

NAIKUN WIND ENERGY GROUP INC.

(A Development Stage Company)

Management's Discussion & Analysis Second Quarter ended March 31, 2009

Containing information up to and including May 22, 2009

This Management's Discussion and Analysis ("MD&A") reviews the activities of NaiKun Wind Energy Group Inc. ("Group") and its subsidiaries: wholly owned NaiKun Wind Development Inc. ("Devco"), NaiKun Wind Operating Inc. ("OpCo"), Astar Resources (U.S.) Corporation ("Astar") and Patriot Energy Company Ltd. ("Patriot"), and 50% holding NaiKun Wind Generating Inc. ("Genco"), (collectively the "Company" or "NaiKun Wind"). For a more complete understanding of the Company's financial condition and results of operations, this MD&A should be read together with the interim financial statements for the three months ended March 31, 2009 ("Q2 – 2009") and the accompanying notes for all relevant periods, including the most recent audited financial statements and MD&A for the year ended September 30, 2008. 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, May 22, 2009 (the "Report Date").

Description and Overview of Business

NaiKun Wind Energy Group Inc. is a British Columbia-based renewable energy company with a focus on wind energy projects. Headquartered in Vancouver, it is a Tier 1 listed company that

trades on the TSX Venture Exchange (TSX-V:NKW). 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 Power Call (the "CPC") issued by British Columbia Hydro and Power Authority ("BC Hydro") on June 11, 2008. On November 24, 2008, the Company submitted its proposal (the "Proposal") for Phase 1 of the NaiKun Wind Project ("Phase 1 Project") to supply up to 396 megawatts of electricity in response to the CPC. BC Hydro is scheduled to award electricity purchase agreements ("EPA") in mid 2009. If the Company receives an EPA award, and upon arrangement of construction financing, the Company intends to transfer any assets associated with the first phase of the NaiKun Wind Project from its wholly owned subsidiary, Devco to Genco, a company jointly owned by ENMAX Green Power Inc. ("ENMAX"), a wholly owned subsidiary of Calgary based ENMAX Energy Corporation, and Group, to progress the Project through the construction and operation stages. The Company intends to develop future phases of the Project.

NaiKun Wind Project

The Company holds an Investigative Use Permit ("IUP") from the Government of BC and a Permit to conduct research from the Haida Power Authority both of which, upon receipt of necessary environmental approvals, provide the Company with the ability to develop wind energy projects in a 550 km² trapezoid shaped area off the north coast of Haida Gwaii (Queen Charlotte Islands) in British Columbia's Hecate Strait. In addition, the Company holds an IUP for two cable corridors that would be used to connect the wind projects to Haida Gwaii and the mainland grid.

The wind resource in the area is the best in BC and among the best in the world due to the consistent and high wind speeds, rated as a top level Class 7 with mean wind speeds exceeding 9.5 m/s. Other characteristics that make Hecate Strait an ideal location for offshore wind projects include its flat sedimentary seabed, relatively shallow waters and close access to British Columbia Transmission Corporation's power grid.

The potential of the area within the IUPs is 1,750 megawatts ("MW"), enough to power over 500,000 homes. The currently assumed timeframe to fully develop this world-class energy resource within the approved IUP is approximately 10 years. The Company's approach would see the wind resource developed over 5 phases, with full production of the 396 MW Phase 1 scheduled for 2014 and subsequent phases of each between 300 to 400 MW. The Company is in the conceptual stage of development for Phase 2. Following the commercial and environmental confirmation of Phase 1, the Company would begin the regulatory and commercial evaluation of this subsequent phase. The specific development schedule for Phases 2 through 5 are subject to overall power requirements in BC, the Western Electricity Coordinating Council and Western Renewable Energy Zones, environmental approvals, First Nations consultation and approvals along with other factors which would include securing strategic and financial partners.

The Company's key business focus includes being a renewable energy developer, an equity owner of wind projects and the operator of wind projects. The Company's long term revenue plan is built on optimizing these multiple income streams.

Beyond developing the wind potential of Hecate Strait, the Company from time to time explores renewable energy options in British Columbia and other jurisdictions that might be consistent with its corporate objectives and capabilities.

Project Update

Phase 1 (396 MW)

A key milestone for the Phase 1 Project and for Q1-2009 was the submission of the Proposal into the CPC on November 24, 2008 to develop up to 396 MW of offshore wind capacity.

