
NAIKUN WIND ENERGY GROUP INC.

(A Development Stage Company)

Interim Consolidated Financial Statements

(Unaudited - Prepared by Management without Auditor's Review)

December 31, 2008 and 2007



NOTICE OF NO AUDITOR REVIEW OF

INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

NAIKUN WIND ENERGY GROUP INC.**Interim Consolidated Balance Sheet**

(A Development Stage Company)

(Unaudited - Prepared by Management without Auditor's Review)

	December 31, 2008	September 30, 2008
Assets		
Current		
Cash and cash equivalents	\$ 22,685,101	\$ 27,942,637
Receivables	200,114	274,588
Prepaid expenses and other	75,224	69,088
Loans receivable	455,081	150,000
	<u>23,415,521</u>	<u>28,436,313</u>
Rent deposit	21,563	21,563
Long term loan receivable (Note 10)	732,000	732,000
Property, plant and equipment (Note 4)	<u>2,662,464</u>	<u>2,807,688</u>
	<u>\$ 26,831,548</u>	<u>\$ 31,997,564</u>
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 10)	\$ 3,102,737	\$ 4,580,228
Asset retirement obligation (Note 5)	832,986	822,702
Future income tax liability (Note 9)	<u>4,010,000</u>	<u>4,010,000</u>
	7,945,723	9,412,930
Shareholders' Equity		
Share capital (Note 6)	48,080,674	48,080,674
Contributed surplus (Note 7)	1,585,828	1,585,828
Deficit	<u>(30,780,677)</u>	<u>(27,081,868)</u>
	<u>18,885,825</u>	<u>22,584,634</u>
	<u>\$ 26,831,548</u>	<u>\$ 31,997,564</u>

Commitments and Contingent Liabilities (Notes 11 and 12)

Subsequent Events (Note 15)

Approved by the Board:

Director: "Graham Wilson"

Director: "Paul Taylor"

NAIKUN WIND ENERGY GROUP INC.**Interim Consolidated Statement of Loss, Comprehensive Loss and Deficit**

(A Development Stage Company)

(Unaudited - Prepared by Management without Auditor's Review)

For the three months ended December 31

	Three months ended December 31,		Period from
	2008	2007	October 1, 2004
			to December 31,
			2008
General, Administrative and Engineering Expenses (Notes 8 and 10)			
Consulting	\$ 93,762	\$ 25,778	\$ 804,871
Depreciation and amortization	185,229	48,409	1,166,295
Engineering and development costs	1,835,443	774,119	11,239,024
Interest on debentures	-	-	261,328
Office and administration	215,811	208,056	2,468,431
Public and community relations	199,062	172,417	1,265,812
Professional fees	228,252	146,774	1,957,184
Compensation	1,051,779	195,673	7,830,470
Stock-based compensation (Note 6)	-	-	548,000
Transmission rights (Note 6c(i))	-	1,313,736	1,313,736
Travel	91,972	121,788	1,276,460
Loss before the following:	(3,901,310)	(3,006,750)	(30,131,611)
Other Revenues (Expenses)			
Petroleum and natural gas sales, net	14,021	25,956	997,933
Foreign exchange gain (loss)	8,951	(894)	(15,663)
Investment income	179,529	420,411	1,868,599
Gain on sale of investments	-	-	510,609
Write down of deferred expenditures	-	-	(516,427)
Gain on sale of resource property interests	-	-	420,753
	202,501	445,473	3,265,804
Net Loss and Comprehensive Loss	(3,698,809)	(2,561,277)	(26,865,807)
Deficit, beginning of period	(27,081,868)	(10,894,217)	(3,914,870)
Deficit, end of period	\$ (30,780,677)	\$ (13,455,494)	\$ (30,780,677)
Loss per common share, basic and diluted	\$ (0.09)	\$ (0.07)	
Weighted average number of shares outstanding	39,332,501	35,300,021	

NAIKUN WIND ENERGY GROUP INC.**Interim Consolidated Statement of Cash Flows**

(A Development Stage Company)

(Unaudited - Prepared by Management without Auditor's Review)

