



INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Six Months Ended June 30, 2009 and 2008

(Expressed in Canadian Dollars)

(Unaudited)



June 30, 2009 and 2008

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Western Geopower Corp.

Interim Consolidated Balance Sheets

As at June 30, 2009 and December 31, 2008

(Expressed in Canadian Dollars)

(Unaudited)

	June 30, 2009	December 31, 2008
ASSETS		
Current		
Cash	\$ 630,570	\$ 4,874,315
Receivables	40,926	79,463
Prepaid deposits and advances	132,120	97,091
	<u>803,616</u>	5,050,869
Inventory	3,203,398	3,142,530
Equipment (Note 4)	4,105,499	1,841,675
Geothermal Property Costs (Note 5 and Schedule)	71,341,162	68,722,253
Reclamation Deposits (Note 5)	247,525	247,525
Long Term Deposits (Note 5)	7,006,537	7,453,937
Other Long Term Assets (Note 6e)	490,779	-
	<u>\$ 87,198,516</u>	<u>\$ 86,458,789</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 3,081,990	\$ 14,388,991
Long Term Debt (Note 6)	19,274,939	11,009,774
Asset Retirement Obligations (Note 7)	667,044	634,553
Future Income Taxes	2,519,084	2,800,255
	<u>25,543,057</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>		
260,809,924 (2008 – 233,652,331) common shares	71,755,223	65,640,174
Contributed Surplus	9,933,511	9,417,180
Accumulated Deficit	(20,033,275)	(17,432,138)
	<u>61,655,459</u>	<u>57,625,216</u>
	<u>\$ 87,198,516</u>	<u>\$ 86,458,789</u>

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

Commitments (Notes 5a) 6, 7, 12 and 13)

Subsequent Events (Notes 1 and 13)

Approved on behalf of the Board of Directors:

“Kenneth MacLeod”

President, Chief Executive Officer, and Director

“Daryl Clark”

Chairman and Director

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

Western Geopower Corp.

Interim Consolidated Statements of Changes in Shareholders' Equity

Six Months Ended June 30, 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
- on exercise of warrants	26,500,000	3,710,000	-	-	3,710,000
- on exercise of options	65,000	14,300	-	-	14,300
Fair value of options and warrants exercised	-	2,290,008	(2,290,008)	-	-
Financing warrants issued <i>(Note 6d)</i>	-	-	3,741,785	-	3,741,785
Future income tax expense	-	-	(935,446)	-	(935,446)
Net loss for the period	-	-	-	(2,601,137)	(2,601,137)
Balance – June 30, 2009	260,809,924	\$ 71,755,223	\$ 9,933,511	\$ (20,033,275)	\$ 61,655,459

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

Western Geopower Corp.

Interim Consolidated Statements of Operations and Comprehensive Loss

Three and Six Months Ended June 30, 2009 and 2008

(Expressed in Canadian Dollars)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Expenses				
Advertising and promotion	\$ 27,138	\$ 66,260	\$ 61,687	\$ 154,640
Accretion of asset retirement obligation	16,639	14,240	32,727	28,478
Amortization	4,534	2,331	9,068	4,476
Consulting and advisory fees	85,393	15,706	173,894	31,373
General and administrative	32,734	48,495	74,191	97,654
Foreign exchange (gain)/loss	(1,708,723)	153,959	(1,117,110)	(14,076)
Directors' fees	24,000	22,000	39,000	37,000
Interest and bank charges	2,313,621	12,750	4,018,364	25,243
Management fees	30,000	30,000	60,000	60,000
Professional fees	120,034	22,809	207,909	42,749
Regulatory and shareholder communication	22,007	25,418	28,117	31,315
Rent	32,200	15,976	64,708	31,952
Salaries	67,322	162,485	169,701	281,791
Travel	10,314	14,560	30,210	31,743
Gain on extinguishment of debt (Note 6b)	-	-	(29,875)	-
	(1,077,213)	(606,989)	(3,822,591)	(844,338)
Interest Income	838	63,721	1,792	151,294
Loss Before Income Taxes	(1,076,375)	543,268	(3,820,799)	(693,044)
Future Income Tax Recovery	664,131	140,946	1,219,662	181,386
Net Loss and Comprehensive Loss for Period	\$ (412,244)	\$ (402,322)	\$ (2,601,137)	\$ (511,658)
Net Loss per Share - Basic and Diluted	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)
Weighted Average Shares Outstanding	242,704,265	187,058,404	238,353,907	186,697,238

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

Western Geopower Corp.

