



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A), dated May 4, 2009, should be read in conjunction with the unaudited interim consolidated financial statements of Pristine Power Inc. ("Pristine" or "the Company") for the three month period ended March 31, 2009 and Pristine's audited consolidated financial statements and MD&A for the year ended December 31, 2008. Additional information relating to Pristine including its Annual Information Form is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). In this MD&A, unless noted otherwise, all dollar figures are in Canadian dollars and all tabular amounts are in thousands of dollars, except share and per share amounts.

Advisories with respect to forward looking statements and the use of non-GAAP measures are set out at the end of this MD&A under "Advisories."

### HIGHLIGHTS

Three months ended March 31	2009	2008
Net production (MWh) <sup>(1)</sup>	6,487	-
Revenue	883	179
Expenses	3,513	1,730
Net loss and comprehensive loss	(2,541)	(1,848)
Net loss per share – basic	(0.08)	(0.10)
Net loss per share – diluted	(0.08)	(0.10)
Cash used in operations	(1,651)	(1,258)
Cash used in operations per share - basic	(0.05)	(0.07)
Cash used in operations per share - diluted	(0.05)	(0.07)
Funds used in operations <sup>(2)</sup>	(2,153)	(1,267)
Funds used in operations per share- basic <sup>(2)</sup>	(0.07)	(0.07)
Funds used in operations per share- diluted <sup>(2)</sup>	(0.07)	(0.07)

*Notes:*

*(1) Before non-controlling interest share.*

*(2) Refer to paragraph titled "Cash Flow from Operations."*

As at	March 31, 2009	December 31, 2008
Total assets	176,917	181,587
Long term debt	100,210	100,311
Shareholders' equity	53,401	55,828

## **OVERVIEW**

Pristine is in the business of developing, owning and operating independent power plants that will produce and sell electricity, and in some cases, sell process steam to industrial users. The Company currently operates two 5 MW Energy Recovery Generation ("ERG®") plants, Savona and 150 Mile House, along the Spectra Energy natural gas transmission system in British Columbia. Pristine is also managing the construction of the East Windsor Cogeneration Centre ("EWCC"), an 84 MW natural gas-fired cogeneration facility that will generate electricity and steam from the combustion of natural gas. This project is expected to commence commercial operations in the third quarter of 2009. Pristine has a 25% effective interest in all three of these projects.

The Company is also managing the development of the York Energy Centre ("YEC"); a 393 MW natural gas fired peaking generation facility. Construction is expected to start in 2010 with commercial operations to commence in late 2011. The Company is expected to have a 50% interest in this project.

## **HIGHLIGHTS**

During the first quarter ended March 31, 2009, the Company incurred a net loss of \$2,541,000 (\$0.08 per share, basic and fully diluted) compared to a loss of \$1,848,000 (\$0.10 per share, basic and fully diluted) in the first quarter of 2008. Higher expenditures on development activities and salaries, reflecting increased staffing levels, primarily attributed to the increased loss in the first quarter of 2009 over the comparable period in 2008. Increased costs were partially offset by revenues of \$549,000 from power generated at the Company's two operating plants. Cash used in operations during the first quarter of 2009 was \$1,651,000 (\$0.05 per share, basic and fully diluted) compared to \$1,258,000 (\$0.07 per share, basic and fully diluted) in 2008. During the quarter, the Company spent \$7,712,000 on property, plant and equipment compared to \$16,743,000 in the comparable period in 2008. Cash used in investing activity was offset by the receipt of funds totaling \$2,320,000 previously held in trust and release of funds from restricted cash. Proceeds from restricted cash were \$638,000 in the first quarter of 2009 compared to \$10,417,000 in the first quarter of 2008. Proceeds from restricted cash consist of funds released for construction of East Windsor Cogeneration Centre. In the first quarter of 2009 this was offset by cash collateral posted as security for \$6,980,000 letters of credit. The majority of such letters of credit were issued in support of the York Energy Centre project. As a consequence, at the end of the quarter, the Company's cash position totaled \$30,936,000 compared to \$37,700,000 at year end.

## **Results of Operations**

During the first quarter of 2009, the Company's net interest in electricity generated from the two plants at Savona and 150 Mile House totaled 6,487 MWh with a combined capacity factor of 62% compared to an expected capacity factor of 82%. Power generated from these two plants is sold to BC Hydro at fixed prices under the terms of a twenty-year contract. Production at the beginning of 2009 was negatively affected by post-commissioning issues related to quality control that is primarily the responsibility of the major equipment supplier. While lost revenues are not recoverable, the cost to rectify a significant portion of these issues is recoverable under warranty and both plants returned to full capacity in the third week of January. Production was also negatively impacted by lower gas flows on the Spectra Energy natural gas transmission system due to warmer than normal weather. These plants were under construction in the first quarter of 2008.

## **Project under Construction**

Construction of the \$207 million 84 MW East Windsor Cogeneration Centre continued in the first quarter of 2009, remaining on schedule and on budget. All major equipment is now on site and installed. During the quarter, work on piping and the plant's electrical systems was undertaken along with the start of initial commissioning. Commencement of commercial operations is anticipated in the third quarter of 2009.

## **Projects under Contract**

### York Energy Centre

In December 2008, the Company was awarded a 20 year contract by the Ontario Power Authority to construct and operate the York Energy Centre, a 393 MW natural gas fired peaking generation facility, located in the Township of King, Region of York, Ontario. Pristine expects to hold a 50% interest in the project with total project costs expected to be up to \$365 million. The Company has received confirmation from municipal and regional authorities that the facility complies with Official Plan and zoning by-law requirements. During the quarter, the Ontario Ministry of the Environment denied all requests for elevation of the project to a full environmental assessment. Subsequent to the quarter end, and during the normal appeal period, appeals of this decision were received by the Ministry of the Environment which are currently under review by the Minister. The Company is currently completing the necessary provincial environmental assessment, permitting and site plan process to obtain the necessary approvals required for construction, with completion of the permitting process expected in the last half of 2009. The Company is also in the process of finalizing agreements with the preferred Engineer Procure and Construct ("EPC") contractor and gas turbine supplier. Preliminary discussions have commenced with potential lenders for long-term non-recourse financing, with such financing expected to be in place following receipt of all necessary environmental permits. Construction is expected to commence in mid 2010 with completion anticipated late in 2011.