For the three months ended December 31

	Three months ended December 31,		Period from
	2008	2007	October 1, 2004
			to December 31,
			2008
Cash (used in) provided by:			
OPERATING ACTIVITIES			
Loss for the period	\$ (3,698,809)	\$ (2,561,277)	\$ (26,865,807)
Items not affecting cash			
Depreciation and amortization	185,229	48,409	1,166,295
Interest on debentures payable	-	-	72,898
(Gain) on disposal of investments	-	-	(510,609)
Stock-based compensation	-	-	548,000
Transmission rights (Note 6c(i))	-	1,313,736	1,313,736
Write-down of resource property	-	-	(21,519)
Write-off of deferred expenditures	-	-	516,247
Gain on sale of oil and gas properties	-	-	(420,573)
	(3,513,580)	(1,199,132)	(24,201,332)
Changes in non-cash working capital, net	(1,714,235)	(2,021,479)	2,396,267
	(5,227,815)	(3,220,611)	(21,805,065)
INVESTING ACTIVITIES			
Rent deposit and other receivables	-	-	691,288
Long term loan receivable	-	-	(732,000)
Proceeds on sale of investments	-	-	544,852
Purchase of property, plant and equipment	(29,721)	(17,482)	(2,774,650)
Proceeds on sale of oil and gas properties	-	-	493,016
	(29,721)	(17,482)	(1,777,494)
FINANCING ACTIVITIES			
Proceeds on issuance of convertible debentures	-	-	1,691,570
Proceeds on issuance of common shares (net)	-	574,868	44,215,232
Receipt of share subscription receivable	-	-	-
	-	574,868	45,906,802
Increase/(decrease) in cash and cash equivalents during the period	(5,257,536)	(2,663,225)	22,324,243
Cash and cash equivalents, beginning of period	27,942,637	36,711,648	360,858
Cash and cash equivalents, end of period	\$ 22,685,101	\$ 34,048,423	\$ 22,685,101
Supplemental cash flow information:			
State income tax paid	\$ -	\$ -	\$ 4,942
Investment income received	\$ 179,529	\$ 420,411	\$ 1,868,599

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Notes to Interim Consolidated Financial Statements

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(Unaudited - Prepared by Management without Auditor's Review)

December 31, 2008

1. Nature and Continuance of Operations

NaiKun Wind Energy Group Inc. ("Group" or the "Company") is incorporated under the Business Corporations Act (British Columbia) and is listed on the TSX Venture Exchange. The Company's primary business is the development of wind energy projects. The Company is currently developing a project (the "NaiKun Wind Project") on the north coast of British Columbia in Hecate Strait and is a registered proponent in the Clean Energy Call issued by BC Hydro Power and Authority ("BC Hydro"). Upon achievement of certain milestones, the Company intends to involve strategic partners in the construction and operation of the NaiKun Wind Project and continue to develop future phases.

These financial statements are unaudited and certain information and footnote disclosure normally included in audited consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These financial statements should be read together with the Company's audited consolidated financial statements and the accompanying notes for the year ended September 30, 2008. In the opinion of the Company, these unaudited interim consolidated financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

The Company is considered to be in the development stage as it has yet to earn revenue from the sale of wind energy. These financial statements have been prepared in accordance with generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities. While the financial statements have been prepared on the basis of accounting principles applicable to a going concern, management recognizes that economic and market variables affect this assumption and that many of these variables are beyond the Company's control. Management is of the opinion that it has raised sufficient capital to complete the development stages of Phase 1 of the NaiKun Wind Project. Subject to a successful award in the Clean Energy Call, additional financing will be required to secure major supply agreements and commence the construction stage. Management is of the opinion that additional financing will be available at that time. If the going concern assumption is not appropriate for these financial statements, adjustments affecting the carrying value of assets, liabilities, reported net losses and balance sheet classifications may be required, and such adjustments could be material.

2. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: NaiKun Wind Development Inc. ("Devco"); Patriot Energy Company Ltd. ("Patriot"); and Austar Resources (U.S.) Corporation ("Austar"). All inter-company transactions and balances have been eliminated upon consolidation.

