Unaudited Interim Consolidated Financial Statements of

Ram Power, Corp.

June 30, 2010 and 2009

(Expressed in United States dollars)

Ram Power, Corp.
June 30, 2010 (Unaudited)

Table of contents

Ram Power, Corp.
Interim Consolidated Balance Sheets
At June 30, 2010 and December 31, 2009 (unaudited)
(expressed in United States dollars)

	June 30, 2010	December 31, 2009 Restated - Note 3
ASSETS		
Current		
Cash	$ 88,529,892	$ 96,471,261
Short-term investments	3,000,000	26,870,111
Accounts receivable	2,018,834	2,103,366
Prepaids and other assets (Note 4)	4,151,901	3,230,407
Total current assets	97,700,627	128,675,145
Restricted cash (Note 5)	11,619,630	3,523,366
Deferred debt transaction costs, net (Note 8)	7,476,608	6,140,888
Other assets, net (Note 4)	1,007,813	1,141,778
Geothermal properties, net (Note 6)	288,931,176	217,119,119
Goodwill (Note 3)	13,697,865	13,697,865
	$ 420,433,719	$ 370,298,161
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 18,804,097	$ 12,598,528
Due to related parties (Note 11)	-	411,966
Derivative obligation (Note 12b)	660,294	514,530
Total current liabilities	19,464,391	13,525,024
Long-term debt, net of debt discount (Note 8)	45,640,418	849,688
Derivative liability related to long-term debt (Note 8)	3,369,000	-
Asset retirement obligations (Note 9)	3,212,416	686,442
Future income tax liability (Note 14)	12,864,601	13,453,993
	84,550,826	28,515,147
Commitments and contingencies (Note 12 & Note 13)		
SHAREHOLDERS' EQUITY		
Non-controlling interest	634,611	672,827
Share capital (Note 10)	380,979,839	380,606,549
Contributed surplus (Note 10)	26,152,639	21,897,817
Accumulated deficit	(71,884,196)	(61,394,179)
	335,882,893	341,783,014
	$ 420,433,719	$ 370,298,161

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.
Interim Consolidated Statements of Operations and Comprehensive Loss
For the Three and Six Months Ended June 30 (unaudited)
(expressed in United States dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2010	**June 30, 2009**	**June 30, 2010**	**June 30, 2009**
Revenues				
Energy sales	**$ 1,081,537**	$ 1,006,836	**$ 2,055,962**	$ 2,372,380
Carbon credit sales	-	664,595	-	664,595
Total revenue	**1,081,537**	1,671,431	**2,055,962**	3,036,975
Direct cost of energy production	**402,690**	(18,765)	**903,323**	575,899
Gross margin	**678,847**	1,690,196	**1,152,639**	2,461,076
Expenses				
Amortization of geothermal properties (Note 6)	**522,563**	484,149	**1,034,160**	966,800
Accretion of asset retirement obligations (Note 9)	**30,364**	-	**59,903**	-
Amortization of deferred transaction costs (Note 8)	**154,969**	-	**309,938**	-
Impairment of geothermal properties (Note 6)	**74,039**	-	**193,556**	-
General and administrative expenses	**5,113,474**	1,088,275	**8,910,402**	1,694,313
	5,895,409	1,572,424	**10,507,959**	2,661,113
Other (income) loss				
Interest income	**(9,423)**	(1,880)	**(85,818)**	(1,880)
Interest and bank charges	**918,966**	2,093,927	**1,000,231**	3,708,789
Accretion on debt (Note 8)	**77,640**	-	**77,640**	-
Foreign exchange loss (gain)	**79,834**	1,952,197	**(117,440)**	1,379,893
Derivative obligations loss (Notes 8 & 12)	**950,140**	302,835	**1,047,764**	302,835
Loss on disposition of investment in Exorka International Limited	-	709,451	-	709,451
Other income	**(160,072)**	-	**(160,072)**	-
	1,857,085	5,056,530	**1,762,305**	6,099,088
Loss for the period before income taxes	**(7,073,647)**	(4,938,758)	**(11,117,625)**	(6,299,125)
Income taxes				
Future taxes (Note 14)	**582,631**	-	**589,392**	-
Loss before the undernoted	**(6,491,016)**	(4,938,758)	**(10,528,233)**	(6,299,125)
Non-controlling interest in net (income) loss and comprehensive (income) loss of subsidiary	**39,296**	(682)	**38,216**	7,159
Net loss and comprehensive loss	**$ (6,451,720)**	$ (4,939,440)	**$ (10,490,017)**	$ (6,291,966)
Basic and diluted weighted average number of shares outstanding	**146,151,380**	82,896,069	**146,122,477**	79,823,956
Basic and diluted net loss per share	**$ (0.04)**	$ (0.06)	**$ (0.07)**	$ (0.08)

