

NaiKun Wind Energy Group Inc.

Management's Discussion & Analysis For the quarter ended March 31, 2007

May 23, 2007

This Management's Discussion and Analysis ("MD&A") reviews the activities of NaiKun Wind Energy Group Inc. ("NaiKun" or the "company") and compares the financial results for the quarter and 6 months ended March 31, 2007 with those of the same periods ended March 31, 2006. For a more complete understanding of the company's financial condition and results of operations, this MD&A should be read together with the unaudited interim financial statements and the accompanying notes for the relevant periods, copies of which are filed on the SEDAR website.

The company prepares its financial statements in accordance with Canadian generally accepted accounting principles, and these statements are filed with the relevant regulatory authorities in Canada. All monetary amounts are in Canadian dollars unless otherwise stated.

Forward-Looking Information and Report Date

This MD&A contains certain forward-looking information. All information, other than historical facts included herein, including without limitation, data regarding future plans and objectives of NaiKun, is forward-looking information that involves various risks and uncertainties. There can be no assurance that such information will prove to be accurate and future events and actual results could differ materially from those anticipated in any forward-looking information.

The forward-looking information is only provided as of the date of this MD&A, May 23, 2007 (the "Report Date").

Description and Overview of Business

Beginning in fiscal 2003 and continuing to date, the main focus of the company has been directed towards the development of renewable wind energy projects off the northwest coast of British Columbia (the "NaiKun Wind Farm"). To better reflect the main focus, effective November 3, 2006, the company changed its name to NaiKun Wind Energy Group Inc. Management continues to examine prospects for additional wind development both in British Columbia and elsewhere in Canada.

Historically, the company was a junior natural resources company that had focused its efforts on the exploration, development and acquisition of petroleum and natural gas assets and mineral interests. The company will continue to generate revenue from its producing wells, but has no further plans to explore, develop, or acquire existing or new properties. During fiscal 2006, the company continued its divestment of its non-producing oil and gas assets and mineral interests, and wrote-down its remaining property interests and deferred development expenditures to nil.

In the first two quarters of 2007, the company continued with its efforts to develop the NaiKun Wind Farm project. The previously issued permits from the Council of the Haida Nation and the federal and provincial governments for the development of the project and the installation of a wind measurement mast have been extended. The company continues to work closely with the representatives of the Haida Nation and has committed to provide assistance to the Haida in resolving certain on island power problems.

On March 19, 2007, the company successfully raised \$4,000,000 for continued development of the project through the sale of 735,295 Flow-Through shares at a price of \$1.70 per share and 1,964,284 Units at a price of \$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 23, 2008. The cost of financing was deducted from the total amount raised.

On March 21, 2007, the Company completed a transaction with Enmax Corporation, the electric utility for the City of Calgary, whereby Enmax Corporation subscribed for 1,097,062 common shares of the Company at a price of \$1.36 per common share and acquired 500,000 common shares of NaiKun Wind Generating Inc. at a price of \$1 per share .

During fiscal 2006, significant changes took place in the process by which the Government of British Columbia interacts with BC Hydro. In this time period the Government of British Columbia received the report of the BC Progress Board which highlighted the size of the shortfall of generation in the Province as well as the need for the extended forward planning for additional generation. Subsequently, the British Columbia Cabinet rejected BC Hydro's position on Site C (a large dam site on the Peace River) and took control of the preparation of the Integrated Electricity Plan for the Province of British Columbia and endorsed the need for wind power in the Province.

These changes have been further emphasized by the Speech from the Throne by Gordon Campbell's government whereby the Government of British Columbia committed the Province to a net zero emissions policy for electrical generation, a requirement that 90% of all new generation be from clean or renewable sources and the requirement of 100% carbon sequestration for all coal fired electrical generating facilities. These new policies were confirmed by the issuance of the new Energy Plan on February 27, 2007.

The company, in conjunction with other wind developers in the province, continues to work with BC Hydro and the British Columbia Transmission Corporation to ensure that wind becomes a preferred option for future energy purchases by BC Hydro. Additionally, the company continues to examine more closely the possibility of selling power from the project to purchasers outside of the province.