### Mackenzie Green Energy Centre

The Mackenzie Green Energy Centre is a proposed 65 MW (thermal equivalent) biomass fired project to be located in Mackenzie, British Columbia. Recently, the British Columbia Ministry of Forests and Range advised Pristine that Mackenzie Green Energy Inc.'s current energy supply contract with BC Hydro, dated August 31, 2006, was designated as a bioenergy supply contract under the *Forest Act* and accordingly could apply for a non-replaceable forest license, supplying a portion of the necessary fuel requirements. This is an important step in securing adequate fuel supplies for the project. However, before this project can proceed, certainty of the project site and mitigation of fuel price risk requires resolution.

## **Submission of Bids**

Pristine submitted four bids in the first quarter of 2009. On January 16, 2009, in response to Southwestern Public Services ("SPS") requests for proposals for up to 600 MW of dispatchable resources, the Company submitted two bids in New Mexico for the development of two 200 MW natural gas peaking power plants. The total cost of these projects is estimated to be approximately US\$275 million each. If awarded, Pristine expects to hold a 50% interest in each of the projects. Should these projects be selected by SPS in its short list of potential suppliers, a contract negotiation process would follow.

In January 2009, the Public Service Company of Colorado issued an All Source Solicitation consisting of four separate requests for proposals, seeking to acquire approximately 2,200 MW of electricity. On April 10, 2009, in response to the request for proposals for dispatchable resources, the Company submitted two bids for the development of two 200 MW natural gas peaking power plants. These projects are also expected to cost approximately US\$275 million each. Pristine currently holds a 100% interest in each of these projects.

The Company is also awaiting announcements in regards to submissions made to BC Hydro's Clean Power Call. In November, 2008, Kleana Power Corporation, a company in which Pristine holds a 10% equity interest, submitted a proposal to build a 600 MW Run of River hydroelectric project. If selected, the total projected cost of the project is anticipated to be approximately \$2.5 to \$3.0 billion. An announcement of awards by BC Hydro is expected to occur in mid-2009.

## **New Developments**

On March 5, 2009, BC Hydro announced the launch of the second phase of the Bioenergy Call for Power ("Phase II"). Phase II is expected to be officially issued in May 2009, with submission of bids due in the Fall of 2009 and project selection expected in

early 2010. Phase II will be conducted in two streams, the first stream targeting 1,000 GWh per year from larger-scale biomass projects and the second stream targeting at least two smaller-scale, community-driven biomass projects.

The province of Ontario has recently introduced the Green Energy Act, and the Ontario Power Authority has responded to this initiative through the proposed establishment of a Feed-in Tariff Program (“FIT”), or fixed and known prices to promote the development of onshore and offshore wind, bioenergy and solar resources. The objectives of the proposed FIT program are to increase capacity of renewable energy supply to ensure adequate generation and reduce emissions while simplifying the method to procure and develop generation. Pristine is participating in processes to consult on establishment of the rules of engagement for FIT, and the Company will evaluate resources and projects to offer under the FIT program for bioenergy and other technologies.

In the United States, the Obama administration has introduced The American Clean Energy & Security Act of 2009 (March 31, 2009). The proposed legislation calls for the federalization of a legally binding Renewable Portfolio Standard and enabling the Federal Energy Regulatory Commission (FERC) to support, coordinate and integrate regional transmission planning efforts. In addition, the bill tasks the US Environmental Protection Agency (EPA) with regulating greenhouse gas emissions, and administering a market based CO<sub>2</sub> cap and trade program. The immediate impact on Pristine is to continue capitalizing on opportunities for gas fired peaking generation, as state utilities aim to meet Renewable Portfolio Standards.

## REVENUE

Revenue in the first three months of 2009 increased to \$883,000 compared to \$179,000 in the first three months of 2008. Revenue consists of sales from power generation, management fees earned from developing projects and interest earned on cash invested in short-term investments held during the year. In the first three months of 2009, power generated at Savona and 150 Mile House totaled 12,974 MWh (6,487 MWh net to Pristine), resulting in revenues from the generation of power of \$549,000 or \$84.63 per MWh. These plants were not operational in the first quarter of 2008.

Revenues from project management fees were \$186,000 in the first three months of 2009 compared to \$105,000 in the first three months of 2008. Project management fees are charged to projects for time and overhead incurred in managing, developing and operating projects and vary depending on the number of projects the Company is managing and the stage of their development. The Company’s proportionate share of revenues earned from project management provided to related companies is excluded from the consolidated financial statements.

Interest income in the first quarter of 2009 increased to \$148,000 compared to \$74,000 in 2008 due to higher average cash balances from proceeds from the Company’s initial public offering in March 2008.

### Revenue

Three months ended March 31	2009	2008
	\$	\$
Plant revenue	549	-
Project management fees	186	105
Interest and other revenue	148	74
<b>TOTAL</b>	<b>883</b>	<b>179</b>

## PLANT OPERATING EXPENSES

Plant operating expenses consist of fees paid to Spectra Energy for waste heat, land leasing, and personnel for managing the plant operations at Savona and 150 Mile House. Also included are other administrative costs directly attributable to the projects but exclude amortization and financing charges. Plant operating expenses in the first three months of 2009 were \$219,000 or \$33.76 per MWh. On a per MWh basis, these costs are significantly higher than expected, reflecting additional

one-time costs incurred related to non-warranty related post-commercial operations date (“COD”) start-up and commissioning issues. The two plants were not operational in the first quarter of 2008.

**Plant Operating Expenses**

Three months ended March 31	2009	2008
	\$	\$
Plant operating expenses	219	-

**DEVELOPMENT COSTS**

Development costs in the first three months of 2009 increased to \$816,000 from \$529,000 in the comparable period of 2008, reflecting the significant increase in development activity in the quarter. Pristine submitted four project proposals during the three months ended March 31, 2009 compared to no bid submissions in the first quarter of 2008. Development costs consist entirely of third party costs and include preliminary engineering charges, land surveying and land option fees, transmission studies, environmental assessments, legal fees and other costs associated with developing potential new projects and are a function of the number of bids the Company submits and the specific requirements of each bid process. Development costs do not include salaries or overhead of employees working on development projects, with such costs included in general and administrative expense. In accordance with the Company’s accounting policies, these costs are expensed as incurred until such time as the project is awarded a long-term power purchase contract. Thereafter, costs associated with developing a project are capitalized. In preparing its bid submissions, Pristine attempts to ensure that development costs incurred and expensed to the bid date and projected development costs to signing of a contract, are included in expected project bid returns. Costs expensed prior to award are expected to be reimbursed at the time of non-recourse project financing from the proceeds of such financing and partner capital injections, if any.

