



INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three Months Ended March 31, 2009 and 2008

(Expressed in Canadian Dollars)

(Unaudited)

Notice of No Audit or Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.



March 31, 2009 and 2008

TABLE OF CONTENTS

Interim Consolidated Balance Sheets.....	3
Interim Consolidated Statements of Changes in Shareholders' Equity.....	4
Interim Consolidated Statements of Operations and Comprehensive Loss.....	5
Interim Consolidated Statements of Cash Flows.....	6
Interim Consolidated Schedules of Geothermal Property Costs.....	7
Notes to Interim Consolidated Financial Statements.....	8 - 17

Western Geopower Corp.

Interim Consolidated Balance Sheets

As at March 31, 2009 and December 31, 2008

(Expressed in Canadian Dollars)

(Unaudited)

	March 31, 2009	December 31, 2008
ASSETS		
Current		
Cash and cash equivalents	\$ 2,155,117	\$ 4,874,315
Receivables	55,128	79,463
Prepaid deposits and advances	72,211	97,091
	<u>2,282,456</u>	<u>5,050,869</u>
Inventory	3,202,622	3,142,530
Equipment (Note 4)	2,738,754	1,841,675
Geothermal Property Costs (Note 5 and Schedule)	69,779,227	68,722,253
Reclamation Deposits (Note 5)	247,525	247,525
Long Term Deposits (Note 5)	7,453,937	7,453,937
	<u>\$ 85,704,521</u>	<u>\$ 86,458,789</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 4,018,806	\$ 14,388,991
Long Term Debt (Note 6)	19,509,804	11,009,774
Asset Retirement Obligations (Note 7)	650,815	634,553
Future Income Taxes	3,219,111	2,800,255
	<u>27,398,536</u>	<u>28,833,573</u>
SHAREHOLDERS' EQUITY		
Share Capital (Note 8)		
<i>Authorized:</i>		
Unlimited number of common shares without par value		
<i>Issued and outstanding:</i>		
234,244,924 (2008 – 233,652,331) common shares	65,740,915	65,640,174
Contributed Surplus (Note 8)	12,186,101	9,417,180
Accumulated Deficit	(19,621,031)	(17,432,138)
	<u>58,305,985</u>	<u>57,625,216</u>
	<u>\$ 85,704,521</u>	<u>\$ 86,458,789</u>

Nature of operations, basis for presentation and going concern (Note 1)

Approved on behalf of the Board of Directors:

“Kenneth MacLeod”

President, Chief Executive Officer, and Director

“John Copeland”

Acting Chairman and Director

The accompanying notes form an integral part of these consolidated financial statements

Western Geopower Corp.

Interim Consolidated Statements of Changes in Shareholders' Equity

Three Months Ended March 31, 2009 and Year Ended December 31, 2008

(Expressed in Canadian Dollars)

(Unaudited)

	Common Shares		Contributed Surplus	Accumulated Deficit	Total
	Number	Amount			
Balance – December 31, 2007	186,187,293	\$ 54,164,237	\$ 7,954,288	\$ (14,796,455)	\$ 47,322,070
Issuance of common shares:					
- for cash, net of issue costs	45,263,038	10,586,378	-	-	10,586,378
- on exercise of warrants	1,530,000	445,500	-	-	445,500
- on exercise of options	672,000	147,940	-	-	147,940
Fair value of options exercised	-	106,480	(106,480)	-	-
Warrants issued on financing	-	-	1,357,320	-	1,357,320
Stock based compensation	-	-	564,955	-	564,955
Future income tax expense	-	189,639	(352,903)	-	(163,264)
Net loss for the year	-	-	-	(2,635,683)	(2,635,683)
Balance – December 31, 2008	233,652,331	65,640,174	9,417,180	(17,432,138)	57,625,216
Issuance of common shares:					
- on account of interest <i>(Note 6b)</i>	592,593	100,741	-	-	100,741
Financing warrants issued <i>(Note 6d)</i>	-	-	3,741,785	-	3,741,785
Future income tax expense	-	-	(972,864)	-	(972,864)
Net loss for the period	-	-	-	(2,188,893)	(2,188,893)
Balance - March 31, 2009	234,244,924	\$ 65,740,915	\$ 12,186,101	\$ (19,621,031)	\$ 58,305,985

The accompanying notes form an integral part of these consolidated financial statements

Western Geopower Corp.

Interim Consolidated Statements of Operations and Comprehensive Loss

Three Months Ended March 31, 2009 and 2008

(Expressed in Canadian Dollars)

(Unaudited)

	2009	2008
Expenses		
Advertising and promotion	\$ 34,549	\$ 88,380
Accretion of asset retirement obligation	16,088	14,238
Amortization	4,534	2,145
Consulting and advisory fees	88,501	15,667
General and administrative	41,457	49,159
Foreign exchange loss (gain)	591,613	(168,035)
Directors' fees	15,000	15,000
Interest and bank charges	1,704,743	12,493
Management fees	30,000	30,000
Professional fees	87,875	19,940
Regulatory fees, transfer agents and investor relations	6,110	5,897
Rent	32,508	15,976
Salaries	102,379	119,306
Travel	19,896	17,183
Gain on extinguishment of debt <i>(Note 6b)</i>	(29,875)	-
	<u>(2,745,378)</u>	<u>(237,349)</u>
Interest Income	954	87,573
Loss Before Income Taxes	(2,744,424)	(149,776)
Future Income Tax Recovery	555,531	40,440
Net Loss and Comprehensive Loss for Period	\$ (2,188,893)	\$ (109,336)
Net Loss per Share - Basic and Diluted	\$ (0.01)	\$ (0.00)
Weighted Average Shares Outstanding	233,955,212	186,224,553

The accompanying notes form an integral part of these consolidated financial statements

Western Geopower Corp.

Interim Consolidated Statement of Cash Flows

Three Months Ended March 31, 2009 and 2008

(Expressed in Canadian Dollars)

(Unaudited)

Cash Resources Provided By (Used in)	2009	2008
Operating Activities		
Net loss for the period	\$ (2,188,893)	\$ (109,336)
Items not affecting cash:		
Accretion of asset retirement obligation	16,088	14,238
Amortization	4,534	2,145
Interest accretion on long-term debt	1,681,960	10,904
Gain on extinguishment of debt	(29,876)	-
Future income tax recovery	(555,531)	(40,440)
Unrealized foreign exchange loss	348,160	-
Net changes in non-cash working capital:		
Receivables	24,335	78,139
Prepaid deposits and advances	24,880	(139,296)
Accounts payable and accrued liabilities	(704,932)	899,704
	<u>(1,379,275)</u>	<u>716,058</u>
Investing Activities		
Geothermal property costs, net of accounts payable	(7,460,547)	(3,251,990)
Purchases of equipment	(918,656)	(166,508)
Long term deposits, net of accounts payable	(3,243,112)	(649,088)
Changes in inventory	(60,092)	(1,199,065)
	<u>(11,682,407)</u>	<u>(5,266,651)</u>
Financing Activities		
Proceeds from debt issuances, net of issue costs	11,661,295	-
Proceeds from share issuances, net of issue costs	-	50,000
Interest payments on long term debt	(1,318,811)	-
	<u>10,342,484</u>	<u>50,000</u>
Net Decrease in Cash and Cash Equivalents	(2,719,198)	(4,500,593)
Cash and Cash Equivalents - Beginning of Period	4,874,315	15,918,714
Cash and Cash Equivalents - End of Period	\$ 2,155,117	\$ 11,418,121
Supplemental Cash Flow Disclosure		
Interest paid	\$ 1,318,811	\$ -
Income taxes paid	\$ -	\$ -
Supplemental Disclosure of Non-Cash Financing and Investing Activities		
Future income taxes on stock-based compensation and capital asset amortization capitalized to geothermal properties	\$ 1,522	\$ -
Amortization of equipment capitalized to geothermal properties	\$ 17,043	\$ 6,275
Stock based compensation included in geothermal property costs	\$ -	\$ 113,735
Costs of long term assets included in accounts payable	\$ 3,457,269	\$ 1,633,105

Western Geopower Corp.

Interim Consolidated Schedules of Geothermal Property Costs

Three Months Ended March 31, 2009 and 2008

(Expressed in Canadian Dollars)

(Unaudited)

	2009	2008
The Geysers, California, U.S.A. (Note 5a)		
Balance - Beginning of Period	\$ 35,212,581	\$ 2,367,641
Amortization of equipment	12,695	-
Civil engineering	27,929	98,528
Drilling and testing	11,025	2,687,321
Environmental and legal review for power sales bids	-	11,227
Environmental – permitting and project development	86,854	76,714
Insurance	(14,592)	7,229
Interconnection – transmission studies	-	100,000
Leases	3,112	5,000
Legal fees and title and land search	145,681	45,148
Project administration and travel	268,491	43,945
Project development	1,195	68,399
Project finance and interest charges	20,432	3,160
Project management	362,070	162,600
Stock-based compensation	-	113,735
Total during the period	924,892	3,423,006
Balance - End of Period	36,137,473	5,790,647
South Meager, British Columbia, Canada (Note 5b)		
Balance - Beginning of Period	32,917,076	31,732,107
Amortization of equipment	4,348	-
Camp office and administration	19,015	8,164
Community stakeholder relations	14,972	19,707
Drilling and testing	9,504	6,834
Environmental review	5,500	-
Future income tax	1,522	-
Total during the period	54,861	34,705
Balance - End of Period	32,971,937	31,766,812
South Brawley, California (Note 5c)		
Balance - Beginning of Period	586,596	102,617
Leases	49,065	145,773
Professional fees; title and land searches	28,156	112,867
Total during the period	77,221	258,640
Balance - End of Period	663,817	361,257
Other International Projects		
Balance - Beginning of Period	6,000	-
Project due diligence	-	280,802
Balance - End of Period	6,000	280,802
Total Geothermal Property Costs – March 31, 2009 and 2008	\$ 69,779,227	\$ 38,199,518

Western Geopower Corp.