Interim Consolidated Statements of Cash Flows

Six Months Ended June 30, 2009 and 2008

(Expressed in Canadian Dollars)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Cash Resources Provided By (Used in)				
Operating Activities				
Net loss for the period	\$ (412,244)	\$ (402,322)	\$ (2,601,137)	\$ (511,658)
Items not affecting cash:				
Accretion of asset retirement obligation	16,639	14,240	32,727	28,478
Amortization	4,534	2,331	9,068	4,476
Interest accretion on long-term debt	2,296,818	9,957	3,978,778	20,861
Interest payments on long-term debt	(1,383,353)	-	(2,702,164)	-
Gain on extinguishment of debt	-	-	(29,875)	-
Future income tax recovery	(664,131)	(140,946)	(1,219,662)	(181,386)
Unrealized foreign exchange (gain)/loss	(1,460,376)	-	(1,112,216)	-
Net changes in non-cash working capital:				
Receivables	14,202	(2,775)	38,537	75,364
Prepaid deposits and advances	(59,909)	(482,693)	(35,029)	(621,989)
Accounts payable and accrued liabilities	(209,340)	(975,633)	(914,273)	(75,929)
	<u>(1,857,160)</u>	<u>(1,977,841)</u>	<u>(4,555,246)</u>	<u>(1,261,783)</u>
Investing Activities				
Geothermal property costs, net of payables	(2,270,847)	(6,581,868)	(9,731,394)	(9,833,858)
Purchases of equipment	(1,140,922)	(100,237)	(2,059,578)	(266,745)
Long term deposits, net of payables	200,000	(2,033,262)	(3,043,112)	(2,682,350)
Changes in inventory	(776)	-	(60,868)	(1,199,065)
	<u>(3,212,545)</u>	<u>(8,715,367)</u>	<u>(14,894,952)</u>	<u>(13,982,018)</u>
Financing Activities				
Share issuance proceeds, net of issue costs	3,724,300	398,400	3,724,300	448,400
Debt issuance proceeds, net of issue costs	311,637	-	11,972,932	-
Other long term assets	(490,779)	-	(490,779)	-
	<u>3,545,158</u>	<u>398,400</u>	<u>15,206,543</u>	<u>448,400</u>
Net Decrease in Cash	(1,524,547)	(10,294,808)	(4,243,745)	(14,795,401)
Cash - Beginning of Period	2,155,117	11,418,121	4,874,315	15,918,714
Cash - End of Period	\$ 630,570	\$ 1,123,313	\$ 630,570	\$ 1,123,313
Supplemental Cash Flow Disclosure				
Interest paid	\$ 1,383,353	\$ 9,957	\$ 2,702,164	\$ 20,861
Income taxes paid	\$ -	\$ -	\$ -	\$ -
Supplemental Disclosure of Non-Cash Financing and Investing Activities				
Future income taxes in geothermal properties	\$ 1,522	\$ -	\$ 3,044	\$ -
Shares issued on debt extinguishment (Note 6b)	\$ -	\$ -	\$ 100,740	\$ -
Amortization capitalized to geothermal properties	\$ 17,043	\$ 6,277	\$ 34,086	\$ 12,552
Stock based compensation in geothermal properties	\$ -	\$ 216,727	\$ -	\$ 216,727
Costs of long term assets included in payables	\$ 2,729,791	\$ 422,848	\$ 2,729,791	\$ 2,055,953

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

Western Geopower Corp.

Interim Consolidated Schedules of Geothermal Property Costs

Six Months Ended June 30, 2009 and 2008

(Expressed in Canadian Dollars)

(Unaudited)

	2009	2008
The Geysers, California, U.S.A. (Note 5a)		
Balance - Beginning of Year	\$ 35,212,581	\$ 2,367,641
Amortization of equipment	25,390	-
Civil engineering	80,552	247,473
Drilling and testing	106,971	10,062,426
Environmental and legal review for power sales bids	-	46,057
Environmental – permitting and project development	279,294	141,908
Insurance	8,229	7,229
Interconnection – transmission studies	-	100,000
Leases	196,942	115,000
Legal fees and title and land search	273,545	69,384
Project administration and travel	520,900	175,970
Project development	75,030	71,709
Project finance and interest charges	106,288	34,936
Project management	631,039	355,682
Resource assessments and feasibility reports	27,357	-
Stock-based compensation	-	216,727
Total during the period	2,331,537	11,644,501
Balance - End of Period	37,544,118	14,012,142
South Meager, British Columbia, Canada (Note 5b)		
Balance - Beginning of Year	32,917,076	31,732,107
Amortization of equipment	8,696	-
Camp office and administration	42,124	14,780
Community stakeholder relations	29,965	43,435
Drilling and testing	33,329	40,838
Environmental review	5,500	-
Future income tax	3,044	-
Total during the period	122,658	99,053
Balance - End of Period	33,039,734	31,831,160
South Brawley, California (Note 5c)		
Balance - Beginning of Year	586,596	102,617
Leases	50,401	148,540
Professional fees; title and land searches	114,313	159,483
Total during the period	164,714	308,023
Balance - End of Period	751,310	410,640
Other International Projects		
Balance - Beginning of Year	6,000	-
Project due diligence	-	511,430
Balance - End of Period	6,000	511,430
Total Geothermal Property Costs – June 30, 2009 and 2008	\$ 71,341,162	\$ 46,765,372

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

Western Geopower Corp.

