

Tonbridge Power Inc.
Consolidated Financial Statements
September 30, 2008

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Tonbridge Power Inc.

Consolidated Balance Sheets

Unaudited

	September 30, 2008	December 31, 2007 (Audited)
Assets		
Current		
Cash	\$ 1,642,098	\$ 9,144,068
Receivables	91,820	338,047
Prepaid expenses	683,464	93,889
Deposits	<u>96,085</u>	<u>164,741</u>
	2,513,467	9,740,745
Restricted cash (Note 3)	-	400,391
Property and equipment – furniture and fixtures	89,047	119,306
Deposits on property and transmission equipment	14,644,686	14,305,061
Deferred development costs (Note 4)	18,183,238	15,587,821
Intangible asset	<u>18,621,233</u>	<u>18,621,233</u>
	<u>\$ 54,051,671</u>	<u>\$ 58,774,557</u>
Liabilities		
Current		
Payables and accruals	\$ 2,415,332	\$ 1,781,548
Loans payable (Note 5)	24,317,968	21,777,566
Interest payable	2,775,952	593,510
Future income taxes	<u>4,672,583</u>	<u>4,621,508</u>
	<u>34,181,835</u>	<u>28,774,132</u>
Shareholders' Equity		
Share capital (Note 6b)	37,805,390	37,737,390
Contributed surplus (Note 6d)	5,953,401	4,217,672
Warrants (Note 6e)	937,834	2,313,987
Deficit	<u>(24,826,789)</u>	<u>(14,268,624)</u>
	<u>19,869,836</u>	<u>30,000,425</u>
	<u>\$ 54,051,671</u>	<u>\$ 58,774,557</u>

Commitments and contingencies (Note 11)

On behalf of the Board

"David Matheson" Director

"Johan van't Hof" Director

See accompanying notes to the consolidated financial statements

Tonbridge Power Inc.

Consolidated Statements of Operations, Comprehensive Loss and Deficit

Unaudited

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Interest revenue	\$ <u>18,605</u>	\$ 18,219	\$ <u>119,908</u>	\$ 90,307
Expenses				
General and administrative	860,019	1,032,311	2,758,722	2,407,891
Stock-based compensation	32,046	-	359,576	382,307
Management fees	240,000	240,000	720,000	720,000
Director's fees	33,500	30,000	118,500	134,000
Financing costs	421,054	127,482	1,237,572	339,111
Interest expense	1,431,294	669,791	4,061,365	1,762,568
Foreign exchange loss (gain)	745,724	(53,923)	1,310,677	(66,316)
Amortization	<u>20,152</u>	<u>6,335</u>	<u>60,586</u>	<u>19,008</u>
	<u>3,783,789</u>	<u>2,051,996</u>	<u>10,626,998</u>	<u>5,698,569</u>
Loss before income taxes	<u>(3,765,184)</u>	<u>(2,033,777)</u>	<u>(10,507,090)</u>	<u>(5,608,262)</u>
Future income tax expense	<u>20,192</u>	<u>32,677</u>	<u>51,075</u>	<u>57,746</u>
Net loss being comprehensive loss	<u>\$ (3,785,376)</u>	<u>\$ (2,066,454)</u>	<u>\$ (10,558,165)</u>	<u>\$ (5,666,008)</u>
Deficit, beginning of period	\$ (21,041,413)	\$ (9,109,506)	\$ (14,268,624)	\$ (5,509,952)
Net loss	<u>(3,785,376)</u>	<u>(2,066,454)</u>	<u>(10,558,165)</u>	<u>(5,666,008)</u>
Deficit, end of period	<u>\$ (24,826,789)</u>	<u>\$ (11,175,960)</u>	<u>\$ (24,826,789)</u>	<u>\$ (11,175,960)</u>
Net loss per common share:				
Basic and diluted	\$ <u>(0.016)</u>	\$ <u>(0.010)</u>	\$ <u>(0.045)</u>	\$ <u>(0.028)</u>
Weighted average number of shares outstanding:				
Basic (Note 7)	<u>235,796,316</u>	<u>205,200,731</u>	<u>235,745,759</u>	<u>203,936,525</u>

See accompanying notes to the consolidated financial statements

Tonbridge Power Inc.

