



powering a cleaner tomorrow

RUN OF RIVER POWER INC.

Management Discussion and Analysis
Three Months Ended March 31, 2009 and 2008

RUN OF RIVER POWER INC.
Management Discussion and Analysis
Quarter Ended March 31, 2009

The following MD&A dated May 27, 2009 should be read in conjunction with the unaudited Interim Consolidated Financial Statements for the three months ended March 31, 2009 of Run of River Power Inc. (“Corporation” or “ROR”) and with the audited Consolidated Financial Statements dated December 31, 2008 and December 31, 2007. The Corporation reports its financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles (“GAAP”) in Canadian dollars. This MD&A was prepared with information available as of May 27, 2009. Additional information and disclosure relating to the Corporation can be found on SEDAR at www.sedar.com or on the Corporation’s website at www.runofriverpower.com.

FORWARD-LOOKING STATEMENTS

This MD&A includes forward-looking statements. All statements other than statements of historical facts contained in this MD&A, including statements regarding the future financial position, business strategy, plans and objectives of management for future operations, are forward-looking statements. The words “believe”, “may”, “will”, “estimate”, “continue”, “anticipate,” “intend”, “should”, “plan”, “expect” and similar expressions, as they relate to the Corporation, are intended to identify forward-looking statements. The Corporation has based these forward-looking statements on the current expectations and projections about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions as described elsewhere in this MD&A.

Other sections of this MD&A may include additional factors that could adversely affect the business and financial performance. Moreover, the Corporation operates in a very competitive and rapidly changing business environment. New risk factors emerge from time to time and it is not possible for management to predict all risk factors, nor can the Corporation assess the impact of all factors on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Readers should not rely upon forward-looking statements as predictions of future events or performance. The Corporation cannot provide assurance that the events and circumstances reflected in the forward-looking statements will be achieved or occur. Although the Corporation believes that the expectations reflected in the forward-looking statements are reasonable, the Corporation cannot guarantee future results, levels of activity, performance, or achievements.

OVERVIEW

Run of River Power Inc. develops renewable, sustainable energy through its portfolio of run-of-river and biomass projects in British Columbia. The Corporation’s first run-of-river hydroelectric project in operation is an Eco Logo® certified 7.6 MW facility based on Brandywine Creek near Whistler, BC. The facility began producing electricity in 2005, with all of its production sold to BC Hydro under a 20 year Electricity Purchase Agreement (“EPA”). Currently the Brandywine facility is Run of River’s sole source of revenue; however, 639 MW of run-of-river hydroelectric and 90 MW of biomass power projects are currently in various stages of development.

The Corporation and its wholly owned subsidiaries: 1554675 Ontario Limited (currently inactive), Rockford Energy Corporation (“Rockford”), Jascott Holdings Corp. (“Jascott”), Northwest Cascade Power Ltd. (“NWCP”), Crawford Energy Corp., Raffuse Energy Corporation, Skookum Energy Corp., Sea to Sky Power Corporation, Western Biomass Power Corp (“Western Biomass”) and its 80% owned subsidiary Pacific Northwest Biomass Corporation (“PNBC”) are incorporated in the Province of British Columbia, Canada. The

Corporation is a reporting issuer in British Columbia and Alberta and its common shares trade on the TSX Venture Exchange (TSX-V) under the symbol ROR.

In 2005 the Corporation acquired the Upper Pitt Cluster that comprises projects covering eight tributaries of the Upper Pitt River. The Upper Pitt River is located about 50 kilometres from Vancouver and drains into an area immediately to the east of the Mamquam River Watershed where the Corporation has other projects. A comprehensive development plan is being advanced for the 25 MW Skookum Creek project in the Mamquam Cluster with the Upper Pitt Cluster accounting for a further 155 MW. These run-of-river projects use the proximity of their locations to transmission infrastructure, and other projects within their clusters, to take advantage of economies of scale. All of these projects are expected to utilize the same transmission line, subject to the necessary permitting being obtained, which will result in shared infrastructure costs and minimized visual impacts.

The Corporation has another 437 MW of run-of-river projects in the very early stages of development. These projects have attributes similar to those in the Upper Pitt and the Mamquam.

