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Mackie Research Capital Corporation

6 APRIL 2010

WESTERN WIND ENERGY CORP.

Catch a Rising Windstar

WND— TSX-V : C$1.42
RECOMMENDATION: BUY
TARGET PRICE: $2.80

ALTERNATIVE ENERGY

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Mackie Research Capital Corporation

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INVESTMENT HIGHLIGHTS

WESTERN WIND ENERGY CORP.

WND — TSX-V: C$1.42 **6 APRIL 2010**

Catch a Rising Windstar

- Western Wind Energy Corp. engages in the acquisition, development, and operation of utility-scale renewable energy-generation projects in the highly-attractive Southwestern United States.
- Although Western Wind is a relatively small-scale producer today, at just 34.5 MW of operating capacity, the company has a large amount of new projects at the "shovel ready" stage, with 131 MW of incremental capacity locked up in Power Purchase Agreements (PPA).
- The economics of Western Wind's projects are highly attractive due to the high power price regions in which the company focuses, and the strong wind resource regimes of these same regions. For example, it is not uncommon for capacity factors to exceed 40% at the wind power sites in the Tehachapi Pass in California.
- The company's focus on the United States allows for access to tax credits, representing an important source of capital that results in less, and potentially no shareholder dilution to get projects constructed.
- The demonstrated track record of operating wind projects and negotiating PPAs is proof that this management team is comprised of individuals with a great deal of experience in developing projects in the focus areas of California and Arizona. Furthermore, management's 11% ownership in the company aligns interests.
- Important catalysts exist in the near term such as the 120 MW Windstar project that should receive a $200 million senior debt financing facility by the end of May. Construction requires 9 months, but would add incremental revenue and cash flow to the company of $40 million and $10 million, respectively.
- Other catalysts include a continued frenzy of wind power M&A activity in California, new PPAs, the securing of new permits and land rights, and the receipt of tax grants once projects reach the operating stage.
- Our growth forecast has the company emerging to become a "big-time" producer by 2014, with over 600 MW of power capacity in place, generating over $200 million of annual revenue by that time.
- We are initiating coverage on Western Wind Energy Corp. with a BUY recommendation and target price of $2.80.

RECOMMENDATION: BUY

Per Share Data C$

Price (04/06/10):	$1.42	Basic Shares O/S:	48.8	mm
Target Price (1 yr.):	$2.80	FD Shares:	59.6	mm
Projected Return:	97%	Float (Shares):	40.0	mm
52 Wk. Range:	$0.51-$2.05	Market Cap.:	$72	mm

FY Dec 31	2008A	2009E	2010E	2011E
EPS-Basic	-$0.07	-$0.12	-$0.08	-$0.04
P/E	n/a	n/a	n/a	n/a
CFPS	-$0.05	-$0.07	-$0.06	$0.14
P/CF	n/a	n/a	n/a	n/a

WESTERN WIND ENERGY CORP. — PERFORMANCE

Courtesy of BigCharts.com

ALTERNATIVE ENERGY

WESTERN WIND ENERGY CORP.

Western Wind Energy Corp. owns two wind energy electricalgeneration facilities and is developing wind energy projects in California and Arizona. The company's operating assets consist of the 4.5 megawatt Windridge wind farm, and the 30 megawatt Mesa wind farm. The expansion pipeline exceeds 10 projects and 600 megawatts of, primarily, wind power projects.

EXECUTIVE SUMMARY

Western Wind Energy Corp. (Western Wind) engages in the acquisition, development, and operation of utility-scale renewable energy-generation projects. Its focus is primarily on the development of wind power projects located in the Southwestern United States. Western Wind's business strategy is to search for promising land sites in terms of renewable energy resources, obtain sufficient resource data, negotiate long-term Power Purchase Agreements (PPA), and build, own, and operate renewable energy facilities. The company's installed capacity at its two operating projects amounts to 34.5 MW, with Mesa, the 30 MW project, located in the Palm Springs region of California.

At the present time, the company does not produce sufficient revenue to make it profitable. However, considerable progress has been made on the flagship 120 MW Windstar development project. Construction on Windstar could begin as early as this August, and require as little as nine months before completion. We calculate that Windstar would provide the company with over $40 million in annual revenue and approximately $10-12 million of annual cash flow, after debt service.

Western Wind is a relatively small-scale power producer; however, the company has secured a large inventory of land positions in attractive wind resource regions located in the Southwestern United States. The company has 11 key projects, offering the potential to build additional power production capacity exceeding 540 MW. Across these 11 projects, over 28,000 acres of land have been secured. According to our financial modeling, successful development, construction, and ownership of these projects produces attractive returns, with project IRRs into the mid-teens, and IRRs to equity investors exceeding 50% in most cases.

The company has several key competitive strengths and advantages. First, all of Western Wind's projects are located in the United States, and as a result, the company is eligible for some important stimulus tools that the U.S. Federal government provides to developers of clean energy-generation plants. As a result of the 30% Investment Tax Credit (ITC) available to wind power companies in the United States, for example, one may have a view that shareholders will incur considerably less dilution on new project construction. The ITC may provide close to 30% of a project's capital, and this is important considering that gearing rates are typically structured 30% Equity, 70% Debt.

Another key competitive advantage available to the company comes in the form of land ownership. Western Wind has secured land interests of approximately 28,000 acres in some of the best potential wind regions in the United States. Of this amount, over 3,700 acres are fee-simple. Purchasing land allows for flexibility in terms of project development. Also, management has recognized the scarcity value inherent in these prime sites, and foresees being able to participate in a niche market of rising land values.

Also, we believe that Western Wind has a competitive advantage by virtue of its focus on wind power as a renewable energy technology. In addition to the benefits of leverage, and significantly lower dilution for shareholders, the risk profile for investors is significantly improved due to reliance on a proven technology. A long operating history of wind plants yields greater familiarity and understanding. Ancillary benefits include active technology development and cost reduction, a lower cost of capital, a well-developed market in terms of power buyers, and an established supply chain.

The management team at Western Wind is an impressive group which includes individuals involved in the operations and ownership of utility-scale wind energy facilities in California since 1981. The Western Wind team can also claim to be the first company to execute a wind power PPA in Arizona. In California, certain members of the company's management have been involved in the continued development, operation, and expansion of lands in the Tehachapi Pass that combines to make a 27-year continuous operating period there. In total, members of the board and the company's executive officers own a total of just under 11% of the company. This is an adequate percentage to align management's interests with shareholders.

We have modeled out the company's business plan to take into account a slightly more conservative view than management. We are forecasting capacity to increase considerably over the next seven years as development-stage projects are advanced and eventually brought into production. By the end of F2014, we are projecting the company's capacity to be 602 MW (gross), a 5-year CAGR of 77%. Consequently, we are looking for the company to generate total revenue of $199 million in F2014, a 5-year CAGR of 130% from F2009.

In terms of valuation, we have arrived at our target price of $2.80 by taking the average of our NAV and EV/EBITDA approaches. Our long-term view on Western Wind is positive and we believe that the stock has more upside as the company de-risks its development-stage projects by hitting value-creating milestones. We have intentionally taken a conservative approach to valuing Western Wind, but note that M&A activity in North America, and particularly California, is active. Recent transactions indicate that a true "floor value" for Western Wind may range somewhere between $2.30 and $8.00.

We believe there is potential for several near-term catalysts for Western Wind. These include financial closing of senior debt to build the 120 MW Windstar project. We understand that closing of this debt facility with John Hancock Financial is to come in April, and project completion could occur within 12 months of this. Other catalysts include increasing oil and gas prices, development milestones met, and further consolidation in the California wind power market.

Our analysis indicates that the overall environment for Western Wind has many positive business drivers. We favour the company's strategy, and believe that Western Wind is undervalued. Our target price of $2.80 could be extremely conservative in the event that the company is acquired. This is not an unlikely event.

Key Risks include regulatory risks, variability in wind resources, inability to obtain financing at favourable terms, execution risk, and commodity price risk as it relates to fluctuations in oil and gas prices and the impact that may have on power prices in spot electricity markets.

We are initiating coverage on Western Wind Energy Corp. with a BUY recommendation and target price of $2.80.

MAIN REPORT

Note: All financial figures in this report are in Canadian dollars, unless stated otherwise.

COMPANY OVERVIEW

Western Wind Energy Corp. (Western Wind) engages in the acquisition, development, and operation of utility-scale renewable energy-generation projects. Its focus is primarily on the development of wind projects located in the Southwestern United States. Since 2007, the company has also been pursuing the development of solar energy projects.

Western Wind's business strategy is to search for promising land sites in terms of renewable energy resources, obtain sufficient resource data, and then develop a project to the point when long-term Power Purchase Agreements (PPA) may be signed with utility companies. The company may then construct the project itself once the PPA is obtained, or it may consider selling the project at this stage and realize a profit over the development capital invested. Additionally, operational wind or solar projects may be acquired, as was done in the case of the company's acquisition of the Mesa and Windridge projects. The primary motivation of these and other acquisitions may be the replacement of the existing turbines with more-advanced turbines to increase output from the facilities.

The company's geographic focus has been in California where the company owns two wind generating facilities and develops other projects within that state. Arizona is a secondary target market, where the company is pursuing the development of three power projects. In total, Western Wind controls approximately 28,000 acres through a combination of direct ownership, right-of-way grants, leases or exclusive building rights under letters of intent.

The company's installed capacity at its two operating projects amounts to 34.5 MW, with Mesa, the 30 MW project, located in the Tehachapi region of California. The 4.5 MW Windridge facility is located near Palm Springs, California. Ownership of these two wind power facilities provides the company with revenue and cash flow, and also provides management with experience in operating power-generating facilities. This differentiating factor is an important competitive advantage for the company.

Another attractive differentiating factor for Western Wind is that the company owns the 460 turbines at the Mesa facility, and a further 43 turbines at Windridge, without being encumbered by project debt. During the bankruptcy of Enron, Western Wind was able to purchase the assets for 13 cents on the dollar. The purchase was initially financed with a loan, but the company subsequently re-financed this borrowing with an $18 million equity private placement, completed on June 20, 2008, leaving the company debt free today.

At the present time, the company does not produce sufficient revenue to make it profitable. However, considerable progress has been made on the flagship 120 MW Windstar development project, and the company is in advanced negotiations with a lender, Manulife, which may provide approximately $200 million in senior project debt financing. The company has provided guidance that financial closing should occur by the end of May 2010. Construction would require approximately 9 months. We calculate that Windstar should provide the company with over $40 million in incremental revenue and approximately $10-12 million of annual cash flow.

