

NAIKUN WIND ENERGY GROUP INC.

(A Development Stage Company)

Management's Discussion & Analysis For the year ended September 30, 2008

Containing information up to and including January 22, 2009

This Management's Discussion and Analysis ("MD&A") reviews the activities of NaiKun Wind Energy Group Inc. ("Group") and its wholly owned subsidiaries, NaiKun Wind Development Inc. ("Devco"), Austar Resources Ltd. ("Austar") and Patriot Energy Mines Ltd. ("Patriot"), collectively, (the "Company"). For a more complete understanding of the Company's financial condition and results of operations, this MD&A should be read together with the audited financial statements for the year ended September 30, 2008 and the accompanying notes. The above-mentioned documents along with additional information and disclosure relating to the Company can be found on SEDAR at www.sedar.com.

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. Investors are cautioned that all information, other than historical facts included herein, including without limitation, data regarding future plans and objectives of the Company, is forward-looking information based on management's expectations, assumptions and estimates. Although the Company believes these underlying estimates and assumptions to be reasonable, they are difficult to predict and actual results may differ materially from those in the forward-looking statements.

Forward-looking information can be subject to significant risks and uncertainties, and estimates and assumptions can prove to be inaccurate. There are many factors that could result in materially different outcomes than the forward-looking information contained herein including, but not limited to, the state of capital and financial markets, the general economy, the political climate, the commodity markets, the energy sector, electricity demand, technology, environmental factors, community relations, First Nations, and foreign exchange fluctuations. Investors should be aware that there can be no assurance that forward-looking information will prove to be accurate and future events and actual results could differ materially from those anticipated.

The information herein is only provided as of the date of this MD&A, January 22, 2009 (the "Report Date").

Description and Overview of Business

NaiKun Wind Energy Group Inc. is a Vancouver-based renewable energy company with a focus on the development of wind energy projects. It is currently in the process of developing a project off

the north coast of British Columbia in Hecate Strait (the “NaiKun Wind Project” or the “Project”) and is a registered proponent in the Clean Energy Call issued by British Columbia Hydro and Power Authority (“BC Hydro”). On June 11, 2008, BC Hydro announced its Clean Power Call Request for Proposals (“RFP”), which is focused on larger power projects using proven technologies, making it ideally suited for the NaiKun Wind Project. On November 24, 2008, the Company submitted its bid proposal for Phase 1 of the NaiKun Wind Project to supply up to 396 megawatts of electricity in response to BC Hydro’s RFP. BC Hydro is scheduled to award electricity purchase agreements (“EPA”) in May to June 2009. Upon a successful EPA award and arrangement of construction financing, the Company intends to transfer the NaiKun Wind Project from its wholly owned subsidiary, NaiKun Wind Development Inc. (“Devco”) to NaiKun Wind Generating Inc. (“Genco”), a company jointly owned by ENMAX Green Power Inc. and Group, to progress the Project through the construction and operation stages. The Company will also continue to develop future phases of the Project.

Company Highlights during the year ended September 30, 2008

During the year, the Company:

- Appointed a number of new executives:
 - Paul Taylor as the President of Group. Mr. Taylor’s most recent position held was President and CEO of the Insurance Corporation of British Columbia (ICBC). He has also served as Deputy Minister and Secretary to the Treasury Board with the British Columbia Ministry of Finance and served a number of roles with TransAlta, including Senior Vice-President, Corporate Development;
 - Steven Eckert as Senior Vice-President of Group and President and CEO of Devco. Mr. Eckert has been a consultant to BC Hydro and most recently, was the Vice-President of project development for Constellation Energy;
 - Michael O’Connor as Senior Vice-President of Group and President and CEO of Genco, a company jointly owned by ENMAX Green Power Inc. and Group. Mr. O’Connor’s most recent position held was Project Director for the Canada Line Rapid Transit Project with SNC-Lavalin. He has also served as President and CEO of BC Transit and Vice-President Operations and Manufacturing with Terasen Utility Services.
- Strengthened the Company’s Board of Directors (the “Board”) with the addition of:
 - Joe Houssian, founder of Intrawest Corporation, and the current Chairman and founder of Intracorp Capital;
 - Fereydoun (Fred) Dabiri, President and CEO of David Nairne & Associates;
 - Philip Hughes, former President and CEO of FortisAlberta;
 - Paul Taylor, see above, and
 - Dave Rehn, Executive Vice President of ENMAX Corporation.
- secured arrangements for electricity transmission corridors with north coast First Nations through an agreement on the terms of access and economic and financial benefits. The agreements include the Company’s issuance of 1,000,000 warrants to purchase common shares with a two year term expiring December 4, 2009 and an exercise price of \$2.66.

