

Unaudited Interim Consolidated Financial Statements of

Ram Power, Corp.

March 31, 2010 and 2009

(Expressed in United States dollars)

Ram Power, Corp.

March 31, 2010 (Unaudited)

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Ram Power, Corp.
Consolidated Balance Sheets
At March 31, 2010 and December 31, 2009 (unaudited)
(expressed in United States dollars)

	March 31, 2010	December 31, 2009
ASSETS		
Current		
Cash	\$ 87,151,888	\$ 96,471,261
Short-term investments	31,938,768	26,870,111
Accounts receivable	1,919,104	2,103,366
Prepays and other assets (Note 4)	3,481,386	3,230,407
	124,491,146	128,675,145
Restricted cash	3,523,366	3,523,366
Deferred debt transaction costs, net (Note 7)	6,818,653	6,140,888
Other assets, net (Note 4)	986,569	1,141,778
Geothermal properties, net (Note 5)	202,870,885	183,823,708
Goodwill (Note 3)	34,479,822	34,479,822
	\$ 373,170,441	\$ 357,784,707
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 11,177,692	\$ 12,598,528
Due to related parties (Note 10)	-	411,966
Derivative obligation	612,154	514,530
Total current liabilities	11,789,846	13,525,024
Long-term debt, net of debt discount (Note 7)	16,436,080	849,688
Derivative liability related to long-term debt (Note 7)	2,467,000	-
Asset retirement obligations (Note 8)	1,342,408	686,442
Future income tax liability (Note 13)	933,778	940,539
	32,969,112	16,001,693
Commitments and contingencies (Note 11 & Note 12)		
SHAREHOLDERS' EQUITY		
Non-controlling interest	673,907	672,827
Share capital (Note 9)	380,979,839	380,606,549
Contributed surplus (Note 9)	23,980,085	21,897,817
Accumulated deficit	(65,432,502)	(61,394,179)
	340,201,329	341,783,014
	\$ 373,170,441	\$ 357,784,707

The accompanying notes are an integral part of these consolidated financial statements.

(signed) Hezy Ram
CEO & Director

(signed) Daryl S. Clark
Director

Ram Power, Corp.

Consolidated Statements of Operations and Comprehensive Loss

For the Three Months Ended March 31 (unaudited)

(expressed in United States dollars)

	2010	2009
Revenues		
Energy sales	\$ 974,425	\$ 1,365,544
Total revenue	974,425	1,365,544
Direct cost of energy production	500,633	594,664
Gross margin	473,792	770,880
Expenses		
Amortization of geothermal properties (Note 5)	511,597	482,651
Accretion of asset retirement obligations (Note 8)	29,539	-
Amortization of deferred transaction costs (Note 7)	154,969	-
Impairment of geothermal properties (Note 5)	119,517	-
General and administrative expenses	3,796,928	606,038
	4,612,550	1,088,689
Other (income) loss		
Interest income	(76,396)	-
Interest and bank charges	81,265	1,614,862
Foreign exchange gain	(197,247)	(572,304)
Derivative obligations loss (Note 11)	97,624	-
	(94,754)	1,042,558
Loss for the period before income taxes	(4,044,004)	(1,360,367)
Income taxes		
Future taxes (Note 13)	6,761	-
Loss before the undernoted	(4,037,243)	(1,360,367)
Non-controlling interest in net (income) loss and comprehensive (income) loss of subsidiary	(1,080)	7,841
Net loss and comprehensive loss	\$ (4,038,323)	\$ (1,352,526)
Basic and diluted weighted average number of shares outstanding	146,122,477	76,761,427
Basic and diluted net loss per share	\$ (0.03)	\$ (0.02)

The accompanying notes are an integral part of these consolidated financial statements.

Ram Power, Corp.

Consolidated Statements of Shareholders' Equity

For the Three Months Ended March 31, 2010 (unaudited)

(expressed in United States dollars)

	Common Stock		Contributed Surplus	Non-Controlling Interest	Accumulated Deficit	Total
	Shares	Amount				
Balance December 31, 2008		\$ 46,474,824	\$ 28,189,607	\$ 1,509,202	\$ (23,837,965)	\$ 52,335,668
Acquisition of subsidiary with non-controlling interest (Note 3)	-	-	-	398,083	-	398,083
Change in ownership of non-controlling interest (Note 3)	-	2,466,252	(1,258,748)	(1,207,504)	-	-
Polaris shares issued in private placement (Note 12)	-	897,095	903,314	-	-	1,800,409
Polaris shares issued as a result of royalty purchase (Note 12)	-	8,152,538	-	-	-	8,152,538
Polaris shares issued in connection with debt (Note 12)	-	861,656	-	-	-	861,656
Bridge loan warrant revaluation	-	-	158,592	-	-	158,592
Polaris shares rights exercised (Note 12)	-	94,250	(94,250)	-	-	-
Polaris stock warrants exercised (Note 12)	-	37,731,230	(11,614,209)	-	-	26,117,021
Conversion of Polaris preferred shares (Note 2(a) and 12)	-	12,163,316	(2,468,880)	-	-	9,694,436
Polaris shares redeemed (Note 12)	-	-	-	-	(148,650)	(148,650)
Polaris stock options granted (Note 12)	-	-	864,892	-	-	864,892
Consideration given in connection with Polaris preferred share issuance (Note 12)	-	556,709	6,568,317	-	-	7,125,026
Common shares issued in connection with debt conversion (Note 11)	9,000,000	26,021,588	-	-	-	26,021,588
Common shares issued for cash in private placement (Note 12)	59,800,000	160,195,956	-	-	-	160,195,956
Common shares issued in connection with Business Combination (Note 12)	77,261,680	89,745,898	(6,584,281)	-	-	83,161,617
Broker warrants issued in connection with Business Combination (Note 12)	-	(4,754,763)	4,754,763	-	-	-
Options converted in connection with Business Combination (Note 12)	-	-	838,647	-	-	838,647
Stock options granted (Note 12)	-	-	1,640,053	-	-	1,640,053
Net loss and Comprehensive loss for the period	-	-	-	(26,954)	(37,407,564)	(37,434,518)
Balance December 31, 2009	146,061,680	\$ 380,606,549	\$ 21,897,817	\$ 672,827	\$ (61,394,179)	\$ 341,783,014
Shares issued related to warrants exercised - January 29, 2010	89,700	373,290	(118,870)	-	-	254,420
Stock options granted	-	-	2,201,138	-	-	2,201,138
Net loss and comprehensive loss for the period	-	-	-	1,080	(4,038,323)	(4,037,243)
Balance March 31, 2010	146,151,380	\$ 380,979,839	\$ 23,980,085	\$ 673,907	\$ (65,432,502)	\$ 340,201,329