PROJECT PORTFOLIO OVERVIEW

Western Wind is a relatively small-scale power producer with total gross capacity of 34.5 MW currently. However, the company has secured a large inventory of land positions in attractive wind resource regions located in the Southwestern United States. It has also signed off-take agreements (PPAs) amounting to 131 MW of new generating projects that are essentially shovel-ready. The 11 projects described in Figure 1 below offer the company the potential to build additional power production capacity exceeding 540 MW. Across these 11 projects, over 28,000 acres of land have been secured. Differentiating the company from other wind power companies, Western Wind owns over 3,700 acres of this land at prime locations in both California and Arizona. As we mention later in the report, this ownership provides the company with flexibility and is a competitive advantage. Furthermore, according to our financial modeling, successful development, construction, and ownership of these projects produce attractive returns with project IRRs (internal rates of return) generally into the mid-teens, and IRRs to equity investors exceeding 50%, and even much higher in many cases.

PROJECT:	Windstar	Mesa Repower	Mesa Repower 2 (phase 2)	Windridge Repower	Kingman	Kingman expansion	Barstow	Reef City	Howling Dog	Red Lake	Windswept
Project type	wind power	wind power	wind power	wind power	wind power	wind power	wind power	wind power	wind power	wind power	wind power
Targeted COD (company guidance)	4/1/2011	June 2011	June 2013								
First Quarterly Production Period (my estimate)	Q3/F2011	Q1/F2012	Q1/F2014	Q1/F2013	Q1/F2012	Q1/F2014	Q1/F2014	Q1/F2014	Q1/F2014	Q1/F2014	Q1/F2014
Size of project (MW)	120	30	20	12	15	200	100	40	15	20	30
Project life (years)	20	20	20	20	20	20	20	20	20	20	20
Expected capacity factor	34.50%	34.50%	34.50%	34.50%	30.00%	30.00%	34.50%	34.50%	30.00%	30.00%	34.50%
Annual production (MWh)	362,664	90,666	60,444	36,266	39,420	525,600	302,220	120,888	39,420	52,560	90,666
Price ($ per MWh)	$114	$107	$107	$115	$120	$120	$115	$115	$120	$120	$115
Capital cost of project, gross of ITC	288,000,000	63,000,000	42,000,000	28,800,000	36,000,000	460,000,000	230,000,000	92,000,000	36,000,000	48,000,000	69,000,000
Capital cost of project, net of ITC	218,000,000	44,100,000	29,400,000	20,160,000	25,200,000	322,000,000	161,000,000	64,400,000	25,200,000	33,600,000	48,300,000
Quarterly capex spend (spent 12 mo. pre COD)	54,500,000	11,025,000	7,350,000	5,040,000	6,300,000	80,500,000	40,250,000	16,100,000	6,300,000	8,400,000	12,075,000
Cost per MW ($mm)	2.40	$2.10	$2.10	$2.40	2.40	2.30	2.30	2.30	2.40	2.40	2.30
Debt amount (assume 90/10 D/E)	$259,200,000	$56,700,000	$37,800,000	$25,920,000	$32,400,000	$414,000,000	$207,000,000	$82,800,000	$32,400,000	$43,200,000	$62,100,000
Interest rate on debt	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Term (years)	20	20	20	20	20	20	20	20	20	20	20
Annual inflation rate of operating expenses	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Project IRR	13.0%	16.1%	16.1%	15.4%	13.9%	14.6%	16.0%	16.0%	13.9%	13.9%	16.0%
Equity IRR	51.4%	76.0%	76.0%	69.2%	57.8%	63.0%	74.8%	74.8%	57.8%	57.8%	74.8%
Size of Investment Tax Credit (ITC) @ 30% of capex	70,000,000	18,900,000	12,600,000	8,640,000	10,800,000	138,000,000	69,000,000	27,600,000	10,800,000	14,400,000	20,700,000
Unrisked NPV	71,574,260	21,365,551	14,243,701	8,881,135	8,919,572	128,411,638	76,474,709	30,589,884	8,919,572	11,892,763	22,942,413

Figure 1. Western Wind's Project Portfolio Overview
Source. Mackie Research Capital

In the table above, and in the discussion below, we have not included the valuations of Western Wind's existing projects, Mesa and Windridge. This is because we are anticipating relatively near-term re-powering of these projects, and the remaining net present value of the cash flow of the Mesa and Windridge projects should be regarded as relatively immaterial to investors in the context of the NAV of the company's development project pipeline.

INDIVIDUAL PROJECT DESCRIPTIONS

Windstar: Presently the Largest and Most Advanced Development Project

The company's Windstar wind power project is located in California's Tehachapi Pass Wind Park, where the company owns over 1,600 acres of land, and leases 485 acres. Western Wind has been developing the Windstar project for a few years, after erecting five meteorological towers in May 2006.

What creates the attractive wind resource in the region is that the Tehachapi mountain range is located along the western edge of the Mojave Desert, in the inner interior of southeast California. Due to the significantly hot temperatures of the Mojave Desert, the rate of hot air rising from this desert is far higher than other areas in the coastal region, located to the west. As a result, cooler airflow blows across from the west to the Mojave to replace the hot air that has risen from the desert. As a result of this pattern, the Tehachapi mountain range experiences a very strong wind resource across the area.

Power project development companies have recognized this, and as a result, Tehachapi has grown to become one of the largest wind parks in the world, hosting over 5,000 wind turbines, owned and operated by a number of different companies. The region has over 700 MW of wind power capacity and produces over 1.4 billion kilowatt hours of electricity per year. The wind resource in the area measures to be consistently strong as most projects in Tehachapi operate with capacity factors in excess of 40%.

Western Wind closed on the negotiations of a PPA with the Southern California Edison (SCE) Company in March 2005. The PPA calls for power to be sold from a 120 MW wind farm. Due to delays in obtaining permits and zoning from government entities, the project's start date been pushed back. However, SCE has demonstrated a willingness to work with the company to get this project built. SCE has co-operated by approving amendments to the PPA in the form of a higher power price and a revised start date. Although the company is guiding to have Windstar in production in the early part of 2011, we are incorporating more conservatism into our forecast by assuming a Q3/F11 start date.

Western Wind's transmission needs are provided for as the project will transmit its electricity through the already-built and privately-owned Sagebrush and Wilderness Lines. Financing discussions are in the advanced stages with Manulife to provide approximately $200 million in senior secured debt financing. After speaking with management, we expect financial closing of this agreement by the end of May of this year.

Gamesa been selected as the turbine manufacturer and a major wind turbine reservation agreement has been executed. We also understand that Gamesa is a likely party to provide short-term financing, allowing Western Wind to take delivery of the turbines. This vendor financing will allow Western Wind to finance construction until the 30% Investment Tax Credit is issued and the company may use the proceeds to pay-down this short-term loan, and reduce the project's leverage.

Western Wind has selected RMT of Madison, Wisconsin, as the EPC contractor for Windstar. RMT is an experienced EPC contractor whose parent company is the multi-billion dollar regulated utility, Alliant Energy of Madison, Wisconsin. (NYSE: LNT). RMT is currently performing substantial activities on the Windstar project which include geotechnical drilling of all 60 turbine sites, calculations of soil dynamic loadings, seismic refraction surveys, electrical resistivity testing, road design, substation design and transmission interconnection design. Western Wind has a good relationship with RMT, and are may engage RMT as contractors for other development projects. We believe this relationship with Western Wind is a competitive strength for the Company as RMT is a proven contractor in the renewables space, having built 37 wind projects consisting of 3,800 MW, and 300 miles of transmission lines. Furthermore, Alliant adds a strong balance sheet to RMT providing greater assurance to Western Wind of the value of the cost guarantee inherent in the fixed price EPC contract (Engineering-Procurement-Construction).

Western Wind Energy along with Gamesa, the turbine supplier, and RMT are currently formulating the construction strategy. Management expects this construction strategy to be substantially complete by early April, and this should allow for the August, 2010 commencement of construction.

Our model indicates the Windstar project to have an IRR of 13%, and an IRR to equity holders of 51%, and an unrisked NAV of $72 million. Our net asset value (NAV) calculation of $57 million or $0.95/share consists of the following assumptions:

Capacity (gross MW)	120 MW
Production start-up (beginning of fiscal period)	Q3/11 (July 1, 2011)
Pricing (per MWh in year 1)	$114
Capex ($ million)	$288
Net capacity factor (including parasitic & availability factors)	34.5%
Multiple of NAV	0.8x

Mesa: Re-Powering the Largest Operational Project Yields Attractive Economics

The Mesa wind farm is an operating project that is located on 440 acres of land from the Bureau of Land Management (BLM) in the San Gorgonio Pass near Palm Springs, California. The power plant consists of 460 older Vestas V-15 turbines with a project capacity of 30 MW. The plant also consists of a PPA with SCE as the counter-party, a collection system, substation, roads, and a maintenance building.

As a result of the existing equipment at the plant being older, it does require higher operating and maintenance costs. However, the company has plans to re-power the project which will result in greater power production and improved cash flow. The project's PPA is set to expire on June 22, 2010, but under California Public Utility Commission (CPUC) rules, the PPA automatically extends a further five years. Western Wind's reported revenue is highly variable from quarter to quarter, and this is because Mesa, the company's largest operational wind power plant, has a PPA that does not have fixed pricing, but rather is based on the SRAC price in California, which is ultimately driven by spot prices of oil and natural gas. Western Wind is exploring options to enter into a new PPA with SCE under a pending standard offer contract program, and has also made a submission under SCE's 2009 RFP (request for proposal), which is an annual program that examines bids for which fixed price power contracts are issued. Management is confident that Western Wind will soon be issued a new fixed price power contract that will facilitate the re-powering and expansion of Mesa to a 50 MW producing plant.

Western Wind plans on re-powering the Mesa project in two separate phases. Phase 1 will consist of replacing the existing turbines with new ones, and this part of the re-power will leave Mesa with 30 MW of power capacity at the beginning of Q1/F12. Phase 2 of the Mesa re-power project will increase capacity by another 20 MW as the project is expanded on vacant lands on the leasehold.