**Development Costs**

Three months ended March 31	2009	2008
	\$	\$
Development costs	816	529

**ADMINISTRATIVE AND OTHER EXPENSES**

Administrative and other expenses consist of general and administrative expense, stock based compensation and foreign currency gains and losses. In the first quarter of 2009 total administrative and other costs were \$1,984,000 compared to \$1,176,000 in the first quarter of 2008. This increase was attributable to higher general and administrative expense offset by lower stock based compensation expense in the quarter. General and administrative expense was \$1,780,000 in the first quarter of 2009, up from \$890,000 in the comparable period of 2008, but down from \$2,119,000 in the fourth quarter of 2008. In the first quarter of 2008, the Company was primarily a private company, with fewer staff and lower overheads. Following its IPO in March 2008, the Company increased its staff count from 18 staff at the end of March 2008 to 28 staff by the end of March 2009 in order to handle significantly increased development activity and meet its public company reporting requirements. To accommodate the increased head count, the Company relocated its office in Calgary to a larger premise and added office space in Vancouver and the greater Toronto area to better support development activity in these two regions. As a consequence of the IPO, in the first quarter of 2009 the Company incurred costs related to being publicly listed, including compliance testing related to CEO-CFO certification and conversion from Canadian financial reporting standards to international reporting standards. None of these types of costs were incurred in the first quarter of 2008. The decrease in general and administrative expense from the fourth quarter of 2008 reflects lower accrued bonuses in the first quarter of 2009.

In the first quarter of 2009, the Company issued 590,000 new options to employees and directors. As a result, the Company recorded stock-based compensation expense of \$114,000 in the first quarter of 2009 compared to \$853,000 in the first quarter

of 2008. Stock based compensation expense was higher in the first quarter 2008, largely due to the addition of two new Directors at the Initial Public Offering and the related issuance of options to directors in the quarter that vested upon award. Such directors' options were issued in lieu of cash compensation for director services for the 2008 year.

Foreign exchange gains include unrealized gains related to US dollar cash balances purchased in November 2007 in conjunction with the EWCLP long term debt financing for use in acquiring equipment priced in US dollars. Since these monies were purchased, the Canadian dollar has weakened, resulting in the foreign exchange gain. Unrealized losses on derivative financial instruments relate to changes in the fair market value of an interest rate swap held by EWCLP to mitigate interest rate exposure on short term investments of restricted cash. The notional amount of the swap declines over time to match usage of restricted cash for EWCLP construction activities.

#### **Administrative and Other Expenses**

Three months ended March 31	2009	2008
	\$	\$
General and administrative	1,780	890
Stock-based compensation	114	853
Foreign exchange (gain) loss	(5)	(198)
Unrealized (gain) loss on derivative financial instruments	95	(369)
<b>TOTAL</b>	<b>1,984</b>	<b>1,176</b>

#### **DEPRECIATION AND AMORTIZATION EXPENSE**

Depreciation and amortization expense in the first quarter of 2009 increased to \$274,000 from \$13,000 in 2008 and includes depreciation charges for Savona and 150 Mile House. These projects are being depreciated on a straight-line basis over twenty years, the term of the power purchase agreements with BC Hydro and the related underlying leases with Spectra. These projects were not operational in the first quarter of 2008 and accordingly no depreciation in respect of these plants was included last year. Also included in depreciation and amortization expense in 2009 is depreciation of leasehold improvements made in the latter half of 2008 on the Company's new premises. These costs are being depreciated over five years, the remaining term of the Company's office leases.

#### **Depreciation and amortization Expense**

Three months ended March 31	2009	2008
	\$	\$
Depreciation and amortization expense	274	13

#### **INTEREST EXPENSE**

Interest expense in the first quarter of 2009 was \$220,000 compared to \$12,000 in 2008. Included in interest expense in the first quarter of 2009 are charges of \$204,000 related to the Company's share of interest expense from EnPower's \$24.6 million 6.65% ten-year debt facility. Interest charges were lower in 2008 as the Company had higher cash balances on hand from its initial share offering and did not require short-term borrowing to finance operating and investment activities. Interest charges incurred while developing a project, net of interest revenue received from short term investments, are capitalized as part of the total capital cost of the project and subsequently depreciated once a project commences commercial operation. Net interest expense capitalized in the first quarter of 2009 related to the East Windsor Cogeneration project equaled \$1,341,000 compared to \$638,000 in 2008.

#### **Interest Expense**

Three months ended March 31	2009	2008
	\$	\$
Interest expense	220	12

## NET INCOME (LOSS)

Higher administrative costs and greater expenditures on development activities in the first quarter of 2009 resulted in the Company incurring a net loss of \$2,541,000 compared to net loss of \$1,848,000 in 2008.

### Net Income (Loss)

Three months ended March 31	2009	2008
	\$	\$
Net income (loss)	(2,541)	(1,848)

## SUMMARY OF QUARTERLY RESULTS

	Q1 F2009	Q4 F2008	Q3 F2008	Q2 F2008
	\$	\$	\$	\$
Revenue	883	802	514	516
Expenses	3,513	3,933	2,897	2,517
Net loss	(2,541)	(3,316)	(2,323)	(1,936)
Net loss per share				
Basic	(0.08)	(0.12)	(0.07)	(0.06)
Diluted	(0.08)	(0.12)	(0.07)	(0.06)

	Q1 F2008	Q4 F2007	Q3 F2007	Q2 F2007
	\$	\$	\$	\$
Revenue	179	69	412	206
Expenses	1,730	1,731	1,422	1,125
Net income (loss)	(1,848)	3,006	(1,010)	(221)
Net income (loss) per share				
Basic	(0.10)	0.28	(0.09)	(0.02)
Diluted	(0.10)	0.25	(0.09)	(0.02)

## FINANCIAL POSITION

The following chart outlines significant changes in the consolidated balance sheet from December 31, 2008 to March 31, 2009.