Notes to Interim Consolidated Financial Statements

Three Months Ended March 31, 2009

(Expressed in Canadian Dollars)

(Unaudited)

1. Nature of Operations, Basis of Presentation, and Going Concern

Western GeoPower Corp. (the "Company") is incorporated under the laws of British Columbia, Canada, and maintains its corporate head office in Vancouver, Canada. The Company's common shares are listed in Canada on the TSX Venture Exchange (TSX.V: WGP) and in Germany on the Frankfurt Exchange (WE6.F).

The Company is in the process of developing its Geothermal Projects held for the generation of commercial production of electricity and has not yet determined the full economic viability of all of its projects. The Company's principal projects are the South Meager Geothermal Project located in British Columbia, Canada and the Unit 1 Geysers Project located at the Geysers Geothermal Field in Northern California (Note 6a). As discussed in the notes to the financial statements, the recovery of the Company's investment in geothermal properties and the attainment of profitable operations is dependent upon the existence of one or more economic projects and the Company's ability to obtain the necessary financing to complete development and to secure and maintain the appropriate permits, rights and beneficial interest in the properties. The ultimate outcome of these matters cannot presently be determined.

These unaudited interim consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles ("GAAP"). Several conditions discussed below cast substantial doubt as to the assumption.

The Company has a history of losses with no operating revenue, other than interest income and has a working capital deficiency of \$1,736,350 as at March 31, 2009 (December 31, 2008 - \$9,338,122). The ability of the Company to carry out its planned business objectives is dependent on the ability to raise adequate financing from lenders, shareholders, and other investors and/or generate operating profitability and positive cash flow. There can be no assurances that the Company will continue to obtain additional financial resources necessary 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, exploration and development activities and there would be significant uncertainty whether the Company would continue as a going concern, and realize its assets and settle its liabilities and commitments in the normal course of business.

The Company has forecast financial results and cash flows for the remainder of 2009. The forecast is based on management's best estimates of operating conditions in the context of current economic conditions and today's difficult capital market climate. Based on its forecast, the Company expects that sufficient liquidity is available to meet its obligations in 2009.

These unaudited interim consolidated financial statements do not reflect adjustments, which could be material, to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

The accompanying unaudited interim consolidated financial statements should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended December 31, 2008, since they do not contain all disclosures required by GAAP for annual financial statements. These unaudited interim consolidated financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented. Operating results for the three months ended March 31, 2009 are not necessarily indicative of the results that may be expected for the full fiscal year ended December 31, 2009.

Western Geopower Corp.

Notes to Consolidated Financial Statements

Three Months Ended March 31, 2009

(Expressed in Canadian Dollars)

2. Changes in accounting policies

Effective January 1, 2009, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"):

a) *Goodwill and Intangible Assets*

The Canadian Accounting Standards Board ("AcSB") issued CICA Handbook Section 3064, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. The sections establish standards for recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The adoption of this Standard did not have a significant impact on the Company's financial statements.

b) *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*

In January 2009, the CICA issued EIC – 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*. The guidance requires that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of this Standard did not have a significant impact on the Company's financial statements or the valuation of financial assets or liabilities of the Company.

c) *Mining Exploration Costs*

The AcSB issued EIC-174, *Mining Exploration Costs*, which provides guidance to mining enterprises related to the measurement of exploration costs and the conditions that a mining enterprise should consider when determining the need to perform an impairment review of such costs. The adoption of this Standard did not have a significant impact on the Company's financial statements.

3. Future Canadian Accounting Pronouncements

a) *Business Combinations*

In January 2009, the CICA issued Section 1582, *Business Combinations*, which replaces former guidance on business combinations. Section 1852 establishes principles and requirements of the acquisition method for business combinations and related disclosures. In addition, the CICA issued Sections 1601, *Consolidated Financial Statements*, and 1602, *Non-Controlling Interests*, which replaces the existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements, which section 1601 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

These statements apply prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011 with earlier application permitted. The Company is currently evaluating the new sections to determine the potential impact on its consolidated financial statements.

Western Geopower Corp.

Notes to Consolidated Financial Statements

Three Months Ended March 31, 2009

(Expressed in Canadian Dollars)

3. Future Canadian Accounting Pronouncements - *continued*

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

In February 2008, the CICA Accounting Standards Board confirmed that accounting standards in Canada for public companies are required to converge with IFRS beginning on or after January 1, 2011, with restatement of the Company's December 31, 2010 comparative figures. Changes in accounting policies are likely and may materially impact the Company's consolidated financial statements.

4. Equipment

	March 31, 2009			December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Construction-in-progress	\$ 2,371,278	\$ -	\$ 2,371,278	\$ 1,454,079	\$ -	\$ 1,454,079
Furniture and fixtures	49,424	(22,308)	27,116	48,261	(20,881)	27,380
Computer equipment	68,757	(28,736)	40,021	67,298	(23,756)	43,542
Camp and field equipment	400,237	(125,074)	275,163	400,237	(112,214)	288,023
Leasehold improvements	19,504	(2,788)	16,716	19,504	(1,625)	17,879
Vehicles	39,494	(31,034)	8,460	39,494	(28,722)	10,772
	\$ 2,948,694	\$ (209,940)	\$ 2,738,754	\$ 2,028,873	\$ (187,198)	\$ 1,841,675

5. Geothermal Property Costs

a) *The Geysers, California, United States of America*

The Company owns a 100% interest in certain lease agreements covering approximately 1,045 acres of land at The Geysers geothermal field located 75 miles north of San Francisco, California. The primary leases were entered into for three-year periods; however, the leases contain continuing clauses in the event that resource substances are produced in commercial quantities from the land and utilized to produce revenue. The leases are subject to certain royalties whereby the Company is required to pay the landlord a percentage of gross revenue from the sale of electricity.

During the three months ended March 31, 2009, management reviewed and evaluated the results of the most recent drilling program at The Geysers, with a view of planning and preparing for future drilling programs at the property. In addition, the Company has agreed to the terms of an interconnection agreement, whereby the Company has been granted the access to connect the proposed power plant to the California Independent System Operator power grid.

The Company has made total progress payments of \$7,453,937 (approximately USD \$6.5 million) (December 31, 2009 - \$7,453,937) against the purchase of a steam turbine generator for the project. The Company is required to make the remaining payments of approximately USD \$6.9 million and take delivery of the generator in 2009.

The Company is also contingently liable for site restoration at the property, for which the Company has made a reclamation deposit in the amount of \$97,525.

Western Geopower Corp.

Notes to Consolidated Financial Statements

Three Months Ended March 31, 2009

(Expressed in Canadian Dollars)

5. Geothermal Property Costs - *continued*

b) *South Meager Geothermal Project, British Columbia, Canada*

Under terms of two licences of occupation and one geothermal lease, all of which were granted by the British Columbia Ministry of Energy and Mines (expiring at various times in 2017), the Company holds a 100% interest in lease agreements covering approximately 4,267 hectares of land located 170 kilometers north of Vancouver.

Under current legislation and terms of agreements, the land 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). In addition, an undefined royalty is payable to the Crown if electricity is produced from the geothermal lease and sold (this underlying royalty is subject to negotiation).

The Company is contingently liable for site restoration of this geothermal property and, as such, has made a reclamation deposit in the amount of \$150,000.

c) *South Brawley, California, United States of America*

During the three months ended March 31, 2009 and the years ended December 31, 2008 and 2007, the Company has entered into certain leases in South Brawley, located in Imperial County, California, for the purposes of exploration for a potential geothermal project. The leases are subject to certain royalties associated with electricity produced and sold on the leased properties.

6. Long Term Debt

The Company has entered into a number of debt instruments. The following table provides an analysis of the transactions for each of the last two years ending December 31, 2008. Each note is also described in detail as specified in the table below.