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

Ram Power, Corp.

Interim Consolidated Statements of Shareholders' Equity

For the Six Months Ended June 30, 2010 (unaudited)
(expressed in United States dollars)

	Common Stock		Contributed	Non-Controlling	Accumulated	
	Shares	Amount	Surplus	Interest	Deficit	Total
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	-	-	-	398,083		398,083
Change in ownership of non-controlling interest	-	2,466,252	(1,258,748)	(1,207,504)	-	-
Polaris shares issued in private placement	-	897,095	903,314	-	-	1,800,409
Polaris shares issued as a result of royalty purchase	-	8,152,538	-	-	-	8,152,538
Polaris shares issued in connection with debt	-	861,656	-	-	-	861,656
Bridge loan warrant revaluation	-	-	158,592	-	-	158,592
Polaris shares rights exercised	-	94,250	(94,250)	-	-	-
Polaris stock warrants exercised	-	37,731,230	(11,614,209)	-	-	26,117,021
Conversion of Polaris preferred shares	-	12,163,316	(2,468,880)	-	-	9,694,436
Polaris shares redeemed	-	-	-	-	(148,650)	(148,650)
Polaris stock options granted	-	-	864,892	-	-	864,892
Consideration given in connection with Polaris preferred share issuance	-	556,709	6,568,317	-	-	7,125,026
Common shares issued in connection with debt conversion	9,000,000	26,021,588	-	-	-	26,021,588
Common shares issued for cash in private placement	59,800,000	160,195,956	-		-	160,195,956
Common shares issued in connection with Business Combination	77,261,680	89,745,898	(6,584,281)	-	-	83,161,617
Broker warrants issued in connection with Business Combination	-	(4,754,763)	4,754,763	-	-	-
Options converted in connection with Business Combination	-	-	838,647	-	-	838,647
Stock options granted	-	-	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 (Note 10)	89,700	373,290	(118,870)	-	-	254,420
Stock options granted (Note 10)	-	-	4,373,692	-	-	4,373,692
Net loss and comprehensive loss for the period	-	-	-	(38,216)	(10,490,017)	(10,528,233)
Balance June 30, 2010	**146,151,380**	**$ 380,979,839**	**$ 26,152,639**	**$ 634,611**	**$ (71,884,196)**	**$ 335,882,893**

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

Ram Power, Corp.
Interim Consolidated Statements of Cash Flows
For the Three and Six Months Ended June 30 (unaudited)
(expressed in in United States dollars)