During the fourth quarter of 2008, the Corporation submitted a Request for Proposal (RFP) for the Mamquam Cluster and the Upper Pitt Cluster to BC Hydro’s Clean Power Call. The Corporation also advanced 27 new hydroelectric power projects in Central BC with combined total output estimated in excess of 1500 GWh of green energy per year, enough power to meet the energy needs of approximately 150,000 homes.

OUTLOOK

Seasonality of Operations

Production of electricity from run-of-river developments is highly dependent on weather conditions, and can vary significantly; thus, it is not necessarily meaningful to compare monthly production results. The use of month-to-month and year-to-year analysis rather than long-term averages provides a guide only; for example, a wet or dry month can vary significantly from that month’s long-term average. A generally cooler spring would be expected to result in a slower ice pack melt and extend utilizable water volumes later into the summer. The feasibility of the Corporation’s run-of-river projects is based upon long-term averages. Forecasted production by fiscal quarter based on these long-term averages is expected, over the longer term, to approximate:

Q1 – 15% Q2 – 35% Q3 – 28% Q4 – 22%

PROJECT UPDATES

Run-of-River Projects

Run of River Power Inc.’s advanced development pipeline consists of the following run-of-river projects:

Upper Pitt Cluster (155 MW)		
	Capacity (MW)	Estimated Energy GWh/yr
Bucklin Creek	30	108
Pinecone Creek	25	90
Shale Creek	15	54
Steve Creek	15	51
Corbold Creek	20	84
East Corbold Creek	15	69
Homer Creek	10	44
Boise Creek	25	92

Mamquam Power Cluster (47 MW)		
	Capacity (MW)	Estimated Energy GWh/yr
Skookum Creek	25	98
Crawford Creek	7	28
Raffuse Creek	10	40
Mamquam Headwaters	5	19

Upper Pitt Cluster

The Corporation and its wholly-owned subsidiary, NWCP, have been exploring the development of hydroelectric power projects in the Fraser Valley Regional District on tributaries of the Upper Pitt River since the successful development of the Brandywine Creek project in 2004.

NWCP received confirmation in February 2007, from the Environmental Assessment Office that the Upper Pitt River project requires an environmental assessment certificate. The environmental review process has fixed timelines; application screening (maximum 30 days) followed by application review and assessment (maximum 180 days) will lead to the Minister's decision on an environmental assessment certificate (maximum 45 days). The Corporation anticipates that the application review stage will commence in fall 2009, with an objective to obtain an Environmental Assessment Certificate for the Project in summer 2010.

NWCP has proposed a 138 kV transmission line that will be 42 kilometres long and will transmit renewable energy from the Upper Pitt and Mamquam areas to BC Hydro's Cheekye electrical substation near Squamish. Hydrology studies have been completed and indicate that the projects on the tributaries of Upper Pitt River will now have a combined capacity of 155 MW and will generate an estimated 592 GWh/yr of electricity. These sites were chosen not only for the suitability of high-elevation creeks for run-of-river green hydro, but also for the proximity to the major population of the Lower Mainland, where so much of BC's new residential and commercial growth has increased the demand for electricity.

NWCP submitted an application for a park boundary adjustment to BC Parks (Ministry of Environment) in respect of its Upper Pitt Cluster. The park boundary adjustment is required to provide for a 4.6 kilometre long transmission line corridor across a remote mountain pass in Pinecone Burke Provincial Park. In March 2008, BC Environment Minister Barry Penner advised he would not recommend to Cabinet or the BC Legislature acceptance of a park boundary adjustment proposal submitted for Pinecone Burke Provincial Park.

The Katzie First Nation, who have a co-management agreement for Pinecone Burke Provincial Park, have initiated a Supreme Court civil suit against the BC Ministry of Environment regarding Minister Penner's decision. The civil suit claims a breach of obligations to comply with the terms of a 1995 cooperative management agreement between the parties for the park.