Clean Power Call RFP (“CPC”)

- Issuance of the CPC in June 2008 marked a key milestone for the BC Energy Plan. The CPC was targeted to acquire “clean” energy from projects using proven technology and had a stated intention of accommodating larger projects with in-service dates of 2016 or earlier. The announced target for the CPC was 5,000 GWh of energy. On December 22, 2008, BC Hydro filed an Evidentiary Update which amended the proposed firm energy “need” from 5000 GWh to 3,000 GWh. Subsequently on January 12, 2009, BC Hydro in a filing with the BC Utilities Commission indicated that it may buy 5,000 GWh of energy or more, subject to cost effectiveness of proposed power options.
- The CPC received 68 proposals for clean energy projects around the province, including 45 hydroelectric projects, 19 wind projects, two projects using waste heat and one each for biogas and biomass. The total capacity of these proposals is 17,000 GWh/year and highlights the availability of a significant renewable energy resource that can be developed by private developers, in many instances working in commercial partnership with First Nations, for BC Hydro to meet domestic needs or to export to other jurisdictions.
- The Company’s Proposal submitted to BC Hydro on November 24, 2008 in response to the CPC included a number of key features designed to achieve success. These included:
 1. **A Legacy for British Columbians** – The NaiKun Wind Project will make a significant contribution to meeting BC’s growing energy needs and initiate development of a new, clean, renewable power resource for British Columbia. The Proposal is aligned with the objectives and goals of the BC Energy Plan.
 2. **Complement to BC Hydro’s Hydroelectric Assets** – The NaiKun Wind Project will provide BC with clean energy free of greenhouse gas emissions, generated by strong, consistent, year-round winds that complement BC Hydro’s existing hydroelectric energy base. The NaiKun Wind Project realizes peak generation during the months when BC’s power demands are at its highest but the generation capacity of the Province’s hydro-based assets is lowest.
 3. **Strong First Nations Support** – the Company has built and maintained positive and collaborative partnerships with First Nations and communities to create lasting benefits. The Company has partnered with First Nations on aspects of the Project such as revenue generation, employment, training, and income sharing, so that local communities benefit directly and significantly from the Project.
 4. **Strong Public Support** – the Company’s consultation, public information, and community relations activities to date have resulted in strong local and provincial support for the Project.

5. **A Strong Business Case** based on best management practices in financing, project management, construction and operations to appropriately manage risk and ensure performance.
6. **An Experienced Team** of energy sector executives, engineers, and project managers with proven ability to deliver large-scale and complex infrastructure projects – including offshore wind – on time, on budget, and in keeping with community needs.
7. **Project Scalability and Flexibility** – the Company can offer additional project phases to meet unanticipated demand and respond to challenges that may result from supply shortfalls.
8. **An Advanced Stage of Development** providing a high degree of certainty that the NaiKun Wind Project will be delivered on time. The Company already has an agreement leading to the supply of wind turbine generators, the environmental assessment process has entered the application review stage, and financing arrangements are advancing.

The Company is confident that its Proposal offers BC Hydro flexibility to meet future energy needs and positions the Company to successfully deliver a Project that is in the best interests of energy users in British Columbia. BC Hydro has indicated that it intends to award Electricity Purchase Agreements for the CPC in mid-2009, following the receipt of the British Columbia Utilities Commission decision regarding BC Hydro's 2008 Long Term Acquisition Plan.

The Company has been developing the Phase 1 Project with the assistance of various personnel from ENMAX, which has a 50% ownership interest in Genco, the company that will build and own the Phase 1 Project. Genco will also contract with the proposed operator of the generating assets, Haida NaiKun Wind Operating Limited Partnership, a 50:50 partnership between Opco and the Council of the Haida Nation. Genco expects to secure a third project equity partner for Phase 1, with a targeted ownership position of 35% to 40% leaving NaiKun Wind with 10% to 15%. The Company plans to obtain debt on a project financing basis with advice from The Bank of Tokyo-Mitsubishi UFJ who has been retained as a project finance advisor to Genco on the Phase 1 Project.