	Note 6a)	Note 6b)	Note 6c)	Note 6d)	Total
Long term debt – December 31, 2008	\$ 872,272	\$ 400,000	\$ 9,737,502	\$ -	\$ 11,009,774
Issued debt	-	-	-	13,285,296	13,285,296
Finance and transaction fees incurred	-	-	-	(5,365,786)	(5,365,786)
Interest payments	-	(12,543)	(398,761)	(907,507)	(1,318,811)
Interest and accretion expense	6,357	20,681	1,103,672	551,250	1,681,960
Gain on extinguishment of debt	-	(130,616)	-	-	(130,616)
Effect of foreign exchange on loans	-	-	348,325	(338)	347,987
Long term debt – March 31, 2009	\$ 878,629	\$ 277,522	\$ 10,790,738	\$ 7,562,915	\$ 19,509,804

The maturities of the principal component of the long term debts are as follows:

2010	\$ 14,262,200
2011	14,740,829
	29,003,029
Less: future accretion	(9,493,225)
	\$ 19,509,804

Western Geopower Corp.

Notes to Consolidated Financial Statements

Three Months Ended March 31, 2009

(Expressed in Canadian Dollars)

6. Long Term Debt - *continued*

- a) Pursuant to an agreement with a former shareholder in 2003, the Company agreed to a loan arrangement with a principal amount of \$833,078. Pursuant to the agreement, interest has been calculated at the Royal Bank of Canada's prime rate beginning on January 1, 2008. For the three months ended March 31, 2009 the Company has accrued interest in the amount of \$6,357 (2008 - \$10,904). The interest and principal are payable in full on or before December 31, 2011.
- b) In 2008, the Company entered into three loan agreements with a Director and Officer, which accrue interest at 12% per annum compounded monthly. Interest is paid on a monthly basis. The loan is secured by a general security agreement over the assets of the Company.

During the three months ended March 31, 2009, the Company and the lender agreed to extend these loans, so that the principal amounts became due and payable on or before December 26, 2010. In connection with these extensions, the Company issued the Director and Officer total compensation of 592,593 common shares with a fair value of \$100,741. In accordance with CICA guidance under EIC-88, *Debtor's Accounting for a Modification or Exchange of Debt Instruments*, the extensions were considered extinguishments of debt and issuances of new debt. The fair value of the repayment obligation, being the present value of the future principal and interest payments was estimated using a discount factor of 36%, resulting in a gain on extinguishment of debt of \$130,616. The gain and the fair value of the common shares issued in connection with the extinguishment have been charged to operations for the three months ended March 31, 2009 (resulting in a net gain of \$29,875). The remaining carrying value of the new debt will be accreted over the remaining life of the loan using the effective interest rate method.

During the three months ended March 31, 2009, the Company paid interest on the loans totalling \$12,543 (2008 - \$Nil) and incurred interest and accretion expenses of \$20,681 (2008 - \$Nil), which is included in interest and bank charges.

- c) In November 2008, the Company entered into a USD \$11 million loan facility for drilling, project management, development cost, plant equipment, and working capital purposes. The loan is secured by all of the Company's property and assets owned presently or in the future and ranks equally with the three loans described in Note 6b).

The outstanding principal, together with all accrued interest, fees and other indemnities owing is payable on or before December 26, 2010. Interest is calculated monthly on the principal amount outstanding as follows:

- 1% per month for the first six months after the date of execution of the agreement;
- 1.25% per month for the second six months after the date of execution; and
- 1.5% per month thereafter.

The lender has the option to have interest on each Advance under the loan facility (plus accrued interest thereon) payable in common shares of the Company at a Discounted Market Price (as defined in Policy 1.1 of the TSX Venture Exchange).

In connection with this financing, the Company paid financing and transaction fees of \$1,641,862. In addition, the Company must pay a rollover fee equal to 5% of the total principal advanced (estimated to be a total of USD \$2.2 million, over the full term of the loan, of which USD \$550,000 has been paid) every six-month interval until the maturity date or principal is repaid.

Western Geopower Corp.

Notes to Consolidated Financial Statements

Three Months Ended March 31, 2009

(Expressed in Canadian Dollars)

6. Long Term Debt - *continued*

The Company also issued the lender 29,629,629 warrants to purchase the same number of common shares in the Company, exercisable at \$0.18 per share and expiring November 7, 2010. The fair value of the warrants, being \$1,357,320, was estimated using the Black-Scholes option pricing model with the following assumptions: risk free interest rate of 1.87%; expected dividend yield of 0%; volatility factor of 64.48% and an expected life of 2 years. The fair value of the warrants are included in financing costs and allocated against the long term debt.

During the three months ended March 31, 2009, the Company paid interest of \$398,761 (2008 - \$Nil) and incurred interest and accretion expense of \$1,103,672 (2008 - \$Nil), which is included in interest and bank charges.

- d) In January 2009, the Company entered into an additional USD\$11 million loan facility for drilling, project management, development cost, plant equipment, and working capital purposes. The loan is secured by all of the Company's property and assets owned presently or in the future. As at March 31, 2009, the Company had drawn down a total of USD \$10,662,762 on the loan facility.

The outstanding principal, together with all accrued interest, fees and other indemnities owing is payable on or before March 2, 2011. Interest shall be calculated monthly on the principal amount outstanding as follows:

- 1% per month for the first six months after the date of execution of the agreement;
- 1.25% per month for the second six months after the date of execution; and
- 1.5% thereafter.

In connection with this financing, the Company paid financing and transaction fees of \$1,624,001. In addition, the Company must pay a rollover fee equal to 5% of the total principal advanced (estimated to be a total of USD \$2.2 million, over the full term of the loan, of which USD \$550,000 has been paid) every six-month interval until the maturity date or principal is repaid.

The Company also issued the lender 43,495,543 warrants to purchase the same number of common shares in the Company, exercisable at \$0.14 per share and expiring January 23, 2011. The fair value of the warrants, being \$3,741,785, was estimated using the Black-Scholes option pricing model with the following assumptions: risk free interest rate of 1.42%; expected dividend yield of 0%; volatility factor of 72.6% and an expected life of 2 years. The fair value of the warrants are included in financing costs and allocated against the long term debt.

During the three months ended March 31, 2009, the Company paid interest of \$907,507 (2008 - \$Nil) and incurred interest and accretion expense of \$551,250 (2008 - \$Nil), which is included in interest and bank charges.

Western Geopower Corp.

Notes to Consolidated Financial Statements

Three Months Ended March 31, 2009

(Expressed in Canadian Dollars)

7. Asset Retirement Obligations

A reconciliation for the provision of asset retirement obligations by property is as follows:

	The Geysers Project (Note 5a)	South Meager Project (Note 5b)	Total
Ending balance, December 31, 2008	\$ 4,872	\$ 629,681	\$ 634,553
Accretion expense for the period	426	15,662	16,088
Effect of foreign exchange	174	-	174
Ending balance, March 31, 2009	\$ 5,472	\$ 645,343	\$ 650,815

8. Share Capital

a) 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.

A summary of the status of the Company's stock options as at March 31, 2009 and changes during this three month period are presented below:

	Three Months Ended March 31, 2009	
	Options	Weighted Average Exercise Price
Outstanding, beginning of period	18,350,000	\$ 0.26
Cancelled/forfeited during the period	(350,000)	0.29
Outstanding, end of period	18,000,000	\$ 0.26
Exercisable, end of period	18,000,000	\$ 0.26

During the three months ended March 31, 2009, no options were granted or exercised. During the same period 350,000 options were cancelled and forfeited due to individuals leaving the employee of the Company. During the three months ended March 31, 2008, 500,000 options were granted to a consultant of the Company.

Western Geopower Corp.

Notes to Consolidated Financial Statements

Three Months Ended March 31, 2009

(Expressed in Canadian Dollars)

8. Share Capital - continued

a) Stock options - continued

As at March 31, 2009, stock options exercisable and outstanding are as follows:

Options Outstanding and Exercisable		
Exercise Price	Number	Weighted Average Remaining Contractual Life (yrs.)
\$0.155	910,000	2.72
\$0.170	100,000	2.40
\$0.195	1,350,000	4.55
\$0.220	4,390,000	1.88
\$0.270	7,100,000	3.48
\$0.290	550,000	4.01
\$0.300	300,000	3.45
\$0.315	900,000	4.34
\$0.320	300,000	3.17
\$0.350	2,100,000	1.97
	18,000,000	3.00

c) Stock-based compensation

The weighted average fair value of options granted during the three months ended March 31, 2009 was \$Nil (2008 - \$0.23).

The total compensation expense recognized for options granted during the three months ended March 31, 2009 was \$Nil (2008 - \$113,735). All of the stock based compensation expenses incurred in this period have been capitalized to geothermal property costs.

The fair value of the options used in the information above has been estimated at the date of grant of options using the Black-Scholes option pricing model with the following assumptions:

	2009	2008
Weighted average risk-free interest rate	N/A	4.31%
Weighted average expected option life	N/A	5 years
Weighted average expected stock volatility	N/A	79.63%
Weighted average expected dividend yield	N/A	Nil

Option pricing models require the input of highly subjective assumptions including the expected stock price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

Western Geopower Corp.

Notes to Consolidated Financial Statements

Three Months Ended March 31, 2009

(Expressed in Canadian Dollars)

8. Share Capital - continued

d) Warrants

A summary of the status of the Company's outstanding (and exercisable) warrants as at March 31, 2009 and changes during the three months then ended are presented below:

	Three Months Ended March 31, 2009	
	Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	74,892,667	\$ 0.34
Issued during the period	43,495,543	0.14
Outstanding, ending of period	118,388,210	\$ 0.27

During the three months ended March 31, 2009, the Company issued 43,495,543 share purchase warrants in connection with the long term debt agreement discussed in Note 6d).