- completed several community consultation activities with participation from more than 400 people from the community. Activities included open houses held in Port Edward, Prince Rupert, Masset and Skidegate, plus a number of group meetings with local government, community, business and environmental organizations.
- received approval from the Environmental Assessment Office (“EAO”) on the terms of reference for the NaiKun Wind Project’s environmental application. The terms of reference outline the necessary information that must be included in the application for an Environmental Assessment Certificate. The majority of the environmental field studies are complete and the results from these studies, together with feedback and input from First Nations, local communities and other interested parties, will be included in NaiKun’s application. The application will be submitted to the EAO in Early 2009 with approvals expected in Fall 2009.
- strengthened its team of advisers through the engagement of Hemmera Envirochem Inc. to assist in the environmental approval process, Bank of Tokyo Mitsubishi UFJ to advise on the financeability of the Project, and Offshore Design Engineering Ltd. to assist in the ongoing economic feasibility analysis of the Project.
- has continued its ongoing analysis of wind data, ocean currents and patterns from the Company’s meteorological station (“Metmast”) located at the project site which was installed in September 2007. Wind data collected from the Metmast confirms Hecate Strait’s wind resource as being world-class in nature and further supports the economics of the NaiKun Wind Project.
- advanced geophysical seabed surveys at the project site and transmission corridors. These surveys involve side-scan and multi-beam sonar which provide detailed mapping of the seabed topography and make-up. To date, the results from these surveys support the Company’s assertion that the seabed composition is suited for a large-scale wind project.
- signed a letter of intent (“LOI”) to negotiate an agreement to purchase up to 110 wind turbine generators from Siemens Wind Power (“Siemens”) for the NaiKun Wind Project. The Company and Siemens will enter into exclusive negotiations leading to definitive agreements that set out terms regarding the Company’s purchase of Siemens’ SWT-3.6-107 model turbines, along with service, maintenance and warranty provisions.
- was upgraded to Tier 1 status on the TSX Venture Exchange. Tier 1 is the TSX Venture Exchange’s premier tier and is reserved for advanced companies with significant financial resources. The benefits of Tier 1 include a more favourable regulatory environment and increased opportunity for participation by institutional investors.

From inception to September 30, 2008, the Company has expensed approximately \$26 million on the development stages of the NaiKun Wind Project, of which \$9.4 million related to engineering and development costs. In addition, the Company has capitalized \$3.3 million in costs relating to the construction and installation of the Metmast, which includes an asset retirement obligation (“ARO”) in regards to the future costs associated with removal of the Metmast. Through discussions with engineering consultants, management has estimated the future costs to remove and properly dispose of the Metmast would be approximately \$1 million. Discounted at a credit adjusted risk-free rate of 5%, the fair value is estimated at \$0.8 million, which has been recorded as an ARO liability and a corresponding increase to the carrying value of the Metmast.

Risks and Uncertainties

The Company's future and growth is dependent on a number of risk factors common to other companies in the renewable energy sector and in particular, wind energy companies. Some factors that may have a material impact on the Company's future include, but are not limited to:

Wind Resource and Weather

Although historical wind data obtained from Environment Canada at or around the site for the NaiKun Wind Project, along with data received from the Metmast, indicate it as being world-class in nature and supportive of the project economics, wind speeds are unpredictable, may vary over time and may or may not continue at the historical trend due to changes in weather patterns. Prior to construction, the measured wind speeds affect the financeability of the Project and during operations, affect the profitability of the Project and the Company. During construction, the weather and marine environment at the Project site can cause scheduling delays resulting in material cost overruns or a delay in the operation start date. Where possible, the Company will incorporate insurance and contracting strategies to manage this risk.

Contracting Parties

The Company's current and future contractual arrangements with various parties (eg. consultants, suppliers, First Nations, strategic partners, management, etc.) for the development, construction and operation of the Project is another risk factor. The Company's ability to fulfill its obligations as well as the ability and likelihood of the other parties to fulfill their obligations can have a material impact on the future success of the Company.

Electricity Purchase Agreement ("EPA")

A significant milestone and risk factor for the Company is the award of an EPA from BC Hydro. The Company's current business plan assumes a successful EPA award. Not receiving an EPA would require the Company to significantly alter its strategic plan and such a shift could materially affect the Company's future.

Financing

Although the Company has raised sufficient capital to complete the development stages of the Project, it will need to obtain additional financing before commencing the construction stage. Financing will be obtained from a combination of: strategic partners, debt and equity. The general economy and credit markets affect each of these sources and are currently in a period of volatility and there is uncertainty as to the duration of this cycle. The Company is working with an international financial advisor with specific experience in offshore wind projects to develop a financing plan.