The park boundary adjustment proposal fulfills all of the requirements of the provincial government's Provincial Park Boundary Adjustment Policy, Process, and Guidelines. This is supported by a series of detailed engineering, environmental, and socio-economic studies, as well as consultations and meetings with government, First Nations and stakeholders. It is also believed that the overall development fulfils the government's requirement for sustainable development in the province, including its sub-requirements of environmental benefits, social benefits, and economic benefits. The Corporation is presently evaluating several alternatives to transmission that would retain the original economics of the development, without the requirement for a park boundary adjustment. It is the Corporation's belief that a viable alternative can be advanced and is proceeding to develop this cluster of projects.

The Corporation continued feasibility and permitting work in the Upper Pitt and submitted a proposal for the Upper Pitt River Water Power Project into BC Hydro's Clean Call for Power. The cluster includes seven

green energy run-of-river hydropower projects on eight tributaries of the Upper Pitt River located at the North end of Pitt Lake approximately 39 km east of Vancouver, BC and 45 km north of Pitt Meadows, BC.

The Upper Pitt Water Power Project will have a combined installed plant capacity of 155 MW and will connect to BC Hydro’s grid at the Cheekye Substation located just north of Squamish BC. A Feasibility Interconnection Study Agreement for connection to the grid was submitted to the British Columbia Transmission Corporation (BCTC) on November 17, 2008.

Mamquam Cluster

Feasibility and permitting work also continued on the Corporation’s projects located in the Mamquam River Watershed. The cluster of green energy run-of-river hydroelectric projects has a combined capacity of 47 MW and will generate an estimated 185 GWh/yr of electricity. The Corporation has submitted a proposal for 35 MW (revised subsequently to 25 MW) of the Mamquam Power Project into BC Hydro’s Clean Call for Power. A Feasibility Interconnection Study Agreement for connection to the grid was submitted to the British Columbia Transmission Corporation (BCTC) on November 17, 2008. The remaining creeks with a combined capacity of 12 MW will be advanced at a later date into BC Hydro’s Standing Offer Program.

The projects are in close proximity to one another in the Mamquam watershed approximately 70 km north of Squamish and will also connect to BC Hydro’s grid at the Cheekye Substation.

Bids for both the Upper Pitt and Mamquam projects into BC Hydro’s Clean Call for power were submitted on November 25, 2008. Final evaluation of projects and EPA awards are anticipated in June, 2009.

Future Development Prospects

Throughout 2008, the Corporation advanced 27 new run-of-river hydroelectric power projects in central British Columbia. The Water License and Crown Land applications have been submitted to the Integrated Land Management Bureau (Ministry of Agriculture and Lands) and the Water Stewardship Division (Ministry of the Environment) and ROR has commenced further analysis on the development feasibility of these projects.

13 of the power projects are located in the upper Klinaklini and Mosley watersheds, south of Tatla Lake area and approximately 200 km west of Williams Lake on the Chilcotin Plateau of central British Columbia. The remaining 14 projects stretch from Bella Coola (in the west) to Williams Lake (in the east).

The Bella Coola projects have design capacity estimated at 224 MW while the Klinaklini projects have design capacity estimated at 117 MW and the Mosley cluster is estimated at 96 MW. The combined total output for these projects is estimated to be in excess of 1500 GWh of green energy per year, enough power to meet the energy needs of approximately 150,000 homes.

Biomass Projects

Run of River Power Inc.’s advanced development pipeline consists of the following Biomass projects:

Biomass (90 MW)		
	Capacity (MW)	Estimated Energy GWh/yr
Tsilhqot’in Power Project (Western Biomass)	60	420
Suskwa Power Project (PNBC)	30	252

The Corporation currently has two large scale biomass power initiatives totalling 90 MW of base load capacity under development. The 60 MW Tsilhqot’in Power Project located 75 km west of Williams Lake in Hanceville, BC is a joint venture between the Corporation’s wholly owned subsidiary, Western Biomass, and the Tsilhqot’in National Government (“TNG”) and will utilize mountain pine beetle damaged timber, which

has devastated over 8 million hectares of pine forests in central British Columbia, unlogged roadside debris and sawmill waste for its fibre supply.