As at March 31, 2009, warrants are outstanding and exercisable are as follows:

Warrants Outstanding and Exercisable		
Exercise Price	Number	Weighted Average Remaining Contractual Life (yrs.)
\$0.14	43,495,543	1.84
\$0.18	29,629,629	1.65
\$0.45	45,263,038	1.51
	118,388,210	1.67

9. Related Party Transactions

The following is a summary of the related party transactions that occurred throughout each of the three months ended March 31, 2009 and 2008:

- During the three months ended March 31, 2009, the Company paid or accrued management fees to a Director and Officer of the Company, totalling \$60,000 (2008 - \$60,000), of which \$30,000 (2008 - \$30,000) was charged to geothermal property costs and the remainder was charged to the statement of operations.
- For the three months ended March 31, 2009, the Company paid or accrued consulting fees to certain Directors of the Company, totalling \$175,353 (2008 - \$49,500), of which \$149,352 (2008 - \$48,500) was charged to geothermal property costs and the remainder was charged to the statement of operations.

Western Geopower Corp.

Notes to Consolidated Financial Statements

Three Months Ended March 31, 2009

(Expressed in Canadian Dollars)

9. Related Party Transactions - *continued*

- c) For the three months ended March 31, 2009, the Company paid or accrued \$15,000 (2008 - \$15,000) in director fees.
- d) Included in accounts payable and accrued liabilities at March 31, 2009 are amounts owed to Directors and Officers of the Company totalling \$187,216 (2008 - \$Nil) for amounts owed under compensation agreements. The amounts are non-interest bearing, unsecured, and without specific terms of repayment.

All of the above transactions were incurred in the normal course of operations and are recorded at the exchange amount, being the amount agreed upon by the related parties.

10. Segmented information

The Company currently operates in one reportable operating segment, being the acquisition, exploration, and development of geothermal properties, which is conducted principally in Canada and the United States of America. The Company has no reportable segment revenues for any of the periods presented in these financial statements. The following geographic data includes assets based on location:

	March 31, 2009			
	Canada	United States	Other	Total
Current assets	\$ 1,176,471	\$ 1,105,985	\$ -	\$ 2,282,456
Inventory	-	3,202,622	-	3,202,622
Equipment	136,240	2,602,514	-	2,738,754
Geothermal property costs	32,971,940	36,801,287	6,000	69,779,227
Long term deposits	180,300	7,521,162	-	7,701,462
Total assets	\$ 34,464,951	\$ 51,233,570	\$ 6,000	\$ 85,704,521

	December 31, 2008			
	Canada	United States	Other	Total
Current assets	\$ 4,832,678	\$ 218,191	\$ -	\$ 5,050,869
Inventory	-	3,142,530	-	3,142,530
Equipment	145,122	1,696,553	-	1,841,675
Geothermal property costs	32,917,076	35,799,177	6,000	68,722,253
Long term deposits	180,300	7,521,162	-	7,701,462
Total assets	\$ 38,075,176	\$ 48,377,613	\$ 6,000	\$ 86,458,789

The following geographic data denotes net losses based on their country of origin for the three months ended March 31, 2009 and 2008:

	2009	2008
Canada	\$ 1,992,315	\$ 109,336
United States of America	196,578	-
Net Loss for the Period	\$ 2,188,893	\$ 109,336



**FORM 51-102F1:
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Interim Three Months Ended March 31, 2009 and 2008

(Expressed in Canadian Dollars)

Western Geopower Corp.

Form 51-102F1: Management's Discussion and Analysis

Interim Three Months Ended March 31, 2009

(Expressed in Canadian Dollars)

TABLE OF CONTENTS

1.1	Introduction and Date.....	2
1.2	Business Overview and Overall Performance.....	3
1.3	Selected Annual Information	10
1.4	Results of Operations.....	10
1.5	Summary of Quarterly Results.....	12
1.6	Liquidity	13
1.7	Capital Resources	14
1.8	Off-Balance Sheet Arrangements.....	15
1.9	Transactions with Related Parties	15
1.10	Fourth Quarter	15
1.11	Proposed Transactions.....	15
1.12	Critical Accounting Estimates.....	15
1.13	Changes in Accounting Policies including Initial Adoption.....	16
1.14	Financial Instruments and Other Instruments.....	17
1.15	Other MD&A Requirements	17
	1.15.1 Additional Disclosure for Venture Issuers without Significant Revenue	17
	1.15.2 Disclosure of Outstanding Share Data	17
	1.15.3 Additional Disclosure for Reporting Issuers with Significant Equity Investees.....	17
	1.15.4 Risk Factors.....	18
	1.15.5 Internal Controls and Disclosure Controls over Financial Reporting.....	18

Western Geopower Corp.

Form 51-102F1: Management's Discussion and Analysis

Interim Three Months Ended March 31, 2009

(Expressed in Canadian Dollars)

1.1 Introduction and Date

This Management Discussion and Analysis ("MD&A") provides a detailed analysis of the business of Western GeoPower Corp. ("Western GeoPower" or the "Company") and compares its financial results for the three months ended March 31, 2009 to comparable prior periods. This MD&A should be read in conjunction with the Company's unaudited consolidated financial statements for the three months ended March 31, 2009 and the audited consolidated financial statements for the years ended December 31, 2008 and 2007 (together the "Consolidated Financial Statements"), prepared in accordance with Canadian generally accepted accounting principles, and publicly available on SEDAR at www.sedar.com.

The Company's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars (unless otherwise indicated).

This MD&A reflects information available as at May 25, 2009.

Certain statements in this MD&A contain forward-looking information within the meaning of applicable securities laws in Canada ("forward-looking information"). The words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words.

The forward-looking information in this MD&A includes, but is not limited to: the Company expects to complete the purchase of the steam turbine generator for its geothermal power plant and have delivery of same in late 2009 or early 2010; it is expected that the Conditional Use Permit and the Authority to Construct Permit (Air Permit) for the Company's geothermal power plant will be issued in the second half of 2009; the geothermal power plant is projected to start commercial operations in late 2010 or early 2011; the drill rig at WGP – 5 could be reactivated within one month of the decision to recommence the drilling program; it is expected that purchasing contracts will be issued in the latter half of 2009 as required to support engineering design and site delivery requirements for the Company's proposed geothermal power plant; it is expected that a design package for piping systems for the Company's proposed geothermal power plant will be completed in the latter half of 2009 and will be released to contractors for bidding following this; it is expected that a contractor will be selected for final negotiations with respect to construction of the Company's proposed geothermal power plant an engineering, procurement and construction contract be issued in mid-2009; the potentially recoverable heat energy of the field is estimated to be equivalent to at least 110 MW of electrical power capacity for a 30-year project life – at Meager Creek; the Company intends to implement the recommendations of GeothermEx, Inc. to conduct a drilling program from the valley floor at Meager Creek; the Company plans to design and permit a new drilling pad and negotiate the terms of a contract to drill the next series of wells from the new pad; management believes it will be able to raise equity and capital as required in the long term; the Company intends to continue to use various strategies to minimize its dependence on equity capital, including the securing of additional debt financing and maintenance of existing capital by means of cost saving measures; and, management expects the balance of project financing to be secured in the second half of 2009, through some presently undetermined combination of equity, construction loan, and other long-term debt financing.

The forecasts and projections that make up the forward-looking information are based on assumptions which include, but are not limited to: the Company is not subjected to any material adverse events normally associated with exploration, development and production of natural resources; the Company is not subjected to additional governmental regulation and that political attitudes towards geothermal production does not change; the Company is able to remain in compliance with its debt obligations; the Company's resource estimates are accurate; the Company's insurance is adequate and that it does not incur any material uninsured liability; the Company is able to comply with environmental regulations; the Company has access to suitable infrastructure; no title defects affect the Company's properties; the Company receives necessary permits on acceptable terms; no material new competition; no significant fluctuation in currency exchange rates and interest rates; the Company is able to access additional capital; no material fluctuations in energy prices; continued access to the Company's key personnel; and, no conflicts of interest arise.

Western Geopower Corp.

Form 51-102F1: Management's Discussion and Analysis

Interim Three Months Ended March 31, 2009

(Expressed in Canadian Dollars)

The forward-looking information is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. The factors which could cause results to differ from current expectations include, but are not limited to: risks normally associated with exploration, development and production of natural resources; risks relating to government regulation; risks relating to indebtedness; risks relating to the reliability of resource estimates; no history of geothermal production; insurance and uninsured risks; environmental risks and hazards; lack of access to required infrastructure; land title defects; risks relating to obtaining permits on acceptable terms; competition; fluctuations in currency exchange rates and interest rates; risks relating to raising additional capital; fluctuations in energy prices; reliance on key personnel; conflicts of interest; and, other risks described in this MD&A.

All forward-looking information in this MD&A is qualified in its entirety by this cautionary statement and, except as may be required by law, the Company undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise after the date hereof.