On September 21, 2009, the BLM approved the company's plan of development (POD), and granted a 24-year lease extension to September 22, 2037.

Our model indicates that the economics of this project are considerably favourable as incremental capex spend is guided to a rate of $2.1 million per MW, lower than the $2.4 million per MW capex rate that is more typical of the other projects that we model. Because Western Wind may utilize already existing infrastructure to re-power Mesa, relative capex requirements are lower. As a consequence, we are estimating a 16% un-levered project IRR, a levered IRR to equity holders of 76%, and an unrisked NAV of $21 million and $14 million for phase 1 and 2, respectively.

Phase 1 - our NAV calculation of $15 million or $0.24/share consists of the following assumptions:

Capacity (gross MW)	30 MW
Production start-up (beginning of fiscal period)	Q1/12
Pricing (per MWh in year 1)	$107
Capex ($ million)	$63
Net capacity factor (including parasitic & availability factors)	34.5%
Multiple of NAV	0.7x

Phase 2 - our NAV calculation of $10 million or $0.16/share consists of the following assumptions:

Capacity (gross MW)	20 MW
Production start-up (beginning of fiscal period)	Q1/14
Pricing (per MWh in year 1)	$107
Capex ($ million)	$42
Net capacity factor (including parasitic & availability factors)	34.5%
Multiple of NAV	0.7x

Kingman: Another Two-Phased, Advanced-Stage Power Project

Kingman, formerly known as the Steel Park project, is a fully-zoned project for wind energy on 1,110 acres owned by the company in Kingman, Arizona. On October 16, 2009, the company signed a PPA with UniSource Energy for a new fully-integrated combined wind and solar PV energy project. The PPA allows the site to deliver electricity to UniSource from power capacity of up to 11 MW. Approximately one-third of one MW, or 300 KW of this project's capacity, is to come from solar PV energy, with the remaining capacity to be in the form of wind energy generating assets.

After speaking with management on the terms of the PPA, we understand that it incorporates premium pricing over already high project rates that the company expects to receive in California. Thus, we are modeling a power price of $120 per MWh in the first year of this project's operation. Although the PPA currently calls for a total power capacity of 11 MW, we are modeling phase 1 to result in 15 MW of power capacity being commissioned at the beginning of Q1/F12. As we understand it, the company has sufficient zoning rights under phase 1 to bring 15 MW of power capacity into production, and thus we are anticipating that the company will be able to make power sales closer to its business plan of 15 MW under phase 1, and the current 11 MW PPA with UniSource will eventually be increased to include the additional 4 MW. As the 300 KW solar PV portion of the PPA is of a relatively immaterial amount, we are modeling the Kingman development project to have the same economic variables of a wind power project.

Following this, we expect the project's second phase to reach production at the start of Q1/F14 when an additional 200 MW of wind power generating capacity will be added to the company's project portfolio.

Our model indicates that returns on this project are greater than average due to the premium power prices of this Arizona-based wind farm. Specifically, we are estimating Kingman phase 1 to generate a 14% un-levered project IRR, and a levered IRR to equity holders of 58%. Phase 2 of the Kingman expansion offers a project IRR of 15%, and the equity IRR is calculated to be 63%.

Phase 1 - our NAV calculation of $4 million or $0.06/share consists of the following assumptions:

Capacity (gross MW)	15 MW
Production start-up (beginning of fiscal period)	Q1/12
Pricing (per MWh in year 1)	$120
Capex ($ million)	$36
Net capacity factor (including parasitic & availability factors)	30%
Multiple of NAV	0.45x

Phase 2 - our NAV calculation of $51 million or $0.62/share consists of the following assumptions:

Capacity (gross MW)	200 MW
Production start-up (beginning of fiscal period)	Q1/14
Pricing (per MWh in year 1)	$120
Capex ($ million)	$460
Net capacity factor (including parasitic & availability factors)	30%
Multiple of NAV	0.40x

Windridge: A Smaller Scale Re-Powering Project in a Proven Region

Windridge is an operational wind farm consisting of 43 windmatic turbines for a total installed gross capacity of 4.5 MW on 191 acres of leased land. The project also consists of a substation, a collection system, and an assignment of a Power Purchase Agreement (PPA) with SCE that expires on December 7, 2014.

The plant is currently operating below its rated capacity as some of the turbines are out of order. We understand that the current "real" operational capacity is closer to 4 MW. However, the company believes that the Windridge property can be re-configured to increase the plant's production. Various options are being pursued to increase the project's operational capacity to a minimum of 4.5 MW, and the more likely alternative, in our opinion, is for the project's capacity to increase to 12 MW.

In fact, Western Wind has been pursuing a re-powering plan at Windridge to increase the plant's capacity to 12 MW. Recently, the company submitted a plan to the U.S. Federal Aviation Administration (FAA) for seven new larger turbines, totalling 12 MW of gross capacity, to be installed at Windridge which would replace the existing turbines at the plant. However, the FAA has since ruled against the plan, stating that all seven turbines exceed stated maximum height limits and "pose a hazard to existing uses of the airspace."

We believe that the Windridge project will eventually overcome these permitting challenges, but we are not looking for the project's first power production to occur until the beginning of 2013 under the 12 MW re-power scenario. We understand that another developer is planning to erect a similar turbine layout just a mile away from Windridge, so there is a possibility for a change in the FAA policy affecting this area.

Our model indicates that returns on this project would be lower than average due to the smaller scale of this wind farm compared to the other projects. We are estimating the Windridge repower project to generate a 15% un-levered project IRR, a levered IRR to equity holders of 69%, and an unrisked NAV of $9 million.

Our NAV calculation of $6 million or $0.10/share consists of the following assumptions:

Capacity (gross MW)	12 MW
Production start-up (beginning of fiscal period)	Q1/13
Pricing (per MWh in year 1)	$115
Capex ($ million)	$28.8
Net capacity factor (including parasitic & availability factors)	34.5%
Multiple of NAV	0.7x

Barstow: A Less-Advanced Project with Large-Scale Potential

In December 2007, Western Wind secured the rights to 3,300 acres in an area of Barstow, California via closing on a lease agreement. The company is anticipating this will be a large-scale project with 100 MW of generating capacity. The land at Barstow is also believed to have access to an attractive solar energy resource. Management has contemplated the option of installing solar PV panels on the site as well. We model Barstow as a wind project with a commissioning date at the beginning of Q1/F14, and management has told us this expectation is reasonable. Installation of solar energy equipment at the site, in addition to wind turbines, would improve the project's economics.

Because this project is at the very early stages of development, we assign a low success rate of 30% on the Barstow project. The company is currently gathering wind resource data with the use of two meteorological towers that were installed during Q2/F09. Environmental surveys to construct a wind farm will then be conducted if the wind resource is determined to be sufficiently strong to justify construction. Additionally, the company would apply for a commercial right-of-way grant from the BLM for the 3,300 acre tract of land. Western Wind is the first company in the queue to obtain a commercial right-of-way on the property.

Our model indicates that Barstow would generate a 16% un-levered project IRR, a levered IRR to equity holders of 75%, and an unrisked NAV of $77 million.

Our NAV calculation of $27 million or $0.30/share consists of the following assumptions:

Capacity (gross MW)	100 MW
Production start-up (beginning of fiscal period)	Q1/14
Pricing (per MWh in year 1)	$115
Capex ($ million)	$230
Net capacity factor (including parasitic & availability factors)	34.5%
Multiple of NAV	0.35x

Four Early-Stage Wind Projects in California and Arizona Offer "Option-Like" Upside

Western Wind is also pursuing the development of several other early-stage developments in California and Arizona, classified as the "New Projects", shown below in Figure 2. The company has entered into an agreement with an independent meteorological consultant to acquire proprietary wind data for sites that may be developed into wind farms. Preliminary due diligence is being carried out to determine the feasibility of these sites for wind and/or solar energy development. If suitable resources are determined on these sites, the land will be purchased, or a long-term lease may be negotiated with the property owner.

Generating Facility/ Development Project	Development Stage	Nameplate Capacity (MW)	Land Resource (acres)	State
Reef City	Early-stage development	40	1,200 (option to lease)	California
How ling Dog	Early-stage development	15	393 (ow ned)	Arizona
Red Lake	Early-stage development	20	442 (ow ned)	Arizona
Windsw ept	Early-stage development	30	575 (ow ned and leased)	California

Figure 2. Overview of "New Projects"
Source. Company reports, Mackie Research Capital

To value these projects, we have taken the same approach as with the projects previously mentioned. However, we have applied considerably lower success factors, ranging between 10% and 30%. The projects' calculated NAVs and key inputs used are outlined below.

Reef City

Our NAV calculation of $9 million or $0.10/share consists of the following assumptions:

Capacity (gross MW)	40 MW
Production start-up (beginning of fiscal period)	Q1/14
Pricing (per MWh in year 1)	$115
Capex ($ million)	$92
Net capacity factor (including parasitic & availability factors)	34.5%
Multiple of NAV	0.3x

Howling Dog

Our NAV calculation of $2.7 million or $0.03/share consists of the following assumptions:

Capacity (gross MW)	15 MW
Production start-up (beginning of fiscal period)	Q1/14
Pricing (per MWh in year 1)	$120
Capex ($ million)	$36
Net capacity factor (including parasitic & availability factors)	30%
Multiple of NAV	0.3x

Red Lake

Our NAV calculation of $2.4 million or $0.02/share consists of the following assumptions:

Capacity (gross MW)	20 MW
Production start-up (beginning of fiscal period)	Q1/14
Pricing (per MWh in year 1)	$120
Capex ($ million)	$48
Net capacity factor (including parasitic & availability factors)	30%
Multiple of NAV	0.2x

Windswept

Our NAV calculation of $2.3 million or $0.02/share consists of the following assumptions:

Capacity (gross MW)	30 MW
Production start-up (beginning of fiscal period)	Q1/14
Pricing (per MWh in year 1)	$115
Capex ($ million)	$69
Net capacity factor (including parasitic & availability factors)	34.5%
Multiple of NAV	0.1x

COMPETITIVE STRENGTHS AND ADVANTAGES

CAPITAL PROVIDED BY 30% ITC AND CASH GRANT FROM U.S. DOE

For many of the power development companies that we research, we typically assume a 30/70 Equity-to-Debt capital structure when we model out a power project's cash flows and valuation. In the case of Western Wind, however, one may have a view that shareholders will incur considerably less dilution as new projects are financed, and ultimately constructed. A couple of factors account for this competitive advantage afforded to the company.