The second project is the 30 MW Suskwa Power Project to be located in Northwest BC near New Hazelton. The Corporation, via Western Biomass, purchased 80% of PNBC whereby PNBC holds a 100% interest in the project with an option for its partners, the Suskwa Chiefs, to acquire up to 40% of the facility. The plant is strategically located less than three kilometres from the provincial transmission grid and will draw from what has been described as one of the best fibre baskets in the province, primarily utilizing decadent (dead) standing timber as well as biomass waste from existing logging operations in the area, for its fibre supply.

In June 2008, Tsilhqot'in Power Corp. (Western Biomass and the TNG) completed a detailed engineering study as well as a fibre supply analysis for the 60 MW Tsilhqot'in Power Project. The Corporation, through PNBC, completed a similar fibre supply analysis for the 30MW Suskwa Power Project. Western Biomass, together with the TNG and the Suskwa Chiefs Economic Corp. ("Suskwa"), submitted proposals to BC Hydro for the two projects referred to above, in response to Phase I of its two phase Bioenergy Call for Power, to supply energy generated from forest based biomass. In addition, applications have been filed with the BC Transmission Corporation for feasibility interconnection studies related to the projects. Phase I was designed principally for forestry companies with fibre tenure and with partial infrastructure in place. Four EPA's were awarded under Phase I of the Bioenergy Call for Power only to forestry proponents with these attributes.

Western Biomass will resubmit its two proposals into Phase II. BC Hydro's target is to acquire 1,000 GWh per year of energy through this stream. The Phase II process will commence in May, 2009 with the final selection of projects for EPA's in early 2010.

INDUSTRY AND ENVIRONMENTAL FACTORS

Provincial

Despite its vast hydro-electric resources, over the last few years, BC has become a net importer of electricity and is facing a very significant supply-demand gap. BC Hydro has projected energy generation deficits of up to 1400 MW by 2015. In response to this growing shortfall, the provincial government enacted its Energy Plan in 2007 to meet the shortfall through conservation and acquisition of clean and renewable energy resources. In addition to becoming energy self-sufficient by 2016, the BC Energy Plan also includes the goals of having 90% of the province's electricity generated from clean sources, as well as having all new generation with zero net Greenhouse Gas (GHG) emissions, with overall emissions dropping 33% by 2020 from 2007 levels.

In supporting the BC Energy Plan, the government initiated three programs for power acquisition. These include:

- The Clean Call for Power, for projects greater than 10MW;
- The Standing Offer Program, a standardized, fast track program for projects smaller than 10MW;
- and
- The Bioenergy Call for Power, consistent with the Bioenergy Strategy released on January 31, 2008, for projects using beetle killed fibre and other sources.

The final evaluation and EPA awards for the 2008 Call for Clean Power are scheduled to occur by the end of the first half of 2009.

Key dates relating to the 2009 Bioenergy Call for Power Phase II include the following:

Issuance of draft RFP documents	May 2009
First Nations engagement	May - June 2009
Stakeholder engagement	May - June 2009
Issuance of final RFP documents	July/August 2009
Proposal submission	Fall 2009
Proponent discussions	Early 2010
Final selection of projects for EPAs	Early 2010

*Schedule reproduced from the BC Hydro Bioenergy Call for Power Phase II.

Federal

In April 2007, the Government of Canada unveiled its action plan to reduce greenhouse gases and air pollution. The proposed framework for the Clean Air Regulatory Agenda ("CARA") targets stabilization then reduction of greenhouse gases and air pollutants. Short-term targets are to be expressed as reductions from 2006 levels. For existing facilities, emission intensity reduction targets are to be based on an improvement of 6% each year from 2007 to 2010 (for cumulative reduction of 18% of 2006 levels by 2010). Every year thereafter, a 2% continuous emission-intensity improvement will be required, resulting in an industrial emission-intensity reduction of 26% by 2015. Carbon-emitting electricity generation companies are expected to meet their obligations by reducing their own emissions, contributing to a technology fund, using emissions trading or offsets, or by using a one-time credit for verifiable early action undertaken between 1992 and 2006. Also, in March 2008 the Government of Canada released draft regulations addressing GHG emissions. The draft has been issued for a period of consultation, after which the Federal Government is expected to finalize the regulations, at an as yet undetermined date. The Federal Government's actions on GHG emissions and other pollutants is not projected to have a negative impact on the Corporation's existing generation portfolio; however, it is reasonable to assume that such regulation will negatively impact the cost structure of competitors utilizing carbon-based fuels for electricity generation.

