

Consolidated Financial Statements

WESTERN GEOPower CORP.

Unaudited Interim Consolidated Financial Statements
(Expressed in Canadian dollars)

For the three months ended March 31, 2008 and 2007

NOTICE TO SHAREHOLDERS of

WESTERN GEOPOWER CORP.

Responsibility for Financial Statements:

The accompanying unaudited interim consolidated financial statements for the three months ended March 31, 2008 and 2007 of Western GeoPower Corp., have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the December 31, 2007 audited financial statements. Only changes in accounting policies have been disclosed in these financial statements. Statements are presented on the accrual basis of accounting. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

These interim consolidated financial statements have not been reviewed by the Company's auditors

WESTERN GEOPOWER CORP.

Consolidated Balance Sheets
(Expressed in Canadian dollars)

	March 31, 2008 <i>(Unaudited)</i>	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 11,418,121	\$ 15,918,714
Amounts receivable	15,045	93,184
Prepaid expenses and deposits	371,390	232,094
	<hr/>	<hr/>
	11,804,556	16,243,992
Equipment	308,876	150,788
Geothermal properties (note 4)	40,675,642	35,770,508
Reclamation deposit (note 4)	247,525	247,525
Deposit (Note 9)	1,947,263	1,298,175
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	\$ 54,983,862	\$ 53,710,988

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,736,968	\$ 1,503,195
Long term debt (note 5)	843,982	833,078
Provision for site reclamation and closure costs (note 7)	583,766	569,528
Future income taxes	3,442,678	3,483,117
	<hr/>	<hr/>
	7,607,394	6,388,918
Shareholders' equity:		
Share capital (note 8)	54,214,237	54,164,237
Contributed surplus	8,068,022	7,954,288
Deficit	(14,905,791)	(14,796,455)
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	47,376,468	47,322,070
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	\$ 54,983,862	\$ 53,710,988

Nature of operations (note 1)
Commitments (notes 4 and 9)
Subsequent events (notes 4(b), 8(c) and 8(e))

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

Kenneth MacLeod (signed)
Director

John Copeland (signed)
Director

WESTERN GEOPower CORP.

Consolidated Statements of Operations and Comprehensive Income
(Expressed in Canadian dollars)

Three months ended March 31, 2008 and 2007

<i>(Unaudited)</i>	2008	2007
Expenses:		
Advertising and promotion	\$ 88,380	\$ 29,119
Amortization and accretion	16,383	15,223
Consulting and advisory fees	15,667	15,000
General and administrative	49,159	31,130
Foreign exchange (gain) loss	(168,035)	2,770
Directors' fees	15,000	12,000
Interest and bank charges	12,493	687
Management fees (note 6)	30,000	25,000
Professional fees	19,940	11,016
Regulatory fees, transfer agents and shareholder communications	5,897	6,023
Rent	15,976	15,219
Salaries	119,306	120,278
Travel and related	17,183	6,305
Loss on disposal of assets	-	1,654
Loss before the undernoted	(237,349)	(291,424)
Interest income	87,573	7,967
Loss before income taxes	(149,776)	(283,457)
Future income tax recovery	40,440	133,287
Loss for the period	(109,336)	(150,170)
Other comprehensive income (loss) for the period	-	-
Net loss, being comprehensive loss for the period	\$ (109,336)	\$ (150,170)
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)
Weighted average number of shares outstanding	186,224,553	105,780,653

See accompanying notes to the consolidated interim financial statements.

WESTERN GEOPOWER CORP.

Consolidated Statement of Shareholders' Equity
(Expressed in Canadian dollars)

<i>(Unaudited)</i>	March 31, 2008	December 31, 2007
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Common Shares

Balance at beginning of period	\$ 54,164,237	\$ 34,471,513
Exercise of warrants net of issues costs	50,000	12,611,271
Exercise of Agents options	-	625,562
Private placement net of issue costs	-	6,214,291
Exercise of stock options	-	141,200
Fair value of stock options upon exercise transferred from contributed surplus	-	100,400
Balance at end of period	54,214,237	54,164,237

Contributed Surplus

Balance at beginning of period	7,954,288	6,486,552
Fair value of stock compensation	113,734	1,568,136
Fair value of stock options upon exercise transferred to share capital	-	(100,400)
Balance at end of period	8,068,022	7,954,288

Accumulated Deficit

Balance at beginning of period	(14,796,455)	(13,076,889)
Loss for the period	(109,336)	(1,719,566)
Balance at end of period	(14,905,791)	(14,796,455)

Total Shareholders' Equity	\$ 47,376,468	\$ 47,322,070
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See accompanying notes to the consolidated interim financial statements.

WESTERN GEOPOWER CORP.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Three months ended March 31, 2008 and 2007

<i>(Unaudited)</i>	2008	2007
Cash provided by (used in):		
Operations:		
Loss for the year	\$ (109,336)	\$ (150,170)
Items not involving cash:		
Amortization and accretion	16,383	15,223
Accrued interest on long term debt	10,904	-
Loss on disposal of assets	-	1,654
Stock-based compensation	-	-
Future income tax recovery	(40,440)	(133,287)
Changes in non-cash operating working capital:		
Amounts receivable	78,139	19,099
Prepaid expenses and deposits	(139,296)	(16,333)
Accounts payable and accrued liabilities	899,704	(63,751)
	716,058	(327,565)
Financing:		
Cash proceeds from issuance of share capital, net of issuance costs	50,000	-
Cash proceeds from exercise of stock options	-	41,075
	50,000	41,075
Investments:		
Geothermal property costs, net of accounts payable and accrued liabilities	(4,451,055)	(284,828)
Purchase of equipment	(166,508)	(3,184)
Deposit on purchase of equipment	(649,088)	-
	(5,266,651)	(287,976)
Increase (decrease) in cash and cash equivalents	(4,500,593)	(574,466)
Cash and cash equivalents, beginning of period	15,918,714	1,325,698
Cash and cash equivalents, end of period	\$ 11,418,121	\$ 751,232
Supplementary cash flow information:		
Income taxes paid	\$ -	\$ -
Interest paid	-	-
Interest received	87,573	7,968
Non-cash financing and investing activities:		
Stock-based compensation capitalized to geothermal property	-	-
Amortization of equipment capitalized to geothermal property	6,275	7,999
Geothermal property costs included in accounts payable and accrued liabilities	1,633,105	78,668

See accompanying notes to the consolidated interim financial statements.

WESTERN GEOPOWER CORP.

Notes to Consolidated Interim Financial Statements (Unaudited)
(Expressed in Canadian dollars)

Three months ended March 31, 2008 and 2007

1. Nature of operations:

Western GeoPower Corp. (the Company) is incorporated under the laws of British Columbia. The Company is in the process of developing its Geothermal Projects held for the potential of commercial production of electricity and has not yet determined the economic viability of its projects. The Company's principal projects are the South Meager Geothermal Project located in British Columbia, Canada and the Unit 15 Steam Field located in the Geysers Geothermal Field in Northern California. The underlying value of the geothermal properties and the recoverability of the related deferred costs are entirely dependent on the existence of one or more economic projects and the Company's ability to obtain the necessary financing to complete development, achieve future profitable production and secure and maintain the appropriate permits, rights and beneficial interest in the properties.

