

Western Plains Petroleum Ltd. (formerly Saha Petroleum Ltd.)

MANAGEMENT'S DISCUSSION & ANALYSIS

Year ended December 31, 2009

OVERVIEW OF THE CORPORATION

Western Plains Petroleum Ltd. (the "Corporation" or "Western Plains" or "WPP") was originally incorporated as Mises Capital Corporation under the Business Corporations Act (Alberta) on November 19, 2004 and was classified as a Tier 2 "oil and gas exploration and production" corporation under the symbol "MPP" on the TSX Venture Exchange ("TSXV") on August 11, 2006. On April 1, 2008, the Corporation changed its name to "Saha Petroleum Ltd." and began trading under the symbol "SPZ" on the TSXV on April 25, 2008. On August 24, 2009, the Corporation changed its name to "Western Plains Petroleum Ltd." and began trading under the symbol "WPP" on the TSXV on August 25, 2009.

The Corporation focuses on the following strategies:

1. Production of conventional heavy oil building on the core competency of its people,
2. Exploration and development in the Lloydminster area (Lloydminster is a border city 250 km east of Edmonton, Alberta and 275 km west of Saskatoon, Saskatchewan), and
3. Careful control of development and production costs in order to avoid bank or other debt.

GENERAL

This management discussion and analysis ("MD&A") of Western Plains for the year ended December 31, 2009 contains financial highlights but does not contain the complete financial statements of the Corporation. It should be read in conjunction with the Corporation's audited financial statements for the year ended December 31, 2009. Additional information is available on SEDAR at www.sedar.com. The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles ("GAAP"). All references to dollar amounts are in Canadian dollars. This MD&A includes events up to April 7, 2010.

NON-GAAP MEASURES

The Corporation's management uses and reports certain measures not prescribed by generally accepted accounting principles (referred to as "non-GAAP measures") in the evaluation of operating and financial performance. Operating netback, which is calculated as average unit sales prices less royalties and operating expenses, and corporate netback, which further deducts administrative and interest expense, represent net cash margin calculations for every barrel of oil equivalent sold. Net debt, which is current assets less current and other financial liabilities (e.g. note payable), is used to assess efficiency and financial strength. Operating netback, corporate netback and net debt do not have any standardized meanings prescribed by GAAP and therefore may not be comparable with the calculation of a similar measure for other companies. The Corporation uses these terms as an indicator of financial performance because such terms are often utilized by investors to evaluate junior producers in the oil and natural gas sector.

HIGHLIGHTS OF 2009

In 2009, the Corporation acquired, in three purchase transactions, seven nominally or non-producing heavy oil wells in the Lloydminster area, for a total of \$0.5 million. Effective May 1, 2009, the Corporation sold all producing wells in the Golden Lake and Rush Lake areas of Saskatchewan, with an average production of 180 bbls per day. The gross proceeds amounted to \$2.7 million with \$1.2 million in cash and the assumption by the purchaser of \$1.5 million of debt.

As at December 31, 2009, the Corporation had thirteen gross (13 net) heavy oil wells (9 in the Lloydminster area of Alberta and 4 in the Maidstone area of Saskatchewan) of which eleven gross (11 net) wells produced in Q4 2009.

Production during the year ended December 31, 2009 varied as a result of the above property transactions. The average for the year ended December 31, 2009 was 108 bbls per day compared to 122 bbls per day for the year ended December 31, 2008. The decline is a result of the producing property being sold in May 2009.

Revenue in the latter half of the year benefited from higher oil prices than Q4 08 and Q1 09 but also a more favourable differential for heavy oil as shown in Table A in the "Quarterly and Annual Summaries". The Corporation averaged approximately \$62.00 per bbl in Q4 09 which is a significant increase over the average of approximately \$43.00 per bbl in Q4 08.

OUTLOOK

The Corporation continues to strengthen its financial position with stable production volumes, strong oil prices, control over costs and additional equity described under the heading Liquidity and Capital Resources.