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	**2010**	2009
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES				
OPERATING				
Net loss	**$ (6,451,720)**	$ (4,939,440)	**$ (10,490,017)**	$ (6,291,966)
Deduct items not affecting cash:				
Non-controlling interest in net loss (income) of subsidiary	**(39,296)**	682	**(38,216)**	(7,159)
Amortization of geothermal properties (Note 6)	**522,563**	484,149	**1,034,160**	966,800
Accretion of asset retirement obligations (Note 9)	**30,364**	-	**59,903**	-
Amortization of deferred transaction costs (Note 8)	**154,969**	-	**309,938**	-
Impairment of geothermal properties (Note 6)	**74,039**	-	**193,556**	-
Change in fair value of derivative obligation	**950,140**	343,601	**1,047,764**	343,601
Interest accretion on bridge loan	**-**	1,207,958	**-**	2,177,385
Recognition of CER premium (Note 10)	**-**	(40,766)	**-**	(40,766)
Stock-based compensation	**2,172,552**	33,354	**4,373,690**	33,354
Unrealized foreign exchange loss	**75,005**	2,184,372	**190,603**	1,502,941
Loss on disposition of investment in Exorka International Limited	**-**	709,451	**-**	709,451
Changes in non-cash working capital:				
Accounts receivable	**(99,730)**	(172,903)	**84,532**	(465,247)
Prepaids and other assets (Note 4)	**(825,723)**	400,655	**(921,494)**	(154,451)
Other assets	**133,965**	-	**133,965**	-
Accounts payable and accrued liabilities	**(1,793,316)**	76,695	**(3,959,721)**	707,753
Due to related parties	**-**	-	**(411,966)**	-
Deferred revenue	**-**	(664,589)	**-**	-
Future income tax liability	**(582,631)**		**(589,392)**	
Interest payable	**-**	(619,240)	**-**	(27,228)
	(5,678,819)	(996,021)	**(8,982,695)**	(545,532)
INVESTING				
Increase in restricted cash	**(8,096,264)**	(120,107)	**(8,096,264)**	(120,070)
Decrease in short-term investments	**28,768,226**	-	**23,768,226**	-
Increase (decrease) in accounts payable and accrued liabilities	**9,624,059**	(3,839,250)	**10,423,020**	(4,436,513)
Additions to geothermal properties and capital assets (Note 6)	**(51,621,811)**	(1,726,234)	**(70,573,700)**	(2,752,306)
Investment in Cerro Colorado Corporation	**-**	(2,000,000)	**-**	(2,000,000)
	(21,325,790)	(7,685,591)	**(44,478,718)**	(9,308,889)
FINANCING				
Proceeds from issue of common shares, preferred shares and warrants, net of share issue expense	**-**	10,835,215	**-**	11,243,617
Refund of derivative option premium	**-**	(550,000)	**-**	(550,000)
Repayment of long-term debt	**-**	(1,904,562)	**-**	(911,444)
Proceeds from debt issuance (Note 8)	**29,000,000**	-	**47,000,000**	-
Capitalized transaction costs	**(712,924)**	-	**(1,645,658)**	-
Proceeds from exercise of warrants (Note 10)	**-**	-	**254,420**	-
	28,287,076	8,380,653	**45,608,762**	9,782,173
Foreign exchange loss (gain) on cash held in foreign currency	**95,537**	-	**(88,718)**	-
NET DECREASE IN CASH	**1,378,004**	(300,959)	**(7,941,369)**	(72,248)
CASH, BEGINNING OF PERIOD	**87,151,888**	977,047	**96,471,261**	748,336
CASH, END OF PERIOD	**$ 88,529,892**	$ 676,088	**$ 88,529,892**	$ 676,088

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

1. Organization

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

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 were 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 the amount of $173.6 (CDN$179.4) million 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 part of the Business Combination discussed above, Western became a wholly owned subsidiary of the Company. On January 1, 2010, Western was amalgamated with and into the Company, and Western's subsidiaries, Western GeoPower, Inc. and Meager Creek Development Corporation became direct subsidiaries of the Company. As at June 30, 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;
- Meager Creek Development Corporation – Canada; and
- Etoile Holdings Inc. – the United States of America.

2. Basis of Presentation and Summary of Significant Accounting Policies

The financial information as at June 30, 2010 and for the three-month and six-month periods ended June 30, 2010 and 2009 is unaudited. In the opinion of management, all adjustments necessary to present fairly the results of these periods in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") have been included.

These interim consolidated financial statements have been prepared in accordance with Canadian GAAP. Certain information and note disclosure normally included in the annual consolidated financial statements prepared in accordance with Canadian GAAP have been omitted. These interim financial statements should be read together with the Company's audited consolidated financial statements for the year ended December 31, 2009.

