

Plutonic

POWER CORPORATION



Interim Consolidated Financial Statements
(Expressed in Canadian dollars)

(unaudited)

For the three month periods ended March 31, 2010 and 2009

PLUTONIC POWER CORPORATION

Consolidated Balance Sheets

	March 31 2010	December 31 2009
	(unaudited)	
Assets		
Current assets:		
Cash	\$ 10,565,667	\$ 14,403,920
Cash restricted for use in construction activities (note 8 (a)(ii) and (b)(ii))	44,614,221	51,863,652
Amounts receivable	198,259	174,461
GST recoverable	606,241	662,716
Prepaid expenses	272,147	266,907
Investment (note 5)	3,319,967	3,614,647
Current portion of builder's lien holdback deposit accounts	19,054,098	16,980,220
	78,630,600	87,966,523
Performance security deposits	421,458	421,458
Builder's lien holdback deposit accounts	-	431,919
Power project development costs (note 6)	39,027,355	38,286,084
Property, plant and equipment (note 7)	293,425,471	268,166,267
Other intangible assets	5,797,440	5,630,328
	\$ 417,302,324	\$ 400,902,579
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 10,317,045	\$ 8,028,776
Interest and fees payable (note 8(a))	792,589	750,086
Current portion of builder's lien holdbacks payable	19,809,235	17,479,112
Current portion of interest rate swap contracts (note 9)	4,001,359	4,218,755
	34,920,228	30,476,729
Builder's lien holdbacks payable	-	431,919
Long-term debt (note 8)	253,365,473	238,834,356
Interest rate swap contracts (note 9)	11,680,428	9,482,857
Deferred gain on transfer of assets (note 3(a))	16,189,088	16,189,088
	316,155,217	295,414,949
Shareholders' equity:		
Share capital (note 10)	140,842,118	140,824,318
Contributed surplus (note 11)	14,802,489	14,148,781
Accumulated other comprehensive loss	(3,251,627)	(343,879)
Deficit	(51,245,873)	(49,141,590)
	101,147,107	105,487,630
Commitments (notes 7 and 13)		
Subsequent events (notes 1, 6 and 10)		
	\$ 417,302,324	\$ 400,902,579

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"Donald A. McInnes" Director

"R. Stuart Angus" Director

PLUTONIC POWER CORPORATION

Consolidated Statements of Operations and Comprehensive Loss

For the three month periods ended March 31, 2010 and 2009
(unaudited)

	2010	2009
Expenses:		
Amortization	\$ 16,849	\$ 12,526
Consulting	55,166	196,844
Guarantee fees	-	372,259
Office	103,821	128,854
Power project development costs written-off	-	34,900
Professional fees	25,548	43,949
Project evaluation	24,673	63,494
Rent	106,990	120,737
Salaries	1,231,235	736,112
Share-based compensation	587,115	194,126
Transfer agent and listing fees	55,093	28,455
Travel and promotion	237,049	483,455
Loss before the undernoted	(2,443,539)	(2,415,711)
Other income (expenses):		
Interest income	11,669	68,029
Dividend income (note 5)	97,434	-
Realized and unrealized gain (loss) on interest rate swap contracts (note 9)	230,153	(8,979,495)
	339,256	(8,911,466)
Net loss for the period	(2,104,283)	(11,327,177)
Other comprehensive loss:		
Change in fair value of effective portion of interest rate swap designated as a hedge (note 9)	(2,613,068)	(1,676,853)
Unrealized loss on available-for-sale investment (note 5)	(294,680)	-
Comprehensive loss for the period	\$ (5,012,031)	\$ (13,004,030)
Basic and fully diluted loss per common share	\$ (0.03)	\$ (0.26)
Weighted average number of common shares outstanding	65,386,509	44,205,281

See accompanying notes to consolidated financial statements.

PLUTONIC POWER CORPORATION

Consolidated Statements of Deficit

For the three month periods ended March 31, 2010 and 2009
(unaudited)

	2010	2009
Deficit, beginning of period	(49,141,590)	(29,872,979)
Net loss for the period	(2,104,283)	(11,327,177)
Deficit, end of period	\$ (51,245,873)	\$ (41,200,156)

Consolidated Statements of Accumulated Other Comprehensive Loss

For the three month periods ended March 31, 2010 and 2009
(unaudited)

	2010	2009
Accumulated other comprehensive loss, beginning of period	\$ (343,879)	\$ (3,638,756)
Change in fair value of effective portion of interest rate swap designated as a hedge (note 9)	(2,613,068)	(1,676,853)
Unrealized loss on available-for-sale investment (note 5)	(294,680)	-
Accumulated other comprehensive loss, end of period	\$ (3,251,627)	\$ (5,315,609)

See accompanying notes to consolidated financial statements.

