

Consolidated Financial Statements

WESTERN GEOPower CORP.

Unaudited Interim Consolidated Financial Statements
(Expressed in Canadian dollars)

For the nine months ended September 30, 2007 and 2006

NOTICE TO SHAREHOLDERS of

WESTERN GEOPOWER CORP.

Responsibility for Financial Statements:

The accompanying unaudited interim consolidated financial statements for the nine months ended September 30, 2007 and 2006 of Western GeoPower Corp., have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the December 31, 2006 audited financial statements. Only changes in accounting policies have been disclosed in these financial statements. Statements are presented on the accrual basis of accounting. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

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

WESTERN GEOPOWER CORP.

Consolidated Balance Sheets
(Expressed in Canadian dollars)

	September 30, 2007 <i>(Unaudited)</i>	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 17,008,029	\$ 1,325,698
Amounts receivable	26,380	36,180
Prepaid expenses and deposits	769,442	147,583
	<u>17,803,851</u>	<u>1,509,461</u>
Equipment	160,672	187,906
Geothermal properties (note 5)	33,234,486	32,030,012
Reclamation deposit (note 5)	150,000	150,000
	<u>\$ 51,349,009</u>	<u>\$ 33,877,379</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 230,974	\$ 288,129
Long term debt (note 6)	833,078	833,078
Provision for site reclamation and closure costs (note 8)	626,422	587,146
Future income taxes	3,786,565	4,287,850
	<u>5,477,039</u>	<u>5,996,203</u>
Shareholders' equity:		
Share capital (note 9)	53,239,616	34,471,513
Contributed surplus	7,973,288	6,486,552
Accumulated other comprehensive income (loss) (note 3)	-	-
Deficit	(15,340,934)	(13,076,889)
	<u>45,871,970</u>	<u>27,881,176</u>
	<u>\$ 51,349,009</u>	<u>\$ 33,877,379</u>

Nature of operations (note 1)
Commitments (notes 5 and 10)
Subsequent events (note 11)

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

Kenneth MacLeod (signed)
Director

John Copeland (signed)
Director

WESTERN GEOPOWER CORP.

Consolidated Statements of Operations and Comprehensive Income

(Expressed in Canadian dollars)

Nine months ended September 30, 2007 and 2006 and three months ended September 30, 2007 and 2006

<i>(Unaudited)</i>	Three months ended September 30,		Nine months ended September 30,	
	2007	2006 <i>(restated-note4)</i>	2007	2006 <i>(restated-note4)</i>
Expenses:				
Advertising and promotion	\$ 137,265	\$ 17,064	\$ 249,761	\$ 36,466
Amortization and accretion	15,686	16,637	46,132	49,908
Consulting and advisory fees	40,000	5,109	71,747	57,713
General and administration	43,376	44,760	104,504	121,381
Directors' fees	17,000	13,500	45,000	36,000
Interest and bank charges, net	905	31,756	2,136	102,179
Financing costs	-	39,541	-	117,335
Management fees (note 7)	210,000	22,500	315,000	67,500
Professional fees	10,000	16,325	41,364	60,566
Regulatory fees, transfer agent and shareholder communications	8,813	13,921	27,779	53,242
Rent	15,577	10,538	46,137	26,350
Salaries	118,016	92,789	347,331	255,215
Travel & related	63,884	8,209	77,178	49,326
Loss on disposal of assets	-	101	1,777	101
Stock-based compensation (note 9(e))	1,437,475	11,916	1,502,314	821,593
Loss before the undernoted	(2,117,997)	(344,666)	(2,878,160)	(1,854,875)
Interest income	56,847	7,061	72,477	26,411
Future income tax recovery	239,487	126,847	541,638	724,887
Loss for the period	(1,821,663)	(210,758)	(2,264,045)	(1,103,577)
Other comprehensive income (loss for the period (note3))	-	-	-	-
Net Loss, being comprehensive loss	\$ (1,821,663)	\$ (210,758)	\$ (2,264,045)	\$ (1,103,577)
Basic and diluted loss per share	\$ (0.01)	\$ (0.00)	\$ (0.02)	\$ (0.01)
Weighted average number of shares outstanding	128,322,071	88,106,875	128,322,071	88,044,604

See accompanying notes to the consolidated financial statements.

WESTERN GEOPOWER CORP.

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

<i>(Unaudited)</i>	September, 2007	December 31, 2006
Common Shares		
Balance at beginning of period	\$ 34,471,513	\$ 33,926,741
Exercise of warrants	11,738,259	-
Exercise of Agents options	625,562	-
Private placement net of issue costs	6,208,182	2,609,938
Future income tax effect on renouncing flow-through share proceeds expensed	-	(2,065,166)
Exercise of stock options	114,700	-
Fair value of stock options upon exercise from contributed surplus	81,400	-
Balance at end of period	53,239,616	34,471,513
Contributed Surplus		
Balance at beginning of period	6,486,552	5,405,958
Fair value of stock compensation	1,568,136	1,080,594
Fair value of stock options upon exercise to share capital	(81,400)	-
Balance at end of period	7,973,288	6,486,552
Accumulated Deficit		
Balance at beginning of period	(13,076,889)	(12,075,918)
Net loss	(2,264,045)	(1,000,971)
Adjustments to opening balance due to accounting policy changes	-	-
Balance at end of period	(15,340,934)	(13,076,889)
Accumulated Other Comprehensive income (loss)		
Balance at beginning of period	-	-
Current period	-	-
Adjustments to opening balance due to accounting policy changes	-	-
Balance at end of period	-	-
Total Shareholders' Equity	\$ 45,871,970	\$ 27,881,176

See accompanying notes to the consolidated interim financial statements.

WESTERN GEOPOWER CORP.

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

Three months ended September 30, 2007 and 2006 and nine months ended September 30, 2007 and 2006