All of Western Wind's most advanced projects are located in the United States. Yes, the company continues to contemplate project development in such places as Ontario, Canada, Puerto Rico, and India, but management has made it clear that near-term development activities will focus on the Southwestern United States. Not only is there abundant wind and solar resources in the Southwestern United States, but there are also some important stimulus tools that the U.S. Federal government provides to developers of clean energy-generation plants.

Implication for Western Wind – Offers More Upside to Valuation and Earnings Power

Differentiating Western Wind versus many of the other alternative energy companies that we research is a stated commitment from management to utilize government-issued cash grants to minimize dilution to shareholders. While many other clean power development companies boast the benefits of the 30% cash grant, discussed above, many of these same companies seem to have a view to a more speculative use of these proceeds. For example, re-deploying the capital into other power projects that are relatively "earlier stage" endeavours. Management of Western Wind, on the other hand, has outlined a clear plan to use this capital to limit share issuance, and therefore minimize shareholder dilution.

AN ATTRACTIVE LAND PACKAGE PROVIDES A SUPPORTIVE BASE ON WHICH TO EXPAND

Western Wind has land interests totalling approximately 28,000 acres of land rights in some of the best potential wind regions in the United States. Of this land, over 3,700 acres are owned by Western Wind. The company has pursued ownership of certain lands to provide it with flexibility in terms of project development. Also, management has recognized the scarcity value inherent in these prime sites, and foresees being able to participate in a niche market of rising land values.

Not only are the wind characteristics quite favourable at the wind sites that the company has acquired, but the company's portfolio of land holdings is entirely focused on the United States, a country that has substantial political incentives for the development of wind power. Enhanced project economics are made available by the nature of eligibility of certain tax credits, such as the 30% Investment Tax Credit, and the allowability of accelerated depreciation expenses.

In the same vein, the southwestern part of the United States is an area where the company not only maintains a very strict focus, but it is also an area where there are stringent Renewable Portfolio Standards (RPS) in place. For example, California has an RPS in place requiring 33% of its electricity to be produced from renewable sources by the year 2020. Arizona is targeting 15% of its electricity supply to come from renewables by the year 2025. Although some opponents may contest the company's choice to focus on development opportunities within the California market due to the long development times, we argue that this is a worthwhile tradeoff considering that power prices in California and the demand for new renewable power are amongst the greatest of any states within the United States.

The Tehachapi and San Gorgonio regions of California are two areas where Western Wind's most advanced and important projects are located. Nearly all of commercial wind energy generation in California originates in three areas: Altamont Pass, Tehachapi Pass, and San Gorgonio Pass. Tehachapi Pass is one of the largest wind parks in the world, with over 5,000 wind turbines owned and operated by a variety of different entities. Tehachapi Pass generates over 700 MW of nameplate capacity, producing over 1.4 billion kilowatt hours of electricity per year. Western Wind has two important projects located in the Tehachapi region, the Windridge operating plant and Windstar, the 120 MW advanced-stage development project. The company has exposure to the San Gorgnio Pass from its Windridge plant, a 30 MW operational wind power farm just outside of Palm Springs, California.

The region of Tehachapi has well-documented mean-average annual wind speeds and frequency distributions owing to the long history of wind energy in the area, and general convention is that modern wind turbines, when sited in the region, can provide average capacity factors in excess of 40%. Because of this, the Tehachapi Pass Wind Park is one of the largest wind parks in the world.

An area near Kingman in Arizona is another area of focus for Western Wind. The Kingman project, formerly referred to by the company as the Steel Park project, is located in Mohave County near Kingman, Arizona. Not only is the project located in an area where there is a significantly strong wind resource, but the topography is favourable as well, situated adjacent to the interstate highway and railroad lines. These infrastructure features will yield more economic development when it comes time to construct the project and take delivery of turbines and other project components.

FOCUS ON WIND POWER IS A PROVEN TECHNOLOGY WHICH QUALIFIES FOR TAX CREDITS AND RESULTS IN GREATER LEVERAGE

As mentioned previously in this report, wind power is a qualifying technology under the American Reinvestment and Recovery Act (ARRA), and as such, qualifies for receipt of the Investment Tax Credit (ITC). Due to the existence of this tax credit, equity commitment requirements for development companies are substantially lower. For example, Western Wind, on March 1, 2010, press released its expectation to receive a tax grant of approximately US$70 million when the Windstar project begins producing in mid-2011. On March 8, 2010, the company press released that it expects an additional grant of approximately US$27 million. The US$27 million is in relation to the ARRA 30% ITC program. The cash proceeds are also to be received shortly after both projects begin producing power. For this reason, management has provided guidance to suggest that existing Western Wind shareholders may expect to experience little, if any, dilution in the form of further equity issuance to finance the development of wind power projects in the United States.

In addition to the benefits of leverage, and significantly lower dilution for shareholders, the risk profile for investors is significantly improved due to the company's focus on wind power, a proven technology. Wind farms have been in operation, producing power in many countries around the world for years. A long operating history of these plants has yielded greater familiarity and understanding of this technology. Ancillary benefits as a result include active technology development and cost reduction, lower costs of capital, a well-developed market in terms of power buyers, and an established supply chain.

THE CONSTRUCTION OF WINDSTAR TO MARK THE BEGINNINGS OF A RELATIONSHIP WITH A STRONG ENGINEERING PARTNER

As mentioned in the earlier section of the report where we discussed Windstar, Western Wind has selected RMT of Madison, Wisconsin, as the EPC contractor for Windstar. RMT is part of Alliant Energy Corporation (NYSE: LNT), an eight-billion dollar regulated utility in the mid-west USA with over 5,000 employess. We believe this relationship with Western Wind is a competitive strength for the Company as RMT is a proven contractor in the renewables space, having built 37 wind projects consisting of 3,800 MW, and 300 miles of transmission lines. Furthermore, Alliant adds a strong balance sheet to RMT providing greater assurance that the cost guarantee inherent in the fixed price EPC contract (Engineering-Procurement-Construction) is sound. This partnership with RMT and Windstar may prove crucial in winning future power sale contracts and securing debt financing from lenders. As a result of its scale, RMT may offer Western Wind a global network of diverse resources.

MANAGEMENT AND BOARD OF DIRECTORS

The management team at Western Wind is an impressive one which includes individuals involved in the operation and ownership of utility-scale wind energy facilities in California since 1981. The Western Wind team can also claim to be the first company to execute a wind power PPA in the State of Arizona. In California, certain members of the company’s management team have been involved in the continued development, operation, and expansion of lands in the Tehachapi Pass that combine for a 27-year continuous operating history there. Western Wind's administrative personnel are organized into three general areas: Management, Development, and Operations and Maintenance.

The Management Team (including Regulatory Affairs and Investor Relations) consists of Mr. Jeffrey J. Ciachurski, CEO; Mr. Chris Thompson, Chief Financial Officer; and Ms. T. Alana Steele, General Counsel and outside counsel as required.

The Development Team consists of Mr. J. Michael Boyd, Mr. Steve R. Mendoza, Mr. George W. Salama, Mr. Cash Long, and Mr. Rodney L. Dees, Senior Vice President, Project Development and Construction. Mr. Dees is a wind energy construction executive who has directly managed the construction of over 1,000 MW of wind energy projects throughout the world, including projects for Zond Wind Systems, Cannon Wind Power, Enron Wind Systems, and GE Energy.

The Operations and Maintenance Team is outsourced to Airstreams Maintenance Corporation, an independent company with extensive experience in operating and maintaining wind farms and overhauling wind turbines. Airstreams LLC currently operates and maintains the two operating wind farms owned by Western Wind. Detailed descriptions of the company’s senior officers are discussed below.

Jeffrey J. Ciachurski, CEO and Director: Mr. Ciachurski has largely been responsible for the company's corporate strategy. Mr. Ciachurski has played a key role in obtaining funding to meet Western Wind’s capital requirements by raising over US$50 million to acquire real estate and develop the company’s projects. Additional past accomplishments include the negotiation of more than 200 MW in Power Purchase Agreements, land acquisition, and turbine supply agreements. He has over 20 years of experience with public companies in executive management, corporate administration, and venture capital financing.

Chris Thompson, C.A., Chief Financial Officer of Western Wind and its subsidiaries: Mr. Thompson has been the Chief Financial Officer of Western Wind since November 2007 and obtained his Chartered Accountant designation in 1984. Mr. Thompson has many years practicing accounting with KPMG. He has extensive international experience working with companies to help administer their financial affairs.

J. Michael Boyd, Director and Chairman of Western Wind: Mr. Boyd brings experience to the company from his roles as a marketing and regulatory affairs consultant for technology companies. At Western Wind, he has eight years of experience as the company's governing board supervisor. Additionally, he has been the chairman of Pima County for two years. Chairing this public entity involves administering a US$1 billion budget and 7,000 employees. Mr. Boyd is also a director of another public entity that has the largest electrical energy procurement requirements in the State of Arizona. Through these roles, Mr. Boyd has formed strong relationships with Arizona's local and state government departments, Federal Government agencies, and large utilities such as Arizona Public Service and Tucson Electric. Additionally, this experience has helped Mr. Boyd in assisting Western Wind in acquiring, leasing, and zoning real estate suitable for the development of wind farms in Arizona.

Cash Long, Director of Western Wind: Mr. Long has over 25 years of experience in the wind energy industry, and brings valuable experience to the company in terms of developing and managing wind farms, negotiating power purchase and transmission agreements, and salvaging and redeveloping projects. Mr. Long has deep experience in the real estate market in Tehachapi, and also maintains relationships with local utilities such as Southern California Edison.

Steve Mendoza, P.E., Executive Vice President and Chief Engineer of Western Wind: Mr. Mendoza is a Registered Professional Engineer in California, Arizona, and New Mexico, and is the former Chief Engineer and Deputy Director of the Arizona Power Authority. From 1979 to 2000, Mr. Mendoza held senior positions with the Salt River Project in Arizona. This experience has helped Mr. Mendoza establish relationships with many utilities in the Southwestern United States. Mr. Mendoza plays an active role in shaping the region's transmission policy.

T. Alana Steele, General Counsel of Western Wind and subsidiaries: Ms. Steele has been the company's General Counsel since November 2007 and has been a practicing attorney since 1998. She has 15 years of experience in the energy industry, both from the utility side and as an energy regulatory attorney.