The Corporation intends to continue to add to its base of developed and undeveloped properties including favorable property acquisitions consistent with its strategy. In 2010 Western Plains is planning to make strategic acquisitions of non-producing assets with proven heavy oil reserves which Western Plains would then reactive following its prior track record of success with similar situations in 2009. Alternatively Western Plains would seek to acquire undeveloped lands and initiate an appropriate development plan. The Corporation will target properties in the Lloydminster area of Alberta or Saskatchewan.

Current production is averaging approximately 75 bbls per day.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2009, the Corporation had net debt of \$0.2 million (\$2.7 million of net debt at December 31, 2008). The improvement since December 31, 2008 was due to the following:

- The May 2009 sale provided \$1.2 million in cash and \$1.5 million of the related note payable was assumed by the purchaser.
- Shares were issued in July 2009 to retire the remainder of the note payable.
- Equity was raised in December 2009 with the issue of 3,352,941 units at a price of \$0.085 per Unit pursuant to a private placement for gross proceeds of \$285,000. Each unit was comprised of one common share issued on a flow through basis under applicable tax laws, and one common share purchase warrant, each warrant exercisable into one common share. The warrant has a term of 12 months from the date of issuance at an exercise price of \$0.15 per share.
- Cash inflow from operating activities in Q4 09 was approximately \$129,000. This reflects the incremental production from the acquired and reactivated wells and strong oil prices.

As at December 31, 2009, there were 30,260,000 common shares and 1,452,000 director and officer stock options issued and outstanding

In January 2010 Western Plains further strengthened its financial position with the issue of 1,877,500 common shares at a price of \$0.08 per share in a private placement, for gross proceeds of \$150,200 and no finders' fees.

QUARTERLY AND ANNUAL SUMMARIES

Tables A, B and C provide a summary of selected quarterly information. All production is conventional heavy oil.
Table D provides annual operating results for the years 2007, 2008 and 2009.

TABLE A

OPERATIONS BY QUARTER

\$000's except for Production and per share	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Production - total barrels	6,294	4,624	7,824	20,529	20,107	12,083	10,582	1,610
Production - bbls/ day	68	50	86	228	219	131	116	18
Heavy oil revenue	389	277	411	770	859	1,110	1,036	129
Royalties	(49)	(50)	(94)	(172)	(196)	(290)	(245)	(29)
Production & transportation	(161)	(148)	(111)	(258)	(319)	(159)	(254)	(30)
Operating net back	179	79	206	340	344	661	537	70
General and administrative	(51)	(136)	(102)	(155)	(293)	(245)	(275)	(78)
Interest & financing	-	-	(58)	(54)	(52)	(52)	(57)	(10)
Corporate net back	129	(57)	46	131	(1)	364	205	(18)
Depletion & accretion	(116)	(111)	(101)	(701)	(671)	(304)	(266)	(40)
Other (expenses) revenue	-	85	423	-	(25)	(11)	-	(45)
Income (loss) for the period	12	(83)	368	(570)	(697)	49	(61)	(103)
Basic and diluted income (loss) per share	0.000	(0.003)	0.017	(0.027)	(0.043)	0.003	(0.004)	(0.011)
Royalties as % of petroleum revenue	13	18	23	22	23	26	24	22
Per bbl analysis	Per bbl	Per bbl	Per bbl	Per bbl	Per bbl	Per bbl	Per bbl	Per bbl
Heavy oil revenue	61.82	59.88	52.53	37.53	42.74	91.85	97.89	80.13
Royalties	(7.75)	(10.79)	(12.06)	(8.40)	(9.76)	(24.03)	(23.19)	(17.83)
Production and transportation	(25.53)	(32.02)	(14.17)	(12.56)	(15.85)	(13.13)	(23.97)	(18.44)
Operating net back	28.55	17.07	26.29	16.57	17.13	54.68	50.73	43.87
General and administrative	(8.11)	(29.31)	(13.10)	(7.55)	(14.59)	(20.28)	(25.94)	(48.54)
Interest and financing	-	-	(7.36)	(2.63)	(2.58)	(4.31)	(5.36)	(6.31)
Corporate netback	20.43	(12.25)	5.83	6.39	(0.04)	30.09	19.42	(10.99)
Depletion & accretion	(18.47)	(23.95)	(12.91)	(34.15)	(33.37)	(25.12)	(25.15)	(24.99)
Other (expenses) revenue	-	18.42	54.05	-	(1.23)	(0.93)	-	(28.29)
Income (loss) for the period	1.96	(17.77)	46.97	(27.76)	(34.64)	4.05	(5.72)	(64.27)
WPP revenue prices	61.82	59.88	52.53	37.53	42.74	91.85	97.89	80.13
Benchmark prices								
Edmonton light 40 API	76.75	71.70	66.19	50.15	63.94	122.50	126.74	98.22
Hardisty heavy 12 API	64.03	60.90	58.07	39.38	40.62	98.02	96.57	70.06
Heavy oil differential	12.72	10.80	8.13	10.77	23.32	24.48	30.18	28.16
Table B - Funds (invested in) recovered from petroleum properties	(212)	(778)	2,703	(50)	(1,784)	(43)	-	(79)