<i>(Unaudited)</i>	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
	<i>(restated-note 4)</i>		<i>(restated-note 4)</i>	
Cash provided by (used in):				
Operations:				
Loss for the period	\$ (1,821,663)	\$ (210,758)	\$ (2,264,045)	\$ (1,103,577)
Items not involving cash:				
Amortization and accretion	15,686	16,637	46,132	49,908
Loss on disposal of assets	-	101	1,777	101
Amortization of deferred financing costs	-	39,541	-	117,335
Stock-based compensation	1,437,475	11,916	1,502,314	821,593
Future income tax recovery	(239,487)	(126,847)	(541,638)	(724,887)
Changes in non-cash operating working capital				
Amounts receivable	(13,661)	(7,606)	9,800	96,659
Prepaid expenses and deposits	(572,834)	4,079	(621,859)	(21,277)
Accounts payable and accrued liabilities	83,088	174,908	(58,200)	(279,773)
	<u>(1,111,396)</u>	<u>(98,029)</u>	<u>(1,925,719)</u>	<u>(1,043,918)</u>
Investments:				
Geothermal property costs, net of accounts payables and accrued liabilities	(331,351)	(460,071)	(1,073,258)	(2,526,346)
Purchase of equipment	(2,747)	(3,932)	(5,895)	(3,932)
Proceeds from sale of asset	-	1,000	500	1,000
	<u>(456,579)</u>	<u>(463,003)</u>	<u>(1,078,653)</u>	<u>(2,529,278)</u>
Financing:				
Cash proceeds received from issuance of shares	17,987,503	-	18,686,703	5,924,701
Advances on share subscriptions	-	-	-	-
Short term loan (repayment)	-	-	-	(2,000,000)
	<u>17,987,503</u>	<u>-</u>	<u>18,686,703</u>	<u>3,924,701</u>
Increase (decrease) in cash and cash equivalents	16,542,009	(561,032)	15,682,331	351,505
Cash and cash equivalents, beginning of period	466,020	1,019,954	1,325,698	107,417
Cash and cash equivalents, end of period	<u>\$ 17,008,029</u>	<u>\$ 458,922</u>	<u>\$ 17,008,029</u>	<u>\$ 458,922</u>
Supplementary cash flow information				
Interest paid	\$ -	\$31,756	\$ -	\$102,179
Interest received	56,847	7,061	72,477	26,411
Non-cash financing and investing activities:				
Stock-based compensation capitalized	65,822	-	65,822	63,362
Amortization of equipment capitalized	7,999	10,433	23,996	31,005
Geothermal property costs included in accounts payable and accrued liabilities	107,154	-	107,154	-

See accompanying notes to the consolidated interim financial statements

WESTERN GEOPOWER CORP.

Notes to Consolidated Interim Financial Statements (Unaudited)
(Expressed in Canadian dollars)
Nine months ended September 30, 2007 and 2006

1. Nature of operations:

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

These financial statements have been prepared on the basis that the Company will continue as a going concern. At September 30, 2007, the Company had working capital of \$17,572,878. During the quarter ended September 30, 2007, the Company raised \$18.6M through a combination of private placement and exercise of warrants and options. The funds raised will provide the capital to execute the Company's current development program and working capital. Management recognizes that the Company will need to generate additional financial resources in order to meet its long term business objectives. However, there can be no assurances that the Company will continue to obtain additional financial resources and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations and exploration activities. Furthermore, failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis which would differ significantly from the going concern basis.

2. Significant accounting policies:

Basis of presentation:

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

These interim consolidated financial statements follow the same accounting policies and methods of application as the Company's most recent annual financial statements, except as described in note 3 and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2006.

WESTERN GEOPower CORP.

Notes to Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
Nine months ended September 30, 2007 and 2006

3. Changes in accounting policies

Effective January 1, 2007, the Company adopted, on a prospective basis, the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA").

a) *Accounting changes – (Section 1506)*

This standard allows for voluntary changes in accounting policy only when such changes enhance the relevance and reliability of the financial statements and the comparability of those financial statements over time and with the financial statements of other entities. The standard requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements.

Any impact that the adoption of Section 1506 will have on the results of operations and financial condition will depend on the nature of future accounting changes. Its adoption has had no impact on these un-audited interim consolidated financial statements.

b) *Comprehensive Income – (Section 1530)*

Comprehensive income is the change in shareholders' equity during a period from transactions and other events from non-owner sources. This standard requires that certain gains and losses which would otherwise be recorded as part of net earnings be presented in "other comprehensive income" until it is considered appropriate to recognize them into net earnings. This standard requires the presentation of comprehensive income, and its components in a separate financial statement that is displayed with the same prominence as other financial statements.

c) *Equity – (Section 3251)*

This section establishes standards for the presentation of changes in equity that arise as a result of the adoption of comprehensive income, financial instruments – recognition and measurement, and hedges (Sections 1530, 3855, and 3865). It establishes standards for the presentation of accumulated other comprehensive income, which is comprised of all components of other comprehensive income.

d) *Financial Instrument- Recognition and Measurement (Section 3855)*

This standard requires all financial instruments within its scope, including derivatives, to be included on a company's balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized cost. Changes in fair value are to be recognized in the statements of operations and comprehensive income.

All financial assets and liabilities are recognized when the Company becomes a party to the contract creating the item. As such, any of the Company's outstanding financial assets and liabilities at the effective date of adoption are recognized and measured in accordance with the new requirements as if these requirements had always been in effect. Any changes to the fair values of assets and liabilities prior to January 1, 2007 are recognized by adjusting opening deficit or opening accumulated other comprehensive income.

WESTERN GEOPOWER CORP.

Notes to Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
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3. Changes in accounting policies (continued)

Under Section 3855, all financial instruments are classified into one of the following balance sheet categories: held for trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification:

- Held-for-trading financial assets and liabilities that are initially measured at fair value and where subsequent changes in fair value are recognized in the consolidated statement of operations.
- Available-for-sale financial assets that are initially measured at fair value and where subsequent changes in fair value are recognized in other comprehensive income until the instrument is derecognized or impaired at which time that amounts would be recorded in net earnings.
- Held-to-maturity investments, loans and receivables, or other financial liabilities – all of which are initially measured at cost and where subsequent changes in cost are amortized utilizing the effective interest rate method.
- All derivative financial instruments are classified as held-for-trading financial instruments and are measured at fair value, even when they are part of a hedging relationship. All gains and losses are included in operations in the period which they arise.

In accordance with this new standard, the Company has classified its financial instruments as follows:

- Cash and cash equivalents were classified as held-for-trading and accordingly carried at their fair values.
- Accounts receivable are classified as loans and receivables, and accordingly carried at their amortized costs; As stated in with Section 3855 when the transaction resulting in initial recognition of a financial asset or liability is a related party transaction involving the transfer of an existing financial asset or financial liability, the transaction is first measured at carrying amount or exchange amount in accordance with related party transactions. Accordingly, the long term debt is accounted for at the carrying amount.
- Reclamation deposits invested in government backed securities are classified as available-for-sale and are carried at fair market value.
- Accounts payable and accrued liabilities, and long term debt are classified as other financial liabilities and are currently accounted for at their amortized cost using the effective interest method.

The classification of financial instruments as at January 1, 2007 and their subsequent changes to September 30, 2007 have resulted in no material gains or losses that require separate presentation in other comprehensive income or recognition in earnings (loss).

Transaction costs that are directly attributable to the issuance of financial assets or liabilities are accounted for as part of the carrying value at inception, and are recognized over the term of the assets or liabilities using the effective interest method.

WESTERN GEOPOWER CORP.

