

Consolidated financial statements of

Ram Power, Corp.

December 31, 2009 and 2008

(Expressed in United States dollars)

Ram Power, Corp.

December 31, 2009 and 2008

Table of contents

Auditors' Report	1
Consolidated balance sheets	2
Consolidated statements of operations and comprehensive loss	3
Consolidated statements of shareholders' equity	4
Consolidated statements of cash flows	5
Notes to the consolidated financial statements	6-33

Auditors' Report

To the Shareholders of
Ram Power, Corp.

We have audited the consolidated balance sheets of Ram Power, Corp. as at December 31, 2009 and 2008 and the consolidated statements of operations and comprehensive loss, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
March 29, 2010

Ram Power, Corp.

Consolidated balance sheets

as at December 31, 2009 and 2008

(expressed in United States dollars)

	2009	2008
	\$	\$
Assets		
Current		
Cash and cash equivalents	96,471,261	748,336
Short-term investments	26,870,111	-
Accounts receivable	2,103,366	1,173,733
Prepays and other assets (Note 5)	3,230,407	4,802,307
	128,675,145	6,724,376
Restricted cash (Note 4)	3,523,366	1,745,500
Investment (Note 9)	-	1,275,870
Other assets (Note 5)	868,605	94,701
Property, plant and equipment (Note 6)	29,888,510	30,568,880
Geothermal properties (Note 7)	160,349,259	40,528,405
Goodwill (Note 3)	34,479,822	-
	357,784,707	80,937,732
Liabilities		
Current		
Accounts payable and accrued liabilities	12,598,528	7,346,013
Current portion of long term debt (Note 10)	-	19,684,322
Due to related parties (Note 14)	411,966	230,718
Derivative obligation (Note 15)	514,530	1,300,000
Total current liabilities	13,525,024	28,561,053
Long term debt (Note 10)	849,688	41,011
Asset retirement obligations (Note 12)	686,442	-
Future income tax liability (Note 17)	940,539	-
	16,001,693	28,602,064
Commitments and contingencies (Notes 15 and Note 16)		
Shareholders' equity		
Non-controlling interest	672,827	1,509,202
Share capital (Note 13)	380,606,549	46,474,824
Contributed surplus (Note 13)	21,897,817	28,189,607
Accumulated deficit	(61,394,179)	(23,837,965)
	341,783,014	52,335,668
	357,784,707	80,937,732

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

(signed) Hezy Ram
CEO & Director

(signed) Robert R. Gilmore
Director

Ram Power, Corp.

Consolidated statements of operations and comprehensive loss for the years ended December 31 (expressed in United States dollars)

	2009	2008
	\$	\$
Revenues		
Energy sales	4,759,625	4,334,855
Carbon credit sales	664,595	423,505
Total revenue	5,424,220	4,758,360
Direct cost of energy production	1,322,233	1,601,905
Gross margin	4,101,987	3,156,455
Expenses		
Amortization of property, plant and equipment (Note 6)	1,729,809	1,704,483
Amortization of geothermal properties (Note 7)	235,470	166,012
Accretion of asset retirement obligations (Note 12)	13,051	-
General and administrative expenses	11,729,490	3,694,567
	13,707,820	5,565,062
Other (income) loss		
Interest income	(619,118)	(344,055)
Interest and bank charges	7,120,107	2,210,260
Accretion on debt (Note 11)	3,421,318	3,684,928
Accretion related to preferred share issuance (Note 13)	7,294,032	-
Foreign exchange loss (gain)	9,050,834	(3,207,579)
Recognition of CER premium (Note 15)	(40,766)	-
Derivative obligations loss (Note 15)	355,296	-
Write-down of investment (Note 9)	1,275,870	-
	27,857,573	2,343,554
Loss for the year before income taxes	(37,463,406)	(4,752,160)
Shareholders' equity		
Future tax benefit (Note 17)	(28,888)	-
Loss before the undernoted	(37,434,518)	(4,752,160)
Non-controlling interest in net loss and comprehensive loss of subsidiary	26,954	118,183
Net loss and comprehensive loss	(37,407,564)	(4,633,977)
Basic and diluted weighted average number of shares outstanding	100,664,360	75,273,472
Basic and diluted net loss per share	\$ (0.37)	\$ (0.06)

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

Ram Power, Corp.

Consolidated statements of shareholders' equity

for the year ended December 31, 2009

(expressed in United States dollars)

	Shares	Common stock amount \$	Contributed surplus \$	Non-controlling interest \$	Accumulated deficit \$	Total \$
Balance December 31, 2007	-	46,234,350	23,857,507	1,627,385	(19,203,988)	52,515,254
Warrants issued in connection with bridge loan (Note 10)	-	-	3,240,876	-	-	3,240,876
Brokers warrants issued (Note 10)	-	-	296,669	-	-	296,669
Share rights issued (Note 10)	-	-	344,508	-	-	344,508
Shares rights exercised	-	240,474	(240,474)	-	-	-
Stock-based compensation	-	-	690,521	-	-	690,521
Net loss for the period	-	-	-	(118,183)	(4,633,977)	(4,752,160)
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 13)	-	897,095	903,314	-	-	1,800,409
Polaris shares issued as a result of royalty purchase (Note 13)	-	8,152,538	-	-	-	8,152,538
Polaris shares issued in connection with debt (Note 13)	-	861,656	-	-	-	861,656
Bridge loan warrant revaluation	-	-	158,592	-	-	158,592
Polaris shares rights exercised (Note 13)	-	94,250	(94,250)	-	-	-
Polaris stock warrants exercised (Note 13)	-	37,731,230	(11,614,209)	-	-	26,117,021
Conversion of Polaris preferred shares (Note 2(a) and 13)	-	12,163,316	(2,468,880)	-	-	9,694,436
Polaris shares redeemed (Note 13)	-	-	-	-	(148,650)	(148,650)
Polaris stock options granted (Note 13)	-	-	864,892	-	-	864,892
Consideration given in connection with Polaris preferred share issuance (Note 13)	-	556,709	6,568,317	-	-	7,125,026
Common shares issued in connection with debt conversion (Note 12)	9,000,000	26,021,588	-	-	-	26,021,588
Common shares issued for cash in private placement (Note 13)	59,800,000	160,195,956	-	-	-	160,195,956
Common shares issued in connection with Business Combination (Note 13)	77,261,680	89,745,898	(6,584,281)	-	-	83,161,617
Broker warrants issued in connection with Business Combination (Note 13)	-	(4,754,763)	4,754,763	-	-	-
Options converted in connection with Business Combination (Note 13)	-	-	838,647	-	-	838,647
Stock options granted (Note 13)	-	-	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

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

Ram Power, Corp.

Consolidated Statements of Cash Flows for the years ended December 31

(expressed in in United States dollars)