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

(a) Changes in Accounting Policies

In January 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3064 "Goodwill and intangible assets", replacing Section 3062 "Goodwill and other intangible assets" and Section 3450 "Research and development costs". These standards apply to financial years beginning on or after October 1, 2008. Accordingly, the Company adopted these standards for the financial year ending December 31, 2010. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. These changes had no impact on the amounts recognized in the consolidated financial statements.

(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 consolidated financial statements and expects such changes to be significant.

3. Business Combinations

(a) The Business Combination

During the period ended June 30, 2010, the Company completed the purchase accounting analysis related to the Business Combination completed on October 20, 2009. This transaction is more fully described in Note 3 to the Company's financial statements for the year ended December 31, 2009.

(expressed in United States dollars unless otherwise noted)

3. Business Combinations (continued)

The accounting for the business combination was not complete for reporting periods prior to June 30, 2010. During the quarter ended June 30, 2010, the Company finalized the allocation of the purchase price to the net assets acquired. The following table presents a comparison of the final allocation of the purchase price as of June 30, 2010 and the preliminary allocation as presented in the December 31, 2009 consolidated statements:

	Final Allocation at June 30, 2010		Preliminary Allocation at December 31, 2009		Differences	
	Western	RPI	Western	RPI	Western	RPI
Cash	$ 2,265,911	$ 1,941,052	$ 2,265,911	$ 1,941,052	$ -	$ -
Accounts receivable	54,154	-	54,154	-	-	-
Prepaids and advances	266,287	36,522	266,287	36,522	-	-
Other assets	11,213,355	503,463	11,213,355	503,463	-	-
Geothermal properties	74,423,016	25,839,893	58,785,066	8,182,431	15,637,950	17,657,462
Identified intangibles	-	-	-		-	-
Goodwill	7,819,535	5,878,330	16,822,362	17,657,460	(9,002,827)	(11,779,130)
Total assets acquired	96,042,258	34,199,260	89,407,135	28,320,928	6,635,123	5,878,332
Accounts payable	(7,013,479)	(622,640)	(7,013,479)	(622,640)	-	-
Asset retirement obligation	(673,394)	-	(673,394)	-	-	-
Future income tax liability	(7,620,487)	(5,878,332)	(985,364)	-	(6,635,123)	(5,878,332)
Long-term debt	(24,429,815)	(3,119)	(24,429,815)	(3,119)	-	-
Total liabilities assumed	(39,737,175)	(6,504,091)	(33,102,052)	(625,759)	(6,635,123)	(5,878,332)
Net assets acquired	$ 56,305,083	$ 27,695,169	$ 56,305,083	$ 27,695,169	$ -	$ -

The $13,697,865 of goodwill is not expected to be deductible for tax purposes.

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

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

On May 4, 2009, Polaris purchased 83.4% 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.

The acquisition was accounted for using the purchase method of accounting. The accounting for the business combination was not complete for reporting periods prior to June 30, 2010. During the quarter ended June 30, 2010, the Company finalized the allocation of the purchase price to the net assets acquired. The following table presents a comparison of the final allocation of the purchase price as of June 30, 2010 and the preliminary allocation as presented in the December 31, 2009 consolidated statements:

	Final Allocation at June 30, 2010	Preliminary Allocation at December 31, 2009	Differences
Cash paid	$ 2,000,000	$ 2,000,000	$ -
Current assets	9,050	55,069	(46,019)
Geothermal properties	3,665,865	3,665,865	-
Current liabilities	(1,276,833)	(1,322,902)	46,069
Non-controlling interest	(398,082)	(398,032)	(50)
	$ 2,000,000	$ 2,000,000	$ -

(expressed in United States dollars unless otherwise noted)

3. Business Combinations (continued)

(c) Acquisition of Mayacamas Energy LLC

On June 22, 2010, the Company completed the purchase of 100% of the membership interests of Mayacamas Energy LLC ("Mayacamas"), which has direct ownership of the 421 acres of land associated with the majority of the identified steam resource for the Company's Geysers geothermal project in Northern California (the "Geysers Project"). As a result of the transaction, the Company will no longer be required to pay a royalty of 4% to 12% from the revenues associated with the selling of power that utilizes steam from the acquired property. The total consideration paid by the Company for the membership interests was satisfied by a cash payment of $20,000,000.

