

PLUTONIC POWER CORPORATION

THIRD QUARTER ENDED SEPTEMBER 30, 2006

Management's Discussion & Analysis

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INTRODUCTION

This Management Discussion and Analysis (“MD&A”) includes financial information from, and should be read in conjunction with, the interim consolidated financial statements of Plutonic Power Corporation (the Company”) for the third quarter ended September 30, 2006. The Company reports its financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles (“GAAP”) in Canadian dollars. This MD&A was prepared with information available as of November 10 2006. Additional information and disclosure relating to the Company can be found on SEDAR at www.sedar.com.

OVERVIEW

The Company identifies, develops, builds and ultimately will operate economically viable green power generation projects. The Company currently has 211 MW of capacity under contract with BC Hydro with power delivery expected to begin in 2009. The Company is continuing engineering, hydrological and other studies for an additional nineteen run of river projects in British Columbia, Canada. Plutonic Power Corporation is a Canadian company based in British Columbia, a reporting issuer in British Columbia and Alberta and its common shares trade on the TSX Venture Exchange under the symbol PCC.

PROJECT UPDATES

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

In April 2006, the Company entered the East Toba and Montrose project into the F2006 BC Hydro Call for Tenders (“CFT”). In July 2006, BC Hydro awarded an Energy Purchase Agreement (“EPA”) to the Company for the supply of 702 gigawatt hours (“GWh”) per year of energy to be generated from the East Toba and Montrose project over a 35 year term.

In August 2006, the Company granted a Canadian affiliate of GE Energy Financial Services (“GE”) the exclusive right to provide Cdn\$100 million of project equity as well as lead a Cdn\$400 million debt financing for construction of the East Toba/Montrose Project. In return for the Cdn\$100 million equity investment, the Company will provide GE with a 49% equity and 60% economic interest in the East Toba/Montrose Project. Following a 35 year term, the economic interests of GE will reduce to 49% from 60% and the Company’s economic interests will increase from 40% to 51%. GE will also have the right to match any equity investment offer that the Company receives for the Rainy River project.

In August 2006, another GE affiliate provided the Company with \$2.5 million of credit support for the East Toba River/Montrose Creek project. In consideration of the credit support, the Company issued GE 375,000 two-year common share purchase warrants with an exercise price of \$2.50 per share.

In August 2006, the Company posted an \$11,760,000 performance bond together with a fully executed EPA with BC Hydro. In September 2006, BC Utilities Commission approved the EPA.

In January 2006, the company filed an application for an Environmental Assessment Certificate for the East Toba and Montrose Creek Project with the British Columbia Environmental Assessment Office (“EAO”). This is the sixth stage of the EAO eight stage environmental permitting process. The review of the application has a legislated maximum 180 day period unless voluntarily extended, at which point an assessment report by the EAO is prepared and the application is referred to the applicable provincial Ministers offices. The Company has voluntarily extended the review period to November 2006. Following up to a 45 day ministerial review, an Environmental Assessment Certificate could be issued to the Company. A decision on the issuance of the Environmental Assessment Certificate is anticipated during Q4-2006 / early Q1-2007.

A complete Hydrological Report was completed for the Project in early 2006, indicating that the optimal project size has increased from 170 MW to 196 MW. The Hydrological Report along with optimization of the project confirmed the potential of the Project to generate approximately 745 GWh/year of energy. Hydrological data collection, which was initiated in 2003, is on-going.

During the first nine months of 2006, the Company conducted additional engineering work to assist contractors bidding on an EPC fixed price contract to build two run of river hydroelectric facilities, 65 km of access roads and 145 km of 230 kV transmission line and to further optimize the economics of this project.

In 2005, British Columbia Transmission Corporation (“BCTC”) completed a transmission interconnection study providing engineering and cost estimates for the interconnection of the Project to the BCTC grid. These interconnection requirements and costs were again confirmed as part of the recent F2006 BC Hydro Call for Tenders (“CFT”) process. Subsequent to September 30, 2006, BCTC commenced final engineering as part of the EPA requirement with BC Hydro.