	2009	2008
	\$	\$
Operating activities		
Net loss	(37,434,518)	(4,752,160)
Deduct items not affecting cash:		
Amortization of property, plant and equipment (Note 6)	1,729,809	1,704,483
Amortization of geothermal properties (Note 7)	235,470	166,012
Accretion of asset retirement obligations (Note 12)	13,051	-
Change in fair value of derivative obligation	355,296	-
Accretion of debt (Note 11)	3,421,318	804,663
Accretion related to preferred share issuance (Note 13)	7,294,032	-
Recognition of CER premium	(40,766)	-
Stock-based compensation (Note 13)	2,504,946	690,521
Unrealized foreign exchange loss	3,135,300	(3,336,206)
Write-down of investment (Note 9)	1,275,868	-
Changes in non-cash working capital:		
Accounts receivable	(866,418)	49,547
Prepays and other assets (Note 5)	(10,123,135)	(477,836)
Accounts payable and accrued liabilities	674,905	254,972
Due to related parties	-	-
Future income tax liability (Note 17)	(34,888)	-
Interest payable	(27,228)	27,228
	(27,886,958)	(1,988,511)
Investing activities		
(Increase) decrease in restricted cash (Note 4)	(1,777,866)	1,547,058
Additions to geothermal properties (Note 7)	(23,423,031)	(20,118,245)
Purchase of short-term investments	(26,870,111)	-
Increase in cash and cash equivalents from business combination (Note 3)	4,209,497	-
Investment in Cerro Colorado Corporation (net of cash acquired-Note 3)	(1,953,981)	-
	(49,815,492)	(18,571,187)
Financing activities		
Proceeds from issue of common shares and warrants, net of share issue expenses	162,527,454	-
Proceeds from issue of warrants net of share issue expenses	26,117,021	-
9,586,171	-	-
(Refund of) increase in derivative option premium (Note 15)	(550,000)	1,100,000
Redemption of Class B Shares	(148,650)	-
Repayment of long term debt (Note 10)	(23,632,842)	(54,185)
Repayment of Debentures plus accrued interest	-	(8,329,040)
Repayment of bank loans (Note 10)	(655,000)	655,000
Related party advances	181,221	230,718
Increase in bridge loan, net of costs	-	23,658,914
	173,425,375	17,261,407
Net increase (decrease) in cash and cash equivalents	95,722,925	(3,298,291)
Cash and cash equivalents, beginning of year	748,336	4,046,627
Cash and cash equivalents, end of year	96,471,261	748,336
Cash and cash equivalents consist of:		
Cash on hand and balances with banks	96,471,261	718,630
Cash equivalents	-	29,706
Total cash and cash equivalents	96,471,261	748,336

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

Ram Power, Corp.

Notes to the Consolidated Financial Statements

December 31, 2009 and 2008

(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, 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"). Effective 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 December 31, 2009, the Company has the following direct subsidiaries engaged in developing geothermal projects in Nicaragua, the United States, Canada and Chile;

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

2. Basis of presentation and summary of significant accounting policies

(a) Changes in accounting policies

Effective January 1, 2009, the Company adopted new accounting standards that were issued by the CICA. The accounting policy changes as the result of these new standards are as follows:

Financial Instruments – Disclosures

In June 2009, the CICA amended Section 3862, *Financial Instruments – Disclosures*, to enhance disclosure requirements regarding liquidity risk of financial instruments and add new disclosure requirements about fair value measurements of financial instruments. These amendments apply to annual financial statements for fiscal years ending after September 30, 2009. The Company included disclosures recommended by this section in Note 19 to these consolidated financial statements.

Ram Power, Corp.

Notes to the Consolidated Financial Statements

December 31, 2009 and 2008

(expressed in United States dollars unless otherwise noted)

2. Basis of presentation and summary of significant accounting policies (continued)

(a) Changes in accounting policies (continued)

Financial Instruments – Recognition and Measurement

On July 29, 2009, the CICA issued amendments to Section 3855, *Financial Instruments – Recognition and Measurement*. Effective January 1, 2009, the Company early adopted the CICA clarified guidance on the separation of an embedded prepayment option from its host debt instrument for accounting purposes. The amount of the prepayment fee paid on the Company's credit agreement is independent of the calculation of interest lost by the lender. Thus, the Company separated the embedded prepayment option from its host debt instrument, and determined its fair value insignificant at December 31, 2009. Adoption of this amendment did not have a significant impact on the consolidated financial statements.

Business Combinations/Consolidated Financial Statements/Non-Controlling Interests

Effective January 1, 2009, the Company elected to early adopt four new accounting standards that were issued by the CICA: Sections 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, Section 1602, *Non-Controlling Interests*, and Section 3064, *Goodwill and Intangible Assets*. These sections were applied prospectively to business combinations for which the acquisition date was on or after the beginning of the first annual reporting period beginning on or after January 1, 2009. This new section was created to converge Canadian generally accepted accounting principles ("Canadian GAAP") and International Financial Reporting Standards ("IFRS").

The effect of the application of Section 1582 was that \$2,582,640 of transaction costs were expensed instead of accounted for as part of the purchase consideration for the Arrangement and the purchase of Cerro Colorado Corporation ("CCC")(Note 3). In addition, Polaris' 4.12% acquisition of Polaris Energy Corp. ("PEC") resulted in the carrying value of the Company's non-controlling interest in PEC being adjusted in accordance with Section 1602, by \$1,207,503 with a \$1,258,748 charge to contributed surplus.

Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted CICA Section 3064, *Goodwill and Intangible Assets*, replacing Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. Section 3064 provides guidance on the recognition, measurement, presentation and disclosure for goodwill and intangible assets, other than the initial recognition of goodwill or intangible assets acquired in a business combination. The standard is effective for fiscal years beginning on or after October 1, 2008, and requires retroactive application to prior period consolidated financial statements.

In connection with the Business Combination described in Note 3, the Company recognized goodwill. The Company believes there is no impairment to the recorded balance at December 31, 2009.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

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

Ram Power, Corp.

Notes to the Consolidated Financial Statements

December 31, 2009 and 2008

(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

Mining Exploration Costs

In March 2009, the EIC issued EIC 174, *Mining Exploration Costs*. The EIC provides guidance on capitalization to an enterprise when it has not established mineral reserves objectively and when impairment should be assessed to determine whether a write-down of these capitalized costs are required. The adoption of this guidance did not have any significant impact on the Company's consolidated financial statements or the valuation of the Company's geothermal properties.

Convergence with International Financial Reporting Standards

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

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries and are presented in accordance with Canadian GAAP. All significant inter-company balances and transactions have been eliminated upon consolidation.

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments in money market instruments with original maturities of three months or less when purchased.

Revenue recognition

The Company's sales are recognized at the time of generation and delivery to the purchasing party as metered at the point of interconnection with the transmission system.

Sales of certified emission reductions ("CERs" or "carbon credits") are recognized in revenue when persuasive evidence of an arrangement exists, the sales price is fixed or determinable, title of ownership and risks of reward and loss have passed to the purchaser and collectability is reasonably assured. Sales are reported net of discounts.

Impairment of long-lived assets

The Company reviews and evaluates the recoverability of the carrying amounts of its geothermal properties when events or changes in circumstances indicate that the carrying amount may not be recoverable. Estimated future net cash flows, on an undiscounted basis, are calculated using estimated future production and estimated future power price realization (considering the relevant power purchase agreement ("PPA") (see Note 14), operating costs, future capital expenditures, project financing costs, and income taxes. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its estimated fair value.

Ram Power, Corp.

Notes to the Consolidated Financial Statements

December 31, 2009 and 2008

(expressed in United States dollars unless otherwise noted)

2. Basis of presentation and summary of significant accounting policies (continued)

(c) Significant accounting policies (continued)

Goodwill

Goodwill, which represents the excess of purchase price over fair value of net assets acquired, is assessed for impairment annually as of December 31. If the fair value of the reporting unit is less than the enterprise book value, then a second test is performed to determine the amount of the impairment. The amount of the impairment is determined by deducting the fair value of the reporting unit's assets and liabilities from the fair value of the reporting unit to determine the implied fair value of goodwill and comparing that amount to the book value of the reporting unit's goodwill. Any excess of the book value of goodwill over the implied fair value of goodwill is the impairment amount. In connection with the Business Combination described in Note 3, the Company recognized goodwill, and believes there is no impairment to the recorded balance at December 31, 2009.

Property, plant and equipment

Property, Plant and Equipment ("PP&E") is recorded at cost and includes assets currently in use, construction in progress and those assets not in use. Assets currently in use are being amortized over the shorter period of its useful life and the remaining term of a relevant power purchase agreement (the "PPA") and construction in progress and assets not in use are not being amortized until they are put in service. Spare parts are included in PP&E and are valued at acquisition cost less a provision for obsolescence.