These financial statements have been prepared on the basis that the Company will continue as a going concern. At March 31, 2008, the Company had working capital of \$9,067,589. Management recognizes that the Company will need to generate additional financial resources in order to meet its planned business objectives. However, there can be no assurances that the Company will continue to obtain additional financial resources and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations and exploration activities. Furthermore, failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis which would differ significantly from the going concern basis.

2. Significant accounting policies:

Basis of presentation:

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. They include the accounts of the Company and its wholly-owned subsidiaries, Meager Creek Development Corporation and Western GeoPower, Inc., which was incorporated on September 7, 2006. The Company has no variable interest entities as defined under Accounting Guideline 15 *Consolidation of Variable Interest Entities*. All material intercompany transactions and balances have been eliminated on consolidation.

These interim consolidated financial statements follow the same accounting policies and methods of application as the Company's most recent annual financial statements, except as described in note 3 and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2007.

WESTERN GEOPower CORP.

Notes to Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

Three months ended March 31, 2008 and 2007

3. Changes in accounting policies

Effective January 1, 2008, the Company adopted, on a prospective basis, the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"):

(i) Going concern - Section 1400:

Effective January 1, 2008 the Company will be implementing the amended CICA Handbook Section 1400, general standards of financial statement presentation, to include requirements for management to assess and disclose the entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008.

(ii) Financial instruments - disclosure - Section 3862 and presentation - Section 3863:

These standards replace CICA 3861, financial instruments - disclosure and presentation. They increase the disclosure currently required, which will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The quantitative disclosures must provide information about the extent to which the entity is exposed to risk, based on information provided internally to entity's key management personnel. This standard is effective for the Company for interim and annual periods beginning on or after January 1, 2008.

(iii) Capital disclosures - Section 1535:

This standard requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. This standard is effective for the Company for interim and annual periods relating to fiscal years beginning on or after January 1, 2008.

The Company does not believe that the impact of the above new accounting standards on the Company's financial positions and results of operations will have a material effect.

4. Geothermal property:

Expenditures incurred on the geothermal properties to date are follows:

	March 31, 2008,	December 31, 2007
South Meager geothermal project (note 4(a))	\$ 31,766,812	\$ 31,732,107
Leasehold at Geysers WGP Unit 1 (note 4(b))	8,266,771	3,935,784
Others	642,059	102,617
	<u>\$ 40,675,642</u>	<u>\$ 35,770,508</u>

WESTERN GEOPOWER CORP.

Notes to Consolidated Interim Financial Statements
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Three months ended March 31, 2008 and 2007

4. Geothermal property (continued):

(a) South Meager Geothermal Project:

The Company holds two licenses of occupation granted by the British Columbia Ministry of Energy and Mines giving surface tenure to property at Meager Creek, both of which are in good standing. One license is for a term of 26 years expiring December 17, 2017 and the other license is for a term of 10 years expiring June 30, 2017. Additionally, the Company holds a geothermal lease granted by the British Columbia Ministry of Energy and Mines in respect of certain property at Meager Creek, also expiring December 17, 2017.

The total area under the geothermal lease with the British Columbia Ministry of Energy and Mines is 4,267 hectares. An annual rental payment in the amount of \$42,670 is required to maintain the rights granted by the geothermal lease. The license and lease are recorded in the accounts at a nominal value of \$1.

Expenditures incurred on the geothermal property are as follows:

	March 31, 2008	December 31, 2007
Balance, beginning of period:	\$ 31,732,107	\$ 31,483,600
Costs incurred during the year:		
Lease permits and occupancy	-	42,670
Camp office and administration	8,165	62,652
Drilling and testing	6,834	35,954
Road maintenance and snow removal	-	-
Community stakeholder relations	19,707	45,033
Environmental review	-	2,550
Stock-based compensation	-	65,822
Future income taxes on stock-based compensation and capital asset amortization	-	36,179
Provision for site reclamation and closure costs	-	(42,353)
	34,705	248,507
Balance, end of period	\$ 31,766,812	\$ 31,732,107

The Geothermal Act of British Columbia provides for an undefined royalty payable to the Crown, therefore the geothermal lease includes a clause that may provide for a royalty agreement if electricity is produced from the geothermal lease and sold. The amount of such royalties, if any, is subject to negotiation.

In addition, the geothermal lease is subject to a royalty of 5% of the net proceeds received from the sale of electrical power produced from the geothermal lease, after deducting operating costs and capital expenditures.

The Company is contingently liable for the site restoration of the geothermal property under the regulations of the Petroleum and Natural Gas Act (the Act) of the Province of British Columbia (note 7).

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4. Geothermal property (continued):

The required deposit under the Act is supported by a term deposit held by the Company in the amount of \$150,000.

(b) Leasehold at the Geysers WGP Unit 1:

On June 16, 2006, the Company entered into a geothermal lease covering 421 acres within The Geysers Geothermal Field in Northern California. The lease grants the Company the right to re-develop the geothermal reservoir and build a new plant for electricity generation. An annual rental payment in the amount of US\$100,000 is required to maintain the rights granted by the geothermal lease. The primary lease term is for three years and expires June 15, 2009 however the lease will continue in the event that resource substances are produced in commercial quantities from the leased land and utilized to produce gross revenue.

On October 6, 2006, the Company entered into a second lease for an additional 140 acres contiguous to the Company's leasehold at the Geysers Geothermal Field. An annual rental payment in the amount of US\$10,000 is required to maintain the rights granted by the lease. The primary lease term is for three years and expires October 6, 2009 however the lease will continue in the event that resource substances are produced in commercial quantities from the leased land and utilized to produce gross revenue. If a power plant is constructed on this leased area, then the annual lease payment would increase to US\$45,000.

On February 7, 2007, the Company entered into a third lease adding an additional 74 acres contiguous to the Company's leasehold at the Geysers Geothermal Field. An annual rental payment in the amount of US\$5,000 is required to maintain the rights granted by the lease. The primary lease term is for three years and expires February 7, 2010 however the lease will continue in the event that resource substances are produced in commercial quantities from the leased land and utilized to produce gross revenue. If a power plant is constructed on this leased area, then the annual lease payment would increase to US\$45,000.

On July 5, 2007, the Company announced it entered into a lease adding an additional 413 acres contiguous to the Company's leasehold at the Geysers Geothermal Field. An annual rent payment in the amount of US\$10,000 is required to maintain the rights granted by the lease. The primary lease term is for three years and expires June 29, 2010, with an annual renewal for up to 50 years as long as resource substances are produced in commercial quantities from the leased land and utilized to produce gross revenue.