During this fiscal period, the company expended some \$1,131,794 on the NaiKun Wind Farm project. The primary expense of \$822,713 was for engineering fees in connection with data gathering and the analysis thereof and preliminary design work for the construction of the wind farm. Management and consulting fees of some \$120,603 were paid in connection with services necessary for the development of the project including environmental services, data analysis and preparation for bidding to acquire an Electricity Purchase agreement from BC Hydro. Additional costs were incurred in the payment of fees to lawyers and accountants in connection with the

preparation of the flow-through unit documentation and the related income tax and accounting issues. Costs for public relations, communications, administrative management and consulting were expended in furthering the cause of wind energy in British Columbia generally, with a focus on obtaining a power purchase agreement with BC Hydro for the NaiKun Wind Farm project. The company's energy consultants continue to monitor the present and future cost of electricity and natural gas, and the ongoing electricity market to assess the project's economic viability. Additionally, the company's consultants continue to assess the evolving technological alternatives for turbines, foundations, and cabling. Travel costs of \$74,455 were expended in the quarter for meetings with First Nations and other regional communities, site inspections, and travel by representatives of the Company to meet with equipment and service suppliers in Europe.

Up to March 31, 2007, the company has invested more than \$3,560,461 in the NaiKun Wind Farm project. Management believes that the entitlements being earned in this project by these expenditures are of significant present value and future value.

The company continues to earn oil and gas revenues from its operating wells in the United States and Canada. The price for hydrocarbons in the quarter declined from previous highs and when added to the continued disposition of these assets by the Company to focus on its core business resulted in a reduced cash flow. For the quarter ended March 31, 2007, oil and gas revenues were \$33,217 before expenses resulting in a gross margin of \$22,941.

Due to the substantial expenditures on the NaiKun Wind farm project, the company suffered a net loss of \$528,065 for the quarter of March 31, 2007.

The company's petroleum, natural gas and mineral interests are in Canada and the United States. Management continues to deemphasize the company's involvement in the mining industry and continues to seek methods of generating value from its remaining mineral assets. Management is of the view that the company has the best opportunity of success by focusing on wind power.

Selected Annual Information

The following table sets forth selected financial results for the company for the quarters ended March 31, 2007, and March 31, 2006 and the total assets and total liabilities as at March 31, 2007 and September 30, 2006. This information should be read in conjunction with those financial statements and the notes thereto.

	Quarter Ended March 31, <u>2007</u>	Quarter Ended March 31, <u>2006</u>
a) Total Revenue:	\$33,217	\$82,089
b) Net Loss:	\$528,064	\$48,485

	As at March 31, <u>2007</u>	As at September 30, <u>2006</u>
a) Total Assets:	\$7,960,727	\$3,262,639
b) Total Liabilities:	\$380,293	\$2,031,593

Net Sales or Total Revenues

The primary source of revenues continues to be the sale of petroleum and gas from its existing wells in Canada and the United States.

Net Loss

The company continues to suffer losses as it develops the NaiKun Wind Farm project and expenses all project costs. In the quarter, the loss was increased substantially because of the increase in expenditures on the project

Total Assets

The increase in total assets in the quarter is primarily from the issuance of common shares generating some \$5.3 million in cash.

Total Liabilities

The decrease in total liabilities during the quarter ended March 31, 2007 is primarily due to the conversion of debenture units with a principal value of \$1,880,000 to common shares.

Results of Operations

The company reported a loss of \$528,064 and cash outflows from operations of \$ 854,202 for the quarter ended March 31, 2007, compared with a loss of \$48,485 and cash outflows from operations of \$ 36,802 for the same period 2006. The financial statements have been prepared in accordance

with Canadian generally accepted accounting principles on a going-concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business.

For the quarter, total revenues were \$33,217 in 2007 as compared to \$82,089 in 2006 primarily from the sale of petroleum and natural gas properties. During the quarter ended March 31, 2007, the Company also recorded a gain on the sale of shares of NaiKun Wind Generating Inc. of \$500,000, as compared to a net realized gain of \$18,075 on the sale of investments in the same period for 2006 and net investment income of \$41,344 (vs \$9,681 for the same period in 2006).