Financial Summary

The following summarizes selected financial information for the year ended September 30, 2008, 2007 and the cumulative data from October 1, 2004 to September 30, 2008.

	Year ended September 30 <u>2008</u>	Year ended September 30 <u>2007</u>	October 1, 2004 to September 30 <u>2008</u>
Net Loss	\$16,187,651	\$5,067,569	\$23,166,998
Loss per common share	<u>\$0.44</u>	<u>\$0.25</u>	

The following summarizes the total assets and total liabilities as at September 30, 2008, September 30, 2007 and September 30, 2006.

	September 30 <u>2008</u>	September 30 <u>2007</u>	September 30 <u>2006</u>
Total Assets	\$31,997,564	\$39,719,445	\$3,262,639
Total Liabilities	9,412,930	2,602,707	2,031,593

Net Losses and the decrease in *Total Assets* during the year ended September 30, 2008 are primarily due to the Company's expenditures on the NaiKun Wind Project, virtually all of which were expensed in the period incurred.

Total Liabilities at September 30, 2008 have increased from their levels at September 30, 2007 due to the future tax liability resulting from the renunciation of flow through expenditures (see Note 9 of the financial statements), significant expenses incurred and accrued during the year ended September 30, 2008 related to the Company's preparation of a bid proposal in response to BC Hydro's Clean Power Call RFP and an accrual for \$1.44 million related to Compensation (see Compensation section for discussion).

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:

Quarter ended	Revenues - \$	General & Administrative Expenses - \$	Net Income (Loss) - \$	Basic Earnings (Loss) per share - \$	Fully Diluted Earnings (Loss) per share - \$
30-Sep-08	Nil*	7,275,568	(6,993,167)	(0.19)	(0.19)
30-Jun-08	Nil*	4,832,236	(4,531,506)	(0.12)	(0.12)
31-Mar-08	Nil*	2,490,954	(2,101,702)	(0.06)	(0.06)
31-Dec-07	Nil*	3,006,749	(2,561,276)	(0.07)	(0.07)
30-Sep-07	Nil*	2,423,289	(2,098,122)	(0.07)	(0.07)
30-Jun-07	20,064	1,330,676	(1,272,336)	(0.05)	(0.05)
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)

*starting in the year ended September 30, 2007 ("Q4-2007"), the Company changed its presentation of financial results to reflect the change in focus from a junior natural resources company to a wind energy company in the development stages. Prior to Q4-2007, the Company recorded gross revenue from petroleum and natural gas sales. From Q4-2007 onwards, revenue from petroleum and natural gas sales is netted against its applicable expenses and reported as Other Revenue. Petroleum and natural gas activity and revenue on a long term trend basis has been declining as the Company continues to divest of its interests. During the year ended September 30, 2008, the Company recorded net revenue from petroleum and natural gas of \$121,527 (2007 - \$71,294). This increase is attributable to the increase in oil and gas prices during the first half of 2008. To date, the Company has not earned any revenue from the NaiKun Wind Project.

Result of Operations

The Company reported a loss of \$16,187,651 for year ended September 30, 2008 compared with a loss of \$5,067,569 for the same period last year. Cash outflows from operations amounted to \$11,844,987 compared with an outflow of \$3,143,252 for the same period last year. These increases are both primarily due to the Company's expenditures on the NaiKun Wind Project, virtually all of which are expensed in the period incurred (See comment on compensation below). 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.

General, administrative and engineering expenses for year ended September 30, 2008 totaled \$17,605,507 (2007 - \$6,062,521) of which \$6,778,691 (2007 - \$984,484) was for compensation (see below), \$5,825,787 (2007 - \$2,881,187) related to engineering and development expenses.

Other noteworthy items include office and administrative expenses of \$1,024,533 (2007 - \$525,176), public and government relations expenses of \$555,589 (2007 - \$185,173), professional fees of \$747,518 (2007 - \$396,556), and travel expenses of \$654,074 (2007 - \$304,935). Non-cash expenses include depletion and amortization of \$652,313 (2007 - \$206,112) and transmission rights of \$1,313,736 (2007 - \$Nil). The significant increase for each of these items over the prior year is primarily due to increased activity on the development of the NaiKun Wind Project.

During the year ended September 30, 2008, the Company recorded investment income of \$1,281,927 (2007 - \$389,843). The increase was primarily due to interest income earned on the equity capital raised in March 2007 and August 2007. The Company's net petroleum and natural gas sales amounted to \$121,527 during the year ended September 30, 2008 compared with \$71,294 for the same period in the previous year. This increase is attributable to the increase in oil and gas prices during the first half of 2008.