Geothermal properties

Amounts capitalized under geothermal properties represent expenditures incurred for the development of new facilities including acquisition of geothermal concessions, construction in progress, site preparation, engineering costs, lease costs and drilling costs. Amounts are initially valued at cost and are tested for impairment based on the expected service potential of the asset when development is substantially complete. On substantial completion of each stage or new facility, amortization is recorded over the remaining term of the PPA on a straight-line basis. Thereafter, the amounts are evaluated for impairment as long-lived assets.

Foreign currency translation

In these consolidated financial statements, unless otherwise indicated, all dollar amounts are expressed in United States ("US") dollars. The Company's functional currency is the US dollar. The Company's reporting currency is the US dollar as a significant portion of its revenues, assets, liabilities and financing are denominated in US dollars. Foreign currency transactions are translated using the exchange rate in effect on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are included in operations.

The consolidated financial statements of the Company's fully integrated subsidiaries are translated into US dollars using the temporal method. Under this method, monetary assets and liabilities are translated at the year-end exchange rate and all other assets and liabilities are translated at applicable historical exchange rates. Revenue and expense items are translated at the average rates prevailing during the year. Translation gains and losses are included in earnings.

Income taxes

The Company uses the liability method of accounting for income taxes whereby future income taxes are recognized for the tax consequences of temporary differences by applying statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of certain assets and liabilities. The Company recognizes a future income tax asset when it appears more likely than not that some or all of the future income tax assets will be realized.

Ram Power, Corp.

Notes to the Consolidated Financial Statements

December 31, 2009 and 2008

(expressed in United States dollars unless otherwise noted)

2. Basis of presentation and summary of significant accounting policies (continued)

(c) Significant accounting policies (continued)

Asset retirement obligations

The Company recognizes asset retirement obligations in the period in which they are incurred if a reasonable estimate of fair value can be determined. The associated asset retirement costs before salvage values are capitalized as part of the carrying amount of the long-lived asset. The liability is

accrued over the estimated time period until the settlement of the obligation and the asset is amortized over the estimated useful life of the asset. The asset retirement obligation is classified based on expected timing of settlement.

Use of estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions. The critical accounting estimates include determining the fair value of stock options and stock warrants, estimating the depreciable lives of geothermal properties, projecting cash flows used in the determination of the impairment analysis for capital assets and geothermal operations and in the determination of the fair value of the embedded derivative liability, and realizability of deferred income tax assets. The estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingencies as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

Investments are accounted for at cost where it is determined that the Company does not have significant influence over the operating, financing, and investing activities of the investee. An impairment loss is recorded when there has been a loss in value of the investment that is other-than-temporary. The Company monitors its investments for factors indicating other-than-temporary impairment and records a charge to net earnings (loss) when appropriate.

Short-term investments

Short-term investments generally represent investments in US treasury bills and time deposits, which have original maturities between fourteen and eighteen months. These investments are accounted for at amortized cost and are classified as held-to-maturity.

Stock-based compensation

The Company measures the compensation cost to be recognized for share-based awards based on the estimated fair value of the award on the date of grant. Compensation cost is recognized over a service period. The Company uses the Black-Scholes option valuation model to estimate the fair value of the award. In estimating this fair value, the Company uses certain assumptions, as disclosed in Note 13, consisting of the expected life of the option, risk-free interest rate, dividend yield, and volatility. The use of a different estimate for any one of these components could have a material impact on share-based compensation costs.

Ram Power, Corp.

Notes to the Consolidated Financial Statements

December 31, 2009 and 2008

(expressed in United States dollars unless otherwise noted)

2. Basis of presentation and summary of significant accounting policies (continued)

(c) Significant accounting policies (continued)

Comprehensive Income

CICA Section 1530, *Comprehensive Income*, requires the Company to disclose comprehensive income. Comprehensive income includes net income as well as certain gains and losses required to be recognized in comprehensive income, but excluded from net income. These gains and losses are recognized in other comprehensive income and include unrealized gains or losses on available-for-sale investments, and the effective portion of gains or losses on derivatives designated as cash-flow hedges. These unrealized gains and losses are reclassified from accumulated other comprehensive income to net income when realized.

The application of this standard did not result in comprehensive income (loss) being different from net income (loss) for the year presented. Should the Company recognize any other comprehensive income in the future, the cumulative changes in other comprehensive income would be recognized in accumulated other comprehensive income which would be presented as a new category within shareholders' equity on the consolidated balance sheets.

Financial Instruments

The Company has classified all financial assets into one of the following four categories: (1) loans and receivables, (2) assets held-to-maturity, (3) assets available-for-sale, and (4) held-for-trading. All financial liabilities have been classified as either: (1) other liabilities, or (2) held-for-trading. Financial instruments classified as held-for-trading are measured at fair value, with changes in fair value recognized in net income. Financial assets classified as available-for-sale are measured at fair value, with unrealized changes in fair value recognized in other comprehensive income.

All other financial instruments are measured at amortized cost with foreign exchange gains and losses recognized immediately in net income.

The following is a summary of the accounting classification the Company elected to apply to each of its significant categories of financial instruments outstanding as of December 31, 2009:

Cash and cash equivalents	Held-for-trading
Short-term investments	Held-to-maturity
Restricted cash – current and long-term	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Long-term debt	Other liabilities
Bank advances	Other liabilities
Related parties	Other liabilities
Bridge Loan	Other liabilities
Derivative Obligation	Held-for-trading

Derivatives

Derivative financial instruments, including embedded derivatives, are recorded on the consolidated balance sheets at fair value with realized and unrealized gains and losses recorded in net earnings.

Transaction costs

Transaction costs related to other liabilities and loans and receivables are capitalized and then amortized over the expected life of the instrument using the effective interest method.

Ram Power, Corp.

Notes to the Consolidated Financial Statements

December 31, 2009 and 2008

(expressed in United States dollars unless otherwise noted)

2. Basis of presentation and summary of significant accounting policies (continued)

(c) Significant accounting policies (continued)

Determination of fair value

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion

to act. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparisons with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. For certain derivatives, fair values may be determined in whole or in part from valuation techniques using non-observable market data or transaction prices. A number of factors such as bid-offer spread, credit profile and model uncertainty are taken into account, as appropriate, when values are calculated using valuation techniques.

Certified Emission Reductions

During 2008, Polaris changed its accounting policy with respect to CER. Polaris previously recognized CERs as an intangible asset consistent with the production of energy. Due to evolving accounting principles with respect to accounting for CERs, the Company now recognizes CERs as an intangible asset upon verification.

Capital disclosures

CICA Section 1535, *Capital Disclosures*, establishes standards for disclosing information regarding an entity's capital and how it is managed. The entity's disclosure should include information about its objectives, policies and processes for managing capital and disclosure whether or not it complied, and the consequences of non-compliance, with any capital requirements to which it is subject. The Company included disclosures recommended by Section 1535 in Note 20 to these consolidated financial statements.

Amalgamation Transaction

On October 20, 2009, the Company completed the Business Combination with Polaris, Western and RPI as more fully described in Note 1 above.

The acquisition of Western and RPI is accounted for as a business combination in accordance with CICA Section 1582. The aggregate purchase price of the entities was approximately \$110 million, which was paid in the form of common shares and assumed liabilities. The purpose of the Business Combination was to create synergies in the development and operation of geothermal resources and to lower general and administration expenses and cost of capital.

The goodwill recognized in connection with the Business Combination is a result of several factors including the diversification of country risk with assets now located in several different countries and regions, diversification of project and resource risk through a larger portfolio of geothermal reserves, the acquisition of additional intellectual capital via an experienced assembled workforce and the achievement of greater critical mass which is key to successful fund raising.

Ram Power, Corp.