**QUARTERLY AND ANNUAL
SUMMARIES (continued)**

TABLE C

BALANCE SHEET \$000's

	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Net cash (debt)	(208)	(377)	174	(2,575)	(2,657)	(1,898)	(2,218)	(2,424)
Total assets	2,453	2,297	2,034	4,288	4,820	4,419	4,236	4,313
Total liabilities	674	783	637	3,258	3,220	2,998	2,875	2,891
Shareholders equity	1,779	1,514	1,397	1,030	1,600	1,421	1,361	1,422
SHARES 000's								
Basic outstanding	30,260	26,907	21,227	21,227	21,227	15,949	15,949	15,949
Weighted average	28,000	26,907	21,227	21,227	17,567	15,949	15,949	9,552

TABLE D

OPERATIONS for the years ended December 31

\$000's	2009	2008	2007
Heavy oil revenue	1,847	3,134	-
Expenses			
Royalties	365	761	-
Production & transportation	677	761	-
General and administrative	463	896	188
Interest & financing	92	171	-
Depletion & accretion	1,029	1,280	1
Other expenses (revenue)	(507)	77	33
	2,119	3,946	222
Income (loss) for the period	(272)	(812)	(222)
Weighted average number of common shares, 000	24,365	14,751	8,83
Basic and diluted income (loss) per share	(0.011)	(0.055)	(0.027)

OPERATING RESULTS FOR 2009

• **Production volumes, prices, royalties and production and transportation costs**

The May 2009 disposal of all producing wells in the Golden Lake and Rush Lake areas of Saskatchewan reduced production. The production from those wells averaged approximately 180 bbls per day in April 2009. Wells acquired in Q3 09 were reactivated with eleven producing in Q4 09. Production by quarter is shown in TABLE A and the variations are explained by these property transactions.

The realized average prices per bbl for each of the quarters in TABLE A in the "Quarterly and Annual Summaries" are consistent with the Hardisty heavy oil benchmark also set out in the table.

Table A in the "Quarterly and Annual Summaries" shows royalty expense as a per cent of oil sales is consistent over the quarters prior to Q3 09. The decline since Q2 09 relates to the sale of most of the Saskatchewan properties in May 2009. The Saskatchewan wells incurred a higher royalty burden than the Alberta wells. The shift in mix is illustrated by the fact that Q4 09 production was 66% Alberta and 34% Saskatchewan while Q1 09 was 2% Alberta and 98 % Saskatchewan.

A significant portion of production costs are fixed and therefore production expense per bbl varies significantly with volume. Production costs per bbl will decline as all the wells are now producing and the reactivation process, which also adds to production costs, is now complete. Heavy oil production costs tend to be higher than light oil production costs.

- **General and administrative**

Q4 09 general and administrative expenses are lower than prior quarters due in part to the capitalizing of general and administrative costs and certain geological costs for the entire year in that quarter. The overhead was capitalized based on standard rates used in the industry.

As production continues to increase as a result of development work and further acquisitions, costs per bbl will reduce.

The Corporation contracts all general and administrative services and has no employees. This includes the President and CEO position for which consulting fees are paid to a corporation with an officer and director in common with Western Plains.