Transaction costs of $193,545 were expensed as part of the acquisition.

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

Cash paid	$	20,000,000
Geothermal properties		21,839,872
Asset retirement obligation (Note 9)		(1,839,872)
	$	20,000,000

4. Prepaids and Other Assets

(a) Prepaids

		June 30, 2010		December 31, 2009
Deposits to contractors	**$**	**2,568,982**	$	2,139,112
Prepaid insurance		**951,303**		391,486
Recoverable taxes		**203,836**		349,429
Other prepaids		**427,780**		350,380
	$	**4,151,901**	$	3,230,407

(b) Other Assets

		June 30, 2010		December 31, 2009
Furniture, fixtures and equipment, net	**$**	**380,266**	$	273,173
Reclamation deposits		**283,234**		498,264
Solar development assets, net		**178,419**		151,710
Intangible assets, net		**91,263**		107,250
Long-term prepaids		**74,631**		111,381
	$	**1,007,813**	$	1,141,778

On October 29, 2009, Polaris made an advance payment to its main construction contractor related to the Phase I expansion of the San Jacinto Project in the amount of $11,977,465. This amount has been included in the caption geothermal properties in the accompanying consolidated financial statements.

(expressed in United States dollars unless otherwise noted)

5. Restricted Cash

Following is a summary of funds held as restricted cash as of:

	June 30, 2010	December 31, 2009
Casita San Cristobal security for performance bond	$ 1,850,000	$ 1,850,000
San Jacinto guarantees	6,609,090	1,636,363
Clayton Valley letter of credit	2,635,000	-
Orita letter of credit	500,000	-
Other restricted cash	25,540	37,003
	$ 11,619,630	$ 3,523,366

6. Geothermal Properties

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

PP&E

	June 30, 2010	December 31, 2009
San Jacinto Tizate I Back Pressure Units		
Land	**$ 2,625,827**	$ 2,625,827
Inventory of spare parts	**359,436**	363,537
Phase I Back Pressure Units	**32,710,783**	32,586,001
Accumulated amortization	**(8,186,167)**	(7,193,118)
Net book value	**$ 27,509,879**	$ 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 amount of amortization recorded for the six months ended June 30, 2010 was $993,049.

Following is a summary of the geothermal properties under development and construction in progress as of June 30, 2010:

	Balance at December 31, 2009	Deferred acquisition, exploration and construction costs	Costs written off	Balance at June 30, 2010
San-Jacinto Phase I 36MW	$ 70,015,253	$ 20,697,142	$ -	**$ 90,712,395**
San Jacinto Phase II 36MW	7,931,920	19,181,675	-	**27,113,595**
Casita	4,367,569	396,915	-	**4,764,484**
Latin America Pre-Exploration	107,380	164,801	(123,933)	**148,248**
Meager Creek	13,488,806	144,315	-	**13,633,121**
Geysers	65,542,063	22,554,912	-	**88,096,975**
Clayton Valley	9,700,315	866,451	-	**10,566,766**
Orita	15,488,107	8,057,468	-	**23,545,575**
United States Pre-Exploration	2,095,459	814,302	(69,623)	**2,840,138**
	$ 188,736,872	**$ 72,877,981**	**$ (193,556)**	**$ 261,421,297**

(expressed in United States dollars unless otherwise noted)

6. Geothermal Properties (continued)

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

For the six months ended June 30, 2010, the Company recorded an impairment of geothermal properties in the amount of $123,933 of carrying costs related to the surrender of geothermal concessions in Nicaragua. The Company also recorded a write down of a discontinued geothermal project in the U.S. in the amount of $69,623.

7. 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 U.S., and Canada.