Consolidated Statements of Cash Flows

Unaudited

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Operating activities:				
Net loss	\$ (3,785,376)	\$ (2,066,454)	\$ (10,558,165)	\$ (5,666,008)
Amortization	20,152	6,335	60,586	19,008
Financing costs	421,054	127,482	1,237,572	325,302
Stock-based compensation	32,046	-	359,576	382,307
Directors' fees	-	201,000	68,000	201,000
Unrealized foreign exchange	743,400	-	1,292,399	-
Anchorage interest expense added to principal	818,409	-	2,182,442	-
Future income tax expense	20,192	32,677	51,075	57,746
	<u>(1,730,123)</u>	<u>(1,698,960)</u>	<u>(5,306,515)</u>	<u>(4,680,645)</u>
Change in non-cash operating working capital:				
Receivables	66,215	(88,543)	256,658	418,414
Prepaid expenses	(421,824)	(29,016)	(589,575)	180
Payables and accruals	<u>331,724</u>	<u>379,123</u>	<u>43,268</u>	<u>780,782</u>
	<u>(1,754,008)</u>	<u>(1,437,396)</u>	<u>(5,596,164)</u>	<u>(3,481,269)</u>
Financing activities:				
HSH Nordbank loan payable	-	-	-	4,000,000
Deposit to interest reserve	-	-	-	(600,000)
Advance from interest reserve for payment of interest costs	-	442,772	400,391	1,104,982
Issuance of share capital, net of costs	-	265,388	-	569,827
	<u>-</u>	<u>708,160</u>	<u>400,391</u>	<u>5,074,809</u>
Investing activities:				
Purchase of property and equipment – furniture and fixtures	-	-	(30,327)	(295)
Deposit on property and Equipment	(64,250)	(374,186)	(339,625)	(964,664)
Development costs incurred	(930,617)	(873,617)	(2,595,417)	(3,009,850)
Deferred financing costs	-	-	-	(313,976)
Change in investing working Capital	941,396	443,861	659,172	(703,631)
	<u>(53,471)</u>	<u>(803,942)</u>	<u>(2,306,197)</u>	<u>(4,992,416)</u>
Net change in cash and cash Equivalents	(1,807,479)	(1,533,178)	(7,501,970)	(3,398,876)
Cash and cash equivalents, beginning of period	<u>3,449,577</u>	<u>1,857,113</u>	<u>9,144,068</u>	<u>3,722,811</u>
Cash and cash equivalents, end of period	<u>\$ 1,642,098</u>	<u>\$ 323,935</u>	<u>\$ 1,642,098</u>	<u>\$ 323,935</u>

See accompanying notes to the consolidated financial statements.

Tonbridge Power Inc.

Notes to the Consolidated Financial Statements

Unaudited

September 30, 2008

1. Nature of operations

As of September 30, 2008, Tonbridge Power Inc.'s (the "Company") corporate structure includes the Company's 100% interests in Montana Alberta Tie US Holdings Inc., Lectrix Limited and 100% of the voting equity shares of Montana Alberta Tie Ltd. ("MATL").

The Company is in the development stage with revenues expected upon completion of the construction of a planned transmission line between Lethbridge, Alberta, Canada and Great Falls, Montana, U.S.A. Revenues are expected to be earned from transmission shipping rights agreements for use of transmission capacity. These contracts and revenues will not commence until, and are subject to a number of conditions precedent, including receipt of all regulatory permits and the completion of the construction of the transmission line. These financial statements have been prepared on the basis that the Company will continue to raise financing, realize on its assets and meet its obligations as they become due. The inability of the Company to continue to fund the project would impair the ability of the Company to advance the project and may result in a loss of the capitalized expenditures incurred to date.