Notes to Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
Nine months ended September 30, 2007 and 2006

3. Changes in accounting policies (continued)

e) *Financial Instruments – Disclosure and Presentation (Section 3861)*

This section establishes disclosure and presentation standards for financial instruments and non-financial derivatives, and identifies relevant information to be disclosed. Disclosures need not be provided on a comparative basis for periods prior to the adoption date of these new standards.

f) *Hedging (Section 3865)*

This standard specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not have any hedges.

4. Restatement of interim consolidated financial statements

The Company has restated the consolidated statements of operations and comprehensive income and the consolidated statements of cash flows for the interim period ended September 30, 2006, to reflect the adjustments relating to future income tax recovery and future income tax liability for the period. The effect of the restatement resulted in an increase in the geothermal property in the amount of \$37,709, decrease in the future income tax liability in the amount of \$774,983; an increase in share capital (on reduction of the future income tax liability on renouncing flow through shares) in the amount of \$87,806 and an increase in future income tax recovery of \$724,887, as a result of the change in income tax rates from 34% to 31%.

5. Geothermal property:

Expenditures incurred on the geothermal properties to date are follows:

	September 30, 2007,	December 31, 2006
South Meager geothermal project (note 5(a))	\$ 31,683,703	\$ 31,483,600
Unit I5 Steam Field (note 5(b))	1,550,783	546,412
	<u>\$ 33,234,486</u>	<u>\$ 32,030,012</u>

(a) South Meager Geothermal Project:

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

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

WESTERN GEOPOWER CORP.

Notes to Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
Nine months ended September 30, 2007 and 2006

5. Geothermal property (continued):

(a) South Meager Geothermal Project (continued):

Expenditures incurred on the geothermal property are as follows:

	September 30, 2007	December 31, 2006
Balance, beginning of period:	\$ 31,483,600	\$ 30,728,270
Costs incurred during the year:		
Lease permits and occupancy	-	42,670
Project management	-	140,162
Camp office and administration	31,304	130,600
Resource delineation	-	-
Drilling and testing	28,826	229,649
Drill site construction and expansion	-	-
Road maintenance and snow removal	-	3,410
Community stakeholder relations	33,798	44,992
Environmental review	-	45,783
Stock-based compensation	65,822	68,649
Future income taxes on stock-based compensation and capital asset amortization	40,353	49,415
Provision for site reclamation and closure costs	-	-
	200,103	755,330
Balance, end of period	\$ 31,683,703	\$ 31,483,600

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

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

The Company is contingently liable for the site restoration of the geothermal property under the regulations of the Petroleum and Natural Gas Act (the Act) of the Province of British Columbia (note 8). The required deposit under the Act is supported by a term deposit held by the Company in the amount of \$150,000.

(b) The Geysers Field - Unit 15:

On June 16, 2006, the Company entered into a geothermal lease for the Unit 15 Steam Field covering 421 acres within The Geysers Geothermal Field in Northern California. The lease grants the Company the right to re-develop the geothermal reservoir and build a new plant for electricity generation. An annual rental payment in the amount of US\$100,000 is required to maintain the rights granted by the geothermal lease. The primary lease term is for three years and expires June 15, 2009, however the

WESTERN GEOPOWER CORP.

Notes to Consolidated Interim Financial Statements
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Nine months ended September 30, 2007 and 2006

5. Geothermal property (continued):

lease will continue in the event that resource substances are produced in commercial quantities from the leased land and utilized to produce gross revenue.

On October 6, 2006, the Company entered into a second lease for an additional 140 acres contiguous to the Unit 15 Steam Field. An annual rental payment in the amount of US\$10,000 is required to maintain the rights granted by the lease. The primary lease term is for three years and expires October 6, 2009, however the lease will continue in the event that resource substances are produced in commercial quantities from the leased land and utilized to produce gross revenue. If a power plant is constructed on this leased area, then the annual lease payment would increase to US\$45,000. If the power plant is constructed on the first Unit 15 Steam Field leased area (separate lease) there is no charge in the annual compensation amount.

On February 7, 2007, the Company entered into a third lease adding an additional 74 acres contiguous to the Unit 15 Steam Field. An annual rental payment in the amount of US\$5,000 is required to maintain the rights granted by the lease. The primary lease term is for three years and expires February 7, 2010, however the lease will continue in the event that resource substances are produced in commercial quantities from the leased land and utilized to produce gross revenue. If a power plant is constructed on this leased area, then the annual lease payment would increase to US\$45,000. If the power plant is constructed on the first Unit 15 Steam Field leased area (separate lease) there is no charge in the annual compensation amount.

On July 5, 2007, the Company announced it entered into a lease adding an additional 413 acres contiguous to the Unit 15 Steam Field. An annual rent payment in the amount of US\$10,000 is required to maintain the rights granted by the lease. The primary lease term is for three years and expires June 29, 2010, with an annual renewal for up to 50 years as long as resource substances are produced in commercial quantities from the leased land and utilized to produce gross revenue.

On May 10, 2007, the Company announced, the signing of a Power Purchase Agreement (PPA) between its wholly-owned subsidiary, Western GeoPower, Inc. and Pacific Gas & Electric Company of San Francisco, California (PG&E) for the supply of approximately 212,000 Megawatt-hours per year of clean, renewable, baseload electricity from the Company's proposed 25.5 Megawatt (net) geothermal power plant scheduled to come on line in 2010 at the Unit 15 steam field.

Subject to approval by the California Public Utilities Commission, power deliveries from the plant – to be named Western GeoPower Unit 1 - are scheduled to commence in 2010. The contract allows for an increase in net capacity to a maximum of 31.5 Megawatts, which could accommodate the steam potential from a recently-acquired leasehold extension.

WESTERN GEOPower CORP.

Notes to Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
Nine months ended September 30, 2007 and 2006

5. Geothermal property (continued):

Expenditures incurred on the Unit 15 Steam Field geothermal property are as follows:

	September 30, 2007	December 31, 2006
Balance, beginning of period:	\$ 546,412	\$ -
Costs incurred during the year:		
Leases	126,620	123,465
Project management	183,370	101,226
Administration and project travel	114,853	45,263
Insurance	1,350	43,843
Professional fees; title and land search	47,990	24,755
Resource assessment and feasibility report	6,557	51,758
Environmental and legal review for power sales bids	49,152	94,109
Project finance and project development	204,774	41,420
Environmental - permitting and project development	167,888	20,574
Interconnection – Transmission studies	89,992	-
Civil Engineering	11,825	-
	1,004,371	546,412
Balance, end of period	\$ 1,550,783	\$ 546,412

6. Long term debt:

Pursuant to a share purchase agreement dated September 3, 2003, Crew Development Corporation ("Crew"), the Company's controlling shareholder at that time, sold the common shares of the Company that it held, to the Company's president and director, and cancelled debt owed by the Company to Crew in the amount of \$557,647 (the "Cancelled Debt"). The Cancelled Debt consisted of promissory notes bearing interest at 8% which were due on demand, and working capital advances and reimbursement of administrative expenses charged to the Company by Crew, which were non-interest bearing and due on demand. Because this was a transaction with the Company's controlling shareholder, the Cancelled Debt has been recorded as contributed surplus. Crew also agreed to defer payment to December 31, 2011 of additional debt owed to Crew by the Company's subsidiary in the amount of \$833,078 (the "Additional Debt"). Interest, which is to be calculated at the Royal Bank of Canada's prime rate, will only accrue on the Additional Debt from the earlier of 90 days following the issuance of a certificate by the appropriate provincial regulatory authorities to permit the development of a geothermal resource on the Company's geothermal property, or December 31, 2007. At the option of the Company, earlier payment is permitted.

