

**NAIKUN WIND ENERGY GROUP INC.**  
**(formerly Uniterre Resources Ltd.)**  
**Management's Discussion & Analysis**  
**For the year ended September 30, 2007**

**December 3, 2007**

This Management's Discussion and Analysis ("MD&A") reviews the activities of NaiKun Wind Energy Group Inc. (the "Company") and compares the financial results for the year ended September 30, 2007 ("Fiscal 2007") with those of the corresponding year ended September 30, 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 audited financial statements and the accompanying notes for all relevant periods, copies of which are available on SEDAR.

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 forward-looking information is only provided as of the date of this MD&A, December 3, 2007 (the "Report Date")

**Description and Overview of Business**

Beginning in 2004 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 Project" or "Project"). To better reflect the Company's new focus, effective November 3, 2006, the Company changed its name to NaiKun Wind Energy Group Inc.

Historically, the Company was a junior natural resources company involved in the exploration, development and acquisition of petroleum and natural gas assets and mineral interests. During the year, the Company continued its divestment of its oil and gas assets and mineral interests and wrote down its remaining non-wind related assets to nil.

In 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 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. As evidence of the provincial government's commitment to implement the new Energy Plan and to address the current shortfall in electricity production in the province, BC Hydro announced a call for clean power, in September 2007, to acquire up to 5,000 gigawatt hours of firm electricity (or approximately enough electricity to power 500,000 homes in BC). Draft terms were issued in November 2007, and the call itself will be issued in Spring 2008. Bids will be due in early summer and contracts are expected to be awarded in Fall 2008.

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 the possibility of selling power from the Project to purchasers outside of the province.

During Fiscal 2007, the Company continued with its efforts to develop the NaiKun Wind Project and achieved a number of objectives. Previously issued permits from the Council of the Haida Nation, and the federal and provincial governments have been extended allowing continued development of the Project and the installation of a wind measuring meteorological station ("Metmast") at the proposed site near the coast of Haida Gwaii (Queen Charlotte Islands).

Other Company highlights during the year ended September 30, 2007 include:

- A strategic partnership between the Company and ENMAX Corporation ("ENMAX") whereby ENMAX invested in the Company and in Phase 1 of the NaiKun Wind Project. In addition, ENMAX and the Company have agreed to explore opportunities to optimize the benefit from the NaiKun Wind Project, including emission credit marketing and provision of professional services by ENMAX personnel to the Project;
- An agreement between the Company and the Haida Power Authority ("HPA") that sets forth the preliminary terms and conditions for the operation of NaiKun Wind Operating Inc. ("Opco") which will operate the NaiKun Wind Project. As part of the agreement, the HPA would acquire 50% of Opco and participate in its management;
- A memorandum of understanding with Siemens Power Transmission and Distribution ("Siemens") whereby Siemens would assess the transmission requirements and solutions for the NaiKun Wind Project and, subject to the successful completion of this assessment, would conduct the Engineering, Procurement and Construction for the Company's transmission system;
- The initiation of the Haidalink project ("HaidaLink"), whereby power from the NaiKun Wind Project would be transmitted to Haida Gwaii by way of an undersea cable thus allowing Haida Gwaii to displace a portion of the diesel generation that it is currently using to generate power. HaidaLink has the additional benefit of connecting Haida Gwaii to the BC Hydro grid.
- The further strengthening of the Company's board with the addition of two prominent business leaders from the energy sector: Gary Holden, President and Chief Executive Officer of ENMAX Corporation and Graham Wilson, former Chief Financial Officer of Westcoast Energy

- The opening of an Energy Centre in the village of Masset on Haida Gwaii that was jointly developed with the HPA to provide and disseminate information to the local public about the NaiKun Wind Project, HaidaLink and energy on Haida Gwaii.
- The completion of construction and installation of the Metmast, which contains a ZephIR LiDAR, a laser wind velocity measurement system. It is currently reporting real time wind data via satellite which will be used in conjunction with wind data from Environment Canada and data from an onshore ZephIR LiDAR commissioned by the Company in August 2007 to assist in assessing the wind resource for the NaiKun Wind Project.

From inception to September 30, 2007, the Company has incurred and expensed more than \$6,565,900 on the development stages of the NaiKun Wind Project. In addition, the Company has capitalized \$2,499,600 in costs relating to the construction and installation of the Metmast.