Notes to the Consolidated Financial Statements

December 31, 2009 and 2008

(expressed in United States dollars unless otherwise noted)

3. Business combinations (continued)

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

	Western \$	RPI \$
Cash	2,265,911	1,941,052
Accounts receivable	54,154	-
Prepays and advances	266,287	36,522
Spare parts	4,010,016	-
Reclamation deposits	244,564	250,000
Long-term deposits	10,968,791	-
Geothermal properties	54,775,050	8,182,431
Identified intangibles	-	253,463
Goodwill	16,822,362	17,657,460
Total assets acquired	89,407,135	28,320,928
Accounts payable	(7,013,482)	(622,640)
Asset retirement obligation	(673,394)	-
Future income tax liability	(985,364)	-
Long-term debt	(24,429,815)	(3,119)
Total liabilities assumed	(33,102,055)	(625,759)
Net assets acquired	56,305,080	27,695,169

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.

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

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

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 expected 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)
Minority interest	(398,032)
	2,000,000

Ram Power, Corp.

Notes to the Consolidated Financial Statements

December 31, 2009 and 2008

(expressed in United States dollars unless otherwise noted)

3. Business combinations (continued)

Polaris Energy Corp. Ownership Change

On September 30, 2009, Polaris acquired an additional 4.12% in PEC through the issuance of 2,398,008 common shares of Polaris. This increased the Polaris ownership interest in PEC to 99.26%. The common shares were issued as part of a purchase agreement that also included the purchase of Polaris' royalty obligation (see Note 13). The transaction was accounted for as a change in the ownership interest in a subsidiary in which Polaris maintained control and resulted in the carrying value of the non-controlling interest being adjusted to reflect the relative interest in the subsidiary by \$1,207,503. The difference between the fair value of the transaction and the adjustment to the non-controlling interest was accounted for as an equity transaction and resulted in a \$1,258,748 charge to contributed surplus.

4. Restricted cash

At December 31, 2009, the Company had restricted funds of \$3,523,366 (2008 - \$1,745,500) held in a deposit account and a fixed term deposit. \$1,850,000 is held as security for a performance bond related to the Casita San-Cristobal Concession in Nicaragua. \$1,636,363 is held as a letter of credit for Phase I construction on the Company's San Jacinto-Tizate geothermal power project in Nicaragua (the "San Jacinto Project"). Other restricted funds are held as collateral for the issuance of standby letters of credit in favor of contractors.

5. Prepays and other assets

(a) Prepays

	2009	2008
	\$	\$
Deposits to contractors	2,139,112	3,447,150
Recoverable taxes	391,486	1,071,721
Prepaid insurance	349,429	189,233
Prepaid royalty	-	61,017
Other prepays	350,380	33,186
Total	3,230,407	4,802,307

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 in the amount of \$11,977,465, which represents 20% of the total contract value. 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 9.

(b) Other assets

	2009	2008
	\$	\$
Other assets	111,381	94,701
Intangible assets	258,960	-
Reclamation deposits	498,264	-
Total	868,605	94,701

Ram Power, Corp.

Notes to the Consolidated Financial Statements

December 31, 2009 and 2008

(expressed in United States dollars unless otherwise noted)

6. Property, plant and equipment

Following is a summary of the Property, plant and equipment in use and under construction as of December 31,

	2009	2008
	\$	\$
<u>San Jacinto-Tizate Phase I Back Pressure Units</u>		
Land	2,625,827	2,625,827
Inventory of spare parts	363,537	429,231
Phase I Back Pressure Units	30,413,292	30,317,816
Accumulated amortization	<u>(7,193,118)</u>	<u>(5,463,309)</u>
Net book value	26,209,538	27,909,565
<u>Construction in progress</u>		
Modular Condensing Turbine	3,678,972	2,659,315
	<u>29,888,510</u>	<u>30,568,880</u>

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 PPA of 20 years. The amount of amortization recorded for the year ended December 31, 2009 is \$1,729,809 (2008 - \$1,704,483).

For the year ended December 31, 2009, the Company reviewed and evaluated the recoverability of the carrying amounts of all of its PP&E. The Company determined that there is no impairment in the carrying amounts of its PP&E.

Ram Power, Corp.

Notes to the Consolidated Financial Statements

December 31, 2009 and 2008

(expressed in United States dollars unless otherwise noted)

7. Geothermal properties

Following is a summary of the geothermal properties as of December 31,

	Balance at 12/31/2008	Acquisition costs	Deferred exploration costs	Amortization	Costs written-off	Balance at 12/31/2009
	\$	\$	\$	\$	\$	\$
SJ Project Phase I BP Units	2,296,724	-	(15,014)	(109,001)	-	2,172,709
SJ Project Phase I 36MW	30,971,044	-	42,957,366	(81,969)	-	73,846,441
SJ Project Phase II 36MW	6,916,373	-	1,015,547	-	-	7,931,920
Casita San-Cristobal Concession	228,759	2,000,000	2,138,810	-	-	4,367,569
Latin-American Pre-Exploration	115,204	-	75,282	-	(83,106)	107,380
Meager Creek	-	13,425,133	142,932	-	-	13,568,065
Geysers	-	48,944,340	(374,424)	(3,276)	-	48,566,640
Clayton Valley	-	5,628,082	41,539	(41,224)	-	5,628,397
Orita	-	1,468,803	488,107	-	-	1,956,910
United States Pre-Exploration	-	1,888,757	314,471	-	-	2,203,228
	40,528,104	73,355,115	46,784,616	(235,470)	(83,106)	160,349,259

	Balance at 12/31/2007	Acquisition costs	Deferred exploration costs	Amortization	Costs written-off	Balance at 12/31/2008
	\$	\$	\$	\$	\$	\$
SJT Phase I BP Units	2,307,556	-	133,957	(144,789)	-	2,296,724
SJT Phase I 36MW	17,723,069	-	13,269,198	(21,223)	-	30,971,044
SJT Phase II 36MW	-	-	6,916,373	-	-	6,916,373
Casita San-Cristobal Concession	228,759	-	-	-	-	228,759
Latin-American Pre-Exploration	115,204	-	-	-	-	115,204
	20,374,588	-	20,319,528	(166,012)	-	40,528,104

Geothermal properties currently in production are being amortized on a straight-line basis over the lesser of their useful lives or the remaining term of the PPA. The amount of amortization recorded for the year ended December 31, 2009 is \$235,470 (2008 - \$166,012).

For the year ended December 31, 2009, the Company reviewed and evaluated the recoverability of the carrying amounts of all of its geothermal properties. The Company determined that there is no impairment in the carrying amounts of its geothermal properties.

Ram Power, Corp.

Notes to the Consolidated Financial Statements

December 31, 2009 and 2008

(expressed in United States dollars unless otherwise noted)

8. 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 includes assets based on location:

	December 31, 2009			
	Canada	United States	Nicaragua	Total
	\$	\$	\$	\$
Revenues				
Energy sales	-	-	4,759,625	4,759,625
Carbon credit sales	-	-	664,595	664,595
Total sales	-	-	5,424,220	5,424,220
Property, plant and equipment	-	-	29,888,510	29,888,510
Geothermal properties	13,568,065	58,355,175	88,426,019	160,349,259

	December 31, 2008			
	Canada	United States	Nicaragua	Total
	\$	\$	\$	\$
Revenues				
Energy sales	-	-	4,334,855	4,334,855
Carbon credit sales	-	-	423,505	423,505
Total sales	-	-	4,758,360	4,758,360
Property, plant and equipment	-	-	30,568,880	30,568,880
Geothermal properties	-	-	40,528,405	40,528,405

One customer accounted for 100% of revenues in the years ended December 31, 2009 and 2008.

9. Investment

On September 19, 2007, Polaris entered into an agreement with Exorka International Limited ("Exorka") for developing and operating Kalina based geothermal power projects. Pursuant to the terms of the agreement, Polaris agreed to subscribe for 900,000 ordinary shares of Exorka at €1.00 per share (total of US\$ 1,275,870). This investment was recorded at cost in the amount of \$1,275,870.