Western Wind's Board of Directors consists of the following six individuals described in Figure 3. Three of the individuals are not managers of the company, Mr. Andrup, Mr. Bryce, and Mr. Wardlow, and thus contribute to shareholders a greater of level independence.

Board of Directors:

Name	Present Position	Director Since	Business Experience and Activities
Claus Andrup	Director of Western Wind	1998	President of Andrup & Associates, a public relations firm, since 1980; President of Cape Marine Corp., a personal holding and investment company, since 1992.
J. Michael Boyd	Director and Chairman of Western Wind	2005	Marketing and regulatory affairs consultant for technology companies; County Supervisor w ith Pima County, Arizona from 1992 to 2000; former President of Western Solargenics, Inc. and of Western Wind Energy US Corporation.
Robert C. Bryce	Director of Western Wind	2000	President and Director of Xemac Resources Ltd., a public company trading on the TSX Venture Exchange, since 1996.
Jeffrey J. Ciachurski	Director and Chief Executive Officer of Western Wind, Western Wind US, and Mesa Wind; Manager of Aero Energy	1998	From 1998 to July 2006, President of Western Wind, Chief Executive Officer and Director of Western Wind since 1998; Director of subsidiary corporations, Western Wind US and Mesa Wind.
Cash A. Long	Director of Western Wind and Manager of Aero Energy	2005	Has held the role of principal and Chief Executive Officer at Mogul Energy Corporation. Since 1982, involved w ith AWES and WPM in the areas of w ind facility operations, salvage and project redevelopment.
V. John Wardlow	Director and Secretary of Western Wind	2006	Director of Western Wind since September 2006.

Figure 3. Board of Director Description
Source. Company reports

LARGE PERCENTAGE OWNERSHIP AMONG DIRECTORS AND EXECUTIVE OFFICERS

In total, members of the board and the company's executive officers own a total of just under 11% of the company, as shown in Figure 4.

Share Ownership (as of April 20, 2009):

Name of Beneficial Owner:	Number of shares beneficially owned:	Percent Owned:
J Michael Boyd	715,000	1.8%
Cash A. Long	671,666	1.7%
V. John Wardlow	642,100	1.6%
Robert C Bryce	616,866	1.6%
Jeff Ciachurski	604,118	1.5%
Claus Andrup	441,666	1.1%
Chris R. Thompson	286,250	0.7%
Steve Mendoza	237,700	0.6%
T. Alana Steele	100,000	0.3%
Total shares ow ned by mgmt	4,315,366	10.9%

Figure 4. Management's Ownership in Company
Source. Company reports

FINANCIAL ANALYSIS

We are forecasting capacity to increase considerably over the next seven years as development-stage projects are advanced and eventually brought into production. Western Wind currently has 35 MW (gross) of 100%-owned generating capacity provided by its Mesa and Windridge wind power plants. By the end of F2014, we are projecting the company's capacity to reach 602 MW (gross), a 5-year CAGR of 77%. Because the addition of the newer power plants will incorporate state-of-the-art turbine technology and engineering, we are looking for a higher 5-year CAGR in power production as the amount of power generated should grow at a rate of 93% over this period to over 1,720 GWh in 2014. Not only will utilization of newer turbines placed into service be higher, but the pricing on the power produced from these plants will also be higher. Consequently, we are looking for the company to generate total revenue of $199 million in F2014, a 5-year CAGR of 130% from F2009.

Newer power projects placed into service will be able to benefit from higher power prices in states like California and Arizona, and set rates under PPAs will be relatively high compared to pricing on power sold from the current Mesa and Windridge plants. The Mesa and Windridge power contracts base their rates on the short-run avoided cost (SRAC) mechanism in California. SRAC pricing is driven by fossil fuel prices, and because oil, gas, and coal prices have experienced considerable weakness as a result of the recession, Mesa and Windridge revenues have been impacted negatively. For example, we estimate that power pricing will average $49/MWh for Western Wind's power sales in 2009. This is less than half of the level of power rates experienced in 2008. As the company progresses with its business plan, and enters into PPAs with much higher power rates, comparable revenue performance will be drastically improved over levels achieved this year.

This capacity growth should also drive considerable EBITDA growth and margin expansion as the company's scale increases. Based on our projection, we are estimating EBITDA to reach approximately $43 million and $166 million as early as F2013 and F2014, respectively. These projections are detailed below in Figure 5.

Western Wind Energy Corp.

December 31 Year End

C$ 000s	2009A	2010E	2011E	2012E	2013E	2014E	2015E	2016E
Total Sales	3,134	3,027	23,869	55,775	59,946	199,607	199,607	199,607
Windstar Project	-	0	20,672	41,344	41,344	41,344	41,344	41,344
Mesa Repow er	-	0	0	9,701	9,701	9,701	9,701	9,701
Mesa Repow er2	-	-	-	-	0	6,468	6,468	6,468
Windridge Repow er	-	-	-	-	4,171	4,171	4,171	4,171
Kingman	-	-	-	4,730	4,730	4,730	4,730	4,730
Kingman Expansion	-	-	-	0	0	63,072	63,072	63,072
Barstow Project	-	-	-	-	-	34,755	34,755	34,755
Reef City	-	-	-	-	-	13,902	13,902	13,902
How ling Dog	-	-	-	-	-	4,730	4,730	4,730
Red Lake	-	-	-	-	-	6,307	6,307	6,307
Windsw ept	-	-	-	-	-	10,427	10,427	10,427
Increase in revenues	-39%	-3%	688%	134%	7%	233%	0%	0%
EBITDA	(1,577)	(1,585)	16,775	40,716	44,959	165,674	165,674	165,674
Net income	-4,149	-4,268	-1,368	14,526	-3,341	59,984	68,184	77,745
Gross margin (COGS excluding dep'n)	38.8%	37.6%	89.0%	89.0%	89.0%	89.0%	89.0%	89.0%
EBITDA/sales	-50.3%	-52.4%	70.3%	73.0%	75.0%	83.0%	83.0%	83.0%
Operating margin	-110.6%	-93.1%	30.2%	51.5%	32.6%	64.1%	64.8%	65.5%
Effective tax rate	25.1%	4.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net earnings margin	-132.4%	-141.0%	-5.7%	26.0%	-5.6%	30.1%	34.2%	38.9%
Per Share Data								
EPS - excl. unusual items (FD)	-0.10	-0.08	-0.04	0.22	-0.04	0.75	0.85	0.97
CFPS - fully diluted (from opns, before WC)	-0.05	-0.06	0.14	0.41	0.31	1.22	1.30	1.40
FCFPS - fully diluted	-0.08	-2.21	-2.92	0.07	-9.17	0.93	1.30	1.40
Book value per share	0.57	0.40	0.35	0.55	0.45	1.15	2.00	2.97
Shares outstanding - fully diluted	43,435	50,725	60,532	65,163	72,219	80,380	80,380	80,380
Balance Sheet								
Net debt (net cash position)	-1,463	110,835	285,481	280,812	943,328	868,570	764,122	651,536
Debt to total capitalization	-6.3%	84.4%	93.0%	88.6%	96.6%	90.4%	82.6%	73.2%
Capex	663	109,000	178,300	20,160	683,900	0	0	0
Cash-flow Statement								
Cash from operations after WC	-2,246	-3,298	1,405	24,674	21,384	74,758	104,448	112,587
Net funds from financing	4,103	110,419	176,895	-4,514	662,516	-74,758	-104,448	-112,587
Net funds from investing	-2,348	-109,000	-178,300	-20,160	-683,900	0	0	0
Net Cash Flow	-490	-1,879	(0)	0	-	0	0	0
Free Cash Flow	-3,357	-112,298	-176,895	4,514	-662,516	74,758	104,448	112,587
Sales Grow th:	5yr							
CAGR (2009 as base year)	129.5%							
Pow er Production Grow th:	5yr							
CAGR (2009 as base year)	93.2%							
Pow er Capacity Grow th:	5yr							
CAGR (2009 as base year)	77.2%							
Gross generating capacity (MW)	35	35	155	165	177	602	602	602
Pow er production (MWh)	63,972	65,533	249,645	492,750	529,016	1,720,814	1,720,814	1,720,814
Revenue per MWh	49	46	96	113	113	116	116	116

Figure5. Financial Snapshot
Source. Mackie Research Capital

KEY FORECASTING ASSUMPTIONS

Capex, capital structure, and discount rates: In terms of Western Wind's 11 expansion projects that we have modeled, our most commonly used capex rate is $2.4 million per MW. We have used this capex rate for five of the 11 projects: Windstar, Windridge Repower, Kingman, Howling Dog, and Red Lake. For some of the larger projects, the Kingman Expansion, Barstow, Reef City, and Windswept, we have used a $2.3 million per MW capex rate as this also incorporates a learning curve component. $2.1 million per MW has been used for the Mesa Repower and Mesa Repower 2 projects as we understand there may exist significant synergies as a result of the company's current ownership of the 30 MW Mesa wind farm.

In terms of timing, we model capex being spent on projects evenly over the four preceding quarters up to when a particular power project is expected to come online. To finance development and construction, we use a 10%/90% equity/debt mix as our modeled capital structure for new projects. As a result of these projects being located in the United States, the company should receive the cash in lieu of the 30% ITC, and use these proceeds from the U.S. Treasury to repay short-term turbine financing and/or mezzanine lending to de-leverage the project that way.

We use a discount rate of 12% to net present value (NPV) the individual development projects. Taking a conservative approach, we do not include a terminal value into our project NAVs. Also, we assume each project will be issued a 20-year PPA, and we model the cash flow over this period of time.

Timing of expansion: We are modeling a capacity ramp-up similar to, but less aggressive than the company's business plan. This schedule is shown in Figure 6 below.