The Company has also incorporated the following wholly owned subsidiaries: NaiKun Wind Operating Inc. ("Opco"), NaiKun Wind Transmission Inc., NaiKun Wind Transmission Operating Inc., NaiKun Wind Generating (II) Inc., NaiKun Wind Generating (III) Inc., NaiKun Wind Generating (IV) Inc., NaiKun Wind Generating (V) Inc., Haidalink Inc., and Uniterre Resources Ltd. The Company also owns 50% of the issued and outstanding shares of NaiKun Wind Generating Inc. ("Genco") None of these companies have completed any financial transactions as at December 31, 2008. It is the Company's intent to include the accounts of each of these companies on a proportionate consolidation basis when applicable.

Cash and Cash Equivalents

Cash and cash equivalents include cash, short-term deposits with Canadian chartered banks and Bankers Acceptances. Short-term deposits and Bankers Acceptances have maturity dates of less than three months.

NaiKun Wind Project

Since inception, the NaiKun Wind Project has not earned revenues and is considered to be in the development stage. To date, costs for consulting, research, engineering and administration have been expensed. Certain expenditures for wind measuring equipment and/or related structural support have been capitalized (Note 4).

Property, Plant and Equipment

Office and wind measuring equipment is stated at cost and amortized on a straight-line basis over their estimated useful lives using the following methods:

Wind measuring equipment	5 years straight line
Office equipment	3 - 5 years straight line

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Asset Retirement Obligation

The Company recognizes its obligations associated with the future costs of removal and abandonment of its long-lived assets. The fair value of the asset retirement obligation ("ARO") is recorded as a liability in the period when those future costs can be reasonably estimated and the carrying value of the related long-lived asset is increased by the corresponding amount. This asset retirement cost is allocated to expense using a systematic and rational method over the useful life of the long-lived asset. The Company's ARO policy on its wind measuring equipment is further discussed in Note 5.

Long-Lived Assets

Long-lived assets are reviewed for possible impairment resulting from events or circumstances that affect its fair value. Where the carrying value of the asset exceeds the undiscounted cash flows expected from the use and/or disposition of the asset, an adjustment for the difference is recorded as an impairment loss. As at December 31, 2008, management is of the opinion that the expected net cash flows from the NaiKun Wind Project are in excess of the carrying value of the wind measuring equipment and consequently, an impairment loss has not been recorded.

Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes for the current year. Future income taxes are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. A valuation allowance is recognized to the extent it is more likely than not that these future income taxes will not be recognized.

Flow Through Shares

Resource expenditure deductions for Canadian income tax purposes related to Canadian exploration and development activities funded by Flow Through share arrangements are renounced to investors in accordance with income tax legislation. The Company follows the accounting prescribed by the CICA Emerging Issues Committee in EIC 146 "Flow Through shares". On the date the expenditures are renounced, a future income tax liability and a corresponding reduction in the share capital is recorded. Previously unrecognized future income tax assets may subsequently be recognized to reduce this liability, with the net future income tax amount recorded in share capital.

Share Issue Costs

Costs associated with the issuance of share capital are charged directly to share capital.

Stock Based Compensation

The Company has a stock-based compensation plan (see Note 6(b)), and has also issued warrants to third parties to progress the NaiKun Wind Project (see Note 6(c)i). Warrants or options issued under these plans are accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected useful lives of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate. The estimated fair values of stock-based compensation are charged to expense with offsetting amounts recognized as contributed surplus.

In addition, from time to time in connection with public offerings and private placements, the Company issues options and warrants to agents as commissions for financing services. Awards of warrants to agents are also accounted for using the fair value method and recorded as share issue costs with the credit going to contributed surplus when the warrants/options are issued. Consideration received on exercise of the options or warrants is credited to share capital.

Foreign Currency Translation

The Company's measurement currency is the Canadian dollar and financial instruments denominated in currencies other than the Canadian dollar have been translated as follows:

- Revenue and expense items at the average exchange rate during the period;
- Non-monetary assets and liabilities at historical exchange rates, unless such items are carried at market, in which case they are translated at the exchange rate in effect on the balance sheet date; and
- Monetary assets and liabilities at the exchange rate at the balance sheet date.

Exchange gains and losses are recorded in the Statement of Loss in the period in which they occur.

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Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the amounts of the revenue and expenses recorded during the reporting periods. Actual results could differ from those estimates and these differences could have a significant impact on the financial statements. Significant areas requiring the use of management estimates relate to the determination of impairment of its long-lived assets, asset retirement obligations, amortization, future income tax valuation allowance and the determination of stock based compensation.