The Company has been in discussions with Sliammon, Sechelt and Klahoose First Nations relating to these projects and the transmission line linking the projects to the BC grid at Saltery Bay.

Rainy River (Howe Sound) Project

In April 2006, the Company entered the Rainy River project into the F2006 BC Hydro Call for Tenders (“CFT”). In July 2006, BC Hydro awarded an Energy Purchase Agreement (“EPA”) to the Company for the supply of 51 GWh/year of energy to be generated from the Rainy River project over a 35 year term. In August 2006, the Company posted a \$900,000 performance bond together with a fully executed EPA with BC Hydro. In September 2006, BC Utilities Commission approved the EPA.

In August 2006, the Company granted GE the right to match any equity investment offer that the Company receives for the Rainy River project as of the transaction with GE on the East Toba/Montrose project.

In August 2005, Stages 3 and 4 of the environmental permitting process were initiated by submitting a Waterpower Project Development Plan (“WPDP”) to Land and Water British Columbia (“LWBC”). The WPDP fully describes the project and it is provided for government, First Nations and stakeholder review. The Company anticipates this review process will be completed during the first half of 2007, at which time the regulatory agencies will make a decision, subject to Ministry review, regarding the issuance to the Company of a Water Licence and Crown Land Tenure.

BCTC completed interconnection studies on the Rainy River project in August 2005 and it provided engineering and cost estimates for the interconnection of the Project to the BCTC grid. These interconnection requirements and costs were again confirmed as part of the recent F2006 BC Hydro Call for Tenders (“CFT”) process. Subsequent to September 30, 2006, BCTC started final confirmatory engineering as part of the EPA requirement with BC Hydro.

The Company has been in discussion with the Squamish First Nation relative to this project.

Hope Projects

The Company has competed stages 1 and 2 towards securing Water Licenses and Crown Land Tenures for these projects from the Integrated Land Management Bureau (“ILMB”) and Ministry of Environment (“MoE”), both Crown Corporations of the Government of British Columbia, for the Ruby, Garnet, American and Emory Creek projects. The Company plans to submit a Water Power Development Plan (“WPDP”) to the ILMB and MoE in the second half of 2006.

The Company’s consultant, Knight Piésold Ltd. has been conducting on-going hydrological studies at Ruby, Garnet, American and Emory Creeks since 2004. Current designs call for the construction of three projects (Ruby, Garnet and Emory) with a combined installed capacity of about 30.5 megawatts (“MW”). A recently completed hydrology report confirms the projects’ potential to generate a combined 115 GWh/year of energy. Hydrological data collection is ongoing.

In 2005, British Columbia Transmission Corporation (“BCTC”) completed transmission interconnection studies for the Ruby and Garnet Projects and it provided engineering and cost estimates for interconnection of the projects to the BCTC grid. The interconnection was found to be technically feasible but constrained due to near capacity usage of the BCTC system and would therefore require a significant network upgrade; however, the projects’ characteristics continue to compare favourably to warrant continued development.

The Company entered the Emory Creek project into the F2006 BC Hydro Call for Tenders (“CFT”) in April 2006. The Company did not receive an Energy Purchase Agreement from BC Hydro. The Company will continue to advance this project and will attempt again to secure a power contract. BCTC completed a transmission interconnection study for the Emory Creek project and it provided engineering and cost estimates for the interconnection of the project to the BCTC grid. These interconnection requirements and costs were again confirmed as part of the recent 2006 CFT process.

Green Power Corridor (Toba, Bute and Knight Inlets)

The Green Power Corridor (“GPC”) comprises two projects at the top of Toba Inlet, one project in the Upper Lillooet Valley, nine projects at the top of Bute Inlet and three projects in the Knight Inlet. The Company has completed Stages 1 and 2 towards securing water licenses and crown land tenures from the government of British Columbia for all 13 run of river projects along the proposed GPC. The GPC projects will collectively have an estimated capacity of approximately 730 MW, and the potential to generate approximately 2,200 GWh/year of energy.