Expenses consist primarily of general, administrative and engineering expenses and for the quarter ended March 31, 2007 totaled \$1,092,349 compared to \$131,753 for the same period ended March 31, 2006. The increase in expenditures is primarily due to the development of the NaiKun Wind Farm Project.

Summary of Quarterly Results

The following table summarizes information derived from the company's financial statements for each of the eight most recently completed quarters:

Three Months Ended	Revenues	General & Administrative Expenses - \$	Net Income (Loss) - \$	Basic Earnings (Loss) per share - \$	Fully Diluted Earnings (Loss) per share - \$
31-Mar-07	33,217	1,092,349	(528,064)	(0.03)	(0.03)
31-Dec-06	35,532	1,211,936	(1,169,047)	(0.08)	(0.08)
30-Sep-06	46,938	154,153	(524,995)	(0.06)	(0.06)
30-June-06	40,349	53,785	(29,845)	(0.00)	(0.00)
31-Mar-06	82,089	131,753	(48,485)	(0.01)	(0.01)
31-Dec-05	68,797	130,191	(48,815)	(0.01)	(0.01)
30-Sep-05	74,321	173,674	(79,514)	(0.01)	(0.01)
30-Jun-05	67,368	101,733	(49,594)	(0.01)	(0.01)
31-Mar-05	28,090	99,598	11,975	0.00	0.00

Liquidity

As at March 31, 2007, the company had \$7,687,767 in cash and cash equivalents compared to \$1,823,004 at the end of September 30, 2006, with working capital of \$7,531,336 at March 31, 2007 compared to working capital of \$2,919,113 as at September 30, 2006. The increase in cash is a result of the issuance of common shares.

The accounts payable and accrued liabilities increased to \$318,293 at March 31, 2007 from \$89,593 at September 30, 2006. Total liabilities have decreased to \$380,293 at March 31, 2007 from \$2,031,593 at September 30, 2006 due to the conversion of debentures to common shares of the Company.

Off Balance Sheet Arrangements

The company has no off-balance sheet financing.

Capital Resources and Non-Controlling Interest

During the quarter the Company issued the following shares:

January 2007 - 100,000 common shares to a consultant upon exercise of stock options at \$0.20 per share for cash proceeds of \$20,000; 27,273 common shares to a public relations firm at \$0.55 per share for cash proceeds of \$15,000; 200,000 common shares on the conversion of debentures at \$0.50 per share;

February 2007 – 250,000 common shares on the conversion of debentures at \$0.50 per share; 125,000 common shares on the exercise of warrants issued in connection with the private placement in September 2006 at \$0.55 per share for net proceeds of \$68,750; and 4,996 common shares issued on the exercise of a compensation option at \$0.50 per share for cash proceeds of \$2,998.

March 2007 – 3,310,000 common shares were issued on the forced conversion of all of the outstanding debentures at \$0.50 per share on March 1, 2007; 58,886 common shares in payment of interest on the debentures converted; 150,000 common shares were issued to directors and officers upon the exercise of 100,000 options at \$0.13 and 50,000 options at \$0.15 for cash proceeds of \$20,500; 120,000 common shares were issued on the exercise of warrants at \$0.55 per share for net proceeds of \$66,000; 2,699,579 common shares were issued as part of a private placement with 735,295 flow through shares issued at a price of \$1.70 per share and 1,964,284 common shares issued at a price of \$1.40 per share by way of a brokered private placement totalling \$4,000,000 in proceeds on March 19, 2007. 1,097,562 common shares were subscribed for at a price of \$1.36 by Enmax Corporation on March 21, 2007 for cash proceeds of \$1,500,000.

As at March 31, 2007, the company had 23,780,216 common shares issued and outstanding.

As at March 31, 2007, the company has 50,000 shares under option at a price of \$0.15 expiring September 9, 2009; 50,000 shares under option at an exercise price of \$0.13 expiring December 9, 2011; 100,000 shares under option at a price of \$0.42 expiring October 16, 2007; 1,012,500 shares under option at a price of \$0.72 expiring November 29, 2011; 595,004 shares under option at a price of \$0.50 expiring September 22, 2008; and 152,687 shares under option at a price of \$1.40 expiring May 30, 2008. As at March 31, 2007, the company had 1,960,191 share options outstanding.