Revenue Recognition

Royalty payments from the Company's oil and gas interests are recorded as income when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Interest earned on the Company's cash and cash equivalent balances is recorded as investment income on an accrual basis.

Loss Per Share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. If the Company had reported positive earnings, diluted earnings per share would be calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate. As the Company has had a net loss for all periods presented herein, the unexercised stock options and share purchase warrants, disclosed in notes 6(b) and 6(c), have not been included in any calculations of loss per share as their inclusion would have been anti-dilutive.

Comparative Amounts

Certain comparative amounts have been reclassified to conform with current period presentation.

3. Changes in Accounting Pronouncements

Goodwill and Intangible Assets

Section 3064, Goodwill and Intangible Assets, is replacing Section 3062, Goodwill and Intangible Assets, and Section 3450, Research and Development Costs, and is effective for fiscal years beginning on or after October 1, 2008. Section 3064 establishes new standards for the recognition, measurement, presentation and disclosure of intangible assets. These new standards did not have a material impact on the consolidated financial statements for the three months ended December 31, 2008.

International Financial Reporting Standards ("IFRS")

In early 2008, the CICA announced that International Financial Reporting Standards ("IFRS") will become Canadian accounting standards for publicly accountable enterprises on January 1, 2011. The Company will be required to adopt IFRS for its year ended September 30, 2011 and is currently evaluating the impact and processes required. The Company is currently analyzing the impact of IFRS on its accounts and is in the process of developing an IFRS conversion strategy.

4. Property, Plant and Equipment

	Cost	Accumulated Amortization	Net Book Value Dec 31, 2008	Net Book Value Sep 30, 2008
Wind measuring equipment	\$ 3,283,144	\$ 742,433	\$ 2,540,710	\$ 2,704,868
Office equipment	201,106	79,353	121,753	102,820
	<u>\$ 3,484,250</u>	<u>\$ 821,786</u>	<u>\$ 2,662,464</u>	<u>\$ 2,807,688</u>

5. Asset Retirement Obligation

The Company has recorded an ARO in regards to its wind measuring equipment installed in Hecate Strait. Through discussions with engineering consultants and management analysis, the future abandonment costs are estimated to be approximately \$1 million. Based on this estimate, an estimated useful life of the wind measuring equipment of 5 years and a credit adjusted risk-free rate of 5%, the net present value of these future costs was calculated to determine the ARO. The carrying value of the wind measuring equipment was increased by a corresponding amount and is being allocated to expense through amortization over its estimated useful life.

NAIKUN WIND ENERGY GROUP INC.**Notes to Interim Consolidated Financial Statements**

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December 31, 2008**6. Share Capital****a) Authorized and Issued**

Authorized: 100,000,000 common shares of no par value
 20,000,000 first preferred shares of no par value

Issued and outstanding:

Common Shares

	Outstanding	Book Value
Balance, September 30, 2008 and December 31, 2008	39,332,501	\$ 48,080,674

b) Stock Options

Options price and Expiry date	September 30 2008	Granted	Exercised	December 31 2008
\$0.72, November 28, 2011	562,500	-	-	562,500
	562,500	-	-	562,500

Stock Based Compensation

The Company has stock option plans that provide for the issuance of options to its directors, officers, employees, and consultants. Compensation costs attributable to share options granted to employees, directors or consultants are measured at fair value at the grant date and expensed with a corresponding increase to contributed surplus. The Company did not issue any options during the three months ended December 31, 2008.

The weighted average exercise price of options as at December 31, 2008 and September 30, 2008 is as follows:

	December 31, 2008		September 30, 2008	
	Number of Options Outstanding	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Exercise Price
Balance, beginning of fiscal year	562,500	\$ 0.72	1,806,194	\$ 0.67
Granted	-	-	-	-
Exercised	-	-	(1,243,694)	0.65
Balance at end of period	562,500	\$ 0.72	562,500	\$ 0.72

c) Share Purchase Warrants

Exercise price and Expiry date	September 30 2008	Granted	Exercised/ Expired	December 31 2008
(i) \$2.66, December 4, 2009	1,000,000	-	-	1,000,000

- (i) In December 2007, the Company concluded agreements on electricity transmission corridors with two First Nations communities. These agreements include the granting of 1,000,000 warrants to purchase common shares with an exercise price of \$2.66 and an expiry date of December 4, 2009. The fair value of these warrants at the date of granting was estimated to be \$1,313,736 using the Black-Scholes option pricing model using a risk free interest rate of 3.54%, an expected life of twenty-four months and an expected volatility of 42%. The fair value was expensed during the year ended September 30, 2008 as Transmission Rights.