Compensation

During the year ended September 30, 2008, the Company paid or accrued \$6,778,691 in compensation vs \$984,484 in the same period last year. The increase is due to a combination of factors: (1) addition of eight staff members including three senior executives during the year; (2) executive search fees for the new hires; (3) signing payments for new executives; (4) employee performance compensation payments for the 2007 fiscal year; (5) directors, committee members and committee chair fees which were previously not paid; and (6) re-classification of certain consultants expenses as salaries and wages. Compensation expense for the year ended September 30, 2008 also includes an accrual for \$1.44 million ("Compensation Accrual") to be paid in September 2009.

During the year ended September 30, 2008, the Company's HR & Compensation Committee and Board approved a payment of \$1.44 million to the Company's Chairman in recognition of his contribution to the Company over the years and his transition from being the Chairman, President and CEO of the Company to non-executive Chair and his planned retirement in September 2009. The Compensation Accrual represents his entire entitlement to the Company's deferred cash bonus plan as described in Note 12 of the Company's financial statements for the year ended September 30, 2008 and will be paid on his retirement in September 2009.

The executive search fees, signing payments, 2007 employee performance compensation payments and Compensation Accrual are not expected to be recurring in the ongoing operations for the Company.

Liquidity

As at September 30, 2008, the Company had \$27,942,637 in cash and cash equivalents compared to \$36,711,648 as at September 30, 2007. Of that balance, approximately \$27 million was held in Bankers Acceptances issued by Canadian Chartered Banks with maturity dates ranging from 3 days to 51 days. In accordance with the Company's Investment Policy, the Company did not hold more than \$10 million with any one issuer. Working capital as at September 30, 2008 was \$23,856,085 vs \$35,001,711 as at September 30, 2007. The decrease in cash and cash

equivalents and working capital during year ended September 30, 2008 is primarily a result of the expenditures related to the advancement of the NaiKun Wind Project.

Capital Resources and Non-Controlling Interest

During the year ended September 30, 2008, the Company issued 4,425,861 common shares in a number of transactions, for aggregate proceeds of \$3,886,110 detailed further in Note 6 of the Company's audited financial statements for the year ended September 30, 2008:

As at September 30, 2008, the Company had 39,332,501 common shares issued and outstanding.

As at September 30, 2008, the Company had the following stock options outstanding:

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Number Outstanding</u>
November 28, 2011	\$0.72	562,500

As at September 30, 2008, the Company had the following warrants outstanding:

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Number Outstanding</u>
December 4, 2009	\$2.66	1,000,000

During the period between September 30, 2008 and January 22, 2009, the Company did not issue any common shares.

Related Party Transactions

During the year ended September 30, 2008, the Company contracted certain management, legal and administrative services from various consultants and companies, some of which are controlled by officers, directors and others. During the year ended September 30, 2008, \$565,702 of these expenses were included in the Consolidated Statement of Loss (2007 - \$828,900). These transactions with related parties were in the normal course of operations and have been recorded at the amount of consideration paid, 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.

Commitments

As at September 30, 2008, the Company had the following commitments:

- 1) Lease of Premises – the minimum annual net lease payments on the Company's premises are as follows for the twelve (12) months ended September 30:

2009	\$139,842
2010	146,103

2011	148,190
2012	<u>6,235</u>
Total	<u>440,370</u>

- 2) Flow Through Expenses Renounced - as at September 30, 2008, the Company has raised \$12.63 million by issuing flow-through shares and and has renounced the entire amount. As at September 30, 2008, the Company had incurred resource expenditures totaling approximately \$10.53 million. The Company has an obligation to the flow through investors and Canada Revenue Agency ("CRA") to spend the remaining \$2.1 million on qualifying expenditures as defined by the Canadian Renewable and Conservation Expense program by December 31, 2008 or be subject to penalties and other charges. As at December 31, 2008, the Company has fulfilled this obligation.

Subsequent Events

In October 2008, the TSX Venture Exchange accepted the Company's application for a new restricted warrant plan ("New Plan"). The New Plan and the current warrant plan ("Current Plan") described in note 6(d) of the Company's audited financial statements for the year ended September 30, 2008 provide for a combined maximum issuance of 15 million warrants. The terms and conditions of the New Plan are the same as the Current Plan except that the exercise price is \$0.63 (5% higher than the Current Plan) and the restricted period is extended by 30 days.

