



FIRST QUARTER ENDED MARCH 31, 2009

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 quarter ended March 31, 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 May 14, 2009. 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. 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.

OVERVIEW

Plutonic Power Corporation and its wholly owned subsidiary companies, Plutonic Hydro Inc., Plutonic TMP Holdings Inc., Upper Toba Hydro Inc. and Bute Hydro Inc., are incorporated in the Province of British Columbia (BC), Canada. The Company is a reporting issuer in BC, Alberta, and Ontario 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 ultimately, the operation of economically viable clean power projects. The Company has two run-of-river hydro-electric sites (Power Sites) in BC under construction and a current portfolio of 40 other Power Sites in BC at various stages of evaluation, permitting and development. The Company is focused on a growth and development path to become a leading supplier of clean electricity that may in the future include projects outside of BC.

During 2007, the Company and GE Energy Financial Services Holding Company (GE) formed the Toba Montrose General Partnership (TMGP), a general partnership formed under the laws of the Province of BC, to own, finance, build and operate the 196 megawatts (MW) East Toba River and Montrose Creek run-of-river hydro-electric project (Toba Montrose) in conjunction with our First Nations partners, the Klahoose, the Sliammon and the Sechelt First Nations. TMGP obtained the required project financing commitments, and construction of Toba Montrose commenced in 2007 with start of operations scheduled in 2010. Toba Montrose has a combined design capacity of 196 MW with expected annual generation of 727 gigawatt hours (GWh) of electricity net of transmission line losses.

The Company's 40 Power Sites under development have a total potential generation capacity of approximately 1,900 MW with the potential to generate approximately 5,500 GWh of electricity annually. The majority of the Company's developing 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.

OUTLOOK

On May 12, 2009, Premier Gordon Campbell and the British Columbia Liberal Party won the provincial election, giving them a third consecutive mandate to govern the Province. The Government has reiterated its commitment to becoming a global clean energy powerhouse. The Government's plan to accomplish this includes achieving electricity self sufficiency for British Columbia by the year 2016, with at least 90% of electricity coming from clean renewable sources, including run-of-river hydroelectric generation facilities. The election results have provided the British Columbia Government with a renewed mandate to continue to include private sector investment to achieve its self sufficiency and clean energy goals. In addition to fighting climate change leading to a reduced carbon world, this will significantly contribute as a critical economic driver of jobs and growth, especially in rural and remote communities.

During 2008, the Company and GE Energy Financial Services (GEEFS) signed a memorandum of understanding to jointly submit the Upper Toba Valley and Bute Inlet Power Projects with an approximate capacity of 1,200 MW into the BC Hydro and Power Authority 2008 Request for Proposals (BC Hydro 2008 RFP). On November 25, 2008, the Company and GEEFS jointly submitted these two bids into the BC Hydro RFP. See below under Proposed Transactions for more details.

British Columbia Hydro and Power Authority (BC Hydro) issued its BC Hydro 2008 RFP on June 11, 2008 for 5,000 GWh per year of seasonal and hourly firm energy to help ensure that the Province of BC has sufficient electricity to meet its electricity needs by 2016. The BC Hydro 2008 RFP aligns with the BC Energy Plan released in 2007 which indicates that at least 90 per cent of all electricity will be clean and generated in the Province of BC.

The BC Hydro 2008 RFP is structured to allow limited negotiation regarding the terms of the Electricity Purchase Agreement (EPA) with some project proponents if applicable. BC Hydro expects to award EPAs to successful bidders in June 2009.

The Company has assembled a team of qualified and experienced professionals and support staff to develop, construct and operate its current and future Power Projects.

PROJECT UPDATES

Toba Montrose Under Construction

In 2007, the Company and its partner, GE, formed TMGP to own, finance, build and operate Toba Montrose, which is located in the headwaters of the Toba Inlet in BC. Toba Montrose includes two separate generation facilities and 150 kilometres (km) of transmission line to interconnect the generation facilities to a new British Columbia Transmission Corporation (BCTC) substation being located at Saltery Bay, BC.