Development of the GPC projects is dependant on the successful resolution of a number of issues including interconnection to the BCTC transmission grid. Various interconnection options have been considered. The current proposed plan is the development of the GPC projects in a phased approach following the construction of a 230 kV, 145 kilometre long transmission line connecting the East Toba and Montrose project to the BCTC grid at Saltery Bay, located east of Powell River.

Europa Creek Project

The Company completed stages 1 and 2 towards securing a water license and crown land tenure from the government of British Columbia for the Europa Creek Project. This Project has a design capacity of up to 80 MW and it is expected to generate approximately 280 GWh of energy per year. A unique feature of the Europa project is that Europa Creek flows from a large high altitude lake, which acts as a water reservoir effectively adding valuable capacity to the project. Hydrology data collection on Europa Creek was initiated in 2005 and is ongoing.

In April 2006, the Company was issued a Section 10 order, which binds the Europa project to the Environmental Assessment Act. This formally initiates the environmental permitting process with the EAO.

Freda Creek Project

In August 2005, the Company completed stages 1 and 2 towards securing a water license and crown land tenure from the government of British Columbia for the Freda Creek hydroelectric project. This project has a design capacity of 20 MW and is expected to generate about 70 GWh of energy per year. Hydrology data collection on Freda Creek was initiated in 2005 and is ongoing.

SELECTED FINANCIAL INFORMATION

	December 31, 2005 (12 months)	December 31, 2004 (12 months)	December 31, 2003 (6 months)
Total Revenue	Nil	Nil	Nil
Loss before Extraordinary Items	\$883,422	\$467,317	\$129,567
Net Loss for the Period	\$883,422	\$467,317	\$129,567
Loss Per Share Basis	\$0.07	\$0.07	\$0.04
Loss Per Diluted Share Basis	\$0.07	\$0.07	\$0.04
Total Assets	\$4,017,568	\$3,769,802	\$767,650
Total Long-Term Liabilities	Nil	Nil	Nil
Cash Dividends per Share	Nil	Nil	Nil
Number of Shares Issued and Outstanding	12,684,982	12,126,669	3,760,000

The major factors that caused significant variations in net loss were the recording of stock-based compensation when stock options vest and the write-off of mineral property interests and power projects. Both factors have no identifiable trends.

RESULTS OF OPERATIONS

Three months ended September 30, 2006, compared to the three months ended September 30, 2005

The Company incurred a net loss of \$504,366 for the quarter ended September 30, 2006 (\$0.03 loss per share) compared to a net loss of \$153,835 in the comparative quarter (\$0.01 loss per share), an increase of \$350,531.

In Q3-2006, the Company incurred higher consulting fees, office costs, professional fees, salaries, travel and promotion, transfer agent and listing fees to support the increasing development and number of its power projects, to support the signing of the EPAs for East Toba and Montrose and the financing of the performance security deposits required under the EPAs.

The Company recorded share-based compensation expense of \$94,019, an increase of \$63,120 due to the vesting of more stock options in Q3-2006 compared to Q3-2005.

The Company recorded \$31,279 more in management fees with a higher level of management activities.

The Company spent \$1,340,983 in Q3-2006 on advancing its hydroelectric run of river power projects, with the majority of the expenditures incurred on its East Toba/Montrose and Rainy River. The expenditures were incurred on engineering and hydrological work, meeting regulatory and permitting requirements and public and community consultations. The Company also posted \$12,660,000 in performance security deposits as part of the BC Hydro EPA requirements for the East Toba/Montrose and Rainy River projects.