On June 30, 2009, Polaris entered into an agreement with Geysir Green Europe GmbH ("GGG") to sell the 900,000 shares held by Polaris in Exorka for share consideration of \$566,418 (€403,233) and a note receivable in the same amount. GGG granted Polaris a 2.298% interest in GGG, which was recorded at estimated fair value of \$577,000 (€403,233). As a result, the Company recorded a loss on the disposition of its shares in Exorka of \$709,452.

On November 23, 2009, Polaris finalized the note receivable agreement with GGG. The Company has determined that the loan receivable from GGG is not collectible and, as such, has recorded a valuation reserve against the outstanding balance.

At December 31, 2009, the Company has assessed that the investment in GGG is other than temporarily impaired and has recorded a further loss on investment of \$566,418, reducing the investment to a \$nil balance.

Ram Power, Corp.

Notes to the Consolidated Financial Statements

December 31, 2009 and 2008

(expressed in United States dollars unless otherwise noted)

10. Long-term debt and bank advances

The Company has entered into a number of debt instruments. The following table provides an analysis of the transactions for the year ended December 31, 2009. Each loan is also described in detail as specified in the table below.

	Note 10a	Note 10b	Note 10c	Note 10d	Total
	\$	\$	\$	\$	\$
Long-term debt and bank advances, December 31, 2008	-	655,000	-	91,479	746,479
Debt acquired	891,571	-	23,541,363	-	24,432,934
Interest expense	89	91,700	-	-	91,789
Interest payments	(89)	(91,700)	-	-	(91,789)
Repayment of bank advances & debt	-	(655,000)	(23,541,363)	(91,479)	(24,287,842)
Effect of foreign exchange on loans	(41,883)	-	-	-	(41,883)
Long-term debt – December 31, 2009	849,688	-	-	-	849,688

a) In connection with the Business Combination, the Company assumed a loan from a former shareholder of Western in the amount of \$849,688 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 December 31, 2009. The loan and interest matures on December 31, 2011.

b) On December 26, 2008, Polaris received an advance from Banco de la Producción ("BANPRO") in Nicaragua. This advance was secured by the fixed term deposit held by the Company at BANPRO and was classified as restricted cash in the amount of \$1,636,363.

The amount of the advance of \$655,000 and interest of \$91,700 accrued at 14% was paid in one final payment on April 15, 2009 using the deposit held at BANPRO.

c) In connection with the Business Combination, the Company assumed secured loan facilities with related accrued interest through the acquisition date from Western as part of the Arrangement (see Note 3). The two facilities valued at \$23,541,363 at the time of the Business Combination were subsequently paid in full on October 20, 2009. The Company recognized no interest expense for the year ended December 31, 2009 in connection with these facilities.

d) Bank loans payable by Polaris to Banco de America Central, bearing interest at rates between US prime rate plus 2.75% and 9% and due between October 11, 2009 and January 8, 2012. These loans were secured by a pledge of various motor vehicles. The loans were paid in full on December 21, 2009.

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") and maturity dates of December 18, 2020 and 2021, respectively. Interest on the Credit Agreement is payable quarterly and accrues at a) the 3-month London interbank offered rate ("LIBOR"), b) 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% to 8.0%, based on the Borrowers' debt service coverage ratio and Nicaragua's debt rating. The Credit Agreement is secured by substantially all of the assets of San Jacinto Project. The Credit Agreement contains both affirmative and negative covenants, including the Borrowers being precluded from making distributions to shareholders. As of December 31, 2009, the Company was in compliance with these covenants and no amounts were outstanding under the Credit Agreement.

Ram Power, Corp.

Notes to the Consolidated Financial Statements

December 31, 2009 and 2008

(expressed in United States dollars unless otherwise noted)

10. Long-term debt and bank advances (continued)

Credit agreement (continued)

A Subordinated Facility 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 is to be paid on each quarterly date after date of commercial operation ("COD"), until 12 years after the closing date, regardless of whether any Subordinated loans are outstanding. In addition, upon final payment under the Subordinated loans, the Borrowers must make a make-whole payment to the extent that the sum of the stated interest and EBITDA payments have not resulted in at least a 15% internal rate of return for the Subordinated Lender. The amount of the enhancement fee on the Credit Agreement is independent of the calculation of the Subordinated Lender's internal rate of return. Thus, the Company separated the embedded enhancement fee from its host debt instrument, and deemed its fair value insignificant at December 31, 2009.

Voluntary prepayment fees ranging from 1% – 2.5% will be assessed on any Senior Facility principal amounts prepaid under the Credit Agreement. The Subordinated Facility may not be voluntarily prepaid.

The Borrowers 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 in any senior hedging agreements as of December 31, 2009.

A minimum cash balance equivalent to the next six months of principal and interest payments must be maintained, as well as a major maintenance reserve funded in 12 quarterly installments of \$750,000 per quarter, and \$487,500 on each quarterly date thereafter, not to exceed a reserve of \$12,500,000. A contingency reserve and a drilling reserve must be funded on the date of initial draw in the amount of \$5,000,000 and \$2,500,000, respectively.

There are no amounts outstanding on the Credit Agreement at, December 31, 2009. Terms and conditions of the Credit Agreement will be further expanded as amounts become outstanding.

11. Debenture payable

On April 11, 2008, Polaris closed a private placement of 27,000 units ("Units") at a price of CDN\$1,000 per Unit resulting in gross proceeds of \$26,021,606 (CDN\$27,000,000). Each Unit consisted of CDN\$1,000 principal amount of 9.5% secured senior debenture of Polaris (the "Debentures"), 667 warrants (the "Warrants") and 75 share rights (the "Rights").

Each Warrant entitled the holder to subscribe for one Polaris Class A voting common share at CDN\$0.45 per share with a two year contractual term.

Each Right entitled the holder to acquire one Polaris Class A voting common share with no additional consideration. Prior to the Business Combination, the Debentures had not been repaid and Polaris had issued 2,025,000 Polaris Class A voting common shares, in aggregate, to exchange such Rights.

On October 20, 2009, as part of the Business Combination the Debentures were converted into 9,000,000 common shares of the Company at a price of CDN\$3.00 per share (see Note 12). The remaining unamortized accretion was recognized as of the conversion date, and the shares issued resulted in full payment of the Debentures. There were no amounts outstanding related to the Debentures as of December 31, 2009.

During the year ended December 31, 2009, total interest expense on the Debentures was \$5,409,359, of which \$3,421,318 represented accretion. There was no interest payable related to the Debentures as of December 31, 2009.

Ram Power, Corp.

Notes to the Consolidated Financial Statements

December 31, 2009 and 2008

(expressed in United States dollars unless otherwise noted)

12. 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, 2008	-	-	-
Obligation incurred or acquired	410,013	263,378	673,391
Accretion	9,700	3,351	13,051
Ending balance, December 31, 2009	419,713	266,729	686,442

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 13.5% 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 12.85% and an inflation factor of 2.0% for the South Meager Project.

The Company did not recognize an asset retirement obligation on its San Jacinto Project as the geothermal concession reverts to the Government at the end of the concession agreement. The Government of Nicaragua 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

13. Share capital

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

(a) Share capital

Share capital transactions related to the business combination

On October 20, 2009, pursuant to the Arrangement described in Note 3, a recapitalization of Polaris occurred in which all common shares, preferred shares, options and warrants of Polaris were converted into common shares, warrants and options of the Company. Polaris is the deemed acquirer for accounting purposes and, as such, shareholders' equity was determined and presented on the consolidated balance sheets and as if the consolidated financial statements are a continuation of Polaris.

The Company is authorized to issue an unlimited number of common shares without par and without special rights or restrictions attached.

Pursuant to the Arrangement (see Note 3), the following events occurred in the recapitalization of Polaris on October 19, 2009:

- (i) 8,027,400 issued and outstanding pre-consolidation Company shares were consolidated on a 10:1 ratio into 802,740 shares of the Company. There was no change to share capital or contributed surplus as a result of this consolidation of shares.
- (ii) The outstanding 5,535,605 preferred shares of Polaris were converted to common shares of the Company for share consideration of \$2,084,953, increasing overall share capital of the Company by \$2,600,026 and decreasing contributed surplus by \$515,073.