Certain information and disclosure normally required to be included in the notes to the consolidated financial statements has been omitted and, as such, these interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto of the Company for the year ended December 31, 2007. These consolidated financial statements have been prepared in accordance with the accounting policies described in the Company's audited annual consolidated financial statements for the year ended December 31, 2007, with the exception of the accounting policy changes disclosed in Note 2.

2. Changes in accounting policies

As of January 1, 2008, the Company adopted new CICA standards: Section 3862, Financial Instruments – Disclosures, and Section 3863, Financial Instruments – Presentation. The new disclosure standards increase the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standards are meant to enhance the financial statement user's understanding of the significance of financial instruments to the Company's financial position, performance and cashflows. The disclosures required by adoption of these sections are presented in Note 9.

As of January 1, 2008, the Company adopted CICA Section 1535, Capital Disclosures, which requires disclosure of the Company's objectives, policies and processes for managing capital. In addition, disclosures will include whether companies have complied with externally imposed capital requirements. The disclosures required by adoption of these sections are presented in Note 10.

As of January 1, 2008, the Company adopted CICA Section 1400, General Standards of Financial Statement Presentation. The new standards require assessing and disclosing any concerns around the Company's ability to continue as a going concern where such concerns exist.

Tonbridge Power Inc.

Notes to the Consolidated Financial Statements

Unaudited
September 30, 2008

2. Changes in accounting policies (Continued)

In February 2008, the CICA Accounting Standards Board ("AcSB") issued CICA Handbook Section 3064, Goodwill and Intangible Assets, with an effective date of January 1, 2009, replacing existing guidance (Sections 3062 and 3450) for these areas. The new section establishes standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to initial recognition. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is assessing the impact on its consolidated financial statements.

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS"), effective January 1, 2011. The Company continues to monitor and assess the impact of the conversion of Canadian Generally Accepted Accounting Principles ("GAAP") to IFRS.

3. Restricted cash

Pursuant to the terms of a credit agreement with HSH NordBank, the Company has \$Nil as at September 30, 2008 (December 31, 2007 - \$400,391) in an interest reserve account for purposes of paying interest on amounts due under such agreement.

4. Deferred development costs

	<u>September 30, 2008</u>	<u>December 31, 2007</u>
Balance, beginning of period	\$ 15,587,821	\$ 11,304,731
Development costs deferred	<u>2,595,417</u>	<u>4,283,090</u>
Balance, end of period	\$ <u>18,183,238</u>	\$ <u>15,587,821</u>

To date, no amortization has been taken on the deferred development costs as the project is not in commercial operation.

During the period, the Company incurred expenses which do not qualify for deferral under Canadian GAAP, including costs related to maintenance of an office in Calgary, head office costs in Toronto, legal costs of contracts review and interest on debt financing.

Tonbridge Power Inc.

Notes to the Consolidated Financial Statements

Unaudited
September 30, 2008

4. Deferred development costs (Continued)

Development costs expensed during the period:

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Management costs	\$ 240,000	\$ 240,000	\$ 720,000	\$ 720,000
General and administrative	860,019	1,032,311	2,758,722	2,407,891
Interest expense	1,431,294	669,791	4,061,365	1,762,568
Directors' fees	33,500	30,000	118,500	134,000
Stock-based compensation	<u>32,046</u>	-	<u>359,576</u>	<u>382,307</u>
Total	\$ <u>2,596,859</u>	\$ <u>1,972,102</u>	\$ <u>8,018,163</u>	\$ <u>5,406,766</u>

Cumulative development costs expensed to date:

	As at September 30, 2008	As at September 30, 2007
Management costs	\$ 3,544,000	\$ 2,584,000
General and administrative	10,886,966	5,380,702
Interest expense	7,181,946	1,762,568
Directors' fees	550,500	394,000
Stock-based compensation	<u>1,586,832</u>	<u>1,227,256</u>
Total	\$ <u>23,750,245</u>	\$ <u>11,348,526</u>

5. Loans payable

	September 30, 2008	December 31, 2007
(i) Loan payable – HSH NordBank	\$ 13,000,000	\$ 13,000,000
Less: deferred financing costs	(2,108,353)	(2,508,387)
(ii) Loan payable – Anchorage – 18,000,000 USD	19,078,200	17,785,800
Less: deferred financing costs	<u>(5,651,879)</u>	<u>(6,499,847)</u>
Balance, end of period	\$ <u>24,317,968</u>	\$ <u>21,777,566</u>

Tonbridge Power Inc.