PLUTONIC POWER CORPORATION

Consolidated Statements of Cash Flows

For the three month periods ended March 31, 2010 and 2009
(unaudited)

	2010	2009
Cash provided by (used in):		
Operating activities:		
Net loss for the period	\$ (2,104,283)	\$ (11,327,177)
Items not affecting cash:		
Amortization expense	16,849	12,526
Share-based compensation	587,115	194,126
Power project development costs written-off	-	34,900
Prepaid guarantee fee amortization	-	147,259
Unrealized (gain) loss on fair value adjustment of interest rate swaps	(632,893)	8,787,791
	(2,133,212)	(2,150,575)
Changes in non-cash working capital:		
Amounts receivable	(23,798)	126,493
GST recoverable	56,475	755,600
Prepaid expenses	(5,240)	12,993
Accounts payable and accrued liabilities	2,288,269	1,195,451
Interest and fees payable	42,503	67,410
Adjustment for non-cash working capital relating to power project development costs and property, plant and equipment	(3,170,000)	(2,535,809)
	(2,945,003)	(2,528,437)
Investing activities:		
Power project development costs	(1,467,126)	(3,391,234)
Property, plant and equipment purchases	(21,273,370)	(18,637,438)
Intangible asset payments	(168,858)	(181,529)
Builder's lien holdback deposit accounts	(1,641,959)	(1,664,703)
Builder's lien holdbacks payable	1,898,204	1,954,861
	(22,653,109)	(21,920,043)
Financing activities:		
Common shares issued for cash	11,901	15,000
Long-term debt, net of financing fees	14,498,527	12,679,816
Cash restricted for use in construction activities	7,249,431	6,993,365
Financing provided by joint equity partner of TMGP	-	(119,747)
	21,759,859	19,568,434
Decrease in cash	(3,838,253)	(4,880,046)
Cash, beginning of period	14,403,920	28,460,631
Cash, end of period	\$ 10,565,667	\$ 23,580,585

Supplementary cash flow information (note 12)

See accompanying notes to consolidated financial statements.

PLUTONIC POWER CORPORATION

Notes to the Consolidated Financial Statements

For the three month periods ended March 31, 2010 and 2009
(unaudited)

1. Operations:

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

In 2007, the Company and its partner GE Energy Financial Services ("GE"), formed Toba Montrose General Partnership ("TMGP"), a general partnership formed under the laws of the Province of BC, to own, finance, build and operate the East Toba River and Montrose Creek run-of-river hydro-electric project ("Toba Montrose") in conjunction with our First Nations partners, the Klahoose, Sliammon and Sechelt First Nations. Toba Montrose is to include two separate generation facilities and 150 kilometres ("km") of transmission line to interconnect the generation facilities to a new BC Transmission Corporation ("BCTC") substation at Sallery Bay, BC. These two generation facilities have a combined design capacity of 196 megawatts ("MW") and are expected to generate a long term average of 727 gigawatt hours ("GWh") of electricity annually net of transmission line losses with completion of construction and commencement of electricity sale to BC Hydro and Power Authority ("BC Hydro") scheduled during 2010 under a 35 year Electricity Purchase Agreement ("EPA"). In 2007, TMGP arranged \$570 million of project debt and equity financing for Toba Montrose.

In 2009, the Company and GE formed Dokie General Partnership ("DGP"), a general partnership formed under the laws of the Province of BC, to acquire, finance, complete the construction of and operate the 144 MW Dokie Wind Project in conjunction with our First Nations partners, the Halfway River, West Moberly and Sauteau First Nations and McLeod Lake Indian Band. The Company and GE hold a 51% and 49% respective interest in DGP. In December 2009, DGP acquired certain assets related to the Dokie Wind Project from EarthFirst Canada Inc. and third parties. DGP arranged debt financing of \$175 million and the Company and GE contributed \$52.5 million, of which the Company's 51% proportionate contribution was \$26.8 million, of project equity to finance the completion of the Dokie Wind Project. This project is located 1,100 km northeast of Vancouver, near Chetwynd, BC and it will use 48 3-MW wind turbines to generate a long term average of 333 GWh of electricity annually net of transmission line losses. Completion of construction and commencement of electricity sale to BC Hydro is scheduled in early 2011 under a 25 year EPA. The Company and GE also jointly, through another entity, acquired the rights to expand the Dokie Wind Project by an additional 156 MW ("Dokie Wind Expansion Project") for a total of 300 MW.

