
NAIKUN WIND ENERGY GROUP INC.

(A Development Stage Company)

Interim Consolidated Financial Statements

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

March 31, 2009



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)

	March 31, 2009	September 30, 2008
Assets		
Current		
Cash and cash equivalents	\$ 19,518,869	\$ 27,942,637
Receivables	135,285	274,588
Prepaid expenses and other	83,465	69,088
Loans receivable	265,266	150,000
	<u>20,002,885</u>	<u>28,436,313</u>
Rent deposit	22,323	21,563
Long term loan receivable (Note 5)	732,000	732,000
Property, plant and equipment	2,485,747	2,807,688
	<u>\$ 23,242,955</u>	<u>\$ 31,997,564</u>
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 5)	\$ 2,948,632	\$ 4,580,228
Asset retirement obligation	843,270	822,702
Future income tax liability	4,010,000	4,010,000
	<u>7,801,902</u>	<u>9,412,930</u>
Shareholders' Equity		
Share capital (Note 3)	48,080,674	48,080,674
Contributed surplus	1,585,828	1,585,828
Deficit	(34,225,449)	(27,081,868)
	<u>15,441,053</u>	<u>22,584,634</u>
	<u>\$ 23,242,955</u>	<u>\$ 31,997,564</u>

Contingent Liabilities (Note 6)

Subsequent Events (Note 7)

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 and six months ended March 31**Period from
October 1, 2004
to March 31,
2009**

	Three months ended March 31,		Six months ended March 31,		
	2009	2008	2009	2008	2009
General, Administrative and Engineering Expenses (Notes 4 and 5)					
Compensation	\$ 1,128,013	\$ 383,510	\$ 2,179,792	\$ 579,183	\$ 8,958,483
Depreciation and amortization	187,000	54,435	372,229	102,844	1,353,295
Engineering and development costs	1,555,711	1,034,417	3,484,916	1,834,314	13,599,606
Interest	158,825	-	158,825	-	420,153
Office and administration	230,659	324,719	446,470	532,775	2,699,090
Public and community relations	86,232	189,251	285,294	361,668	1,352,044
Professional fees	57,950	383,575	286,202	530,349	2,015,134
Stock-based compensation (Note 3)	-	-	-	-	548,000
Transmission rights (Note 3c)	-	-	-	1,313,736	1,313,736
Travel	128,349	121,046	220,321	242,834	1,404,809
Loss before the following:	(3,532,739)	(2,490,953)	(7,434,049)	(5,497,703)	(33,664,350)
Other Revenues (Expenses)					
Petroleum and natural gas sales, net	19,561	26,331	33,582	52,287	1,017,494
Foreign exchange gain (loss)	1,877	(3,425)	10,828	(4,318)	(13,786)
Investment income	66,529	366,345	246,058	786,756	1,935,128
Gain on sale of investments	-	-	-	-	510,609
Write down of deferred expenditures	-	-	-	-	(516,427)
Gain on sale of resource property interests	-	-	-	-	420,753
	87,967	389,251	290,468	834,725	3,353,771
Net Loss and Comprehensive Loss	(3,444,772)	(2,101,702)	(7,143,581)	(4,662,978)	(30,310,579)
Deficit, beginning of period	(30,780,677)	(13,455,493)	(27,081,868)	(10,894,217)	(3,914,870)
Deficit, end of period	\$ (34,225,449)	\$ (15,557,195)	\$ (34,225,449)	\$ (15,557,195)	\$ (34,225,449)
Loss per common share, basic and diluted	\$ (0.09)	\$ (0.06)	\$ (0.18)	\$ (0.13)	
Weighted average number of shares outstanding	39,332,501	35,967,383	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 and six months ended March 31