SELECTED FINANCIAL INFORMATION ¹

(\$000's except per share and generation amounts)	Q1 2009	Q1 2008
Electricity sales	86	109
EBITDA	(395)	(504)
Net loss	(746)	(768)
Basic and diluted loss per share	(0.01)	(0.01)
Cash flow used in operations	(471)	(502)
Total assets	31,455	33,243
Total long-term financial liabilities	11,025	11,425
Generation-MWh	1,471	1,888

(1) Selected annual financial information was derived from the audited consolidated financial statements for the most recent years with certain comparative figures reclassified to conform with the financial presentation adopted for the present year and is prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). EBITDA is provided to assist management and investors in determining the Corporation's cash flow provided by operations before interest and does not have any meaning prescribed in Canadian GAAP and may not be comparable to similar measures presented by other companies. Refer to Non-GAAP measures - EBITDA following for the reconciliation between this non-GAAP financial measure and comparable measures calculated in accordance with Canadian GAAP.

Non-GAAP measure - EBITDA

(\$000's)	Q1 2009	Q1 2008
GAAP Measures in Consolidated Statements of Operations and Deficit		
Net (loss) for the period	(746)	(768)
Net interest	186	102
Depreciation and amortization	165	162
Non-GAAP measure - EBITDA	(395)	(504)

In Q1 2009, the net loss remained unchanged from the same quarter in 2008. Basic and diluted loss per share was (\$0.01) per share for each quarter.

Q1 2009 electricity revenues decreased 22% from Q1 2008 revenues. Generation during Q1 was 1,471 MWh, down 417 MWh or 22% from 2008 generation of 1,888 MWh. The decrease in generation and revenues is largely attributable to reduced production at the Brandywine Creek facility due to reduced snowpack melt.

General and administration costs decreased 31% during Q1 2009 from Q1 2008. Lower G&A costs were attributable to reduced legal expenditures and stock based compensation.

Total assets of the Corporation at the end of Q1 2009 were \$31.5 million versus \$33.2 million at the end of Q1 2008.

Long term debt was reduced by \$0.4 million to \$11.0 million in 2009 and from \$11.4 million in 2008, as a result of scheduled debt repayment.

RESULTS OF OPERATIONS

Revenues

Q1 2009 electricity revenues of \$ 85,546 decreased \$23,651 or 22% from Q1 2008 revenues of \$109,197, as a direct result of a 22% reduction in electricity generated to 1,471 MWh from 1,888 MWh during the same period last year. The decrease in generation and revenues is attributable to lower production at the Brandywine Creek facility due to reduced snowpack melt.

General and administration

General and administration ("G&A") expense of \$349,450 during the first quarter of 2009 was \$157,811 or 31% lower than G&A expense of \$507,261 during the first quarter of 2008. The lower G&A costs were attributable to lower legal expenditures and stock based compensation compared to same period last year.

Depreciation

Depreciation expense increased to \$159,167 during the first quarter of 2009 compared to \$156,052 for the same quarter of 2008. This slight increase of \$3,115 or 2% was due to the capitalization and depreciation of additional assets at the Corporation's head office.

Interest expense

The Corporation incurred net interest expense of \$186,129 during the first quarter of 2009 compared to \$101,908 for the same quarter of 2008. The variance of \$84,221 or 83% was the result of significant interest income earned in 2008 on the proceeds of the 2007 equity issue invested in interest bearing marketable securities.

Net loss

The Corporation recorded a net loss for the first quarter of 2009 of \$745,945 compared to \$767,716 for the same period in 2008. Funds used in operations were \$547,108 for the first quarter of 2009 compared to \$512,337 for the same period of 2008. The net loss and funds used in operations reflect the impact of slower-than-expected snowpack melt conditions providing reduced water flows at Brandywine.