	Increase (Decrease)	Explanation of Change
	\$	
Cash held in trust	(2,320)	Funds held in trust released upon conditions imposed upon issuance of EnPower long-term debt being met.
Accounts receivable	(1,005)	Decrease due to receipt of GST refund.
Prepaid expenses	(1,110)	Decrease due to deposits posted as bid security in relation to Northern York Region being refunded.
Restricted cash - current	6,984	Increase due to cash held as collateral for letters of credit issued primarily for York Energy Centre.
Restricted cash - long term	(7,600)	Decrease primarily due to use of funds to finance construction of East Windsor Cogeneration Centre project.
Property, plant and equipment	7,442	Increase due to costs incurred to construct the East Windsor Cogeneration Centre.
Accounts payable and accrued liabilities	(2,019)	Decrease due to reduction in expenditures related to the East Windsor Cogeneration Centre project.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Flow from Operations

During the first quarter of 2009, the funds used in operations were \$2,153,000, an increase from \$1,267,000 in the first quarter of the previous year. Funds used in operations is a non-GAAP performance measure and represents funds provided by or used in operations before changes in non-cash working capital and, in management's opinion, is a useful complementary measure of the Company's ability to generate the funds necessary to repay debt or fund future growth through capital investment. Refer to "Non-GAAP Measures" under the Advisories section. A reconciliation of funds used in operations to cash used in operations is set out below.

### Cash Flows from Operation

Three months ended March 31	2009	2008
	\$	\$
Funds used in operations	2,153	1,267
Increase in operating working capital	(502)	(9)
Cash used in operations	1,651	1,258

The increase in working capital is attributable to reduction of accounts receivable upon collection of a GST refund, refund of security deposits related to the York Energy Centre, offset by decreased payables.

Funds used in operations increased in the first quarter of 2009 compared to 2008 due to the Company submitting more bids and incurring higher infrastructure costs. These expenditures were partially offset by funds generated from project management fees and operating cash flow contributed by EnPower. As the Company's projects become operational and begin to generate cash flow, funds used in operations is expected to decrease as cash flow distributions from projects increasingly cover the Company's administrative costs and project development expenditures. The timing of cash distributions is a function of the profitability of the projects and can be affected by various operating issues.

### Cash Used in Investing Activities

In the first quarter of 2009, \$2,320,000 of cash held in trust at December 31, 2008 was released upon meeting certain conditions related to the finalization of construction accounts under the terms of the long-term debt agreement of the Enpower projects.

Through its investments in East Windsor Cogeneration LP and York Energy Centre LP, the Company incurred capital expenditures of \$7,712,000 in the first three months of 2009, compared to expenditures of \$16,334,000 in the same period in 2008. Capital expenditures consist of construction costs related to the plant (classified as "assets under construction" in the financial statements) and include engineering and environmental fees, procurement, construction and equipment costs. Also included in capital expenditures are development costs which consist of professional fees, and general and administrative expenses directly related to the project following execution of the related power generation contract. Of the total capital expenditures made in the first quarter of 2009, \$5,640,000 related to the East Windsor Cogeneration Centre and \$1,985,000 related to the York Energy Centre. The East Windsor Cogeneration Centre is expected to commence commercial operation in the third quarter of 2009, while the York Energy Centre is not expected to achieve commercial operations until late 2011. Expenditures in the first quarter of 2009, by project were as follows:

**Capital Expenditures**

Three months ended March 31	2009	2008
	\$	\$
East Windsor Cogeneration Centre	5,640	13,302
EnPower Green Energy Projects	34	3,003
York Energy Centre	1,985	-
Other	53	29
<b>TOTAL</b>	<b>7,712</b>	<b>16,334</b>

During the first quarter of 2009 the Company pledged \$6,980,000 of cash on hand as security for letters of credit issued in regards to the York Energy Centre and EnPower. These funds are recorded as current restricted cash for reporting purposes.

**Cash Position**

As a result of the operating, financing and investing activities undertaken during the quarter, the Company's cash on hand at March 31, 2009 equaled \$30,936,000 and will be used to fund future development activities, general corporate overhead and Pristine's share of York Energy Centre equity requirements.

At March 31, 2009 the Company had a working capital surplus of \$34,070,000 compared to a working capital surplus of \$37,108,000 at December 31, 2008. Included in the calculation of the Company's working capital surplus as at March 31, 2009 is a net working capital deficit of \$1,622,000 related to East Windsor Cogeneration LP (EWCLP) that is funded by restricted cash which is classified as a long term asset for reporting purpose. At March 31, 2009 non-current restricted cash totaled \$12,462,000 and consisted of funds received primarily from the issuance of long term bonds by EWCLP, and held in short-term investments maturing in three months or less. Use of these funds is restricted to expenditures related to the East Windsor Cogeneration Centre that have been approved by the Bond Trustee. Pristine estimates that the remaining capital expenditures required to complete the East Windsor Cogeneration Centre will be paid from such restricted cash.

Excluding EWCLP's working capital deficiency to be financed from restricted cash, the Company had a working capital surplus as at March 31, 2009 of \$35,692,000.

**Contractual Obligations and Commitments**

There were no material changes to the Company's purchase obligations during the first quarter, including payments for the next five years and thereafter. For further information on these obligations, refer to Pristine's December 31, 2008 MD&A.

**OUTSTANDING SHARE DATA**

Details of the Company's share structure, as at March 31, 2009 is as follows:

<b>OUTSTANDING SHARE DATA</b>	
<b>Three Months Ended March 31,</b>	<b>2009</b>
<b>Weighted average outstanding common shares</b>	
Basic	30,227,886
Diluted	33,132,337
<b>Outstanding securities as of date noted</b>	
Common shares	30,227,886
Common share options	2,790,000
Common share warrants	1,112,400
<b>Diluted common shares outstanding</b>	<b>34,130,286</b>

<b>Outstanding securities at May 4, 2009</b>	
Common shares	30,227,886
Common share options	2,790,000
Common share warrants	1,112,400
<b>Diluted common shares outstanding</b>	<b>34,130,286</b>

#### **OFF-BALANCE SHEET ARRANGEMENTS**

As at March 31, 2009 and 2008 the Company had no off-balance sheet arrangements.

