the project. The Klahoose First Nation Chief and Council gave their support for the construction and operation of the project within their traditional territory and the Klahoose membership ratified the Klahoose IBA during a series of meetings with unanimous support by all voting members. The Klahoose IBA includes specific terms for future agreements between the Company and the Klahoose First Nation on other run-of-river projects that the Company may wish to develop within the Toba River Valley area of Klahoose First Nation traditional territory.

The Klahoose IBA also includes:

- Ongoing respect by the Company for asserted aboriginal rights and title of the Klahoose First Nation in the Toba watershed
- Annual payments to the Klahoose First Nation during project construction and in operating years 2 through 35 in consideration for the use of access roads through the Klahoose First Nation Indian Reserve # 1
- A royalty payment to the Klahoose First Nation in operating years 36 to 50 as well as for the remainder of the project life thereafter
- Employment and training opportunities for Klahoose First Nation members
- Opportunities for Klahoose First Nation owned companies in the construction and operation of the project

In April 2007, the Company and the Sliammon First Nation finalized an IBA (“Sliammon IBA”) which facilitated Sliammon First Nation support for the development of the East Toba and Montrose power project. A significant portion of the transmission line that will link the East Toba and Montrose generation facilities to the British Columbia Transmission Corporation (“BCTC”) grid will be located within Sliammon First Nation traditional territory. The Sliammon IBA establishes terms under which the Sliammon First Nation supports and endorses the development of the project. The Company recognizes and respects Sliammon First Nation assertion of aboriginal title and rights, archaeological sites and artefacts and Sliammon First Nation traditional use in the area. The Company will also provide Sliammon First Nation members with opportunities for employment, training and contracting. The Sliammon First Nation will receive cash payments from the Company during construction and operation of the project.

Rainy River (Howe Sound) Project

In August 2007, the Company advised BC Hydro of its intention to exit the EPA for the 14 MW Rainy River run-of-river project due to unexpected complexities in the environmental permitting process caused by the discovery of a number of fish species in the area. Complexities in permitting have decreased certainty around the timing for the project’s commercial operation date. The Company paid a cancellation fee of \$100,662 to BC Hydro and received \$900,000 of performance security deposit back from BC Hydro.

The Company still believes this project has long-term viability and is considering its options with respect to future courses of action.

In 2006, BC Hydro had awarded an EPA, approved by the BC Utilities Commission, to the Company for the Rainy River project for the supply of approximately 50 GWh of electricity per year for 35 years.

Green Power Corridor (Bute Inlet, Knight Inlet and Upper Toba Valley)

The Company’s other Green Power Corridor (“GPC”) run-of-river power projects have a total estimated capacity of approximately 1,270 MW, and the potential to generate annually approximately 3,930 GWh of electricity and include three development areas:

- The Upper Toba Valley area with 3 power sites have combined potential capacity of 120 MW and potential annual electricity generation of 390 GWh. These 3 sites are located near the headwaters of Toba Inlet, approximately 100 km north of Powell River, BC and were added in April 2007

- The Bute Inlet area with 18 power sites have combined potential capacity of 1,000 MW and annual electricity generation of 3,070 GWh. 4 of these 18 power sites were added in May 2007, 2 of these 18 sites were added in July 2007 and 3 of these 18 sites were added in August 2007
- The Knight Inlet area with 3 power sites have combined potential capacity of 150 MW and potential annual electricity generation of 470 GWh

The Company successfully completed Stages 1 and 2 towards securing a Water License and Crown Land rights from the Integrated Land Management Bureau (Ministry of Agriculture and Lands) and the Water Stewardship Division (Ministry of the Environment) for all of the new power sites added in 2007.

In July 2007, the Company submitted the Upper Toba Valley project to the EAO for the construction of three run-of-river generation facilities on Dalgleish Creek, Jimmie Creek and the Upper Toba River. The EAO issued a Section 10 order that binds the Upper Toba Valley project to the Environmental Assessment Act. The Company intends to complete the permitting for the Upper Toba Valley project in early 2009.

The Company is conducting hydrological, environmental and permitting work on all of its other green power corridor power projects with the anticipation that it will enter a number of these power projects into the next BC Hydro CFT, anticipated to be formally unveiled by BC Hydro in late 2007/early 2008, with EPAs being potentially awarded by BC Hydro in 2008.

