

NAIKUN WIND ENERGY GROUP INC.
(formerly Uniterre Resources Ltd. - see note 1)
Interim Consolidated Balance Sheet
(Unaudited - Prepared by Management without Auditor's Review)

	June 30 2007	September 30 2006
Assets		
Current		
Cash and cash equivalents	\$ 6,527,873	\$ 1,823,004
Accounts receivable	182,395	43,532
Share subscriptions receivable (Note 3)	-	1,120,000
Prepaid expenses	60,779	22,170
	<u>6,771,047</u>	<u>3,008,706</u>
Rent deposit	16,759	16,759
Investments (Note 4)	425	425
Property, Plant and Equipment (Note 6)	191,426	48,319
Deferred Financing Costs (Note 7)	-	188,430
	<u>\$ 6,979,657</u>	<u>\$ 3,262,639</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 307,919	\$ 89,593
Debentures Payable (Note 8)	-	1,880,000
Asset Retirement Obligation	62,000	62,000
	<u>369,919</u>	<u>2,031,593</u>
Commitments (Note 14)		
Shareholders' Equity		
Share Capital (Note 9)	14,876,783	6,978,244
Contributed Surplus (Note 10)	529,050	79,450
Deficit	(8,796,095)	(5,826,648)
	<u>6,609,738</u>	<u>1,231,046</u>
	<u>\$ 6,979,657</u>	<u>\$ 3,262,639</u>

Approved by the Board:

Director: "Michael H. Altman" Director: "Graham Wilson"

NAIKUN WIND ENERGY GROUP INC.
(formerly Uniterre Resources Ltd. - see note 1)
Interim Consolidated Statement of Loss and Deficit
(Unaudited - Prepared by Management without Auditor's Review)
For the three and nine months ended June 30, 2007

	Three months ended June 30		Nine months ended June 30	
	2007	2006	2007	2006
Revenue				
Petroleum and natural gas sales, net of royalties	\$ 20,064	\$ 40,349	\$ 88,813	\$ 191,235
Direct Expenses				
Operating costs	4,902	(3,807)	23,088	26,788
Severance and ad valorem taxes	(7)	11,374	197	11,374
Depletion and amortization	1,500	1,520	4,500	4,560
	<u>6,395</u>	<u>9,087</u>	<u>27,785</u>	<u>42,722</u>
Gross Profit	<u>13,669</u>	<u>31,262</u>	<u>61,028</u>	<u>148,513</u>
General, Administrative and Engineering Expenses (Notes 11 and 13)				
Administrative management (Note 11)	72,860	11,942	174,781	106,770
Amortization of financing costs	0	-	188,430	-
Depreciation	3,500	-	10,500	-
Engineering costs	846,196	-	1,668,909	-
Insurance	-	839	5,418	2,543
Interest on debentures payable	-	-	72,898	-
Office and miscellaneous	(2,044)	3,953	69,784	15,686
Public relations	96,268	3,499	193,920	29,715
Professional fees	116,936	22,340	226,458	93,077
Rent	42,829	503	96,772	1,263
Stock-based compensation (Note 9)	-	-	506,000	-
Transfer agent fees and shareholder costs	94,496	6,385	261,966	12,234
Travel	59,635	4,310	159,126	47,385
	<u>1,330,676</u>	<u>53,771</u>	<u>3,634,961</u>	<u>308,673</u>
Operating Loss	(1,317,007)	(22,509)	(3,573,933)	(160,160)
Other Revenues (Expenses)				
Foreign exchange gain (loss)	(14,937)	(11,868)	(7,732)	20,332
Investment income	59,608	121	112,218	2,491
Commissions	-	(4,988)	-	(6,768)
Gain on sale of investments	-	32,488	500,000	27,488
Write down of mineral property interest	-	(23,075)	-	(5,000)
	<u>44,671</u>	<u>(7,322)</u>	<u>604,486</u>	<u>38,543</u>
Net Loss	(1,272,336)	(29,831)	(2,969,447)	(121,617)
Deficit, beginning of period	<u>(7,523,759)</u>	<u>(5,222,295)</u>	<u>(5,826,648)</u>	<u>(5,130,509)</u>
Deficit, end of period	<u>\$ (8,796,095)</u>	<u>\$ (5,252,126)</u>	<u>\$ (8,796,095)</u>	<u>\$ (5,252,126)</u>
Loss per common share	<u>\$ (0.05)</u>	<u>\$ (0.01)</u>	<u>\$ (0.16)</u>	<u>\$ (0.01)</u>