#### **TRANSACTIONS WITH RELATED PARTIES**

In the course of developing and operating power projects, Pristine charges its partner(s) prior to being awarded a contract, and subsequently thereto, to the project itself, project management fees based upon commercial rates agreed upon by its partner(s) or the project's board of directors. The Company's proportionate share of revenues earned from project management provided to related companies is excluded in its consolidated financial statements. During the first quarter of 2009, the Company charged project management fees to EnPower, the East Windsor Cogeneration Centre and the York Energy Centre totaling \$482,000 of which the Company recognized \$186,000 as revenue. The amount charged to a partner or project varies from quarter to quarter depending on the stage of a project's development.

#### **CONTROLS & PROCEDURES**

During the first quarter of 2009, there have been no changes in Pristine's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

#### **CRITICAL ACCOUNTING ESTIMATES**

An accounting estimate is considered critical only if it requires the Company to make assumptions about matters that are highly uncertain at the time the accounting estimate is made and different estimates that the Company could have used that would have a material impact on the Company's financial condition, changes in financial condition or results of operations.

While the Company has made several estimates and assumptions in preparing its consolidated financial statements, none have been identified as critical accounting estimates that could have a material impact on the Company's financial condition, changes in financial condition or results of operations.

#### **CHANGES IN ACCOUNTING STANDARDS**

On January 1, 2009, the Company adopted Section 3064, *Goodwill and Intangible Assets* that establishes guidelines for the recognition, measurement, presentation and disclosure of intangible assets. This change did not have a material impact to the Company's consolidated financial statements.

#### **International Financial Reporting Standards**

On February 13, 2008, the Accounting Standards Board (AcSB) confirmed that accounting standards in Canada are to converge with IFRS. The AcSB has confirmed that Canadian firms will need to begin reporting under IFRS for interim and annual financial statements on January 1, 2011 with appropriate comparative data for the prior year.

In its December 31, 2008 MD&A, the Company disclosed it had retained the services of an independent consultant, completed an analysis of potential differences between Canadian and international standards, identified key areas likely to be impacted and outlined an initial changeover plan. To date, no changes have been made to the initial changeover plan previously outlined. During the first quarter, the Company made the following progress on its IFRS changeover project:

- Established a project team, appointed internally, a senior individual dedicated to the project, formed an oversight committee to monitor status of project and review accounting policy and disclosure recommendations;
- Developed a project charter, detailing all aspects of project;
- Identified which business units will be impacted by the key impact areas;
- Drafted specific test steps for the IFRS conversion plan;
- Determined timelines, budgeted hours by key impact area and key milestones for project;
- Revisited IFRS standards previously assessed as low impact or not applicable to determine whether assessment was still valid; and
- Revisited IFRS 1 exemptions and exceptions to determine whether there are any changes required to selections made in Phase 1 (completed September 2008). No significant changes noted from Phase 1 assessment.

The Company and the independent consultants are currently developing accounting policies for key areas identified as highly impacted by the change in standards.

## **FINANCIAL INSTRUMENTS**

The Company has a financial risk management policy that is approved annually by its Board of Directors. Management's general philosophy is to avoid unnecessary risk and to limit, to the extent practicable, significant risks associated with business activities. The Company, upon approval of the Board of Directors, may use from time to time derivative financial instruments to manage commodity price, interest rate and currency risks. The Company does not utilize derivative financial instruments for trading or speculative purposes. Authorization levels for the execution of derivatives for hedging purposes have been set by the Board of Directors and are reviewed quarterly by the Audit Committee.

For the year ended March 31, 2009, the Company had the following financial instruments in place to manage risk:

### **Interest Rate Swap**

The Company is exposed to interest rate risk on movements in interest rates for its short term investment program related to its East Windsor project. To manage this risk, the Company has entered into interest rate swap agreements with Canadian chartered banks whereby it holds the fixed rate position of the contracts. By entering into interest rate swap agreements, it exchanges the difference between the fixed rate and the floating rate interest payments calculated by reference to floating rate indices. The Company has not designated the derivative as a hedge for accounting purposes and, therefore, the derivative is measured at fair value on the balance sheet with changes in fair value recognized in income. As at March 31, 2009, the Company's proportionate share of derivative financial instruments asset was a notional amount of CAD \$13,857,000 (December 31, 2008 – CAD \$18,700,000) having a fair market value of \$155,000 (December 31, 2008 - \$250,000.) Over the remaining term of the contract a 1% change in the floating-rate bank credit facility will result in a change to net loss of approximately \$99,000 annually on the net swap arrangement to the Company.

Short term investments of cash balances on hand and restricted cash are governed by investing policies restricting such investments to durations of 90 days or less and counterparties meeting certain credit thresholds.

## **RISKS AND UNCERTAINTIES**

The Company's business and operational risks remain substantially unchanged since December 31, 2008. For further information on business risks, refer to the Company's December 31, 2008 MD&A.

## **ADVISORIES**

### **Forward-Looking Statements**

Certain statements in this MD&A are "forward-looking statements". In particular, this MD&A contains forward-looking statements pertaining to capital expenditures on existing projects and projects under development, schedules relating to existing projects and projects under development, commencement of operations of existing projects and projects under development, amount of leverage achievable for projects under development, industry trends, supply and demand for power, factors influencing capital investments, development activities and growth strategies, the Company's reputation and market position within the industry in which it operates and the Company's strategy and competitive advantages.

Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "propose", "target", "intend", "believe", "should", "anticipate", "estimate" or other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are not based on historical facts but rather on the expectations of management of the Company ("Management") regarding, among other things, the Company's future plans and intentions, results of operations, levels of activity, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities.