In 2007, the Company and GE made their respective partners' contributions, arranged the required project debt financing and guarantees which totalled approximately \$660 million and began construction of Toba Montrose under the terms of TMGP's Engineering, Procurement and Construction (EPC) contract with its contractor Peter Kiewit Sons Co. (Kiewit) with scheduled completion of Toba Montrose in 2010. These two generation facilities have a combined design capacity of 196 MW and are

expected to generate and deliver an average of 727 GWh of electricity annually net of transmission line losses.

As at March 31, 2009, Kiewit had completed 57% of the contracted work under the EPC contract. The completed work includes the necessary infrastructure and road access to the two generation facilities, penstocks and intakes; completion of excavation and ongoing placement of concrete at the East Toba powerhouse; river diversion at the East Toba intake; ongoing transmission line clearing and structure erection; and ongoing excavation of East Toba and Montrose penstocks and Montrose powerhouse. TMGP is on budget and on schedule to commence delivery and sale of electricity to BC Hydro in 2010 under a 35-year EPA. The plan for 2009 is to continue with construction of the powerhouses, intakes, penstocks and transmission line. Currently, a third of the workforce on site is from local communities and First Nations. The Klahoose, Sliammon and Sechelt First Nations are involved in a range of contracting opportunities, including transmission right of way clearance, camp services and transportation services.

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%. The Company accounts for its investment in TMGP using the proportionate consolidation method of accounting whereby the Company records its 40% share of assets, liabilities, revenues and expenses of TMGP.

The Company is required to contribute to TMGP a further \$30 million in equity on or before the earlier of the date TMGP's senior debt facilities have been fully drawn and November 1, 2010. The additional \$30 million equity contribution in TMGP is primarily to fund an increase in capacity of the 230 kilovolt (KV) transmission line to be built from the two generation facilities to Sallery Bay. 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 Power Sites. In the interim, in 2007, an affiliate of GE provided a \$30 million guarantee to TMGP senior debt lenders in respect of the Company's \$30 million equity contribution in 2010. In return, the Company granted GE the right to negotiate financing on up to an additional 200 MW of other hydro-electric power projects of the Company in BC and issued to the GE affiliate 650,000 common share purchase warrants of the Company with an exercise price of \$9.03 per common share and exercisable until October 26, 2009. The Company pays the GE affiliate a 3% per annum fee on the amount of guarantee provided.

The obligations of TMGP, except for the contingent equity and debt service reserve guaranteed by the \$28 million letter of credit and the guarantee for the Company's \$30 million cash equity contribution in TMGP, are non-recourse to the Company.

In February 2009, TMGP and the Government of Canada formally signed an agreement under the ecoEnergy for Renewable Power program. This program provides incentive funding to increase Canada's supply of clean electricity from renewable sources, including low-impact hydro projects such as Toba Montrose. Once complete, Toba Montrose is expected to generate 727 GWh of electricity annually net of transmission line losses, which will entitle TMGP to receive up to \$72.8 million in funding under the ecoEnergy program during its first ten years of operations based on one cent per kilowatt-hour of electricity generated by Toba Montrose and sold to BC Hydro.

Upper Toba Valley Project

The Upper Toba Valley Project consists of three Power Sites, with an estimated combined potential generation capacity of 166 MW and potential annual electricity generation of 452 GWh. These three

Power Sites are located on tributaries of the Toba River, close to Toba Montrose, and were added to the Company's portfolio during 2006.

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 these 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, each of which is located on Dagleish Creek, Jimmie Creek and the Upper Toba River.

In early April 2009, the Company was granted a Provincial Environmental Assessment Certificate for the Upper Toba Valley Project.

The Company and GEEFS jointly bid the Upper Toba Valley Project into the BC Hydro 2008 RFP in November 2008. See below under Proposed Transactions for more details.