PLUTONIC POWER CORPORATION

Notes to the Consolidated Financial Statements

For the three month periods ended March 31, 2010 and 2009
(unaudited)

1. Operations (continued):

In 2008, the Company and GE signed a memorandum of understanding (“MOU”) to jointly bid the Upper Toba Valley and Bute Inlet run-of-river hydro-electric projects into the BC Hydro 2008 Request for Proposals (“BC Hydro 2008 RFP”). In March 2010, BC Hydro offered the Company and GE an EPA for a modified Upper Toba Valley Project that now includes two power sites with a combined potential capacity of 124 MW and expected annual generation of 315 GWh of electricity net of transmission line losses. The original proposal included a third power site, which was removed during discussions with BC Hydro because of concerns about capacity constraints on a BCTC transmission line between Saltery Bay and Malaspina. Negotiations with BC Hydro for an EPA on the Bute Inlet Project will not move ahead at this time in order to allow for further data collection, studies, due diligence and market assessment. On April 28, 2010, the Company and GE entered into a 40 year EPA with BC Hydro for the modified Upper Toba Valley Project. With the change in size of the Upper Toba Valley Project, the Company and GE are in discussions on how to proceed with their MOU for the development and construction of the Upper Toba Valley Project.

The Company may need to raise additional equity financing in addition to project debt financing to fund the construction of the Upper Toba Valley Project and the continued development of its other power projects.

2. Significant accounting policies:

(a) Basis of presentation:

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

(b) International Financial Reporting Standards (IFRS):

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

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

PLUTONIC POWER CORPORATION

Notes to the Consolidated Financial Statements

For the three month periods ended March 31, 2010 and 2009
(unaudited)

3. Investment in Toba Montrose General Partnership ("TMGP"):

- (a) In 2007, the Company contributed Toba Montrose and related permits, licences, Impact Benefit Agreements ("IBA") with the Klahoose and Sliammon First Nations and its EPA with BC Hydro to TMGP. In return, the Company received and currently holds 51 Class A Units of TMGP, representing a 51% non-participating, voting interest in the partnership and 100 Class B Units of TMGP, which are non-voting and participate in 40% of the distributions of TMGP. After 35 years of operations, the Company's economic interest associated with the Class B Units in TMGP will increase to 51% for no additional consideration and its partner's economic interest in TMGP will decrease from 60% to 49%.

The fair value of the intangible assets contributed by the Company to TMGP was \$36.7 million. The Company included in these interim consolidated financial statements its proportionate share of the original cost of the assets contributed and deferred the \$16.2 million gain on contribution of these assets. The deferred gain will be amortized over the 35 year life of the BC Hydro EPA beginning in year 2010.

The Company is required to fund its pro-rata share of TMGP project cost overruns, if any.

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

	March 31 2010	December 31 2009
Cash	\$ 950,221	\$ 1,778,234
Cash restricted for use in construction activities	958,323	3,632,819
GST recoverable	190,678	245,863
Amounts receivable	11,298	11,577
Prepaid expenses	29,117	109,049
Builder's lien holdback deposit account	18,390,802	16,980,220
Performance security deposits	150,000	150,000
Property, plant and equipment	217,173,470	198,614,482
Intangible assets	5,401,168	5,232,310
	243,255,077	226,754,554
Accounts payable and accrued liabilities	5,798,886	4,854,460
Interest and fees payable	792,589	750,086
Builder's lien holdback payable	18,993,334	17,479,112
Long-term debt	166,143,202	151,644,675
Interest rate swap contracts	15,681,787	13,701,612
	207,409,798	188,429,945
Net assets	\$ 35,845,279	\$ 38,324,609

PLUTONIC POWER CORPORATION

Notes to the Consolidated Financial Statements

For the three month periods ended March 31, 2010 and 2009
(unaudited)

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

(b) Continued:

	Three months ended March 31, 2010	Three months ended March 31, 2009
Realized and unrealized gain (loss) on interest rate swap contracts	\$ 230,153	\$ (8,979,495)
Other expenses	(48,615)	(45,530)
Share of TMGP net income (loss)	\$ 181,538	\$ (9,025,025)
Cash flow from operating activities	\$ (431,826)	\$ (247,111)
Cash flow from investing activities	(17,569,210)	(18,525,590)
Cash flow from financing activities	17,173,023	19,561,811

4. Investment in Dokie General Partnership ("DGP"):

(a) In 2009, the Company contributed \$26.8 million to DGP for 26,775 Class A Units of DGP, representing a 51% participating and voting interest in the partnership. The Company has included in the interim consolidated financial statements its proportionate share of the partnership.