### Financial Summary

The following summarizes selected financial information for the years ended September 30, 2007, 2006 and the cumulative data from October 1, 2004 to September 30, 2007.

	Year ended Sept 30 <u>2007</u>	Year ended Sept 30 <u>2006</u>	Oct 1, 2004 to Sept 30 <u>2007</u>
Petroleum and Natural Gas Sales – net	\$71,294	\$191,703	\$653,956
Net Loss	(5,067,569)	(652,140)	(6,979,347)
Loss per common share	(0.27)	(0.01)	

The following summarizes the total assets and total liabilities as at September 30, 2007, 2006 and 2005.

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Total Assets	\$39,719,445	\$3,262,639	\$902,964
Total Liabilities	2,602,707	2,031,593	135,635

*Petroleum and natural gas sales* have been declining as the Company continues to divest of its interests.

*Net Losses* are primarily due to the Company's expenditures on the NaiKun Wind Project, most of which are expensed in the year incurred.

*Total Assets* have increased significantly in Fiscal 2007 due to three private placement financings for gross proceeds of \$4 million and \$1.5 million in March 2007 and \$35.1 million in August 2007.

*Total Liabilities* at September 30, 2007 are primarily related to payables to the contractors involved with the Metmast which was installed by the end of Fiscal 2007.

## 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-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)
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)

\*the Company has 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. As the Company divests of its petroleum and natural gas assets and mineral interests, revenue from these sources has been declining. To date, the Company has not earned any revenue from the NaiKun Wind Project.

## Result of Operations

The Company reported a loss of \$5,067,569 compared with a loss of \$652,140 for the same period in 2006. Cash outflows from operations amounted to \$3,143,252 compared with an outflow of \$237,734 in 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.

General, administrative and engineering expenses for Fiscal 2007 totaled \$6,058,250 (2006 - \$571,101) of which \$3,577,794 related to engineering and development expenses. Other noteworthy items include public and government relations expenses of \$274,343, professional fees of \$396,556, and travel expenses of \$304,953. Non-cash expenses include stock based compensation expense of \$506,000, amortization of deferred financing costs of \$188,430, depletion and amortization of \$17,682 and interest expense of \$72,898 on a debenture issue paid through issuance of common shares. The significant increase over the prior year is primarily due to increased activity on the development of the NaiKun Wind Project and the administrative costs of the private placement financings that occurred during the year.

During the year, the Company recorded investment income of \$389,843 vs \$3,441 in 2006. The increase was primarily due to the significant capital raised in March 2007 and August 2007. The Company's net petroleum and natural gas sales amounted to \$71,294 in Fiscal 2007 compared with \$191,703 in 2006 due to the Company's reduced activity in this sector. The Company also recorded a gain on sale of investments of \$500,000 (2006 - \$9,250) on the sale of 50% of its interest in NaiKun Wind

Generating Inc. to ENMAX. The Company also sold its interest in a gas well at Acadia and recorded a gain on sale of a resource property interest of \$12,072 (2006 - \$261,912).

## Liquidity

As at September 30, 2007, the Company had \$36,711,648 in cash and cash equivalents compared to \$1,823,004 at the end of September 30, 2006. Working capital at September 30, 2007 was \$34,536,011 compared to \$2,919,538 at September 30, 2006. The increase in liquidity in cash and cash equivalents and working capital is due to the private placement financings that occurred during Fiscal 2007.

## Capital Resources and Non-Controlling Interest

During Fiscal 2007, the Company issued 23,795,633 common shares in a number of transactions, which are summarized below and detailed further in the notes accompanying the Company's financial statements:

- In October 2006, the Company issued 3,210,000 common shares to directors and officers of the Company under the terms of a share exchange agreement for all of the issued and outstanding shares of NaiKun Wind Development Inc., a subsidiary of the Company, held by those directors and officers.
- On March 1, 2007, the Company forced conversion of its convertible debenture issue, which when combined with the prior voluntary conversions, resulted in the issue of 3,760,000 common shares. Interest payable of \$72,898 on the debentures was paid through the issue of 58,886 common shares.
- In March 2007, the Company issued 735,295 Flow-Through shares at a price of \$1.70 per share and 1,964,284 Units at \$1.40 per unit for gross proceeds of \$4,000,000. Each Unit is comprised of one common share and one-half common share purchase warrant, which entitles the holder to purchase one common share at an exercise price of \$1.80 per share until May 30, 2008.
- In March 2007, the Company issued 1,097,562 common shares to ENMAX Corporation for gross proceeds of \$1,500,000.
- In August 2007, the Company issued 2,600,000 Flow-Through Shares at a price of \$3.85 per share and 7,506,000 common shares at a price of \$3.35 per share for gross proceeds of \$35,155,100.
- Throughout the year, 863,993 common shares were issued upon exercise of stock options for gross proceeds of \$189,015.
- Throughout the year, the Company issued 1,965,744 common shares through exercise of warrants for gross proceeds of \$879,347
- Throughout the year, the Company issued 33,869 common shares to a service provider for gross proceeds of \$37,294