WESTERN GEOPower CORP.

Notes to Consolidated Interim Financial Statements
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Nine months ended September 30, 2007 and 2006

7. Related party transactions:

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

	September 30, 2007	September 30, 2006
Management fees (a)	\$ 400,000	\$ 135,000
Consulting fees (b)	123,370	48,453

(a) \$85,000 (September 30, 2006 - \$67,500) of management fees is included in geothermal property costs; September 30, 2007 management fees of \$400,000 include bonuses of \$230,000 (September 30, 2006 - Nil).

(b) \$98,370 (September 30, 2006 - \$48,453) in advisory fees were paid to a director of the Company; of which \$98,370 (September 30, 2006 - \$35,740) of these fees are included in geothermal property costs; September 30, 2007 consulting fees of \$123,370 include a bonus of \$25,000 (September 30, 2006 - Nil)

8. Provision for site reclamation and closure costs:

	September 30, 2007	December 31, 2006
Balance, beginning of period	\$ 587,146	\$ 533,770
Additional liabilities incurred	-	-
Accretion expense	39,276	53,376
Balance, end of period	\$ 626,422	\$ 587,146

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 undiscounted costs of \$1,414,788 to be incurred beginning 2017 at a discount rate of 10% to 12% and inflation factor of 2.0%. \$132,918 of the asset retirement obligation was to be incurred by December 31, 2007 under the current lease terms. Subsequent to the quarter ended, the Company renewed the license for an additional 10 years expiring June 30, 2017. As such, any reclamation costs associated with this license has been classified as long-term.

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Notes to Consolidated Interim Financial Statements
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Nine months ended September 30, 2007 and 2006

9. Share capital:

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

(b) Issued and outstanding:

	Number of shares	Amount
Balance, December 31, 2005	88,106,875	\$ 33,926,741
Issued for cash on private placement, net of issuance costs (note 9(b))	17,538,334	2,609,938
Future income tax effect of renouncing flow-through share proceeds expensed (note 9(c))	-	(2,065,166)
Balance, December 31, 2006	105,645,209	34,471,513
Issued for cash on exercise of warrants, net of issuance costs (note 9(f))	46,964,668	11,738,259
Issued for cash on exercise of agents options (note 9(d))	4,170,416	625,562
Issued for cash on exercise of stock options (note 9(d))	740,000	114,700
Issued for cash on private placement, net of issuance costs (note 9(b))	25,000,000	6,208,182
Fair value of stock options upon exercise from contributed surplus	-	81,400
Balance, September 30, 2007	182,520,293	\$ 53,239,616

On December 18, 2006, the Company closed a \$1,630,750 non-brokered private placement and a \$1,000,000 financing with Quest for total net proceeds of \$2,609,938. The Company issued 17,538,334 units, each priced at \$0.15 per unit. Each unit is comprised of one share and one warrant to purchase one additional common share at an exercise price of \$0.25 per share until December 30, 2008.

On September 5, 2007, the Company closed a \$6,250,000 non-brokered private placement for net proceeds of \$6,208,182. The Company issued 25,000,000 shares at \$0.25 per share to a strategic investor – Iceland-based geothermal developer, Geysir Green Energy. The shares are subject to a four month hold period ending December 30, 2007. No commissions were paid with respect to the private placement. Following the transaction Geysir Green Energy became an insider of the Company, holding 34,333,334 common shares representing 18.8 per cent of the Company's outstanding shares. In addition Geysir Green Energy holds 9,333,334 warrants exercisable to purchase one common share at \$0.35 and 4,000,000 warrants exercisable to purchase one common share at \$0.25. The warrants expire on December 30, 2008.

(c) Flow-through shares:

During the year ended December 31, 2006, the Company renounced \$6,661,825 of the flow through share proceeds received in 2005 and expensed in 2005 and 2006, and recorded a future income tax liability of \$2,065,166 related thereto.

WESTERN GEOPOWER CORP.

Notes to Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
Nine months ended September 30, 2007 and 2006

9. Share capital (continued):

(d) 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.

The continuity of the Company's stock options for the period ended June 30, 2007, all of which are exercisable at September 30, 2007, is as follows:

Exercise price	Expiry date	Balance December 31, 2006	Granted	Exercised	Forfeited	Balance June 30, 2007
\$0.35	October 17, 2008	40,000	-	-	-	40,000
\$0.35	January 20, 2009	75,000	-	-	-	75,000
\$0.35	March 16, 2009	25,000	-	-	(25,000)	-
\$0.35	May 4, 2009	175,000	-	-	(75,000)	100,000
\$1.85	May 4, 2007 (i)	567,568	-	-	(567,568)	-
\$1.00	April 22, 2008 (i)	511,163	-	-	-	511,163
\$0.35	September 16, 2010	1,665,000	-	-	(100,000)	1,565,000
\$0.15	December 30, 2008 (i)	4,170,417	-	(4,170,417)	-	-
\$0.22	February 17, 2011	5,130,000	-	-	(150,000)	4,980,000
\$0.28	March 31, 2011	300,000	-	-	-	300,000
\$0.17	August 23, 2011	100,000	-	-	-	100,000
\$0.155	December 19, 2011	1,850,000	-	(740,000)	-	1,210,000
\$0.32	May 30, 2012	-	300,000	-	-	300,000
\$0.30	September 12, 2012	-	300,000	-	-	300,000
\$0.27	September 20, 2012	-	7,675,000	-	-	7,675,000
		14,609,148	8,275,000	(4,910,417)	(917,568)	17,056,163
Weighted average exercise price		\$0.33	\$0.27	\$0.15	\$1.85	\$0.30
Contractual weighted average remaining life (years)		3.26				4.09

(i) 5,249,148 of the options included in the above total at December 31, 2006 are agents' options granted to the agents for private placements.

During the nine months ended September 30, 2007, 740,000 options were exercised by employees, officers and directors of the Company.

During the nine months ended September 30, 2007, 4,170,417 Agents options at \$0.15 were exercised. On May 4, 2007, 567,568 Agents options at \$1.85 expired without exercise.

WESTERN GEOPOWER CORP.