PLUTONIC POWER CORPORATION

Notes to the Consolidated Financial Statements

For the three month periods ended March 31, 2010 and 2009
(unaudited)

4. Investment in Dokie General Partnership (continued):

(b) The Company's 51% interest in the assets, liabilities, revenue and expenses and cash flows of DGP, accounted for under the proportionate consolidation method, are included in these interim consolidated financial statements as follows:

	March 31 2010	December 31 2009
Cash	\$ 1,692,781	\$ 701,383
Cash restricted for use in construction activities	43,655,898	48,230,833
Amounts receivable	10,003	19,260
GST recoverable	403,694	238,729
Prepaid expenses	42,904	38,609
Performance security deposits	21,458	21,458
Builder's lien holdback deposit account	663,296	431,919
Property, plant and equipment	71,597,610	64,977,869
Intangible assets	382,500	382,500
	118,470,144	115,042,560
Accounts payable and accrued liabilities	3,655,259	589,532
Builder's lien holdback payable	815,901	431,919
Long-term debt	87,222,271	87,189,681
	91,693,431	88,211,132
Net assets	\$ 26,776,713	\$ 26,831,428
	Three months ended March 31, 2010	Three months ended March 31, 2009
General and administrative expenses	\$ (29,473)	\$ -
Share of DGP net loss	\$ (29,473)	\$ -
Cash flow from operating activities	\$ (32,324)	\$ -
Cash flow from investing activities	(3,551,213)	-
Cash flow from financing activities	4,574,935	-

5. Investment:

On January 1, 2010, the Company's special warrants in AltaGas Income Trust ("AltaGas") converted to full participating units for no additional consideration. The Company's units of AltaGas are classified as an available-for-sale security and are recorded on the balance sheet at their fair value, based on the quoted market price of AltaGas at period end. Changes in the fair value of the AltaGas units are recorded in accumulated other comprehensive income until such time as the units are sold or determined to be impaired. At March 31, 2010, the fair value of the units was \$3.3 million, as compared to their cost basis of \$3.6 million, resulting in a \$0.3 million unrealized loss.

During the three month period ended March 31, 2010 the Company received \$0.1 million in dividend income for the AltaGas units.

PLUTONIC POWER CORPORATION

Notes to the Consolidated Financial Statements

For the three month periods ended March 31, 2010 and 2009
(unaudited)

6. Power project development costs:

	Upper Toba Valley Project	Bute Inlet Project	Other Projects	Total
Balance, December 31, 2008	\$ 5,581,676	\$ 16,335,235	\$ 2,713,663	\$ 24,630,574
Engineering and hydrology	685,891	3,555,083	216,839	4,457,813
Permitting	870,468	6,376,524	22,100	7,269,092
Community consultations	47,976	1,520,564	1,950	1,570,490
Share-based compensation	159,729	233,286	-	393,015
Power project development costs written-off	-	-	(34,900)	(34,900)
Total 2009 Costs	1,764,064	11,685,457	205,989	13,655,510
Balance, December 31, 2009	\$ 7,345,740	\$ 28,020,692	\$ 2,919,652	\$ 38,286,084
Engineering and hydrology	163,486	140,255	6,377	310,118
Permitting	24,580	128,749	13,704	167,033
Community consultations	6,696	227,137	-	233,833
Financing and tender bid costs	2,355	-	-	2,355
Share-based compensation	18,234	9,698	-	27,932
Total 2010 Costs	215,351	505,839	20,081	741,271
Balance, March 31, 2010	\$ 7,561,091	\$ 28,526,531	\$ 2,939,733	\$ 39,027,355

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

PLUTONIC POWER CORPORATION

Notes to the Consolidated Financial Statements

For the three month periods ended March 31, 2010 and 2009
(unaudited)

6. Power project development costs (continued):

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

(a) Upper Toba Valley Project:

In 2006, the Company applied for and had applications for water licenses and Crown Land tenure accepted by the Water Stewardship Division, Ministry of the Environment ("MOE") and the Integrated Land Management Bureau, Ministry of Agriculture and Lands ("ILMB") for these three power sites. The Company then submitted the Upper Toba Valley project to the BC Environmental Assessment Office ("EAO") for the construction of three run-of-river generation facilities, to be located on Dalglish Creek, Jimmie Creek and the Upper Toba River.

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

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

In March 2010, BC Hydro offered the Company and GE an EPA for a modified Upper Toba Valley Project. The Company and GE modified the Upper Toba Valley Project to include two power sites with a combined design capacity of 124 MW and expected long term average annual electricity generation of 315 GWh net of transmission line losses. This represents a modification from the original bid of 3 power sites combining for 166 MW of capacity. The Dalglish power site was removed from the Company and GE's bid during discussions with BC Hydro to address capacity constraints identified by BCTC on their transmission line between Saltery Bay and Malaspina. On April 28, 2010, the Company and GE entered into a 40 year EPA with BC Hydro for the modified Upper Toba Valley Project. The Dalglish power site remains a viable project should the BCTC transmission line constraints between Saltery Bay and Malaspina be removed in the future. The 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.