On October 12, 2006, upon completion of a feasibility report prepared by an independent consultant, the Company announced its intention to build a 25.5 megawatt (net) power plant at the Company's leasehold at the Geysers Geothermal Field. The feasibility report projects that the Company's leasehold at the Geysers Geothermal Field will commercially support a 25.5 megawatt power plant for a minimum of 20 years, with generation continuing at a slightly reduced output factor through 30 years.

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Notes to Consolidated Interim Financial Statements
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4. Geothermal property (continued):

(b) Leasehold at The Geysers WGP Unit 1 (continued):

The Company signed a contract to purchase a steam turbine generator for the proposed 35 megawatt Unit 1 Project from Fuji Electric Company of America in the amount of USD\$13,665,000. The order required progress payment throughout the various stages of completion. At March 31, 2008, the Company has made progress payment in the amount of \$1,947,263 which is recorded in long-term deposits.

The Company is contingently liable for the site restoration of the geothermal property under the regulations of the California Division of Oil, Gas and Geothermal Resources (CDOGGR). The public resources code requires operators to file a bond to cover such liabilities. The required deposit under the code is supported by a term deposit held by the Company in the amount of USD\$100,000.

Subsequent to the quarter ended March 31, 2008, on May 20, 2008, the Company announced the signing of a Power Purchase Agreement (PPA) between its wholly-owned subsidiary, Western GeoPower, Inc. and Northern California Power Agency ("NCPA") of Roseville, California for the supply of approximately 265,000 Megawatt-hours per year of clean, renewable, baseload electricity at a levelized price of \$98 per MWh for 20 years, from the Company's proposed 35 Megawatt geothermal power plant scheduled to come on line in 2010 at the Leasehold at the Geysers WGP Unit 1.

Expenditures incurred on the Leasehold at The Geysers Geothermal Field are as follows:

	March 31, 2008	December 31, 2007
Balance, beginning of year:	\$ 4,038,401	\$ 546,412
Costs incurred during the year:		
Leases	5,000	136,620
Project management	162,600	452,820
Project development	68,399	285,890
General administration and project travel	43,945	158,590
Insurance	7,229	78,909
Professional fees; title and land search	45,148	54,077
Title and land search –other properties	(102,617)	102,617
Resource assessment and feasibility report	-	6,557
Environmental and legal review for power sales bids	11,227	56,164
Project finance	3,160	62,153
Environmental - permitting and project development	76,714	274,989
Interconnection - transmission studies	100,000	91,360
Civil Engineering	71,780	163,100
Power plant design	26,748	-
Drilling supplies and materials	907,983	1,568,143
Drilling and testing	2,687,321	-
Stock based compensation	113,735	-
	4,228,370	3,491,989
Balance, end of period	\$ 8,266,771	\$ 4,038,401

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Three months ended March 31, 2008 and 2007

5. Long term debt:

Amounts owing of \$833,078 are payable on December 31, 2011. Interest, which is to be calculated at the Royal Bank of Canada's prime rate, will only start to accrue on this debt from the earlier of 90 days following the issuance of a certificate by the appropriate provincial regulatory authorities to permit the development of a geothermal resource on the Company's South Meager geothermal property, or December 31, 2007. At the option of the Company, earlier payment is permitted. The Company has recorded accrued interest expense from December 31, 2007 to March 31, 2008 in the amount of \$10,904.

	March 31, 2008	December 31, 2007
Balance, beginning of period	\$ 833,078	\$ 833,078
Interest accrued	10,904	-
Balance, end of period	\$ 843,982	\$ 833,078

6. Related party transactions:

The following is a summary of amounts charged by officers, directors and by companies controlled by directors:

	March 31, 2008	March 31, 2007
Management fees (a)	\$ 60,000	\$ 50,000
Consulting fees (b)	49,500	26,228

(a) \$30,000 (March 31, 2007 - \$25,000) of management fees is included in geothermal property costs;

(b) \$49,500 (March 31, 2007 - \$26,228) in advisory fees were paid to directors of the Company; of which \$48,500 (March 31, 2007 - \$26,228) of these fees are included in geothermal property costs;

7. Provision for site reclamation and closure costs:

	March 31, 2008	December 31, 2007
Balance, beginning of period	\$ 569,528	\$ 587,146
Change in estimate of provision	-	(66,658)
Accretion expense	14,238	49,040
Balance, end of period	\$ 583,766	\$ 569,528

The Company's provision for future site reclamation and closure costs is based on known federal and local laws and regulations concerning environmental requirements. It is not currently possible to estimate the impact on financial results, if any, of future legislative or regulatory developments. Assumptions used in the

WESTERN GEOPOWER CORP.

Notes to Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

Three months ended March 31, 2008 and 2007

determination of the site reclamation and closure liabilities include estimated undiscounted costs of \$1,445,500 to be expended to 2017 at a discount rate of 10% to 12% and inflation factor of 2.0%.

8. Share capital:

(a) Authorized: Unlimited common shares without par value.

(b) Issued and outstanding:

	Number of shares	Amount
Balance, December 31, 2006	105,645,209	34,471,513
Issued for cash on private placement, net of issuance costs (note 8(b)(i))	25,000,000	6,214,291
Issued for cash on exercise of warrant incentive program net of issuance costs (note 8(e))	30,531,334	7,623,687
Issued for cash on exercise of warrants (note 8(e))	19,950,334	4,987,584
Issued for cash on exercise of options (note 8(c))	5,060,416	766,762
Fair value of stock options upon exercise transferred from contributes surplus	-	100,400
Balance, December 31, 2007	186,187,293	54,164,237
Issued for cash on exercise of warrants (note 8(e))	200,000	50,000
Balance, March 31, 2008	186,387,293	\$ 54,214,237

(i) On September 5, 2007, the Company closed a \$6,250,000 non-brokered private placement for net proceeds of \$6,214,291. As a result, the Company issued 25,000,000 shares at \$0.25 per share.

(c) Stock options:

The Company has a share option plan approved by the shareholders that allows it to grant incentive stock options for the purchase of common shares of the Company to persons in consideration for services. Stock options must be non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the issued shares of the Company at the time of granting and may not exceed 5% to any individual (maximum of 2% to any consultant). The exercise price of stock options is determined by the Board of Directors of the Company at the time of grant, but cannot be less than market price, less permissible discounts, on the TSX Venture Exchange. Options have a maximum term of five years and terminate 90 days following the termination of the optionee's employment, except in the case of retirement, death or disability, in which case the options terminate one year after the event. Vesting of options is made at the time of granting of the options at the discretion of the Board of Directors. Once approved and vested, options are exercisable at any time. During the year ended December 31, 2007, the Company granted 8,275,000 options to employees, consultants, directors and officers of the Company. During the year ended December 31, 2007, 890,000 options were exercised by employees, officers and directors of the Company, in addition 4,170,416 Agents options at \$0.15 were exercised.