NAIKUN WIND ENERGY GROUP INC.
(formerly Uniterre Resources Ltd. - see note 1)
Interim Consolidated Statement of Cash Flows
(Unaudited - Prepared by Management without Auditor's Review)
For the three and nine months ended June 30, 2007

	Three months ended June 30		Nine months ended June 30	
	2007	2006	2007	2006
Cash flows from operating activities				
Loss for the period	\$ (1,272,336)	\$ (29,831)	\$ (2,969,447)	\$ (121,617)
Items not affecting cash				
Depreciation, depletion and amortization	5,000	1,520	15,000	4,560
Amortization of financing costs	-	-	188,430	-
Interest on debentures payable	-	-	72,898	-
(Gain) Loss on disposal of investments	-	(9,413)	(500,000)	(27,488)
Write down of mineral property interest	-	-	-	5,000
Stock-based compensation	-	-	506,000	-
	<u>(1,267,336)</u>	<u>(37,724)</u>	<u>(2,687,119)</u>	<u>(139,545)</u>
Changes in non-cash working capital, net	(91,686)	(5,703)	40,854	(7,060)
	<u>(1,359,022)</u>	<u>(43,427)</u>	<u>(2,646,265)</u>	<u>(146,605)</u>
Cash flows from investing activities				
Proceeds on sale of investments	-	11,252	500,000	61,867
Investments and other assets	-	(844)	-	(928)
Purchase of property, plant and equipment	(102,512)	-	(158,107)	-
Increase (decrease) in asset retirement obligation	-	1,000	-	4,000
	<u>(102,512)</u>	<u>11,408</u>	<u>341,893</u>	<u>64,939</u>
Cash flows from financing activities				
Proceeds on issuance of common shares	301,640	15,000	6,272,584	15,000
Financing costs on issuance of common shares	-	-	(383,343)	-
Receipt of share subscription receivable	-	-	1,120,000	-
	<u>301,640</u>	<u>15,000</u>	<u>7,009,241</u>	<u>15,000</u>
Increase in cash and cash equivalents during the period	(1,159,894)	(17,019)	4,704,869	(66,666)
Cash and cash equivalents, beginning of period	7,687,767	78,474	1,823,004	128,121
Cash and cash equivalents, end of period	<u>\$ 6,527,873</u>	<u>\$ 61,455</u>	<u>\$ 6,527,873</u>	<u>\$ 61,455</u>

NAIKUN WIND ENERGY GROUP INC.

(formerly Uniterre Resources Ltd. - see note 1)

Notes to Interim Consolidated Financial Statements

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

June 30, 2007

1. Nature and Continuance of Operations

Beginning in fiscal 2003 and continuing to date, the main focus of Uniterre Resources Ltd. ("Uniterre") has been directed towards the development of renewable wind energy projects off the north west coast of British Columbia. To better portray its main focus, Uniterre changed its name to NaiKun Wind Energy Group Inc., (the "Company") effective November 3, 2006. The Company's wind energy projects are in the development stage.

Historically, Uniterre was a junior natural resources company that focused its efforts on the exploration, development and acquisition of petroleum and natural gas assets and mineral interests. The Company's petroleum and natural gas interests in Canada and the United States are in the production stage.

The Company's mineral interests are in the exploration stage and on the basis of information to date may not have economically recoverable reserves. The recovery of costs incurred on these properties and related deferred expenditures is largely dependent on the existence of mineral reserves and the economic recovery of such reserves in the future.

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. The Company's ability to continue as a going concern is dependant upon the Company achieving profitable results and attracting sufficient capital to continue to develop its wind energy projects.

2. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of NaiKun Wind Energy Group Inc. ("Group") and its wholly-owned subsidiaries: NaiKun Wind Development Inc. ("Devco"); NaiKun Wind Operating Inc. ("Opco"); NaiKun Wind Transmission Inc. ("Transco"); Patriot Energy Company Ltd. ("Patriot"); Uniterre Resources Ltd. ("Uniterre"); Austar Resources (U.S.) Corporation ("Austar"); and Silver Butte Petroleum, Inc. ("Silver Butte").

Group, Opco, Transco, Patriot and Uniterre are each incorporated in British Columbia. Devco was originally incorporated in British Columbia but was continued into the Canada Business Corporations Act and is now extra-provincially registered in British Columbia. Austar and Silver Butte are each incorporated in Texas. "Uniterre Resources Ltd." was formerly the name of Group. After Group changed its name, it incorporated the company listed above as Uniterre.

In addition, Group is a 50% shareholder in NaiKun Wind Generating Inc.

Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term deposits, with initial maturity dates of less than three months, held in major financial institutions.

Investment in Shares

Investments are valued at cost or in the case of permanent impairment, at net realizable value.

Mineral Properties and Interests

The cost of acquisitions of mineral properties and of related exploration expenditures are capitalized. These costs would be amortized against future production following commencement of commercial production or written off if the properties are sold or abandoned. The Company will writedown the properties on the basis of impairment of value. The recorded costs are not intended to reflect present or future value.

The Company may acquire or sell mineral properties pursuant to option agreements. Because options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded until such time as the option payment is made. Option payments received are applied to reduce the accumulated costs related to the mineral properties. Receipts in excess of the accumulated cost are recorded as income.

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Wind Energy Project

Since inception, the wind energy project has not earned revenues and is considered to be in the development stage. To date, costs for consulting, research, engineering and administration related to the development process of the wind energy project have been expensed. Certain expenditures for wind measuring equipment and/or related structural support have been capitalized.

A summary of the project costs incurred and expensed has been provided in Note 11 to these financial statements. and the capitalized costs are summarized in Note 6.

Property and Equipment

The Company follows the full cost method of accounting for its petroleum and natural gas properties whereby all costs related to the exploration for and development of petroleum and natural gas reserves are capitalized to cost centres on a country-by-country basis. Such costs include land acquisition costs, geological and geophysical expenditures, carrying costs on undeveloped properties and costs of drilling both productive and non-productive wells. Estimated future costs to shut down wells are accrued as an operating cost in the current year.

Substantially all of the Company's petroleum and natural gas activities are conducted jointly with others and accordingly the accounts reflect only the Company's proportionate interest in such activities.

Depletion is calculated by the units-of-production method based on the estimated proved reserves of petroleum and natural gas. In addition, the capitalized costs are subject to a "ceiling test", which limits such costs to an amount equal to the estimated value of future net revenues from recoverable reserves plus the net cost of major development projects and unproved properties, less future general and administrative costs, financing costs and income taxes.

Office equipment is stated at cost and amortized on a straight-line basis over their estimated useful lives.

Environmental Issues and Asset Retirement Obligations

The Company recognizes the fair value of liabilities for asset retirement obligations in the period in which they incur and/or in the period in which a reasonable estimate of such costs can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived assets. Subsequently, asset retirement costs for natural gas and crude oil are amortized using the unit-of-production method. Amortization of asset retirement costs are included in depletion and amortization.

Increases in the asset retirement obligation resulting from the passage of time are recorded as accretion of asset retirement obligation in earnings. Asset retirement obligations include those legal obligations where the Company will be required to retire tangible long-lived assets such as producing well sites.

The operations of the Company may in the future be affected by changes in the environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable. The Company's policy is to meet or, if possible, surpass standards set by relevant legislation, by application of technically proven and economically feasible measures. The Company is unaware of any new regulations that would require significant changes to its asset retirement obligations.

Deferred Financing Costs

The Company capitalizes costs related to the issuance of debt instruments and charges these costs to operations over the term of the debt instruments.

Future 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 payable 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.

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Flow Through Shares

The Company has financed a portion of its wind development and petroleum and natural gas activities through the issue of flow through shares. Under the terms of the flow through share agreements, the income tax attributes of the related expenditures are renounced to the subscribers.