Nine months ended September 30, 2006, compared to the nine months ended September 30, 2005

The Company incurred a net loss of \$1,075,972 for the nine months ended September 30, 2006 (\$0.07 loss per share) compared to a net loss of \$628,210 in the comparative period (\$0.05 loss per share), an increase of \$447,762. The major changes were as follows:

During the nine month period ended September 30, 2006, the Company incurred higher consulting fees, office costs, professional fees, salaries, travel and promotion, transfer agent and listing fees to support the increasing development and number of its power projects, to support the signing of the EPAs for East Toba and Montrose and the financing of the performance security deposits required under the EPAs.

The Company recorded share-based compensation expense of \$319,441, an increase of \$55,919 due to the vesting of more stock options in 2006 compared to 2005.

The Company spent \$3,288,690 during the nine months period ended September 30, 2006 on advancing its hydroelectric run of river power projects, with the majority of the expenditures incurred on its East Toba/Montrose and Rainy River. The expenditures were incurred on engineering work, hydrological work, meeting regulatory and permitting requirements, public and community consultations. The Company also posted \$12,660,000 in performance security deposits as part of the BC Hydro EPA requirements for the East Toba/Montrose and Rainy River projects.

SUMMARY OF QUARTERLY RESULTS

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

Quarter Ended	Revenue	Before Extraordinary Items			After Extraordinary Items		
		Loss	Per Share	Per Diluted Share	Loss	Per Share	Per Diluted Share
30-Sep-06	\$0.00	\$489,659	\$0.03	\$0.03	\$489,659	\$0.03	\$0.03
30-Jun-06	\$0.00	\$376,090	\$0.02	\$0.02	\$376,090	\$0.02	\$0.02
31-Mar-06	\$0.00	\$210,223	\$0.02	\$0.02	\$210,223	\$0.02	\$0.02
31-Dec-05	\$0.00	\$255,212	\$0.02	\$0.02	\$255,212	\$0.02	\$0.02
30-Sep-05	\$0.00	\$153,835	\$0.01	\$0.01	\$153,835	\$0.01	\$0.01
30-Jun-05	\$0.00	\$280,735	\$0.02	\$0.02	\$280,735	\$0.02	\$0.02
31-Mar-05	\$0.00	\$193,640	\$0.02	\$0.02	\$193,640	\$0.02	\$0.02
31-Dec-04	\$0.00	\$143,072	\$0.07	\$0.07	\$143,072	\$0.07	\$0.07

The major factors that caused significant variations in net loss were the recording of stock-based compensation when stock options vest and the write-off mineral property interests and power projects. Both factors have no identifiable trends.

LIQUIDITY AND CAPITAL RESOURCES

The Company had \$13,581,059 negative working capital as at September 30, 2006, compared to \$514,415 negative working capital as at December 31, 2005. Subsequent to September 30, 2006, the Company completed a \$20 million equity financing through the issuance of 10 million common shares at \$2.00 per common share. The financing was underwritten by a syndicate of underwriters co-lead by Sprott Securities Inc. and Orion Securities Inc. The underwriters were paid a cash commission of 6.5% on the gross cash proceeds and received compensation warrants entitling them to purchase an additional 500,000 common shares at \$2.00 per common share for a two year period.

During the quarter ended March 31, 2006, the Company completed a private placement of 3.1 million units at \$0.80 per unit for cash proceeds of \$2,465,501 net of costs. Each unit consisted of one common share and one-half of one warrant with each full warrant entitling the holder to purchase one additional common share at \$1.25 per share until March 28, 2007 and thereafter at \$1.75 per share until March 29, 2008.

During the nine month period ended September 30, 2006, the Company incurred cash development expenditures of \$3,288,690 on developing its hydroelectric run of river projects, posted \$12,660,000 in performance security deposits as required under the EPA for the East Toba/Montrose and Rainy River projects and \$754,379 on administrative costs.