As at September 30, 2006, the Company had 3,860,193 share purchase warrants outstanding of which 3,000,000 were issued during fiscal 2006 to debenture holders and purchasers of flow through units during the September 2006 financing. In December 2006, 860,193 warrants were

exercised at a price of \$0.25 per share for cash proceeds of \$215,048. During the quarter ended March 31, 2007, 245,000 share purchase warrants were exercised at a price of \$0.55 per share for cash proceeds of \$134,750.

As part of the private placement completed on March 19, 2007, the Company issued 982,142 warrants as part of the units offered. The warrants may be exercised until May 31, 2008 at an exercise price of \$1.80. Also, during the quarter, 2,498 share purchase warrants were issued upon exercise of 4,996 compensation options associated with the September 2006 financing. The Company also issued 58,824 Flow-Through Compensation Warrants with an exercise price of \$1.70 and an expiry date of May 30, 2008. As at March 31, 2007, the Company had 3,798,464 share purchase warrants outstanding.

As of the date of this MD&A, no further share activity had taken place.

Subsequent Events

During the first two weeks of May, 2007, the Company made a number of significant announcements: 1) The proposal for Haidalink whereby power from the first phase of the wind farm would be transmitted by way of new cable from the wind farm to Haida Gwaii thus allowing Haida Gwaii to displace a portion of the diesel generation by which the islands are powered and through the wind farms cables to the British Columbia mainland which will connect Haida Gwaii to the mainland grid; 2) The execution of an agreement with the Haida Power Authority for the operation of NaiKun Wind Operating Inc. ("Opco") whereby the Haida would acquire 50% of the shares of Opco and participate in its management ; 3) The execution of a memorandum of understanding with Siemens whereby Siemens would assess the transmission requirements and solutions for the Project and subject to the successful completion of this assessment would become the EPC for the transmission system; and 4) The execution of an agreement with Germanisher Lloyd whereby Germanisher Lloyd would become the certification engineers for the Project.

Transactions with Related Parties

The company has no employees and obtains certain legal, management and administrative services and rents space from companies controlled by officers or directors. For the financial quarter ended March 31, 2007, \$230,000 of these expenses was charged to consolidated operations.

These transactions with related parties were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

Financial Instruments

The company's financial instruments consist of cash, accounts receivable, prepaid expenses, investments and other assets, accounts payable and accrued liabilities. It is managements' opinion that the company is not exposed to significant interest, currency risk or credit risk arising from these financial instruments.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and acting Chief Financial Officer, as appropriate to permit timely decisions regarding public disclosure.

Management, including the Chief Executive Officer and acting Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and acting Chief Financial Officer has concluded that the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings ("52-109"), are effective to ensure that the information required to be disclosed in reports that are filed or submitted under Canadian Securities legislation are recorded, processed, summarized and reported within the time period specified in those rules. In conducting the evaluation it has become apparent that management relies upon certain informal procedures and communication. Management intends to formalize its procedures, but due to its small staff the Company will continue to rely on an active Board and management with open lines of communication to maintain the effectiveness of the Company's disclosure controls and procedures. There is a possibility that lapses in the disclosure controls and procedures could occur and mistakes could happen, and if should such should occur, the Company will take whatever steps necessary to minimize the consequences there of.

Internal Controls and Procedures over Financial Reporting

Management is also responsible for the design of the Company's internal control over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. During the process of management's review and evaluation of the design of the Company's internal control over financial reporting, it was determined that certain weaknesses existed in internal controls over financial reporting. In addition, the Company has not fully completed its review and evaluation of the design of internal control over financial reporting as envisioned under 52-109. The Company expects to complete its assessment in Fiscal 2007. As is indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is to be compensated for by senior management monitoring. The Company is taking steps to augment and improve the design of procedure and controls impacting these areas of weakness over internal control over financial reporting. It should be noted that a control system, no matter how well conceived or operated, can only provide reasonable assurance, not absolute assurance, that the objectives of the control system are met.

Approval

The Board of Directors of the company has approved the disclosure contained in this MD&A.

Additional Information

Additional information relating to Uniterre can be found on SEDAR at www.sedar.com. under its new name *Naikun Wind Energy Group Inc.*

Dated May 23, 2007