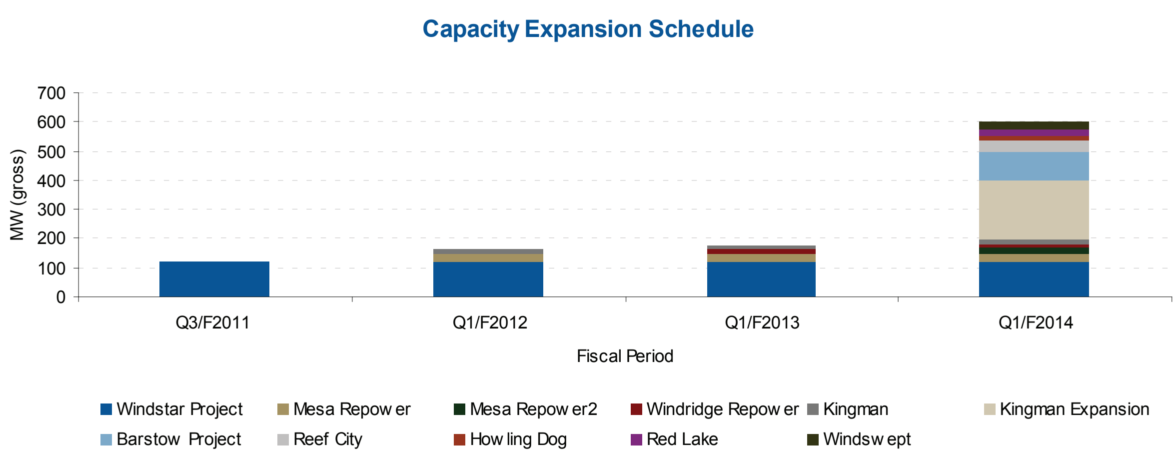

Figure 6. Project Expansion Schedule
Source. Mackie Research Capital

We are modeling Windstar as the company's first major expansion program to be completed and are looking for the in-service date to take place at the beginning of Q3/F11. At the beginning of F2012, we are looking for the Mesa Repower project to begin producing power, as well as the first initial 15 MW from the Kingman project at that time. The Windridge re-power project is expected to follow at the start of F2013.

We expect 2014 to be a busy year for the company as seven projects enter into production at that time: Mesa Repower 2, Kingman Expansion, Barstow, Reef City, Howling Dog, Red Lake, and Windswept. While this may seem a difficult task for the company to place in service so many projects in the early part of 2014, we point out that our NAV incorporates success rates of 30% or lower on five of these early-stage projects, and combined, these five projects only contribute approximately $0.50/share to our $2.60/share NAV target. We understand that it is likely that some of these projects enter into production later than this date, some even earlier, and some may not even be successfully completed at all. However, we point out that we are using 2014 as our "base case" estimate to give the reader a sense of the value of each project's net present value. Also, the success rates that we use in our NAV calculations also incorporate some aspect of risk around commissioning dates.

An operating expenditure rate of $13/MWh is assumed: This $13/MWh assumption is inline with historical performance on other wind farms owned by other operators. Ongoing operating and maintenance expenses are minimal for the operation of wind farms as the large majority of cash requirements are necessary prior to the wind farm being placed into service, and we estimate that because of this, the company's gross margins should approach 90%.

Power prices: For all of the California projects, with the exception of the Mesa Repower where we forecast a $107/MWh price, we assume a $115/MWh price, inline with the levels indicated by the Market Price Referent (MPR) in that state. A slightly higher power price of $120/MWh is used for the Arizona projects. Management has indicated to us that Arizona is in a more pressing position to satisfy its Renewable Energy Portfolio Standards (RPS), and recently, utilities have been tendering wind power projects inline with this price.

A 34.5% capacity factor is used generally for the California projects: Historical experience from wind farms operated in the Tehachapi region have achieved capacity factors in excess of 40%, and preliminary engineering reports from some of Western Wind's sites indicate that these rates may also be achieved there. We use a 34.5% capacity factor for the California projects in the company's portfolio to take into account any electricity line losses or "wake losses" that may occur, and to also incorporate a reasonable level of conservatism. A lower capacity factor of 30% is used for the Arizona projects to take into account the less windy conditions at those sites.

Balance Sheet and Cash Flow

As of September 30, 2009, Western Wind had just under $2 million of cash on its balance sheet, and this amount of cash is greater than the company's debt obligations, putting the company in a "net cash" position. We believe this should be sufficient funds to get the company through Q3/F10, when we expect the company to begin the construction of the 120 MW Windstar project. From now until that time, we estimate the company will burn approximately $1.6 million in cash flow from operations (after changes in working capital). Although management has provided guidance that construction of Windstar may be financed with 100% debt, we believe it is likely that Western Wind may have to complete an equity issue of approximately $15 million in the back half of F2010 to get construction started. This is based on an estimate of $145 million in Windstar capex requirements in F2010, and our base-case cap rate of 10% equity-to-capital, prior to receipt of the 30% cash grant from the U.S. Treasury. We discuss this 30% cash grant in the next part of the report. Because we calculate that Windstar may contribute NAV of approximately $0.95/share, after dilution, we are not concerned that any perceived equity issue would result in an overhang on Western Wind's stock price. Furthermore, time will tell whether we are being overly conservative with respect to modeling any share issuance to finance plant construction. We have spoken with management on this topic, and they are quite confident that projects can be built without issuing any corporate equity due to the 30% ITC that may provide close to one-third of a project's required capital.

As shown in the "Financial Snapshot" in Figure 5, at the beginning of this Financial Analysis section, we estimate Western Wind's future debt/cap ratios to generally exceed 90%. While this level of leverage could be maintained by a power company with an extensive book of fixed rate Power Purchase Agreements, and a high level of cash-flow predictability, we believe that a more likely scenario is that the company reduces its project debt following the in-service dates of these power plants so that the company maintains a debt/cap run rate in the range of 60%-70%. Management's plan, as indicated to us, is to receive from the U.S. Treasury the 30% cash grants under the ARRA program and use this capital to replace the 20% of planned debt financing from turbine or mezzanine financing with the company's own equity.

Capital Requirements – Windstar at the "Bankable Stage"; However, Relative Equity Requirements Should be Modest

Under the American Reinvestment and Recovery Act (ARRA), the Investment Tax Credit (ITC) program was extended, to make projects eligible that are placed into service before the end of 2012. The ITC provides a federal tax credit for investments in eligible alternative energy systems. The tax credit is based on 30% of the capital expended for the power-generating project to place it into service. The ITC program was set to expire in December 2008; when the ARRA was passed by the U.S. government, it extended the program.

An offshoot of the ITC has been the Treasury Grant program where the U.S. Treasury offers a grant to the developer for a nominal amount of equity to the ITC, but instead of a Tax Credit, the Treasury Department will issue cash. It is at the developer's discretion whether to elect to receive the ITC or the cash grant. For small project developers such as Western Wind, we expect the cash grant to be the most often used type of stimulus. This is because cash tax liability often does not exist for companies with little or no revenue generation, not to mention earnings. Through the cash grant, project developers have a means to recoup a considerable amount of cash. For example, if $200 million in capex was spent to build and put into service a wind power plant, $60 million (30% of the capex) would be paid to the developer. Furthermore, terms of the cash grant program are such that the grant is to be paid within 60 days of the generating project achieving its commissioning date. Although the program is only eligible for projects in which construction begins during 2010, and reach production by the end of 2012, we expect the U.S. government, at the very least, to extend the program annually for getting this tax stimulus via tax refund. This would provide continue to provide renewable energy companies with this source of capital even if the cash grant program was not continued.

Western Wind, in particular, will be able to benefit from this program – both because its primary focus is developing projects located within the United States, and because wind power and solar energy, the company's technological focus, are "eligible projects" under the ITC and Treasury Grant programs. Consequently, we have modeled Western Wind's power projects requiring just 10% of the capital costs to be provided via equity. We are comfortable with this approach as our 10% base case is less aggressive than management's belief that 100% of capital can be provided in the form of debt, and then eventually re-capitalized via the 30% cash Treasury Grant. Yes, management does concede that the Treasury Grant may take as long as 60 days for it to be issued, but management has indicated to us that 30% of the capital requirements may be provided in the interim period in the form of a loan from the turbine suppliers themselves, if not mezzanine debt. The economics under this Treasury Grant issuance versus more traditional capitalization scenarios can be seen by modeling out the projects. IRRs to equity holders are indicated to generally exceed 50%, under our 10% cap rate assumption, whereas comparable IRRs would generally drop down to the 20% range at a more conservative 40% equity, 60% debt assumption.

VALUATION

We have arrived at our target price of $2.80 by taking the average of our NAV and EV/EBITDA approaches. Our long-term view on Western Wind is positive and we believe that the stock has more upside as the company de-risks its development-stage projects by hitting value-creating milestones.

To arrive at our target price, we are using two different approaches, and then averaging the results, as shown in Figure 7.

Price Target Calculations (all converted to C$):

DCF/ Net Asset Value (NAV)	Weighted net present value of operating, advanced, and early stage properties ($C)	2.60
EV/EBITDA	Average of 11x 2013, 2014 EBITDA discounted back 3 and 4 years, respectively ($C)	3.06
Price Target ($C)	Average of the 2 approaches above	2.80
Last price		1.42
Return to target		97%

Figure 7. Target Price Derivation
Source. Mackie Research Capital

FOR THE NAV APPROACH, WE APPLY A 0.8X MULTIPLE FOR WINDSTAR, THE MOST ADVANCED PROJECT, AND A LOWER MULTIPLE FOR OTHER PROJECTS

For Windstar, we apply a multiple of 0.8x because the company has already been issued a power purchase agreement (PPA) from Southern California Edison (SCE). The PPA stipulates that Western Wind build a 120 MW wind power plant, and have this project ready to generate and deliver electricity to SCE by, we understand, December 31, 2011 at the latest. The PPA significantly increases the project's ability to obtain the needed senior debt financing, and take delivery of the turbines, and thus, our 0.8x multiple.

We apply a 0.7x multiple to the "re-power projects" of the company's two operational projects, Mesa and Windridge. In the case of Mesa, the U.S. Bureau of Land Management recently approved its proposal to lease its current Mesa site for another 24 years, and thus the lease does not expire until 2037. Also, approval has been issued to the company for it to replace its first-generation turbines with new turbines capable of producing 50 MW. Similarly, the Windridge project already has access to its land and also has a track record of generating and delivering power to SCE. Therefore, we also apply a 0.7x multiple to arrive at a "risked NAV" from the unrisked value of the project's cash flow.