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Notes to Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

Three months ended March 31, 2008 and 2007

8. Share capital:

(c) Stock options (continued):

The continuity of the Company's stock options for the period ended March 31, 2008, all of which are exercisable at March 31, 2008, is as follows:

Exercise price	Expiry date	Balance December 31, 2007	Granted	Exercised	Forfeited	Balance March 31, 2008
\$0.35	October 17, 2008	40,000	-	-	-	40,000
\$0.35	January 20, 2009	75,000	-	-	-	75,000
\$0.35	May 4, 2009	100,000	-	-	-	100,000
\$1.00	April 22, 2008 (i)	511,163	-	-	-	511,163
\$0.35	September 16, 2010	1,565,000	-	-	-	1,565,000
\$0.22	February 17, 2011	4,930,000	-	-	-	4,930,000
\$0.28	March 31, 2011	300,000	-	-	-	300,000
\$0.17	August 23, 2011	100,000	-	-	-	100,000
\$0.155	December 19, 2011	1,010,000	-	-	-	1,010,000
\$0.32	May 30, 2012	300,000	-	-	-	300,000
\$0.30	September 12, 2012	300,000	-	-	-	300,000
\$0.27	September 20, 2012	7,675,000	-	-	-	7,675,000
\$0.35	February 11, 2013		500,000	-	-	500,000
		16,906,163	500,000	-	-	17,406,163
Weighted average exercise price		\$0.30	\$0.35	\$0.00	\$0.00	\$0.33
Contractual weighted average remaining life (years)		3.84				3.63

During the three months ended March 31, 2008, the Company granted 500,000 options to a consultant of the Company.

Subsequent to the quarter ended March 31, 2008:

The Company granted 550,000 options at \$0.29, representing the market close on the date of grant to a consultant and a director of the company.

On April 22, 2008, 511,163 of Agents' options expired without being exercised.

460,000 options were exercised by employees and consultants for proceeds of \$94,700.

(d) Stock-based compensation:

The weighted average fair value of options granted during 2008, being \$0.23 per option, was estimated using the Black-Scholes option pricing model with the following assumptions; risk free interest rate of 3.42%, expected dividend yield of 0%; volatility factor of 78.21% and an expected life of 5 years. Under this method of calculation, the fair value of all options granted during 2008 amounted to \$113,735 (March 31, 2007 - Nil), of which \$113,735 (March 31, 2007 - Nil) has been capitalized as geothermal property cost.

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Notes to Consolidated Interim Financial Statements
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Three months ended March 31, 2008 and 2007

8. Share capital:

(e) Share purchase warrants:

The continuity of the Company's warrants for the period ended March 31, 2008 is as follows:

Exercise price	Expiry date	Balance December 31, 2007	Issued during the year	Exercised/ expired	Balance March 31, 2008
\$1.20	April 5, 2008	302,322	-	-	302,322
\$1.20	April 22, 2008	690,000	-	-	690,000
\$0.25	December 30, 2008	13,600,133	-	(200,000)	13,400,133
\$0.25	December 30, 2008	1,950,000	-	-	1,950,000
\$0.25	December 30, 2008	4,170,416	-	-	4,170,416
\$0.35	December 30, 2008	30,531,334	-	-	30,531,334
		51,244,205	-	-	51,044,205

During the year ended December 31, 2007, 4,170,416 agents' options at \$0.15 were exercised for proceeds of \$625,562 pursuant to an agent option agreement dated December 2005. Under the terms of the agreement, the agent also received 4,170,416 warrants to acquire one common share of the Company at \$0.25 per share until December 30, 2008.

During the year ended December 31, 2007, 19,950,334 free trading warrants were exercised at a price of \$0.25 per share for gross proceeds of \$4,987,584.

On July 18, 2007, the Company announced a warrant incentive program. In order to encourage the early exercise of warrants, the Company amended the December 2005 and December 2006 warrants so that upon payment of the applicable exercise price of \$0.25 per warrant, the holder will receive one unit instead of one common share. The new units consisted of one common share and one additional warrant. Each warrant allows the holder to acquire one common share at a price of \$0.35 per share until December 31, 2008. The newly issued warrants are transferable. The warrants issued under the incentive program are also subject to an acceleration provision, which provided that the Company's shares trade at \$0.50 or more for ten consecutive trading days, it will trigger a 30-day timeframe within which to exercise the warrants or they will expire. During the year ended December 31, 2007, 30,531,334 units (the Units) were issued to other subscribers pursuant to the warrant exercise incentive program for net proceeds of \$7,623,687.

During the three months ended March 31, 2008, 200,000 warrants at \$0.25 were exercised for cash proceeds of \$50,000.

Subsequent to the quarter ended March 31, 2008:

Additional 600,000 warrants were exercised at a price of \$0.25 per share for gross proceeds of \$150,000.

On April 5, 2008, 302,322 warrants expired without being exercised.

On April 22, 2008, 690,000 warrants expired without being exercised.

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Notes to Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

Three months ended March 31, 2008 and 2007

9. Commitments:

The Company entered into a new lease for its corporate office effective August 1, 2006 until expiry of July 31, 2008. Effective July 1, 2007 the Company entered into a lease for storage until expiry May 31, 2010. Minimum commitments for the leases are as follows:

2008	\$	55,920
2009		21,312
2010		8,880
	\$	86,112

The Company signed a contract to purchase a steam turbine generator for the proposed 35 megawatt Unit 1 Project from Fuji Electric Company of America in the amount of USD\$13,665,000. The contract requires progress payments throughout the various stages of completion expected to be as follows.

2008	USD\$	5,192,700
2009		7,174,125
	USD\$	12,366,825

At March 31, 2008, the Company has made progress payment in the amount of \$1,947,263 which is recorded in long-term deposits.



Management's Discussion and Analysis

For the year three months ended March 31,
2008

WESTERN GEOPOWER CORP

Management's Discussion and Analysis
For the three months ended March 31, 2008
(Expressed in Canadian dollars)

The following Management's Discussion and Analysis of Western GeoPower Corp., (the "Company") dated as at May 30, 2008, should be read in conjunction with the audited consolidated financial statements including the notes thereto for the years ended December 31, 2007 and 2006 and the unaudited consolidated financial statements for the three months ended March 31, 2008. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis are expressed in Canadian dollars.

Forward looking statements

This discussion includes certain statements that may be deemed "forward looking statements", that reflect the Company's expectations and projections about its future results. The Company has tried whenever possible, to identify these forward-looking statements using words such as "anticipates," "believes," "estimates," "expects," "plans," "intends," "potential," and similar expressions. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements. The Company disclaims any obligation or intention to update or to revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Company Overview

Western GeoPower Corp. is a renewable energy company dedicated to the development of geothermal energy projects for the delivery of clean, base-load electricity generation. The Company holds 100% interests in the South Meager Geothermal Project in British Columbia, Canada and four geothermal leases totaling over 1,000 acres in The Geysers Geothermal Field in California, United States, where the Company is developing the Western GeoPower Unit 1 geothermal project. The Company is a reporting issuer in British Columbia, Alberta, Ontario and Quebec and trades on the TSX Venture Exchange under the symbol WGP; and on the Frankfurt Exchange under the symbol WE6.F.