Notes to the Consolidated Financial Statements

Unaudited

September 30, 2008

6. Share capital

a) **Authorized** Unlimited number of common shares

b) **Issued and outstanding common shares**

	September 30, 2008		December 31, 2007	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of period	235,459,682	\$ 37,737,390	202,662,231	\$ 32,553,668
Shares for payment of directors' fee	336,634	68,000	689,869	201,000
Anchorage financing (i)	-	-	30,000,000	4,500,000
Options and warrants exercised	-	-	2,107,582	482,722
Balance, end of period	<u>235,796,316</u>	<u>\$ 37,805,390</u>	<u>235,459,682</u>	<u>\$ 37,737,390</u>

(i) Anchorage financing

On October 5, 2007, the Company entered into a credit agreement with Anchorage Capital Master Offshore III, Ltd. ("Anchorage"), whereby Anchorage agreed to provide a credit facility of US\$31,000,000, consisting of a first tranche commitment of US\$18,000,000 and second tranche for US\$13,000,000 (Note 12). The first tranche was advanced on the initial date of October 5, 2007. As part of the credit agreement, Anchorage received 30,000,000 common shares as a fee in connection with the first advance of US\$18,000,000.

c) Shares being held in escrow

As at September 30, 2008, under the requirements of the TSX Venture Exchange Inc., there were no remaining shares being held in escrow. A release from escrow of 17,258,531 shares occurred on July 5, 2008.

Tonbridge Power Inc.

Notes to the Consolidated Financial Statements

Unaudited
September 30, 2008

6. Share capital (Continued)

d) Contributed surplus

A total of \$359,576 (September 30, 2007 - \$382,307) in stock-based compensation cost was recognized during the nine month period, which related to compensation options to directors, officers and consultants.

The following table summarizes the reconciliation of contributed surplus:

	September 30, 2008	December 31, 2007
Balance, beginning of period	\$ 4,217,672	\$ 1,560,239
Estimated fair value of stock based compensation	359,576	382,307
Fair value of stock options exercised	-	(113,896)
Warrants expired	<u>1,376,153</u>	<u>2,389,022</u>
Balance, end of period	\$ <u>5,953,401</u>	\$ <u>4,217,672</u>

e) Warrants

	September 30, 2008		December 31, 2007	
	Number of Warrants	Amount	Number of Warrants	Amount
Balance, beginning of period	17,182,870	\$ 2,313,987	30,920,740	\$ 3,647,310
Warrants expired relating to the April 27, 2006 CIBC equity financing	-	-	(20,536,125)	(2,389,022)
Warrants issued to HSH NordBank	-	-	4,615,385	693,828
Warrants expired relating to HSH NordBank	(10,384,615)	(1,376,153)	-	-
Warrants issued in connection with Anchorage financing	<u>-</u>	<u>-</u>	<u>2,182,870</u>	<u>361,871</u>
Balance, end of period	<u>6,798,255</u>	\$ <u>937,834</u>	<u>17,182,870</u>	\$ <u>2,313,987</u>

Tonbridge Power Inc.

Notes to the Consolidated Financial Statements

Unaudited

September 30, 2008

6. Share capital (Continued)

e) Warrants (Continued)

The Company had the following warrants outstanding at September 30, 2008:

	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Life (years)</u>
Warrants outstanding, at end of period	<u>6,798,255</u>	<u>\$ 0.32</u>	<u>.49</u>
Warrants exercisable, at end of period	<u>6,798,255</u>	<u>\$ 0.32</u>	<u>.49</u>