Notes to Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
Nine months ended September 30, 2007 and 2006

9. Share capital (continued):

(d) Stock options:

On May 30, 2007, the Company granted 300,000 stock options to a newly appointed director at the market close on May 30, 2007 of \$0.32 per share for a period of five years under the stock option plan.

On September 12, 2007, the Company granted 300,000 stock options to a newly appointed director at the market close on September 12, 2007 of \$0.30 per share for a period of five years under the stock option plan.

On September 20, 2007, the Company granted 7,675,000 stock options to directors, officers, employees and consultants at the market close of \$0.27 per share for a period of five years under the stock option plan.

(e) Stock-based compensation:

During the nine months ended September 30, 2007, the Company granted 8,275,000 shares to purchase options to directors, officers, employees and consultants. The weighted average fair value of options granted being \$0.19 per option, was estimated using the Black-Scholes option pricing model

with the following assumptions; risk free interest rate of 4.31%, expected dividend yield of 0%; volatility factor of 79.63% and an expected life of 5 years. Under this method of calculation, the fair value of all options granted during the nine months ended September 30, 2007 amounted to \$1,568,136, of which \$65,822 was capitalized to geothermal property costs and \$1,502,314 has been reflected in the statements of operations and comprehensive income.

During the nine months ended September 30, 2006, the Company granted 5,530,000 shares to purchase options to directors, employees and consultants. The weighted average fair value of options granted being \$0.16 per option, was estimated using the Black-Scholes option pricing model with the following assumptions; risk free interest rate of 4.11%, expected dividend yield of 0%; volatility factor of 90.65% and an expected life of 5 years. Under this method of calculation, the fair value of all options granted during the nine months ended September 30, 2006 amounted to \$884,955, of which \$63,362 was capitalized to geothermal property costs and \$821,593 has been reflected in the statements of operations and comprehensive income.

(f) Share purchase warrants:

The continuity of the Company's warrants for the period ended September 30, 2007 is as follows:

Exercise price	Expiry date	Balance December 31, 2006	Issued during the year	Exercised/ expired	Balance September 30, 2007
\$2.50	May 4, 2007 (i)	3,180,325	-	(3,180,325)	-
\$1.20	April 5, 2008 (i)	302,322	-	-	302,322
\$1.20	April 22, 2008 (i)	690,000	-	-	690,000
\$0.25	December 30, 2008 (i)	48,493,467	-	(31,376,334)	17,117,133
\$0.25	December 30, 2008	17,538,334	-	(15,588,334)	1,950,000
\$0.25	December 30, 2008 (ii)	-	4,170,416	-	4,170,416
\$0.35	December 30, 2008	-	30,531,334	-	30,531,334
		70,204,448	34,701,750	(50,144,993)	54,761,205

(i) 4,239,880 of warrants were granted as agents' options for private placements.

WESTERN GEOPOWER CORP.

Notes to Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
Nine months ended September 30, 2007 and 2006

9. Share capital (continued):

(f) Share purchase warrants:

During the nine months ended 4,170,416 agents' options at \$0.15 were exercised for proceeds of \$625,562 pursuant to an agent option agreement dated December 2005. Under the terms of the agreement, Dundee also received 4,170,416 warrants to acquire one common share of the Company at \$0.25 per share until December 30, 2008. On May 4, 2007 3,180,325 warrants expired without being exercised.

During the nine months ended September 30, 2007, a total of 46,964,668 warrants were exercised at a price of \$0.25 per share for gross proceeds of \$11,741,167. Of which, 16,433,334 were free trading shares and 30,531,334 units (the "Units") were issued to other subscribers pursuant to the warrant exercise incentive program announced July 18, 2007. The Units comprise one common share at \$0.25 and one new warrant which will allow the holder to acquire one common share of the Company at \$0.35 per share until December 30, 2008. The warrants are subject to an acceleration provision, which provided that, if the Company's shares trade at \$0.50 or more for ten consecutive trading days, it will trigger a 30 day timeframe within which to exercise the warrants or they will expire. The Units are subject to a four-month hold, expiring on November 28, 2007.

10. Commitments:

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

2007	\$	58,075
2008		34,608
2009 and thereafter		-
	\$	92,683

During the nine months ended September 2007, the Company entered into a new lease for its site storage facilities commencing July 1, 2007 for a period of three years.

11. Subsequent events:

Subsequent to the quarter ended September 30, 2007, the company received gross proceeds in the amount of \$629,250 from the exercise of an additional 2,517,000 warrants at a price of \$0.25 per share. In addition the company received proceeds in the amount of \$11,625 from the exercise of 75,000 stock options at a price of \$0.155.



Management's Discussion and Analysis

For the nine months ended
September 30, 2007

WESTERN GEOPOWER CORP.

Management's Discussion and Analysis
For the nine months ended September 30, 2007
(Expressed in Canadian dollars)

The following Management's Discussion and Analysis of Western GeoPower Corp., (the "Company") dated as at November 28, 2007, should be read in conjunction with the audited consolidated financial statements including the notes thereto for the years ended December 31, 2006 and the un-audited consolidated financial statements for the nine months ended September 30, 2007. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis are expressed in Canadian dollars.

Forward looking statements

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

Company Overview

Western GeoPower Corp. is a renewable energy company dedicated to the development of geothermal energy projects for the delivery of clean, base-load electricity generation. The Company holds 100% interests in the South Meager Geothermal Project in British Columbia, Canada and geothermal leases in Unit 15 Steam Field located in The Geysers Geothermal Field in California, United States. The Company is a reporting issuer in British Columbia, Alberta, Ontario and Quebec and trades on the TSX Venture Exchange under the symbol WGP; and on the Frankfurt WE6.F.

Project Update:

South Meager Geothermal Project

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

During the year ended December 31, 2006, the Company performed a new set of temperature surveys. Data from these surveys was analyzed by GeothermEx, Inc., of Richmond, California, technical consultant for the South Meager project. The surveys showed that the wells had continued to heat up in comparison to surveys of November 2005. MC-6 showed continued recoverability from the extended injection test of 2005 and is expected to recover to stabilized temperatures in the range of 245 to 260 degrees Celsius (473 to 500 degrees Fahrenheit) in the permeable interval below a measured depth of 1,800 metres (5,906 feet). MC-7 had heated to a maximum measured temperature of 259 degrees Celsius (498 degrees Fahrenheit) at a depth of 2,800 metres (9,186 feet). MC-8 also continued to heat up in comparison to surveys of November 2005, but had not reached a temperature at which the well is likely to sustain self-flow.

Testing of the resource confirmation wells is incomplete at this time and has not yet demonstrated the production capacities of the wells. During the current period the Company did not have the opportunity to conduct further tests and surveys, due to the unavailability of the technical expertise required for testing. Management intends to pursue the testing of the resource confirmation wells in late spring of 2008, as soon as the site is accessible.