Risks and uncertainties

According to the Independent Power Producers Association for British Columbia, a run-of-river hydro project in BC requires over 50 permits, licences, and approvals and reviews from 14 different government agencies before it can be built. Such a regulatory environment creates additional challenges and may result in unanticipated delays or material alterations in project outcomes, including cancellation. There is no guarantee that all projects within the Corporation's development portfolio will come to fruition.

SELECTED QUARTERLY FINANCIAL INFORMATION

Financial quarter ended (Unaudited)

(in thousands of Canadian dollars except loss per share amounts)	2009	2008				2007		
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Revenues	86	431	664	477	109	563	724	693
Net loss	(746)	(511)	(278)	(464)	(768)	(644)	(44)	(200)
Basic and diluted loss per share	(0.01)	(0.01)	(0.00)	(0.01)	(0.01)	(0.01)	(0.00)	(0.01)

Production of electricity is highly dependent on weather conditions and can vary significantly resulting in significant variability in quarterly operating results as more fully explained on Page 3 under "Seasonality of Operations".

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

At March 31, 2009, the Corporation had \$2.1 million in cash and marketable securities on hand. These cash resources will be used to carryout further development of the Upper Pitt and Mamquam watersheds, the future run of river development prospects and the two biomass projects. Final regulatory approval of any of the facilities in development will require additional funds that will likely exceed the current resources of the Corporation. Additional financing in some form will be required. The completion of any of the projects in development is also expected to have a material impact on the Corporation's future operational results and cash flows. The Corporation currently foresees no impediments to its ability to meet its ongoing requirements and its development activities.

Commitments of capital expenditures will be wholly dependent on the successful completion of proposed projects. The success of these projects is dependent upon receiving the necessary water and other licences, the ability of the Corporation to obtain necessary financing to successfully complete the development and construction of the projects, the ability to economically generate electrical power and its ability to sell the electricity generated on a profitable basis to BC Hydro under EPA's. No additional projects of the Corporation have, at this point, received final approval.

Capital resources

The capital structure of the Corporation consists of shareholders' equity, long-term debt and cash and cash equivalents as noted below:

	March 31, 2009	December 31, 2008
Components of Capital:		
Shareholders' equity	\$ 19,130,286	\$ 19,828,714
Long – term debt	11,446,617	11,542,485
Less:		
Cash and cash equivalents	(2,691,352)	(4,041,647)
	\$ 27,885,551	\$ 27,329,592

The Corporation's objectives when managing capital are:

- balance the interest of equity and debt holders;
- maintain compliance with its financial covenants; and
- maintain a capital base so as to maintain investor, creditor and market confidence and to sustain future development.

The Corporation manages its capital structure as determined by management and approved by the Board of Directors. The Corporation's policy is to make adjustments to its capital structure based on changes in economic conditions and planned requirements. The Corporation has the ability to adjust its capital structure by issuing new equity or debt, selling assets to reduce debt or balance equity, and making adjustments to its capital expenditures program.

The Corporation monitors capital using a Debt Service Coverage Ratio that has been externally imposed as part of the loan agreement. The Corporation is required to maintain a four quarters rolling average Debt Service Coverage Ratio not less than 1.00:1. This ratio is calculated as follows:

Q1 2008	0.38
Q2 2008	1.02
Q3 2008	1.20
Q4 2008	1.03
Q1 2009	0.09
Four quarters rolling average – December 31, 2008	0.91
Four quarters rolling average – March 31, 2009	0.84

The Corporation was in compliance with the terms of its credit facilities during each of the first three quarters of 2008. At December 31, 2008 and at March 31, 2009, the Debt Service Coverage Ratio was less than 1.00:1 due to reduced revenues caused by unfavourable weather conditions and downtime resulting from certain repairs and BC Hydro line maintenance. Pursuant to the Loan Agreement, the Corporation has notified its lenders of this event of default and received a waiver of this covenant.

There have been no changes to the Corporation's capital structure, objectives, policies and processes over the prior year.