The accompanying notes are an integral part of these consolidated financial statements.

Ram Power, Corp.
Consolidated Statements of Cash Flows
For the Three Months Ended March 31 (unaudited)
(expressed in in United States dollars)

	2010	2009
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Net loss	\$ (4,038,323)	\$ (1,352,526)
Deduct items not affecting cash:		
Non-controlling interest in net loss (income) of subsidiary	1,080	(7,841)
Amortization of geothermal properties (Note 5)	511,597	482,651
Accretion of asset retirement obligations (Note 8)	29,539	-
Amortization of deferred transaction costs (Note 7)	154,969	-
Impairment of geothermal properties (Note 5)	119,517	-
Change in fair value of derivative obligation	97,624	-
Interest accretion on bridge loan	-	969,427
Stock-based compensation	2,201,138	-
Unrealized foreign exchange loss (gain)	115,598	(681,430)
Changes in non-cash working capital:		
Accounts receivable	184,262	(292,344)
Prepays and other assets (Note 4)	(95,771)	(555,106)
Accounts payable and accrued liabilities	(542,859)	625,806
Due to related parties	(411,966)	(211,016)
Deferred revenue	-	664,589
	(1,673,595)	(357,790)
INVESTING		
Decrease in restricted cash	-	37
Additions to geothermal properties (Note 5)	(19,783,209)	(1,026,072)
Purchase of short-term investments	(5,000,000)	-
	(24,783,209)	(1,026,035)
FINANCING		
Proceeds from private placement	-	408,402
Repayment of long term debt	-	(12,685)
Proceeds from debt issuance (Note 7)	18,000,000	1,216,819
Capitalized transaction costs	(932,734)	-
Proceeds from exercise of warrants	254,420	-
	17,321,686	1,612,536
Foreign exchange gain on cash held in foreign currency	(184,255)	-
NET (DECREASE) INCREASE IN CASH	(9,319,373)	228,711
CASH, BEGINNING OF PERIOD	96,471,261	748,336
CASH, END OF PERIOD	\$ 87,151,888	\$ 977,047

The accompanying notes are an integral part of these consolidated financial statements.

Ram Power, Corp.

Notes to the Consolidated Financial Statements

March 31, 2010 (Unaudited)

(expressed in United States dollars unless otherwise noted)

1. Organization

Ram Power, Corp. (the "Company") is a corporation existing under the Business Corporations Act (British Columbia) ("BCBCA").

The Company was incorporated under the laws of British Columbia on April 26, 1984 under the name Chablis Resources Ltd. Effective September 6, 1988, the name was changed to Westhill Resources Ltd. Effective March 3, 1992, the Company underwent a reorganization and changed its name to Breckenridge Resources Ltd. On September 25, 2003, the Company underwent a reorganization and changed its name to GTO Resources Inc. ("GTO"). Effective October 20, 2009, GTO, Polaris Geothermal Inc. ("Polaris") and Western GeoPower Corp. ("Western") completed an arrangement under the BCBCA (the "Arrangement") and GTO changed its name to Ram Power, Corp. Concurrent with the closing of the Arrangement, the Company completed the acquisition of 99.9% of the issued and outstanding shares of Ram Power, Inc. ("RPI"), a private Delaware corporation (the "RPI Acquisition") (the RPI Acquisition and the Arrangement are collectively referred to as the "Business Combination"). On January 1, 2010, Western was amalgamated with the Company under the BCBCA.

As a result of the Business Combination, control of the combined entity was passed to the former shareholders of Polaris, Western and RPI, with Polaris being identified as the acquirer for accounting purposes in accordance with Canadian Institute of Chartered Accountants (the "CICA") Handbook Section 1582. This type of share exchange is referred to as a "reverse takeover". In a reverse takeover situation, the legal parent is deemed to be a continuation of the acquiring enterprise, i.e. the legal subsidiary. As a result, the consolidated financial statements of the Company are a continuation of the financial statements of Polaris. Shareholders' equity was determined and presented on the consolidated balance sheet as if the consolidated financial statements are a continuation of Polaris. See *Note 3 – Business Combinations* for further discussion of the Business Combination.