Ram Power, Corp.

Notes to the Consolidated Financial Statements

December 31, 2009 and 2008

(expressed in United States dollars unless otherwise noted)

13. Share capital (continued)

(a) Share capital (continued)

- (iii) The Company issued 9,000,000 common shares to the Polaris debenture holders in payment of the bridge loan (see Note 10). This conversion of the debenture increased share capital by \$26,021,588.
- (iv) The Company issued 59,800,000 common shares to the subscription receipt holders for gross proceeds of \$173,559,258. Total transaction costs paid on the private placement were \$13,363,302 for net proceeds of \$160,195,956, which is included in share capital.
- (v) The Company issued 45,748,692 common shares to the former Polaris common shareholders, converting the 185,888,497 outstanding common shares of Polaris at an exchange ratio of 0.2467. The Company issued 1,916,462 common shares to former Polaris warrant holders. There were no changes to overall share capital of the Company as a result of this issuance and because of the application of reverse-take over accounting.
- (vi) The Company issued 19,236,314 common shares to the former Western shareholders and warrant holders in exchange for Western shares and warrants at an exchange ratio of 0.0622 and, 0.0113 and 0.0175, respectively. This resulted in an increase in share capital of \$55,466,445, which was deemed the fair value of the common shares issued and the warrants exchanged.
- (vii) The Company issued 9,557,877 common shares to the former shareholders of RPI in exchange for their common voting shares at a ratio of 0.900154 and preferred shares at a ratio of 0.9002. This resulted in an increase in share capital of the Company of \$27,695,172.
- (viii) The Company issued 3,588,000 broker warrants in conjunction with the equity financing. This resulted in a decrease in share capital of \$4,754,763 and an increase in contributed surplus of \$4,754,763. The broker warrants entitle the holder to purchase one common share at an exercise price of \$3.00 per share at any time prior to March 3, 2011.
- (ix) All stock rights in Polaris were cancelled as of October 19, 2009.

Share capital transactions prior to the business combination

The details of the capital transactions that occurred during the period from January 1 to October 18, 2009 are described below.

Class A common shares

Prior to October 18, 2009, Polaris issued 4,859,078 units at CDN \$0.45. Each unit was comprised of a share of Class A common stock and a warrant exercisable into a Class A common share any time prior to the second anniversary of the underlying sale at CDN \$0.45 per share. Cash proceeds aggregated \$1,800,409. The fair value of the warrants was estimated to be \$903,314 using the Black-Scholes pricing model.

During 2009, Polaris issued 1,350,000 shares of Class A common stock in exchange for share rights. The value ascribed to the issuance of the Class A common stock was \$94,250.

In February 2009, Polaris issued 1,808,456 Class A common shares with one of PEC's suppliers which allowed the supplier to convert \$861,656 of credit for shares of Polaris and was an increase in share capital.

In September 2009, Polaris completed a purchase agreement with Debis Industriehandel GmbH, Tradein Commercial Corp. and RAY Corp. Polaris issued 9,711,992 Class A common shares with a value of \$8,152,538 and cash consideration of \$886,065 for the purchase of Debis' 4.12% interest in PEC and for the release of the royalty obligation with Tradein.

Ram Power, Corp.

Notes to the Consolidated Financial Statements

December 31, 2009 and 2008

(expressed in United States dollars unless otherwise noted)

13. Share capital (continued)

(a) Share capital (continued)

Class B common shares

In March 2009, Polaris redeemed 185,754 Class B shares at a cost of \$148,650.

Preferred shares

In September 2009, a preferred shareholder converted 20,997,729 voting, convertible, redeemable preferred shares of Polaris into Class A common shares (Note 13). Polaris recorded an increase of \$9,563,290 to share capital and a decrease to contributed surplus of \$1,953,807.

Warrants

During the period from January 1 to October 18, 2009, 61,436,410 warrants were exercised for cash proceeds aggregating \$25,218,954. This resulted in an increase in share capital of \$37,731,230 and a decrease to contributed surplus of \$11,611,254.

The remaining 25,095,904 warrants outstanding were converted to common shares of Polaris on October 19, 2009. The conversion of warrants to common shares had no net impact on the Company's shareholders' equity.

During the period from January 1 to October 18, 2009, 3,890,662 subscriber and brokers warrants expired.

Stock compensation

During the period from January 1 to October 18, 2009, Polaris granted 1,940,000 share purchase options to its employees and directors. The fair value of the options granted, using the Black-Scholes pricing model, amounted to \$1,012,749, of which \$864,892 was recorded to compensation expense for the year ended December 31, 2009. Of the granted share purchase options, 1,025,000 options were subject to vesting requirements whereby they would vest on the 6, 12 and 18 month anniversary dates of the stock option grant. The following weighted average assumptions: risk free interest rate of 1.5%, expected dividend yield - 0%, volatility factor - 110%, and expected life - 5 years were used in the Black-Scholes pricing model. During the period from January 1 to October 18, 2009, 925,000 stock options expired.

(b) Preferred shares

On May 1, 2009, Polaris completed a private placement of 26,533,334 units at a price of CDN\$0.45 for aggregate gross proceeds of \$10,000,000 (CDN\$11,940,000). Each unit of the private placement consisted of one voting, convertible, redeemable preferred share and one Class A common share purchase warrant at a price of CDN\$0.45 per unit. In addition, the terms of the warrants that were issued on March 10, 2004, March 3, 2006, July 27, 2007 and April 11, 2008 were modified as part of the preferred share issuance. The exercise prices of those warrants were amended to CDN\$0.45 and the expiry dates of the warrants were extended to May 1, 2011.

In connection with the private placement, Polaris paid a corporate finance fee and provided finder's warrants to its financial advisor. The corporate finance fee was equal to 5% of the gross proceeds of the unit offering, which was paid in 1,326,667 common shares and finder's warrants, which were issued equal to 5% of the number of units issued on closing, with each finder warrant being convertible into one Class A common share.

The proceeds of the \$10,000,000 (CDN\$11,940,000) preferred share issue were allocated to the preferred shares and equity components based on the relative fair value of each component. The debt component was valued using the discounted cash flow method, resulting in a value of \$2,786,185 and transaction costs of \$329,299. The share purchase warrants, the modified share purchase warrants and the conversion rights issued as part of the preferred share issue were measured using the Black-Scholes pricing model and were valued at \$2,009,664, \$2,340,052 and \$2,864,097, respectively, and were credited to contributed surplus. Transactions costs allocated to the value of the share purchase warrants, re-priced share purchase warrants and conversion rights were \$418,088. Accretion of the preferred shares was calculated on a straight-line basis over the expected five year redemption period.

Ram Power, Corp.

Notes to the Consolidated Financial Statements

December 31, 2009 and 2008

(expressed in United States dollars unless otherwise noted)

13. Share capital (continued)

(b) Preferred shares (continued)

All 26,533,334 preferred share units were converted into common shares of the Company as of the date of the business combination (see Note 3). As a result, of the total accretion recognized of \$7,294,032 the Company accreted \$6,618,099 of preferred shares discount during the year ended December 31, 2009. The Company also reclassified \$2,468,880 from contributed surplus which represented the decrease in the fair value of the conversion rights.

(c) Stock options

As part of the Business Combination, the Company adopted a new Stock Option Plan (the "Plan"). The Plan provides that stock options may be granted to directors, senior officers, employees, consultants of the Company or any of its affiliates and management company employees of management companies engaged by the Company. Options granted under the Plan will be for a contractual term not to exceed five years from the date of the date of their grant, and vesting is determined by the Company's Board of Directors.