Notes to Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 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, the Unit 1 Geysers Project located at the Geysers Geothermal Field in Sonoma County, California, and the South Brawley Project located in Imperial County, California. 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 on each of the properties 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, no operating revenue (other than interest income), and has a working capital deficiency of \$2,278,374 as at June 30, 2009 (December 31, 2008 - \$9,338,122). The ability of the Company to carry out its planned business objectives, make required payments on existing indebtedness and to continue as a going concern 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 (Refer to Note 13).

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 and six months ended June 30, 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 Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2009

(Expressed in Canadian Dollars)

(Unaudited)

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*. The section establishes 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 Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2009

(Expressed in Canadian Dollars)

(Unaudited)

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

	June 30, 2009			December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Construction-in-progress	\$ 3,759,601	\$ -	\$ 3,759,601	\$ 1,454,079	\$ -	\$ 1,454,079
Furniture and fixtures	49,424	(23,735)	25,689	48,261	(20,881)	27,380
Computer equipment	68,757	(33,717)	35,040	67,298	(23,756)	43,542
Camp and field equipment	400,237	(137,933)	262,304	400,237	(112,214)	288,023
Leasehold improvements	19,504	(4,414)	15,090	19,504	(1,625)	17,879
Vehicles	39,494	(31,719)	7,775	39,494	(28,722)	10,772
	\$ 4,337,017	\$ (231,518)	\$ 4,105,499	\$ 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 six months ended June 30, 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 \$7,006,537 (approximately USD \$6.5 million) (December 31, 2008 - \$7,453,937) against the purchase of a steam turbine generator and other equipment 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 Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2009

(Expressed in Canadian Dollars)

(Unaudited)

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 six months ended June 30, 2009 and the years ended December 31, 2008 and 2007, the Company has entered into certain leases in South Brawley totalling approximately 3,000 acres, 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 table below provides details of the debt transactions for the six months ended June 30, 2009:

	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	-	-	-	13,662,114	13,662,114
Finance and transaction fees incurred	-	-	-	(5,430,967)	(5,430,967)
Interest payments	-	(24,510)	(1,398,702)	(1,278,952)	(2,702,164)
Interest and accretion expense	11,375	45,924	2,200,617	1,720,862	3,978,778
Gain on extinguishment of debt	-	(130,616)	-	-	(130,616)
Effect of foreign exchange on loans	-	-	(528,278)	(583,702)	(1,111,980)
Long term debt – June 30, 2009	\$ 883,647	\$ 290,798	\$ 10,011,139	\$ 8,089,355	\$ 19,274,939

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

2010	\$ 13,193,000
2011	13,676,647
	26,869,647
Less: future accretion	(7,594,708)
	\$ 19,274,939

Western Geopower Corp.

Notes to Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2009

(Expressed in Canadian Dollars)

(Unaudited)

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. In accordance with the agreement, interest has been calculated at the Royal Bank of Canada's prime rate beginning on January 1, 2008. For the six months ended June 30, 2009 the Company has accrued interest in the amount of \$11,375 (2008 - \$20,861). 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 six months ended June 30, 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 six months ended June 30, 2009 (resulting in a net gain of \$29,875, when netted against the fair value of the shares issued in connection with the extension). 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 six months ended June 30, 2009, the Company paid interest on the loans totalling \$24,510 (2008 - \$Nil) and incurred interest and accretion expenses of \$45,924 (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 it 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 \$1,100,000 has been paid) every six-month interval until the maturity date or principal is repaid.

Western Geopower Corp.

Notes to Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2009

(Expressed in Canadian Dollars)

(Unaudited)

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 six months ended June 30, 2009, the Company paid interest and rollover fees of \$1,398,702 (2008 - \$Nil) and incurred interest and accretion expense of \$2,200,617 (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. The loan was fully drawn down by the Company as at June 30, 2009.

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 \$1,689,182. 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 six months ended June 30, 2009, the Company paid interest and rollover fees of \$1,278,952 (2008 - \$Nil) and incurred interest and accretion expense of \$1,720,862 (2008 - \$Nil), which is included in interest and bank charges.

- e) During the six months ended June 30, 2009, the Company incurred various legal, professional and due diligence fees in connection with the examination and review of certain long term project financing opportunities for the Geysers project described in Note 5a). There can be no assurance the Company will be successful in obtaining the required funding on acceptable terms. In the event the Company is unable to negotiate a definitive financing arrangement with potential lenders, the amounts incurred to date will be written off. Should the Company be successful in obtaining the desired financing under acceptable terms, the transaction fees incurred will be offset against debt and proceeds raised.

Western Geopower Corp.

Notes to Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2009

(Expressed in Canadian Dollars)

(Unaudited)

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	636	32,091	32,727
Effect of foreign exchange	(236)	-	(236)
Ending balance, June 30, 2009	\$ 5,272	\$ 661,772	\$ 667,044

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 June 30, 2009 and changes during this six month period are presented below:

	Six Months Ended June 30, 2009	
	Options	Weighted Average Exercise Price
Outstanding – December 31, 2008	18,350,000	\$ 0.26
Exercised during the period	(65,000)	0.22
Cancelled/forfeited during the period	(850,000)	0.30
Expired during the period	(150,000)	0.35
Outstanding – June 30, 2009	17,285,000	\$ 0.26
Exercisable – June 30, 2009	17,285,000	\$ 0.26

Western Geopower Corp.