In November 2008, the Company's Board of Directors approved an employee 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 loan for the remaining 75%. The benefit is subject to a one year hold on the Shares. The loan bears interest at the CRA prescribed rate, 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 January 22, 2009, the Company has advanced \$285,333 to employees under this program.

In November 2008, the Company finalized the terms and conditions of an asset transfer agreement between Devco, a wholly owned subsidiary, and Genco, an entity owned 50% by the Company and 50% by ENMAX Green Power Inc. 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.

Significant Accounting Policies

The Company prepares its financial statements in conformity with generally accepted accounting principles for Canada. In its audited annual financial statements for the year ended September 30, 2008, the Company lists its significant accounting policies in Note 2 of the financial statements.

Adoption of New Accounting Policies

During the year ended September 30, 2008, the Company adopted a number of new sections from the Canadian Institute of Chartered Accountants Handbook: Section 1506 - Accounting Changes, Section 1530 - Comprehensive Income, Section 1535 - Capital Disclosures, Section 3862 - Financial Instruments (Disclosures) and Section 3863 - Financial Instruments (Presentation)

Accounting Changes

Section 1506 relates to changes in accounting policies, changes in accounting estimates and errors. Under this revised standard, voluntary changes in accounting policy are only made if they result in the financial statements providing more reliable and relevant information. Adoption of this standard had no impact on the Company's financial statements.

Comprehensive Income

Section 1530 introduces a new financial statement "Statement of Comprehensive Income", which shows the change in value of certain financial instruments and changes in net assets from certain other transactions. The Company has reviewed its financial instruments and its transactions which would require the recognition of comprehensive income and have not found any material items. Consequently, the Statement of Comprehensive Income has been combined with the Statement of Loss and Deficit.

General Standards of Financial Presentation

Section 1400 requires additional disclosure on the Company's assessment of its ability to continue as a going concern. 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.

Financial Instruments

Section 3862 and Section 3863, replace Section 3861, and require the disclosure of information with regards to the significance of financial instruments for the Company's financial position and performance, the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and how the Company manages those risks.

Financial Instruments must be classified into one of the following five categories: Held for Trading, Loans and Receivable, Held to Maturity, Available for Sale and Other Financial Liabilities. All financial instruments are initially measured at fair value. Measurement in subsequent periods depends on the classification as follows:

Classification	Measurement in subsequent periods:
Held for Trading	recognized in net income (loss)
Loans and Receivables	measured at amortized cost using the effective interest method.
Held to Maturity	measured at amortized cost using the effective interest method.

Available for Sale	recognized in comprehensive income (loss) until investment is disposed and then recorded in net income (loss)
Other Financial Liabilities	measured at amortized cost using the effective interest method.

The Company has designated its financial instruments as follows:

- a) Cash and cash equivalents are classified as “Held for Trading”
- b) Receivables are classified as “Loans and Receivables”
- c) Accounts payable and accrued liabilities are classified as “Other Financial Liabilities”

The new disclosure standard also increases the requirements to define and describe the Company’s fair value methodology and the risks associated with its financial instruments and how these risks are managed.

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.

Risks - 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:

- a) 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.
- b) 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.
- c) 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.
- d) Liquidity Risk - the Company manages its liquidity risk by restricting the term of any one short term investment to three months or less.

Capital Disclosures

Section 1535 requires companies to disclose information about (i) its objectives, policies and processes for managing its capital, (ii) what the Company regards as capital (iii) its compliance with any capital requirements; and (iv) the consequences of non-compliance, where applicable.

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 cash and cash equivalent balances as capital. The Company's investment policy restricts its capital investments to:

- a) Securities with maturities of six months or less from date of acquisition; and
- b) Issued by the Government of Canada; or

- c) Bankers Acceptances issued by a Canadian chartered bank, subject to a \$10 million limit from any one bank.

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.

Future Accounting Pronouncements

Goodwill and Intangible Assets

Section 3064, Goodwill and Intangible Assets, will be 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. The Company is evaluating the impact of the adoption of this new section but currently does not expect it to have a material impact on the consolidated financial statements.

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. During the next fiscal year ended September 30, 2009, the Company will formulate a schedule and involve the necessary consultants to develop a strategy to meet the requirements of IFRS.

Internal Controls and Procedures over Financial Reporting

Disclosure controls and procedures ('DC&P') are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ('ICFR') are intended 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.

TSX Venture listed companies are not required to provide representations in their annual and interim filings relating to the establishment and maintenance of DC&P and ICFR, as defined in Multinational Instrument MI 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Approval

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

Additional Information

Additional information relating to the Company can be found on SEDAR at www.sedar.com, under *Naikun Wind Energy Group Inc.* or at www.naikun.ca.

Dated January 22, 2009