WGP UNIT 1 – The Geysers

The Company has focused its attention on California with its Unit 1 project located within the Geysers Geothermal Field in Northern California. The Company has increased its leasehold at The Geysers from 421 acres, from the first lease acquired in June 2006 to a current 1,017 acres following the addition of the fourth lease in June 2007. The leases grant the Company the right to re-develop the geothermal reservoir and build a new plant for electricity generation. It was initially anticipated that one power plant would process steam production from the first two leaseholds. Consequently, there is potential for an increase in capacity of the initial plant or the construction of a second plant on the expanded leasehold.

The Company retained consultants GeothermEx, Inc. to provide an independent assessment of the resource on the combined leasehold. The report is based on a large database of resource information and demonstrated production history on the Unit 15 leasehold. In the report dated October 2006, GeothermEx, Inc. projected that the Unit 1 leasehold, comprising approximately 600 acres at that date, will commercially support a 25.5 megawatt (net) power plant for a minimum of 20 years, with generation continuing at a slightly reduced factor through 30 years. In June 2007, the leasehold was increased by 413 acres to 1,017 acres. Earlier production records from the extended leasehold show one well that had an initial capacity of 7 megawatts, suggesting the potential for an increase in capacity beyond 25.5 megawatts (net) for the proposed Unit 1 power plant, or the possibility of a second plant should additional capacity be demonstrated. Consequently, Western GeoPower is examining the prospect of increasing the plant capacity to approximately 31.5 megawatt (net) or 35 megawatt (gross). The prospective increase could be accommodated under the terms of the Power Purchase Agreement signed with Pacific Gas & Electric in May 2007.

The proposed 25.5 megawatt (prospective 31.5 megawatt (net)) plant is expected to have a 95% availability factor. Total development costs, including power plant, gathering system, transmission system, administrative and finance charges, have been estimated to US\$100 million. The majority of the equity component of project financing for the Unit 1 project has been accomplished through the

recently announced funding of \$18.6 million. Additional equity injections are expected to be raised through the exercise of outstanding warrants which expire in December 2008. The balance of project financing is anticipated to be secured during 2008, through a combination of construction loan and long-term debt financing.

The Company has signed a Power Purchase Agreement (PPA) between its wholly-owned subsidiary Western GeoPower, Inc., and Pacific Gas & Electric Company of San Francisco, California (PG&E) for the supply of approximately 212,000 Megawatt-hours per year of clean, renewable, baseload electricity from Western GeoPower's 25.5 Megawatt (net) geothermal power plant scheduled to come on line in 2010 at the Geysers Geothermal Field in Northern California. The contract allows for an increase in net capacity to a maximum of 31.5 Megawatts (net), which could accommodate the steam potential from recently-acquired leasehold extension. Subject to approval of the California Public Utilities Commission, power deliveries from the plant – to be named Western GeoPower Unit 1 – are scheduled to commence in 2010.

For regulatory purposes, the project is reviewed in two phases. Under the California Environmental Quality Act (CEQA), the California Division of Oil, Gas and Geothermal Resources is the lead agency for the permitting of up to 6 initial wells. Sonoma County has lead agency status under the CEQA for the well field development, power plant, steam pipelines and infrastructure. In the normal course of events, approval for the initial drilling is anticipated for the fourth quarter of 2007 and project development permitting is anticipated to be granted in mid-2008.

The California Division of Oil, Gas and Geothermal Resources has approved the environmental process for the drilling of up to six wells on four existing pads and utilizing existing roads. The company is engaged in securing a Conditional Use Permit from Sonoma County, along with related State and County permits required to commence the six-well drilling program and expects receipt of these permits by the end of November 2007. Permitting for additional wells beyond the initial six is being applied for under a separate application to Sonoma County for a Conditional Use Permit to construct the power plant, with approval projected for 2008.

On November 14, 2007, the Company finalized the drilling bids and signed a drilling contract with ThermaSource, Inc. to drill the initial six steam wells. ThermaSource will supply the NCPA Rig 001 which is expected to be mobilized to Unit 1 in early January 2008. The projected eight-well drilling program is anticipated to be completed prior to the start of commercial operations in early 2010.

The drilling program has been designed by independent consultants GeothermEx, Inc., Strategic management of the drilling program will also be conducted by GeothermEx. The wells will be directionally drilled from existing drill pads to intersect target zones where commercial steam productivity was encountered by previous production wells. The average total vertical depth per well is anticipated to be 6,000 - 8,000 feet with the maximum total measured depth expected to be approximately 11,000 feet.

Results of Operations – Three months ended September 30, 2007

For the three months ended September 30, 2007, the Company incurred a loss of \$1,821,663 (\$0.00 per share) compared to a loss of \$210,758 (\$0.00 per share) for the three months ended September 30, 2006.

Summary Data:	Three months ended September 30, 2007	Three months ended September 30, 2006
Interest income	\$ 56,847	\$ 7,061
Future income tax recovery	238,487	126,847
Administrative expense	(680,522)	(262,962)
Finance charges	-	(39,541)
Interest on loan	-	(30,247)
Stock-based compensation expense	(1,437,475)	(11,916)
<u>(Loss) income for the period</u>	<u>\$ (1,821,663)</u>	<u>\$ (210,758)</u>

During the three months ended September 30, 2007 the Company recorded \$239,487 in future income tax recovery, which is based on the losses carry forward for income tax purposes. During the three months ended September 30, 2006, the Company restated the consolidated statements of operations and comprehensive income to reflect the adjustments relating to future income tax recovery and future income tax liability for the period. The effect of the restatement resulted in an increase in future income tax recovery of \$262,962 for the three months ended September 30, 2006.

During the three months ended September 30, 2007, the company granted 7,975,000 stock options to directors, officers, employees and consultants. The fair value of the options granted during the period amounted to \$1,503,297, of which \$65,822 was capitalized to geothermal property costs and \$1,437,475 has been reflected in the statements of operations and comprehensive income. During the three months ended September 30, 2007, the company granted 100,000 stock options to a director. The fair value of the options granted amounted to \$11,916 and has been reflected in the statement of operations and comprehensive income.

During the three months ended September 30, 2006, the Company recorded \$39,541 (2007-Nil) in finance charges, and \$30,247 (2007-Nil) in interest expense in relation to the short term loan to Quest. On December 15, 2006, the Company issued 6,666,667 Units to Quest in the financing at \$0.15 for cash proceeds of \$1,000,000. The proceeds were applied to the remaining balance on the loan and the Company received a complete discharge from Quest over the assets previously pledged as general security on the loan by December 31, 2006.