The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital as at the date of grant, subject to an anti-dilution adjustment. This is a "rolling" plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases. If a stock option expires or otherwise terminates for any reason without having been exercised in full, the number of common shares in respect of that expired or terminated stock option that was not exercised shall again be available for the purpose of the Plan. In connection with the Arrangement, the Company converted Polaris and Western options into 1,814,571 Company options. Both the number of options and the exercise price of the Polaris and Western options were converted into Company options based upon the conversion ratio used for the Arrangement (0.2467 and 0.0622, respectively). The conversion of the Polaris and Western options was accounted for as a modification. Because the number of the options, and remaining term were changed after taking into account the conversion ratio and exchange ratio, the incremental value associated with the modification was immaterial. Accordingly, no incremental costs were recognized in the consolidated statements of operations.

The following table summarizes the information related to the stock options outstanding as of December 31, 2009:

Range \$CDN	Number of options outstanding	Outstanding options		Exercisable options	
		Weighted average remaining contractual life (years)	Weighted averaged exercise price (\$CDN)	Number of options outstanding	Weighted averaged exercise price (\$CDN)
			\$		\$
\$2.00 - \$2.99	302,477	4.4	2.84	133,898	2.73
\$3.00 - \$3.99	6,650,945	4.8	3.50	425,945	3.51
\$4.00 - \$4.99	682,335	3.0	4.55	682,335	4.55
\$5.00 - \$5.99	403,814	2.4	5.60	403,814	5.60
	8,039,571	4.5	3.67	1,645,992	4.39

Ram Power, Corp.

Notes to the Consolidated Financial Statements

December 31, 2009 and 2008

(expressed in United States dollars unless otherwise noted)

13. Share capital (continued)

(c) Stock options (continued)

The following table represents the stock options activity for the year ended December 31, 2009 (adjusted for conversion number and price):

	Number of options	Weighted averaged exercise price \$
Beginning of year	-	-
Options converted	1,814,571	CDN\$4.25
Options granted	6,225,000	CDN\$3.50
End of year	8,039,571	CDN\$3.67

As of December 31, 2009, 1,645,992 options were exercisable at a weighted average exercise price of CDN\$4.39.

The options granted on October 22, 2009 are exercisable at a price of CDN\$3.50. 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 December 31, 2009, 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 70% - based upon the volatility using historical stock prices of Polaris, Western and two other similar companies
- Expected life of five years
- Risk-free interest rate 2.57%
- Expected dividend yield of 0%

Using these assumptions, the estimated fair value of the 2009 grants was \$12,216,047 (CDN\$12,898,067). For the year ended December 31, 2009, \$2,504,945 was recognized as stock-based compensation expense and \$1,640,053 is related to the October 22, 2009 option grants. The Company estimated a forfeiture rate of 0%.

14. Related party transactions

- a) On May 1, 2009, Polaris completed a private placement of 26,533,334 units at a price of CDN\$0.45 for aggregate gross proceeds of \$10,000,000 (see Note 13). The private placement was completed with the involvement of Treevil Holdings Limited ("Treevil") and Exploration Capital Partners 2000 Limited Partnership ("ECP"), each of which was considered a related party at the relevant time because of its ability to exert significant influence on the strategic, operating and financing decisions of Polaris at that time. However, due to the substantial change in ownership in Polaris as a result of the Business Combination, Treevil and ECP are no longer considered related parties of the Company.
- b) On May 4, 2009, Polaris acquired 83.40% of the outstanding shares of Cerro Colorado Corp. ("CCC"), a Panamanian company (see Note 3 to the audited consolidated financial statements), from Radiante Amanecer Latinoamericano, S.A. ("Radiante") and ECP. Radiante and ECP were considered to be related parties at the relevant time because of their ability to exercise significant influence on the strategic, operating and financing decisions of Polaris at that time. However, due to the substantial change in ownership in Polaris as a result of the Business Combination, Radiante and ECP are no longer considered related parties of the Company.

Ram Power, Corp.

Notes to the Consolidated Financial Statements

December 31, 2009 and 2008

(expressed in United States dollars unless otherwise noted)

14. Related party transactions (continued)

- c) On September 15, 2009 and October 19, 2009, ECP, through its affiliate, the Rule Family Trust, converted 20,997,729 and 5,535,605 voting, convertible, redeemable preferred shares of Polaris, respectively, into 26,533,334 common shares of the Polaris. As mentioned above, ECP and the Rule Family Trust are no longer considered related parties of the Company after the Business Combination.
- d) Beginning January 1, 2008, Polaris incurred a management fee of CDN\$12,000 per month to Investments and Technical Management Corp ("ITC"). The management fee was reduced to CDN\$6,000 for January 2010 and to CDN\$1,000 for the following months. ITC was considered a related party because its principal, John Clark, was a director and officer of Polaris before the Business Combination. ITC is no longer considered a related party as a result of the Business Combination. There was no outstanding amount owed by the Company to ITC at December 31, 2009. The Company terminated the engagement with ITC effective March 31, 2010.
- e) On December 3, 2008, Polaris received an advance from Investments and Technical Management Ltd ("ITM") in the amount of \$200,000. This advance did not bear any interest and was due on demand. ITM was considered a related party because its principal, John Clark, was a director and officer of Polaris before the Business Combination. ITM is no longer considered a related party as a result of the Business Combination. The advance was used for working capital purposes and was repaid in February 2009.
- f) During August 2008, Ken McLeod, the then current CEO of Western, loaned to Western an aggregate of \$400,000. This loan was used for working capital purposes and was repaid on October 22, 2009.
- g) 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.

15. Commitments

The Company enters into agreements for geothermal concessions, capital asset purchases, and building leases. The minimum annual payments required are as follows:

	2010	2011	2012	2013	2014	After	Total
	\$	\$	\$	\$	\$	\$	\$
Geothermal leases	444,000	420,000	700,000	750,000	650,000	220,000	3,184,000
Property, plant and equipment purchases	5,400,000	6,654,000	-	-	-	-	12,054,000
Operating leases	300,000	220,000	40,000	-	-	-	560,000
	<u>6,144,000</u>	<u>7,294,000</u>	<u>740,000</u>	<u>750,000</u>	<u>650,000</u>	<u>220,000</u>	<u>15,798,000</u>

Power Purchase Agreements

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.

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 construction begins, Orita may be liable for up to \$1,000,000. 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.

Ram Power, Corp.

Notes to the Consolidated Financial Statements

December 31, 2009 and 2008

(expressed in United States dollars unless otherwise noted)

15. Commitments (continued)

Certified Emission Reduction options

The Company has entered into two option agreements with Blues Traveller Environmental Limited ("Blues") and EcoSecurities to sell a portion of the CER generated by San Jacinto Project. The agreements extend through 2013 and provide for sale of CERs for prices ranging from \$15.98 - \$17.32 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 \$514,530 (\$1,300,000 in 2008) for the year ended December 31, 2009. This resulted in a decrease in the amount of derivative obligation and this decrease was recorded as a change in fair value in the statement of operations under Other Income, for the year ended December 31, 2009 of \$355,296. The remaining options 1,2 and 3 were valued using the Black Scholes pricing model. The assumptions used to determine the fair value of the derivative obligation were as follows: option price of \$16.00, annualized volatility of 24.52%, risk-free rate of 1.36%, term of the option of 3.25 years and dividend yield 0%.As a result of the sale of the Company's carbon credits during the year, \$40,766 of the refundable option premium was recognized.

16. Contingencies

Legal proceedings

The Company is involved in various legal claims associated with the normal course of operations. The Company believes it has made adequate provision for such legal claims.

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 \$687,000 based on estimated costs. Actual costs may differ from those estimated.

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.

Ram Power, Corp.

Notes to the Consolidated Financial Statements

December 31, 2009 and 2008

(expressed in United States dollars unless otherwise noted)

17. Income taxes

The Company did not record a provision or benefit for income taxes for the year ended December 31, 2009 due to the availability of net operating loss carry forwards and uncertainty of their future realization. Current tax expense is the result of state taxes payable.