The following geographic data include assets based on location:

	June 30, 2010			
	Canada	**United States**	**Nicaragua**	**Total**
Revenues				
Energy sales	$ -	$ -	$ 2,055,962	$ 2,055,962
Total sales	$ -	$ -	$ 2,055,962	$ 2,055,962
Geothermal properties, net	$ 13,633,121	$ 125,049,454	$ 150,248,601	$ 288,931,176

	June 30, 2009			
	Canada	**United States**	**Nicaragua**	**Total**
Revenues				
Energy sales	$ -	$ -	$ 2,372,380	$ 2,372,380
Carbon credit sales	-	-	664,595	664,595
Total sales	$ -	$ -	$ 3,036,975	$ 3,036,975
Geothermal properties, net	$ -	$ -	$ 75,803,708	$ 75,803,708

One customer accounted for 100% of revenues in the six months ended June 30, 2010 and 2009.

8. Long-Term Debt and Bank Advances

	Note 8a	Note 8b	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)
Long term debt – December 31, 2009	$ 849,688	$ -	$ 849,688
Issued debt	$ -	$ 44,533,000	$ 44,533,000
Interest expense	9,759	740,573	750,332
Interest payments	-	(568,932)	(568,932)
Accretion of derivative	-	77,640	77,640
Repayment of debt	-	-	-
Effect of foreign exchange on loans	(1,310)	-	(1,310)
Current portion of long-term debt	-	-	-
Long term debt – June 30, 2010	$ 858,137	$ 44,782,281	$ 45,640,418

8. 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 2.5% at June 30, 2010. The loan and interest matures on December 31, 2011. As of June 30, 2010 and December 31, 2009, the balance of the debt including accrued interest was $858,137 and $849,688, respectively. No interest was paid for the six months ended June 30, 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 and restrictions on the use of revenues from the San Jacinto project. As of June 30, 2010 and December 31, 2009, the Company was in compliance with the applicable covenants.

At June 30, 2010 and December 31, 2009, $44.6 million and $nil were outstanding under the Credit Agreement, respectively. Interest rates on the Senior and Subordinated Facility at June 30, 2010 were 7.78% and 7.16%, respectively, with interest expense of $457,224 recorded in earnings for the six months ended June 30, 2010.

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 June 30, 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.

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

(b) Credit Agreement (continued)

Summary of Credit Agreement (continued)

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%.

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 $7,786,546, of which $7,284,712 related to obtaining this financing, and $501,834 related to Phase II financing, which management is currently negotiating and which has not been finalized. Costs related to Phase I are amortized straight-line over the expected term of the agreement through March 2021. As of June 30, 2010, transaction costs in the amount of $7,476,608 have been recorded as deferred transaction costs on the balance sheet. Amortization of the Phase I costs for the three and six months ended June 30, 2010 of $154,969 and $309,938, respectively, and $nil for the three and six months ended June 30, 2009 has been recorded as interest expense in the consolidated 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 are revalued each period, with changes in value included in earnings. The fair value of the embedded derivatives as of the date of the first borrowing (March 24, 2010) under the Credit Agreement $2,467,000 was netted against the long-term debt and is being amortized over the expected term of the related agreement using the effective interest method.

Accretion of the derivative in the amount of $77,640 has been included in the consolidated statement of operations for the three and six months ended June 30, 2010 and $nil for the three and six months ended June 30, 2009. The following embedded derivatives were identified:

i) The Subordinated Facility Return Enhancement

The Company estimated the fair value to be $3,369,000 at June 30, 2010. The valuation of this derivative was determined using the Company's projections for EBITDA for the quarters ending June 30, 2010 through December 31, 2029. 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 ¼ 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 14.0% based on selected competitors, and a period-end convention for present value based on the payment term in the agreement. The increase in the value of the embedded derivative liability of $902,000 has been recorded as a derivative obligation loss and is included in the consolidated statement of operations for the three and six months ended June 30, 2010.

(expressed in United States dollars unless otherwise noted)

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

(b) Credit Agreement (continued)

Embedded Derivatives (continued)

ii) The Subordinated Facility Make-Whole Payment

The Company estimated the fair value to be $nil at June 30, 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 June 30, 2010 due to the de minimus probability that voluntary prepayments will be made during the term of the Credit Agreement.

iv) Potential Interest Rate Revision

The Company estimates the fair value to be $nil at June 30, 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 June 30, 2010.