During the three months ended September 30, 2007, overall expenditures increased by \$417,560 to \$680,522 (2006-\$262,962). The most significant increase was a \$175,876 increase in advertising, promotion, conferences, travel and marketing costs to \$201,149 (2006-\$25,273). An increase of \$97,429 was the result of extensive European promotion, advertising, marketing and conferences. An increase in of \$55,675 was due to the related travel costs for the conferences and meetings. The balance of the increase of 13,299 is attributed to fees paid to a marketing firm (2006- Nil) during the quarter.

During the three months ended September 30, 2007, general and administrative expenses remained the same at \$43,376 (2006-\$44,760). Consulting and advisory fees expense increased due to a one time \$25,000 bonus paid to a consultant for advisory fees; management fees increased by \$187,500 to \$210,000 (2006-\$22,500) due to an increase in the management contract. Effective March 1, 2007, the monthly fees increased from \$15,000 to \$20,000 per month. Of which 50% of the management fees are included in geothermal property costs (note 7); In addition during the quarter ended September 30, 2007, the CEO was awarded a bonus of \$180,000. Professional fees decreased by \$6,325 to \$10,000 (2006-\$16,325) due to a decrease in legal expenses, relating to the loan to Quest in 2006. Salary expense increased by \$25,227 to \$118,016 (2006-\$92,789) due to a bonus payment awarded to an employee in the amount of \$25,000 (2006-Nil). Rent expense increased by \$5,039 to \$15,577 (2006-\$10,538); Effective August 1, 2006 the Company entered into a new office lease for a period of 24 months to July 31, 2008. The Company was previously in a subleased office, whereby it was receiving a discounted rate of only \$2,000 per month.

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

Results of Operations – Nine months ended September 30, 2007

For the nine months ended September 30, 2007, the Company incurred a loss of \$2,264,045 (\$0.02 per share) compared to a loss of \$1,103,577 (\$0.01 per share) for the nine months ended September 30, 2006.

Summary Data:	Nine months ended September 30, 2007	Nine months ended September 30, 2006
Interest income	\$ 72,477	\$ 26,411
Future income tax recovery	541,638	724,887
Administrative expense	(1,375,846)	(816,873)
Finance charges	-	(117,335)
Interest on loan	-	(99,074)
Stock-based compensation expense	(1,502,314)	(821,593)
(Loss) income for the period	\$ (2,264,045)	\$ (1,103,577)

During the nine months ended September 30, 2007, the company granted 8,275,000 stock options to directors, officers, employees and consultants. The fair value of the options granted during the period amounted to \$1,568,136, of which \$65,822 was capitalized to geothermal property costs and \$1,502,314 has been reflected in the statements of operations and comprehensive income. During the nine months ended September 30, 2006, the company granted 5,530,000 stock options to directors, officers, employees and consultants. The fair value of the options granted during the period amounted to \$884,955 of which \$63,362 was capitalized as geothermal property cost and \$821,593 has been reflected in the statement of operations.

During the nine months ended September 30, 2006, the Company recorded \$117,335 (2007-Nil) in finance charges, and \$99,074 (2007-Nil) in interest expense in relation to the short term loan to Quest. The loan was paid in full in December 2006. During the nine months ended September 30, 2007, overall expenditures increased \$558,973 to \$1,375,846 (2006-\$816,873). The most significant increase was a \$213,295 increase in advertising, promotion, conferences and marketing costs to \$249,761 (2006-\$36,466). Majority of the increase was the result of extensive European promotion,

advertising and conferences. The balance of the increase of \$40,836 is attributed to fees paid to a marketing firm (2006- Nil) during the period ended. Travel costs increased by \$27,852 to \$77,178 (2006-\$49,326) related to conferences and road shows.

During the nine months ended September 30, 2007, general and administrative expense decreased by \$16,877 to \$104,504 (2006-\$121,381), due to a credit received for charges expensed in late 2006. Overall consulting and advisory fees expense increased by \$14,034 to \$71,747 (2006-\$57,713) primarily due to \$25,000 (2006-Nil) bonus paid to a consultant; management fees increased by \$247,500 to \$315,000 (2006-\$67,500) due to an increase in the management contract. Effective March 1, 2007, the monthly fees increased from \$15,000 to \$20,000 per month, of which 50% of the management fees are included in geothermal property costs (note 5). Upon signing of the contract the CEO was awarded a signing bonus of \$50,000, which was used to exercise options in the Company. In addition during the quarter ended September 30, 2007, the CEO was awarded a bonus of \$180,000.

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

Quarterly Financial Information

FISCAL QUARTER - ENDED	3 rd Quarter Sept 30, 2007	2 nd Quarter June 30, 2007	1 st Quarter Mar 31, 2007	4 th Quarter Dec 31, 2006
INTEREST INCOME	\$56,847	\$7,662	\$ 7,968	\$ 4,897
NET INCOME (LOSS)	(1,821,663)	(292,212)	(150,170)	(229,453)
INCOME (LOSS) PER SHARE	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.00)

FISCAL QUARTER - ENDED	3 rd Quarter Sept 30, 2006	2 nd Quarter June 30, 2006	1 st Quarter Mar 31, 2006	4 th Quarter Dec 31, 2005
INTEREST INCOME	\$ 7,061	\$ 11,316	\$ 8,034	\$ 1,596
NET LOSS	(337,605)	211,212	(1,104,031)	(358,858)
LOSS PER SHARE	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)

An analysis of the quarterly results over the last eight quarters shows a significant variation between the quarters. The primary reason is due to the stock-based compensation expense in the first quarter of 2006 (\$809,677), and in quarter three (\$1,437,475) of 2007. The other significant variance is due to the finance costs in 2006 (2007-Nil) and interest expense incurred in 2006 from the loan from Quest.

Liquidity and Capital Resources

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

On December 18, 2006, the Company completed a \$1,630,750 non-brokered private placement and a \$1,000,000 financing with Quest for total net proceeds of \$2,609,938. The Company issued

17,538,334 units, each priced at \$0.15. Quest's participation of \$1,000,000 was applied towards the remaining balance of the outstanding loan.

On July 27, 2007 the Company announced commitments for \$18.4 million in financing through a combination of private placement and exercise of warrants and options.

Upon closing of the warrant incentive program on July 27, a total of 46,964,668 warrants were exercised at a price of \$0.25 per share for gross proceeds of \$11,741,167. Of this amount, 16,433,334 free-trading shares were issued to some subscribers and 30,531,334 units (the "Units") were issued to other subscribers pursuant to the warrant exercise incentive program. The Units comprise one common share at \$0.25 and one new warrant which will allow the holder to acquire one common share of Western GeoPower at \$0.35 per share until December 30, 2008. The warrants are subject to an acceleration provision, which provides that, if the Company's shares trade at \$0.50 or more for ten consecutive trading days, it will trigger a 30 day timeframe within which to exercise the warrants or they will expire. The Units are subject to a four-month hold, expiring on November 28, 2007.