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

(b) Bute Inlet Project:

The Bute Inlet Project consists of 17 power sites, with an estimated combined potential generation capacity of approximately 1,000 MW and potential long term average annual electricity generation of approximately 2,900 GWh.

PLUTONIC POWER CORPORATION

Notes to the Consolidated Financial Statements

For the three month periods ended March 31, 2010 and 2009
(unaudited)

6. Power project development costs (continued):

(b) Bute Inlet Project (continued):

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

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

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

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

The Company intends to continue with the development of this project, including performing hydrological, engineering, environmental baseline and permitting work and is consulting with the communities, First Nations and other stakeholders on this power project.

(c) Other Projects:

The Company has 22 other run-of-river power sites with a combined potential generation capacity of approximately 725 MW and potential long term average annual electricity generation of approximately 2,300 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.

In 2009, the Company and GE acquired the rights to the Dokie Wind Expansion Project for an additional 156 MW, which would increase the Dokie Wind Project to a total of 300 MW. The Company and GE's interest in these rights are 51% and 49% respectively. The Dokie Wind Expansion Project has been granted an Environmental Assessment Certificate. Under the direction of GE, a feasibility study has commenced for the Dokie Wind Expansion Project.

PLUTONIC POWER CORPORATION

Notes to the Consolidated Financial Statements

For the three month periods ended March 31, 2010 and 2009
(unaudited)

7. Property, plant and equipment:

March 31, 2010	Cost	Accumulated amortization	Net book value
Toba Montrose assets under construction	\$ 219,610,494	\$ -	\$ 219,610,494
Dokie assets under construction	73,597,610	-	73,597,610
Computer equipment	190,461	81,071	109,390
Office equipment	130,215	41,240	88,975
Vehicle	10,000	6,147	3,853
Leasehold improvements	23,709	8,560	15,149
	<u>\$ 293,562,489</u>	<u>\$ 137,018</u>	<u>\$ 293,425,471</u>

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

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

	March 31 2010	December 31 2009
Engineering, procurement and construction costs	\$ 186,704,323	\$ 171,682,092
EPC issued change orders	2,447,514	2,327,527
Project construction management costs	7,284,030	6,333,114
Development costs	1,400,000	1,400,000
Construction insurance costs	1,243,674	1,241,990
BCTC interconnection costs	1,134,640	1,115,440
Land lease payments	157,426	154,153
Capital spare parts for use in operations	781,507	781,507
Capitalized net financing costs	18,457,380	15,925,238
	<u>\$ 219,610,494</u>	<u>\$ 200,961,061</u>

PLUTONIC POWER CORPORATION

Notes to the Consolidated Financial Statements

For the three month periods ended March 31, 2010 and 2009
(unaudited)

7. Property, plant and equipment (continued):

In 2007, TMGP executed a \$497.5 million fixed-price Engineering, Procurement and Construction (“EPC”) contract with Peter Kiewit Sons Co. for the construction of Toba Montrose, which includes two powerhouses with weirs, intakes, penstocks, generation equipment, a 150 km transmission line, and related development costs including access roads and bridges. As at March 31, 2010, TMGP had incurred or accrued \$466.8 million under the terms of the EPC contract, of which the Company’s proportionate share was \$186.7 million (December 31, 2009 - \$429.2 million and \$171.7 million respectively).

As at March 31, 2010, TMGP incurred and capitalized \$40.1 million (December 31, 2009 - \$33.9 million) in net financing costs directly attributable to the construction of Toba Montrose. The Company’s proportionate share of the capitalized net financing costs was \$18.5 million (December 31, 2009 - \$15.9 million).

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

	March 31 2010	December 31 2009
Property, plant and equipment	\$ 61,616,260	\$ 61,361,260
Engineering, procurement and construction costs	7,837,063	4,319,190
Transformers and generators	574,862	231,856
Project construction management costs	1,080,902	199,301
Construction insurance costs	463,312	461,150
Capitalized net financing costs	2,025,211	405,112
Total	\$ 73,597,610	\$ 66,977,869

On December 10, 2009, DGP executed a \$56.5 million fixed-price EPC contract with Mortenson Canada Corporation to complete the construction of the 144 MW Dokie Wind Project, which includes the completion of the installation of wind turbines, generators, transformers, a transmission line, and related construction costs. As at March 31, 2010, DGP had incurred or accrued \$15.4 million under the terms of the EPC contract, of which the Company’s proportionate share was \$7.8 million (December 31, 2009 - \$8.5 million and \$4.3 million respectively).

In December 2009, DGP entered into various agreements to procure assets for the completion of the Dokie Wind Project. Future commitments for fixed asset purchases as at March 31, 2010 total \$3.4 million, of which the Company’s proportionate share is \$1.8 million (December 31, 2009 - \$4.2 million and \$2.1 million respectively). These commitments are payable upon satisfaction of certain commissioning conditions and reliability tests.