1.2 Business Overview and Overall Performance

Business Overview

The Company was incorporated under the laws of British Columbia, Canada and maintains its corporate head office in Vancouver, British Columbia, Canada. The Company is a reporting issuer in British Columbia, Alberta, Ontario, and Quebec and trades on the TSX Venture Exchange in Canada, under the symbol WGP; and in Germany on the Frankfurt Exchange under the symbol WE6.F.

The Company is in the process of developing its Geothermal Projects held for the generation of commercial production of electricity and has not yet determined the full economic viability of all of its projects. The Company's principal projects are the South Meager Geothermal Project located in British Columbia, Canada, the Unit 1 Geysers Project located at the Geysers Geothermal Field in Sonoma County, California, and the South Brawley Project in located Imperial County, California. As discussed in the notes to the Consolidated Financial Statements, the recovery of the Company's investment in geothermal properties and the attainment of profitable operations is dependent upon the existence of one or more economic projects and the Company's ability to obtain the necessary financing to complete development and to secure and maintain the appropriate permits, rights and beneficial interest in the properties. The ultimate outcome of these matters cannot presently be determined.

Overall Performance

During the three months ended March 31, 2009, the Company recorded a net loss of \$2,188,893 or \$0.01 per share, as compared to a net loss of \$109,336 or \$0.00 per share for the three months ended March 31, 2008. The increase in net loss reflects the effects of increased expenses related to the additional debt load of the Company, increased legal and professional fees associated with greater activity, and foreign exchange loss related to the strengthening of the US dollar compared to the Canadian dollar. A detailed discussion of the Company's expenses and variations between 2009 and 2008 are discussed in further detail under "Results of Operations" below.

As at March 31, 2009, the Company had total assets of \$85,704,521 compared to \$86,458,789 as at December 31, 2008. The significant majority of these assets for both periods are the carrying values of the Company's accumulated geothermal property costs, discussed in further detail below.

Western Geopower Corp.

Form 51-102F1: Management's Discussion and Analysis

Interim Three Months Ended March 31, 2009

(Expressed in Canadian Dollars)

As at March 31, 2009, the Company had a working capital deficiency of \$1,736,350 compared to a working capital deficiency of \$9,338,122 as at December 31, 2008. The Company's working capital as at March 31, 2009 includes cash of \$2,155,117 (December 31, 2008 - \$4,874,315). The increase in working capital is a result of the recent long term debt financings entered into by the Company. The decrease in cash and cash equivalents is attributed to the Company's expenditures on its geothermal projects and general and administrative expenses during the period. In order to maintain an appropriate level of working capital, the Company has completed a number of financings and debt issuances in recent years, as well as relying on cash infusions resulting from the exercise of warrants and options by holders. These recent financings are discussed further under "Liquidity" below.

As at March 31, 2009, the Company had total equipment of \$2,738,754 (net of accumulated amortization) compared to \$1,841,675 at December 31, 2008. For the three months ended March 31, 2009, the Company's expenditures on equipment related significantly to early engineering and designing of the construction of the power plant and interconnection facilities at The Geysers Geothermal Field (discussed below).

At March 31, 2009 and December 31, 2008, total long term deposits were \$7,453,937. The deposits relate to deposits on the purchase of a steam turbine generator and other equipment for the WGP Unit 1 Project. The Company expects to complete the purchase of the steam turbine generator and have delivery of same in 2009.

As at March 31, 2009, the total carrying value of the Company's geothermal properties was \$69,779,227 compared to \$68,722,253 as at December 31, 2008. For a detailed listing of costs incurred with respect to each project, refer to the Consolidated Schedules of Geothermal Property Costs in the Consolidated Financial Statements for the three months ended March 31, 2009 and the years ended December 31, 2008 and 2007.

During the three months ended March 31, 2009, through to the date of this report, the Company carried out the following project activities:

Western GeoPower Unit 1 Project – The Geysers Field, California, U.S.A.

Leases

The Company owns a 100% interest in certain lease agreements covering approximately 1,045 acres of land at The Geysers geothermal field located 75 miles north of San Francisco, California. The leases grant the Company the right to re-develop the geothermal reservoir and to build a new plant for electricity generation.

In 2006, the Company retained GeothermEx, Inc. to provide an independent assessment of the resource on the combined leasehold. The report they issued 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, based on certain assumptions, that the Unit 1 leasehold, comprising approximately 600 acres at that date, would commercially support a 28 megawatt of electricity ("MWe") (gross) power plant for a minimum of 20 years, with generation continuing at a slightly reduced factor through 30 years. As the leasehold was increased in June 2007 to 1,045 acres and after reviewing earlier production records from the Unit # 15 operational period, it was calculated that the production could be increased. On April 9, 2008, the Company announced that a detailed review by GeothermEx, Inc. on the expanded 1,045 acre leasehold had determined that, based on certain assumptions, the optimum capacity for the Western GeoPower Unit 1 power plant had increased to 35 MWe (gross).

Western Geopower Corp.

Form 51-102F1: Management's Discussion and Analysis

Interim Three Months Ended March 31, 2009

(Expressed in Canadian Dollars)

Project Estimated Costs

Based on a report prepared by GeothermEx, Inc. the proposed 35 MWe (gross) plant is expected to have a 98% availability factor. The work in 2008 included the drilling of 4 successful wells, detailed power plant design and engineering work, intensive evaluation of current major equipment and included, gathering system, switchyard and transmission system.

Regulatory Compliance

For regulatory purposes, the project is being 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 all infrastructures.

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. Approval is projected for the second half of 2009.

In September 2008, the permitting process for the overall project and remaining well drilling program was initiated. The key permits for this process will be the Conditional Use Permit (CUP) issued by Sonoma County and the Authority to Construct Permit (Air Permit) issued by the North Coast Air Quality Management District. It is expected that the CUP and the Air Permit will be issued in the second half of 2009.

Drilling Program

The drilling program has been designed by independent consultants GeothermEx, Inc., which provides strategic management of the ongoing drilling program. The wells are being directionally drilled from existing drill pads to intersect target zones where commercial steam productivity was encountered by previous production wells during the Unit # 15 operational period. The average total vertical depth per well is approximately 8,000 - 9,000 feet.

With the success of the drilling program to date, projections now call for the drilling of a total of seven production wells and one injector well. Should the drilling of the additional wells continue to yield higher than anticipated capacity factors, fewer wells may be required. In order to preserve cash for critical permitting, design and engineering and long lead power plant equipment activities, it was decided in December of 2008 to put the drilling program on hold until the third quarter of 2009. The 35 MWe Western GeoPower Unit 1 plant is now projected to start commercial operations in late 2010 or early 2011.

Results of Drilling Program

Four wells (WGP-1, WGP-2, WGP-3, and WGP-4) have been completed, flow tested and the results have been analyzed by GeothermEx, Inc. The drill rig remains in a standby mode on site at WGP-5 and could be reactivated within one month of the decision to recommence the drilling program.

Western Geopower Corp.

Form 51-102F1: Management's Discussion and Analysis

Interim Three Months Ended March 31, 2009

(Expressed in Canadian Dollars)

An average value of 284 psia has been assumed for static reservoir pressure for these wells. Given the design condition of a minimum flowing wellhead pressure of 80 psia, the maximum initial steam flow rates from wells WGP-1, WGP-2, WGP-3, and WGP-4 are estimated at 163,000 lbs/hour; 43,000 lbs/hour; 114,000 lbs/hour; and 143,000 lbs/hour, respectively. The total power capacity placed behind pipe in the four wells is 28.7 MW (gross) or 26 MW (net), representing approximately 70% of the initial steam resource required to supply the planned 35 MWe Western GeoPower Unit 1 plant.

Flow tests on all four wells were conducted by independent consultants GeothermEx. The initial flow rates for the four wells aggregate 463,000 lbs/hour at a design condition of a minimum flowing wellhead pressure of 87 psia. The power plant specifications call for steam requirements of 16,130 lbs/hour per MW (gross) or 17,743 lbs/hour per MW (net).

With respect to well productivity, well WGP-1 appears to be the most prolific well drilled at The Geysers in the past two decades, while well WGP-4 is one of the most productive wells drilled in the field in recent years. Well WGP-2 represents a well productivity level commonly encountered today in other parts of The Geysers.

It should be noted that experience at The Geysers shows that when a plant is put online, the wells undergo a 10% to 30% decline within a few weeks before the productivity stabilizes and the long-term productivity decline trend ensues (estimated at 1% to 3% per year). This initial decline in well productivity before stabilization is caused by transient pressure behavior in the reservoir, including pressure interference between the wells. Assuming an average 20% decline before stabilization, the four completed wells represent a total stabilized flow capacity of 20.8 MWe (net), or 5.2 MWe (net) per well. The 35 MWe plant has been designed to be supplied by 8 wells, each with a stabilized capacity of 4.4 MWe (net). The estimated average stabilized capacity of 5.2 MWe (net) per well to date exceeds this design condition.

Drilling Cost

The total drilling cost of the four completed wells was \$28.7 million, the average cost being \$7.18 million per well. Two of the wells (WGP-1 and WGP-3) were completed at a cost below this average (about \$5.5 million), whereas the cost of WGP-2 was substantially greater and WGP-4 very close to the average. The anomalously higher cost of WGP-2 was due in part to costs associated with an extended and unusual breakdown of the rig. Therefore, the typical average cost for wells that do not experience significant problems could be lower than the reported average.

