

**NAIKUN WIND ENERGY GROUP INC.
(A Development Stage Company)
Management's Discussion & Analysis
Third Quarter Ended June 30, 2008**

August 25, 2008

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"). This MD&A includes financial information from, and should be read in conjunction with, the Company's unaudited interim consolidated financial statements for the three months ended June 30, 2008 ("Q3-2008"). For a more complete understanding of the Company's financial condition and results of operations, this MD&A should be read together with the financial statements and the accompanying notes for all relevant periods, including the most recent audited financial statements for the year ended September 30, 2007. 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. All information, other than historical facts included herein, including without limitation, data regarding future plans and objectives of the Company, 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 information herein is only provided as of the date of this MD&A, August 25, 2008 (the "Report Date").

Description and Overview of Business

Prior to 2004, the Company was primarily a junior natural resources company involved in the exploration, development and acquisition of petroleum and natural gas assets and mineral interests. Beginning in 2004, the Company changed its focus towards the development of renewable wind energy projects and is currently in the development stages of building and operating a wind farm in the Hecate Strait off the northwest coast of British Columbia (the "NaiKun Wind Project" or "Project").

Since the change in focus towards wind energy, the Company has been divesting its oil and gas assets and mineral interests and during the year ended September 30, 2007, wrote down its remaining non-wind related assets to nil.

The Company is continuing its efforts in developing the NaiKun Wind Project and is currently in the process of preparing and submitting a bid for an Electricity Purchase Agreement ("EPA") with

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 August 12, 2008, the Company registered its 320 MW Phase 1 offshore wind project in the RFP with BC Hydro and will be submitting its bid on November 25, 2008. BC Hydro's RFP schedule indicates that EPA awards will occur in Mid-April to June 2009.

Other Company highlights and undertakings during the current fiscal year include:

- The following executive appointments:
 - 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 as Senior Vice-President at TransAlta where he played a key role in the growth and development of TransAlta's U.S. non-regulated business;
 - 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 NaiKun Wind Generating Inc., a company jointly owned by ENMAX 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.
- The further strengthening of the Company's Board of Directors 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; and
 - Paul Taylor, see above.
- The securing of arrangements for electricity transmission corridors with north coast First Nations communities 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.
- Approval from the Environmental Assessment Office (EAO) of 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 final application for an Environmental Assessment Certificate. Environmental field studies have been ongoing since early 2007 and will continue through 2008. The information from this work, together with feedback and input from First Nations, local communities and other interested parties, will be included in NaiKun's application which will be submitted in January 2009. Approvals are targeted for Fall 2009.

- The engagement of Hemmera Envirochem Inc. (“Hemmera”), to assist the Company in obtaining environmental approvals for the NaiKun Wind Project. Hemmera brings expertise and experience with large scale Environmental Assessment projects including wind energy projects in British Columbia.
- The appointment of three senior advisors to the Company’s bid advisory committee and the committee’s consequent winding-up after successfully serving as a bridge for recruitment and placement of Company senior staff.
- The signing of a Memorandum of Understanding with British Columbia Institute of Technology (“BCIT”) to maintain a dialogue and coordinate training programs on the various jobs, trades and skills required on the NaiKun Wind Project and/or similar energy related projects.
- The engagement of Offshore Design Engineering Ltd. (“ODE”), a U.K. based consulting, engineering, procurement, project management and operations support provider, to assist in the ongoing economic feasibility analysis. ODE brings significant experience in offshore wind projects.
- Ongoing analysis of wind data, ocean currents and patterns from the Company’s meteorological station located at the project site which was installed in September 2007.
- Advancing 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.

From inception to June 30, 2008, the Company has expensed approximately \$14.7 million on the development stages of the NaiKun Wind Project. In addition, the Company has capitalized \$2.5 million in costs relating to the construction and installation of the Metmast.