- **Interest and financing**

There was no interest expense after Q2 09 as all debt was retired by July 2009. The prior interest expense related to the credit facility with the bank and the note payable. The note bore interest at 9% per annum and the credit facility bore interest at prime plus 1.25%. The note payable was due to Brahma Resources Ltd., a corporation that is controlled by an officer and director of the Corporation.

- **Depletion, depreciation, and accretion**

Depletion expense is a function of volume produced as it is computed on a “units of production” basis. The decrease in volume in Q2 09 and Q3 09 due to the property sale in May 2009 lowered the total expense for depletion, depreciation and accretion. The sale proceeds, net of the gain, were credited against the accumulated capital costs reducing costs subject to depletion in later quarters. The impact on depletion was greater than 20% and thus the gain was recorded on this disposition.

INCOME TAX

The Corporation had the following tax pools:

Nature of tax pool	Annual Deduction Available-%	December 31, 2009 \$000's	December 31, 2008 \$000's
Canadian oil and gas property expense (COGPE)	10	1,155	3,079
Canadian development expense (CDE)	30	186	-
Canadian exploration expense (CEE)	100	620	606
Specified foreign exploration and development expenses	10	583	583
Undepreciated capital cost (UCC)	25	16	142
Share issue costs	20	32	43
Non capital loss carry forward	100	448	531

The non capital loss carry forward expires in 2027 and 2028. The property sale in 2009 reduced the UCC pool to essentially zero. The foreign exploration and development expense can be applied only against income from the same source country giving rise to that tax pool.

The future income tax asset from share issue costs, non capital loss carry forward and asset retirement obligation are offset by the future income tax liability related to property, plant and equipment, the income tax affect of having issued the flow through shares and a valuation allowance. The Corporation has not recorded any future tax asset or liability, nor has it recorded any tax provision or recovery for the years ended December 31, 2009 and December 31, 2008, due to the uncertainty of the Corporation's ability to fully utilize the available income tax pools against its future income.

Flow through common shares were issued in December 2009 for proceeds of \$285,000 which require that eligible expenditures be incurred by December 31, 2010. The Corporation will renounce expenditures totaling this amount effective December 31, 2009.

The Corporation is eligible to substitute development expenditures for exploration expenditures because its taxable capital is under the limit of \$15 million as prescribed in the Income Tax Act (Canada).

CRITICAL ACCOUNTING ESTIMATES

Management is often required to make judgments, assumptions and estimates in the application of generally accepted accounting principles that may have a significant impact on the financial results of the Corporation. The Corporation's significant accounting policies are described in Note 2 to the financial statements. The following is a discussion of the accounting estimates that are critical in determining the Corporation's financial results.

(a) *Property, plant and equipment*

(i) *Oil and natural gas reserves*

The Corporation's proved oil and gas reserves at the current and prior year end were 100 percent evaluated and reported on by an independent petroleum engineering consultant. The estimation of reserves is a subjective process. Forecasts are based on engineering data, projected future rates of production, estimated commodity price forecasts and the timing of future expenditures, all of which are subject to a number of uncertainties and various interpretations. The Corporation expects that over time its reserve estimates will be revised upward or downward based on updated information such as the results of future drilling, testing and production levels. Reserve estimates can have a significant impact on net earnings, as they are a key component in the calculation of depletion on a unit of production basis. Downward revisions to reserve estimates could also result in an impairment of oil and natural gas property, plant and equipment under the ceiling test.

(ii) *Full cost accounting and depletion*

The alternative method of accounting for oil and natural gas properties and equipment is the successful efforts method. A major difference in applying the successful efforts method is that exploratory dry holes and geological and geophysical exploration costs would be charged against net earnings in the year incurred rather than being capitalized to property, plant and equipment.

The unit-of-production method of depletion is based on estimated proven reserves. Changes in estimated proven reserves or future development costs have a direct impact on depletion and depreciation expense.

(iii) *Impairment-ceiling test*

The ceiling test uses future prices determined by the independent reserve evaluator adjusted for price differentials specific to the Corporation and considered reasonable and relevant to Western Plains's products and showed no impairment. The value of undeveloped land was included, based on the amortized cost, with amortization based on the 5 year lease period over which the Corporation must develop the resource or lose the petroleum and natural gas rights.