Project Update:

Western GeoPower UNIT 1 Project – The Geysers Field, California

During 2007, the Company focused its attention on its Western GeoPower Unit 1 project located within The Geysers Geothermal Field in Northern California. The Company increased its leasehold at The Geysers from the initial 421 acres acquired in June 2006 to a current total of 1,017 acres under four lease agreements. The leases grant the Company the right to re-develop the geothermal reservoir and build a new plant for electricity generation.

The Company retained consultants GeothermEx, Inc. to provide an independent assessment of the resource on the combined leasehold. The report is based on a large database of resource information and demonstrated production history on the former PG&E Unit 15 leasehold, (as a portion

of the Western GeoPower Unit 1 leasehold was previously known). In the report dated October 2006, GeothermEx, Inc. projected that the Unit 1 leasehold, comprising approximately 600 acres at that date, would commercially support a 28 megawatt (gross) [25.5 megawatt (net)] power plant for a minimum of 20 years, with generation continuing at a slightly reduced factor through 30 years. In June 2007, the leasehold was increased by 413 acres to 1,017 acres. Earlier production records from the extended leasehold showed one well that had an initial capacity of 7 megawatts, suggesting the potential for an increase in capacity beyond 25.5 megawatts (net) for the proposed Unit 1 power plant. On April 9, 2008, the Company announced that a review by GeothermEx, Inc. on the expanded 1,000 acre leasehold had determined that the optimum capacity for the Western GeoPower Unit 1 power plant had increased to 35 megawatt (gross).

The proposed 35 megawatt plant is expected to have a 95% availability factor. Total development costs, including power plant, gathering system, transmission system, administrative and finance charges, are being updated to reflect the cost of the larger plant and will be completed in the second quarter of 2008. The majority of the equity component of project financing for the Unit 1 project was accomplished during 2007 through the exercise of warrants and a private placement raising a total of \$18.8 million. Additional equity injections are expected to be secured through the exercise of outstanding warrants which expire in December 2008. The balance of project financing is anticipated to be secured during 2008 and early 2009, through a combination of construction loan and long-term debt financing.

For regulatory purposes, the project is reviewed in two phases. Under the California Environmental Quality Act (CEQA), the California Division of Oil, Gas and Geothermal Resources is the lead agency for the permitting of up to 6 initial wells. Sonoma County has lead agency status under the CEQA for the well field development, power plant, steam pipelines and infrastructure.

In late 2007, the California Division of Oil, Gas and Geothermal Resources approved the environmental process for the drilling of up to six wells on four existing pads and utilizing existing roads. The Company also received the Conditional Use Permit from Sonoma County, along with related State and County permits required to commence the six-well drilling program. Permitting for additional wells beyond the initial six is being applied for under a separate application to Sonoma County for a Conditional Use Permit to construct the power plant, with approval projected for late 2008 or early 2009.

The drilling program has been designed by independent consultants GeothermEx, Inc., which also provides strategic management of the ongoing drilling program. Drilling of the first well WGP-1 commenced early March 2008 and was completed and rig tested in May 2008.

The wells are being directionally drilled from existing drill pads to intersect target zones where commercial steam productivity was encountered by previous production wells. The average total vertical depth per well is anticipated to be 8,000 - 9,000 feet (approximately 2,400 – 2,700m) with the maximum total measured depth expected to be approximately 11,000 feet (3,350m).

Drilling results for Well WGP-1:

On May 6, 2008 the Company announced that an eight hour multi-rate flow test carried out on completion of the WGP-1 well confirmed that the well is a strong producer, with an initial capacity of 10 MW (gross) and a forecast stabilized capacity of at least 7 MW (gross).

Well WGP-1 was directionally drilled to the east of the pad to a total depth of 8,410 feet (2,563 m) with numerous steam zones recorded between 5,400 feet (1,650 m) and bottom. Further deepening of the well was considered unnecessary. An eight-hour multi-rate flow test carried out by independent

consultants GeothermEx, Inc. demonstrated an initial, unstabilized steam flow rate of about 161,000 lb/hr (72,100 kg/hr) at the design flowing wellhead pressure of approximately 80 psia. The rig has been skidded across the pad to immediately begin drilling well WGP-2 which is designed to intersect known productive zones to the north of the pad. Completion of WGP-2 is projected for July.

Following completion of well WGP-2 and relocation of the rig to the next pad, isochronal tests will be conducted at both wells by Geothermex to assess their long-term productivity and the results will be used for reservoir modelling purposes. Current projections call for the drilling of five to seven additional production wells and one injector well, with the final number to be determined on completion of reservoir modelling. An existing well is being assessed for re-work and may be used as a second injection well. The drilling program is scheduled for completion in late 2009.

In April 2008, the Company announced that it had signed an agreement with Fuji Electric Corporation of America (“Fuji”) for the purchase of one 35 MW Steam Turbine Generator Unit for delivery to the Unit 1 project site in August 2009.

On May 20, 2008, the Company announced the signing of a Power Purchase Agreement (PPA) between its wholly-owned subsidiary, Western GeoPower, Inc. and Northern California Power Agency (“NCPA”) of Roseville, California for the supply of approximately 265,000 MWh per year of clean, renewable, baseload electricity at a levelized price of USD\$98 per MWh for 20 years, from Western GeoPower’s 35 MWe Unit 1 geothermal power plant scheduled to come on line in early 2010.

The PPA represents approximately USD\$26 million per year in revenue to Western GeoPower, and approximately USD\$520 million over the 20-year term of the contract. The power price reflects the increase in California’s power prices as announced by the California Public Utilities Commission in November 2007.

NCPA, located in Roseville, California, is a joint powers agency that provides support for the electric utility operations of 17 member communities and districts in Northern and Central California. Founded in 1968, NCPA owns and operates several power plants that together comprise a 96% emission-free generation portfolio. NCPA has been operating 4 geothermal power plants of 55 MWe each at The Geysers, 252 MWe hydroelectric plants, 125 MWe Simple Combustion Turbine plants and 49.9 MWe Steam Injected Combustion Turbine plants, for over 25 years.

Chile

On April 10, 2008, the Company announced the launching of operations in Chile, South America, with the incorporation of a wholly-owned Chilean subsidiary and the opening of an office in Santiago. In conjunction with the launch of operations, the Company has submitted bids to the Chilean Ministry of Mines for the acquisition of three geothermal exploration concessions in the north of Chile that were presented for competitive bidding by the Ministry.