The Company has Impact Benefit Agreements (IBA's) with the Sliammon and Sechelt First Nations that cover approval for the Upper Toba Valley Project. The Company is in the final stages of negotiating an additional IBA with the Klahoose First Nation that would cover future projects. The Klahoose have extended their support for the development of the projects subject to receiving an Environmental Assessment Certificate from the EAO.

The Company continues hydrological, engineering, environmental and permitting work on this power project.

Bute Inlet Project

The Bute Inlet Project consists of 17 Power Sites, with an estimated combined potential generation capacity of 1,027 MW and potential annual electricity generation of 2,906 GWh. 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 GEEFS jointly bid the Bute Inlet Project into the BC Hydro 2008 RFP in November 2008. See below under Proposed Transactions for more details.

In early May 2009, the Federal Minister of Environment approved the Terms of Reference for the Bute Project's Federal environmental assessment process, which will be proceeding by way of panel review, together with the Project's Environmental Impact Assessment Guidelines.

The Bute Inlet Project proposal submitted to the EAO, the Canadian Environmental Assessment Agency and the Major Projects Management Office is for the construction of 17 run-of-river generating facilities, organized into three interconnected groups. Seven of the facilities will be located in or near the Homathko River system, seven in the Southgate River system and three in the Orford River system.

The current Bute Inlet Project configuration is to interconnect the three groups of facilities with a 230 KV transmission line to a substation near the mouth of the Southgate River. From the substation the electricity will be carried by a 500 KV transmission line to a point of interconnection to the BCTC transmission line at the BCTC Malaspina substation near Earl's Cove. Ultimate Bute Inlet Project design and configuration, including access roads and related infrastructure, will be determined in

conjunction with First Nation, stakeholder and local community consultation, interconnection studies and upon completion of consultation with the appropriate Federal, Provincial and local governmental authorities on environmental, social and electrical impacts.

The Company continues hydrological, engineering, environmental and permitting work and is consulting with the communities, First Nations and other stakeholders on this power project.

Other Projects

The Company has 20 other Power Sites, with a combined potential generation capacity of 664 MW and potential annual electricity generation of 2,112 GWh. These Power Sites are located primarily in the southwestern region of BC. The Company continues to collect hydrological data, conduct engineering work and perform other required studies on these Power Sites.

RESULTS OF OPERATIONS

Three months ended March 31, 2009, compared to the three months ended March 31, 2008

The Company recorded a net loss of \$11,327,177 for the quarter ended March 31, 2009 (\$0.26 loss per share) compared to a net loss of \$2,679,895 (\$0.06 loss per share) in the same period in 2008, an increase in net loss of \$8,647,282, as explained in the following paragraphs.

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 one of the interest rate swaps as a cash flow hedge. In March 2009, after a follow-up review of the TMGP partnership agreement, GEEFS and the Company signed an amendment to the agreement, which resulted in a reallocation of the gains and losses arising from the change in fair value of the two interest rate swap contracts. Under the terms of the amended TMGP partnership agreement, the impact to the Company is described in the following paragraphs:

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 of the contract. This also 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 in November 2010. The Company accordingly recorded an adjustment in March 2009 to reflect the resulting increase in the interest rate swap contract liability and unrealized losses in the statement of operations of \$3.3 million on the short dated interest rate swap contract.

For the long dated interest rate swap contract, which expires in June 2045, the Company will be liable for the first \$13.0 million of any gains or losses in the event of an early termination of the contract. Any gains or losses resulting from the early termination of the contract in excess of \$13.0 million would continue to be allocated 60% to GEEFS and 40% to the Company. This also 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. The Company accordingly recorded an adjustment in March 2009 to reflect 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 on the long dated interest rate swap contract.

TMGP Realized gains or losses realized through normal monthly or quarterly settlements continue to be allocated 60% to GEEFS and 40% to the Company.