Notes to Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2009

(Expressed in Canadian Dollars)

(Unaudited)

8. Share Capital - *continued*

a) *Stock options - continued*

During the six months ended June 30, 2009, the Company granted a total of Nil (2008 – 1,050,000) options to employees, directors, and/or consultants with a weighted average exercise price of \$Nil (2008 - \$0.32), exercisable over a five year period under the stock option plan, and vesting immediately at the date of grant.

During the six months ended June 30, 2009, 65,000 (2008 – 520,000) options were exercised for total gross proceeds of \$14,300 (2008 - \$107,900). In connection with these exercises, the Company reclassified the amount of fair value of the options originally attributable and recorded as at the date of grant, being \$10,296 (2008 - \$78,200) from contributed surplus to share capital.

In addition to the above, for the six months ended June 30, 2009, 850,000 (2008 - Nil) options were cancelled and forfeited due to individuals leaving the employee of the Company and an additional 150,000 (2008 - 511,163) expired unexercised.

As at June 30, 2009, stock options exercisable and outstanding are as follows:

<u>Options Outstanding and Exercisable</u>		
Exercise Price	Number	Weighted Average Remaining Contractual Life (yrs.)
\$0.155	910,000	2.47
\$0.170	100,000	2.15
\$0.195	1,350,000	4.30
\$0.220	4,325,000	1.64
\$0.270	7,100,000	3.23
\$0.290	550,000	3.76
\$0.300	300,000	3.21
\$0.315	350,000	4.09
\$0.320	300,000	2.92
\$0.350	2,000,000	1.82
	<u>17,285,000</u>	<u>2.73</u>

Western Geopower Corp.

Notes to Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2009

(Expressed in Canadian Dollars)

(Unaudited)

8. Share Capital - *continued*

b) *Stock-based compensation*

The weighted average fair value of options granted during the six months ended June 30, 2009 was \$Nil (2008 - \$0.20 per share).

The total compensation expense recognized for options granted during the six months ended June 30, 2009 was \$Nil (2008 - \$216,727). All of the stock based compensation expenses incurred in the six months ended June 30, 2008 were 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	3.28%
Weighted average expected option life	N/A	5 years
Weighted average expected stock volatility	N/A	78.03%
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.

c) *Warrants*

A summary of the status of the Company's outstanding (and exercisable) warrants as at June 30, 2009 and changes during the six months then ended are presented below:

	Six Months Ended June 30, 2009	
	Warrants	Weighted Average Exercise Price
Outstanding – December 31, 2008	74,892,667	\$ 0.34
Issued during the period	43,495,543	0.14
Exercised during the period	(26,500,000)	0.14
Outstanding – June 30, 2009	91,888,210	\$ 0.31

During the six months ended June 30, 2009, the Company issued 43,495,543 share purchase warrants in connection with the long term debt agreement discussed in Note 6d). Of these warrants issued, 26,500,000 were exercised for total gross cash proceeds of \$3,710,000. In connection with these exercises, the Company reclassified the amount of fair value of the warrants originally recorded as at the date of grant on a pro-rata basis, being \$2,279,712, from contributed surplus to share capital.

Western Geopower Corp.

Notes to Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2009

(Expressed in Canadian Dollars)

(Unaudited)

8. Share Capital - *continued*

c) *Warrants - continued*

As at June 30, 2009, warrants are outstanding and exercisable are as follows:

Warrants Outstanding and Exercisable		
Exercise Price	Number	Weighted Average Remaining Contractual Life (yrs.)
\$0.14	16,995,543	1.58
\$0.18	29,629,629	1.40
\$0.45	45,263,038	1.26
	91,888,210	1.37

9. Related Party Transactions

The following is a summary of the related party transactions that occurred throughout each of the six months ended June 30, 2009 and 2008:

- During the six months ended June 30, 2009, the Company paid or accrued management fees to a Director and Officer of the Company, totalling \$120,000 (2008 - \$120,000), of which \$60,000 (2008 - \$60,000) was charged to geothermal property costs and the remainder was charged to the statement of operations.
- For the six months ended June 30, 2009, the Company paid or accrued consulting fees to certain Directors of the Company, totalling \$316,300 (2008 - \$124,500), of which \$268,632 (2008 - \$124,500) was charged to geothermal property costs and the remainder was charged to the statement of operations.
- For the six months ended June 30, 2009, the Company paid or accrued \$39,000 (2008 - \$37,000) in director fees.
- Included in accounts payable and accrued liabilities at June 30, 2009 are amounts owed to Directors and Officers of the Company totalling \$194,988 (December 31, 2008 - \$11,000) for amounts owed under compensation agreements. The amounts are non-interest bearing, unsecured, and without specific terms of repayment.
- The Company incurred transactions with a Director and Officer of the Company as described in Note 6b)

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.

Western Geopower Corp.