	2009	2008
	\$	\$
	30.00%	33.50%
Loss for the year before income taxes	(37,463,406)	(4,752,160)
Expected income taxes recoverable	(11,239,022)	(1,591,974)
Permanent differences	8,223,271	(616,082)
State taxes net of federal benefit	1,558,519	-
Subsidiary losses not expected to be utilized	-	4,674,461
Change in valuation allowance	4,666,279	(4,476,969)
Foreign taxes	1,698,529	516,265
Convertible debentures recorded to equity	-	869,592
Share Issue Costs	(5,667,511)	-
Change in enacted tax rates	727,324	-
Other	3,723	624,707
Income tax expense	(28,888)	-

Ram Power, Corp.

Notes to the Consolidated Financial Statements

December 31, 2009 and 2008

(expressed in United States dollars unless otherwise noted)

17. Income taxes (continued)

The tax effects of temporary differences that would give rise to significant portions of future tax assets and future tax liabilities at December 31, 2009 are as follows:

	2009	2008
	\$	\$
Future income tax asset		
Net operating losses carried forward	19,896,490	2,588,548
Cumulative eligible capital expenses	1,916,787	50,169
Foreign Exchange	(266,812)	-
Future deduction on asset retirement obligation	310,041	-
Share issue expenses	-	875,115
Other gains/losses	318,967	-
Depreciable assets	(362,910)	-
Convertible debentures	482,158	(163,595)
Financing expenses	39,861	67,656
	<u>22,334,582</u>	<u>3,417,893</u>
Less valuation allowance	(16,493,043)	(3,417,893)
Net future income tax asset	<u>5,841,539</u>	<u>-</u>
Future income tax liability		
Interest payments	(168,802)	-
Cumulative eligible capital/org costs	(1,367)	-
Geothermal property	(6,043,188)	-
Inventory	(173,856)	-
Net future income tax liability	<u>(6,387,213)</u>	<u>-</u>
Future tax asset less future tax liability	<u>(545,674)</u>	<u>-</u>
Future tax asset (liability) reported in equity		
Long term debt	(511,534)	-
Share issue costs	3,809,385	-
	<u>3,297,851</u>	<u>-</u>
Valuation allowance	(3,692,716)	-
Net future tax asset (liability) reported in equity	<u>(394,865)</u>	<u>-</u>
Overall future tax asset (liability)	<u>(940,539)</u>	<u>-</u>

Ram Power, Corp.

Notes to the Consolidated Financial Statements

December 31, 2009 and 2008

(expressed in United States dollars unless otherwise noted)

17. Income taxes (continued)

Utilization of net operating losses carried forward is subject to limitations as follows:

Year of Expiry	Country		
	CANADA	USA	NICARAGUA
	\$	\$	\$
2009	-	-	-
2010	26,368	-	5,731,971
2011	-	-	6,514,292
2012	-	-	1,861,088
2013	2,992,067	-	-
2014	2,934,113	-	-
2015	29,059	-	-
2018	-	-	-
2019	-	3,511,550	-
2020	-	-	-
2025	3,346,869	-	-
2026	5,094,893	-	-
2027	8,944,843	-	-
2028	28,632,299	-	-
2029	6,503,505	3,511,505	-
2030	-	-	-
	58,504,016	7,023,055	14,107,351

The Company does not expect to utilize any of the net operating losses carried forward in Nicaragua because the Company's subsidiary in Nicaragua is not subject to income taxes for a period of 10 years. The Nicaraguan subsidiary was granted a tax-free holiday under the tax laws related to the commercial production of electricity for renewable resources.

The losses incurred in Canada and the United States prior to October 19, 2009 are subject to restrictions imposed as a result of the acquisition of control rules.

18. Supplemental disclosures with respect to cash flows

	2009	2008
	\$	\$
Cash paid during the year for interest	2,542,104	2,738,755
Cash paid during the year for income taxes	-	23,933

Ram Power, Corp.

Notes to the Consolidated Financial Statements

December 31, 2009 and 2008

(expressed in United States dollars unless otherwise noted)

19. Financial risk management and financial instruments

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.

Interest rate risk

The \$77 million credit facility of Company's subsidiaries (see Note 10) 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 Borrowers' debt service coverage ratio, ranging from 5.65% to 8.00%. The \$77 million credit facility also contains a subordinated loan in the amount of \$7 million. The subordinate facility requires that quarterly interest payments will 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 the date of commercial operation the loan will be changed from a construction loan to a term loan and the Borrowers will be required to enter into an interest-rate swap for the entire outstanding balance of the 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.

Currency risk

The Company operates internationally and is exposed to risks from changes in foreign currency rates. The functional currency of the Company is United States 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 the accounting policy in Note 2. The foreign operations hold monetary items, such as cash and cash equivalents, accounts payable, long-term debt and other obligations in aggregate of CDN\$1,998,000. 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 \$218,889 for the year ended December 31, 2009. The Company does not enter into any foreign exchange contracts to mitigate this risk.

Of the Company's planned \$160 million Phase 1 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.

Commodity prices

The Company's commodities consist of power produced and 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 225,000 tons of carbon credits at prices from \$15.25 to \$17.00 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's subsidiary Western GeoPower Inc. is party to a PPA for the sale of power from the Geysers Project at a fixed price for 20 years, subject to certain adjustments. Ram's subsidiaries RPI and Orita are parties to another PPA for the sale of power from the Orita Project at a fixed price for 20 years. These contracts further mitigate the risk of commodity price fluctuations.

Ram Power, Corp.

Notes to the Consolidated Financial Statements

December 31, 2009 and 2008

(expressed in United States dollars unless otherwise noted)

19. Financial risk management and financial instruments (continued)

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 cash equivalents and accounts receivable. The cash equivalents consist mainly of short-term money market deposits.

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 PENSA's PPA with the Nicaraguan power distributors Disnorte and Dissur. As both Disnorte and Dissur are subsidiaries of the same company, currently PENSA 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 at December 31, 2009 is \$1,542,555 (2008 - \$1,173,733.)

Ram Power, Corp.

Notes to the Consolidated Financial Statements

December 31, 2009 and 2008

(expressed in United States dollars unless otherwise noted)

20. 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 (see Note 10). 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. The Company was in compliance with all externally-imposed capital requirements as of December 31, 2009.

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.

21. Subsequent events

On January 1, 2010, Western was amalgamated with and into the Company and the former direct subsidiaries of Western, Western GeoPower Inc. and Meager Creek Development Corporation, became direct subsidiaries of the Company.

On January 26, 2010, the Company announced it had been awarded two geothermal concessions in Northern Chile through its subsidiary Polaris Energy Chile Limitada. The two concessions comprise a total area of 247,000 acres and are known as Aucan I and Laguna Verde.

On February 10, 2010, the Company announced that its subsidiary Clayton Valley 1, LLC ("Clayton") had signed a 20-year PPA with Nevada Power Corporation for energy that will be produced by a new geothermal power plant under development in central Nevada, U.S.A. Estimated completion date of the project is June 2014. Clayton may be subject to a liability for non-performance before and after COD of up to \$2,635,000 and \$5,270,000, respectively. Clayton may also be responsible for delay start-up damages of up to \$2,635,000 if the project is not completed within the agreed-upon completion date. In order to meet the estimated completion date, the Company must secure financing for the project and obtain a notice to proceed on the engineering procurement and construction.

On February 12, 2010, 89,700 of the Company's warrants were exercised at a price of CDN\$3.00. Proceeds from the warrant exercise totaled \$254,420 (CDN\$269,100).

On March 25, 2010, the Company announced that its subsidiary Polaris Energy Nicaragua S.A. satisfied the conditions precedent for drawdown on the \$77 million credit facility with the Central American Bank for Economic Integration, Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V., Export Development Canada, and Cordiant Capital. The Company received a disbursement of \$18 million that will be used towards the development of Phase I expansion of the San Jacinto Project.