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(d) Warrant Plan

The Company's Warrant Plan (formerly the Restricted Stock Unit ("RSU") Plan) was created to attract and retain a talent pool of professionals during the start-up years when cash resources were limited and to defer the majority of its initial compensation expenses until commercial success is achieved.

The main components of the Warrant Plan are:

- maximum number of Warrants to be granted capped at 15 million;
- one Warrant entitles the holder to acquire one common share at a price of \$0.63 per share;
- Warrants not exercisable until 30 days after financial close on construction financing for Phase 1 of the NaiKun Wind Project ("Financial Close");
- Warrants expire on the earlier of two years from Financial Close and September 30, 2013.

The Warrant Plan was approved by shareholders at the Annual General Meeting held on February 6, 2008 and by the TSX Venture Exchange in October 2008. As at December 31, 2008, 11.3 million Warrants have been awarded.

Due to the uncertainty of the occurrence and timing of the triggering event, Warrants granted under this plan are not included in Note 6(c) nor in the computation of stock-based compensation.

7. Contributed Surplus

The Company's contributed surplus is comprised of the following:

	December 31 2008	September 30 2008
Balance, beginning of period	\$ 1,585,828	\$ 750,614
Fair value of warrants issued for transmission rights	-	1,313,736
Stock options exercised, transfer to share capital	-	(478,522)
Balance, end of period	\$ 1,585,828	\$ 1,585,828

8. Wind Project Costs Under Development

The NaiKun Wind Project is in the development stage and as indicated in Note 2, development costs relating to administration, engineering, consulting and research have been expensed and accordingly, are reflected in the Consolidated Statement of Loss. The cumulative expenses on the project to date aggregate \$30 million (2007 - \$11 million). Certain expenditures for wind measuring equipment and related structural support have been capitalized and are reflected in the Consolidated Balance Sheet (see Note 4).

9. Income Taxes

The issuance of flow through shares requires the renunciation of development expenditures in an amount of equal value to the shares issued. In accordance with income tax legislation, the Company must incur these development expenditures in the year of renunciation or in the subsequent year. As of December 31, 2008, the Company has renounced \$12.63 million in flow through expenditures to subscribers, resulting in a future tax liability of \$4.01 million.

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The Company has non-capital losses for income tax purposes of approximately \$9,505,700 which can be used to reduce taxable income in future years and will expire in varying amounts commencing in 2009 if not fully utilized. The losses expire as follows:

Expiry Date September 30	\$
2009	519,600
2013	391,800
2014	214,600
2015	345,000
2026	220,200
2027	1,281,300
2028	6,533,200

The Company has resource pools of approximately \$1,263,000 (2007 - \$6,018,000) available to offset future taxable income. The tax benefit of these amounts is available for carry forward indefinitely.

10. Related Party Transactions

The Company utilizes certain management, legal and administrative services from various consultants and companies, some of which are controlled by officers, directors and others. During the period, \$80,000 of these expenses were included in the Consolidated Statement of Loss (2008 - \$152,500). These transactions with related parties are in the normal course of operations and have been measured at the exchange amount, which is the amount of the consideration established and agreed to by the related parties and which is considered similar to those that would be otherwise negotiated with third parties.

On May 14, 2008, the Company advanced \$732,000 for a mortgage loan to a Company director, who is also a senior officer of one of the Company's subsidiaries to purchase a home. The long term loan receivable is secured by the property, bears interest at the Bank of Montreal prime rate and has a term to maturity of three (3) years. Interest is accrued and paid on a quarterly basis and the entire principal balance is due and payable upon maturity.

