

Plutonic

POWER CORPORATION



Interim Consolidated Financial Statements
(Expressed in Canadian dollars)

(unaudited)

For the three and six month periods ended June 30, 2010 and 2009

PLUTONIC POWER CORPORATION

Consolidated Balance Sheets

| | June 30 2010 | December 31 2009 |
|--|-----------------------|-----------------------|
| | (unaudited) | |
| Assets | | |
| Current assets: | | |
| Cash | \$ 13,027,968 | \$ 14,403,920 |
| Cash restricted for use in construction activities (note 8(a) and (b)) | 34,042,614 | 51,863,652 |
| Amounts receivable | 2,173,859 | 174,461 |
| GST recoverable | 746,882 | 662,716 |
| Prepaid expenses | 201,443 | 266,907 |
| Investment (note 5) | - | 3,614,647 |
| Current portion of builder's lien holdback deposit account | 20,735,192 | 16,980,220 |
| | <u>70,927,958</u> | <u>87,966,523</u> |
| Performance security deposits | 421,458 | 421,458 |
| Builder's lien holdback deposit account | - | 431,919 |
| Power project development costs (note 6) | 39,717,899 | 38,286,084 |
| Property, plant and equipment (note 7) | 317,065,743 | 268,166,267 |
| Intangible assets | 5,952,174 | 5,630,328 |
| | <u>\$ 434,085,232</u> | <u>\$ 400,902,579</u> |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 12,346,303 | \$ 8,028,776 |
| Interest and fees payable (note 8(a) and (b)) | 824,480 | 750,086 |
| Current portion of builder's lien holdbacks payable | 21,345,887 | 17,479,112 |
| Current portion of interest rate swap contracts (note 9) | 3,355,981 | 4,218,755 |
| Current portion of long-term debt (note 8) | 196,641 | - |
| | <u>38,069,292</u> | <u>30,476,729</u> |
| Builder's lien holdback payable | - | 431,919 |
| Long-term debt (note 8) | 268,418,820 | 238,834,356 |
| Interest rate swap contracts (note 9) | 13,116,508 | 9,482,857 |
| Deferred gain on transfer of assets (note 3(a)) | 16,189,088 | 16,189,088 |
| | <u>335,793,708</u> | <u>295,414,949</u> |
| Shareholders' equity: | | |
| Share capital (note 10) | 140,864,377 | 140,824,318 |
| Contributed surplus (note 11) | 15,087,938 | 14,148,781 |
| Accumulated other comprehensive loss | (4,591,924) | (343,879) |
| Deficit | (53,068,867) | (49,141,590) |
| | <u>98,291,524</u> | <u>105,487,630</u> |
| Operations (note 1) | | |
| Commitments (notes 7 and 13) | | |
| Subsequent events (notes 1 and 10 (d)) | | |
| | <u>\$ 434,085,232</u> | <u>\$ 400,902,579</u> |

See accompanying notes to the interim consolidated financial statements.

Approved on behalf of the Board:

"Donald A. McInnes" Director

"R. Stuart Angus" Director

PLUTONIC POWER CORPORATION

Consolidated Interim Statements of Operations and Comprehensive Income (Loss)

For the three and six month periods ended June 30, 2010 and 2009
(unaudited)