In connection with the Business Combination, the Company completed an equity financing in amount of \$173.6 (CDN\$179.4) million dollars through issuance of 59.8 million common shares to primarily institutional investors. The Company is engaged in the operation, development, exploration and acquisition of geothermal energy projects. As at March 31, 2010, the Company has the following direct subsidiaries engaged in developing geothermal projects in Nicaragua, the United States of America ("U.S."), Canada and Chile:

- Polaris Geothermal Inc. – Nicaragua and Chile;
- Ram Power, Inc. – the United States of America;
- Western GeoPower Inc. – the United States of America; and
- Meager Creek Development Corporation – Canada.

2. Basis of Presentation and Summary of Significant Accounting Policies

These unaudited interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements including the notes thereto for the fiscal year ended December 31, 2009. The accounting policies followed in preparing these financial statements are those held by the Company as set out in the audited financial statements for the year ended December 31, 2009.

(a) Changes in Accounting Policies

The Company has not adopted any new accounting standards that were issued by the CICA for the quarter ended March 31, 2010.

Ram Power, Corp.

Notes to the Consolidated Financial Statements

March 31, 2010 (Unaudited)

(expressed in United States dollars unless otherwise noted)

2. Basis of Presentation and Summary of Significant Accounting Policies (continued)

(b) Future Changes in Accounting Policies

Convergence with International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed IFRS will replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. The Company's first mandatory filing under IFRS, which will be the first quarter of 2011, will contain IFRS-compliant information on a comparative basis, as well as reconciliations for that quarter and as of the January 1, 2010 transition date. Although IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosure. The Company is in the process of determining the impact to its financial statements and expects such changes to be significant.

(c) Significant Accounting Policies

Reclassification

Certain amounts in the December 31, 2009 consolidated financial statements have been reclassified to conform to the March 31, 2010 presentation. These reclassifications had no effect on the Company's financial position or results of operations.

3. Business Combinations

- (a) The following table presents the preliminary allocation of the purchase price to the acquired assets and liabilities assumed, based on their estimated fair values:

Management expects to finalize the purchase price by the fourth quarter of 2010.

The allocation of the purchase price is based on preliminary data and could change when final valuation of certain geothermal properties, intangible assets and deferred tax assets is obtained.

	Western		RPI
Cash	\$ 2,265,911	\$	1,941,052
Accounts receivable	54,154		-
Prepays and other assets	266,287		36,522
Other assets	11,213,355		503,463
Geothermal properties	58,785,066		8,182,431
Goodwill	16,822,362		17,657,460
Total assets acquired	<u>89,407,135</u>		<u>28,320,928</u>
Accounts payable and accrued liabilities	(7,013,479)		(622,640)
Asset retirement obligations	(673,394)		-
Future income tax liability	(985,364)		-
Long-term debt	(24,429,815)		(3,119)
Total liabilities assumed	<u>(33,102,052)</u>		<u>(625,759)</u>
Net assets acquired	<u>\$ 56,305,083</u>	\$	<u>27,695,169</u>

The \$34,479,822 of goodwill is not expected to be deductible for tax purposes.

Transaction costs of \$2,582,640 were expensed as part of the acquisition.

Ram Power, Corp.

Notes to the Consolidated Financial Statements

March 31, 2010 (Unaudited)

(expressed in United States dollars unless otherwise noted)

3. Business Combinations (continued)

(b) Acquisition of Cerro Colorado Corporation ("CCC")

On May 4, 2009, Polaris purchased 83.40% of the outstanding shares of CCC, a Panamanian company which, indirectly through its wholly-owned Nicaragua subsidiary, Cerro Colorado Power S.A., controls the Casita San-Cristobal Concession in Nicaragua. The total consideration paid by Polaris for the purchased shares was satisfied by a cash payment of \$2,000,000 to the vendor.

Transaction costs of \$104,522 were expensed as part of the acquisition.

Management expects to finalize the purchase price allocation during the second quarter of 2010.

The acquisition was accounted for using the purchase method of accounting. The preliminary purchase price allocation of the net assets acquired is as follows:

Cash paid	\$	2,000,000
Current assets		55,069
Geothermal properties		3,665,865
Current liabilities		(1,322,902)
Non-controlling interest		(398,032)
	\$	2,000,000

4. Prepaids and Other Assets

(a) Prepaids and Other Assets

	March 31, 2010	December 31, 2009
Deposits to contractors	\$ 2,023,686	\$ 2,139,112
Prepaid insurance	349,542	391,486
Recoverable taxes	856,674	349,429
Other prepaids	251,484	350,380
	\$ 3,481,386	\$ 3,230,407

On October 29, 2009, Polaris made an advance payment to its main construction contractor related to the Phase I expansion at the San Jacinto Project. The amount in deposits to contractors represents the balance of this payment as of March 31, 2010 and December 31, 2009. The contractor provided a guarantee for payment and it is pledged as security to the Phase I lenders under the credit agreement discussed in Note 7.

(b) Other Assets

	March 31, 2010	December 31, 2009
Furniture, fixtures and equipment, net	\$ 346,896	\$ 273,173
Other assets	175,437	111,381
Intangible assets	97,348	258,960
Reclamation deposits	366,888	498,264
	\$ 986,569	\$ 1,141,778

Ram Power, Corp.

Notes to the Consolidated Financial Statements

March 31, 2010 (Unaudited)

(expressed in United States dollars unless otherwise noted)

5. Geothermal Properties

Following is a summary of the property, plant and equipment ("PP&E") in service as of:

Capital Assets

	March 31, 2010	December 31, 2009
<u>San Jacinto Tizate I Back Pressure Units</u>		
Land	\$ 2,625,827	\$ 2,625,827
Inventory of spare parts	363,537	363,537
Phase I Back Pressure Units	32,586,001	32,586,001
Accumulated amortization	(7,686,614)	(7,193,118)
Net book value	\$ 27,888,751	\$ 28,382,247

PP&E assets currently in production are being amortized on a straight-line basis over the lesser of their useful lives or the remaining term of the relevant power purchase agreement ("PPA") of 20 years. The amounts of amortization recorded for the quarter ended March 31, 2010 was \$ 493,496.