	<u>May 2, 2007</u>	<u>October 5, 2007</u>
Number of warrants issued	4,615,385	2,182,870
Weighted average fair market value of warrants granted	\$ 0.130	\$ 0.166
The following assumptions were used:		
Risk free interest	4.15%	4.22%
Estimated hold period prior to exercise – years	1.7	2.0
Volatility in the price of the Company's shares	96.4%	110.5%
Dividend yield rate	Nil	Nil
Stock price	\$ 0.31	\$ 0.25
Expiry Date	December 27, 2008	October 6, 2009

f) Stock options

The Company grants options to its directors, officers, employees and consultants under a plan which provides for up to 10% of the outstanding common shares for issuance to eligible participants. At September 30, 2008, 23,579,632 common shares were reserved for this purpose. From this reserve, there were 8,965,949 incentive options granted. The exercise price of each option approximates the market price of the Company's common shares on the date of the grant. Options expire five years after the date of grant and depending on the grant, options vest over a period of up to one year.

Tonbridge Power Inc.

Notes to the Consolidated Financial Statements

Unaudited

September 30, 2008

6. Share capital (Continued)

f) Stock options (Continued)

Options outstanding include both incentive options and agents' options which were issued for services rendered in the completion of equity financings. The following table summarizes the information relating to options:

	September 30, 2008		December 31, 2007	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	7,324,949	\$ 0.254	13,032,588	\$ 0.285
Granted	2,166,000	\$ 0.240	-	\$ -
Forfeited	(15,000)	\$ 0.222	(50,000)	\$ 0.390
Expired	(510,000)	\$ 0.368	(3,550,057)	\$ 0.411
Exercised	-	\$ -	(2,107,582)	\$ 0.175
Total options outstanding, end of period	<u>8,965,949</u>	<u>\$ 0.245</u>	<u>7,324,949</u>	<u>\$ 0.254</u>
Total options exercisable, end of period	<u>8,567,949</u>	<u>\$ 0.242</u>	<u>7,324,949</u>	<u>\$ 0.254</u>

The range of exercise prices of stock options outstanding and exercisable at September 30, 2008 are as follows:

Range of Exercise Prices	Outstanding Options			Exercisable Options		
	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Exercise Price	
\$ 0.175	3,484,949	1.75	\$ 0.175	3,484,949	\$ 0.175	
\$ 0.222	1,645,000	4.30	\$ 0.222	1,645,000	\$ 0.222	
\$ 0.250	1,050,000	1.80	\$ 0.250	1,050,000	\$ 0.250	
\$ 0.280	190,000	4.95	\$ 0.280	-	\$ -	
\$ 0.316	306,000	4.53	\$ 0.316	98,000	\$ 0.316	
\$ 0.330	1,240,000	3.25	\$ 0.330	1,240,000	\$ 0.330	
\$ 0.370	650,000	2.00	\$ 0.370	650,000	\$ 0.370	
\$ 0.390	400,000	2.35	\$ 0.390	400,000	\$ 0.390	
	<u>8,965,949</u>	<u>2.53</u>	<u>\$ 0.245</u>	<u>8,567,949</u>	<u>\$ 0.242</u>	

Tonbridge Power Inc.

Notes to the Consolidated Financial Statements

Unaudited

September 30, 2008

6. Share capital (Continued)

f) Stock options (Continued)

For all options issued in the calendar year, the weighted average of assumptions used (using the Black Scholes option pricing model) is as follows:

	<u>September 30, 2008</u>	<u>December 31, 2007</u>
Number of options issued	2,166,000	Nil
Weighted average fair market value of options granted	\$ 0.21	-
The following weighted average assumptions were used:		
Risk free interest rate	3.22%	-
Estimated hold period prior to exercise – years		
Incentive Options	5 Years	-
Volatility in the price of the Company's shares	127.8%	-
Dividend yield rate	Nil	-

There were no options granted between January 1, 2007 and December 31, 2007.

Tonbridge Power Inc.

Notes to the Consolidated Financial Statements

Unaudited

September 30, 2008

7. Weighted average share amounts

Basic net loss per common share is computed by dividing the net loss by the weighted average number of common shares outstanding for the year. Loss per share on a diluted weighted average basis is the same as that presented for basic as all factors are anti dilutive.