Accordingly, during the three months ended March 31, 2009, the Company recorded its share of TMGP's realized loss on interest rate swap contracts of \$191,704 and an unrealized loss on the fair value adjustment of interest rate swap contracts of \$8,787,791 compared to \$5,194 and \$641,953 respectively in the same period in 2008. The unrealized loss on the fair value adjustment of interest rate swap contracts is a non-cash item.

Share-based compensation expense, a non-cash item, is recorded when granted stock options vest. This expense was \$194,126 in the first quarter of 2009 compared to \$992,474 in the same period in 2008, a decrease of \$798,348. A higher number of options with a higher fair value vested in 2008 compared to 2009.

Salaries expense was \$736,112 in the first quarter of 2009 compared to \$523,692 in the same period in 2008, an increase of \$212,420. The Company had a higher number of officers, managers and administrative staff in 2009 in line with the growth of the Company and the number of projects under active development. The higher number of staff, combined with increases in salaries, contributed to the increase in salaries expense.

The Company expensed \$372,259 in guarantee fees during the first quarter of 2009, which is the same amount expensed in the first quarter of 2008. The guarantee fees 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 has posted on behalf of the Company to TMGP lenders. The letter of credit provided by GE guarantees the \$30 million equity contribution the Company is required to make in TMGP no later than November 1, 2010.

Consulting fees, office costs, professional fees, rent, transfer agent and listing fees and travel and promotion were \$1,002,294 in the first quarter of 2009 compared to \$547,831 in the same period in 2008, an increase of \$454,463. The main cost increases were consulting fee increases of \$130,035, office and rent increases of \$130,911, and travel and promotion increases of \$227,526. The increased costs support the Company's increased development and growth activities related to the increased number of power projects under advanced development.

During the first quarter of 2009 the Company expensed \$63,494 on project evaluation costs compared to \$14,303 in the same period in 2008. 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.

During the first quarter of 2009 the Company wrote-off \$34,900 of power project development costs compared to nil in the same period in 2008. 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.

Interest income was \$68,029 in the first quarter of 2009 compared to \$425,859 in the same period in 2008, a decrease of \$357,830 due to lower interest rates and lower average cash balances on hand.

Excluding Toba Montrose expenditures, during the first quarter of 2009, the Company incurred and capitalized \$3,100,016 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	Loss	Loss Per Share	Loss Per Diluted Share
31-Mar-09	\$ -	11,327,177	\$0.26	\$0.26
31-Dec-08	\$ -	\$5,244,182	\$0.12	\$0.12
30-Sep-08	\$ -	\$2,977,283	\$0.07	\$0.07
30-Jun-08	\$ -	\$3,422,547	\$0.08	\$0.08
31-Mar-08	\$ -	\$2,679,895	\$0.06	\$0.06
31-Dec-07	\$ -	\$6,202,015	\$0.17	\$0.17
30-Sep-07	\$ -	\$1,082,306	\$0.03	\$0.03
30-Jun-07	\$ -	\$2,704,232	\$0.07	\$0.07

The Company's proportionate interest in the change in fair value of TMGP's interest rate swap contracts (a non-cash item) has caused significant fluctuations in earnings from quarter to quarter. On July 15, 2008, TMGP designated one of the two interest rate swap as an accounting cash flow hedge. This will reduce some of the fluctuations in earnings in the future.

To reflect the amendment to the TMGP Partnership Agreement, the Company recorded an adjustment in March 2009 to increase unrealized losses in the statement of operations of \$9.0 million.

Additionally, operating costs have been increasing with the growth of the Company.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2009, the Company had \$22,104,416 in cash (December 31, 2008 - \$27,773,572) and its proportionate interest in TMGP's cash was \$1,476,169 (December 31, 2008 - \$687,059), for a consolidated cash balance of \$23,580,585 (December 31, 2008 - \$28,460,631). In addition, the Company's proportionate interest in TMGP's restricted cash was \$4,781,492 as at March 31, 2009 (December 31, 2008 - \$11,774,857).