Notes to Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2009

(Expressed in Canadian Dollars)

(Unaudited)

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:

	June 30, 2009			
	Canada	United States	Other	Total
Current assets	\$ 628,504	\$ 175,112	\$ -	\$ 803,616
Inventory	-	3,203,398	-	3,203,398
Equipment	127,358	3,978,141	-	4,105,499
Geothermal property costs	33,039,734	38,295,428	6,000	71,341,162
Long term deposits	180,300	7,073,762	-	7,254,062
Other long term assets	-	490,779	-	490,779
Total assets	\$ 33,975,896	\$ 53,216,620	\$ 6,000	\$ 87,198,516

	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 and six months ended June 30, 2009 and 2008:

	Three Months Ended		Six Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Canada	\$ 752,886	\$ 402,322	\$ 2,745,201	\$ 511,658
United States of America (income)	(340,642)	-	(144,064)	-
Net Loss for the Period	\$ 412,244	\$ 402,322	\$ 2,601,137	\$ 511,658

11. Comparable Figures

Certain comparative figures have been reclassified in order to conform with the presentation adopted in the current period.

Western Geopower Corp.

Notes to Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2009

(Expressed in Canadian Dollars)

(Unaudited)

12. Commitments

The following is a schedule of the Company's commitments as at December 31, 2008:

	Note 12a)	Note 12b)	Note 12c)	Total
Remainder of 2009	\$ 105,000	\$ 159,000	\$ 14,633,000	\$ 14,897,000
2010	201,000	83,000	5,340,000	5,624,000
2011	126,000	66,000	-	192,000
2012	-	96,000	-	96,000
2013	-	280,000	-	280,000
2014	-	66,000	-	66,000
Beyond	-	220,000	-	220,000
	\$ 432,000	\$ 970,000	\$ 19,973,000	\$ 21,375,000

- a) The Company has minimum annual lease commitments for its office premises and storage facilities in Canada and the United States expiring in 2011.
- b) In order to ensure the Company's geothermal property leases are in good standing certain exploration and development leases, licenses and permits must be maintained and paid for annually. These obligations may be varied from time to time, subject to approval, and are expected to be fulfilled in the normal course of operations of the Company. The lease commitments above are minimum lease payments based on those properties in which the Company presently has an interest and may increase if new applications are granted in the future.
- c) The Company has agreed to terms on the purchase of certain equipment, supplies, and contracts related to the construction of the WGP Unit 1 Geysers Project. The various agreements commit the Company to the above-noted payments for the years ended December 31, 2009 and 2010.
- d) In addition to the above, the Company has entered into an interconnection agreement, whereby the Company is responsible for certain costs associated with the construction of interconnection facilities and associated network upgrades in connection with The Geysers Project. The agreement allows the Company to connect to local electrical grid. The Company estimates the total cost of construction and upgrades to be approximately USD \$7.1 million, to be spent at various times between late 2009 and 2010. Under the terms of the agreement, the Company is eligible to be reimbursed certain of these costs subsequent to the construction of the facilities which are in the preliminary stages.

13. Subsequent Events

- a) The Company entered into a Letter of Intent ("LOI") dated July 14, 2009 with GTO Resources Inc. ("GTO"), Polaris Geothermal Inc. ("Polaris"), and Ram Power, Inc. ("Ram"), with respect to a proposed business combination (the "Transaction").

Western Geopower Corp.

Notes to Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2009

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(Unaudited)

13. Subsequent Events - *continued*

Closing of the Transaction contemplated by the LOI is subject to a number of conditions and approvals which include: completion by GTO of a \$100 million private placement of subscription receipts; the satisfactory completion of due diligence investigations; the execution of definitive agreements to effect the business combination; approval of securityholders of GTO, Polaris and the Company at a special meeting of such securityholders; approval of shareholders of Ram; approval of holders of debentures of Polaris; approval of certain lenders of the Company; court approval; and the approval of all relevant regulatory authorities and third parties. There can be no assurance that the Transaction or the \$100 million private placement will be completed as proposed or at all. The LOI provides for termination rights, including, termination in the event the Transaction is has not been executed by all the parties by September 30, 2009 or the private placement of subscription receipts has not been completed by September 30, 2009. The termination date of September 30, 2009 can be extended if agreed to by all parties.

On August 6, 2009, GTO announced that it will increase the size of its proposed private placement in connection with the Transaction to \$156 million from \$100 million, through the issuance of an aggregate of 52 million subscription receipts at an anticipated price of \$3.00 per subscription receipt, each exercisable into one common share of GTO (after giving effect to a 10 for 1 consolidation). In addition, the press release indicated that GTO has agreed to grant the agents an over-allotment option, exercisable in whole or in part prior to the closing of the private placement, to offer for sale up to an additional 7.8 million subscription receipts for additional proceeds of \$23.4 million. The press release also indicates the private placement is subject to applicable regulatory approvals and is anticipated to close on or about August 18, 2009. There can be no assurance as to the timing of the closing of the private placement or if the private placement will close at all.