Stock Based Compensation

The Company has a stock-based compensation plan, as described in Note 9 (b). Stock-based compensation is 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.

Foreign Currency Translation

The financial statements of the U.S. subsidiary are translated using the temporal method. Under this method, monetary assets and liabilities are translated at the prevailing period end exchange rate. Revenues and expenses are translated at the average rate of exchange for the period. All other accounts are translated at rates prevailing when the transactions occurred. All exchange gains and losses are included in the determination of net earnings for the period.

Revenue Recognition

Revenues from the sale of petroleum and natural gas are recognized at the time ownership transfers and collection is reasonably assured.

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. To these financial statements, the most significant application of estimates is in the assessment of the underlying value of investments, mineral properties and petroleum and natural gas properties. Actual results could differ from those estimates and these differences could have a significant impact on the financial statements.

Measurement Uncertainty

Certain amounts recognized in the financial statements are subject to measurement uncertainty.

The investment in and expenditures on resource properties comprise a portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties which are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

The recognized amounts of such items are based on the Company's best information and judgement. Such amounts may change materially in the future as management continues to gather information.

Financial Instruments

(i) Fair value

The fair value of the Company's cash and cash equivalents, accounts receivable, share subscription receivable, accounts payable and accrued liabilities, and debentures payable at June 30, 2007 and September 30, 2006 is estimated to approximate their carrying values because of their short-term nature.

(ii) Interest rate risk

The Company is not exposed to significant interest rate risk because of the short-term maturity of its monetary assets and liabilities.

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(iii) Credit risk

The Company is exposed to credit risk with respect to its cash and short-term deposits. However, the risk is minimized as cash and short term deposits are held at major financial institutions.

(iv) Translation risk

The Company is exposed to translation risk to the extent of unspent funds, receivables, and payables denominated in foreign currencies.

Loss Per Share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated using the weighted average number of common and common equivalent shares outstanding during the period using the "treasury stock" method. Common equivalent shares consist of incremental common shares issued upon the exercise of in the money stock options and warrants unless their effect is anti-dilutive. The Company has had a net loss for all periods presented herein, therefore, none of the options or warrants outstanding during each of the periods presented was included in the computation of diluted loss per share as they were anti-dilutive.

Comparative Amounts

Certain comparative amounts have been reclassified to conform with the presentation format adopted in the current year.

3. Share Subscriptions Receivable

On September 22, 2006, the Company completed a private placement and issued into escrow 2,240,000 flow-through common shares at \$0.50 per share (Note 9). The amount of \$1,120,000 was held in escrow pending security regulatory approval of the transaction. On October 11, 2006, securities regulatory approval was granted and the funds were released from escrow.

4. Investments

	June 30 2007	September 30 2006
Austpro Energy Corp., 21,250 shares (less than 0.5% ownership)	\$425	\$425

5. Mineral Interests

During the year ended September 30, 2006, the Company determined that the recovery of costs on its mineral claims and deferred expenditures was unlikely and, therefore, the property interests and deferred expenditures were substantially written down.

Porcupine Mining Division

The Company has a 100% interest in three mineral leases.

Lillooet Mining Division

The Company holds a 100% interest in nineteen Crown Granted mineral claims.

6. Property, Plant and Equipment

	Cost	Accumulated Depletion and Amortization	June 30 Net 2007	Sept. 30 Net 2006
Petroleum and natural gas properties	\$ 564,925	\$ 546,425	\$ 18,500	\$ 23,000
Wind measuring equipment	113,892	-	113,892	-
Office equipment	85,556	26,522	59,034	25,319
	\$ 764,373	\$ 572,947	\$ 191,426	\$ 48,319

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7. Deferred Financing Costs

The Company incurred commissions and related costs of \$188,430 in raising funds through issuing convertible debenture units (Note 8). As at September 30, 2006, these costs were deferred and were being amortized over the two year term of the debenture.

On March 1, 2007, the entire \$1,880,000 debenture payable was converted to common shares (see note 8). Consequently, the deferred financing costs relating to this debenture payable were written off.