RESULTS OF OPERATIONS

Three months ended September 30, 2007, compared to the three months ended September 30, 2006

The Company incurred a net loss of \$1,082,306 for the quarter ended September 30, 2007 (\$0.03 loss per share) compared to a net loss of \$489,659 in 2006, an increase of \$592,647. Overall, the Company incurred more operating costs in 2007 to support the increase in development of its run-of-river power projects, increase in the number of officers, managers and administrative staff, preparation for construction and financing of its East Toba and Montrose project, increased advertising and general travel, and higher fair value of stock options vested.

The Company recorded share-based compensation expense of \$549,793 in the third quarter of 2007 compared to \$94,019 in the third quarter of 2006, an increase of \$455,774. The Company recorded a higher number of vested options with a higher fair value in 2007 compared to 2006.

Salaries expense was \$331,876 in the third quarter of 2007 compared to \$59,680 in the third quarter of 2006, an increase of \$272,196. The Company increased the number of officers, managers and administrative staff in 2007 to meet the growth of the Company and the increase in salaries also included the CEO's salary which was recorded in management fees in 2006.

Management fees were \$19,823 in the third quarter of 2007 compared to \$70,781 in the third quarter of 2006, a decrease of \$50,958. Beginning in 2007, the CEO is directly employed by the Company and his compensation is recorded under salaries whereas in 2006, the Company had paid a management fee to a private company owned by the CEO.

The Company paid a cancellation fee of \$100,662 in August 2007 to terminate its Rainy River EPA with BC Hydro.

In the third quarter of 2007, as compared to the same period in 2006, office costs increased by \$29,358, travel and promotion increased by \$99,103 and rent increased by \$46,478 to support the Company's increased development of its run-of-river power projects, the increased number of its power projects under development and to support financing of the Company's working capital and project development costs.

The Company incurred professional fees of \$34,657 in the third quarter of 2007 compared to \$91,442 in the third quarter of 2006, a decrease of \$56,785. The Company incurred higher legal and other professional fees in 2006 with the award of the two EPAs and financing of the related performance bonds.

The Company incurred or wrote off project evaluation costs of \$8,326 in the third quarter of 2007 compared to nil in the comparative quarter. These costs were incurred to evaluate a number of potential projects.

Interest income was \$319,469 in the third quarter of 2007 compared to \$14,677 in the third quarter of 2006, an increase of \$304,792 due to higher average cash balances on hand.

The Company spent or accrued \$14,139,786 in the third quarter of 2007, primarily on Toba and Montrose and its other GPC projects. The Company had authorized Kiewit through an expanded limited notice to proceed to begin construction of 60 kilometres of access roads and 11 bridges and related infrastructure to access and build the generation facilities. On its GPC projects, the Company incurred expenditures on preliminary engineering, hydrological work, meeting regulatory and permitting requirements, as well as public and community consultations.

Nine months ended September 30, 2007, compared to the Nine months ended September 30, 2006

The Company incurred a net loss of \$4,442,897 for the nine months ended September 30, 2007 (\$0.12 loss per share) compared to a net loss of \$1,075,972 in the comparative period in 2006, an increase of \$3,366,925. Overall, the Company incurred more operating costs in 2007 to support the increase in development of its run-of-river power projects, increase in the number of officers, managers and administrative staff, preparation for construction and financing of its East Toba and Montrose project, increased advertising and general travel, and higher fair value of stock options vested.

The Company recorded share-based compensation expense of \$2,792,914 for the nine months ended September 30, 2007 compared to \$319,441 in the comparative period, an increase of \$2,473,473. The Company recorded a higher number of vested options with a higher fair value in 2007 compared to 2006.

Salaries expense was \$869,074 compared to \$149,862 for the nine months ended September 30, 2007 and the comparative period in 2006 respectively, an increase of \$719,212. The Company increased the number of officers, managers and administrative staff in 2007 to meet the growth of the Company and the increase in salaries also included the CEO's salary which was recorded in management fees in 2006.

Management fees were \$46,944 compared to \$156,672 for the nine months ended September 30, 2007 and the comparative period in 2006 respectively, a decrease of \$109,728. Beginning in 2007, the CEO is directly employed by the Company and his compensation is recorded under salaries whereas in 2006, the Company had paid a management fee to a private company owned by the CEO.

The Company paid a cancellation fee of \$100,662 in August 2007 to terminate its Rainy River EPA with BC Hydro.