- b) Subsequent to year end, the Company agreed to an increase in the amount available under an existing secured loan facility (described in Note 6d) from US\$11 million to US\$12.35 million. The new tranche has been fully drawn upon by the Company. Interest will be payable on this new tranche at a rate of 1.25% per month and the new tranche will be repayable on June 30, 2010. The Company must pay a rollover fee equal to 5% of the principal amount of the additional tranche six months after the disbursement of that tranche.
- c) Subsequent to June 30, 2009, 14,814,814 warrants were exercised for the same number of common shares of the Company at \$0.18 per share for total gross proceeds of \$2,666,667.



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

Interim Three and Six Months Ended June 30, 2009 and 2008

(Expressed in Canadian Dollars)

Western Geopower Corp.

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

Interim Three and Six Months Ended June 30, 2009

(Expressed in Canadian Dollars)

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Western Geopower Corp.

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

Interim Three and Six Months Ended June 30, 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" or the "Company") and compares its financial results for the three and six months ended June 30, 2009 to comparable prior periods. This MD&A should be read in conjunction with the Company's unaudited consolidated financial statements for the three and six months ended June 30, 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 August 14, 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 plans to continue to explore financing for The Geysers project; the Company plans to continue to explore entering into an engineering, construction and procurement contract for The Geysers project; management believes it will be able to raise equity and capital as required in the long term; and, 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.

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.

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.

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(Expressed in Canadian Dollars)

The Company has in the past made statements as to its expectations on the timing of securing project financing for The Geysers project, the start of commercial operations at the planned Geysers power plant, the entering into of an engineering, procurement and construction contract for The Geysers project. On July 14, 2009, the Company announced the preliminary reservoir modeling results of GeothermEx, Inc. on the Company's leasehold at The Geysers. On July 15, the Company announced it had entered into a Letter of Intent to effect a business combination. As a result of this report and the proposed business combination, the timing of such matters, or their occurrence if at all, can no longer be determined.

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 June 30, 2009, the Company recorded a net loss of \$412,244 or \$0.00 per share, as compared to a net loss of \$402,322 or \$0.00 per share for the three months ended June 30, 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 increased general activity in an increasing regulatory business environment, and an offset of foreign exchange gain related to the weakening US dollar compared to the Canadian dollar during the three months ended June 30, 2009. 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 June 30, 2009, the Company had total assets of \$87,198,516 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.

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Interim Three and Six Months Ended June 30, 2009

(Expressed in Canadian Dollars)

As at June 30, 2009, the Company had a working capital deficiency of \$2,278,374 compared to a working capital deficiency of \$9,338,122 as at December 31, 2008. The Company's working capital as at June 30, 2009 includes cash of \$630,570 (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 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 June 30, 2009, the Company had total equipment of \$4,105,499 (net of accumulated amortization) compared to \$1,841,675 at December 31, 2008. For the six months ended June 30, 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 June 30, 2009 and December 31, 2008, total long term deposits were \$7,006,537. The deposits relate to deposits on the purchase of a steam turbine generator and other equipment for the WGP Unit 1 Project.

As at June 30, 2009, the total carrying value of the Company's geothermal properties was \$71,341,162 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 and six months ended June 30, 2009 and the years ended December 31, 2008 and 2007.

During the six months ended June 30, 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.

The Company has entered into a number of geothermal leases, 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 explore and develop the geothermal reservoir and to build a new plant for electricity generation.

In 2008, the Company drilled four wells on The Geysers leasehold. In conjunction with the Company's efforts to obtain financing to drill additional wells and construct a power plant on The Geysers leasehold, the Company retained GeothermEx, Inc. ("GeothermEx"), an independent consultant specializing in geothermal energy, to develop and calibrate a reservoir model for the Company's leasehold which incorporates data from the wells the Company drilled. GeothermEx's report of August 11, 2009, indicates, based on its reservoir model, that it may be possible to sustain a plant capacity of 35 MWe (net) over the project life, but only if an undrilled portion of the Company's leasehold proves as productive as areas drilled to date. Alternatively, GeothermEx's reservoir modeling indicates a plant capacity of 25 MWe (net) can be sustained over the entire project life, supported by seven production wells located within proven productive areas. The findings in GeothermEx's report are subject to certain assumptions and qualifications. In light of GeothermEx's report, management of the Company is considering potential strategies, including, without limitation, commencing the initial plant output at 25 MWe (net) or expanding the drilling program to include lands on The Geysers leasehold where resources have not yet been proven.

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(Expressed in Canadian Dollars)

The Company continues to be party to a Power Purchase Agreement with the Northern California Power Agency for the supply by the Company's proposed power plant at The Geysers of approximately 265,000 MWhr per year of electricity at a price of US \$98 per MWhr for 20 years. The Company has submitted a request for more favourable terms under the Power Purchase Agreement.

During the six months ended June 30, 2009, the Company undertook certain steps required before construction of a power plant can commence, including agreeing to terms on the Large Generator Interconnection Agreement in February 2009 and entering into various engineering and procurement contracts for design of the power plant, electrical switchyard, and the steam gathering and injection systems and power plant equipment.