South Meager Geothermal Project, British Columbia

The South Meager Geothermal Project is located 170 km north of Vancouver, Canada. The project is held under the only geothermal lease issued in Canada for the commercial generation of electricity and has been extensively explored and evaluated. The Company holds two licenses of occupation granted by the British Columbia Ministry of Energy and Mines giving surface tenure to property at Meager Creek, both of which are in good standing. One license is for a term of 26 years expiring December 17, 2017 and the other license was for a term of 10 years expiring June 30, 2017. The

Company is conducting a resource confirmation program (drilling; well testing and evaluation) on the project to determine its economic viability.

During 2006, the Company performed a series of temperature surveys. Data from these surveys was analyzed by GeothermEx, Inc., of Richmond, California, technical consultant for the South Meager project. The surveys showed that the wells had continued to heat up in comparison to surveys of November 2005. MC-6 showed continued recoverability from the extended injection test of 2005 and is expected to recover to stabilized temperatures in the range of 245 to 260 degrees Celsius (473 to 500 degrees Fahrenheit) in the permeable interval below a measured depth of 1,800 metres (5,906 feet). MC-7 had heated to a maximum measured temperature of 259 degrees Celsius (498 degrees Fahrenheit) at a depth of 2,800 metres (9,186 feet). MC-8 also continued to heat up in comparison to surveys of November 2005.

Testing of the resource confirmation wells is incomplete at this time and has not yet demonstrated the production capacities of the wells. During 2007 the Company did not have the opportunity to conduct further tests and surveys, due to the unavailability of the technical expertise required for testing.

Management intends to continue the testing of the resource confirmation wells during the second half of 2008.

Risk Factors/ Trends

The Company's area of business is the identification, acquisition, evaluation, exploration and development of geothermal properties. An investment in natural resource companies involves a significant degree of risk. The degree of risk increases substantially where the Company's properties are in the exploration as opposed to the development stage. Investment in the securities of the Company should be considered as highly speculative due to the nature of the Company's business.

Until the balance of the development program is completed, the viability of the South Meager Geothermal Project is undetermined. The long-term success of the Company relies on various factors, such as the technical characteristics of the geothermal resource, the cost to develop the facilities, the pricing of the electricity and financing the project. Other factors include the ability of the Company to obtain and maintain appropriate licenses and permits as well as addressing environmental and aboriginal issues. The Company will require additional capital to pursue its objective of developing its geothermal projects. The following are some of the risk factors that should be given consideration.

Exploration and Development Risks

Geothermal exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations, in which the Company has interest will be subject to all the hazards and risks associated with exploration, development and production.

Insurance

The Company's involvement in the exploration and development for geothermal resources may result in the Company becoming subject to liability for pollution, property damage, personal injury or other hazards and any insurance the Company may have may not be sufficient to cover the full extent of such liabilities.

Prices, Markets and Marketing of Geothermal/ Renewable Energy

Prices for geothermal renewable energy are affected by numerous factors beyond the Company's control including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new developments and improved production methods. The effect of these factors on the price of energy and therefore the economic viability of any of the Company's projects cannot accurately be predicted.

The marketability of the Company's assets acquired or discovered may be affected by numerous factors which are beyond the control of the Company and which cannot be accurately predicted.

Substantial Capital Requirements; Liquidity

The Company anticipates that it may make substantial capital expenditures for the acquisition, exploration, development and production of its geothermal properties in the future. The Company currently has no revenue and may have limited ability to expend the capital necessary to undertake or complete future exploration or development programs. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt equity financing is available, that it will be on terms acceptable to the Company. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition, results of operations or prospects.

Environmental Risks

All phases of the geothermal exploration and development businesses present environmental risks and hazards and are subject to environmental regulations. Compliance with such legislation/ regulations can require significant expenditures and a breach could result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner, which may lead to stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. No assurance can be given that the application of environmental laws to the business and operations of the Company will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Company's financial condition and results of operations.

Issuance of Debt

From time to time the Company may enter into transactions financed partially or wholly with debt, which may increase the Company's debt levels above industry standards. The level of the Company's indebtedness from time to time could impair the Company's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may rise. The Company's ability to service its debt obligations will depend on the Company's future operations, which are subject to industry condition and other factors that may be beyond the control of the Company.

Exchange Rate Fluctuations

Fluctuations in the currency exchange rates, principally the Canadian/ U.S. dollar exchange rate, can significantly impact cash flows. The exchange rate has varied over time. Fluctuations in exchange rates may give rise to foreign currency exposure, either favourable or unfavourable, which may impact financial results.

Annual Financial Information

FOR THE YEARS ENDED DECEMBER 31	2007	2006	2005
FINANCIAL RESULTS			
INTEREST INCOME	\$ 301,133	\$ 31,308	\$ 62,233
NET LOSS	(1,719,566)	(1,000,971)	(3,153,144)
LOSS PER SHARE (Basic and diluted)	\$ (0.01)	\$ (0.01)	\$ (0.09)
FINANCIAL POSITION			
WORKING CAPITAL	\$ 14,740,797	\$ 1,221,332	\$ 941,867
GEOHERMAL PROPERTY	35,770,508	32,030,012	30,728,270
TOTAL ASSETS	53,710,988	33,877,379	37,507,819
LONG-TERM LIABILITIES	4,885,723	5,708,074	4,953,745

Quarterly Financial Information

FISCAL QUARTER - ENDED	1 st Quarter Mar 31, 2008	4 th Quarter Dec 31, 2007	3 rd Quarter Sept 30, 2007	2 nd Quarter June 30, 2007
INTEREST INCOME	\$87,873	\$228,656	\$56,847	\$7,662
NET INCOME (LOSS)	(109,336)	544,479	(1,821,663)	(292,212)
INCOME (LOSS) PER SHARE	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)

FISCAL QUARTER - ENDED	1 st Quarter Mar 31, 2007	4 th Quarter Dec 31, 2006	3 rd Quarter Sept 30, 2006	2 nd Quarter June 30, 2006
INTEREST INCOME	\$ 7,968	\$ 4,897	\$ 7,061	\$ 11,316
NET INCOME (LOSS)	(150,170)	102,606	(210,758)	211,212
INCOME (LOSS) PER SHARE	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

An analysis of the quarterly results over the last eight quarters shows a significant variation between the quarters. The primary reason is due to the stock-based compensation expense in quarter three of 2007 (\$1,437,475). The other significant variance is due to foreign exchange gains realized in quarter four of 2007 and quarter one of 2008.

Results of Operations

For the year three months ended March 31, 2008, the Company incurred a loss of \$109,336 (\$0.00 per share) compared to a loss of \$150,170 (\$0.00 per share) for the year ended December 31, 2006.