| | Three months ended June 30 | | Six months ended June 30 | |
|--|----------------------------|---------------------|--------------------------|-----------------------|
| | 2010 | 2009 | 2010 | 2009 |
| Expenses: | | | | |
| Amortization | \$ 19,337 | \$ 17,923 | \$ 36,186 | \$ 30,449 |
| Consulting | 93,325 | 85,312 | 148,491 | 282,156 |
| Guarantee fees | - | 372,258 | - | 744,517 |
| Office | 127,701 | 108,417 | 231,522 | 237,271 |
| Power project development costs written-off | - | - | - | 34,900 |
| Professional fees | 37,510 | 60,288 | 63,058 | 104,237 |
| Project evaluation | 17,701 | 323,649 | 42,374 | 387,143 |
| Rent | 98,635 | 102,396 | 205,625 | 223,133 |
| Salaries | 569,172 | 753,604 | 1,800,407 | 1,489,716 |
| Share-based compensation | 290,793 | 370,990 | 877,908 | 565,116 |
| Transfer agent and listing fees | 8,185 | 12,556 | 63,278 | 41,011 |
| Travel and promotion | 502,990 | 433,895 | 740,039 | 917,350 |
| Loss before the undernoted | (1,765,349) | (2,641,288) | (4,208,888) | (5,056,999) |
| Other income (expenses): | | | | |
| Interest income | 8,533 | 22,493 | 20,202 | 90,522 |
| Dividend income (note 5) | 64,956 | - | 162,390 | - |
| Loss on disposal of investment (note 5) | (549,516) | - | (549,516) | - |
| Realized and unrealized gain (loss) on interest rate swap contracts (note 9) | 418,382 | 470,287 | 648,535 | (8,509,208) |
| | (57,645) | 492,780 | 281,611 | (8,418,686) |
| Net loss for the period | (1,822,994) | (2,148,508) | (3,927,277) | (13,475,685) |
| Other comprehensive income: | | | | |
| Change in fair value of effective portion of interest rate swap designated as a hedge (note 9) | (1,634,977) | 5,332,293 | (4,248,045) | 3,655,440 |
| Unrealized loss on available-for-sale investment (note 5) | (254,836) | - | (549,516) | - |
| Reclassification of loss realized on sale of available-for-sale investments (note 5) | 549,516 | - | 549,516 | - |
| Comprehensive income (loss) for the period | \$ (3,163,291) | \$ 3,183,785 | \$ (8,175,322) | \$ (9,820,245) |
| Basic and fully diluted loss per common share | \$ (0.03) | \$ (0.05) | \$ (0.06) | \$ (0.30) |
| Weighted average number of common shares outstanding | 65,394,283 | 44,247,631 | 65,390,457 | 44,226,918 |

See accompanying notes to the interim consolidated financial statements.

PLUTONIC POWER CORPORATION

Consolidated Interim Statements of Deficit

For the six month periods ended June 30, 2010 and 2009
(unaudited)

| | Six months ended June 30, 2010 | Six months ended June 30, 2009 |
|------------------------------|-----------------------------------|-----------------------------------|
| Deficit, beginning of period | \$ (49,141,590) | \$ (29,872,979) |
| Net loss for the period | (3,927,277) | (13,475,685) |
| Deficit, end of period | \$ (53,068,867) | \$ (43,348,664) |

Consolidated Statements of Accumulated Other Comprehensive Income (Loss)

For the six month periods ended June 30, 2010 and 2009
(unaudited)

| | Six months ended June 30, 2010 | Six months ended June 30, 2009 |
|---|-----------------------------------|-----------------------------------|
| Accumulated other comprehensive loss, beginning of period | \$ (343,879) | \$ (3,638,756) |
| Change in fair value of effective portion of interest rate swap designated as a hedge (note 9) | (4,248,045) | 3,655,440 |
| Unrealized loss on available-for-sale investment | (549,516) | - |
| Reclassification of loss realized on sale of available-for-sale investment | 549,516 | - |
| Accumulated other comprehensive income (loss), end of period | \$ (4,591,924) | \$ 16,684 |

See accompanying notes to the interim consolidated financial statements.

PLUTONIC POWER CORPORATION

Consolidated Interim Statements of Cash Flows

For the three and six month periods ended June 30, 2010 and 2009
(unaudited)