Other project highlights for Phase 1 of the NaiKun Wind Project during this fiscal year included:

- securing the participation of key engineering consultants Sandwell Engineering ("Sandwell") of Vancouver and Offshore Design Engineering ("ODE") from the United Kingdom. Sandwell has extensive experience with west coast projects and ODE has proven expertise in UK offshore wind construction and operation.
- signing a letter of intent ("LOI") with Siemens Wind Power A/S ("Siemens") which focuses on the supply of 110 offshore wind turbines, each with a capacity of 3.6 MW. The Company also extended an existing memorandum of understanding with Siemens for the supply of offshore transmission systems to support the Project.

A significant effort was focused preparing the application for environmental assessment approval for Phase 1 of the NaiKun Wind Project. NaiKun Wind is committed to developing the Project in a manner that respects First Nations and north coast communities, their environmental values and economic development objectives. The Company has undertaken a rigorous environmental assessment and is confident that the Project, as proposed, will not result in any significant adverse environmental impacts. Potential benefits associated with the project include the provision of clean energy and economic development. The Company is confident that through the course of the review, it will be able to demonstrate that the project has a net positive effect, with lasting benefits for north coast communities and the Province of British Columbia at large.

The application, which was formally accepted by the BC Environmental Assessment Office on May 15, 2009 will be subject to a harmonized federal-provincial review. The review has a prescribed 180 day application review stage which includes a concurrent 45 day public comment period at the start. Following the application review stage there is a decision stage with a prescribed timeline of up to 45 days for final approval.

Concurrent with the federal-provincial process managed by the BC Environmental Assessment Office, the Haida Nation is also undertaking a separate environmental review of Phase 1 of the NaiKun Wind Project.

Environmental approvals from the three governing bodies are targeted for the end of calendar year 2009.

Q2-2009 also featured the establishment of a landmark partnership between NaiKun Wind and the Council of the Haida Nation. Signed on January 29, 2009 the partnership is a commercial limited partnership which will operate and maintain the NaiKun Wind Project after construction. The agreement formalized the relationship between the Haida Nation and NaiKun Wind that has been ongoing since 2002, and builds on the memorandum of understanding signed in May 2007. The Haida Nation and Opco will participate equally in the partnership both in terms of ownership and economic value. Opco is the designated General Partner.

In addition to the partnership agreement with the Haida Nation, NaiKun Wind also signed a memorandum of understanding (“MOU”) with the Prince Rupert Port Authority (the “Port”). Announced in March 2009, the MOU covers important logistical elements for the construction phase of the NaiKun Wind Project, allows NaiKun Wind to develop areas where the submarine transmission cable meets the shoreline and allows for the sub-assembly of equipment related to the NaiKun Wind Project.

The partnership agreement with the Haida Nation and the MOU with the Port were the latest in a series of commercial arrangements with project partners including the Lax Kw’alaams and Metlakatla First Nations, ENMAX and Siemens all with the purpose of advancing the Project.

Other highlights of Q2-2009 included:

- The selection of The Bank of Tokyo-Mitsubishi UFJ as Group’s advisor for the selection of an additional equity partner in Genco.
- The recognition of NaiKun Wind’s meteorological station (“Met Mast”) at its project site with an award from the Consulting Engineers of British Columbia. The prestigious engineering award was presented to Sandwell Engineering, the consulting engineers for the Met Mast project. Installation of the Met Mast was and continues to be essential to the wind measurement program that has proven the strength of the wind resource in Hecate Strait.
- NaiKun Wind also participated in the significant dialogue under way in British Columbia about the important role for renewable energy in achieving a sustainable and secure economic future for the Province. An example of this was the participation of NaiKun Wind in the PowerUp Canada (www.powerupcanada.ca) conference, a unique event that demonstrated significant support for the green energy industry and the environmental community.

From inception to March 31, 2009, the Company has expensed approximately \$33.6 million on the development stages of the NaiKun Wind Project, of which \$13.6 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 Met Mast, which includes an asset retirement obligation (“ARO”) in regards to the future costs associated with removal of the Met Mast.