As of March 31, 2010, the Company reviewed and evaluated the recoverability of the carrying amounts of all of its PP&E. The Company determined that there was no impairment in the carrying amount of its PP&E.

Following is a summary of the geothermal properties under development and construction in progress as of March 31, 2010:

	Balance at 12/31/2009	Deferred exploration costs	Amortization	Costs written off	Balance at 3/31/10
San-Jacinto Phase I 36MW	\$ 70,015,253	\$ 10,644,502	\$ -	\$ -	\$ 80,659,755
San Jacinto Phase II 36MW	7,931,920	3,308,585	-	-	11,240,505
Casita	4,367,569	185,550	-	-	4,553,119
Latin America Pre-Exploration	107,380	76,201	-	(119,517)	64,064
Meager Creek	13,488,806	133,884	-	-	13,622,690
Geysers	49,904,113	855,914	-	-	50,760,027
Clayton Valley	5,628,397	2,747,733	-	-	8,376,130
Orita	1,956,910	1,490,493	-	-	3,447,403
United States Pre-Exploration	2,041,113	217,328	-	-	2,258,441
	\$ 155,441,461	\$ 19,660,190	\$ -	\$ (119,517)	\$ 174,982,134

Geothermal properties represent properties under development and construction in progress and are not being amortized.

As of March 31, 2010, the Company reviewed and evaluated the recoverability of the carrying amounts of all of its geothermal properties. For the quarter ended March 31, 2010, the Company recorded an impairment of geothermal properties in the amount of \$119,517 of carrying costs related to the surrender of the Mombacho and Apoyo geothermal concessions in Nicaragua.

Ram Power, Corp.

Notes to the Consolidated Financial Statements

March 31, 2010 (Unaudited)

(expressed in United States dollars unless otherwise noted)

6. 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 Nicaragua, the United States of America and Canada.

The following geographic data include assets based on location:

	March 31, 2010			
	Canada	United States	Nicaragua	Total
Revenues				
Energy Sales	\$ -	\$ -	\$ 974,425	\$ 974,425
Carbon Credit Sales	-	-	-	-
Total Sales	\$ -	\$ -	\$ 974,425	\$ 974,425
Geothermal properties, net	\$ 13,622,690	\$ 64,842,001	\$ 124,406,194	\$ 202,870,885

	March 31, 2009			
	Canada	United States	Nicaragua	Total
Revenues				
Energy Sales	\$ -	\$ -	\$ 1,365,544	\$ 1,365,544
Carbon Credit Sales	-	-	-	-
Total Sales	\$ -	\$ -	\$ 1,365,544	\$ 1,365,544
Geothermal properties, net	\$ -	\$ -	\$ 71,640,706	\$ 71,640,706

One customer accounted for 100% of revenues in the quarters ended March 31, 2010 and 2009.

7. Long-Term Debt and Bank Advances

	Note 7a	Note 7b	Total
Long-term debt, December 31, 2008	-	-	-
Debt acquired	891,571	-	891,571
Interest expense	89	-	89
Interest payments	(89)	-	(89)
Effect of foreign exchange on loans	(41,883)	-	(41,883)
Current portion of long-term debt	-	-	-
Long term debt – December 31, 2009	\$ 849,688	\$ -	\$ 849,688
Issued Debt	-	15,533,000	15,533,000
Interest expense	4,713	25,408	30,121
Interest payments	-	-	-
Repayment of debt	-	-	-
Effect of foreign exchange on loans	23,271	-	23,271
Current portion of long-term debt	-	-	-
Long term debt – March 31, 2010	\$ 877,672	\$ 15,558,408	\$ 16,436,080

Ram Power, Corp.

Notes to the Consolidated Financial Statements

March 31, 2010 (Unaudited)

(expressed in United States dollars unless otherwise noted)

7. Long-Term Debt and Bank Advances (continued)

(a) Loan from Former Shareholder

In connection with the Business Combination, the Company assumed a loan from a former shareholder of Western in the amount of \$891,571 related to the development of the Company's South Meager project in British Columbia, Canada. Interest is calculated annually at the Royal Bank of Canada's prime rate, which was 2.2% at March 31, 2010. The loan and interest matures on December 31, 2011. As of March 31, 2010 and December 31, 2009, the balance of the debt including accrued interest was \$877,672 and \$849,688, respectively. No interest was paid for the three months ended March 31, 2010.