| | Three months ended June 30 | | Six months ended June 30 | |
|---|----------------------------|----------------|--------------------------|----------------|
| | 2010 | 2009 | 2010 | 2009 |
| Cash provided by (used in): | | | | |
| Operating activities: | | | | |
| Net loss for the period | \$(1,822,994) | \$ (2,148,508) | \$ (3,927,277) | \$(13,475,685) |
| Items not affecting cash: | | | | |
| Amortization expense | 19,337 | 17,923 | 36,186 | 30,449 |
| Share-based compensation expense | 290,793 | 370,990 | 877,908 | 565,116 |
| Power project development costs written off | - | - | - | 34,900 |
| Prepaid guarantee fee amortization | - | 147,258 | - | 294,517 |
| Loss on disposal of investment (note 5) | 549,516 | - | 549,516 | - |
| Unrealized loss (gain) on fair value adjustment of interest rate swaps | (844,277) | (750,880) | (1,477,170) | 8,036,911 |
| | (1,807,625) | (2,363,217) | (3,940,837) | (4,513,792) |
| Changes in non-cash working capital: | | | | |
| Amounts receivable | (1,975,600) | 19,276 | (1,999,398) | 145,769 |
| GST recoverable | (140,641) | (40,072) | (84,166) | 715,528 |
| Prepaid expenses | 70,704 | 42,370 | 65,464 | 55,362 |
| Accounts payable and accrued liabilities | 2,029,258 | 1,602,728 | 4,317,527 | 2,798,179 |
| Interest and fees payable | 31,891 | 85,834 | 74,394 | 153,243 |
| Adjustment for non-cash working capital relating to power project development costs and property, plant and equipment | (476,702) | (2,644,245) | (3,646,704) | (5,180,052) |
| | (2,268,715) | (3,297,326) | (5,213,720) | (5,825,763) |
| Investing activities: | | | | |
| Power project development costs | (718,830) | (4,533,488) | (2,185,956) | (7,924,722) |
| Intangible asset payments | (157,521) | (66,532) | (326,379) | (248,061) |
| Property, plant and equipment purchases | (23,116,606) | (22,599,256) | (44,389,976) | (41,236,694) |
| Builder's lien holdback deposit account | (1,681,094) | (2,035,820) | (3,323,053) | (3,700,523) |
| Builder's lien holdback payable | 1,536,652 | 2,357,222 | 3,434,856 | 4,312,083 |
| Cash proceeds on sale of investment (note 5) | 3,065,131 | - | 3,065,131 | - |
| | (21,072,268) | (26,877,874) | (43,725,377) | (48,797,917) |
| Financing activities: | | | | |
| Common shares issued for cash | 14,879 | 20,000 | 26,782 | 35,000 |
| Long-term debt | 15,216,798 | 21,364,578 | 29,715,325 | 34,044,394 |
| Cash restricted for use in construction activities | 10,571,607 | 2,177,060 | 17,821,038 | 9,170,425 |
| Financing provided by joint equity partner of TMGP | - | (134,438) | - | (254,185) |
| | 25,803,284 | 23,427,200 | 47,563,145 | 42,995,634 |
| Increase (decrease) in cash | 2,462,301 | (6,748,000) | (1,375,952) | (11,628,046) |
| Cash, beginning of period | 10,565,667 | 23,580,585 | 14,403,920 | 28,460,631 |
| Cash, end of period | \$ 13,027,968 | \$ 16,832,585 | \$ 13,027,968 | \$ 16,832,585 |

Supplementary cash flow information (note 12)

See accompanying notes to the interim consolidated financial statements.

PLUTONIC POWER CORPORATION

Notes to the Interim Consolidated Financial Statements

For the three and six month periods ended June 30, 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 the Toba Montrose General Partnership ("TMGP"), a general partnership formed under the laws of the Province of BC, to own, finance, build and operate the East Toba River and Montrose Creek run-of-river hydro-electric project ("Toba Montrose") in conjunction with our First Nations partners, the Klahoose, Sliammon and Sechelt First Nations. Toba Montrose includes two separate generation facilities and 150 kilometers ("km") of transmission line which interconnects the generation facilities to a BC Transmission Corporation ("BCTC") substation at SALTERY BAY, BC. These two generation facilities are expected to generate a long term average of 715,000 megawatt hours ("MWh") of electricity annually, net of transmission line losses. In early August 2010, TMGP received confirmation from BC Hydro and Power Authority ("BC Hydro") that Toba Montrose has met its guaranteed commercial operations date ("COD") commitments under a 35 year Electricity Purchase Agreement ("EPA"). TMGP began selling electricity generated by the East Toba River generation facility during the second quarter of 2010, and by the Montrose Creek generation facility early in the third quarter of 2010. Electricity sales (net of Peter Kiewit Sons Co. early revenue bonus) are netted against Property, Plant and Equipment until the generation facilities are substantially complete, which is expected in the third quarter of 2010.

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

In 2008, the Company and GE signed a memorandum of understanding ("MOU") to jointly bid the Upper Toba Valley and Bute Inlet run-of-river hydro-electric projects into the BC Hydro 2008 Request for Proposals ("BC Hydro 2008 RFP"). On April 28, 2010, the Company and GE entered into a 40 year EPA with BC Hydro for the modified Upper Toba Valley Project that now includes two power sites with a combined expected annual generation of 315,000 MWh 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 did not move ahead at that time in order to allow for further data collection, studies, due diligence and market assessment.