RELATED PARTY TRANSACTIONS

During the first quarter of 2009, the Corporation incurred the following expenses with officers, directors, and companies with directors in common:

At March 31, 2009, the Corporation was owed \$96,578 (2008 - \$96,578) by Rockford Technology Corporation which has a director in common. The loan is unsecured and bears interest at 9%. The original loan due September 17, 2006 was extended under the same terms to December 17, 2009. Interest in the amount of \$17,384 has been received. At March 31, 2009, accrued interest totalled \$10,865.

Included in accounts payable at March 31, 2009 is \$5,402 (2008 - \$11,093) payable to the directors and to an officer of the Corporation.

During the period the Corporation incurred certain project costs related to its biomass projects totalling \$81,211 (2008 - \$Nil) which may be recoverable should the projects proceed to completion.

CRITICAL ACCOUNTING ESTIMATES

Measurement uncertainty

The preparation of the consolidated financial statements requires the use of estimates when transactions affecting the current accounting period cannot be finalized until future periods. These estimates will affect assets, liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as revenues and expenses during the reporting periods. Such estimates are based on informed judgments made by management. Actual results could differ from those estimated as future confirming events occur. Significant estimates used in the preparation of the financial statements include, but are not limited to, the estimates of asset retirement obligations, useful life and salvage values of property, plant and equipment, impairment of projects under development and income taxes.

The Corporation has adopted depreciation policies which are reflective of the estimated useful lives and abandonment costs, if any, of its assets. No amounts have been recorded in respect of abandonment as none of these assets have been identified at present. Hydroelectric assets tend to have long useful lives, often in excess of 50 years. Mechanical portions and assets such as transmission lines may require significant refurbishment from time to time in order to maintain their productive levels.

The Corporation capitalizes costs of developing its power generation projects. The recovery of those costs is dependent on the ability of the Corporation to obtain EPA's from BC Hydro and successfully construct the projects in an economic fashion. The Corporation believes that costs capitalized in respect of these projects are not impaired and no adjustment to carrying values is necessary at this time.

ADOPTION OF NEW ACCOUNTING STANDARDS

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Institute of Chartered Accountants confirmed that Canadian GAAP for publicly accountable enterprises will be converted to International Financial Reporting Standards (IFRS) on January 1, 2011. This change in GAAP will be effective for years beginning January 1, 2011.

At this time, the Corporation has appointed internal staff to lead the conversion project along with sponsorship from the senior leadership team to manage this transition and to ensure successful implementation within the required timeframe. The Corporation will provide disclosures of key elements of its plan and progress on the project as the information becomes available during the transition period. Run of River Power Inc. is now assessing the impact of the conversion from Canadian GAAP to IFRS on its results of operations, financial position and disclosures, and is preparing a plan for implementation.

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the AcSB issued CICA Handbook Sections 1582 – Business Combinations, 1601 – Consolidated Financial Statements and Section 1602 – Non-controlling Interests. Section 1582 is effective for business combinations subsequent to January 1, 2011. This Standard was issued to align Canadian GAAP with IFRS. The Standard requires additional use of fair value measurements, recognition of additional assets and liabilities and increases disclosure. Adoption of this Standard will have a material effect on the method of accounting for business combinations in future periods. Upon adoption of Section 1582, entities are required to adopt Sections 1601 – Consolidated Financial Statements and 1602 – Non-controlling interest. These two standards require a change to be presented as part of shareholder's equity on the balance sheet. The income statement of the controlling parent will require all of the subsidiaries results and present an allocation between the controlling interest and the non-controlling interest. Adoption of Section 1582 is applied prospectively and Sections 1601 and 1602 are applied retroactively.

Goodwill and intangible assets

The CICA has issued Section 3064 – Goodwill and Intangible Assets to replace Section 3062 – Goodwill and Other Intangible Assets. Section 3064 gives guidance on the recognition of intangible assets as well as the

recognition and measurement of internally developed assets. Section 3064 – Goodwill and Intangible Assets is effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. These changes are effective for the Corporation on January 1, 2009 and its implementation is not expected to have a material impact on the financial position or results of operations.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial instruments

The fair value of financial instruments 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. Fair values are determined by reference to quoted market prices, as appropriate, in the most advantageous market for that instrument to which the Corporation has immediate access. Where quoted market prices are not available, the Corporation uses the closing price of the most recent transaction for that instrument. In the absence of an active market, fair values are determined based on prevailing market rates for instruments with similar characteristics.