9. Asset Retirement Obligations

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

	Western GeoPower Inc.	Meager Creek Development Corporation	Etoile Holdings Inc. (Mayacamas LLC)	Total
Opening balance, December 31, 2009	$ 419,713	$ 266,729	$ -	$ 686,442
Additions	-	-	1,839,872	1,839,872
Revision in estimate	343,675	282,753	-	626,428
Accretion	34,738	24,936	-	59,674
Ending balance, June 30, 2010	$ 798,126	$ 574,418	$ 1,839,872	$ 3,212,416

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 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 the asset retirement obligation is related to the change in the estimated discount rate from 13.5% and 12.85% for the Geysers Project and South Meager Project, respectively.

On June 22, 2010, the Company completed the acquisition of Mayacamas LLC and recorded a related asset retirement obligation. Assumptions used in the determination of the site reclamation and closure liabilities include estimated undiscounted costs of $2,000,000 to be expended commencing in 2011 at a discount rate of 9% and an inflation factor of 2.0%.

(expressed in United States dollars unless otherwise noted)

9. Asset Retirement Obligations (continued)

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 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 installation properties that generate a negative environmental impact and present a risk to the health of the public. As of June 30, 2010, the Company is unable to identify any assets or installation properties that would generate a negative environmental impact.

10. 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 six months ended June 30, 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 six months ended June 30, 2010, no subscriber or broker's warrants expired.

(b) Stock Options

The following table summarizes the information related to the stock options outstanding as of June 30, 2010:

	Outstanding Options			Exercisable Options	
Range $CDN	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Averaged Exercise Price ($CDN)	Number of Options Outstanding	Weighted Averaged Exercise Price ($CDN)
$2.00 - 2.99	302,477	3.9	$ 2.84	218,187	$ 2.81
3.00 - 3.99	6,805,945	4.3	3.44	425,945	3.51
4.00 - 4.99	663,833	2.5	4.56	663,833	4.56
5.00 - 5.99	403,814	1.9	5.60	403,814	5.60
	8,176,069	4.0	3.61	1,711,779	4.32

The following table represents the stock options activity for the six months ended June 30, 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
Options expired	(18,502)	4.09
Options forfeited	(800,000)	3.47
End of period (June 30, 2010)	8,176,069	$ 3.61

(expressed in United States dollars unless otherwise noted)

10. Share Capital (continued)

(b) Stock Options (continued)

As of June 30, 2010, 1,711,779 options were exercisable at a weighted average exercise price of CDN$4.32. 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 June 30, 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 three and six months ended June 30, 2010, $2,172,552 and $4,373,692, respectively, was recognized as stock-based compensation expense of which $260,302 and $288,030, respectively, related to the March 23, 2010 option grants. The Company estimated a forfeiture rate of 0%.

11. 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.

12. 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	Thereafter	Total
Geothermal properties	$ 299,000	$ 418,000	$ 690,000	$ 751,000	$ 646,000	$ -	$ 2,804,000
Property, plant and equipment purchases	2,661,720	6,654,000	-	-	-	-	9,315,720
Operating leases	215,000	353,000	148,000	100,000	100,000	200,000	1,116,000
	$ 3,175,720	$ 7,425,000	$ 838,000	$ 851,000	$ 746,000	$ 200,000	$ 13,235,720

(a) Power Purchase Agreements

In March 2006, the Company entered into the PPA with Nicaraguan power distributors 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 has issued letters of credit in favor of Disnorte and Dissur aggregating approximately $4.9 million as of June 30, 2010.

12. Commitments (continued)

(a) Power Purchase Agreements (continued)

In July 2009, the Company entered into a PPA with Southern California Edison ("SCE") for the sale of 49.9 MW 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 49.9 MW 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 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 $660,294 and $514,530 as of June 30, 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 consolidated statements of operations under derivative obligation loss for the six months ended June 30, 2010 and 2009 in the amount of $145,764 and $40,766, 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 June 30, 2010 were as follows: option price of $16.50, annualized volatility of 35.20%, risk-free rate of 1.00%, term of the option of 2.75 years, and dividend yield of 0%.