PLUTONIC POWER CORPORATION

Notes to the Interim Consolidated Financial Statements

For the three and six month periods ended June 30, 2010 and 2009
(unaudited)

1. Operations (continued):

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.

While Toba Montrose is expected to be fully operational during the third quarter of 2010 and is expected to generate positive cash flow and the Dokie Wind Project is also expected to generate positive cash flow once it is online in late 2010 or early 2011, the amount and timing of distributable cash flow to the Company from each of TMGP and DGP has yet to be determined. As such, during the next twelve months, the Company will need to raise additional working capital. The amount required will be dependent on the timing and advancement of the outcome of optimization and review work currently underway at both the Upper Toba Valley Project and the potential Dokie Wind Expansion Project. As well, further funds may be required for the continued development of the Company's other power projects and its 40% share of TMGP's construction cost contingency.

2. Significant accounting policies:

(a) Basis of presentation:

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

(b) International Financial Reporting Standards ("IFRS"):

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

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

3. Investment in Toba Montrose General Partnership:

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

PLUTONIC POWER CORPORATION

Notes to the Interim Consolidated Financial Statements

For the three and six month periods ended June 30, 2010 and 2009
(unaudited)

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

The fair value of the intangible assets contributed by the Company to TMGP was \$36.7 million. The Company included in these consolidated interim financial statements its proportionate share of the original cost of the assets contributed and deferred the \$16.2 million gain on contribution of these assets. This deferred gain 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's project cost contingency.

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

| | June 30 2010 | December 31 2009 |
|---|-----------------------------------|-----------------------------------|
| Cash | \$ 1,051,140 | \$ 1,778,234 |
| Cash restricted for use in construction activities | 972,918 | 3,632,819 |
| Amounts receivable | 1,909,848 | 11,577 |
| GST recoverable | 337,852 | 245,863 |
| Prepaid expenses | 12,396 | 109,049 |
| Builder's lien holdback deposit account | 19,413,160 | 16,980,220 |
| Performance security deposits | 150,000 | 150,000 |
| Property, plant and equipment | 228,778,415 | 198,614,482 |
| Intangible assets | 5,525,051 | 5,232,310 |
| | 258,150,780 | 226,754,554 |
| Accounts payable and accrued liabilities | 5,329,742 | 4,854,460 |
| Interest and fees payable | 824,480 | 750,086 |
| Builder's lien holdback payable | 19,769,498 | 17,479,112 |
| Long-term debt | 181,360,000 | 151,644,675 |
| Interest rate swap contracts | 16,472,489 | 13,701,612 |
| | 223,756,209 | 188,429,945 |
| Net assets | \$ 34,394,571 | \$ 38,324,609 |
| | Six months ended June 30, 2010 | Six months ended June 30, 2009 |
| Realized and unrealized (gain) loss on interest rate swap contracts | \$ (648,535) | \$ 8,509,208 |
| Other expenses | 108,335 | 115,433 |
| Share of TMGP net loss | \$ (540,200) | \$ 8,624,641 |
| Cash flow from operating activities | \$ (927,121) | \$ (1,203,508) |
| Cash flow from investing activities | (32,027,713) | (40,804,841) |
| Cash flow from financing activities | 32,227,740 | 43,011,158 |

PLUTONIC POWER CORPORATION

Notes to the Interim Consolidated Financial Statements

For the three and six month periods ended June 30, 2010 and 2009
(unaudited)

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

| | Three months ended June 30, 2010 | Three months ended June 30, 2009 |
|--|-------------------------------------|-------------------------------------|
| Realized and unrealized loss on interest rate swap contracts | \$ 418,382 | \$ 470,287 |
| Other expenses | 59,720 | 69,903 |
| Share of TMGP net loss | \$ 478,102 | \$ 540,190 |
| Cash flow from operating activities | \$ (495,294) | \$ (956,396) |
| Cash flow from investing activities | (14,488,520) | (22,279,252) |
| Cash flow from financing activities | 15,084,734 | 23,449,347 |