The Corporation designated cash, restricted cash and marketable securities as held-for-trading assets, measured at fair value. Amounts receivable are measured at amortized cost. Accounts payable and accrued liabilities and long-term debt are designated as other financial liabilities and measured at amortized cost. Management did not identify any material embedded derivatives, which require separate recognition and measurement under the new accounting standards. The Corporation had neither available-for-sale, nor held-to-maturity instruments during the period ended March 31, 2009.

Risk management

The Board of Directors has the overall responsibility for the establishment and oversight of the Corporation's risk management. Senior management is responsible for developing and monitoring compliance with the Board's risk management objectives. Derivative financial instruments are not used by the Corporation for speculative purposes.

In the normal course of operations, the Corporation is exposed to various risks such as commodity, interest rate, credit, liquidity, and operating risk. To manage these risks, management determines what activities must be undertaken to minimize potential exposure to risks. The objectives of the Corporation to managing risk are as follows:

- maintaining sound financial condition;
- financing operations; and
- ensuring liquidity to all operations.

In order to satisfy these objectives, the Corporation has adopted the following policies:

- prepare budget documents at prevailing market rates to ensure clear, corporate alignment to performance management and achievement of targets;
- recognize and observe the extent of operating risk within the business;
- identify the magnitude of the impact of market risk factors on the overall risk of the business and take advantage of natural risk reductions that arise from these relationships.

There have been no changes in risks that have arisen or how the Corporation manages those risks from the prior period.

Electricity commodity risk

The Corporation manages the risk of fluctuating commodity prices by entering into long term 20 year fixed price Electricity Purchase Agreements with B.C. Hydro for the sale of its production.

Interest rate risk

The Corporation's long term debt bears interest at fixed rates thus mitigating the impact of fluctuations in interest rates.

Credit risk

Credit risk is the risk of loss if counterparties do not fulfil their contractual obligations and arises principally from trade receivables. The maximum exposure to credit risk is the carrying amount of amounts receivable principally from BC Hydro for the sale of production from the Corporation's Brandywine Creek facility. BC Hydro is a rated, credit worthy counterparty and amounts receivable are current as of March 31, 2009.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation mitigates this risk through actively managing its capital, which it defines as shareholders' equity, long term debt, net of cash, cash equivalents and marketable securities. Management of liquidity risk over the short and longer term, includes continual monitoring of forecasted and actual cash flows to ensure sufficient liquidity to meet financial obligations when due and maintaining a flexible capital management structure. The Corporation strives to balance the proportion of debt and equity in its capital structure given its development assets and planned investment opportunities.

The current volatile economic and financial conditions have impacted the availability of financing for the Corporation's development initiatives. Furthermore, the associated terms have changed to reflect the increased risk. It is the Corporation's view that project financing will be available for the development projects bid into the BC Hydro calls, albeit under more stringent financing conditions. The credit quality of long-term Energy Purchase Agreements with BC Hydro along with the nature of the Corporation's development projects facilitates completion of financing in these circumstances.

Operating risk

The ability of the Brandywine Creek power plant to generate the maximum amount of power is a determinant of the Corporation's profitability. Regular preventative maintenance programs and insurance mitigate the risk of potential equipment failure and the consequent loss of revenue. The Corporation has no obligation under its contract to deliver minimum levels of power. Any reduction in the volume of power delivered will directly reduce the amount of power revenue received by the Corporation.

SUBSEQUENT EVENT

In April 2009, the Corporation granted options to its non-executive directors for the purchase of up to 200,000 shares of the Corporation at an exercise price of \$0.10 per share. The options are exercisable for a period of five years. One third of the options vested immediately; one third becomes vested on each of the first and second anniversaries of the grant date.

OUTSTANDING SHARE DATA

Total issued common shares at March 31, 2009	69,732,508
Total issued common shares at May 27, 2009	69,732,508
Outstanding warrants	31,760,000
Outstanding share options, including 200,000 issued in April 2009	6,070,000
Total diluted common shares at May 27, 2009	107,562,508