For the nine months ended September 30, 2007 as compared to the same period in 2006, office costs increased by \$127,728, professional fees increased by \$24,275, travel and promotion increased by \$379,246, and rent increased by \$137,404, to support the Company's increased development of its run-of-river power projects, the increased number of its power projects under development and to support financing of the Company's working capital and project development costs.

Transfer agent and listing fees increased by \$171,020 for the nine months ended September 30, 2007 as compared to the same period in 2006. The increased costs in 2007 were incurred to graduate the Company's listing from the Toronto Stock Exchange Venture to the Toronto Stock Exchange.

The Company incurred or wrote off project evaluation costs of \$139,021 during the nine months ended September 30, 2007 compared to nil in the comparative period. These costs were incurred to evaluate a number of potential projects.

Interest income was \$830,504 for the nine months ended September 30, 2007 as compared to \$21,893 in the same period in 2006, an increase of \$808,611 due to higher average cash balances on hand.

The Company spent or accrued \$28,735,421 during the nine months ended September 30, 2007, primarily on Toba and Montrose and its other GPC projects. The Company had engaged Kiewit and had funded final project engineering and the purchase of a number of pre-fabricated bridges and construction camp to maintain a construction schedule that would allow the project to commence operations in 2010. In July 2007, the Company authorized Kiewit through an expanded limited notice to proceed to begin construction of 60 kilometres of access roads and 11 bridges and related infrastructure to access and build the generation facilities. On its GPC projects, the Company incurred expenditures on preliminary engineering, hydrological work, meeting regulatory and permitting requirements, as well as public and community consultations.

SUMMARY OF QUARTERLY RESULTS

The following table summarizes information regarding the Company's operations on a quarterly basis for the last eight quarters.

Quarter Ended	Revenue	Loss	Per Share	Per Diluted Share
30-Sep-07	\$0.00	\$1,082,306	\$0.03	\$0.03
30-Jun-07	\$0.00	\$2,704,232	\$0.07	\$0.07
31-Mar-07	\$0.00	\$656,359	\$0.02	\$0.02
31-Dec-06	\$0.00	\$117,595	\$0.01	\$0.01
30-Sep-06	\$0.00	\$489,659	\$0.03	\$0.03
30-Jun-06	\$0.00	\$376,090	\$0.02	\$0.02
31-Mar-06	\$0.00	\$210,223	\$0.02	\$0.02
31-Dec-05	\$0.00	\$255,212	\$0.02	\$0.02

Operating costs and in particular, salary and stock based compensation expenses have been increasing with the growth of the Company and issuance of a higher number of stock options with a higher fair value.

LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital of \$7,049,041 as at September 30, 2007 compared to working capital of \$3,954,409 as at December 31, 2006.

During the nine months ended September 30, 2007, the Company incurred development expenditures of \$28,735,421 on developing its hydroelectric run-of-river projects and \$1,545,446 on operating costs.

On April 18, 2007, the Company closed a \$32,305,000 bought deal private placement equity financing co-led by Orion Securities Inc. and Cormark Securities Inc. and including Scotia Capital Inc. and Toll Cross Securities Inc. and sold 7,100,000 common shares of the Company at \$4.55 per common share. The Company received \$30,404,280 net of the underwriters commission of \$1,776,775 (5.5% on gross cash proceeds) and other share issue costs.

The Company will be reimbursed by the Toba Montrose General Partnership once it is financed for full construction for costs incurred of approximately \$28.9 million up to September 30, 2007. See East Toba and Montrose Project (Green Power Corridor Phase I) section above for further information.

The Company's source of financing to date has been from the sale or issuance of common shares from treasury. The Company has entered in a partnership with GE to finance the construction of Toba and Montrose. In addition, GE Debt and Manulife have been engaged by the Partnership to co-lead a senior secured debt offering of approximately \$470 million. The Company will need to raise additional equity financing to meet its on-going working capital requirements and development costs for its other power projects and fund \$30 million of project equity under the partnership agreement with GE until it receives its share of the cash flows from the operations of East Toba and Montrose project or joint venture the development and construction of its other projects.

CONTRACTUAL OBLIGATIONS

The Company has executed two EPAs with BC Hydro to supply 745 GWh and 50 GWh per year of electricity to be generated from the East Toba and Montrose project and the Rainy River project respectively beginning in July 2010 and for 35 years. In August 2007, the Company advised BC Hydro of its intention to exit the EPA for the 14 MW Rainy River run-of-river project due to unexpected complexities in the environmental permitting process caused by the discovery of a number

of fish species in the area. The Company paid a cancellation fee of \$100,662 to BC Hydro and received \$900,000 of performance security deposit back from BC Hydro.