	Three months Ended September 30, <u>2008</u>	Three months Ended September 30, <u>2007</u>	Nine months Ended September 30, <u>2008</u>	Nine months Ended September 30, <u>2007</u>
Weighted average number of shares outstanding:				
Basic	<u>235,796,316</u>	<u>205,200,731</u>	<u>235,745,759</u>	<u>203,936,525</u>

8. Related party transaction

During the nine month period ended September 30, 2008, the Company incurred \$Nil (September 30, 2007 - \$150,000) in structuring and financing advisory fees charged by Tonbridge Corporation, a related company by virtue of its role as manager and common officers. In addition, the Company paid \$720,000 (September 30, 2007 - \$720,000) in management fees to Tonbridge Corporation for executive management and officers' services pursuant to a management contract. These transactions were agreed to by the related parties and recorded at those exchange amounts, which management believes to be a reasonable estimate of fair market value.

Tonbridge Power Inc.

Notes to the Consolidated Financial Statements

Unaudited
September 30, 2008

9. Financial instruments

All financial instruments have been classified into one of the following five categories:

	<u>September 30, 2008</u>	<u>December 31, 2007</u>
Held to maturity	\$ -	\$ -
Loans and receivables	\$ 91,820	\$ 338,047
Other financial liabilities	\$ 29,509,252	\$ 24,152,624
Available for sale	\$ -	\$ -
Held for trading	\$ 1,642,098	\$ 9,144,068

The Company's activities expose it to a variety of financial risks. In the management of financial risks, the Company's primary focus is to obtain prudent financing at appropriate intervals, matching cost, duration and interest rate exposure of such financing with returns available from the investment made in projects with such proceeds.

i. Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets. The Company currently has sufficient funding to manage operating costs until its expected Notice to Proceed date ("NTP"). The current MATL Project in development is dependent on the timing of regulatory permits and significant delays could affect the Company's cash position and the cost of obtaining further development capital.

The Company's requirements for capital in the foreseeable future include construction financing and operating expenses until such time that the Company has an operating asset generating sufficient cash flow to meet all obligations. The Company is working to cover these requirements through a combination of financing instruments.

ii. Interest rate risk

The Company is exposed to changes in interest rates as a result of the loan payable to HSH NordBank, bearing interest at a rate determined to be the sum of (i) an average of Canadian Bank rates for Bankers Acceptance; (ii) an applicable margin and, (iii) to the extent permitted by law, 2% per annum.

iii. Foreign exchange risk

The Company is exposed to changes in the foreign exchange rates between the Canadian and U.S. dollar as a result of the loan payable to Anchorage. Principal and interest totalling \$20,619,070 is payable in U.S. dollars as at September 30, 2008. The Canadian equivalent reflected on the balance sheet shows a balance owing of \$21,854,152.

The impact of changes in the USD exchange rate could affect future income as follows:

Tonbridge Power Inc.

Notes to the Consolidated Financial Statements

Unaudited

September 30, 2008

9. Financial instruments (Continued)

<u>Loan in US dollars</u>	<u>Exchange rate</u>	<u>Amount owing in Canadian dollars</u>	<u>Potential loss before tax</u>
\$20,619,070	1.00	\$20,619,070	-
\$20,619,070	1.05	\$21,650,024	(1,030,954)
\$20,619,070	1.10	\$22,680,977	(2,061,907)
\$20,619,070	1.15	\$23,711,931	(3,092,861)
\$20,619,070	1.20	\$24,742,884	(4,123,814)
\$20,619,070	1.25	\$25,773,838	(5,154,768)

The Company has elected not to hedge its foreign exchange risk during the development stage of the current Project.