During the year ended Sept 30, 2008, the Company approved a payout from the Company's deferred cash completion bonus plan ("Deferred Plan" - see Note 12) to the chairman of the Company in recognition of his contribution to the Company and his transition from being the Chairman, President and CEO of the Company to non-executive Chair and his planned retirement. This payment will be made on his retirement as non-executive Chair in September 2009, amounts to \$1.44 million and represents his entire entitlement under the Deferred Plan. This amount was accrued as Compensation Expense during the year ended September 30, 2008 and is reflected in current liabilities as at December 31, 2008.

In November 2008, the Company implemented a share purchase loan and benefit program. Company employees who purchase the Company's shares ("Shares") in the open market are eligible to receive a benefit equal to 25% of their purchase and a full recourse loan for the remaining 75%. The Shares purchased under this program are subject to a one year hold. The loan bears interest at the Canada Revenue Agency prescribed rate for employee and shareholder loans, has a one year term, is due and payable if the employee leaves the Company and can be called for repayment at the Company's discretion if the Company's 10 day moving average share price exceeds \$1.50. As at December 31, 2008, the Company has advanced \$315,333 to employees under this program.

11. Commitments

The minimum annual net lease payments on the Company's premises are as follows for the periods ended September 30:

2009	\$ 104,882
2010	146,103
2011	148,190
2012	6,236
	<u>\$ 405,411</u>

Upon completion of certain project milestones, Genco, an entity owned 50% by the Company and 50% by ENMAX Green Power Inc. (ENMAX), will have the option to purchase the rights to the NaiKun Wind Project from Devco and progress the Project through to the construction and operation phases.

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The Company is party to an asset transfer agreement between Devco, a wholly owned subsidiary, and Genco, an entity owned 50% by the Company and 50% by ENMAX. Upon completion of certain project milestones, Genco will have the option to purchase the rights to the NaiKun Wind Project from Devco and progress the Project through to the construction and operation phases.

12. Contingent Liabilities

The Company's deferred compensation plan includes a deferred cash completion bonus plan ("Deferred Plan") that was designed to attract and retain qualified personnel while conserving cash during the Company's development stages. The Deferred Plan deferred payment of the majority of the Company's salary expenses prior to 2008 until Financial Close. As at December 31, 2008, the remaining unpaid, unaccrued balance in the Deferred Plan amounted to approximately \$4.4 million.

13. Financial Instruments and Financial Risk Management

a) Fair Value

Canadian generally accepted accounting principles require disclosure on the determination of fair value of the Company's financial assets and liabilities. Since the Company's financial instruments are currently limited to its cash and cash equivalents, receivables, loan receivables, accounts payable and accrued liabilities, and due to the short term nature of these instruments, the Company is of the opinion that cost is the most accurate measure of their fair value.

b) Risks affecting value of Financial Instruments

The Company's exposure to risk on its financial instruments arises primarily from its cash and cash equivalent holdings. The Company's intent is to minimize and manage these risks through the following:

Interest Rate Risk	the Company maintains an investment policy where all cash deposits and short term investments are limited to a term of three months or less.
Currency Rate Risk	most of the Company's expenditures are currently in Canadian dollars and to minimize currency rate risk, it maintains over 99% of its cash and cash equivalents in Canadian dollar denominated accounts. The Company does engage suppliers in the US and Europe, but the terms of those engagements are short thereby minimizing the Company's exposure to fluctuations in foreign exchange rates.
Credit Risk	the Company manages its credit risk by restricting its deposits to Government of Canada treasury notes or Bankers Acceptances guaranteed by a Canadian chartered bank. Holdings in Bankers Acceptances are limited to \$10 million with any one bank.
Liquidity Risk	the Company manages its liquidity risk by restricting the term of any one short term investment to three months or less.

14. Capital Management

The Company's capital management objectives are to safeguard its assets and maintain investor, creditor and market confidence in order to sustain ongoing development activities in the wind energy sector. The Company includes all shareholders' equity balances as capital.

The Company currently has no debt and is not subject to externally imposed capital restrictions. To complete the development of its projects, the Company intends to raise additional capital when necessary by either selling portions of its project(s), issuing additional equity and/or borrowing funds.

15. Subsequent Events

On January 29, 2009, the Company announced the formation of a commercial limited partnership ("LP") involving Opco, a wholly owned subsidiary of the Company, and the Council of the Haida Nation ("CHN"). The purpose of the LP is to operate and maintain the NaiKun Wind Project.