Subsequent to the six months ended June 30, 2009, the Company obtained receipt of approvals for the Environmental Document and the Conditional Use Permit to construct the power plant, as well the Authority to Construct and Temporary Permit to Operate from the Northern Sonoma County Air Pollution Control District. Such approvals are subject to continuing conditions.

The Company plans to continue to explore financing for The Geysers project. The Company also plans to continue to explore entering into an engineering, construction and procurement contract for the Geysers project. There can be no assurances that the Company will be able to obtain financing, or enter into an engineering, construction and procurement contract, on terms acceptable to the Company. In the event the Company is unable to obtain such financing or enter into such an engineering, construction and procurement contract, the Company plans not to commence plant construction and will be required to curtail development of this project.

South Meager Geothermal Project, British Columbia, Canada

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 approximately 170 kilometres north of Vancouver.

Between 2004 and 2005 the Company drilled three wells on the South Meager property. In 2008, the Company conducted a testing program at the South Meager property, under the direction of GeothermEx. GeothermEx's report of March 25, 2009 indicates that this testing involved an airlift assisted flow test of one well, which has demonstrated potentially commercial permeability. GeothermEx's report provides that although this well itself did not sustain self flow after airlifting, 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. The findings in GeothermEx's report are subject to certain assumptions and qualifications.

Pending the outcome of the proposed Transaction (as defined in Section 1.11), the Company does not plan to devote any material resources to further exploration at the South Meager property.

South Brawley, California, United States of America

The Company has entered into a number of geothermal leases, covering approximately 3,000 acres, in the South Brawley area, located in Imperial County, Southern California. The leases grant the Company the right to explore and develop the geothermal reservoir and to build a plant for electricity generation.

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Certain of the Company's geothermal leases in the South Brawley area were entered into during the six month period ended June 30, 2009. The Company has not conducted any drilling on the South Brawley leasehold. Pending the outcome of the proposed Transaction, the Company does not plan to devote any material resources to exploration at the South Brawley leasehold.

Segmented information

For information on segmented information, please refer to Note 10 of the unaudited consolidated financial statements for the three and six months ended June 30, 2009 and Note 12 of the audited consolidated financial statements for the year ended December 31, 2008.

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 June 30, 2009 compared to the Three Months Ended June 30, 2008

The Company's overall expenses were higher in 2009, totalling \$1,077,213 compared to \$606,989 in 2008. The key factors related to the increase are summarized as follows:

- During the three months ended June 30, 2009, advertising and promotion decreased compared to the previous period totalling \$27,138 (2008 - \$66,260). The decrease is a result of the termination of certain subscription agreements no longer used by the Company.

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- Consulting and advisory fees were \$85,393 for the three months ended June 30, 2009 compared to \$15,706 in 2008. The increase is a result of further fees being incurred as a result of the addition of a new Chief Financial Officer on an interim basis in late 2008.
- Foreign exchange gain for the three months ended June 30, 2009 was \$1,708,723, compared to a loss in the prior comparable period of \$153,959. 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. In the second quarter of 2009, the Canadian dollar, once again gained some strength against the US dollar. As at December 31, 2008, the Canadian dollar closed at 1.2180 US dollars; at March 31, 2009 it closed at \$1.2602; and at June 30, 2009 it closed at \$1.1630. The significant amount of foreign exchange gain for the three months ended June 30, 2009 is a result of the US denominated long term debt and accounts payable being re-valued at the rate in effect at June 30, 2009 from the rate at March 31, 2009.
- During the three months ended June 30, 2009, interest and bank charges increased to \$2,313,621, from \$12,750 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 June 30, 2009, professional fees amounted to \$120,034, compared to \$22,809 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, adoption of IFRS review, 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 June 30, 2009, rent increased to \$32,200 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 June 30, 2009, salaries decreased to \$67,322 from \$162,485 as a result of retaining key full time staff and limited use of outside part-time and contract employment.

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 balances, decreased for the three months ended June 30, 2009 to \$838 from \$63,721 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 June 30, 2009, the Company recorded a recovery on future income taxes of \$664,131, compared to a recovery of \$140,946. 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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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.

	June 2009	March 2009	December 2008	September 2008
Total revenues	\$Nil	\$Nil	\$Nil	\$Nil
Net loss before discontinued operations and extraordinary items	\$(412,244)	\$(2,188,893)	\$(1,328,842)	\$(795,183)
Basic and diluted loss per share before discontinued operations and extraordinary items **	\$(0.00)	\$(0.01)	\$(0.01)	\$(0.00)
Net loss for the period	\$(412,244)	\$(2,188,893)	\$(1,328,842)	\$(795,183)
Basic and diluted loss per share for the period **	\$(0.00)	\$(0.01)	\$(0.01)	\$(0.00)

	June 2008	March 2008	December 2007	September 2007
Total revenues	\$Nil	\$Nil	\$Nil	\$Nil
Net income (loss) before discontinued operations and extraordinary items	\$(402,322)	\$(109,336)	\$544,479	\$(1,821,663)
Basic and diluted earnings (loss) per share before discontinued operations and extraordinary items **	\$(0.00)	\$(0.00)	\$0.00	\$(0.01)
Net income (loss) for the period	\$(402,322)	\$(109,336)	\$544,479	\$(1,821,663)
Basic and diluted earnings (loss) per share for the period **	\$(0.00)	\$(0.00)	\$0.00	\$(0.01)

** 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 incurred 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).