4. Investment in Dokie General Partnership:

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

| | June 30 2010 | December 31 2009 |
|--|-----------------|---------------------|
| Cash | \$ 3,497,003 | \$ 701,383 |
| Cash restricted for use in construction activities | 33,069,696 | 48,230,833 |
| Amounts receivable | 523 | 19,260 |
| GST recoverable | 373,848 | 238,729 |
| Prepaid expenses | 39,395 | 38,609 |
| Performance security deposits | 21,458 | 21,458 |
| Builder's lien holdback deposit account | 1,322,032 | 431,919 |
| Property, plant and equipment | 83,489,028 | 64,977,869 |
| Intangible assets | 384,151 | 382,500 |
| | 122,197,134 | 115,042,560 |
| Accounts payable and accrued liabilities | 6,594,594 | 589,532 |
| Builder's lien holdback payable | 1,576,388 | 431,919 |
| Long-term debt | 87,255,461 | 87,189,681 |
| | 95,426,443 | 88,211,132 |
| Net assets | \$ 26,770,691 | \$ 26,831,428 |

PLUTONIC POWER CORPORATION

Notes to the Interim Consolidated Financial Statements

For the three and six month periods ended June 30, 2010 and 2009
(unaudited)

4. Investment in Dokie General Partnership (continued):

| | Six months ended June 30, 2010 | Six months ended June 30, 2009 |
|-------------------------------------|-----------------------------------|-----------------------------------|
| General and administrative expenses | \$ 60,650 | \$ - |
| Share of DGP net loss | \$ 60,650 | \$ - |
| Cash flow from operating activities | \$ (76,695) | \$ - |
| Cash flow from investing activities | (12,288,822) | - |
| Cash flow from financing activities | 15,161,138 | - |

| | Three months ended June 30, 2010 | Three months ended June 30, 2009 |
|-------------------------------------|-------------------------------------|-------------------------------------|
| General and administrative expenses | \$ 31,178 | \$ - |
| Share of DGP net loss | \$ 31,178 | \$ - |
| Cash flow from operating activities | \$ (44,371) | \$ - |
| Cash flow from investing activities | (8,737,610) | - |
| Cash flow from financing activities | 10,586,203 | - |

5. Investment:

On January 1, 2010, the Company's special warrants in AltaGas Income Trust ("AltaGas") converted to full participating units with no additional consideration payable. At that time, the Company recorded the AltaGas units as an available-for-sale security and recorded them on the balance sheet at their fair value, based on the quoted market price of AltaGas each period end. Changes in the fair value of the AltaGas units were recorded in accumulated other comprehensive loss. In June 2010, the Company sold its entire investment in AltaGas for cash proceeds of \$3,065,131 (net of commission fees of \$27,114). The Company recorded a realized loss of \$549,516 on the sale of this investment. During the six month period ended June 30, 2010 the Company received \$162,390 in dividend income on the AltaGas units.

PLUTONIC POWER CORPORATION

Notes to the Interim Consolidated Financial Statements

For the three and six month periods ended June 30, 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 | 520,763 | 171,511 | 37,972 | 730,246 |
| Permitting | 136,184 | 163,795 | 4,843 | 304,822 |
| Community consultations | 13,130 | 337,703 | 3,221 | 354,054 |
| Financing and tender bid costs | 2,355 | - | - | 2,355 |
| Share-based compensation | 27,801 | 12,537 | - | 40,338 |
| Total 2010 Costs | 700,233 | 685,546 | 46,036 | 1,431,815 |
| Balance, June 30, 2010 | \$ 8,045,973 | \$ 28,706,238 | \$ 2,965,688 | \$ 39,717,899 |

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

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

(a) Upper Toba Valley Project:

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

PLUTONIC POWER CORPORATION

Notes to the Interim Consolidated Financial Statements

For the three and six month periods ended June 30, 2010 and 2009
(unaudited)

6. Power project development costs (continued):

(a) Upper Toba Valley Project (continued):

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

In March 2010, BC Hydro offered the Company and GE an EPA for a modified Upper Toba Valley Project. The Company and GE modified the Upper Toba Valley Project to include two power sites with an expected long term average annual electricity generation of 315,000 MWh net of transmission line losses. This represents a modification from the original bid of 3 power sites. The Dalgleish power site was removed from the Company and GE's bid during discussions with BC Hydro to address capacity constraints identified by BCTC on their transmission line between Saltery Bay and Malaspina. The Dalgleish power site remains a potentially viable stand alone project should the BCTC transmission line constraints between Saltery Bay and Malaspina be removed in the future. On April 28, 2010, the Company and GE entered into a 40 year EPA with BC Hydro for the modified Upper Toba Valley Project. The three power sites are located on tributaries of the Toba River, close to Toba Montrose, and were added to the Company's power project development portfolio during 2006.