8. Debentures Payable

During the year ended September 30, 2006, the Company issued 1,880 convertible debenture units by way of a private placement for net proceeds of \$1,691,570. Each debenture unit consists of one debenture with a principal amount of \$1,000, bearing interest at 8% per annum payable semi-annually in cash or shares at the option of the Company, maturing on March 22, 2009. Each debenture, at the option of the holder, or under certain circumstances, the company, was convertible into 2,000 common shares at a deemed value of \$0.50 per common share. Additionally, each debenture unit included 1,000 warrants each exercisable into one common share for 24 months from closing at an exercise price of \$0.55 per common share.

In January and February 2007, debentures with an aggregate face value of \$225,000 were converted at the holder's option into 450,000 common shares.

On March 1, 2007, the Company forced conversion of the remaining debentures with an aggregate face value of \$1,655,000 resulting in an additional 3,310,000 shares being issued from treasury. Interest payable on the debentures amounted to \$72,898 and was paid with common shares at a deemed share price based on the historical trading prices at the date of conversion.

9. 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			
	Issued	Held in Treasury	Outstanding	Book Value
Balance, September 30, 2005	8,800,815	4,808	8,796,007	5,897,837
(a) On exercise of options to a Company officer	50,000		50,000	10,880
(b) On private placement of flow through shares	2,240,000		2,240,000	1,064,107
(c) On exercise of options to a Company director	25,000		25,000	5,420
Balance, September 30, 2006	11,115,815	4,808	11,111,007	6,978,244
(d) On share for share exchange of a subsidiary	3,210,000		3,210,000	0
(e) On exercise of options by Company directors	210,000		210,000	27,300
(f) On exercise of warrants and options	1,105,193		1,105,193	250,898
Fair value of stock options exercised				42,600
Balance, December 31, 2006	15,641,008	4,808	15,636,200	7,299,042

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June 30, 2007

(g) On exercise of options by directors & officers	150,000		150,000	20,500
(h) On conversion of debentures	3,760,000		3,760,000	1,880,000
(i) On conversion of interest payable	58,886		58,886	72,898
(j) On private placement to a Company supplier	27,273		27,273	15,000
(k) On exercise of warrants	245,000		245,000	134,750
(l) On exercise of broker options	4,996		4,996	2,498
(m) On exercise of options by a consultant	100,000		100,000	20,000
(n) On private placement of flow through shares	2,699,579		2,699,579	3,616,655
(o) On private placement with Enmax	1,097,562		1,097,562	1,500,000
Fair value of stock options exercised				13,800
Balance, March 31, 2007	23,784,304	4,808	23,779,496	14,575,143
(p) On exercise of warrants	438,638		438,638	241,251
(q) On exercise of broker options	120,777		120,777	60,389
Balance, June 30, 2007	24,343,719	4,808	24,338,911	14,876,783

- (a) 50,000 common shares issued to an officer of the Company upon exercise of stock options at \$0.13 per share for cash proceeds of \$6,500. The above book value includes the fair value of the stock options exercised of \$4,380.
- (b) 2,240,000 flow-through common shares issued into escrow upon completion of a private placement at \$0.50 per share for net proceeds of \$1,064,107. Subsequent to year end, on October 11, 2006, regulatory approval for the transaction was granted and the shares were released from escrow.
- (c) 25,000 common shares issued to a director of the Company upon exercise of stock options at \$0.13 per share for cash proceeds of \$3,250. The above book value includes a fair value of the stock options exercised of \$2,170.
- (d) 3,210,000 common shares issued to directors and officers of the Company under the terms of a share exchange agreement for all of the issued and outstanding shares of NaiKun Wind Development Inc. held by those directors and officers.
- (e) 210,000 common shares issued to some directors of the Company upon exercise of stock options at \$0.13 per share for cash proceeds of \$27,300.
- (f) 1,105,193 common shares issued, consisting of 860,193 common shares issued upon exercise of warrants at \$0.25 per share for cash proceeds of \$215,048, 200,000 common shares issued to a director of the Company upon exercise of stock options at \$0.15 per share for cash proceeds of \$30,000, and 45,000 common shares issued to a director of the Company upon exercise of stock options at \$0.13 per share for cash proceeds of \$5,850.
- (g) 100,000 common shares issued upon exercise of options by a Company officer at a price of \$0.13 for cash proceeds of \$13,000 and 50,000 common shares issued upon exercise of options by a Company officer at price of \$0.15 for cash proceeds of \$7,500.
- (h) 3,760,000 common shares issued upon conversion of debentures payable at a conversion price of \$0.50 per share (see note 8).
- (i) 58,886 common shares issued as payment of interest to the debenture holders upon conversion.
- (j) 27,273 common shares issued by way of a private placement at \$0.55 per share for cash proceeds of \$15,000.