Summary Data:	Three months ended March 31, 2008	Three months ended March 31, 2007
Interest income	\$ 87,573	\$ 7,968
Future income tax recovery	40,440	133,286
Administrative expense	(394,480)	(288,654)
Foreign exchange gain (loss) realized	168,035	(2,770)
Interest on long term debt	(10,904)	-
Loss for the period	\$ (109,336)	\$ (150,170)

During the three months ended March 31, 2008, the Company granted 500,000 stock options to a consultant of the Company. The fair value of the options granted during the period amounted to \$113,735 all of which has been capitalized as geothermal property costs. No stock options were granted during the three months ended March 31, 2007.

During the three months ended March 31, 2008, overall administrative expenses increased by \$105,826 (37%) to \$394,480 (2007-\$288,654). The most significant increase was a \$59,261 (204%) increase in advertising, promotion, conferences and marketing costs to \$88,380 (2007-\$29,119). The majority of the increase was the result of promotion, advertising and conferences. Travel costs increased by \$10,878 (173%) to \$17,183 (2007-\$6,305) related to conferences and road shows.

During the three months ended March 31, 2008, general and administrative expense increased by \$18,029 (58%) to \$49,159 (2007-\$31,130), due to increase in overall administration costs and in increase of \$8,000 to directors and officers liability insurance: management fees increased by \$5,000 (20%) to \$30,000 (2007-\$25,000) due to an increase in the management contract. Effective March 1, 2007, the monthly fees increased from \$15,000 to \$20,000 per month, of which 50% of the management fees are included in geothermal property costs.

The company recorded interest expense due on the long term debt in the amount of \$10,904 (2007- Nil): The debt and the accrued interest are due and payable on December 31, 2011.

The Company recorded a foreign exchange gain in the amount of \$168,035 (2007 – loss of \$2770). During the quarter the Company purchased \$5.0M USD for current term expenditures which resulted in a foreign exchange gain in the quarter.

During the three months ended March 31, 2008, the Company recorded a recovery on future income tax of \$40,440 (2007-\$133,286), the difference between the Company's actual tax recovery and the expected recovery calculated by applying statutory tax rates to the loss for year is due primarily to non-capital loss carry forwards for which no benefit has been recognized, stock-based compensation not deductible for tax purposes, and the change in future income tax rates from 31% to 27%. The Company recorded Interest income of \$87,573 for the three months ended March 31, 2008 (2007-\$7,968) comprised of interest earned on cash balances.

The net losses are a reflection of the Company's status as a non-revenue producing energy company. As the Company has no source of income, losses are expected to continue.

Liquidity and Capital Resources

The Company does not have any cash flow from operations. The Company receives cash for use in operations principally from issuing common shares. The Company has been successful in accessing the equity markets in the past and while there is no guarantee that this will continue to be available, management has no reason to expect that this will diminish in the immediate term.

During the year ended December 31, 2007, the Company raised a total of \$19,592,324 from the exercise of warrants, private placement and exercise of options.

A total of 50,481,668 warrants were exercised at a price of \$0.25 per share for gross proceeds of \$12,620,417. Of which 19,950,334 were free trading shares and 30,531,334 units (the "Units") were issued to other subscribers pursuant to the warrant exercise incentive program announced July 18, 2007. The Units comprise one common share at \$0.25 and one new warrant which will allow the holder to acquire one common share of the Company at \$0.35 per share until December 30, 2008. The warrants are subject to an acceleration provision, which provides that, if the Company's shares trade at \$0.50 or more for ten consecutive trading days, it will trigger a 30 day timeframe within which to exercise the warrants or they will expire.

On September 5, 2007, the Company completed a \$6,250,000 non-brokered private placement for net proceeds of \$6,214,291. The Company issued 25,000,000 shares at \$0.25 per share to a strategic investor – Iceland-based geothermal developer, Geysir Green Energy. No commissions were paid with respect to the private placement. Following the transaction Geysir Green Energy became an insider of the Company, holding 34,333,334 common shares representing 18.8 per cent of the Company's outstanding shares.

On March 31, 2008 Geysir Green Energy acquired an additional 13,000,000 shares of the Company in the market. This acquisition brings Geysir Green Energy's total holdings to 47,333,334 common shares of the Company, representing 25.4% of the outstanding shares of the Company. In addition Geysir Green Energy holds 9,333,334 warrants exercisable to purchase one common share at \$0.35 and 4,000,000 warrants exercisable to purchase one common share at \$0.25. The warrants expire on December 30, 2008.

Dundee Securities exercised 4,170,416 Agents options at \$0.15 for proceeds of \$625,562 pursuant to an Agent Option agreement dated December 2005. Under the terms of the Agent Option agreement, Dundee also received 4,170,416 warrants to acquire one common share of Western GeoPower at \$0.25 per share until December 30, 2008. During the year ended December 31, 2007, a total of 890,000 options were exercised for gross proceeds of \$141,200.

At March 31, 2008, the Company had working capital of \$9,067,589. During the quarter ended March 31, 2008, the company received gross proceeds in the amount of \$50,000 from the exercise of 200,000 warrants at a price of \$0.25 per share. Subsequent to the quarter end an additional 600,000 warrants were exercised at a price of \$0.25 per share for gross proceeds of \$150,000. In addition 460,000 options were exercised by employees and consultants for proceeds of \$94,700.

The funds raised will provide the capital to execute the Company's current development program and working capital. Management recognizes that the Company will need to generate additional financial resources in order to meet its long term business objectives. Management has launched efforts to secure funding for the entire Unit 1 field and plant development and working capital.

Off Balance sheet items

The Company does not have any off balance sheet items.

Contractual Obligations:

Contractual Obligations:	Total	2008	2009	2010 and thereafter
Long-term debt	\$ 833,078	-	-	\$ 833,078
Site reclamation and closure costs	569,528	-	-	1,445,500
Office leases	86,112	55,920	21,312	8,880
Purchase of Turbine	13,665,000	5,192,700	7,174,125	-

Pursuant to a share purchase agreement dated September 3, 2003, Crew Development Corporation ("Crew"), the Company's controlling shareholder at that time, sold the common shares of the Company that it held, to the Company's president and director and agreed to defer payment to December 31, 2011 of additional debt owed to Crew by the Company's subsidiary in the amount of \$833,078 (the "Additional Debt").

The long-term liability of \$833,078 due to Crew Development Corporation is not due until December 31, 2011. Interest will only accrue on the debt from earlier of 90 days following the issuance of a certificate by the appropriate provincial regulatory authorities in British Columbia to permit the development of the geothermal resource on the Company's lease held property, or December 31, 2007, with all interest to be calculated at the Royal Bank of Canada's prime rate.

The Company's provision for future site reclamation and closure costs for the South Meager geothermal project are based on known federal and local laws and regulations concerning environmental requirements. It is not currently possible to estimate the impact on financial results, if any, of future legislative or regulatory developments. To the extent that the Company continues to be engaged in active exploration and development of the project, reclamation and closure costs will be deferred.