	Three months ended March 31,		Six months ended March 31,		Period from
	2009	2008	2009	2008	October 1, 2004
					to March 31,
					2009
Cash (used in) provided by:					
OPERATING ACTIVITIES					
Loss for the period	\$ (3,444,772)	\$ (2,101,702)	\$ (7,143,581)	\$ (4,662,978)	\$ (30,310,579)
Items not affecting cash					
Depreciation and amortization	187,000	54,435	372,229	102,844	1,353,295
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)
	(3,257,772)	(2,047,267)	(6,771,352)	(3,246,398)	(27,459,104)
Changes in non-cash working capital, net	92,300	285,827	(1,621,935)	(1,735,653)	2,488,567
	(3,165,472)	(1,761,440)	(8,393,287)	(4,982,051)	(24,970,537)
INVESTING ACTIVITIES					
Rent deposit and other receivables	(760)	(8,712)	(760)	(8,712)	690,528
Long term loan receivable	-	-	-	-	(732,000)
Proceeds on sale of investments	-	-	-	-	544,852
Purchase of property, plant and equipment	-	(6,755)	(29,721)	(24,237)	(2,774,650)
Proceeds on sale of oil and gas properties	-	-	-	-	493,016
	(760)	(15,467)	(30,481)	(32,949)	(1,778,254)
FINANCING ACTIVITIES					
Proceeds on issuance of convertible debentures	-	-	-	-	1,691,570
Proceeds on issuance of common shares (net)	-	339,545	-	914,413	44,215,232
	-	339,545	-	914,413	45,906,802
Increase/(decrease) in cash and cash equivalents during the period	(3,166,232)	(1,437,362)	(8,423,768)	(4,100,587)	19,158,011
Cash and cash equivalents, beginning of period	22,685,101	34,048,423	27,942,637	36,711,648	360,858
Cash and cash equivalents, end of period	\$ 19,518,869	\$ 32,611,061	\$ 19,518,869	\$ 32,611,061	\$ 19,518,869
Supplemental cash flow information:					
State income tax paid	\$ -	\$ -	\$ -	\$ -	\$ 4,942
Investment income received	\$ 66,529	\$ 366,345	\$ 246,058	\$ 786,756	\$ 1,935,128
Interest expense	\$ 158,825	\$ -	\$ 158,825	\$ -	\$ 420,153

NAIKUN WIND ENERGY GROUP INC.

Notes to Interim Consolidated Financial Statements

(A Development Stage Company)

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

March 31, 2009

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. Changes in Accounting Pronouncements

Goodwill and Intangible Assets

Section 3064, Goodwill and Intangible Assets, replaced 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 and six months ended March 31, 2009.

International Financial Reporting Standards ("IFRS")

In February 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 continuing to analyze the impact of IFRS on its accounts and is currently developing its IFRS conversion plan. The plan will focus on identifying the differences arising from IFRS and the Company's current accounting policies, assessing their impact and, where necessary, analyzing the various alternatives available under IFRS.

3. 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 March 31, 2009	39,332,501	\$ 48,080,674

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b) Stock Options

Options price and Expiry date	September 30 2008	Granted	Exercised	March 31 2009
\$0.72, November 28, 2011	562,500	-	-	562,500
	<u>562,500</u>	<u>-</u>	<u>-</u>	<u>562,500</u>

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 six months ended March 31, 2009.

The weighted average exercise price of options as at March 31, 2009 and September 30, 2008 is as follows:

	September 30, 2008		March 31, 2009	
	Number of Options Outstanding	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Exercise Price
Balance, beginning of fiscal year	1,806,194	\$ 0.67	562,500	\$ 0.72
Granted	-	-	-	-
Exercised	(1,243,694)	0.65	-	-
Balance at end of period	<u>562,500</u>	<u>\$ 0.72</u>	<u>562,500</u>	<u>\$ 0.72</u>

c) Share Purchase Warrants

Exercise price and Expiry date	September 30 2008	Granted	Exercised/ Expired	March 31 2009
(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.

(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.

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The Warrant Plan was approved by shareholders at the Company's annual general meeting held on February 6, 2008 and subsequently by the TSX Venture Exchange. A revised Warrant Plan was accepted by the TSX Venture Exchange in October 2008. As at March 31, 2009, 11.3 million Warrants have been awarded pursuant to the recently revised and accepted Warrant Plan.

Due to the uncertainty of the occurrence and timing of the triggering event, Warrants granted under this plan are not included in Note 3(c) nor in the computation of stock-based compensation.

4. Wind Project Costs Under Development

The NaiKun Wind Project is in the development stage and 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 \$33.5 million (2008 - \$14 million). Certain expenditures for wind measuring equipment and related structural support have been capitalized and are reflected in the Consolidated Balance Sheet.

5. 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 three month period ended March 31, 2009, \$112,500 of these expenses were included in the Consolidated Statement of Loss (2008 - \$142,500). 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 that which would be otherwise negotiated with third parties.

On May 14, 2008, the Company advanced \$732,000 for a mortgage loan to a former 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 matures in May 2011. 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 6) 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 March 31, 2009.

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 March 31, 2009, the loan receivable amounted to \$265,266.

6. 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 March 31, 2009, the remaining unpaid, unaccrued balance in the Deferred Plan amounted to approximately \$4.4 million.