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- (k) 245,000 common shares were issued on the exercise of warrants at a price of \$0.55 per common share for cash proceeds of \$134,750.
- (l) 4,996 common shares issued upon the exercise of broker options at \$0.50 per share for cash proceeds of \$2,498. (see note f under stock options)
- (m) 100,000 common shares issued to a consultant on the exercise of a stock option at \$0.20 per share for cash proceeds of \$20,000.
- (n) in March 2007, the Company raised \$4,000,000 through the sale of 735,295 Flow-Through shares at a price of \$1.70 per share and 1,964,284 Units at \$1.40 per unit. Each Unit is comprised of one common share and one-half common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$1.80 per common share until May 30, 2008. The cost of financing was deducted from the total amount raised.
- (o) in March 2007, the Company received \$1,500,000 from ENMAX Corporation in exchange for 1,097,562 common shares.
- (p) During the 3 months ended June 30, 2007, 438,638 warrants were exercised at a price of \$0.55 per common share for cash proceeds of \$241,251
- (q) During the 3 months ended June 30, 2007, 120,777 common shares were issued upon the exercise of broker options at \$0.50 per share for cash proceeds of \$60,389. (see note f under stock options)

b) Stock Options

Options price and Expiry date	September 30 2006	Expired	Granted	Exercised	June 30 2007
(a) \$0.15, March 25, 2009	250,000			250,000	0
\$0.15, September 9, 2009	50,000				50,000
(b) \$0.20, December 23, 2009	100,000			100,000	0
(c) \$0.13, December 9, 2011	405,000			355,000	50,000
(d) \$0.42, October 16, 2007			100,000		100,000
(e) \$0.72, November 29, 2011			1,012,500		1,012,500
(f) \$0.50, September 22, 2008			600,000	125,773	474,227
(g) \$1.40, May 30, 2008			152,687		152,687
	805,000	0	1,865,187	830,773	1,839,414

The following stock options were exercised or granted in the nine months ended June 30, 2007:

- (a) In the 3 months ended December 31, 2006, the Company issued 200,000 common shares to a director of the Company at a price of \$0.15 per share for cash proceeds of \$30,000. In the 3 months ended March 31, 2007, the Company issued 50,000 common shares to an officer of the Company at a price of \$0.15 per share for cash proceeds of \$7,500.
- (b) In the 3 months ended March 31, 2007, the Company issued 100,000 common shares under option at a price of \$0.20 per share for cash proceeds of \$20,000.
- (c) In the 3 months ended December 31, 2006, the Company issued 255,000 common shares to certain directors and officers of the Company at a price of \$0.13 per share for cash proceeds of \$33,150. In the 3 months ended March 31, 2007, the Company issued 100,000 common shares to an officer of the Company at a price of \$0.13 per share for cash proceeds of \$13,000.
- (d) On October 17, 2006, the Company engaged an investor relations firm and granted options entitling the firm to purchase up to 100,000 common shares of the Company at an exercise price of \$0.42 per share. The options vest in stages over a 12-month period in accordance with TSX Venture Exchange regulations.
- (e) On November 29, 2006, the Company granted stock options to directors and officers of the Company to acquire up to 1,012,500 common shares at \$0.72 per share, expiring November 29, 2011.