Such forward-looking statements reflect Management's current beliefs and assumptions and are based on information currently available to Management. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, many of which are beyond the control of the Company. Among the material factors that could cause actual results to differ materially from those indicated by such forward looking statements are: (i) that the information is of a preliminary nature and may be subject to further adjustment, (ii) the possible unavailability of financing at competitive rates and the related impact on development activities, (iii) risks related to the development, acquisition, and operation of power plants, (iv) the impact of energy price fluctuations and gas price increases, (v) start-up risks associated with new plants, (vi) general operating risks associated with plants that are currently operating, (vii) the dependence on third parties with respect of construction, operations and development, (viii) risks associated with the power business, (ix) changes in government regulation, including changes to environmental regulations, (x) the effects of competition, (xi) the dependence on senior management, and (xii) fluctuations in currency exchange rates and interest rates.

### **Non-GAAP Measures**

Funds from operations and funds from operation per share, basic and diluted are non-GAAP performance measures. Funds from operations represents funds provided by operations before changes in non-cash working capital while funds from operations per share represents funds from operations divided by the weighted average common shares outstanding calculated on a basic and diluted basis. The Company believes that these measures are a useful complementary measure of the Company's ability to generate the funds necessary to repay debt or fund future growth through capital investment. Readers are cautioned, however, that these measures should not be construed as an alternative to cash flow from operations determined in accordance with GAAP as an indication of the Company's performance. The Company's method of calculating these measures may differ from other issuers and, accordingly, they may not be comparable to measures used by other issuers. A reconciliation of non-GAAP measures to GAAP measures is set out in the Liquidity and Capital Resources section under "Cash Flow from Operations."



**PRISTINE**  
POWER INC.

**A DEVELOPMENT STAGE COMPANY**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2009**  
**(UNAUDITED)**

**PRISTINE POWER INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)  
*(in thousands)*

As at:	March 31, 2009	December 31, 2008
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 30,936	\$ 37,700
Cash held in trust	-	2,320
Accounts receivable	1,576	2,581
Prepaid expenses and deposits	812	1,922
Due from related parties (Note 11)	288	490
Derivative financial instruments (Note 3)	155	250
Restricted cash (Note 4)	7,754	770
	41,521	46,033
Restricted cash (Note 4)	12,462	20,062
Investments	2,250	2,250
Property, plant and equipment (Note 5)	120,684	113,242
	\$ 176,917	\$ 181,587
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 5,865	\$ 7,884
Due to related parties (Note 11)	125	164
Current portion of long-term debt (Note 6)	1,461	877
	7,451	8,925
Asset retirement obligation	326	321
Long-term debt (Note 6)	98,749	99,434
	99,075	99,755
Non-controlling interest	16,990	17,079
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 7)	67,441	67,441
Contributed surplus (Note 8)	2,042	1,928
Deficit	(16,082)	(13,541)
	53,401	55,828
	\$ 176,917	\$ 181,587

**PRISTINE POWER INC.**  
**CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS AND DEFICIT**  
*(Unaudited)*  
*(in thousands)*

Three Months Ended March 31,	2009	2008
<b>REVENUES</b>		
Power generation sales	\$ 549	\$ -
Project management fees	186	105
Interest and other income	148	74
	<u>883</u>	<u>179</u>
<b>EXPENSES</b>		
General and administrative	1,780	890
Project development costs	816	529
Interest, bank, and finance charges	220	12
Plant operating costs	219	-
Stock based compensation	114	853
Unrealized loss (gain) on derivative financial instruments	95	(369)
Foreign exchange gain	(5)	(198)
Depreciation, amortization and accretion	274	13
	<u>3,513</u>	<u>1,730</u>
<b>NET LOSS BEFORE NON-CONTROLLING INTEREST</b>	(2,630)	(1,551)
<b>NON-CONTROLLING INTEREST</b>	(89)	297
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	(2,541)	(1,848)
<b>DEFICIT, BEGINNING OF PERIOD</b>	(13,541)	(4,118)
<b>DEFICIT, END OF PERIOD</b>	(16,082)	(5,966)
<b>NET LOSS PER SHARE (Note 7)</b>		
Basic	\$ (0.08)	\$ (0.10)
Diluted	\$ (0.08)	\$ (0.10)

See accompanying notes to the consolidated financial statements

**PRISTINE POWER INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(Unaudited)*  
*(in thousands)*

Three Months Ended March 31,	2009	2008
<b>OPERATING</b>		
Net loss	\$ (2,541)	\$ (1,848)
Add (deduct) non-cash items:		
Depreciation, amortization and accretion	274	13
Stock based compensation	114	853
Non-controlling interest	(89)	293
Other	(6)	(3)
Unrealized foreign exchange gain	-	(206)
Unrealized loss (gain) on derivative financial instrument	95	(369)
	(2,153)	(1,267)
Change in non-cash working capital (Note 10)	502	9
Cash used in operating activities	(1,651)	(1,258)
<b>FINANCING</b>		
Repayment of long-term debt	(75)	-
Financing costs	(21)	-
Advances from (to) partners	163	(947)
Proceeds from issuance of shares (net of share issue costs)	-	45,824
Change in non-cash working capital (Note 10)	(23)	450
Cash provided by financing activities	44	45,327
<b>INVESTING</b>		
Restricted cash	638	10,417
Property, plant and equipment	(7,712)	(16,743)
Cash held in trust	2,320	-
Change in non-cash working capital (Note 10)	(390)	4,305
Cash provided by (used in) investing activities	(5,144)	(2,021)
Unrealized foreign exchange gain on foreign denominated cash	(13)	-
Increase (decrease) in cash and cash equivalents	(6,764)	42,048
Cash and cash equivalents, beginning of period	37,700	1,567
Cash and cash equivalents, end of period	\$ 30,936	\$ 43,615

See accompanying notes to the consolidated financial statements

# PRISTINE POWER INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2009

(Unaudited)

(tabular amounts in thousands of dollars except share amounts)

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### 1. NATURE OF BUSINESS

Pristine Power Inc. ("Pristine" or the "Company") is incorporated under the Canada Business Corporations Act. The Company is engaged in the development and operation of power generation projects in Canada. Until the East Windsor Cogeneration Centre project commences commercial operations in 2009, the Company is considered to be a development stage company.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The unaudited interim consolidated financial statements of the Company have been prepared by Management in accordance with Canadian generally accepted accounting principles ("GAAP"), following the same accounting policies and using the same methods of computation as those used in the audited consolidated financial statements of Pristine for the year ended December 31, 2008. The disclosures provided below are incremental to those included with the annual consolidated financial statements and certain disclosures which are normally required to be included in the notes to the annual consolidated financial statements have been condensed or omitted. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2008.