(b) *Asset retirement obligations*

Western Plains's asset retirement obligation is based on the Corporation's net ownership in wells and facilities. Determination of the current retirement costs is based on estimated abandonment and reclamation costs for each well. To estimate future retirement costs, Western Plains applied a 2% inflation factor which

it believes is reasonable over the long term and is consistent with rates used by others in the industry. The credit adjusted risk free rates of 8-10% to discount retirement costs to the current reporting date. This rate is reasonable given the environment for capital and credit and consistent with rates used by others in the industry. Expected retirement dates range from 2019 to 2030 with an average of approximately 6 years. This estimate is based on the expected productive life of the wells and regulatory requirements.

(c) *Stock-based compensation*

Western Plains used the Black Scholes option pricing model to determine the fair value of stock based compensation at the grant date which requires that management estimate the risk free interest rate, the expected life of the securities and the expected volatility of the Corporation's share price over the life of the options. These estimates may vary from the actual life and volatility.

(d) *Future income tax*

The asset and liability method of accounting for income taxes requires determination of substantially enacted income tax rates. The Corporation estimates the accounting and tax values during the period over which temporary difference are likely to reverse and tax rates expected to be effective when the temporary differences reverse. The estimated future tax provisions are subject to revisions, both upwards and downwards, that are not known at this time. In addition to these revisions, future capital activities can impact the timing of the reversal of any temporary differences. These differences can have an impact on the amount of future taxes determined at a point in time, and to the extent that these differences are created, they can impact the charge against earnings for future taxes. The Corporation evaluates future income tax assets to make a determination of whether the assets will be realized. A valuation allowance has been taken based on management's assessment that it is more likely than not (50% probability) that the income tax recovery will not occur. A valuation allowance was recorded at December 31, 2009 and at December 31, 2008.

NEW ACCOUNTING STANDARDS

International Financial Reporting Standards

International Financial Reporting Standards ("IFRS") are to be followed by Canadian public companies effective January 1, 2011. Comparative financial statements for 2010 will also be required to follow IFRS. The full cost accounting methods now used by the Corporation is not consistent with IFRS which will require reporting more consistent with successful efforts. The Corporation will assess the following key elements as it plans for the changeover:

- determine appropriate changes to accounting policies and required additions and amendments to financial disclosure;
- identify and implement changes in associated processes and information systems; and
- review and modify internal controls as necessary.

On July 23, 2009 the IASB adopted certain amendments and exemptions to IFRS 1 in order to make it more useful to Canadian entities adopting IFRS for the first time. One such exemption relating to full cost oil and gas accounting is expected to reduce the administrative burden in transition from the current Canadian Accounting Guideline 16 (related to the full cost method of accounting for oil and gas activities) to IFRS. The amendment permits the Company to apply IFRS prospectively to its full cost pool, rather than the retrospective assessment of capitalized exploration and development expenses, with the proviso that an impairment test, under IFRS standards, be conducted at the transition date.

The Corporation has made preliminary decisions regarding IFRS accounting policy alternatives.

Western Plains's IFRS accounting policies are expected to be finalized mid-2010. Quantification of IFRS impacts will be determined in 2010 and communication of impacts to external stakeholders will commence in the latter half of 2010.

Western Plains will continue to update its IFRS changeover plan to reflect new and amended accounting standards issued by the International Accounting Standards Board.

Expected Accounting Policy Impacts

Western Plains' significant areas of impact include property, plant and equipment ("PP&E"), assets retirement obligation ("ARO"), impairment testing, and income taxes. These areas of impact have the greatest potential impact to the Company's financial statements. The following discussion provides an overview of these areas, as well as the exemptions available under IFRS 1, *First-time Adoption of International Reporting Standards*. In general, IFRS 1 requires first time adopters to retrospectively apply IFRS, although it does provide optional and mandatory exemptions to these requirements.

Property, Plant and Equipment (PP&E)

Under Canadian GAAP, Western Plains follows the CICA's guidelines on full cost accounting in which all costs directly associated with the acquisition of, the exploration for, and the development of natural gas and crude oil reserves are capitalized into one cost pool as Western Plains operates only in Western Canada. Costs accumulated in this full cost pool are depleted using the unit-of-production method based on proved reserves determined using estimated future prices and costs. Upon transition to IFRS, Western Plains will be required to adopt new accounting policies for pre-exploration costs, exploration and evaluation costs and development costs.