Fuji Steam Turbine Generator

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 MWe Steam Turbine Generator Unit ("STG") for delivery to the Unit 1 project site in late 2009 or early 2010. A project review was completed in late 2008 and the STG is slightly ahead of schedule with measurable progress in rotor, stator and auxiliary parts production in Japan.

Power Purchase Agreement

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 MWhr per year of clean, renewable, baseload electricity at a levelized price of USD\$98 per MWhr for 20 years, from Western GeoPower's 35 MWe Unit 1 geothermal power plant.

Western Geopower Corp.

Form 51-102F1: Management's Discussion and Analysis

Interim Three Months Ended March 31, 2009

(Expressed in Canadian Dollars)

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 power 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 geothermal field, a 252 MWe hydroelectric plant, a 125 MWe simple combustion turbine plant and a 49.9 MWe steam injected turbine plant, for over 25 years.

Electrical Interconnection

In the fall of 2006, the Company initiated the process to interconnect the power plant to the Northern California power grid. This connection will be at the existing, California Independent System Operator (CAISO) controlled, 115 kV Cloverdale to Geysers #3 transmission line, which is situated in close proximity to the proposed WGP Unit 1 plant site. The transmission line is operated by Pacific Gas and Electric Company (PG&E). The Feasibility and System Impact Studies were completed in early 2008. The Large Generator Interconnection Agreement (LGIA) was approved and signed by all parties in February 2009.

Engineering-Design

The Company issued a contract to Power Engineers Inc. (PEI) of Hailey, Idaho for the design and procurement support of the Power Plant and the Electrical Switchyard. This contract was issued in May 2008. In addition, the Company has issued a contract to Veizades & Associates (VAI) of San Francisco, California for the design and procurement support of the steam gathering and injection system. This contract was issued in September 2008.

The focus of the power plant engineering has been the development of the plant design criteria and procurement of long lead time delivery/critical process equipment. Procurement efforts have been completed for the steam condenser, cooling tower, gas extraction equipment, gas abatement equipment, main transformer, overhead bridge crane and pumps. It is expected that purchasing contracts will be issued in the latter half of 2009 as required to support engineering design and site delivery requirements.

Additional effort has been made in the power plant design to support the initial building permit process. This includes the preparation of the complete design package for the powerhouse and steam turbine foundations. This package has been submitted to the Sonoma County Building Department for plan check and review.

The design of the steam gathering and injection system was initiated in the fall of 2008. The pipeline corridors have been surveyed and the initial mechanical design of the piping systems has been completed. It is expected that a design package will be completed in the latter half of 2009 and that the design package will be released to the contractors for bidding subsequent to that.

Western Geopower Corp.

Form 51-102F1: Management's Discussion and Analysis

Interim Three Months Ended March 31, 2009

(Expressed in Canadian Dollars)

Project Construction

In October 2008, the Company issued a Request For Proposal ("RFP") for the construction of the power plant. Proposals were received from several contractors in December 2008. The proposals are currently being evaluated for technical and commercial compliance. It is expected that a several contractor will be selected for final negotiations and an engineering, procurement and construction contract to be issued in mid-2009.

South Meager Geothermal Project, British Columbia, Canada

Leases

Under the terms of two licenses of occupation and one geothermal lease, all of which were granted by the British Columbia Ministry of Energy and Mines (expiring at various times in 2017), the Company holds a 100% interest in approximately 4,267 hectares of land located 170 kilometres north of Vancouver.

Drilling Program

In 2004, the Company began a program of drilling and well testing to continue the development of the resource. Three full-diameter wells (MC-6, -7, and -8) were drilled in 2004 and 2005. These were targeted to define an inferred source of thermal upflow north of Meager Creek, and they were drilled from a well pad about 700 meters above the creek, on the south flank of Pylon Peak. All three of the wells encountered high temperatures at shallower depths than earlier wells. The maximum measured temperatures were 260°C for MC-6, 259°C for MC-7, and 237°C for MC-8.

During the year ended December 31, 2008, the Company conducted flow-testing, and temperature and pressure surveys on wells at the South Meager Geothermal Project under the direction of independent technical consultants GeothermEx, Inc. and a report on the results of the testing has been prepared by GeothermEx.

This testing involved an airlift-assisted flow test of well MC-8, which has demonstrated potentially commercial permeability in the geothermal reservoir at South Meager. Well MC-8 itself did not sustain self-flow after air-lifting. However, wellbore simulation indicates that a well targeting the same permeable zone from a lower elevation could flow at the equivalent of over 6 MW of electrical output.

Based on information available to date, the thermal reservoir at South Meager has an areal extent of 4.5 to 7.5 km², a thickness of 2,800 m, and an average temperature of 220 to 240°C, with a maximum measured temperature of 275°C (in MC-3). From volumetric estimation utilizing a probabilistic simulation technique, the potentially recoverable heat energy of the field is estimated by GeothermEx, Inc. to be equivalent to at least 110 MW of electrical power capacity for a 30-year project life.

Before generation can be realized, wells capable of extracting the heat from the rock by commercial rates of geothermal fluid production must be drilled and tested.

Related Activities

The Company continues to liaise with provincial government agencies and key community and First Nations stakeholders in preparation for submission of an Application for certification under the BC Environmental Assessment Act. Terms of Reference for a review by the BC Environmental Assessment Office have been approved, field studies of fisheries and wildlife habitats have been completed, and an Archaeological Overview Assessment has been completed by consultants working in association with the Lil'Wat First Nation under Company sponsorship.

Western Geopower Corp.

Form 51-102F1: Management's Discussion and Analysis

Interim Three Months Ended March 31, 2009

(Expressed in Canadian Dollars)

The Company also is acting as Co-ordinator of the Upper Bridge-Lillooet Transmission Cluster which has been selected for consideration under the Transmission Expansion Policy of the BC Transmission Corporation. This project would result in the construction of a common transmission line to service the South Meager project and 18 other renewable power projects in the region, resulting in a substantial cost saving for the Company.

The Company also is engaged in direct consultations with the BC and federal governments with respect to potential financial incentives for the South Meager project and for renewable power projects generally, and with respect to the updating of both federal and provincial legislation, regulations and permitting governing geothermal projects.

Outlook

The Company intends to implement the recommendations of GeothermEx, Inc. to conduct a drilling program from the valley floor into the zone of potentially-commercial high permeability identified in the 2008 testing program. To achieve this, the Company plans to design and permit a new drilling pad in an easily-accessible location near an existing pad and negotiate the terms of a contract to drill the next series of wells from the new pad. To fund the drilling program, the Company is assessing various sources of potential financing, including joint-venture partnerships and/or the issuance of new equity by way of a private placement. There can be no assurances that the Company will be able to obtain the additional financial resources necessary to commence and complete such a drilling program on this project. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail exploration and development activities on this project.

South Brawley, California, United States of America

For the three months ended March 31, 2009 and the years ended December 31, 2008 and 2007, the Company has entered into certain leases in South Brawley, located in Southern California for the purposes of exploration for a potential geothermal project.

Segmented information

For information on segmented information, please refer to Note 10 of the unaudited consolidated financial statements for the three months ended March 31, 2009 and Note 12 of the audited consolidated financial statements for the year ended December 31, 2008.

Western Geopower Corp.

Form 51-102F1: Management's Discussion and Analysis

Interim Three Months Ended March 31, 2009

(Expressed in Canadian Dollars)

1.3 Selected Annual Information

	December 31, 2008	December 31, 2007	December 31, 2006
Total revenues	\$Nil	\$Nil	\$Nil
Loss before discontinued operations and extraordinary items	\$(2,635,683)	\$(1,719,566)	\$(1,000,971)
Basic and diluted loss per share before discontinued operations and extraordinary items **	\$(0.01)	\$(0.01)	\$(0.01)
Net loss for the year	\$(2,635,683)	\$(1,719,566)	\$(1,000,971)
Basic and diluted loss per share for the year **	\$(0.01)	\$(0.01)	\$(0.01)
Total assets	\$86,458,789	\$53,710,988	\$33,877,379
Total long-term financial liabilities	\$14,388,991	\$833,078	\$833,078
Cash dividends declared	\$Nil	\$Nil	\$Nil

** For the years ended December 31, 2008, 2007, and 2006, potentially dilutive common shares (relating to options and warrants outstanding) were not included in the computation of diluted loss per share because their effect was anti-dilutive.

1.4 Results of Operations

The following discussion and analysis of the Company's financial results of its operations should be read in conjunction with the Company's unaudited interim consolidated financial statements and related notes for the same period.