(b) Credit Agreement

Summary of Credit Agreement

On December 18, 2009, the Company's subsidiaries, Polaris Energy Nicaragua S.A ("PENSA") and San Jacinto Power International Corporation ("SJPIC") (collectively, the "Borrowers"), entered into a credit agreement (the "Credit Agreement") with three Senior Lenders and a Subordinated Lender (collectively, the "Lenders") with a borrowing base of \$77,000,000 (including \$70,000,000 of a "Senior Facility" and \$7,000,000 of a "Subordinated Facility") with maturity dates of December 18, 2020 and 2021, respectively. Interest on the Credit Agreement is payable quarterly and accrues at a) on the Senior Facility, the 3-month London interbank offered rate ("LIBOR"), b) on the Subordinated Facility, the swap rate for the 3-month LIBOR, and c) an annual rate that reflects the Lenders' average annual cost of funding the loans plus an applicable margin of 4.0% and 8.0%, based on the Company's debt service coverage ratio and Nicaragua's debt rating. The applicable margin on the Senior Facility is fixed at 7.5% until after the date of commercial operation ("COD"), at which time it will become a variable rate based on the Company's debt service coverage ratio and Nicaragua's debt rating. The Credit Agreement is secured by substantially all of the assets of the San Jacinto Project, and contains both affirmative and negative covenants, including the Borrowers being precluded from making distributions to shareholders. Certain of the covenants are not applicable until after COD, including maintaining minimum debt service coverage and solvency ratios for certain subsidiaries, required equity contributions to fund the San Jacinto Project, and restrictions on the use of revenues from the San Jacinto project. As of March 31, 2010 and December 31, 2009, the Company was in compliance with the applicable covenants.

At March 31, 2010 and December 31, 2009, \$18.0 million and \$nil were outstanding under the Credit Agreement, respectively. Interest rates on the Senior and Subordinated Facility at March 31, 2010 were 8.22% and 5.75%, respectively, with interest expense of \$25,408 recorded in earnings for the period.

The Company may be required to enter into one or more senior hedging agreements with the administrative agent to protect itself against the risk of interest rate fluctuations for a notional principal amount equal to at least 50% of the outstanding principal of the Credit Agreement. The Borrowers were not required to, and did not, enter into any senior hedging agreements as of March 31, 2010 and December 31, 2009.

The Credit Agreement requires a certain amount of funds to be held on reserve for debt service, major maintenance, drilling and contingency costs. These funds are not required to be held until after COD, and as such, the Company does not currently have restricted cash related to the Credit Agreement. The Subordinated Facility provides for payment of a return enhancement of one quarter of the amount equal to 2% of earnings before interest, taxes, depreciation and amortization ("EBITDA"), as defined, for the previous four quarters to be paid on each quarterly date after COD, until 12 years after the closing date, regardless of whether any Subordinated loans are outstanding.

The Subordinated Facility also requires the Company to pay a make-whole payment upon final payment under the agreement if the sum of the interest payments and the EBITDA payments do not provide the Subordinated Lender an internal rate of return of at least 15%.

Ram Power, Corp.

Notes to the Consolidated Financial Statements

March 31, 2010 (Unaudited)

(expressed in United States dollars unless otherwise noted)

7. Long-Term Debt and Bank Advances (continued)

(b) Credit Agreement (continued)

Summary of Credit Agreement (continued)

Should the Company elect to prepay amounts under the Senior Facility, prepayment fees ranging from 1% - 2.5% will be assessed.

The Senior and Subordinated Facilities have a potential interest rate revision whereby Lenders holding more than 25% of borrowings can give notice that the interest rate for the period does not cover the Lenders' costs. As a result, the interest rate can be revised based on the credit rating of the Lenders. The Company does not have the ability to determine the Lenders' costs, and has not received notice of revisions to the interest rates.

The Company capitalized transaction costs of \$6,973,622 related to obtaining this financing. These costs will be amortized straight-line over the expected term of the agreement. As of March 31, 2010, transaction costs in the amount of \$6,973,622 have been recorded as deferred transaction costs on the balance sheet. Amortization of these costs for the three months ended March 31, 2010 of \$154,969 has been recorded as interest expense in the statement of operations.

Embedded Derivatives

The Company has identified certain embedded derivatives related to the Credit Agreement. All embedded derivatives related to the Credit Agreement are accounted for as a single embedded derivative and will be revalued each period, with changes in value included in earnings. The fair value of the embedded derivatives as of the date of the borrowings (March 24, 2010) under the Credit Agreement \$2,467,000 were netted against the long-term debt and are amortized over the expected term of the related agreement using the effective interest method. Amortization of \$nil was recorded for the period ended March 31, 2010. The following embedded derivatives were identified:

i) The Subordinated Facility Return Enhancement ("EBITDA Payment")

The Company estimated the fair value to be \$2,467,000 at March 31, 2010. The valuation of this derivative was determined using the Company's projections for EBITDA for the quarters ending March 31, 2010 through March 31, 2021. The projections were not based on observable market data. The expected return enhancement fee was calculated by multiplying the trailing 12 months' EBITDA projections for each quarterly date commencing after COD by $\frac{1}{4}$ of 2%, discounted as appropriate. Assumptions in the valuation included a project completion date of April 30, 2011, estimated weighted average cost of capital of 16.4% based on selected competitors, and a period-end convention for present value based on the payment term in the agreement.

ii) The Subordinated Facility Make-Whole Payment

The Company estimated the fair value to be \$nil at March 31, 2010. The valuation was calculated using the Subordinated Lender's expected internal rate of return based on interest payments at a rate of 5.75% per annum and the estimated EBITDA payments discussed above. The Company believes the Subordinated Lender will receive the stated 15%.

iii) Prepayment Option (Call) by the Company

The Company estimated the fair value to be \$nil at March 31, 2010 due to the de minimus probability voluntary prepayments will be made during the term of the Credit Agreement.

Ram Power, Corp.

Notes to the Consolidated Financial Statements

March 31, 2010 (Unaudited)

(expressed in United States dollars unless otherwise noted)

7. Long-Term Debt and Bank Advances (continued)

(b) Credit Agreement (continued)

Embedded Derivatives (continued)

iv) Potential Interest Rate Revision

The Company estimates the fair value to be \$nil at March 31, 2010 because the Company is unable to determine if the Lenders' costs are covered by existing interest rates. The Company has not been notified of a rate revision as of March 31, 2010.