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

(b) Bute Inlet Project:

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

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

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

In May 2009, the Federal Minister of Environment approved the Environmental Impact Assessment Guidelines for the Bute Inlet Project's Federal environmental assessment process, which 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 would not move ahead at that time in order to allow for further data collection, studies, due diligence and market assessment.

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6. Power project development costs (continued):

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

(c) Other Projects:

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

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

7. Property, plant and equipment:

| June 30, 2010 | Cost | Accumulated amortization | Net book value |
|---|----------------|-----------------------------|-------------------|
| Toba Montrose assets under construction | \$ 231,361,924 | \$ - | \$ 231,361,924 |
| Dokie assets under construction | 85,489,028 | - | 85,489,028 |
| Computer equipment | 196,895 | 83,516 | 113,379 |
| Office equipment | 130,214 | 45,924 | 84,290 |
| Vehicle | 10,000 | 6,460 | 3,540 |
| Leasehold improvements | 23,709 | 10,127 | 13,582 |
| | \$ 317,211,770 | \$ 146,027 | \$ 317,065,743 |

| 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 |
| | \$ 268,290,242 | \$ 123,975 | \$ 268,166,267 |

PLUTONIC POWER CORPORATION

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7. Property, plant and equipment (continued):

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

| | June 30 2010 | December 31 2009 |
|---|-----------------------|-----------------------|
| Engineering, procurement and construction costs | \$ 193,674,109 | \$ 171,682,092 |
| EPC issued change orders | 2,766,443 | 2,327,527 |
| Project construction management costs | 9,007,759 | 6,333,114 |
| Development costs | 1,400,000 | 1,400,000 |
| Construction insurance costs | 1,244,835 | 1,241,990 |
| BCTC interconnection costs | 1,313,040 | 1,115,440 |
| Land lease payments | 159,741 | 154,153 |
| Capital spare parts for use in operations | 1,245,357 | 781,507 |
| Capitalized net financing costs | 21,158,218 | 15,925,238 |
| Pre substantial completion revenue, net | (607,578) | - |
| | <u>\$ 231,361,924</u> | <u>\$ 200,961,061</u> |

In 2007, TMGP executed a \$497.5 million fixed-price Engineering, Procurement and Construction ("EPC") contract with Peter Kiewit Sons Co. for the construction of Toba Montrose. As at June 30, 2010, TMGP had incurred or accrued \$484.2 million under the terms of the EPC contract, of which the Company's proportionate share was \$193.7 million (December 31, 2009 - \$429.2 million and \$171.7 million respectively).

As at June 30, 2010, TMGP incurred and capitalized \$46.4 million (December 31, 2009 - \$33.9 million) in net financing costs directly attributable to the construction of Toba Montrose. The Company's proportionate share of the capitalized net financing costs was \$21.2 million (December 31, 2009 - \$15.9 million).

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

| | June 30 2010 | December 31 2009 |
|---|----------------------|----------------------|
| Property, plant and equipment | \$ 63,014,779 | \$ 61,361,260 |
| Engineering, procurement and construction costs | 15,339,719 | 4,319,190 |
| EPC issued change orders | 428,005 | - |
| Transformers and generators | 927,125 | 231,856 |
| Project construction management costs | 1,683,663 | 199,301 |
| Construction insurance costs | 465,647 | 461,150 |
| Capitalized net financing costs | 3,630,090 | 405,112 |
| Total | <u>\$ 85,489,028</u> | <u>\$ 66,977,869</u> |

In December 2009, DGP executed a \$56.5 million fixed-price EPC contract with Mortenson Canada Corporation to complete the construction of the 144 MW Dokie Wind Project, which includes the completion of the installation of wind turbines, generators, transformers, a transmission line, and related construction costs. As at June 30, 2010, DGP had incurred or accrued \$30.1 million under the terms of the EPC contract, of which the Company's proportionate share was \$15.3 million (December 31, 2009 - \$8.5 million and \$4.3 million respectively).

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7. Property, plant and equipment (continued):

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 June 30, 2010 total \$4.4 million, of which the Company's proportionate share is \$2.3 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 June 30, 2010, DGP had incurred and capitalized \$7.1 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 \$3.6 million (December 31, 2009 - \$0.4 million).