(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. Two letters of credit in the total amount of $3,135,000 were outstanding under the letter of credit facility as of June 30, 2010.

13. Contingencies

(a) Legal Proceedings

The Company is involved in various legal claims associated with the normal course of operations. As of June 30, 2010, the Company believes that no provision for such legal claims is necessary.

(expressed in United States dollars unless otherwise noted)

13. Contingencies (continued)

(b) Asset Retirement Obligations

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 $3.2 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.

14. Income Taxes

For the six months ended June 30, 2010, the Company's net income tax expense was a recovery of future taxes of $589,392 (a net effective income tax rate of 4.49%). As of June 30, 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 June 30, 2010 and December 31, 2009, was $18,388,406 and $20,185,758, respectively. During the three months ended June 30, 2010, the Company finalized the purchase accounting analysis related to the Business Combination completed on October 20, 2009, which resulted in an increase to the future tax liability related to geothermal properties as described in Note 3.

Loss carry over balances as of June 30, 2010 are:

Canada	$58,787,411
United States Federal	$2,609,014
Nicaragua	$10,808,761

The loss carryovers for Canada, the U.S., and Nicaragua expire through 2030, 2030, and 2013, respectively.

15. Supplemental Disclosures with Respect to Cash Flows

	Six Months Ended	
	June 30, 2010	June 30, 2009
Cash paid during the period for interest	$ 568,932	$ 1,066,114
Cash paid during the period for income taxes	$ -	$ -
Revision in capitalized asset retirement obligations (Note 9)	$ 626,428	$ -

16. Financial Risk Management and Financial Instruments

(a) Fair Value of Financial Assets and Liabilities

The fair values of cash, restricted cash, short-term investments, accounts receivable, accounts payable, and accrued liabilities approximate their carrying amounts 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 $45,640,418 and $849,688 as of June 30, 2010 and December 31, 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 June 30, 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 8) 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 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 unhedged portion of the loan during the term of the construction and, therefore, it does not currently hold any financial instruments that mitigate this risk.

(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 U.S. dollars and currently most of the Company's transactions are denominated in U.S. dollars. The Company currently has operations in Canada, with operations translated in accordance with its accounting policy. The foreign operations hold monetary items, such as cash, accounts payable, long-term debt, and other obligations in an aggregate amount of CDN$1,710,000. The Company determined that a 10% increase or decrease in the Canadian dollar against the U.S. dollar would result in an increase or decrease in net loss or other comprehensive loss of $163,000 for the three and six months ended June 30, 2010. The Company does not enter into any foreign exchange contracts to mitigate this risk.

16. Financial Risk Management and Financial Instruments (continued)

(d) Currency Risk (continued)

Of the Company's planned $156 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 U.S. dollars at the time of invoicing, which is monthly. A $0.01 fluctuation in the U.S. 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.

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 mitigated but not eliminated 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 June 30, 2010 and December 31, 2009 is $1,902,976 and $1,542,555, respectively.

17. 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 PENSA and SJPIC (Note 8). 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 PENSA 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 review by the Company's finance committee and 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.

18. Subsequent Events

On July 7, 2010, the Company entered into a definitive arrangement agreement whereby the Company will acquire all the issued and outstanding common shares of Sierra Geothermal Power Corp ("Sierra"). Under the terms of the transaction, each common share of Sierra will be exchanged for 0.0833333 of a common share of the Company. Upon closing of the transaction, the Company is expected to issue approximately11.13 million common shares to the current shareholders of Sierra. The transaction is expected to close during the third quarter of 2010, subject to customary closing conditions, including Sierra having a specified minimum amount of working capital at closing, receipt of Toronto Stock Exchange and TSX Venture Exchange approval, the approval of the common shareholders of Sierra at a shareholders meeting scheduled to be held on August 31, 2010, and court approval.