The Company had consolidated working capital of \$12,993,450 as at March 31, 2009 compared to consolidated working capital of \$29,392,915 as at December 31, 2008, a decrease of \$16,399,465. Excluding TMGP, the Company's working capital was \$19,742,905 as at March 31, 2009 compared to \$24,591,430 as at December 31, 2008, a decrease in working capital of \$4,848,525.

Excluding TMGP, the Company's major expenditures during the first quarter of 2009 included \$3,391,234 on power project development costs and \$2,105,045 in net administrative costs.

The Company's proportionate share of TMGP's working capital will fluctuate depending on the timing of construction expenditures and funding from the long term debt facilities. During the three month period ended March 31, 2009, the Company recorded its proportionate share of cash additions to property, plant and equipment of \$18,634,219 for the current construction of Toba Montrose. During the first quarter of 2009, the Company also recorded its proportionate share of additions to intangibles for the current construction of Toba Montrose, being \$181,529. At March 31, 2009, the Company recorded its proportionate share of TMGP's long term debt, being \$90,642,384, of which \$4,781,492 of funds received is deposited in a restricted account pending required payments for Toba Montrose construction and related costs.

The Company and GEEFS jointly bid the Upper Toba Valley and Bute Inlet Projects into the 2008 BC Hydro RFP on November 25, 2008. If the Company and GEEFS are successfully awarded EPAs for the Upper Toba Valley and/or Bute Inlet Projects during 2009, based on current assumptions, the Company and GE would set up project partnerships to hold the awarded EPAs. GEEFS intends to make an equity contribution of \$70 million for a 50% interest in the Upper Toba Valley Project and, either by itself or with other partners, an equity contribution of \$650 million for a 60% interest in the Bute Inlet Project. The Company would be responsible for all costs of permitting, public consultation and environmental assessment certification. It is also intended that in connection with the equity funding of the Upper Toba Partnership by GEEFS, the Upper Toba Partnership will, in connection with the closing of such funding, direct payment of the sum of \$20 million to the Company for payment of certain pre-determined previously incurred capital costs.

The Company is required to contribute \$30 million in equity to TMGP on or before the earlier of the date TMGP's senior debt facilities have been fully drawn and November 1, 2010; currently anticipated to be in early 2010. In addition, the Company is required to fund its pro-rata share of TMGP project cost overruns, if any.

Excluding the TMGP project financing disclosed below, the Company's source of financing to date has been from the sale or issuance of common shares from treasury. The Company has sufficient working capital to fund its expected expenditures for the next 12 months, unless it is awarded an EPA for the Upper Toba Valley and/or Bute Projects, in which case the Company will need additional financing within the next 12 months. Subject to the award of a successful EPA for the Upper Toba Valley Project and the related project equity funding by GEEFS, the Company may also receive a payment of \$20 million for reimbursement of previously incurred capital costs. The Company anticipates that it will need to raise additional financing in 2009 or 2010, including funding for its \$30 million equity commitment to TMGP prior to November 1, 2010, depending on the outcome of the BC Hydro 2008 RFP.

TMGP 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 March 31, 2009, the lenders had funded \$226.6 million under this credit facility of which the Company's proportionate share was \$90.6 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 March 31, 2009, TMGP had not yet drawn from this credit facility. 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.

TMGP paid an upfront fee to the co-lead arrangers and lenders of \$4.7 million on closing of the credit facilities. A commitment fee, equal to 0.375% per annum multiplied by the amount not drawn on the \$470 million in total available credit, is charged and paid to the lenders on a monthly basis during the construction period until fully drawn.

GE, through an affiliate, provided a \$100 million equity bridge loan to TMGP. On commencement of commercial operations, which is expected to occur in 2010, GE will invest \$100 million of equity in TMGP which will be used to repay the \$100 million equity bridge loan. TMGP pays interest to the GE affiliate on the equity bridge loan up a cumulative maximum amount of \$15 million payable during construction. As at March 31, 2009, TMGP had drawn the entire \$100 million under the equity bridge loan.