8. Long-term debt:

| | June 30 2010 | December 31 2009 |
|--|-----------------|---------------------|
| The Company's proportionate interest in TMGP's credit facilities (a) | | |
| Fixed rate credit facility | \$ 148,000,000 | \$ 140,604,675 |
| Floating rate credit facility | 33,360,000 | 11,040,000 |
| | 181,360,000 | 151,644,675 |
| The Company's proportionate interest in DGP's loan (b) | 87,255,461 | 87,189,681 |
| | 268,615,461 | 238,834,356 |
| Less current portion of long-term debt | (196,641) | - |
| | 268,418,820 | 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 June 30, 2010, the lenders had funded the full \$370 million under this credit facility, of which the Company's proportionate interest was \$148.0 million (December 31, 2009 - \$351.5 million and \$140.6 million respectively).

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8. Long-term debt (continued):

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

(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 June 30, 2010, the lenders had funded \$83.4 million under this credit facility, of which the Company's proportionate interest was \$33.4 million (December 31, 2009 - \$27.6 million and \$11.0 million respectively).

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 June 30, 2010 was \$824,480, of which \$23,853 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 June 30, 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 \$0.9 million (December 31, 2009 - \$3.6 million).

(b) DGP's Loan:

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

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8. Long-term debt (continued):

(b) DGP's Loan (continued):

The \$175.0 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 June 30, 2010, financing fees of \$144,437 have been accreted back to the loan, of which the Company's proportionate interest is \$73,663 (December 31, 2009 - \$15,457 and \$7,883 respectively). There was no interest payable under the terms of the loan at June 30, 2010 (December 31, 2009 – nil).

(ii) Cash restricted for use in construction activities:

The funds from the equity investment and the loan are held in restricted escrow construction accounts. On a monthly basis DGP applies for funds to be released from the escrow accounts to pay for construction costs. At June 30, 2010, a total of \$64.8 million was being held in escrow, of which the Company's proportionate interest was \$33.1 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%.

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 \$100.0 million floating rate credit facility (note 8(a)(i)(b)). On May 1, 2010 the notional amount of the swap reached the maximum amount of \$100.0 million (December 31, 2009 - \$92.6 million). TMGP and the counterparty net settle the amount owing on a monthly basis.

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 \$100.0 million and is reduced in amounts based on the scheduled principal repayments on the \$100.0 million Floating Rate Facility over the life of the interest rate swap. TMGP and the counterparty net settle the amount owing on a quarterly basis commencing December 31, 2010.

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9. Interest rate swap contracts (continued):

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:

| | June 30 2010 | December 31 2009 |
|---|-----------------|---------------------|
| Short Dated Interest Rate Swap | \$ 1,632,034 | \$ 3,561,440 |
| Long Dated Interest Rate Swap | 14,840,455 | 10,140,172 |
| | 16,472,489 | 13,701,612 |
| Less: Current Portion of Interest Rate Swap Contracts | (3,355,981) | (4,218,755) |
| Long-term Portion of Interest Rate Swap Contracts | \$ 13,116,508 | \$ 9,482,857 |

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

| Period | Statement of Operations | | | Other Comprehensive Income (Loss) |
|---------------------------------|-------------------------|---------------------------|----------------|---|
| | Realized loss | Unrealized gain (loss) | Total | Unrealized gain (loss) |
| Short Dated Interest Rate Swap: | | | | |
| Six months ended June 30, 2009 | \$ (472,297) | \$ (2,751,898) | \$ (3,224,195) | \$ - |
| Six months ended June 30, 2010 | (828,635) | 1,929,407 | 1,100,772 | - |
| Long Dated Interest Rate Swap: | | | | |
| Six months ended June 30, 2009 | - | (5,285,013) | (5,285,013) | 3,655,440 |
| Six months ended June 30, 2010 | - | (452,237) | (452,237) | (4,248,045) |
| Total | | | | |
| Six months ended June 30, 2009 | \$ (472,297) | \$ (8,036,911) | \$ (8,509,208) | \$ 3,655,440 |
| Six months ended June 30, 2010 | \$ (828,635) | \$ 1,477,170 | \$ 648,535 | \$ (4,248,045) |

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:

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9. Interest rate swap contracts (continued):