Financial Summary

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

	June 30 <u>2008</u>	Three months ended June 30 <u>2007</u>	October 1, 2004 to June 30 <u>2008</u>
Net Loss	\$4,531,506	\$1,272,336	\$16,173,831
Loss per common share	<u>\$0.12</u>	<u>\$0.06</u>	

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

	June 30 <u>2008</u>	September 30 <u>2007</u>	September 30 <u>2006</u>
Total Assets	\$34,473,062	\$39,719,445	\$3,262,639
Total Liabilities	5,933,454	2,602,707	2,031,593

Net Losses and the decrease in *Total Assets* during Q3-2008 are primarily due to the Company's expenditures on the NaiKun Wind Project, most of which were expensed in the period incurred.

Total Liabilities at the June 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 7 of the financial statements).

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 - \$
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)
30-Sep-06	46,938	154,153	(524,995)	(0.06)	(0.06)

*starting in the three months 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 sales have been declining as the Company continues to divest of its interests. To date, the Company has not earned any revenue from the NaiKun Wind Project.

Result of Operations

The Company reported a loss of \$4,531,506 for Q3-2008 compared with a loss of \$1,272,336 for the same period last year. Cash outflows from operations amounted to \$3,274,624 compared with an outflow of \$1,359,022 for the same period last year. These increases are both primarily due to the Company's expenditures on the NaiKun Wind Project, most of which are expensed in the period incurred (See comment on Salaries and Wages 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 Q3-2008 totaled \$4,832,236 (2007 - \$1,332,176) of which \$2,763,616 (2007 - nil) was for salaries and wages (see below), \$1,370,492 (2007 - \$846,196) related to engineering and development expenses. Other noteworthy items include public and government relations expenses of \$191,787 (2007 - \$96,268), professional fees of \$149,129 (2007 - \$116,936), and travel expenses of \$222,566 (2007 - 59,635). Non-cash expenses include depletion and amortization of \$47,127 (2007 - 5,000). 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.

In Q3-2008, the Company recorded investment income of \$266,174 (2007 - \$59,608). 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 \$33,354 in Q3-2008 compared with \$15,169 for the same period in the previous year.

Salaries and Wages

In Q3-2008, the Company paid \$2,763,616 in salaries and wages vs nil in the same period last year and \$383,510 in the previous quarter. The increase is due to a combination of factors: (1) addition of eight staff members including three senior executives during Q3-2008 (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 (6) re-classification of certain consultants expenses as salaries and wages. The executive search fees, signing payments and 2007 employee performance compensation payments are not expected to be recurring in the ongoing operations for the Company.

Liquidity

As at June 30, 2008, the Company had \$30,784,730 in cash and cash equivalents compared to \$36,711,648 at the end of September 30, 2007. Working capital at June 30, 2008 was \$29,600,692 vs \$35,001,711 at September 30, 2007. The decrease in cash and cash equivalents and working capital during Q3-2008 is primarily a result of the expenditures related to the ongoing administrative and engineering activities of the NaiKun Wind Project.

Capital Resources and Non-Controlling Interest

In the three months ended June 30, 2008, the Company issued 1,633,388 common shares in a number of transactions, for aggregate proceeds of \$2,213,505 detailed further in the notes accompanying the Company's financial statements:

As at June 30, 2008, the Company had 37,952,288 common shares issued and outstanding.

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

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Number Outstanding</u>
September 22, 2008	\$0.50	18,500
November 28, 2011	\$0.72	<u>562,500</u>
		<u>581,000</u>

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

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Number Outstanding</u>
September 30, 2008	\$0.55	1,476,465
December 4, 2009	\$2.66	<u>1,000,000</u>
		<u>2,476,465</u>

Subsequent to June 30, 2008, and prior to the Report Date, the Company issued 885,600 common shares for gross proceeds \$486,880 from the exercise of warrants and broker options.

Related Party Transactions

During the nine months ended June 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 nine months ended June 30, 2008, \$492,065 of these expenses were included in the Consolidated Statement of Loss (vs \$566,000 in the same period last year). These transactions with related parties are in the normal course of operations and have been recorded at the amount of consideration paid, which is considered similar to that negotiable 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.

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 its new name *Naikun Wind Energy Group Inc.* or at www.naikun.ca.

Dated August 25, 2008