10. Capital risk management

The Company defines capital as cash and cash equivalents during the development stage and cash and cash equivalents, equity and project finance during the construction and operations phase. The Company's objectives when managing capital are:

- Managing risks of time delays and unexpected costs against the risk of obtaining too much capital which is very costly in the early stages of project development;
- Funds raised for the purpose of project development are to be held in low risk, bank term deposits;
- Manage expenditures to meet contractual covenants, which are imposed by regulators in the form of permit compliance and financing and debt agreements;
- That expected future revenues of a project will support the development of the project;
- To match the appropriate financing vehicle to the various stages of the development of the project;
- To reach a point where cashflows from operational assets can support additional prudent project development or where dividend payments can be made to shareholders; and
- To safeguard the entity's ability to continue as a going concern so that it can meet its obligations as they fall due as well as take advantage of opportunities as they arise, and ultimately to provide a risk adjusted fair return on investment to its shareholders.

The Company's strategy in the management of capital is dependent on the stage of the development of the Project:

- Prior to NTP – To raise sufficient capital at fair cost, to support the development of the Project until the Company is able to issue a NTP. This stage involves assessing the risks of time delays, projecting the costs of regulatory processes and manage the expectations of shareholders in terms of share dilution and expected returns for the risk they have undertaken. The Company must also consider whether certain costs should be incurred in advance of NTP in order to facilitate an earlier in-service date or whether cash should be conserved in order to manage risks around any uncertainty of an NTP date. As uncertainty around the NTP date is reduced, capital is available at a reduced cost to the Company.

10. Capital risk management (Continued)

- From NTP through to the Completion of Construction – To manage significant cost outlays, to manage risks around potential cost overruns when compared to the additional costs for third parties to undertake certain risks, to meet expectations set by financiers.
- Operations - To manage cash flows from operational projects such that prudent investment in future opportunities is compared to return to shareholders.

As at September 30, 2008, the Company remains in the development stage of the Project and is managing its capital in accordance with the above strategy.

11. Commitments and contingencies

- a) The Company maintains an office in Calgary, Alberta and another office located in Helena, Montana. Lease commitments for the next four years are as follows:

2008 (3 months)	\$	49,978
2009		199,911
2010		199,911
2011		<u>33,273</u>
	\$	<u>483,073</u>

- b) Pursuant to Letter of Agreement (“Agreement”) regarding the Issuance of a Letter of Credit for MATL and the Company dated November 3, 2006, as amended on December 14, 2006, SOF Investments, L.P. (“SOF”), agreed to arrange for a letter of credit from the Royal Bank of Canada (the “Bank”) to be issued in favour of AltaLink, LP as beneficiary, to complete the requirements for filing the Facilities Application with the Alberta Energy Utilities Board, in the amount of \$9,200,000.

Under the Agreement, the Company agreed to pay SOF (a) the amount of any drawings on the letter of credit, payable on the day SOF is obligated to reimburse the Bank for any such drawings; (b) interest on the amounts described in (a) at the rate of 17.5% per annum, calculated daily from the day such amounts are payable to SOF until paid in full, payable on demand; and (c) interest on any undrawn portion of the face amount at a rate of 9.0% per annum calculated monthly and payable in arrears on the last day of each month so long as the letter of credit is outstanding.

- c) The Company has entered into a letter of intent with its northbound customer, NaturEner USA, LLC, upon the closing of its senior loan financing, whereby NaturEner will prepay approximately US\$35,000,000 which will be offset by a reduction of approximately 35% of revenues owing from years 11 to 25 of its transmission rights agreement.

Tonbridge Power Inc.

Notes to the Consolidated Financial Statements

Unaudited

September 30, 2008

12. Subsequent events

On November 21, 2008, Anchorage Capital Master Offshore III, Ltd. ("Anchorage"), advanced the second tranche of US\$13,000,000, representing the remaining amount available under the credit facility of US\$31,000,000 arranged on October 5, 2007.

On November 21, 2008, Anchorage exercised a special warrant to receive 20,000,000 common shares as a fee in connection with the second advance of US\$13,000,000.

On November 26, 2008, the Company repaid, in full, \$13,000,000 in Canadian dollars plus interest owing to HSH NordBank. Loans payable remaining after this date are only US\$31,000,000 plus accrued interest owing to Anchorage.