As at March 31, 2010, DGP had incurred and capitalized \$4.0 million (December 31, 2009 - \$0.8 million) in net financing costs directly attributable to the construction of the Dokie Wind Project. The Company’s proportionate interest in the capitalized financing costs was \$2.0 million (December 31, 2009 - \$0.4 million).

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8. Long-term debt:

	March 31 2010	December 31 2009
The Company's proportionate interest in TMGP's credit facilities (a)		
Fixed rate credit facility	\$ 146,463,202	\$ 140,604,675
Floating rate credit facility	19,680,000	11,040,000
	166,143,202	151,644,675
The Company's proportionate interest in DGP's loan (b)	87,222,271	87,189,681
	\$ 253,365,473	\$ 238,834,356

(a) TMGP's Credit Facilities:

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

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

- (a) a \$370 million, 38-year senior secured credit facility with a fixed interest rate, a fixed draw down schedule to correspond with the three-year construction period and a repayment period over the 35-year term of the project's EPA with BC Hydro (the "Fixed Rate Facility"). The interest rate on this credit facility is 6.288% per annum during the construction period and 6.173% thereafter. The construction period is defined in the credit facility agreement and includes the period through the date of commercial production, and for greater certainty, a period no later than March 1, 2011. As at March 31, 2010, the lenders had funded \$366.2 million under this credit facility, of which the Company's proportionate interest was \$146.5 million (December 31, 2009 - \$351.5 million and \$140.6 million respectively).
- (b) a \$100 million, 38-year senior secured credit facility with a floating interest rate, flexible draw downs during the three-year construction period and a repayment period over the 35-year term of the project's EPA with BC Hydro (the "Floating Rate Facility"). GE Canada Asset Financing Holding Company ("GE Lender") provides \$50 million (50%) of the Floating Rate Facility. The floating interest rate on this credit facility is based on one month Canadian dollar bankers' acceptance rates during the construction period, and the three month Canadian dollar bankers' acceptance rates thereafter, plus an applicable credit spread in each instance. The credit spread is 1.35% per annum during the construction period and for the first four years thereafter, and 1.60% for the remaining term of the credit facility. As at March 31, 2010, the lenders had funded \$49.2 million under this credit facility, of which the Company's proportionate interest was \$19.7 million (December 31, 2009 - \$27.6 million and \$11.0 million respectively).

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8. Long-term debt (continued):

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

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

The Company's proportionate interest in commitment fees and interest payable under the terms of the credit facilities at March 31, 2010 was \$792,589, of which \$16,966 was payable to GE Lender (December 31, 2009 - \$750,086 and \$12,729 respectively).

(ii) Cash restricted for use in construction activities:

In accordance with the terms of the credit facilities, debt is drawn down by TMGP on a specific monthly schedule that commenced in November 2007. The funds are drawn into a restricted escrow construction account. On a monthly basis TMGP applies for funds to be released from the escrow account to pay for construction costs. At March 31, 2010, a total of \$2.4 million (December 31, 2009 - \$9.1 million) was being held by TMGP in escrow of which the Company's proportionate interest was \$1.0 million (December 31, 2009 - \$3.6 million).

(b) DGP's Loan:

- (i) DGP engaged the Manufacturers Life Insurance Company to arrange the required project debt financing. The arranger led a syndicate of financial institutions to provide DGP with a \$175 million loan. On December 7, 2009 a credit agreement was executed and the \$175 million Construction Loan was funded, of which the Company's proportionate interest was \$89.3 million. At the Term Conversion Date, or the date at which certain conditions have been met, including substantial completion of the Dokie Wind Project, the Construction Loan automatically converts to a Term Loan, at which time it will be subject to certain debt covenants and repayment terms.

The \$175 million loan has a maturity date of the earlier of the 20th anniversary of the Term Conversion Date and expiry of the EPA, which is anticipated to be no earlier than December 31, 2030. The annual interest rate on this loan is fixed at 7.243%. Financing fees of \$4.1 million were incurred to execute the credit agreement, of which the Company's proportionate interest was \$2.1 million. These financing fees are applied against the fair value of the loan and will be accreted to the long-term debt over the period of the loan using the effective interest rate method. As at March 31, 2010, financing fees of \$79,358 have been accreted back to the loan, of which the Company's proportionate interest is \$40,473 (December 31, 2009 - \$15,457 and \$7,883 respectively). There was no interest payable under the terms of the loan at March 31, 2010 (December 31, 2009 - nil).