During the quarter ended September 30, 2006, the Company issued short term debt instruments totalling \$9,700,000 (including \$1,150,000 from Directors and Officers of the Company) to a private group of investors (the "Investors") to finance the issuance of \$12,760,000 in performance bonds as part of the EPA requirement for the East Toba/Montrose and Rainy River projects. GE provided the Company with an additional \$2,500,000 in credit support. The Investors were issued 1,455,000 share purchase warrants equalling 150,000 warrants per million dollars received and GE was issued 375,000 share purchase warrants with an exercise price of \$2.50 until per share exercisable until August 28, 2008. GE and the Investors are paid an annual interest rate of 10% for the first 60-day period and 12% thereafter. The fair value of the options was calculated based using a risk-free rate of 4%, an expected life of one year, expected volatility of 27% and expected dividend yield of nil. Subsequent to September 30, 2006, the Company repaid the Investors the principal amount of \$9,700,000 plus accrued interest.

During the quarter ended September 30, 2006, the Company granted a Canadian affiliate of GE Energy Financial Services ("GE") the exclusive right to provide Cdn\$100 million of project equity as well as lead a Cdn\$400 million

debt financing for construction of the East Toba/Montrose Project. In return for the Cdn\$100 million equity investment, the Company will provide GE with a 49% equity and 60% economic interest in the East Toba/Montrose Project. Following a 35 year term, the economic interests of GE will reduce to 49% from 60% and the Company's economic interests will increase from 40% to 51%. GE will also have the right to match any equity investment offer that the Company receives for the Rainy River project.

The Company's current source of financing to date has been from the sale or issuance of common shares from treasury and to a lesser extent, the exercise of stock options and warrants. The Company may need to raise additional equity financing to meet its on-going working capital requirements and developments costs for its power projects until it receives cash flows from the operations of East Toba/Montrose and Rainy River projects.

CONTRACTUAL OBLIGATIONS

In August 2006, the Company executed two EPA with BC Hydro to supply 702 GWh per year of energy to be generated from the East Toba and Montrose project and 50 GWh per year of energy to be generated from the Rainy River project over a 35 year term. In September 2006, the BC Utilities Commission approved these two contracts.

In August 2006, the Company granted GE the exclusive right to provide Cdn\$100 million of project equity as well as lead a Cdn\$400 million debt financing for construction of the East Toba/Montrose Project.

In return for the Cdn\$100 million equity investment, the Company will provide GE with a 49% equity and 60% economic interest in the East Toba/Montrose Project. Following a 35 year term, the economic interests of GE will convert to 49% to from 60% and the Company's economic interests will increase from 40% to 51%. GE will also have the right to match any equity investment offer that Plutonic receives for a second hydroelectric project, Rainy River. See East Toba/Montrose under project updates.

The Company is required to pay a one time bonus within 30 days of the later of securing construction financing on and the commencement of construction on certain of its power projects. The bonus, payable in shares or cash at the Company's option, is to be calculated as \$1,000 per gigawatt hours of energy per year to be generated on each of these projects. The bonus on East Toba and Montrose will be approximately \$750,000.

The Company is required to pay a success fee of \$275,000 on financial closing of the debt facilities or the raising of sufficient equity to fully fund the development and construction of the East Toba and Montrose project.

The Company has no other material contractual obligations for the next five years. The Company is, however, required to carry on the development work to maintain its rights to the power project sites. The Company can elect to abandon its power projects and in such instances, the Company would then no longer be required to fund any additional development costs.

OFF-BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS WITH RELATED PARTIES

Substantially all of the Company's administrative operations are performed by a company owned by the President of the Company. This related company charged fees of \$59,266 and \$132,992 respectively (2005 - \$27,887 and \$129,140, including bonuses) for these services for the three and nine months ended September 30, 2006 and was owed \$75,612 at September 30, 2006 (December 31, 2005 - \$67,832). The amounts owed to this related company are non-interest bearing.