#### Measurement Uncertainty

The preparation of financial statements require management to use estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Actual results may differ from these estimates and assumptions.

#### Changes in Accounting Standards

On January 1, 2009, the Company adopted Section 3064, *Goodwill and Intangible Assets* that establishes guidelines for the recognition, measurement, presentation and disclosure of intangible assets. This change did not have a material impact to the Company's consolidated financial statements.

### 3. DERIVATIVE FINANCIAL INSTRUMENTS

The Company periodically enters into interest rate swap contracts as part of its strategy to manage its exposure to interest rate risk. By entering into interest rate swap agreements, the Company agrees to exchange with the Canadian chartered banks the difference between the fixed rate and floating rate interest payments calculated by reference to floating rate indices and on an agreed notional amount.

Following is a summary of all derivative contracts in place as at March 31, 2009:

<u>Variable Debt Interest Rate</u>	<u>Fixed rate</u>	<u>Notional amount</u>	<u>Term</u>
CAD-BA-CDOR	4.34%	\$ 13,856,856 million CAD*	Nov 2/07 – Aug 31/09
		*declining to zero over the term	

The fair values approximate the amount that the Company would either pay or receive to settle the contract at March 31, 2009. As at March 31, 2009, the Company had recognized a derivative asset of \$155,000 and an unrealized loss of \$95,000 (December 31, 2008 - the Company recognized a derivative asset of \$250,000 and an unrealized gain of \$201,000)

Over the remaining term of the contract a 1% change in the floating-rate bank credit facility will result in a change to net loss of approximately \$99,000 annually on the net swap arrangement to the Company.

**PRISTINE POWER INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2009**  
*(Unaudited)*  
*(tabular amounts in thousands of dollars except share amounts)*

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**4. RESTRICTED CASH**

Current restricted cash consists of cash pledged as security for outstanding letters of credit of \$6.98 million and funds received from a major equipment supplier relating to EWCLP. With respect to the latter, under the terms of the Trust Indenture, these monies must first be used to offset liquidating damages under the Power Purchase Agreement due to late commencement of commercial operations, if any. The remaining monies after any such payment must then be used to repay the long term debt subject to a prepayment fee.

Under the terms of the Series 1 Bonds issued by EWCLP in November 2007, separate bank accounts under control of the Bond Trustee were established and are classified as long-term for reporting purposes. The Company's use of this cash is restricted to EWCLP project related expenditures that have been approved by the Bond Trustee prior to payment. Restricted cash is held in short-term investments meeting certain credit thresholds, the carrying values of which do not differ materially from the fair values. Under the terms of the long term debt facility the Company is precluded from investing restricted cash in non-bank asset backed commercial paper.

Accounts payable and accrued liabilities outstanding at period-end of \$3.3 million will be paid from restricted cash. In addition, the liabilities incurred from the commitments as disclosed in Note 18(b)(i) of the December 31, 2008 financial statements will also be funded from restricted cash.

Also included in long-term restricted cash is \$0.6 million of funds held by the lender as a debt service reserve for EnPower to secure repayment of the principal, interest and any other charges under the terms of the loan. The Company's share of the debt service reserve fund related to EnPower may be reduced by \$0.1 million annual increments if the debt service coverage ratio is maintained over each of the next three fiscal years, up to a maximum reduction of \$0.3 million.

**5. PROPERTY, PLANT AND EQUIPMENT**

March 31, 2009	Cost	Accumulated Amortization	Net Book Value
Land	\$ 7,528	\$ -	\$ 7,528
Assets under construction	96,970	-	96,970
Power generation equipment	13,642	337	13,305
Building and structure	1,728	46	1,682
Administrative assets	1,618	419	1,199
	\$ 121,486	\$ 802	\$ 120,684

December 31, 2008	Cost	Accumulated Amortization	Net Book Value
Land	\$ 7,218	\$ -	\$ 7,218
Assets under construction	89,671	-	89,671
Power generation equipment	13,521	171	13,350
Asset retirement costs	1,815	23	1,792
Administrative assets	1,546	335	1,211
	\$ 113,771	\$ 529	\$ 113,242

The Company is currently developing two projects: the East Windsor Cogeneration Centre (EWCC) (an 84 MW natural gas-fired cogeneration plant) and the York Energy Centre (YEC) (a 393 MW natural gas fired peaking plant). Assets under construction represent costs to construct the plants. To date, no amortization has been taken on assets under construction as the projects are not in commercial operation. Commercial operation of EWCC is expected to commence in the third quarter of 2009; YEC is expected to commence commercial operations in late 2011.

**PRISTINE POWER INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2009**

*(Unaudited)*

*(tabular amounts in thousands of dollars except share amounts)*

Capitalized interest expense has been recorded to assets under construction as follows:

Three months ended March 31,	2009	2008
Interest	\$ 1,341	\$ 638

**6. LONG-TERM DEBT**

As at March 31, 2009, the estimated fair value of the outstanding long-term debt is \$89.3 million (December 31, 2008 - \$86.3 million). The fair value of the long-term debt was determined with rates of reference Government of Canada Bonds, having terms equivalents to the average life of the applicable debt, adjusted for current credit spreads.