(ii) Cash restricted for use in construction activities:

The funds from the equity investment and the loan are held in restricted escrow construction accounts. On a monthly basis DGP applies for funds to be released from the escrow accounts to pay for construction costs. At March 31, 2010, a total of \$85.6 million was being held in escrow, of which the Company's proportionate interest is \$43.6 million (December 31, 2009 - \$94.6 million and \$48.2 million respectively), and was invested in short term banker's acceptances at rates of interest ranging from 0.25% to 0.34%.

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9. Interest rate swap contracts:

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

The first interest rate swap contract 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 (note 8(a)(i)(b)). The notional amount of the swap at March 31, 2010 was \$97.2 million (December 31, 2009 - \$92.6 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 December 31, 2010.

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

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

	March 31 2010	December 31 2009
Short Dated Interest Rate Swap	\$ 2,650,440	\$ 3,561,440
Long Dated Interest Rate Swap	13,031,347	10,140,172
	15,681,787	13,701,612
<u>Less: Current Portion of Interest Rate Swap Contracts</u>	<u>(4,001,359)</u>	<u>(4,218,755)</u>
Long-term Portion of Interest Rate Swap Contracts	\$ 11,680,428	\$ 9,482,857

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9. Interest rate swap contracts (continued):

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

Period	Statement of Operations		Total	Other
	Realized loss	Unrealized gain (loss)		Comprehensive Loss Unrealized loss
Short Dated Interest Rate Swap:				
Three months ended March 31, 2009	\$ (191,704)	\$ (3,281,995)	\$ (3,473,699)	\$ -
Three months ended March 31, 2010	(402,740)	911,001	508,261	-
Long Dated Interest Rate Swap:				
Three months ended March 31, 2009	-	(5,505,796)	(5,505,796)	(1,676,853)
Three months ended March 31, 2010	-	(278,108)	(278,108)	(2,613,068)
Total				
Three months ended March 31, 2009	\$ (191,704)	\$ (8,787,791)	\$ (8,979,495)	\$ (1,676,853)
Three months ended March 31, 2010	\$ (402,740)	\$ 632,893	\$ 230,153	\$ (2,613,068)

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

- (i) For the TMGP Short Dated Interest Rate Swap contract, which expires in November 2010, the Company is solely liable for any gains or losses in the event of an early termination of the contract. This results in the Company being allocated 100% of the unrealized gains and losses from the change in fair value of the TMGP short dated interest rate swap contract until its expiry in November 2010. In March 2009 the Company recorded an adjustment to reflect the resulting increase in its share of the interest rate swap contract liability and unrealized losses in the statement of operations for the short dated interest rate swap contract.
- (ii) For the TMGP Long Dated Interest Rate Swap contract, which expires in June 2045, the Company is liable for the first \$13.0 million of any gains or losses in the event of an early termination of the contract. Any gains or losses resulting from the early termination of the contract in excess of \$13.0 million are allocated 60% to GE and 40% to the Company. This results in the Company being allocated 100% of the unrealized gains and losses from the change in fair value of the long dated interest rate swap contract from the inception of the long dated interest rate swap up to a maximum of \$13.0 million and 40% of the unrealized gains and losses in excess of \$13.0 million. In March 2009 the Company recorded an adjustment to reflect the resulting increase in its share in the interest rate swap contract liability in both the statement of operations and other comprehensive loss for the long dated interest rate swap contract.

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9. Interest rate swap contracts (continued):

- (iii) As a result of the amendment, for the three months ended March 31, 2009, the Company recorded an additional \$9.0 million of unrealized losses in the statement of operations and recorded an additional \$2.1 million loss in other comprehensive loss that would not have been recognized had the amendment not been made. Realized gains or losses through normal monthly or quarterly settlements continue to be allocated 60% to GE and 40% to the Company.

10. Share capital:

- (a) Authorized
Unlimited common shares without par value
Unlimited preferred shares without par value, issuable in series
- (b) Common shares - Issued and outstanding:

	Number of shares	Amount
Balance, December 31, 2009	65,386,005	\$ 140,824,318
Issued for cash from exercise of options	5,667	11,901
Transfer from contributed surplus on exercise of vested options	-	5,899
Balance, March 31, 2010	65,391,672	\$ 140,842,118

- (c) Common share purchase warrants:

The continuity of common share purchase warrants during the three month period ended March 31, 2010 is as follows:

Expiry date	Exercise price	Balance Dec 31, 2009	Issued	Exercised	Expired	Balance, Mar 31, 2010
May 13, 2010	\$7.93	100,000	-	-	-	100,000
		100,000	-	-	-	100,000

- (d) Stock options:

A summary of common stock option activity and information concerning outstanding and exercisable options at March 31, 2010 and December 31, 2009 is as follows:

	Options granted	Weighted average exercise price
Balance, December 31, 2009	5,384,000	\$ 4.29
Options granted - approved	928,800	3.46
Options exercised	(5,667)	2.10
Balance, March 31, 2010	6,307,133	\$ 4.17