Three Months Ended March 31, 2009 compared to the Three Months Ended March 31, 2008

The Company's overall expenses were higher in 2009, totalling \$2,745,378 compared to \$237,349 in 2008. The key factors related to the increase are summarized as follows:

- During the three months ended March 31, 2009, advertising and promotion decreased compared to the previous period totalling \$34,549 (2008 - \$88,380).
- Consulting and advisory fees were \$88,501 for the three months ended March 31, 2009 compared to \$15,667 in 2008. The increase is a result of further fees being incurred through the addition of a new Chief Financial Officer on an interim basis in 2008.
- Foreign exchange loss for the three months ended March 31, 2009 was \$591,613, compared to a gain in the prior comparable period of \$168,035. The operations of the Company are impacted by the fluctuations in the US Dollars against the Canadian dollar. The significant fluctuations in foreign exchange rates in countries where the Company operates are difficult to predict and could have a significant variance on the Company's present and future operations. In the early part of 2008, the Canadian dollar had traded at or above par with the US Dollar, but throughout the remainder of 2008 and in the first quarter of 2009, there was a significant strengthening of the US Dollar against the Canadian Dollar, which has therefore resulted in the loss recorded by the Company.

Western Geopower Corp.

Form 51-102F1: Management's Discussion and Analysis

Interim Three Months Ended March 31, 2009

(Expressed in Canadian Dollars)

- During the three months ended March 31, 2009, interest and bank charges increased to \$1,704,743, from \$12,493 in 2008. The increase was the result of an increased debt load from the financings entered into by the Company in early 2009 and late 2008.
- During the three months ended March 31, 2009, professional fees amounted to \$87,875, compared to \$19,940 in 2008. The increase in these fees, which include legal and accounting fees, is a result of amounts payable with regards to audit and tax structuring, review of new land and property claims and engaging counsel to review and consider various financing strategies in addition to an increase in overall corporate activity.
- During the three months ended March 31, 2009, rent increased to \$32,508 from \$15,976 as a result of the Vancouver office's relocation to a larger office premise late in 2008.
- During the three months ended March 31, 2009, the Company charged to its statement of operations an amount of \$29,875 (2008 - \$Nil) related to a gain on extinguishment of debt as described in Note 6b) of the unaudited interim consolidated financial statements for the three months ended March 31, 2009.

The Company's other income and recoveries related to interest income and future income tax recoveries. The key factors related to these items are as follows:

- Interest income related to interest earned on cash and cash equivalent balances decreased for the three months ended March 31, 2009 to \$954 from \$87,573 in 2008. The decreased income reflects the decrease in the overall interest rate earned during 2009 compared to the same period in 2008 and the fact that the average cash balance in 2009 was lower than in 2008.
 - During the three months ended March 31, 2009, the Company recorded a recovery on future income taxes of \$555,531, compared to a recovery of \$40,440. The increase in the recovery relates primarily to an increase in future income tax assets that has been offset against certain future income tax liabilities.
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Western Geopower Corp.

Form 51-102F1: Management's Discussion and Analysis

Interim Three Months Ended March 31, 2009

(Expressed in Canadian Dollars)

1.5 Summary of Quarterly Results

The following selected quarterly financial information has been prepared in accordance with Canadian generally accepted accounting principles, is expressed in Canadian dollars, and is derived from the Company's unaudited interim consolidated financial statements for the past eight quarters.

	March 2009	December 2008	September 2008	June 2008
Total revenues	\$Nil	\$Nil	\$Nil	\$Nil
Net loss before discontinued operations and extraordinary items	\$(2,188,893)	\$(1,328,842)	\$(795,183)	\$(402,322)
Basic and diluted loss per share before discontinued operations and extraordinary items **	\$(0.01)	\$(0.01)	\$(0.00)	\$(0.00)
Net loss for the period	\$(2,188,893)	\$(1,328,842)	\$(795,183)	\$(402,322)
Basic and diluted loss per share for the period **	\$(0.01)	\$(0.01)	\$(0.00)	\$(0.00)

	March 2008	December 2007	September 2007	June 2007
Total revenues	\$Nil	\$Nil	\$Nil	\$Nil
Net income (loss) before discontinued operations and extraordinary items	\$(109,336)	\$544,479	\$(1,821,663)	\$(292,212)
Basic and diluted earnings (loss) per share before discontinued operations and extraordinary items **	\$(0.00)	\$0.00	\$(0.01)	\$(0.00)
Net income (loss) for the period	\$(109,336)	\$544,479	\$(1,821,663)	\$(292,212)
Basic and diluted earnings (loss) per share for the period **	\$(0.00)	\$0.00	\$(0.01)	\$(0.00)

** For the periods presented, potentially dilutive common shares (relating to options and warrants outstanding) were not included in the computation of diluted loss per share because their effect was anti-dilutive.

The variation seen over the above quarters is primarily dependent upon the success of the Company's on-going property evaluations and acquisition program and the timing and results of the Company's activities on its current properties, none of which is possible to predict with any accuracy.

The Company will continue to incur losses until such time as the commercial development of a sustainable and profitable producing geothermal energy plant is completed and commissioned. The above losses are also impacted by the amount of stock options granted in any given period which can give rise to significant stock-based compensation expenses, the amount and variation of foreign exchange gains and losses (which is impacted by the fluctuations in foreign currency rates, especially the US Dollar), the amount of debt assumed by the Company (which results in increased interest and bank charges expense in any given period) and the impact of future income tax expense or recovery (which can fluctuate based on items such as changes in tax rates and amounts of non-capital losses and other temporary tax differences).

Western Geopower Corp.

Form 51-102F1: Management's Discussion and Analysis

Interim Three Months Ended March 31, 2009

(Expressed in Canadian Dollars)

1.6 Liquidity

The Company currently has no operating revenues other than interest income and relies primarily on equity and debt financing, as well as the exercise of warrants and options to fund its exploration, development and administrative costs. This situation is unlikely to change until such time as the Company can develop a profitable geothermal energy project for the delivery of clean, base-load electricity generation.

Other than those obligations disclosed in the notes to its unaudited interim consolidated financial statements and discussed in this MD&A for the three months ended March 31, 2009 and the years ended December 31, 2008 and 2007, the Company has no other long-term debt, capital lease obligations, operating leases or any other long-term obligations.

As at December 31, 2008, the Company had a working capital deficiency of \$1,736,350 compared to a working capital deficiency of \$9,338,122 as at December 31, 2008. The Company's working capital as at March 31, 2009 includes cash of \$2,155,117 (December 31, 2008 - \$4,874,315). The increase in working capital is a result of the recent long term debt financings entered into by the Company. The decrease in cash and cash equivalents is attributed to the Company's expenditures on its geothermal projects and general and administrative expenses during the period.

During the year ended December 31, 2008, the Company issued 42,732,960 units at a price of \$0.25 per unit for total gross proceeds of \$10,683,240. Each unit consisted of one common share and one transferable share purchase warrant exercisable into one common share for a period of 24 months from closing at a price of \$0.45 per share during the first 12 months and \$0.50 per share during the last 12 months. In addition, the Company received gross proceeds in the amount of \$445,500 from the exercise of 1,530,000 warrants and \$147,940 from the exercise of 672,000 stock options.

In December 2008, the Company entered into a US\$11 million (gross) secured loan agreement. Interest is payable at a rate of 1% per month for the first six months, 1.25% per month for the second six month period, 1.5% per month thereafter. The lender has the right to elect to receive the payment of interest on the loan in the form of common shares of the Company. As part of the consideration the Company paid \$1,641,862 in financing fees and transaction fees in cash associated with the loan and also agreed to issue 29,629,629 warrants of the Company, with each warrant being exercisable for a period of 24 months at a price per warrant of \$0.18. The warrants had a fair value of \$1,357,320 (using the Black-Scholes option pricing model). In addition, the Company must pay a rollover fee equal to 5% of the total principal advanced (estimated to be a total of USD \$2.2 million, over the full term of the loan, of which USD \$550,000 has been paid) every six-month interval until the maturity date or principal is repaid.

In January 2009, the Company entered into an additional US\$11 million (gross) secured loan agreement, of which the Company has drawn as at March 31, 2009, a total of US\$10,662,762. Interest is payable at a rate of 1% per month for the first six months, 1.25% per month for the second six month period, 1.5% per month thereafter. As part of the consideration the Company paid \$1,624,001 in financing fees and transaction fees associated with the loan and also agreed to issue 43,495,543 warrants of the Company, with each warrant being exercisable for a period of 24 months at a price per warrant of \$0.14. The warrants had a fair value of \$3,741,785 (using the Black-Scholes option pricing model). In addition, the Company must pay a rollover fee equal to 5% of the total principal advanced (estimated to be a total of USD \$2.2 million, over the full term of the loan, of which USD \$550,000 has been paid subsequent to year end) every six-month interval until the maturity date or principal is repaid.

Western Geopower Corp.

Form 51-102F1: Management's Discussion and Analysis

Interim Three Months Ended March 31, 2009

(Expressed in Canadian Dollars)

The proceeds of these above two loans are to be used for drilling, project management, development cost, plant equipment, and up to US\$300,000 in monthly working capital and general corporate purposes.

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.