CONTRACTUAL OBLIGATIONS

During 2006, the Company executed an EPA with BC Hydro to supply all the electricity to be generated from Toba Montrose beginning in November 2010 for 35 years, which is expected to be on average 727 GWh annually, net of transmission line losses. This EPA was transferred to TMGP in 2007 and it is now a TMGP commitment.

The Company is required to contribute \$30 million in equity on or before the earlier of the date TMGP's senior debt facilities have been fully drawn and November 1, 2010. The additional \$30 million equity contribution in TMGP is primarily to fund an increase in capacity of the 230 KV transmission line to be built from the Toba Valley to Saltery Bay. 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 Power Sites. 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 in 2010. The Company pays the GE affiliate a 3% per annum fee on the amount of guarantee provided.

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 share until May 13, 2010 and a bonus structure if any of the identified projects become commercially viable.

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, 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 Sites. The Company can elect to abandon its Power 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, including the contracts, permits, licences and IBA's transferred from the Company, are non-recourse to the Company.

During 2007, the Company transferred to TMGP Toba Montrose and related permits, licences, IBA's with the Klahoose and Sliammon First Nations and its EPA with BC Hydro. These IBA's 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 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 March 31, 2009, the debt providers had advanced on schedule \$226.6 million of the \$470 million credit facilities to TMGP.

TMGP executed a \$497 million fixed-price EPC contract with Kiewit for the construction of Toba Montrose. As at March 31, 2009, TMGP had incurred \$290.8 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. If required, the Company and GE would be required to fund its pro-rata share of project cost overruns, if any.

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.

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 used	\$90.6	-	\$1.6	\$2.8	\$86.2
Long-term debt to be (drawn) repaid	(\$96.9)	(\$95.4)	(\$1.5)	\$0.8	\$96.1
Purchase Obligations (EPC)	\$82.6	\$73.4	\$9.2	-	-
Lease obligations	\$0.9	\$0.3	\$0.5	\$0.1	-

The long-term debt drawn and long-term debt available to be drawn and purchase obligations represent the Company's proportionate interest of 40% in TMGP. 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 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

In 2008, the Company and GEEFS signed a memorandum of understanding to partner on a bid to develop approximately 1,200 MW of clean, run-of-river hydro-electric capacity in the Toba and Bute Inlets along the southwest coast of BC. The approximate capital cost of these projects is estimated at \$4 billion.

The Company and GEEFS jointly bid the Upper Toba Valley and Bute Inlet Projects into the BC Hydro 2008 RFP on November 25, 2008. Based on current assumptions, if the two entities' joint bid is accepted, GEEFS intends to make an equity contribution of \$70 million for a 50% interest in the Upper Toba Valley Project and either by itself, or with other partners, an equity contribution of \$650 million for a 60% interest in the Bute Inlet Project. The final economic terms will be determined based on project variables including final capital cost, awarded energy price and estimates of power output. GEEFS would also have the right to arrange debt financing for the projects. Prior to GEEFS' equity contribution, the Company would be responsible for all costs of permitting, public consultation and environmental assessment certification. The Company may elect to repurchase a further 10% interest in the Bute Inlet Project by making a \$100 million equity contribution to capital costs.

Completion of the transactions is subject to such conditions as completion of satisfactory due diligence; finalization of satisfactory documentation; approval of investment committees and boards of directors; successful bids into BC Hydro's Clean Power Call Request for Proposals; senior debt financing for the projects; and regulatory approvals.

Upon successfully acquiring an EPA for Upper Toba Valley Project and Bute Inlet Project with BC Hydro, GEEFS would be granted one million and four million warrants respectively, with each warrant

entitling GEEFS to purchase one common share in the Company. The warrants would be exercisable at a price equal to the market price for the Company's common shares at the time they are issued, have a term of five years and would be subject to vesting provisions.

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, community and stakeholder support and the ability to connect the projects to the BCTC transmission line, successful 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.