- (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.
- (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 common shares | Amount |
|---|----------------------------|----------------|
| Balance, December 31, 2009 | 65,386,005 | \$ 140,824,318 |
| Issued for cash from exercise of options | 12,753 | 26,782 |
| Transfer from contributed surplus on exercise of vested options | - | 13,277 |
| Balance, June 30, 2010 | 65,398,758 | \$ 140,864,377 |

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10. Share capital (continued):

(c) Share purchase warrants:

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

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

(d) Stock options:

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

| | Options granted | Weighted average exercise price |
|----------------------------|-----------------|------------------------------------|
| Balance, December 31, 2009 | 5,384,000 | \$ 4.29 |
| Options granted | 1,138,800 | 3.39 |
| Options exercised | (12,753) | 2.10 |
| Options forfeited | (157,413) | 4.49 |
| Balance, June 30, 2010 | 6,352,634 | \$ 4.13 |

The weighted average grant-date fair value of stock options granted during six months ended June 30, 2010 was \$1.68 per common share (2009 - \$1.04 per common share). The Company determines the fair value of the options granted using the Black-Scholes option pricing model, recognizing forfeitures as they occur, using the following weighted average assumptions

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

Subsequent to June 30, 2010, 439,864 stock options were forfeited and 19,747 stock options were exercised for cash proceeds of \$34,719.

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10. Share capital (continued):

(d) Stock options (continued):

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

| Grant date | Expiry date | Number outstanding | Average exercise price | Remaining contractual life (in years) | Vested and Exercisable | |
|---------------|---------------|--------------------|------------------------|---------------------------------------|------------------------|----------------|
| | | | | | Number | 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 | 100,000 | 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 | 878,895 | 7.70 | 3.04 | 634,758 | 7.70 |
| Sept 8, 2008 | Sept 7, 2013 | 150,000 | 6.40 | 3.44 | 87,500 | 6.40 |
| Nov 25, 2008 | Nov 24, 2013 | 30,000 | 2.16 | 3.65 | 15,833 | 2.16 |
| Mar 24, 2009 | Mar 23, 2014 | 775,939 | 2.10 | 3.98 | 323,308 | 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 | 868,800 | 3.46 | 4.83 | - | 3.46 |
| May 12, 2010 | May 11, 2015 | 200,000 | 3.06 | 4.87 | - | 3.06 |
| May 25, 2010 | May 24, 2015 | 10,000 | 2.95 | 4.90 | - | 2.95 |
| | | 6,352,634 | \$4.13 | 2.78 | 3,975,399 | \$4.38 |

As at June 30, 2010, there were 1,316,242 options available for grant under the Company's rolling stock option plan.

11. Contributed surplus:

| | |
|--|---------------|
| Balance, December 31, 2009 | \$ 14,148,781 |
| Share-based compensation expense | 877,908 |
| Fair value of options capitalized to power project costs | 40,338 |
| Fair value of options capitalized to property, plant and equipment | 34,188 |
| Transfer to share capital on exercise of vested options | (13,277) |
| Balance, June 30, 2010 | \$ 15,087,938 |

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12. Supplemental cash flow information:

| | Three months ended June 30 | | Six months ended June 30 | |
|---|----------------------------|-------------|--------------------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| Supplementary information: | | | | |
| Interest and fees paid | \$4,094,749 | \$1,525,744 | \$7,974,948 | \$2,851,609 |
| Interest received | 70,191 | 45,060 | 139,826 | 165,337 |
| Non-cash transactions: | | | | |
| Fair value of options and warrants capitalized to power project development costs | 12,406 | 126,549 | 40,338 | 294,051 |
| Fair value of options for TMGP employees capitalized to property, plant and equipment | (10,373) | 52,156 | 34,188 | 52,456 |
| Accretion of long-term debt capitalized to property, plant and equipment | 33,190 | - | 65,780 | - |

| | June 30 | December 31 |
|--|---------------|---------------|
| | 2010 | 2009 |
| Cash is comprised of: | | |
| Cash of the Company | \$ 8,479,825 | \$ 11,924,303 |
| Company's proportionate interest in cash of TMGP | 1,051,140 | 1,778,234 |
| Company's proportionate interest in cash of DGP | 3,497,003 | 701,383 |
| | \$ 13,027,968 | \$ 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 | \$ 457,060 |
| 2011 | 6,764,913 |
| 2012 | 3,920,295 |
| 2013 | 3,877,802 |
| 2014 | 3,877,802 |
| Thereafter | 26,627,018 |
| Total | \$ 45,524,890 |