The Company and its partner, GE, executed an approximately \$500 million fixed-price EPC contract with Kiewit for the construction of East Toba River and Montrose Creek Project in September 2007. Since November 2006, the Company had engaged Kiewit and has funded final project engineering and the purchase of a number of pre-fabricated bridges and construction camp to maintain a construction schedule that will allow the project to commence operations in 2010. In July 2007, the Company authorized Kiewit through an expanded limited notice to proceed to begin construction of 60 kilometres of access roads and 11 bridges and related infrastructure to access and build the generation facilities.

In June 2007, the Company and its partner, GE signed a Partnership Agreement. In October 2007, the Company and GE completed their respective partner's contributions. The Company contributed the project and associated permits, licences, the IBA with Klahoose and Sliammon First Nations, EPA with BC Hydro. The Company will contribute \$30 million in equity after GE's \$100 million equity contribution and the senior debt facility have been fully drawn. See Project Updates – East Toba and Montrose Project (Green Power Corridor Phase I) section above for further information. The \$30 million equity contribution will be used to fund the increase in capacity of the 230 kilovolt transmission line to be built from the Toba Valley to Saltery Bay, British Columbia. The Company will have the right to use, subject to a priority use agreement, any additional unused capacity of the transmission line for its three additional Upper Toba Valley sites with generation capacity of 120 MW. In the interim, GE will provide the Company with a bridge credit facility of \$30 million until the Company is required to fund its \$30 million of equity. In return, the Company has granted GE the right to negotiate to finance up to an additional 200 MW of other hydroelectric power projects of the Company in British Columbia and has issued to GE 650,000 two year common share purchase warrants of the Company with an exercise price of \$9.03 per common share. The Company would also have to fund its pro-rata share of any project cost overruns if any.

The Partnership has engaged GE Debt and Manulife to co-lead an offering of approximately \$470 million of senior secured debt to complete the financing for the construction of the East Toba and Montrose project. The Company expects the Partnership to close this debt offering in November 2007.

GE has been granted the right to match any project equity investment offer that the Company receives for its Rainy River power project in return for GE's equity financing in the East Toba and Montrose Creek project.

The Company entered into an IBA with the Klahoose First Nation in March 2007 and into an IBA with the Sliammon First Nation in April 2007. See Project Updates – East Toba and Montrose Project (Green Power Corridor Phase I) section above for further information. The Company will transfer the rights and obligations relating to the East Toba and Montrose project under the Klahoose IBA and Sliammon IBA to the Toba Montrose General Partnership concurrently with the GE equity financing.

The Company received an Environmental Assessment Certificate from the EAO for the East Toba and Montrose project 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. The Company has transferred this certificate and commitments to the Toba Montrose General Partnership.

In connection with the purchase of Plutonic Hydro Inc. in 2003, the Company is required to pay a one time bonus within 30 days of the later of securing construction financing and the commencement of construction on certain of its power projects. The bonus, payable in shares or cash at the Company's option, is to be calculated as \$1,000 per gigawatt hours of energy per year to be generated on each of these projects. The bonus on the East Toba and Montrose project will be approximately \$745,000.

The Company 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 power projects. The Company can elect to abandon its power projects and in such instances, the Company would then no longer be required to fund any additional development costs.

OFF-BALANCE SHEET ARRANGEMENTS

In August 2006, GE provided the Company with a \$2,500,000 letter of credit to partly finance the issuance of \$12,660,000 in

letters of credit required as performance security for the East Toba/Montrose and Rainy River EPA. The Company deposited \$10,160,000 to provide the remaining letter of credit support. The Company is required to pay to GE interest on the \$2,500,000 of credit support provided to the Company at an annual rate of 10% for the first 60-day period and an annual rate of 12% thereafter until the letter of credit is cancelled or no longer required. The Partnership will assume the bonding requirements of the Toba Montrose EPA and the Company anticipates retirement of the \$2,500,000 letter of credit during the fourth quarter of fiscal 2007. The Company does not have any other off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

A minor portion of the Company's administrative operations is performed by a private company owned by the CEO of the Company. This related private company charged fees of \$19,823 and \$46,944 (2006 - \$70,781 and \$156,672) for these services for the three and nine months ended September 30, 2007 respectively and was owed \$18,749 at September 30, 2007 (December 31, 2006 - \$64,001). The amounts owed to this related company are non-interest bearing. The activities under this arrangement are being wound down.