Pre-exploration costs are those expenditures incurred prior to obtaining legal right to explore and must be expensed as incurred under IFRS. Currently, Western Plains capitalizes and depletes pre-exploration costs within the full cost pool. In 2008 and 2009, these costs were not material to Western Plains.

Exploration and evaluation costs (e.g. costs incurred to acquire petroleum and natural gas rights or the costs of drilling exploration wells) are those expenditures for an area or project for which technical feasibility and commercial viability have not yet been determined. Under IFRS, Western Plains will initially capitalize these costs as Exploration and Evaluation assets on the balance sheet. When the area or project is determined to be technically feasible and commercially viable, the costs will be transferred to property, plant and equipment (PP&E). Unrecoverable exploration and evaluation costs associated with an area or project will be expensed.

Development costs include those expenditures for area or projects where technical feasibility and commercial viability (e.g. producing and other proven reserves have been assigned by the independent reserve evaluator) have been determined. Under IFRS, Western Plains will continue to capitalize these costs within PP&E on the balance sheet. However, the costs will be depleted on a unit-of-production basis over an area level (unit of account) instead of the full cost pool currently utilized under Canadian GAAP. Western Plains has not finalized the areas or the inputs to be utilized in the unit-of-production depletion calculation.

Under IFRS, divestitures of petroleum and natural gas properties will generally result in a gain or loss recognized in net earnings. Under Canadian GAAP, proceeds of divestitures are normally deducted from the full cost pool without recognition of a gain or loss unless the deduction would result in a change to the depletion rate of 20 percent or greater, in which case a gain or loss is recorded.

Western Plains expects to adopt the IFRS 1 exemption, which allows the Company to deem its January 1, 2010 IFRS PP&E costs to be equal to its Canadian GAAP historical upstream net book value. On January 1, 2010, the IFRS exploration and evaluation costs will be equal to the Canadian GAAP unproved properties balance and the IFRS development costs will be equal to the full cost pool balance. Western Plains will allocate this full cost pool over reserves to establish the area level depletion units.

Asset Retirement Obligation (ARO)

Under Canadian GAAP, ARO is measured as the estimated fair value of the retirement and decommission expenditures expected to be incurred. Existing liabilities are not re-measured using current discount rates. Under IFRS, ARO is measured as the estimate of the expenditures to be incurred and requires the use of current discount rates at each re-measurement date. Generally, the change in discount rates results in a balance being added to or deducted from PP&E.

As a result of Western Plain's intended use of the IFRS 1 assets exemption, the Company is required to revalue its January 1, 2010 ARO balance and recognize the adjustment, if any, in retained earnings.

Impairment

Under Canadian GAAP, Western Plains is required to recognize an upstream impairment loss if the carrying amount exceeds the undiscounted cash flows from proved reserves for the full cost pool. If an impairment loss is to be recognized, it is then measured at the amount the carrying value exceeds the sum of the fair value of the proved and probable reserves and the costs of unproved properties.

Under IFRS, Western Plains is required to recognize and measure an impairment loss if the carrying value exceeds the recoverable amount for a cash-generating unit. Under IFRS, the recoverable amount is the higher of fair value less cost to sell and value in use. Impairment losses, other than goodwill, are reversed under IFRS when there is an increase in the recoverable amount. Western Plains will group its PP&E assets into cash-generating units based on the independence of cash inflows from other assets or other groups of assets.

Income Taxes

In transitioning to IFRS, the Company's future tax liability will be impacted by the tax effects resulting from the IFRS changes discussed above. Western Plains continues to assess the impact that the IFRS income tax principles may have on the Company.

Other IFRS 1 Considerations

Business combinations and joint ventures entered into prior to January 1, 2010 will not be retrospectively restated using IFRS principles.