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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 and six months ended June 30, 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.

Subsequent to the six months ended June 30, 2009, the Company agreed to an increase in the amount available under an existing secured loan facility from US \$11 million to US \$12.35 million, which has been fully drawn upon by the Company. Interest will be payable on this new tranche at a rate of 1.25% per month and the new tranche will be repayable on June 30, 2010.

Subsequent to June 30, 2009, 14,814,814 warrants were exercised for the same number of common shares of the Company at \$0.18 per share for total gross proceeds of \$2,666,667.

During the six months ended June 30, 2009, the Company issued 43,495,543 share purchase warrants in connection with the long term debt agreement discussed below. Of these warrants, 26,500,000 have been exercised for gross cash proceeds of \$3,710,000. Also, during the six months ended June 30, 2009, 65,000 options were exercised for gross proceeds of \$14,300.

As at June 30, 2009, the Company had a working capital deficiency of \$2,278,374 compared to a working capital deficiency of \$9,338,122 as at December 31, 2008. The Company's working capital as at June 30, 2009 includes cash of \$630,570 (December 31, 2008 - \$4,874,315). The decrease in working capital deficiency is a result of the recent long term debt financings entered into by the Company. The decrease in cash 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.

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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.

The proceeds of these above two loans have been used for drilling, project management, development cost, plant equipment, and for working capital and general corporate purposes. Subsequent to the six months ended June 30, 2009, the January 2009 loan agreement was amended such that the proceeds of that loan could also be used for project finance matters.

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 balances 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.

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For information on the Company's obligations and commitments see Notes 5, 6, 7, 12, and 13 of the unaudited interim consolidated financial statements for the three and six months ended June 30, 2009 and Notes 6, 7, 11, and 13 in the audited consolidated financial statements for the year ended December 31, 2008.

As at August 14, 2009, the Company had 17,285,000 stock options and 77,073,396 warrants outstanding which, if exercised, would bring a further \$30.3 million to the Company's treasury upon exercise. There can be no assurance that these stock options and/or warrants will be exercised.

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 and six months ended June 30, 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

The Company entered into a Letter of Intent dated July 14, 2009 ("LOI") with GTO Resources Inc. ("GTO"), Polaris Geothermal Inc. ("Polaris"), and Ram Power, Inc. ("Ram"), with respect to a proposed business combination (the "Transaction").

Closing of the Transaction contemplated by the LOI is subject to a number of conditions and approvals which include completion by GTO of a \$100 million private placement of subscription receipts; the satisfactory completion of due diligence investigations; the execution of definitive agreements to effect the business combination; approval of securityholders of GTO, Polaris and Western at a special meeting of such securityholders; approval of shareholders of Ram; approval of holders of debentures of Polaris; approval of certain lenders of Western; court approval; and the approval of all relevant regulatory authorities and third parties. There can be no assurance that the Transaction or the \$100 million private placement will be completed as proposed or at all. The LOI provides for termination rights, including, termination in the event the Transaction is has not been executed by all the parties by September 30, 2009 or the private placement of subscription receipts has not been completed by September 30, 2009. The termination date of September 30, 2009 can be extended if agreed to by all parties.

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On August 6, 2009, GTO announced that it will increase the size of its proposed private placement in connection with the Transaction to \$156 million from \$100 million, through the issuance of an aggregate of 52 million subscription receipts at an anticipated price of \$3.00 per subscription receipt, each exercisable into one common share of GTO (after giving effect to a 10 for 1 consolidation). In addition, the press release indicated that GTO has agreed to grant the agents an over-allotment option, exercisable in whole or in part prior to the closing of the private placement, to offer for sale up to an additional 7.8 million subscription receipts for additional proceeds of \$23.4 million. The press release also indicates the private placement is subject to applicable regulatory approvals and is anticipated to close on or about August 18, 2009. There can be no assurance as to the timing of the closing of the private placement or if the private placement will close at all.

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 for the three and six months ended June 30, 2009. 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.

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.

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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 and six months ended June 30, 2009.

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.

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.

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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 and six months ended June 30, 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 and six months ended June 30, 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 and six months ended June 30, 2009.

1.15.2 Disclosure of Outstanding Share Data

The following describes the outstanding share data of the Company as at August 14, 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 and six months ended June 30, 2009.

	Number Outstanding
Common shares	275,624,738
Options to purchase common shares	17,285,000
Warrants to purchase common shares	77,073,396

At the effective date of this MD&A, if all of these options and warrants were exercised, a total of 369,983,134 common shares would be issued and outstanding.

1.15.3 Additional Disclosure for Reporting Issuers with Significant Equity Investees

Not applicable.

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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.