The Company will 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 will be subject to dilution.

For further details on risks and uncertainties, see the Company's 2008 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.

Investments

The Company accounts for its investment in restricted equity instruments as available for sale investments that do not have a quoted market price in an active market. The instruments were initially recorded at fair value using the Black-Scholes option pricing model and subsequently have been held at cost subject to impairment conditions.

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 amortized over the useful life of the projects. The criteria are the Company must demonstrate 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 financing to successfully complete the development and construction of the projects, and the long-term generation and sale of sufficient electrical power 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 lease.

Generating plants, transmission lines, and other costs associated with the construction of Toba Montrose are carried at cost which consists of direct labour, material and equipment costs, engineering and project development costs and administrative costs incurred that are incremental and directly attributable to the construction and development of the projects.

Net incremental financing costs incurred that are directly attributable to the development and construction of the projects are capitalized. The capitalization of net financing costs will cease when Toba Montrose 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 IBA's with First Nations for Toba Montrose. Payments made to First Nations under the terms of the IBA's 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.

These intangible assets will be amortized upon commencement of commercial operations of Toba Montrose on a straight-line basis over the 35 year term of the applicable permits, licenses and agreements.

Impairment of long-lived assets

Long-lived assets, including investments, power project development costs, property, plant and equipment and intangible assets, 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.

The 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 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.

The 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.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted the new CICA Handbook Section 3064, *Goodwill and Intangible Assets*. This Section replaces CICA Handbook Section 3062, *Goodwill and Intangible Assets* and CICA Handbook Section 3450, *Research and Development Costs*, and establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets, and also provides additional guidance with respect to development expenditures.

As a result of the adoption of this standard, certain expenditures incurred that were previously deferred in power project development costs would not have been deferred as they did not meet the criteria for capitalization under the new standard. In accordance with the transition rules, the Company has written off the ineligible costs and has restated the comparative figures. The impact of adopting the standard retroactively has resulted in an increase in the deficit of \$2.1 million, an increase in the deferred gain of \$0.7 million, a decrease in power project development costs of \$0.9 million, and a decrease in intangible assets of \$0.5 million, each as at December 31, 2008 as compared to amounts previously reported. The adoption has not resulted in any change in net loss for the three months ended March 31, 2008 previously reported.

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 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 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 key elements of the Company's changeover plan include:

- Determine appropriate changes to accounting policies and to financial disclosures
- Identify and implement changes in associated processes and information systems
- Comply with internal control requirements
- Educate and communicate changes and requirements to internal and external stakeholders

The Company is currently analyzing accounting policy alternatives and identifying implementation options for the corresponding process changes. The Company will update its IFRS changeover plan to reflect new and amended accounting standards issued by the International Accounting Standards Board. As IFRS is expected to change prior to 2011, the impact of IFRS on the Company's Consolidated Financial Statements is not reasonably determinable at this time.

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 provides for monthly settlements from November 8, 2007 to November 1, 2010 (Short Dated Interest Rate Swap). Pursuant to the interest rate swap agreement, TMGP receives 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 is 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. The notional amount of the swap at March 31, 2009 was \$58.3 million and it increases on a monthly basis to a maximum notional amount of \$100 million beginning on May 1, 2010. TMGP and the counterparty net settle the amount owing on a monthly basis.

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 net settle the amount owing on a quarterly basis commencing on December 31, 2010.

Prior to July 15, 2008, neither the Company nor TMGP had designated the two interest rate swap contracts as hedges in accordance with CICA 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 hedging 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, GEEFS 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 can be found in note 8 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 quarter ended March 31, 2009, together with other financial information included in our 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 and that they operated effectively during the quarter.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting during the quarter ended March 31, 2009 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at May 14, 2009, the Company had the following common shares, stock options and warrants outstanding:

Common shares	44,274,003
Stock options (vested and unvested)	4,996,000
Warrants	750,000
Fully Diluted shares outstanding	50,020,003