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- (f) Upon completion of the financing in September 2006, the Company granted options to the broker. These options entitle the holder to purchase a common share and one-half of one share purchase warrant at a price of \$0.50 at any time up to September 22, 2008. The warrants have an exercise price of \$0.55 and the same expiry date. As of June 30, 2007, 125,773 of these broker options have been exercised.
- (g) Upon completion of the financing in March 2007, the Company granted compensation options to parties involved in the financing. These options entitle the holder to purchase a common share and one-half of one share purchase warrant at a price of \$1.40 and expire on May 30, 2008. The accompanying warrants have an exercise price of \$1.80 and an expiry date of May 30, 2008.

Compensation Expense

During 2003, the Canadian Institute of Chartered Accountants amended CICA 3870 "Stock Based Compensation and Other Stock-Based Payments". The pronouncement requires expensing stock options effective for fiscal years beginning on or after January 1, 2004. For the nine months ending June 30, 2007, the Company booked \$506,000 of compensation expense. No options were granted during 2005.

The fair value of stock options granted to directors and consultants is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for the grants made during the six months ending March 31, 2007.

Risk - free interest rate	3.90%
Estimated volatility	100%
Expected useful life	5.1 years
Dividend yield	nil

The weighted average fair value of all stock options granted during the nine months ending June 30, 2007 to the Company's directors and consultants was \$0.48 per share option.

Option pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's stock options.

The weighted average exercise price of options as at June 30, 2007 is as follows:

	June 30, 2007		Sept 30, 2006	
	Number of Options Outstanding	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Exercise Price
Balance, beginning of year	805,000	\$ 0.15	815,000	\$ 0.13
Granted	1,865,187	\$ 0.69	480,000	\$ 0.13
Exercised	(830,773)	\$ 0.20	(75,000)	\$ 0.13
Expired			(415,000)	\$ 0.10
Balance at end of period	1,839,414	\$ 0.67	805,000	\$ 0.15

c) Share Purchase Warrants

Year of Issue	September 30 2006	Granted	Exercised	June 30 2007
(a) 2005	860,193		860,193	0
(b) 2006	3,000,000		677,500	2,322,500
(c) 2007	0	62,887	6,138	56,749
(d) 2007	0	982,142		982,142
(e) 2007	0	58,824		58,824
	3,860,193	1,103,853	1,543,831	3,420,215

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- (a) 860,193 share purchase warrants issued entitling the holder to acquire up to 860,193 common shares for a period of two years at a price of \$0.22 per share for the first year and \$0.25 per share for the second year. On December 1, 2006, 860,193 common shares were issued upon exercise of these warrants at \$0.25 per share for cash proceeds of \$215,048.
- (b) 1,880,000 share purchase warrants issued with the debenture units (Note 8) and 1,120,000 share purchase warrants issued with the flow-through units (Note 3) entitling the holder to acquire one common share for each share purchase warrant for a period of two years at a price of \$0.55 per share (expiring in September 2008). As of June 30, 2007, 677,500 of these warrants have been exercised.
- (c) share purchase warrants attached to compensation options (see note f under options) are granted upon exercise of the compensation options. These warrants have an exercise price of \$0.55 and have the same expiry date as the corresponding option. As of June 30, 2007, 62,887 of these warrants have been issued and 6,138 have been exercised.
- (d) 982,142 share purchase warrants issued with the Units (see note n in share capital) in March 2007. These warrants have an exercise price of \$1.80 and an expiry date of May 30, 2008.
- (e) Upon completion of the Flow Through ("FT") financing in March 2007, the Company granted 58,824 FT compensation warrants which entitle the holder to purchase a common share at a price of \$1.70 per share at any time up to May 30, 2008.

(d) Restricted Stock Unit Plan

On September 29, 2006, the shareholders approved a restricted stock unit plan whereby up to 15,000,000 shares may be granted to various parties that provide services to the company at a price of \$0.60 per share. Under this plan shares may not be exercised until the company receives construction financing for the NaiKun Wind Farm project and/if other specified events take place.

10. Contributed Surplus

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

	June 30 2007	September 30 2006
Balance, beginning of period	\$79,450	\$44,000
Stock-based compensation (Note 9)	506,000	42,000
Stock options exercised, transfer to share capital	(56,400)	(6,550)
Balance, end of year	\$529,050	\$79,450

11. Wind Project Costs Under Development

During fiscal 2007, certain expenses were re-classified to better identify costs directly attributable to the Company's wind energy project from the rest of the Company's operations. Consequently, some expenses will show a credit amount in the quarter ending June 30, 2007.