Dundee Securities exercised an additional 2,670,417 Agents options at \$0.15 for proceeds of \$400,563 pursuant to an Agent Option agreement dated December 2005. Under the terms of the Agent Option agreement, Dundee also received 2,670,417 warrants to acquire one common share of Western GeoPower at \$0.25 per share until December 30, 2008,

On September 5, 2007, the Company closed a \$6,250,000 non-brokered private placement for net proceeds of \$6,208,182. The Company issued 25,000,000 shares at \$0.25 per share to a strategic investor – Iceland-based geothermal developer, Geysir Green Energy. The shares are subject to a four month hold period ending December 30, 2007. No commissions were paid with respect to the private placement. Following the transaction Geysir Green Energy became an insider of the Company, holding 34,333,334 common shares representing 18.8 per cent of the Company's outstanding shares. In addition Geysir Green Energy holds 9,333,334 warrants exercisable to purchase one common share at \$0.35 and 4,000,000 warrants exercisable to purchase one common share at \$0.25. The warrants expire on December 30, 2008

At September 30, 2007, the Company had working capital of \$17,572,878. Subsequent to the quarter ended September 30, 2007, the company received gross proceeds in the amount of \$629,250 from the exercise of an additional 2,517,000 warrants at a price of \$0.25 per share. In addition the company received proceeds in the amount of \$11,625 from the exercise of 75,000 stock options at a price of \$0.155. The funds raised will provide the capital to execute the Company's current development program and working capital. Management recognizes that the Company will need to generate additional financial resources in order to meet its long term business objectives.

Contractual Obligations:

Contractual Obligations:	Total	2007	2008	2009 and thereafter
Long-term debt	\$ 833,078	-	-	\$ 833,078
Site reclamation and closure costs	626,422	-	-	1,417,788
Office lease	92,683	58,075	34,608	-

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

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

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

Related Party Transactions

During the nine months ended September 30, 2007, the Company paid management fees to the President of the Company in the ordinary course of business amounting to \$170,000 (September 30, 2006-\$135,000), of which \$85,000 (September 30, 2006 - \$67,500) is included in geothermal property costs. In addition to management fees, during the nine months ended September 30, 2007 the President of the Company received bonuses in the amount of \$230,000 (2006-Nil). During the nine months ended September 30, 2007 - \$98,370 (September, 2006 - \$48,453) in advisory fees were paid to a director of the Company; \$98,370 (September 30, 2006-35,740) of these fees are included in geothermal property costs. In addition to advisory fees, during the quarter ended the director received a bonus in the amount of \$25,000.

Proposed Transactions

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

Critical Accounting Estimates

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

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

The factors affecting stock-based compensation include estimates of when stock options might be exercised and the stock price volatility. The timing for exercise of options is out of the Company's control and will depend upon a variety of factors including the market value of the Company's share

and financial objectives of the stock-based instrument holders. The Company used historical data to determine volatility in accordance with the Black-Scholes model, however the future volatility is uncertain and the model has its limitations.

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

Changes in Accounting Policy

The Accounting Standards Board of the Canadian Institute of Chartered Accountants ("CICA") issued Section 3855, "Financial Instruments-Recognition and Measurement", Section 3861, "Financial Instruments-Disclosure and Presentation", Section 3865, "Hedges", Section 3251, Equity, Section 1530, "Comprehensive Income", all of which are applicable to the Company for annual and interim accounting periods beginning in January 1, 2007.

Section 3855 requires all financial assets, financial liabilities and non-financial derivatives to be recognized on the balance sheet and measured based upon specific categories. Section 3861 identifies and details information to be disclosed in the financial statements.

Section 3865 identifies when hedge accounting can be applied and it builds upon existing Canadian generally accepted accounting principles guidance which specifies how hedge accounting is applied and disclosed. This standard is not expected to materially affect the Company's reporting because the company currently does not use hedge accounting.

Section 1530 introduces new standards for the presentation and disclosure of the components of comprehensive income. Comprehensive income is defined as the change in the net assets of an enterprise during a reporting period from transactions and other events and circumstances from non-owner resources.

The CICA also issued Section 1506, "Accounting Changes", which is effective January 1, 2007 and revises the current standards on changes in accounting policy and estimates or errors as follows: voluntary changes in accounting policy are allowed only when they result in financial statements that provide reliable and more relevant information; changes in accounting policy are to be applied retrospectively unless doing so is impracticable; changes in estimates are to be recorded prospectively; and prior period adjustments are to be recorded retrospectively. In addition, this standard calls for enhanced disclosure about the effects of changes in accounting policies, estimates and errors on the financial statements. The Company cannot determine the impact of Section 1506 until such time as it makes a change in accounting policy.

The above were adopted by the Company effective January 1, 2007. As a result of our adopting these new standards, a new line item entitled, "accumulated other comprehensive (loss) income", forms part of our shareholders' equity section of our balance sheet.

As at September 30, 2007, the balance of our accumulated other comprehensive (loss) income is nil, as the Company did not have any items that required inclusion. Further, as at September 30, 2007, the Company did not have any hedges. (see note 4 of the interim financial statements).

Financial Instruments

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

Off Balance sheet items

The Company does not have any off balance sheet items.

Outstanding Share Data

As at September 30, 2007, there were 182,520,293 common shares outstanding. A total of 54,761,205 share purchase warrants, 511,163 Agents options and 16,545,000 stock options were also outstanding, which are described in detail in notes 9(b), 9(d) and 9(f) to the interim financial statements. Subsequent to the quarter ended September 30, 2007, the company issued 2,492,000 shares on the exercise of warrants and stock options.

On May 4, 2007, 3,180,325 warrants expired without being exercised.

On May 4, 2007, 567,568 agents' options expired without being exercised.

As at November 28, 2007, the Company's outstanding share data was as follows:

Common shares outstanding: 185,112,293

Share purchase warrants:

302,322 at an exercise price of \$1.00 per share and an expiry date of April 5, 2008.

690,000 at an exercise price of \$1.00 per share and an expiry date of April 22, 2008.

21,287,549 at an exercise price of \$0.25 per share and an expiry date of December 30, 2008.

1,950,000 at an exercise price of \$0.25 per share and an expiry date of December 30, 2008.

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

Stock options: 16,545,000

Agent's options: 511,163

Risk Factors/ Trends

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

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

objective of developing its geothermal projects. The following are some of the risk factors that should be given consideration.

Exploration and Development Risks

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

Insurance

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

Prices, Markets and Marketing of Geothermal/ Renewable Energy

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

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

Substantial Capital Requirements; Liquidity

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

Environmental Risks

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

Issuance of Debt

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

Exchange Rate Fluctuations

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

Oversight Role of the Audit Committee

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

Changes in Internal Controls over Financial Reporting

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

In accordance with the requirements of Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings (MI 52-109), we report that during the period ended September 30, 2007, there were no changes that occurred in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

Additional Information

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