During the quarter ended September 30, 2006, the Company issued short term debt instruments totalling \$9,700,000 (including \$1,150,000 from Directors and Officers of the Company) to a private group of investors (the "Investors") to finance the issuance of \$12,760,000 in performance bonds as part of the EPA requirement for the East Toba/Montrose and Rainy River projects. The Investors were issued 1,455,000 share purchase warrants equalling 150,000 warrants per million dollars received with an exercise price of \$2.50 until per share exercisable until August 28, 2008. The

Investors are paid an annual interest rate of 10% for the first 60-day period and 12% thereafter.

Subsequent to September 30, 2006, the Company repaid the Investors the principal loan amount of \$9,700,000 plus accrued interest.

PROPOSED TRANSACTIONS

The Company is negotiating with a number of parties to secure debt and equity financings to build its Rainy River project.

In August 2006, the Company granted GE the exclusive right to provide Cdn\$100 million of project equity as well as lead a Cdn\$400 million debt financing for construction of the East Toba/Montrose Project. See project updates – East Toba and Montrose projects and contractual obligations.

The Company is also negotiating with contractors to build these two projects on a fixed EPC contract price.

RISKS AND UNCERTAINTIES

The ability of the Company to become a viable run of river hydro electric company is dependant upon a number of factors and includes, but is not limited to the following: successful completion of hydrological studies to confirm that water flows are sufficient to generate enough electricity to provide a suitable return on investment, receipt of environmental and water licences to build and operate the projects, the successful negotiation of a long term contract with a purchaser of energy for the Company's' projects, the ability to obtain sufficient equity and long term debt financing to construct the projects, the successful negotiation with First Nations groups that may have a claim to the land base where the Company's projects lie and the ability to connect the projects to the electrical grid.

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

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

The Company may need to raise additional equity at the Company level and/or seek equity financing at the project level to finance the equity portion for the construction of the East Toba/Montrose and Rainy River projects. Existing shareholders of the Company may be subject to significant dilution.

CRITICAL ACCOUNTING ESTIMATES

Not applicable

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

No new changes

FINANCIAL AND OTHER INSTRUMENTS

The Company does not currently employ a hedging strategy or a foreign exchange protection strategy. All of the Company's expenses are denominated in Canadian dollars.

CORPORATE ADDITIONS

During the quarter ended March 31, 2006, the Company elected Mr. Grig Cook to the Board of Directors. Mr. Cook has over thirty years of experience in the Canadian engineering and construction industry. Mr. Cook was the President and senior operating officer of Commonwealth Construction Canada Ltd., one of Canada's leading industrial

contractors. Prior to joining Commonwealth in 1984, Mr. Cook spent 11 years with Barnett-McQueen in operational positions across Canada. Mr. Cook has a Bachelor of Science degree from Queen's University in Kingston, Ontario.

In July 2006, the Company appointed Mr. Cook to the position of Chief Operating Officer.

Subsequent to the quarter ended June 30, 2006, the Company appointed Dr. Peter Flynn to the Board of Directors. Dr. Flynn has over thirty years of experience in the Canadian energy and engineering industry. Dr. Flynn is currently a professor in the Faculty of Engineering and holds the Poole Chair in Management of Engineers at the University of Alberta. He is also a director of the Electricity Balancing Pool for the Province of Alberta and is a past and founding director of Edmonton Power, now known as EPCOR. Dr. Flynn's career spans various energy and engineering related fields. He was the President of Corod Industries, an affiliate of GE Canada, a Vice President of Nova Corporation and Sherritt Inc. and is currently the director of several not-for-profit organizations. Dr. Flynn has a Bachelor of Science degree from the University of Delaware, a Masters in Engineering from Berkley and a PhD in Chemical Engineering from the University of Alberta.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at November 10, 2006, the Company had the following common shares, stock options and warrants outstanding:

Common shares	29,088,024
Stock options (vested and unvested)	3,312,000
Warrants	5,138,978
Fully Diluted shares outstanding	37,539,002