Phase 2 (400 MW)

- The Company is in the conceptual stage of development for a 400 MW Phase 2 of the Project, the evaluation of which would begin upon commercial and environmental confirmation of the similar sized Phase 1. The development of this potential 400 MW would be contingent on, among other things, First Nations' consultations and appropriate environmental approvals and securing an off-take agreement with BC Hydro or another creditworthy purchaser. In addition, construction of the incremental 400 MW would be contingent upon the availability of cost-effective transmission capacity and the commitment of project partners and financing. The Company believes that the option to develop Phase 2 of the Project may be attractive to utilities looking for renewable energy options. The Company further believes that the scalability of the Project differentiates the Company from most other energy projects in the western renewable energy market.

Outlook

The next six months will potentially feature a number of significant milestones for NaiKun Wind and the Phase 1 Project. These include the previously mentioned environmental assessment approvals and the award of an EPA from BC Hydro. In addition, the Company will commence the process to select a project and contract manager, secure a third project equity partner for Genco, and undertake a geotechnical work program that will lead to the finalization of project design.

In June 2009, NaiKun Wind will be initiating a process to select a project and contract manager. This company will oversee the detailed design, procurement, construction and commissioning of the Phase 1 Project. Preliminary assessments of the marketplace have already been undertaken including initial reviews with potentially qualified contractors, and candidates with offshore wind experience will be invited to respond to a request for proposals.

Over the next six months, Group will focus on securing a third project equity partner for Genco. Currently Genco is owned on a 50-50 basis by Group and ENMAX. The targeted ownership structure will result in ENMAX owning 50% of Genco, the third equity partner owning 35% to 40% and Group owning 10% to 15%. These targets reflect the Company's strategy of leveraging its primary role as project developer. The Company expects the third project equity partner will begin participation in late 2009 once specific development risks have been eliminated through progress in securing the Environmental Assessment certificates and certain project contract milestones. Additional milestones include key supplier agreements for major project equipment and components and environmental approval-related permits.

In summer 2009, the Company will study the detailed geotechnical conditions which will assist with the design and placement of turbine foundations beginning in 2012. A program of bore holes and cone penetration tests will be undertaken to assess individual turbine locations, once the Company is awarded an EPA from BC Hydro for Phase 1 of the Project.

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:

Electricity Purchase Agreement

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 strategic partners who will provide project equity and from project financing which will be the source for the required debt. 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 refine and execute the financing plan.

Contracting Parties

The Company's current and future contractual arrangements with various parties (e.g., 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. The Company will include technical and financial capacity and credit-worthiness assessments in its contracting strategies.

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 Met Mast, indicate the wind resource 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, contracting and scheduling strategies to manage this risk.

Financial Summary

The following summarizes selected financial information for the six months ended March 31, 2009, 2008 and the cumulative data from October 1, 2004 to March 31, 2009.

	Six months ended March 31 <u>2009</u>	March 31 <u>2008</u>	October 1, 2004 to March 31 <u>2009</u>
Net Loss	\$(7,143,581)	\$(4,662,978)	\$(30,310,579)
Loss per common share	<u>\$0.18</u>	<u>\$0.13</u>	

The following summarizes the total assets and total liabilities as at March 31, 2009, September 30, 2008 and September 30, 2007.

	March 31 <u>2009</u>	September 30 <u>2008</u>	September 30 <u>2007</u>
Total Assets	\$23,242,955	\$31,997,564	\$39,719,445
Total Liabilities	\$7,801,902	9,412,930	2,602,707

Net Loss and the decrease in *Total Assets* during the six months ended March 31, 2009 are primarily due to the Company's expenditures on the NaiKun Wind Project, virtually all of which were expensed in the period incurred.

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 & Engineering Expenses - \$	Net Income (Loss) - \$	Basic Earnings (Loss) per share - \$	Fully Diluted Earnings (Loss) per share - \$
31-Mar-09	Nil*	3,532,739	(3,444,772)	(0.09)	(0.09)
31-Dec-08	Nil*	3,901,310	(3,698,809)	(0.09)	(0.09)
30-Sep-08	Nil*	7,725,568	(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*	3,006,750	(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)

*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 has been declining as the Company continues to divest of its interests.

The level of expenditures and loss varies from period to period depending on the level of activity related to the development of the NaiKun Wind Project.