OTHER RECENT ACCOUNTING PRONOUNCEMENTS

Business Combinations

As of January 1, 2011, Western Plains will be required to adopt CICA Handbook Section 1582 "Business Combinations", which replace the previous business combination standard. The standard requires assets and liability acquired in a business combination, contingent consideration and certain acquired contingencies to be measured at their fair values as of the date of acquisition. In addition, acquisition-related and restructuring costs are to be recognized separately from the business combinations and included in the statement of retained earnings. The adoption of this standard will impact the accounting treatment of future business combinations.

Consolidated Financial Statements

As of January 1, 2011, Western Plains will be required to adopt CICA Handbook Section 1601 "Consolidated Financial Statements", which together with Section 1602 below, replace the former consolidated financial statements standard. Section 1601 establishes the requirements for the preparation of consolidated financial statements. The adoption of this standard may have a material impact on Western Plains should the Corporation acquire a subsidiary in the future

Non-controlling Interests

As of January 1, 2011, Western Plains will be required to adopt CICA Handbook Section 1602 “Non-controlling Interests”, which establishes the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The standard requires a non-controlling interest in a subsidiary to be classified as a separate component of equity. In addition, net earnings and components of other comprehensive income are attributed to both the parent and non-controlling interests. The adoption of this standard may have a material impact on Western Plains should the Corporation acquire a subsidiary in the future.

OFF BALANCE SHEET ARRANGEMENTS

The Corporation has not engaged in any off-balance sheet arrangements such as obligations under guarantee contracts, a retained or contingent interest in assets transferred to an unconsolidated entity, any obligation under derivative instruments (except as disclosed) or any obligation under a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Corporation or engages in leasing or hedging services with the Corporation.

OUTSTANDING SHARE DATA

As of the date of this document, the Corporation had 32,137,274 (30,260,000 at December 31, 2009) common shares outstanding, 3,352,941 warrants outstanding and 1,452,000 stock options outstanding under its stock option plan.

INDUSTRY CONDITIONS AND RISKS

The business of exploration, development and acquisition of oil and gas reserves involves a number of business risks inherent in the oil and gas industry which may impact Western Plains’s results and several of which are beyond control of the Corporation. These business risks are operational, financial or regulatory in nature.

Operational risks include exploration and development of economic oil and gas reserves, unsuccessful exploration and development drilling activity, competition from other producers, reservoir performance, safety and environmental concerns, access to and ability to retain cost effective contract services, escalating industry costs for contracted services and equipment, product marketing and hiring and retaining qualified employees. The Corporation attempts to control operating risks by:

- Maintaining a disciplined approach to implementation of the exploration and development program.
- Striving for ownership levels and operator status which allows Western Plains to manage costs, timing and sales of production.
- Maintaining insurance commensurate with its level and scope of operations to protect against loss from destruction of assets, pollution, blowouts or other losses.

The Corporation's revenues, profitability and future growth and the carrying value of its properties are substantially dependent on prevailing prices of oil and gas. The Corporation's ability to borrow and to obtain additional capital on attractive terms is also substantially dependent upon oil and gas prices. Prices for oil and gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors beyond the control of the Corporation.

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Corporation to incur costs to remedy

such discharge. Although the Corporation believes that it is in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Corporation's financial condition, results of operations or prospects.

The Corporation's operations are subject to the risks normally incident to the operation and development of oil and natural gas properties and the drilling of oil and natural gas wells, including encountering unexpected formations or pressures, blowouts and fires, all of which could result in personal injuries, loss of life and damage to property of Contact and others. In accordance with customary industry practice, Contact is not fully insured against all of these risks, nor are all such risks insurable, however management is of the opinion that adequate insurance has been obtained, where available. Environmental regulation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. Contact expects it will be able to fully comply with all regulatory requirements in this regard.

The Corporation is also exposed to financial risks in the form of commodity prices, interest rates, the Canadian to U.S. dollar exchange rate and inflation. Western Plains manages commodity price risks by focusing its capital program on areas that will generate attractive rates of return even at substantially lower commodity prices than the industry is currently receiving. WPP may use financial instruments to manage its exposure to unusual swings in commodity prices. The Corporation manages its working capital and debt positions so as not to overextend the Corporation. Capital expenditures are limited to funds available for cash from operating activities, available lines of credit and proceeds from issuing shares when the Corporation believes that is prudent.