For the remaining seven development projects, we apply risk multiples that range from a high of 0.45x, to a low of 0.1x. The Kingman project is the only one where we apply a 0.45x multiple. However, one may argue that we are being overly conservative by giving this project, a full 215 MW in size, a considerably lower multiple than the other projects. On October 20, 2009, Western Wind was issued a PPA from UniSource, an Arizona investor-owned utility, that called for the company to build and eventually deliver power from an initial "starter project" totalling of 11 MW of power capacity. We believe that UniSource will issue follow-on PPAs to Western Wind if the 11 MW is successfully built.

For the remainder of the projects, we have applied a multiple of 0.3x or below. A summary table of our NAV valuation approach can be seen in the table in Figure 8 below. The result of adding up all these components produces a risk-adjusted NAV target price of $2.60.

Western Wind Project Net Asset Values (NAV):

	Acreage position	Gross Generating Capacity (MW)	Annual Production (MWh)	Unrisked NAV per project (net of the ownership interest in the project)	Unrisked NAV per share	Multiple of NAV	Risked NAV per project (net of the ownership interest in the project)	Risked NAV per share
Windstar	2,090	120	362,664	71,574,260	1.19	0.80x	57,259,408	0.95
Mesa Repower	440	30	90,666	21,365,551	0.34	0.70x	14,955,886	0.24
Mesa Repower 2		20	60,444	14,243,701	0.22	0.70x	9,970,591	0.16
Windridge Repower	191	12	36,266	8,881,135	0.14	0.70x	6,216,794	0.10
Kingman	1,110	15	39,420	8,919,572	0.13	0.45x	4,013,807	0.06
Kingman expansion	19,051	200	525,600	128,411,638	1.56	0.40x	51,364,655	0.62
Barstow	3,300	100	302,220	76,474,709	0.85	0.35x	26,766,148	0.30
Reef City	1,200	40	120,888	30,589,884	0.33	0.30x	9,176,965	0.10
Howling Dog	393	15	39,420	8,919,572	0.09	0.30x	2,675,872	0.03
Red Lake	442	20	52,560	11,892,763	0.12	0.20x	2,378,553	0.02
Windswept	575	30	90,666	22,942,413	0.23	0.10x	2,294,241	0.02
Total	**28,792**	**637**	**1,825,080**	**404,215,198**	**5.21**		**187,072,920**	**$2.60**
			C$:U$ Fx rate					1.00
			C$ NAV					**$2.60**

Figure 8. Summary of Project Net Asset Valuations (NAV)
Source. Mackie Research Capital

CONSERVATIVE EV/EBITDA VALUATION SUGGESTS COMPANY WORTH $3.00/SHARE

In addition to a NAV approach, another common approach to value power companies and power developers is to use EV/EBITDA multiples. This is because of the capital-intensive nature of the industry, and the extended length of time the company may go through when earnings and cash flow are depressed, and not representative of future earnings power. To account for this, we look at Western Wind's EBITDA generation, debt position, and share count several years out and arrive at the equity's present value by discounting the future value of the equity back to today.

We are basing our valuation on EBITDA generated in F2013 and F2014. This is because we are able to look at a period when the company has ramped up its capacity to a level where it is generating a more meaningful amount of EBITDA.

As seen in Figure 9, we estimate that the company will generate approximately $46 million and $176 million in EBITDA in F2013 and F2014, respectively. By the end of F2013, we are modeling that the company will have 177 MW of gross power capacity, and by F2014 will have 602 MW of capacity online. At an EV/EBITDA multiple of 9x, we arrive at EV/EBITDA derived target prices of $1.35 and $4.76, respectively, based on the assumptions shown below in Figure 9. We then take the average of these two numbers to arrive at our $3.00 target price based on the EV/EBITDA approach.

EV/EBITDA Approach

	F2013	F2014	Average
EBITDA	45.0	165.7	
Multiple	9.0x	9.0x	
Enterprise Value	404.6	1,491.1	
Net debt	280.8	943.3	
Equity value	123.8	547.7	
Shares outstanding	72	80	
Per share	1.71	6.81	
Cost of Equity	13%	13%	
Years to discount	2	3	
Discount factor	1.28	1.44	
Target price per share (US$)	1.34	4.72	
Target price per share (C$)	**1.35**	**4.76**	**3.06**

Figure 9. EV/EBITDA Valuation Summary
Source. Mackie Research Capital

Our Target Price Varies Considerably with Changes in the Valuation Multiple

As seen in the sensitivity tables in Figures 10 and 11, the EV/EBITDA based valuation for Western Wind varies by roughly $0.50/share for every 1.0x multiple point difference, based on our 2013 estimates. The sensitivity becomes even more pronounced when based on our 2014 estimates, with the sensitivity increasing to approximately $1.50/share for every 1.0x change in the EV/EBITDA multiple.

Valuation Sensitivity based on 2013 Estimates

Multiple	7.0x	8.0x	9.0x	10.0x	11.0x
Value per share	$0.37	$0.86	$1.35	$1.85	$2.34

Figure 10. 2013 EV/EBITDA Valuation Sensitivity
Source. Mackie Research Capital

Valuation Sensitivity based on 2014 Estimates

Multiple	7.0x	8.0x	9.0x	10.0x	11.0x
Value per share	$1.88	$3.32	$4.76	$6.20	$7.64

Figure 11. 2014 EV/EBITDA Valuation Sensitivity
Source. Mackie Research Capital

In the section below, we highlight that a 9x multiple may even be considered a conservative approach, given that recent M&A activity in the wind power sector has resulted in transactions occurring at low to mid-teen EV/EBITDA valuations. Furthermore, this M&A activity is also suggesting that California-based projects are sold at premium valuations, providing more evidence that 11x may be considered a prudent base-case multiple.

M&A ACTIVITY IN NORTH AMERICA INDICATES VALUATION OF BETWEEN $2.30 AND $8.00 PER SHARE FOR WESTERN WIND

In the section below, we offer a few additional perspectives that suggest that Western Wind is undervalued. The M&A environment for acquisitions of renewable energy companies and projects has been active in the past year, despite the impact of a severe global recession. We first discuss that Western Wind itself received a considerable offer for its Windstar project, but decided to proceed with developing the project itself. Separately, we show that implied valuations of the recent Canadian Hydro Developers (KHD) acquisition by TransAlta (TSX:TA), and the reverse takeover of Innergex Renewables Inc. by Innergex Power Income Fund both suggest upside to the market value of Western Wind's assets. Lastly, and perhaps most relevant, is a the recent purchase of a wind farm development just 5 miles away from the Windstar site that values that project, alone, at over $2.25 per Western Wind share.

Western Wind offered $228 million for its Windstar assets in May 2008, equivalent to just under $4.00 per fully-diluted share: In a press release issued by the company on May 21, 2008, Western Wind disclosed that it was offered $228 million for all development rights of its 120 MW Windstar project. The deal included royalty payments pursuant to a land lease, over a 30-year period, that amounted to approximately $192 million being paid over time. The offer consisted of $28 million being paid up-front. Therefore, on a present-value basis, the offer was equivalent to approximately $1.72/share on a fully-diluted basis. Not bad considering that the company still has an additional

34 MW (gross) of operational wind power capacity, and an additional pipeline of development projects exceeding 480 MW.

Separately, the completed acquisition of Canadian Hydro Developer's and the pending acquisition of Innergex Renewable Energy present further evidence that Western Wind is a cheap stock: Based on what we feel are the most relevant metrics in these transactions, Western Wind's "blue-sky valuation potential" can be suggested to be as high as $8.00/share, and at a minimum, a more conservative value of $2.30/share. Below, we first discuss these deals very briefly, and then explain how we have derived these per share values. We also point out that relative to WND's operating capacity and market cap, it has a much larger advanced development pipeline, and this is further reason why the stock's valuation should command a premium.

- Canadian Hydro Developers (KHD) take-out by TransAlta: On July 20, 2009, TransAlta (TSX:TA) announced publicly that it was pursuing a hostile takeover of Canadian Hydro Developers, and proposed an all-cash purchase price of $4.55/share. On October 5, 2009, the two companies entered into a friendly agreement whereby Canadian Hydro Developers would be sold to TransAlta. The revised offer of $5.25 equates to a forward EV/EBITDA multiple of 13.2x. The combination of TransAlta and KHD effectively creates Canada's largest renewable energy company with 1,900 MW of clean power production capacity. At the time of the acquisition, KHD had 694 MW of operational capacity, and had a total pipeline of advanced development projects amounting to 242 MW. As seen below in Figure 12, the most comparable metrics are at premium levels to where Western Wind trades today.
- Innergex Renewable taken out by Innergex Renewable Income Fund: On February 1, 2010, Innergex Power Income Fund (TSX:IEF.UN) and Innergex Renewable Energy Inc. (TSX:INE) announced that they entered into a plan of agreement to combine the two entities through a share exchange offer. The transaction effectively amounts to a reverse takeover of INE by the Fund, IEF, as Innergex Renewable Energy owns 16.1% of the fund units outstanding. However, the fund's unitholders would own the majority of the equity in the new company. Although the deal has not been completed as of the time of this report and INE is trading well above the offer price currently, the implied offer price for Innergex Renewable Energy is $7.00/share. Like the KHD transaction, as seen below in Figure 12, the most comparable metrics in this deal suggest that Western Wind should be trading much higher.

Valuations of the KHD and INE deals suggest a fair value range of $2.30/share to $8.00/share if Western Wind were acquired: Based on the KHD and INE deals, we think that Western Wind should be valued at a minimum of $2.30/share (Figure 13), and possibly have upside to $8.00/share if Western Wind were taken out (Figure 14).