Result of Operations

The Company reported a loss of \$3,444,772 for three months ended March 31, 2009 compared with a loss of \$2,101,701 for the same period last year. Cash outflows from operations amounted to \$3,257,772 compared with an outflow of \$2,047,266 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. 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 three months ended March 31, 2009 totalled \$3,532,739 (2008 - \$2,490,954) of which \$1,128,013 (2008 - \$383,510) was for compensation. This increase is due to the hiring of several staff (including three senior executives) in April/May 2008. Engineering and development expenses during Q2-2009 amounted to \$1,555,711 (2008 - \$1,034,417) and was mostly attributable to studies and work related to the environmental approval process. Other noteworthy items include office and administrative expenses of \$230,659 (2008 -

\$324,719), public and community relations expenses of \$86,232 (2008 – \$189,251), professional fees of \$57,950 (2008 - \$383,575) – all of which declined significantly as up front costs associated with development of the Project have mostly been completed. In addition, management has scaled back in these areas as it awaits the BC Hydro decision. Travel expenses were consistent with the prior period at \$128,349 (2008 – \$121,046) as Company personnel continue to travel to the Project site to further community relations and the environmental approval process, to Calgary and Toronto for investor relations and to Europe to further discussions with supply and contract vendors, engineering consultants and financial advisors. Non-cash expenses included depletion and amortization of \$187,000 (2008 – \$54,435). The Company also recorded a one-time interest expense of \$158,825 (2008 – nil) in Q2-2008 paid to Canada Revenue Agency (“CRA”) in regards to funds raised in the flow through financing in August 2007 and unexpended as at February 2008. Interest was calculated at the CRA prescribed rate on the unexpended funds at the end of each month in 2008 until the entire amount raised in the flow through financing was fully spent on qualifying expenditures under the Canadian Renewable and Conservation Expenses (“CRCE”) program. These CRCE funds were fully spent by November 2008.

During the three months ended March 31, 2009, the Company recorded investment income of \$66,529 (2008 - \$366,345). The decline in investment income is attributable to the lower average cash balance and the significant decline in interest rates over the last year. The Company’s net petroleum and natural gas sales amounted to \$19,561 during the three months ended March 31, 2009 compared with \$26,331 for the same period in the previous year. This decrease is attributable to reduced activity and the decline of oil prices.

Liquidity

As at March 31, 2009, the Company had \$19,518,869 in cash and cash equivalents compared to \$27,942,637 as at September 30, 2008. Of that balance, approximately \$19 million was held in bankers acceptances issued by Canadian chartered banks with maturity dates ranging from 3 days to 36 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 March 31, 2009 was \$17,054,253 vs \$23,856,085 as at September 30, 2008. The decrease in cash and cash equivalents and working capital during the three months ended March 31, 2009 is primarily a result of the expenditures related to the advancement of the NaiKun Wind Project.

Capital Resources and Non-Controlling Interest

During the three months March 31, 2009, the Company did not issue any common shares and as at March 31, 2009 and May 22, 2009 had 39,332,501 common shares issued and outstanding.

As at March 31, 2009 and May 22, 2009, the Company had the following options and warrants outstanding:

Description	Exercise Price	Expiry Date	Number Outstanding
Restricted Warrants	\$0.63	September 30, 2013*	11,300,000
Stock Options	\$0.72	November 28, 2011	562,500
Warrants	\$2.66	December 4, 2009	1,000,000

*or 2 years after close of construction financing (“Financial Close”) on Phase 1 of the NaiKun Wind Project (whichever is earlier).

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.

Related Party Transactions

During the three months ended March 31, 2009, 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 three months ended March 31, 2009, \$112,500 of these expenses were included in the Consolidated Statement of Loss (vs \$143,000 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 which would be otherwise negotiated with third parties.

As at March 31, 2009, the Company holds a mortgage receivable with a principal value of \$732,000 from a former Company director, who is also a senior officer of one of the Company's subsidiaries. The purpose of the mortgage was 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.

During the year ended Sept 30, 2008, the Company approved a payout from the Company's Deferred Plan 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 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 March 31, 2009, the amount receivable under this loan program from employees is \$265,266.

Significant Accounting Policies

The Company prepares its financial statements in conformity with generally accepted accounting principles for Canada.

Accounting Changes

Goodwill and Intangible Assets

Section 3064, Goodwill and Intangible Assets, is 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. This new standard did not have a material impact on the Company's consolidated financial statements.

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.

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 National Instrument 52-109. In particular, the certifying officers (the Chief Executive Officer and Chief Financial Officer) 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 National Instrument 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 May 22, 2009