8. Asset Retirement Obligations

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

	Western GeoPower Inc.	Meager Creek Development Corporation	Total
Opening balance, December 31, 2009	\$ 419,713	\$ 266,729	\$ 686,442
Revision in estimate	343,675	282,752	626,427
Accretion	17,176	12,363	29,539
Ending balance, March 31, 2010	\$ 780,564	\$ 561,844	\$ 1,342,408

Assumptions used in the determination of the site reclamation and closure liabilities include estimated undiscounted costs of \$5,409,000 to be expended commencing in 2031 at a discount rate of 9.0% and an inflation factor of 2.0% for the Company's Geysers project in North California (the "Geysers Project") and an undiscounted cost of \$1,119,900 to be expended commencing in 2017 at a discount rate of 9.0% and an inflation factor of 2.0% for the South Meager Project. The revision in estimate of asset retirement obligation related to the change in the estimated discount rate.

The Company did not recognize an asset retirement obligation on its San Jacinto Project as the geothermal concession reverts to the Government of Nicaragua at the end of the concession agreement. The Government holds a legal right to obligate the Company to remove and retire assets as well as to remediate the site according to international environmental standards. The current Environmental Impact Assessment and Generation Licenses require the Company to provide the Ministry of the Environmental and Natural Resources with a request to withdraw assets and installations properties that generate a negative environmental impact and present a risk to the health of the public. At the current time, the Company is unable to identify any assets or installation properties that would generate a negative environmental impact.

9. Share Capital

The Company's capital transactions are detailed in the consolidated statements of shareholders' equity in the consolidated financial statements.

(a) Warrants

During the quarter ended March 31, 2010, 89,700 warrants were exercised for cash proceeds of \$254,420. This resulted in an increase in share capital of \$373,290 and a decrease to contributed surplus of \$118,870.

During the quarter ended March 31, 2010, no subscriber or broker's warrants expired.

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9. Share Capital (continued)

(b) Stock Options

The following table summarizes the information related to the stock options outstanding as of March 31, 2010:

Range \$CDN	Outstanding Options			Exercisable Options	
	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (\$CDN)	Number of Options Outstanding	Weighted Average Exercise Price (\$CDN)
2.00 - 2.99	302,477	4.1	\$ 2.84	133,898	\$ 2.73
3.00 - 3.99	7,605,945	4.5	3.44	425,945	3.51
4.00 - 4.99	682,335	2.7	4.55	682,335	4.55
5.00 - 5.99	403,814	2.1	5.60	403,814	5.60
	8,994,571	4.3	\$ 3.60	1,645,992	\$ 4.39

The following table represents the stock options activity for the quarter ended March 31, 2010:

	Number of options	Weighted average exercise price (CDN \$)
Beginning of period (January 1, 2010)	8,039,571	3.67
Options granted	955,000	3.02
End of period (March 31, 2010)	8,994,571	3.60

As of March 31, 2010, 1,645,992 options were exercisable at a weighted average exercise price of CDN\$4.39.

The options granted on March 23, 2010 are exercisable at a price of CDN\$3.02. These options vest 33% at the one year anniversary of the grant date and 1/24th of the balance of such options vest on the 22nd day of each month thereafter. As of March 31, 2010, none of the options had vested.

The fair value of the options granted was estimated at the date of grant using the Black-Scholes pricing model with the following assumptions:

- Volatility of 65% - based upon the volatility using historical stock prices of the Company, Polaris, Western and two other similar companies
- Expected life of five years
- Risk-free interest rate 2.80%
- Expected dividend yield of 0%

Using these assumptions, the estimated fair value of the grants was \$1,591,333. For the quarter ended March 31, 2010, \$2,201,138 was recognized as stock-based compensation expense of which \$27,728 was related to the March 23, 2010 option grants. The Company estimated a forfeiture rate of 0%.

10. Related Party Transactions

On August 17, 2009, the Company's subsidiary Polaris Energy Chile Limitada received a loan from a shareholder for an amount of \$411,966. The loan did not bear any interest and was due on demand. The loan was used for working capital purposes and was repaid in January 2010.

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11. Commitments

The Company enters into agreements for the acquisition and development of geothermal assets and operating leases. The minimum annual payments required are as follows:

	2010	2011	2012	2013	2014	Total
Geothermal properties	\$ 560,000	\$ 460,000	\$ 730,000	\$ 800,000	\$ 690,000	\$ 3,240,000
Property, plant and equipment purchases	5,323,000	6,654,000	-	-	-	11,977,000
Operating leases	320,000	290,000	100,000	60,000	60,000	830,000
	\$ 6,203,000	\$ 7,404,000	\$ 830,000	\$ 860,000	\$ 750,000	\$ 16,047,000

(a) Power Purchase Agreements

In March 2006, the Company entered into the PPA with Nicaraguan power distributor Distribuidora De Electricidad del Norte, S.A. ("Disnorte") and Distribuidora De Electricidad del Sur, S.A. ("Dissur") for the sale of up to 72 megawatts ("MW") of power for a period of 20 years from the commencement of commercial production, which is expected to be April 2011. This agreement is extendable by mutual agreement of the parties.

Under the terms of the PPA, Polaris is required to have letters of credit aggregating approximately \$5 million no later than June 30, 2010.