As at September 30, 2007, the Company had 34,906,640 common shares issued and outstanding.

The Company has the following options outstanding as at September 30, 2007:

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Number Outstanding</u>
October 16, 2007	\$0.42	100,000
May 30, 2008	\$1.40	146,167
September 22, 2008	\$0.50	447,527
September 9, 2009	\$0.15	50,000

November 28, 2011	\$0.72	1,021,500
December 9, 2011	\$0.13	50,000

The Company has the following warrants outstanding as at September 30, 2007

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Number Outstanding</u>
May 30, 2008	\$1.80	942,347
May 30, 2008	\$1.70	56,714
September 30, 2008	\$0.55	2,015,851

Subsequent to September 30, 2007, the Company issued 361,567 common shares pursuant to the exercise of certain options for gross proceeds of \$175,070. The Company also issued 193,826 through the exercise of warrants for gross proceeds of \$122,800.

### **Related Party Transactions**

During the year, 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 Fiscal 2007, \$828,900 of these expenses were included in the Consolidated Statement of Loss (\$118,803 – 2006). 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.

### **Subsequent Events**

In October 2007, the Company entered into a loan agreement with an entity that is assisting the Company with a number of objectives regarding the NaiKun Wind Project. This agreement provides for the Company to advance funds to the third party in the amount of \$300,000 at an interest rate equal to the Bank of Montreal prime rate for a maximum term up to September 30, 2008. As at November 15, 2007, the Company has advanced \$80,000 under this loan agreement.

### **Changes in Recent Accounting Pronouncements**

#### *Accounting Changes, Comprehensive Income, Hedges and Financial Instruments*

Section 1506, Accounting Changes, which relates to accounting policies, changes in accounting estimates and errors. Under this revised standard, voluntary changes in accounting policy are made only 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.

Section 1530, Comprehensive Income, 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 currently has no financial instruments or other transaction which would require the recognition of other comprehensive income so the Statement of Comprehensive Income has been combined with the Statement of Loss and Deficit.

Section 3865, Hedges, establishes how hedge accounting may be applied. The Company is not utilizing any hedging strategies.

Sections 3855, Financial Instruments – Recognition and Measurement, and Section 3862, Financial Instruments – Disclosure and Presentation, prescribe the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classification. These Sections also address how financial instruments are measured subsequent to recognition and how gain and losses are recognized.

The Company is required to designate its financial instruments into one of the following five categories: available for sale, loans and receivable, held to maturity, held for trading and all other financial liabilities. All financial instruments are to be initially measured at fair value. Financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change recorded in net income and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Company has designated its financial instruments as follows:

- a) Cash and cash equivalents are classified as “Held for trading”. After its initial fair value measurement, any change in fair value is recorded in net income.
- b) Accounts receivable are classified as “accounts receivables”. After their initial fair value measurement, they are measured at amortized cost. For the Company, the measurement amount generally corresponds to cost.
- c) Accounts payable and accrued payables are classified as such. Initial measurement is at fair value with any transaction costs added to the fair value amount. Subsequently, they are measured at amortized cost using the effective interest rate method. For the Company, the measurement amount generally corresponds to cost.

These new standards have been applied without restatement of prior period amounts and the Company has no opening balance adjustments resulting from the implementation of these new standards.

### *Capital Disclosures*

The CICA issued a new accounting standard, Section 1535 Capital Disclosures, which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity’s objective, policies and processes for managing capital. This new section is effective for years beginning on or after October 1, 2007.

### **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 Chief Financial Officer, as appropriate to permit timely decisions regarding public disclosure.

Management, including the Chief Executive Officer and 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 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 has made significant progress during Fiscal 2007 to formalize its procedures, but due to its limited 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 2008. 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](http://www.sedar.com). under its new name *Naikun Wind Energy Group Inc.*

Dated December 3, 2007