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As mentioned in Note 2 to these financial statements, development costs relating to administration, engineering, consulting and research have been expensed and accordingly, are reflected in the consolidated statement of operations. To date, expenditures have been directed to ensuring the feasibility of the project. Costs incurred and expensed that are specific to the wind project are summarized below:

	Nine months to June 30, 2007	Cumulative to September 30, 2006	Total
Expenses			
Administrative management	\$58,014	\$353,670	\$411,684
Consulting		1,011,114	1,011,114
Engineering and research	1,668,909	88,890	1,757,799
Government appraisal fees		38,405	38,405
Insurance		6,645	6,645
Office expenses	125,472	46,516	171,988
Professional fees		416,784	416,784
Public relations & Communications*	181,577	205,604	387,181
Travel	129,231	261,059	390,290
	\$2,163,203	\$2,428,687	\$4,591,890

* Public relations & Communications includes telephone and postage amounts

12. Income Taxes

NaiKun Wind Energy Group Inc., its wholly owned subsidiary, Patriot Energy Company Ltd. and NaiKun Wind Development Inc. have accumulated certain resource-related deductions amounting to \$2,072,000 (2005: \$1,811,000) and operating losses of \$1,647,000 (2005: \$1,499,000 which are available to reduce Canadian taxable income in future years. The operating losses expire in varying amounts as follows:

2007	\$	46,000
2008	\$	51,000
2009	\$	520,000
2010	\$	391,000
2014	\$	215,000
2015	\$	345,000
2016	\$	79,000

In addition, the United States wholly-owned subsidiary, Austar Resources (U.S.) Corporation, has loss carry forwards for U.S. income tax purposes of U.S. \$2,000 (2005: U.S. \$200,000) which expire in 2016.

The future tax benefits of the operating losses, and the future tax benefits of the temporary differences between the tax and accounting bases of assets and liabilities have not been recognized in these consolidated financial statements since these benefits are unlikely to be realized in the foreseeable future.

13. Related Party Transactions

The Company contracts for various management, legal and administrative services and until December 1, 2006, rented office space from various consultants and companies, some of which are controlled by officers, directors and others. For the quarter ended June 30, 2007, \$165,000 of these expenses were charged to consolidated operations (vs \$12,200 for the same quarter ended June 30, 2006, and \$118,803 for the year ended September 30, 2006). 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 by the related parties and which are considered similar to those negotiable with third parties.

The Company is related to Austpro Energy Corporation (Note 4) through a common director.

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14. Commitments

The Company entered into a lease agreement for premises commencing December 1, 2006 and ending on October 31, 2011. The minimum annual lease payments are as follows:

2007	\$24,725
2008	\$98,900
2009	\$98,900
2010	\$106,067
2011	\$107,500
2012	\$8,958
<hr/>	
Total	\$445,050

15. Subsequent Events

- a) On August 1, 2007, the Company announced the sale of its 9.375% working interest in the gas well at Acadia for \$12,000. The interest was a residual holding of NaiKun's predecessor, Uniterre Resources Ltd.
- b) On August 1, 2007, the Company announced the Vancouver public relations firm James Hoggan & Associates Inc. has entered into a private placement agreement to acquire 6,596 common shares of the Company at a price of \$3.38 per share.
- c) Between July 1, 2007 and August 15, 2007, the Company issued 412,078 Common Shares through exercise of warrants and broker options.
- d) On August 15, 2007, the Company completed a \$35 million private placement and issued 7,506,000 Common Shares at a price of \$3.35 per share and 2,600,000 Flow-Through Shares at \$3.85 per share, for gross proceeds of \$35,155,100. After a 6% cash commission paid to the underwriters and approximately \$80,000 in legal fees, the net proceeds to the Company amounted to \$32,964,174.
- e) On August 21, 2007, the Company announced that it had signed a Professional Services Agreement (PSA) with ENMAX Corporation covering the development of Phase One (320 MW) of NaiKun's offshore wind farm proposed for Hecate Strait.