As at March 31, 2009, the debt outstanding is as follows:

	Face Value	March 31, 2009	December 31, 2008
EWCLP Senior Bonds	\$ 89,500	\$ 89,500	89,500
EnPower Term loan	12,201	12,201	12,275
Financing fees	-	(1,441)	(1,420)
Cumulative amortization of financing fees	-	(50)	(44)
	101,701	100,210	100,311
Less current portion	-	(1,461)	(877)
	\$ 101,701	\$ 98,749	\$ 99,434

Combined principal payments for both debt obligations over each of the next five years and thereafter are as follows:

March 31, 2010	\$ 1,461
March 31, 2011	2,741
March 31, 2012	2,918
March 31, 2013	3,106
March 31, 2014	3,306
March 31, 2015 and thereafter	88,169
Total long-term debt	\$ 101,701

**7. SHARE CAPITAL**

**Common shares**

**Authorized:**

Unlimited number of voting common shares  
 Unlimited number of common non-voting shares  
 Unlimited number of preferred shares

**Issued:**

The Company had the following shares outstanding at March 31, 2009 and December 31, 2008:

	Number	(\$)
<b>Common Voting Shares</b>		
Balance, beginning and end of period	30,227,886	72,290
<b>Warrants</b>		
Balance, beginning and end of period	1,112,400	534
<b>Share issue costs</b>		(5,383)
Total share capital, March 31		67,441

**PRISTINE POWER INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2009**

*(Unaudited)*

*(tabular amounts in thousands of dollars except share amounts)*

**Loss per share**

The basic loss per share amounts have been calculated using the following weighted average common shares:

Weighted average common shares	Three months ended March 31,	
	2009	2008
Basic and Diluted	30,227,886	18,180,904

As the Company has recorded a loss for the current period; therefore, the effect of outstanding options and warrants is anti-dilutive.

**8. CONTRIBUTED SURPLUS**

The following table reconciles the Company's contributed surplus:

(\$)	March 31, 2009	December 31, 2008
Balance, beginning of period	\$ 1,928	\$ 464
Disposition of 25% interest in EnPower	-	262
Value attributed to stock-based compensation awards	114	1,202
<b>Balance, end of period</b>	<b>\$ 2,042</b>	<b>\$ 1,928</b>

Stock based compensation of \$12,000 (March 31, 2008 - \$nil) has been capitalized in property, plant and equipment during the period ended March 31, 2009.

**9. STOCK-BASED COMPENSATION**

Under the terms of the stock option plan directors, employees and consultants may be granted options to purchase common shares. The aggregate number of shares reserved for issuance under this plan shall not exceed 10% of the total number of issued and outstanding shares. The exercise price and terms of the options are determined by the Board at the time the options are granted. The maximum terms of the options are not to exceed ten years.

The following table provides a reconciliation of the stock option plan activity:

	Three months ended March 31, 2009		Year ended December 31, 2008	
	Number of options	Weighted average exercise price (\$)	Number of options	Weighted average exercise price (\$)
Balance, beginning of period	2,200,000	1.79	1,695,000	1.22
Forfeited	-	-	(20,000)	3.25
Granted	590,000	1.19	525,000	3.69
<b>Balance, end of period</b>	<b>2,790,000</b>	<b>1.77</b>	<b>2,200,000</b>	<b>1.79</b>

**PRISTINE POWER INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2009**

*(Unaudited)*

*(tabular amounts in thousands of dollars except share amounts)*

The following table summarizes stock options outstanding and exercisable under the plan at March 31, 2009:

Range of exercise price	Number of options	Options outstanding		Options exercisable	
		Weighted average contractual life	Weighted average exercise price	Options exercisable	Weighted average price
\$0.40	690,000	6.19	\$0.40	690,000	\$0.40
\$1.00 - \$1.99	1,025,000	5.85	\$1.38	475,000	\$1.01
\$2.00	70,000	3.83	\$2.00	15,833	\$2.00
\$2.50	580,000	3.53	\$2.50	169,586	\$2.50
\$3.50 - \$4.00	425,000	3.98	\$3.93	279,156	\$3.97
	<u>2,790,000</u>	<u>5.11</u>	<u>\$1.77</u>	<u>1,629,575</u>	<u>\$1.43</u>

The fair value of the options granted during the period was estimated on the date of grant using the Black-Scholes option pricing model using the following assumptions:

(\$)	March 31, 2009	March 31, 2008
Risk free interest rate	1.9%	4.2%
Expected life (years)	5	5
Expected dividend yield	0%	0%
Expected volatility	88%	65%
<u>Weighted average fair value of options granted</u>	<u>\$ 1.19</u>	<u>\$ 2.03</u>

**10. SUPPLEMENTAL CASH FLOW INFORMATION**

**Changes in non-cash working capital**

Three months ended March 31	2009	2008
Operating:		
Accounts receivable	29	-
Prepaid expense and deposits	1,130	(23)
Accounts payable and accrued liabilities	(657)	32
	<u>502</u>	<u>9</u>
Financing:		
Accounts receivable	3	-
Accounts payable and accrued liabilities	(26)	450
	<u>(23)</u>	<u>450</u>
Investing:		
Accounts receivable	973	608
Prepaid expense and deposits	(20)	(80)
Accounts payable and accrued liabilities	(1,343)	3,777
	<u>(390)</u>	<u>4,305</u>
<b>Interest</b>		
<u>Interest earned</u>	<u>202</u>	<u>849</u>
<u>Interest paid</u>	<u>1,617</u>	<u>1,422</u>

**PRISTINE POWER INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2009**

*(Unaudited)*

*(tabular amounts in thousands of dollars except share amounts)*

**11. RELATED PARTY TRANSACTIONS**

Related party transactions, except where otherwise noted, have been measured at the agreed to exchange amounts, which are the amounts of consideration established and agreed to by the related parties and in management's opinion approximate fair value. Except as disclosed elsewhere in the financial statements, the Company was involved in the following related party transactions:

- a) The amounts due from (to) related companies are unsecured, non-interest bearing and due on demand. The Company has amounts due from and to other project participants:

	March 31, 2009	December 31, 2008
Due from Mackenzie Green Energy Inc.	\$ 101	\$ 101
Due from Milton Clean Energy Limited Partnership	-	223
Due from Milton Clean Energy Inc.	-	37
Due from EnPower Green Energy Generation Limited Partnership	150	125
Due from Fort Chicago Power Ventures Canadian Limited Partnership	37	4
Due to EnMax Green Power Inc.	(125)	(125)
Due from Bastion Island Power	-	(39)
<b>Total</b>	<b>\$ 163</b>	<b>\$ 326</b>

- b) During the period, the Company recorded project management fees of \$186,000 (March 31, 2008 - \$105,000) provided by Pristine Power Inc. for time and expenses incurred while managing the development of projects. Included in accounts receivable is \$98,000 (December 31, 2008 - \$201,000) due from East Windsor Cogeneration Limited Partnership, Enpower Green Energy Generation Limited Partnership for project management fees charged in the period.

**12. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current period's presentation.