The Company has a history of losses and no operating revenue, other than interest income. The ability of the Company to carry out its planned business objectives and make required payments on its existing indebtedness is dependent on the ability to raise adequate financing from lenders, shareholders, and other investors and/or generate operating profitability and positive cash flow. There can be no assurances that the Company will continue to obtain additional financial resources necessary and/or capability to achieve profitability or positive cash flows. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations, exploration and development activities and would be unable to make the payments required on its existing indebtedness as described above. The unaudited interim consolidated financial statements do not reflect adjustments, which could be material, to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

The Company's cash and cash equivalents are invested in business accounts with a major Canadian financial institution and a major U.S. financial institution, and are available on demand for the Company's programs, and are not held in any asset backed commercial paper investments.

1.7 Capital Resources

Historically, the Company's only source of funding has been the issuance of equity and debt securities for cash. The Company has issued common share capital during recent years, pursuant to public offerings, private placement financings, and the exercise of warrants and options. More recently the Company has issued debt instruments as noted above. The Company's access to exploration and development financing when the financing is not transaction specific is always uncertain. There can be no assurance of continued access to significant equity or debt funding. The Company's ability to raise additional funds may be impacted by future exploration results and changes in market conditions. Management believes it will be able to raise equity and capital as required in the long term, but recognize there will be risks involved that may be beyond their control. In particular, the current economic downturn has severely limited the ability of the Company to raise equity financing, limited its options with respect to issuing debt financing and decreased the likelihood of the Company successfully obtaining construction financing for its proposed power plant. The Company intends to continue to use various strategies to minimize its dependence on equity capital, including the securing of additional debt financing and maintenance of existing capital by means of cost saving measures. Management expects the balance of project financing to be secured in the second half of 2009, through some presently undetermined combination of equity, construction loan, and other long-term debt financing.

For information on the Company's obligations and commitments see Notes 5, 6, and 7 of the unaudited interim consolidated financial statements for the three months ended March 31, 2009 and Notes 6, 7, 11, and 13 in the audited consolidated financial statements for the year ended December 31, 2008.

As at May 25, 2009, the Company had 18,000,000 stock options and 118,388,210 warrants outstanding which, if exercised, would bring a further \$36.6 million to the Company's treasury upon exercise.

Western Geopower Corp.

Form 51-102F1: Management's Discussion and Analysis

Interim Three Months Ended March 31, 2009

(Expressed in Canadian Dollars)

1.8 Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

1.9 Transactions with Related Parties

For information on related party transactions, please refer to Note 9 of the unaudited interim consolidated financial statements for the three months ended March 31, 2009 and Note 10 of the audited consolidated Financial Statements for the year ended December 31, 2008.

1.10 Fourth Quarter

Not applicable.

1.11 Proposed Transactions

Although the Company is currently investigating a number of property targets as at the date of this MD&A, there are no proposed transactions that the board of directors, or senior management who believe that confirmation of the decision by the board is probable, have decided to proceed with.

1.12 Critical Accounting Estimates

The Company's significant accounting policies are presented in Notes 2 and 3 of the audited consolidated financial statements for the year ended December 31, 2008 and in Notes 2 and 3 of the unaudited interim consolidated financial statements. The preparation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reported period. These estimates include:

- the carrying values of geothermal property costs;
- the carrying values of equipment;
- the rates of amortization of equipment;
- the valuation allowances and estimates for future income tax obligations;
- the valuation and estimates used in calculating site reclamation and closure costs; and
- the valuation of stock-based compensation.

Management believes the estimates used are reasonable; however, actual results could differ materially from those estimates and, if so, would impact future results of operations and cash flows. Factors that could potentially affect these estimates include risks inherent in geothermal exploration and development, prices and markets for electricity, changes in government policy and changes in foreign exchange rates. The Company is engaged in an industry that is dependent on a number of factors that may be beyond the Company's control 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.

Western Geopower Corp.

Form 51-102F1: Management's Discussion and Analysis

Interim Three Months Ended March 31, 2009

(Expressed in Canadian Dollars)

Management has assessed the carrying value of its assets, and other than write-downs to certain geothermal property interests, does not believe the remaining assets have suffered any impairment. The Company is in the development stage and defers all expenditures related to its geothermal properties until such time as the properties are put into production, sold, or abandoned. Management assesses the exploration results on its geothermal projects and determines whether results to date warrant further exploration. If results do not indicate potential for an economic geothermal property, the deferred exploration costs are written off. Under this method, all amounts shown as geothermal properties represent costs incurred to date less amounts, if any, amortized and/or written off and do not necessarily represent present or future values.

Management has made significant assumptions and estimates in determining the fair market value of stock based compensation granted to employees and non-employees and the value attributed to various warrants issued on financings. These estimates have an effect on the stock based compensation expense recognized, the amounts capitalized to geothermal property costs, the contributed surplus and share capital balances on the Company's balance sheet. Management has made estimates of the life of stock options and warrants, the expected volatility and expected dividend yields that could materially affect the fair market value of these types of securities. The estimates were chosen after reviewing the historical life of the Company's options and analyzing share price history to determine volatility.

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 33% and an inflation factor of 2%. Future asset retirement obligations are not recorded where the timing or the amount of the remediation costs cannot be reasonably estimated.

1.13 Changes in Accounting Policies including Initial Adoption

The Company's accounting policies, including changes in accounting policies (including financial instruments), initial adoption, and recent accounting policies not yet adopted are discussed in Notes 2 and 3 to the audited consolidated financial statements for the year ended December 31, 2008 and Notes 2 and 3 of the unaudited interim consolidated financial statements for the three months ended March 31, 2009.

Of particular note, in January 2006, the CICA Accounting Standards Board adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by the end of 2010. As the International Accounting Standards Board currently, and expectedly, has projects underway that should result in new pronouncements that continue to evolve IFRS, and as the Canadian convergence initiative is in an early stage as of the date of these audited consolidated financial statements, it is premature to currently assess the impact of the Canadian initiative on the Company.

The Company is currently developing its IFRS conversion plan which will include a deeper analysis of the IFRS standards, with priority being placed on those that have been identified as possibly having a significant impact. The analysis of each IFRS standard will include identifying the differences between IFRS and the Company's accounting policies, assessing the impact of the difference, and where necessary, analyzing the various policies that it could elect to adopt. Changes in accounting policies are likely and may materially impact the Company's consolidated financial statements. The Company's IFRS conversion plan will also assess the impact of IFRS on the Company's information technology and data systems, as well as financial reporting expertise, including training requirements.

Western Geopower Corp.

Form 51-102F1: Management's Discussion and Analysis

Interim Three Months Ended March 31, 2009

(Expressed in Canadian Dollars)

1.14 Financial Instruments and Other Instruments

Information regarding financial and other instruments and their risks associated with the Company's operations are discussed in Notes 2m) and 3(a)(iv) of the audited consolidated financial statements for the year ended December 31, 2008.

1.15 Other MD&A Requirements

The Company's web site address is www.geopower.ca. A copy of this MD&A, the unaudited interim three months ended March 31, 2009 consolidated financial statements, the 2008 audited consolidated financial statements, previously published MD&A, previously published consolidated financial statements, and other information, is available on the Company's web site or on the SEDAR website at www.sedar.com. The Company is listed on the TSX Venture Exchange with the trading symbol "WGP" and on the Frankfurt Stock Exchange under the symbol WE6.F.

1.15.1 Additional Disclosure for Venture Issuers Without Significant Revenue

For additional disclosures concerning the Company's general and administrative expenses and a breakdown of the geothermal property costs, please refer to the Company's Consolidated Statements of Operations and Comprehensive Loss and the Consolidated Schedules of Geothermal Property Costs contained in its unaudited interim consolidated financial statements for the three months ended March 31, 2009, that are available on the Company's website at www.geopower.ca or on the SEDAR website at www.sedar.com. The Company does not have any capitalized or expensed research and development costs or any deferred development costs for the three months ended March 31, 2009.

1.15.2 Disclosure of Outstanding Share Data

The following describes the outstanding share data of the Company as at May 25, 2009. For further information and details concerning outstanding share data, options, and warrants, see Note 8 and the Interim Consolidated Statements of Changes in Shareholders' Equity, included in the unaudited interim consolidated financial statements for the three months ended March 31, 2009.

	Number Outstanding
Common shares	234,244,924
Options to purchase common shares	18,000,000
Warrants to purchase common shares	118,388,210

At the effective date of this MD&A, if all of these options and warrants were exercised, a total of 370,633,134 common shares would be issued and outstanding.

1.15.3 Additional Disclosure for Reporting Issuers with Significant Equity Investees

Not applicable.

Western Geopower Corp.

Form 51-102F1: Management's Discussion and Analysis

Interim Three Months Ended March 31, 2009

(Expressed in Canadian Dollars)

1.15.4 Risk Factors

The Company's principal activity of geothermal exploration is considered to be very high risk. Companies in this industry (and general mining and extractive industry) are subject to many and varied kinds of risks, including but not limited to, environmental, energy prices, and political and economic risks.

For further detailed discussions on the various risks associated with the Company's industry, its business, and other risks, please refer to the Company's annual MD&A for the year ended December 31, 2008, which can be located on the Company's website, www.geopower.ca, or on the SEDAR website, www.sedar.com.

1.15.5 Internal Controls and Disclosure Controls over Financial Reporting

As a venture issuer, the Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures and internal controls over financial reporting as defined under Multilateral Instrument 52-109.