WPP is subject to a variety of regulatory risks that it does not control. Safety and environmental matters are monitored to ensure compliance and to ensure employees, contractors and the public is protected. Changes in government or regulatory policies for matters such as royalties, income taxes, surface rights, mineral rights, operational requirements or processes for regulatory approvals, may impact the Corporation's operations, financial results and real or perceived risk to investors or creditors. These matters are largely beyond the Corporation's control but are monitored to the extent possible.

RELATED PARTY TRANSACTIONS

The Corporation entered into the following related party transactions, all of which were in the normal course of operations and have been valued at the exchange amount that is the amount of consideration established and agreed to by the related parties:

- Legal services provided by a law firm in which an officer and director is a partner:
 - \$104,479 was incurred in 2009 (\$278,430 in 2008) of which \$32,402 (\$88,595 at December 31, 2008) was in accounts payable and accrued liabilities at the period end.
 - Costs were recorded as either general and administrative expense or as a capital expenditure depending on the activity for which legal services were provided;
- Interest paid to a corporation in which David Forrest, an officer and director of the Corporation, is an officer and a director. This debt was retired by July 2009:
 - \$80,436 was incurred in 2009 (\$232,536 in 2008) of which \$nil (\$17,196 at December 31, 2008) was in accounts payable and accrued liabilities at the period end;
 - Costs were recorded as interest expense.
- Various oil field services (service rig) and products provided by a corporation in which David Forrest, an officer and director of the Corporation, is an officer and a director:
 - \$278,358 was incurred in 2009 (\$70,265 in 2008) of which \$13,723 (\$35,090 at December 31, 2008) was in accounts payable and accrued liabilities at the period end;
 - Costs were recorded as either production expense or capital expenditures depending on the nature of the expenditure.
- Oil sold to a corporation in which David Forrest, an officer and director of the Corporation, is an officer and a director:
 - \$nil were earned in 2009 (\$44,639 in 2008) of which \$nil (\$44,639 at December 31, 2008) was in accounts receivable at the period end;
 - Proceeds were recorded as petroleum revenue.

- Executive services provided by a corporation in which David Forrest, an officer and a director of the Corporation, is an officer and director:
 - \$120,000 was incurred in 2009 (\$105,000 in 2008) of which \$nil (\$nil at December 31, 2008) was in accounts payable and accrued liabilities at the year end;
 - Costs were recorded as general and administrative expense.
- Accounting services provided by a professional service firm or corporation controlled by former officers
 - \$53,609 was incurred in 2009 (\$44,731 in 2008) of which \$nil (\$14,028 at December 31, 2008) was in accounts payable and accrued liabilities at the period end;
 - Costs were recorded as general and administrative expense;

Forward-Looking Statements

The matters discussed in this MD&A include certain forward-looking statements. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements. Forward-looking statements may be identified, without limitation, by the use of such words as “anticipates”, “estimates”, “expects”, “intends”, “plans”, “predicts”, “projects”, “believes”, or words or phrases of similar meaning. In addition, any statement that may be made concerning future performance, strategies or prospects and possible future corporate action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future general economic, political and relevant market factors, such as interest rates, foreign exchange rates, equity and capital markets, and the general business environment, in each case assuming no changes to applicable tax or other laws or government regulation. Expectations and projections about future events are inherently subject to, among other things, risks and uncertainties, some of which may be unforeseeable. Accordingly, assumptions concerning future economic and other factors may prove to be incorrect at a future date. Forward-looking statements are not guarantees of future performance, and actual events could differ materially from those expressed or implied in any forward-looking statements made by the Corporation. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government relations, unexpected judicial or regulatory proceedings and catastrophic events. We stress that the above mentioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions and we urge you to avoid placing undue reliance on forward-looking statements. The Corporation disclaims any intention or obligation to update or revise these forward-looking statements as a result of new information, future events or otherwise, except as required under applicable securities laws.

Western Plains Petroleum Ltd. (formerly Saha Petroleum Ltd.)
MANAGEMENT'S DISCUSSION & ANALYSIS
Nine months ended December 31, 2009

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