For the three and nine months ended September 30, 2007, the Company paid or accrued \$256,801 and \$538,672 respectively in legal fees to a law firm, of which a partner is the corporate secretary of the Company. This law firm was owed \$68,081 (December 31, 2006 - \$21,183) at September 30, 2007.

PROPOSED TRANSACTIONS

In June 2007, the Company and its partner, GE signed a definitive Partnership Agreement. The Company and GE completed their respective partner contributions in the Partnership in October 2007. The Company and the Partnership expects GE Debt and Manulife to complete the debt financing in November 2007. See Project Updates – East Toba and Montrose project (Green Power Corridor Phase I) for more information.

RISKS AND UNCERTAINTIES

The ability of the Company to become a viable provider of renewable and clean power is dependant upon a number of factors and includes, but is not limited to the following: successful completion of hydrological studies to confirm that water flows are sufficient to generate enough electricity to provide a suitable return on investment, receipt 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, 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 and the ability to connect the projects to the BCTC grid.

The Company has no history of profitable operations as all of its projects are at a development stage. The Company is subject to many risks common to comparable companies, including under-capitalization, limitations with respect to personnel, financial and other resources as well as a lack of revenues.

The Company is very 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 Company could result and other persons would be required to manage and operate the Company.

The Company may need to raise additional equity and/or seek project equity financing to finance the equity portion for the construction of its projects. Existing shareholders of the Company may be subject to significant dilution.

CRITICAL ACCOUNTING ESTIMATES

The Company's accounting policies are described in detail in Note 2 of the annual consolidated financial statements for the year ended December 31, 2006, with any changes in these policies being disclosed in Note 2 to the interim consolidated financial statements for the period ended September 30, 2007. The Company considers the following policies to be most critical in understanding its financial results:

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets, and commitments at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates due to factors such as changes in economic conditions, regulatory matters and negotiations with other parties.

Carrying value of power development costs

The Company capitalizes direct costs associated with development of its power projects. Costs associated with successful projects are reclassified as capital assets and amortized over the useful life of the projects. The Company evaluates its power projects regularly for impairment and writes off costs that are not expected to be recoverable.

The recovery of power projects development costs is dependent upon the successful completion of the projects. The success of the power projects is dependent upon receiving the necessary water and other licences, the ability of the Company to obtain the necessary financing to successfully complete the development and construction of the projects, to generate sufficient electrical power and to sell the electricity generated on a profitable basis.

Stock-based compensation

The Company uses the fair value method of accounting for options granted under its stock-based compensation plan. Stock options to employees 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. Stock options granted to consultants are valued at the time the options vest and at every reporting period for those not yet vested. 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 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.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Effective January 1, 2007, the Company adopted five new Canadian Institute of Chartered Accountants (“CICA”) accounting standards: (a) Handbook Section 1530, *Comprehensive Income*; (b) Handbook Section 3855, *Financial Instruments - Recognition and Measurement*; (c) Handbook Section 3861 *Financial Instruments - Disclosure and Presentation*; (d) Handbook Section 3865, *Hedges*; and (e) Handbook Section 1506, *Accounting Changes*. The main requirements of these new standards and the resulting financial statement impact are described below.

Comprehensive Income (Section 1530):

CICA Section 1530 introduces the term Comprehensive Income, which consists of net earnings and other comprehensive income (“OCI”). OCI represents changes in Unitholders’ equity during the period arising from transactions and other events with non-owner sources. As a result of adopting this standard, a new Statement of Comprehensive Income now forms part of the Fund’s consolidated financial statements which includes the current period net loss and OCI. Cumulative changes in OCI are included in Accumulated Other Comprehensive Income, which is presented as a new category of Unitholders’ Equity in the balance sheet.

Financial Instruments - Recognition and Measurement (Section 3855):

CICA Section 3855 sets out criteria for the recognition and measurement of financial instruments and requires all financial instruments within its scope, including derivatives, to be included on the balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized cost. Changes in fair value are to be recognized in either net earnings or OCI.

All financial assets and liabilities are recognized when the entity becomes a party to the contract creating the item. As such, any of the Fund's outstanding financial assets and liabilities at the effective date of adoption are recognized and measured in accordance with the new requirements as if these requirements had always been in effect. Any changes to the fair values of assets and liabilities prior to January 1, 2007 are recognized by adjusting opening deficit or opening accumulated other comprehensive income.