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10. Share capital (continued):

(d) Stock options (continued):

The following table summarizes information concerning outstanding and exercisable options at March 31, 2010:

Grant date	Expiry date	Number outstanding	Weighted average exercise price	Weighted remaining contractual life (in years)	Vested and exercisable	
					Number	Weighted average exercise price
Mar 27, 2006	Mar 26, 2011	100,000	\$0.80	0.99	100,000	\$0.80
June 7, 2006	June 6, 2011	317,000	1.65	1.19	317,000	1.65
July 10, 2006	July 9, 2011	190,000	1.63	1.28	190,000	1.63
July 25, 2006	July 24, 2011	150,000	2.12	1.32	150,000	2.12
Dec 18, 2006	Dec 17, 2011	74,000	2.80	1.72	74,000	2.80
Mar 27, 2007	Mar 26, 2012	350,000	4.20	1.99	350,000	4.20
Mar 28, 2007	Mar 27, 2012	1,253,000	4.25	1.99	1,253,000	4.25
Apr 20, 2007	Apr 19, 2012	230,000	5.28	2.05	230,000	5.28
May 14, 2007	May 13, 2012	100,000	7.28	2.12	100,000	7.28
May 22, 2007	May 21, 2012	150,000	7.30	2.14	100,000	7.30
Jul 11, 2007	Jul 10, 2012	27,500	7.80	2.28	18,333	7.80
Sept 13, 2007	Sept 12, 2012	47,500	6.90	2.45	31,667	6.90
Apr 15, 2008	Apr 14, 2013	885,000	7.70	3.04	530,283	7.70
Sept 8, 2008	Sept 7, 2013	150,000	6.40	3.44	75,008	6.40
Nov 25, 2008	Nov 24, 2013	30,000	2.16	3.65	13,336	2.16
Mar 24, 2009	Mar 23, 2014	824,333	2.10	3.98	271,010	2.10
Sept 28, 2009	Sept 27, 2014	250,000	3.43	4.50	-	3.43
Oct 1, 2009	Sept 30, 2014	150,000	3.54	4.50	-	3.54
Nov 10, 2009	Nov 9, 2014	100,000	3.15	4.61	-	3.15
Jan 28, 2010	Jan 27, 2015	928,800	3.46	4.83	-	3.46
		6,307,133	\$4.17	2.98	3,803,637	\$4.32

As at March 31, 2010, there were 1,361,034 options available for grant under the Company's rolling stock option plan.

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10. Share capital (continued):

(d) Stock options (continued):

On January 28, 2010, the Company granted 928,800 stock options with an exercise price of \$3.46 per common share to employees and directors of the Company and TMGP. The weighted average grant-date fair value of stock options granted during the three month period ended March 31, 2010 was \$1.72 per stock option. The weighted average grant-date fair value of stock options granted during the three month period ended March 31, 2009 was \$1.04 per stock option. The Company determines the fair value of the options granted using the Black-Scholes option pricing model, recognizing forfeitures as they occur, using the following weighted average assumptions:

	2010	2009
Risk-free interest rate	2.1% to 2.8%	1.5% to 1.8%
Expected life	3.0 to 4.8 years	4.0 to 5.0 years
Expected volatility	57% to 64%	63% to 68%
Expected dividend yield	Nil	Nil

Subsequent to March 31, 2010, 200,000 stock options were granted and 118,920 stock options were cancelled.

11. Contributed surplus:

Balance, December 31, 2009	\$ 14,148,781
Share-based compensation expense	587,115
Fair value of options capitalized to power project costs	27,932
Fair value of options capitalized to property, plant and equipment	44,560
Transfer to share capital on exercise of vested options	(5,899)
Balance, March 31, 2010	\$ 14,802,489

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12. Supplemental cash flow information:

	Three months ended March 31, 2010	Three months ended March 31, 2009
Supplementary information:		
Interest and fees paid	\$ 3,880,199	\$ 1,325,865
Interest received	69,635	120,277
Non-cash transactions:		
Fair value of options capitalized to power project development costs	27,932	167,501
Fair value of options for TMGP employees capitalized to property, plant and equipment	44,561	300
Accretion of long-term debt capitalized to property, plant and equipment	32,590	-
	March 31 2010	December 31 2009
Cash is comprised of:		
Cash of the Company	\$ 7,922,665	\$ 11,924,303
Company's proportionate interest in cash of TMGP	950,221	1,778,234
Company's proportionate interest in cash of DGP	1,692,781	701,383
	\$ 10,565,667	\$ 14,403,920

13. Commitments:

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

2010	\$ 463,887
2011	6,764,913
2012	3,984,036
2013	3,877,802
2014	3,877,802
Thereafter	26,627,018
Total	\$ 45,595,458