In July 2009, the Company entered into a PPA with Southern California Edison ("SCE") for the sale of 49.9MW of power for a period of 20 years from a geothermal project in Imperial Valley, California (the "Orita Project"). Initial operation of the Orita Project is expected to commence on December 31, 2012. This agreement has two expansion options to sell an additional 49.9MW per option. If the Orita Project terminates before commercial operation begins, the Company may be liable for up to \$1,000,000 to SCE. If annual deliveries fall below 90% of annual net energy, replacement damages will be due on the amount of shortfall between \$0.02 and \$0.05 per kWh.

In February 2010, the Company entered into a PPA with Nevada Power Corporation ("NPC") for the sale of 32 MW of power for a period of 20 years from a geothermal project in Clayton Valley, Nevada (the "Clayton Valley Project"). Initial operation of the Clayton Valley Project is expected to commence on June 30, 2014. If the Clayton Valley Project terminates before commercial operation begins, Clayton Valley 1, LLC may be liable for up to \$2,635,000 to NPC.

(b) Certified Emission Reduction ("CER") Options

In April 2009, the Company has entered into two option agreements with Blues Traveler Environmental Limited ("Blues") and EcoSecurities to sell a portion of the CERs generated by the San Jacinto Project. The agreements extend through 2013 and provide for sale of CERs for prices ranging from \$15.25 - \$17.25 depending upon the year in which the option is exercised.

The Company determined the fair value of the remaining options with Blues to be to be \$612,154 and \$514,530 as of March 31, 2010 and December 31, 2009, respectively. This resulted in an increase in the amount of the derivative obligation and this increase was recorded as a change in fair value in the statement of operations under Other Income, for the quarter ended March 31, 2010 and 2009 of \$97,624 and \$nil, respectively. The options were valued using the Black Scholes pricing model. The assumptions used to determine the fair value of the derivative obligation as of March 31, 2010 were as follows: option price of \$16.50, annualized volatility of 34.11%, risk-free rate of 1.60%, term of the option of 3.0 years and dividend yield of 0%.

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Notes to the Consolidated Financial Statements

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11. Commitments (continued)

(c) CIBC Letter of Credit

The Company entered into a \$5 million letter of credit agreement with Canadian Imperial Bank of Commerce ("CIBC") on February 18, 2010 (the "Letter"). The Letter is available to be issued until February 17, 2011 with a maturity of one year from issuance. The interest rate for the Letter is 0.825%. There is a 0.225% standby fee for any unutilized portion of the Letter. The Letter is fully collateralized with cash or cash equivalents, limited to i) U.S. or Canadian government Treasury Bills, ii) CIBC term deposits or iii) CIBC GICs. There was no amount outstanding under the Letter as of March 31, 2010.

12. Contingencies

(a) Legal Proceedings

The Company is involved in various legal claims associated with the normal course of operations. As of March 31, 2010, the Company believes that no provision for such legal claims is necessary.

(b) Asset Retirement

The Company is responsible for the retirement of long-lived assets related to its geothermal concessions at the end of their useful lives. The Company has recognized a liability of approximately \$1.3 million based on estimated costs. Actual costs may differ from those estimated.

(c) Income Tax Matters

The operations of the Company are complex, and related tax interpretations and legislation in the various jurisdictions that the Company operates in are continually changing. The Company believes that the provision for taxes is adequate.

13. Income Taxes

For the quarter ended March 31, 2010, the Company's net income tax expense was a recovery of future taxes of \$6,761 (a net effective income tax rate of 0.18%). As of March 31, 2010 and December 31, 2009, the Company has recorded a valuation allowance against its future income tax assets. The Company's total valuation allowance recorded against future tax assets as of March 31, 2010 and December 31, 2009, was \$19,207,622 and \$20,185,758, respectively.

Loss carry over balances as of March 31, 2010 are:

Canada	\$58,089,669
United States	\$4,244,846
Nicaragua	\$9,028,301

The loss carryovers for Canada, the United States and Nicaragua expire through 2030, 2030 and 2013, respectively.

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14. Supplemental Disclosures with Respect to Cash Flows

	Three Months Ended	
	March 31, 2010	March 31, 2009
Cash paid during the period for interest	\$ -	\$ 1,022,850
Cash paid during the period for income taxes	\$ -	\$ -
Revision in capitalized asset retirement obligations	\$ 626,427	\$ -

15. Financial Risk Management and Financial Instruments

(a) Fair Value of Financial Assets and Liabilities

The fair value of cash, restricted cash, short-term investments, accounts receivable, accounts payable and accrued liabilities approximate their carrying amount due to the short-term maturity of those instruments.

The fair value of other assets approximates their carrying amount due to the nature of the instruments held.

Derivative liabilities are recorded at their estimated fair value based on the mark-to-market method of accounting, using unobservable inputs based on management assumptions.

Long-term debt of \$16,436,080 and \$849,688 as of March 31, 2010 and 2009, respectively, is carried at amortized cost using the effective interest method of amortization. The Company believes fair value approximates carrying value because of the limited amount of time the debt has been outstanding during the period, and the interest rates being based on market rates as of March 31, 2010.

(b) Financial Risk Management

The Company is exposed to financial risks arising from its financial assets and liabilities. The financial risks include market risk relating to commodity prices, interest rates and foreign exchange rates.