As a result of the adoption of this standard, the Company's marketable securities have been classified as available for sale and as such at January 1, 2007 were revalued from their carrying cost of \$22,500 to their fair value of \$43,500, with the \$21,000 unrealized gain being recorded as a transition adjustment to the accumulated other comprehensive income. Subsequent to January 1, 2007, these financial instruments have been revalued at each period end to fair market value.

Financial Instruments - Disclosure and Presentation (Section 3861):

CICA Section 3861 sets out standards which address the presentation of financial instruments and non-financial derivatives, and identifies the related information that should be disclosed. These standards also revise the requirements for entities to provide accounting policy disclosures, including disclosure of the criteria for designating as held-for-trading those financial assets or liabilities that are not required to be classified as held-for-trading; whether categories of normal purchases and sales of financial assets are accounted for at trade date or settlement date; the accounting policy for transaction costs on financial assets and financial liabilities classified as other than held-for-trading; and provide several new requirements for disclosure about fair value.

Hedging (Section 3865):

CICA Section 3865 specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not hold any financial instruments designated for hedge accounting.

Accounting Changes (Section 1506):

CICA Section 1506 revised the standards on changes in accounting policy, estimates or errors to require a change in accounting policy to be applied retrospectively (unless doing so is impracticable), changes in estimates to be recorded prospectively, and prior period errors to be corrected retrospectively. Voluntary changes in accounting policy are allowed only when they result in financial statements that provide reliable and more relevant information. In addition, these revised standards call for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact of this new standard cannot be determined until such time as the Company makes a change in accounting policy, other than the changes resulting from the implementation of the new CICA Handbook standards previously discussed in this note.

FINANCIAL AND OTHER INSTRUMENTS

See above Changes in Accounting Policies Including Initial Adoption section.

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.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting during the nine months ended September 30, 2007, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

CORPORATE ADDITIONS

In July 2007, the Company appointed Bill Irwin as Director of Lands Resource Management responsible for securing land tenures and permitting of proposed hydro projects in British Columbia. Mr. Irwin has more than 30 years of experience in crown land and resource management. Mr. Irwin has held various senior land resource management positions including

Regional Director, BC Ministry of Crown Lands, Executive Regional Director, Land and Water BC, Executive Director, Provincial All Seasons Resorts Program, BC Ministry of Tourism, Sport and Art and Acting Assistant Deputy Minister, Tourism and Resort Development, Ministry of Tourism, Sport and Art. Key responsibilities have included review and approval of major project developments on provincial crown land and administration of a portfolio in excess of 30,000 land tenures in BC. Mr. Irwin holds a bachelors degree in Public Administration from the University of Victoria.

In July 2007, the Company appointed Elisha Moreno as Director of Corporate Communications. Ms. Moreno was formerly Media Relations Manager at BC Hydro, one of Canada's largest utility companies. In her new position, Ms. Moreno is responsible for managing the Company's communications and community relations initiatives as the Company builds its portfolio of run-of-river hydroelectric projects in BC. Ms. Moreno has more than eight years of senior corporate communications experience. Prior to joining BC Hydro, she served as Public Relations Manager at the Vancouver Aquarium and also worked as a reporter for both CBC TV and Vancouver Television. Ms. Moreno has a strong track record of community involvement, regularly volunteering with the YWCA, Junior Achievement of BC and serves as a board member of the Pacific Assistance Dogs Society of BC and is on the Provincial Property Assessment Review Panel.

In July 2007, the Company appointed Tom Syer as Director of Policy and Regulatory Affairs. Mr. Syer brings more than ten years of political experience to the Company. Since 2001, he has held a variety of senior positions in the BC government including Ministerial Assistant to the Minister of Sustainable Resource Management as well as Premier Campbell's Deputy Chief of Staff for policy co-ordination and issues management. Most recently, he worked as Director of Corporate Affairs, Western Canada, for Labatt Breweries of Canada. Mr. Syer holds Bachelor of Business Administration and Master of Arts degrees from Simon Fraser University.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at November 8, 2007, the Company had the following common shares, stock options and warrants outstanding:

Common shares	40,118,493
Stock options (vested and unvested)	5,028,150
Warrants	2,933,360
Fully Diluted shares outstanding	48,080,003