The Company signed a contract to purchase a steam turbine generator for the proposed 35 megawatt Unit 1 Project from Fuji Electric Company of America in the amount of USD\$13,665,000. The contract requires progress payments throughout the various stages of completion. At March 31, 2008, the Company has made progress payment in the amount of \$1,947,263 which is recorded in long-term deposits.

Related Party Transactions

During the three months ended March 31, 2008, the Company paid management fees to the President of the Company in the ordinary course of business amounting to \$60,000 (2007-\$50,000), of which \$30,000 (2007-\$25,000) is included in geothermal property costs. During the three months ended March 31, 2008 \$49,500 (2007-\$26,228) in consulting fees were paid to directors of the Company; \$49,500 (2007-\$26,228) of these fees are included in geothermal property costs.

Proposed Transactions

There are no proposed assets or business acquisitions or dispositions, other than those in the ordinary course or disclosed herein, which are before the board of directors for consideration.

Critical Accounting Estimates

Critical accounting estimates used in the preparation of the consolidated financial statements include the Company's estimate of recoverability of the geothermal property costs, the value of stock-based compensation and site reclamation and closure costs.

The Company's recoverability of the recorded value of its geothermal property costs is dependent on many factors beyond the Company's control; for instance, prices and markets for electricity, responses to changes in domestic, political, social and economic environments. The Company is engaged in an industry that is dependent on a number of factors including environmental, legal and political risks, the existence of economically recoverable resources and the ability of the Company to obtain necessary financing to construct plant and transmission facilities.

The factors affecting stock-based compensation include estimates of when stock options might be exercised and the stock price volatility. The timing for exercise of options is out of the Company's control and will depend upon a variety of factors including the market value of the Company's share and financial objectives of the stock-based instrument holders. The Company used historical data to determine volatility in accordance with the Black-Scholes model, however the future volatility is uncertain and the model has its limitations.

The Company's provision for future site reclamation and closure costs is based on known federal and local laws and regulations concerning environmental requirements. It is not currently possible to estimate the impact on financial results, if any, of future legislative or regulatory developments. Assumptions used in the determination of the site reclamation and closure liabilities include estimated costs, a discount rate of 10% to 12% and inflation factor of 2.0%. Future asset retirement obligations are not recorded where timing or amount of the remediation costs cannot be reasonably estimated.

Changes in Accounting Policies including Initial Adoption

Effective January 1, 2008, the Company adopted, on a prospective basis, the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA").

(i) *Going Concern (Section 1400)*

Effective January 1, 2008 the Company will be implementing the amended CICA Handbook Section 1400, General Standards of Financial Statement Presentation, to include requirements for management to assess and disclose the entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008.

(ii) *Financial Instruments – Disclosure (Section 3862) and Presentation (Section 3863)*

These Standards replace CICA 3861, Financial Instruments – Disclosure and Presentation. They increase the disclosure currently required, which will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The

quantitative disclosures must provide information about the extent to which the entity is exposed to risk, based on information provided internally to entity's key management personnel. This standard is effective for the Company for interim and annual periods beginning on or after January 1, 2008.

(iii) Capital Disclosures (Section 1535)

This standard requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. This standard is effective for the Company for interim and annual periods relating to fiscal years beginning on or after January 1, 2008.

The Company does not believe that the impact of the above new accounting standards on the Company's financial positions and results of operations will have a material effect.

Financial Instruments

The carrying value of the Company's cash, amounts receivable, deposits and accounts payable and accrued liabilities approximate their respective fair values due to the short-term maturity of such instruments. The carrying value of the reclamation deposit approximates fair value due to its market based rate of interest. The fair value of long term debt is not readily determinable due to the absence of a market for such instrument. In management's opinion, the Company is not exposed to significant interest rate, currency or credit risks arising from its financial instruments.

Outstanding Share Data

As at March 31, 2008, there were 186,387,293 common shares outstanding. A total of 51,044,205 share purchase warrants, 511,163 Agents options and 16,895,000 stock options were also outstanding, which are described in detail in notes 8(c), 8(d) and 8(e) to the interim financial statements.

Subsequent to the quarter ended March 31, 2008:

-The Company issued 600,000 shares on the exercise of warrants and 460,000 shares on the exercise of stock options.

-The Company granted 550,000 options at \$0.29, representing the market close on the date of grant to a consultant who is also a director of the company.

On April 5, 2008, 302,322 warrants expired without being exercised

On April 22, 2008, 690,000 warrants expired without being exercised.

On April 22, 2008, 511,163 of Agents' options expired without being exercised

As at May 28, 2008, the Company's outstanding share data was as follows:

Common shares outstanding: 187,447,293

Share purchase warrants:

18,920,549 at an exercise price of \$0.25 per share and an expiry date of December 30, 2008.

30,531,334 at an exercise price of \$0.35 per share and an expiry date of December 30, 2008

Stock options: 16,985,000

Oversight Role of the Audit Committee

The Audit Committee fulfills its role of ensuring the integrity of the reported information through its review of the interim and audited financial statements prior to their submission to the Board of Directors for approval. The Audit Committee meets with management quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters. For each audit, the external auditors prepare a report for members of the Audit Committee summarizing key areas, significant issues and material control weaknesses encountered, if any.

Disclosure Controls and Procedures

Management is responsible for establishing and maintaining adequate disclosure controls over internal controls over financial reporting as defined under Multilateral Instrument 52-109. Due to their inherent limitations, disclosure controls and internal controls over financial reporting may not prevent or detect material disclosures or material adjustments or disclosures to the financial statements on a timely basis. Also projections of any evaluation of the effectiveness of controls to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Accordingly, controls while expected to provide reasonable assurance, are not expected to prevent and detect all misstatements due to error or fraud. The Company's management under the supervision of, and with the participation of the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), has designed and evaluated the effectiveness and operation of its disclosure controls and procedures, as defined under Multilateral Instrument 52-19 of the Canadian Securities Administrators.

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed with Canadian Securities regulatory authorities is recorded, processed, summarized and reported in a timely fashion. The disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in such reports is then accumulated and communicated to the Company's management, including the CEO and the CFO, to allow timely decisions regarding required disclosure.

Based on the evaluation of disclosure controls and procedures, the CEO and CFO have concluded that the Company's disclosure controls and procedures are effective as at March 31, 2008.

Internal Controls over Financial Reporting

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

The Company's CEO and CFO have assessed the design of the Company's internal control over financial reporting as of December 31, 2007. Based on this assessment, management has determined that the design of the Company's internal control over financial reporting is effective as of December 31, 2007.

There have been no significant changes to the Company's internal control over financial reporting that occurred during the most recent period that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. All internal control systems, no matter how well designed, have inherent limitations. Therefore, these systems provide

reasonable, but not absolute assurance, that disclosures and financial information is accurate and complete.

Additional Information

Additional information relating to the Company, including its Annual Audited Financial Statements are available on SEDAR at www.sedar.com and the Company's website www.geopower.ca