(c) Interest Rate Risk

The \$70 million Senior Facility to the Credit Agreement (Note 7) bears interest at an applicable margin of 7.5% with quarterly interest payments that are variable based upon the 3-month LIBOR. After conversion to a Senior Term Loan, the applicable margin will be based on a combination of Nicaragua's debt rating and the Company's debt service coverage ratio, ranging from 5.65% to 8.00%. The Credit Agreement also contains a subordinated loan in the amount of \$7 million. The Subordinated Facility requires that quarterly interest payments be fixed at the date of borrowing by reference to a base rate plus 4.0%. The base rate is established using the swap rate for the 3-month LIBOR in respect of a specified maturity matching the period from the date of the initial borrowing up to December 18, 2021. At COD, both the Senior and Subordinated Facilities will be changed from construction loans to a term loans and the Company will be required to enter into an interest-rate swap for the entire outstanding balance of the Senior Facility term loan. The Company feels that it is not exposed to significant risk on the un-hedged portion of the loan during the term of the construction and, therefore, it does not currently hold any financial instruments that mitigate this risk.

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15. Financial Risk Management and Financial Instruments (continued)

(d) Currency Risk

The Company operates internationally and is exposed to risks from changes in foreign currency rates. The functional currency of the Company is US dollars and currently most of the Company's transactions are denominated in US dollars. The Company currently has operations in Canada, with operations translated in accordance with their accounting policy. The foreign operations hold monetary items, such as cash, accounts payable, long-term debt and other obligations in aggregate of CDN\$2,847,000. The Company determined that a 10% increase or decrease in the Canadian dollar against the US dollar would result in an increase or decrease in net loss or other comprehensive loss of \$564,000 for the quarter ended March 31, 2010. The Company does not enter into any foreign exchange contracts to mitigate this risk.

Of the Company's planned \$160 million San Jacinto Phase I expansion, approximately \$32 million in services and equipment purchases is denominated in the Brazilian Real ("Brl") at an exchange rate of 1.80. Under the Company's procurement and construction contract with Queiroz Galvao, these costs are subject to continuous adjustment and are calculated in Brl and then changed to US dollars at the time of invoicing, which is monthly. A \$0.01 fluctuation in the US dollar against the Brl represents a \$576,000 dollar change in the value of Brl exposure.

(e) Commodity Prices

The Company's commodities consist of power produced and Certified Emissions Reduction ("CERs") earned. The Company is not exposed to commodity price risk with respect to the power it produces as all power currently produced is sold under the terms of a 20 year PPA which establishes a fixed price and escalator.

CER prices have fluctuated widely during recent years and are determined by economic and geopolitical factors. Any movement in CER prices could have an effect on the Company's financial condition. At the present time, Polaris entered into an option agreement that pre-sold approximately 179,000 tons of CERs at prices from \$15.25 to \$17.25 per CER ton. At this time, the Company considers this transaction significant enough to mitigate the risk of declining CER prices.

In addition, the Company is party to three PPAs for the sale of power from the Geysers Project, Orita Project and Clayton Valley Project at substantially fixed prices for 20 years, subject to certain adjustments. These contracts further mitigate the risk of commodity price fluctuations.

(f) Credit Risk

Credit risk is the risk of financial loss to the Company if a partner or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist of accounts receivable.

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15. Financial Risk Management and Financial Instruments (continued)

(f) Credit Risk (continued)

The Company deposited the cash equivalents with reputable financial institutions, for which management believes the risk of loss to be remote. Most of the Company's accounts receivable relate to PENZA's PPA with the Nicaraguan power distributors Disnorte and Dissur. As both Disnorte and Dissur are subsidiaries of the same company, currently PENZA has one customer for all of its power sales. This party is subject to normal industry credit risks. Management does not believe that this represents a significant credit risk as the customer is a power distributor in the country of Nicaragua, whose main customer is the Government of Nicaragua. Credit risk concentration with respect to trade receivables is limited due to the relationship between the Company and the Government of Nicaragua. The Company manages this risk by seeking out alternative customers both in Nicaragua and in other Central American countries so that in the event of a credit failure on the part of its current customer it would have alternative arrangements. The Company is entitled to sell its power to alternative customers in the event that its current customer fails to pay for power generated and this situation continues for a period of 60 days.

Maximum credit risk is calculated as the total value of accounts receivable at the balance sheet date less any liability amounts where there is a legal right to offset. The Company's maximum credit risk as of March 31, 2010 and December 31, 2009 is \$1,647,470 and \$1,542,555, respectively.

16. Capital Management

The Company's capital structure is comprised of working capital (current assets minus current liabilities), long-term debt and shareholders' equity. The Company's objectives when managing its capital structure is to:

- i) maintain financial flexibility to preserve the Company's access to capital markets and its ability to meet its financial obligations; and
- ii) finance internally generated growth as well as potential acquisitions.

In order to facilitate the management of capital, the Company prepares annual expenditure budgets, which are updated as necessary and are reviewed and approved by the Company's Board of Directors.

In preparing its budgets, the Company considers externally-imposed capital requirements pursuant to the terms of the Credit Agreement entered into by Polaris' subsidiaries PENZA and SJPIC (Note 7). These externally-imposed capital requirements will affect the Company's approach to capital management, which is a change from previous periods. The Company's externally-imposed capital requirements include maintaining minimum debt service coverage and solvency ratios for PENZA and SJPIC, required contributions of equity to fund the San Jacinto Project, and restrictions on the use of revenues from the San Jacinto Project. These externally-imposed capital requirements are not in effect until after COD of the San Jacinto Project.

The Company may, pending approval by the Board of Directors, issue new equity, incur additional debt, enter into joint venture arrangements or dispose of certain assets to continue meeting its capital management objectives.

17. Subsequent Events

On April 12, 2010, the Company surrendered the Mombacho and Apoyo concessions in Nicaragua. As of March 31, 2010, the Company recorded an impairment of its geothermal properties in the amount of \$119,517 (Note 5) related to the surrender of these concessions.