	P/S	EV/EBITDA	P/E	P/B	EV/MW (A)	EV/MW (B)
KHD	4.1x	13.2x	29.4x	1.6x	2.3x	1.7x
INE	3.0x	12.5x	17.6x	0.8x	1.7x	1.1x
Average	3.5x	12.8x	23.5x	1.2x	2.6x	1.4x
WND	1.4x	17.7x	nmf	2.9x	2.3x	0.5x

w here: (A) = EV/ MW based on "Installed Capacity"
(B) = EV/MW based on "Installed Capacity + Advanced Development Stage Projects"

Figure 12. Comparable M&A Valuations
Source. Mackie Research Capital

Western Wind's Implied Value based on 3.5x P/S Multiple

Revenue for 2012 (first year Windstar in production for w hole year)	56,848
P/S multiple based on INE and KHD transactions	3.5x
Implied Equity Value	198,967
Shares o/s at end of 2012	68,341
Per share value at start of 2012	2.91
Discount factor for tw o years at 12.5% cost of equity	1.27
Implied Value per Share	**$ 2.30**

Figure 13. Western Wind Comparable P/S Valuation
Source. Mackie Research Capital

Western Wind's Implied Value based on a 1.4x EV/MW Multiple

Current Operating Capacity	35
"Advanced Development Pipeline" (Windstar and Kingman projects)	335
Total MW	370
EV/MW multiple based on INE and KHD transactions	2.6x
Implied Enterprise Value	960,700
Debt outstanding upon completion of Windstar	344,000
Implied Equity Value	616,700
Shares o/s at end of 2012	68,341
Per share value at start of 2012	9.02
Discount factor for one year at 12.5% cost of equity	1.13
Implied Value per Share	**$ 8.02**

Figure 14. Western Wind Comparable EV/MW Valuation
Source. Mackie Research Capital

The Manzana 246 MW wind farm sale to Pacific Gas & Electric provides a floor value of $2.25/share for Western Wind: On December 3, 2009, PG&E Corp., one of California's largest investor-owned power utilities, press released that it had reached an agreement to purchase the 246 MW Manzana wind farm development for a total of US$911 million. Manzana is a large wind development, like Windstar, that is also located in the Tehachapi region in California. In fact, Manzana is within 5 miles of Windstar. From now until the project's construction is completed, PG&E will pay Iberdrola's Renovables Inc., the seller, a total of US$911 million. Targeted completion for the project is December 2011, and Iberdrola, being the fifth largest utility company in the world, has provided PG&E with cost guarantees that effectively remove almost all of the engineering and budgeting risk of the project. Simply put, PG&E is purchasing a 246 MW completed wind farm for US$911 million, which implies a valuation of US$3.7 million per installed MW. At this US$3.7 million/ MW valuation, the 120 MW Windstar project alone is worth $2.25/share, on a fully-diluted basis, and assuming a 70/30 D/E cap structure. Furthermore, this is not taking into account any of the pipeline projects that Western Wind is pursuing.

In Figure 15 below, we highlight the valuation of Western Wind in the context of this Manzana deal, and also the comparable valuation metrics of the Canadian Hydro and Innergex deals. One may make a strong case that Western Wind should be valued at an EV/MW ratio more inline with the Manzana deal because of the company's focus on the California market, where power prices are the highest of anywhere in North America, and because of Windstar's 5-mile proximity to the Manzana project in the Tehachapi region.

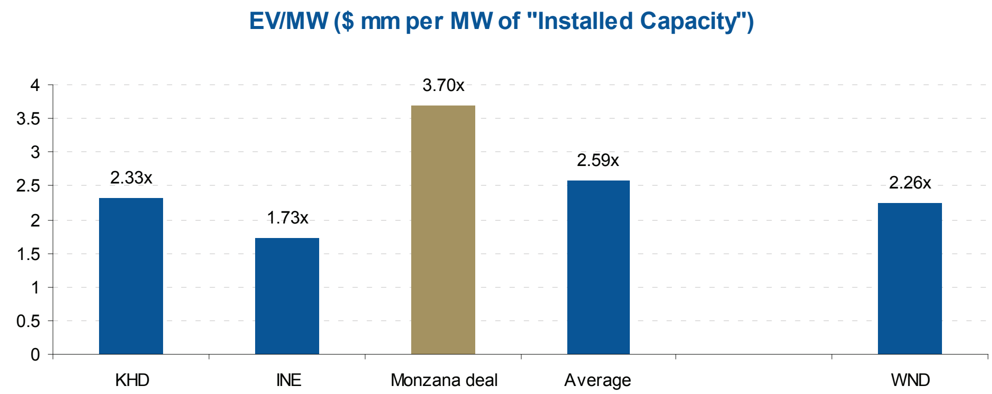

Figure 15. Western Wind's EV/MW Valuation at Large Discount to Manzana Transaction
Source. Mackie Research Capital

RELATIVE WIND POWER COMPS IN NORTH AMERICA SUGGESTS COMPANY UNDERVALUED

As seen in the comparable valuation table at the beginning of the appendix, the universe of pureplay wind power and renewable power developers that we have identified suggest Western Wind is attractively valued. On many metrics, including Price/Book, EV/EBITDA, and EV/MW ratios, the Company trades at large discounts to the group averages. We also point out that the valuation discounts are particularly interesting considering the table suggests that Western Wind's development pipeline is more advanced than the group average. Specificially, we point out that almost 22% of the MW in the Company's development pipeline have been awarded long-term PPAs, versus the group average at less than 14%.

CATALYSTS

FINANCIAL CLOSING OF THE SENIOR DEBT TO BUILD WINDSTAR AND COMPLETION OF CONSTRUCTION

Financing discussions are in the advanced stages with Manulife to provide approximately $200 million in senior secured project financing. After speaking with management, we expect financial closing of this agreement by the end of May of this year. We also understand that Gamesa, as turbine supplier of the project, is a likely party to provide short-term financing so that Western Wind may take delivery of the turbines. Financial closing of this $200 million credit facility or further details on the turbine financing from Gamesa could act as positive catalysts for Western Wind.

FURTHER CONSOLIDATION IN CALIFORNIA WIND PROJECTS COULD RESULT IN EITHER WESTERN WIND BEING TAKEN OUT, OR SALE OF WINDSTAR AT A LARGE PREMIUM

As we discuss in the valuation section of this report, M&A activity has been substantial in the North American wind energy market. Within the last 12 months, we have seen both Canadian Hydro Developers and Innergex Renewables be acquired. More recently and "closer to home" for Western Wind, PG&E Corp. has also completed an agreement to purchase a wind farm in Tehachapi, only 5 miles away from the Windstar project, for over US$900 million. On a comparable basis, the valuation metrics of this deal alone would suggest that Windstar's market value is worth well over $7 per Western Wind share (fully diluted). In its May 21, 2008 press release, Western Wind announced that it was offered $228 million for its Windstar project by a "major U.S. energy company." We believe there exists strong evidence to indicate that wind power companies, particularly small ones focused on the California market, represent attractive take-out candidates from potential acquirers.

DEVELOPMENT MILESTONES INCLUDING PERMITTING, LAND RIGHTS, PPAS, AND TAX GRANTS

As the company's most advanced project is the 120 MW Windstar development, it certainly will prove to be the most important value creator for the company as it comprises close to half of the company's NAV. However, Western Wind does have a total of 10 other projects. As news is relayed to the market in terms of milestones being met at these projects, such as the receipt of new PPAs, issuance of required permits, and acquisition of additional land resources and projects, the company has the potential to create further value for shareholders.

INCREASING OIL & GAS PRICES

Western Wind's reported revenue is highly variable from quarter to quarter, and this is because Mesa, the company's largest operational wind power plant, has a PPA that does not have fixed pricing, but rather is based on the SRAC (short-run avoided cost) price in California, which is ultimately driven by spot prices of oil and natural gas prices. An improvement in oil and gas prices would not only result in higher revenue and earnings for Western Wind due to higher SRAC prices, but in the long term, would also allow the company to negotiate higher contracted power prices for future power projects.

INDUSTRY OVERVIEW

COMPANY'S FOCUS ON THE WESTERN U.S. RESULTS IN THE POTENTIAL FOR HIGHER POWER RATES

Western Wind's primary focus is on project development in the state of California. At the time of Windstar's construction being complete in the mid-part of 2011, 100% of the company's $45 million in annual revenue will be generated in California. Although California is a primary focus for the company, Arizona is also an important state for the company. With the advanced-stage "Kingman" project located there, in addition to projects in the early stage of development, including Howling Dog and Red Lake, Western Wind has the ability to diversify its revenue base, and gain access to another attractive end-market.

Key themes that we see common to both California and Arizona include an under-investment in power generation assets, despite above-average population growth. Additionally, average power prices in California are approximately 40% higher than the national average, as seen below in Figure 16. This premium power pricing environment leads to superior project economics. As seen below in the chart, Arizona's power prices are largely inline with the national average, but by convention of Arizona and California being neighbours, there is potential for the Arizona-based projects to deliver power into the higher-priced grid of California.

Separately, due to Arizona's proximity to California, the required returns for investment into Arizona are pressured upwards. Due to the high power prices in California, developers of power projects are very much attractive to that state due to the prospect of better returns on project investments. Western Wind has found in its negotiations with potential power buyers in Arizona that contracted rates in that state are likely to be inline, to marginally better than those in California. This is partly due to a competitive market for capital. This is also driven by a desire for Arizona to create jobs within its own state where projects can be built and operated, rather than importing power prices. Furthermore, Arizona has been a state with a slower pace of adopting renewable energy; it has placed much more reliance on coal-fired projects, as well as conventional hydro-electric for far too long. To stimulate investment into renewables at the pace required to meet the demands of renewable portfolio standards, PPAs in Arizona will need to be structured at substantially high power rates.

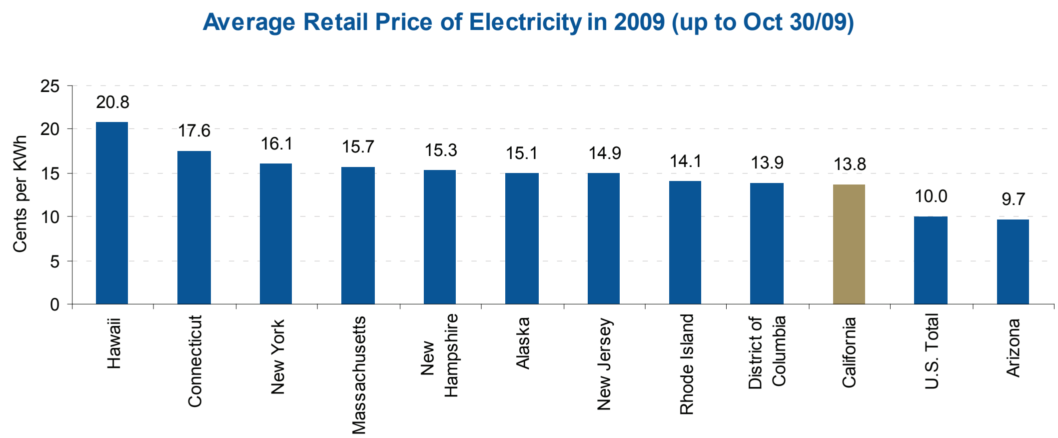

Figure 16. Comparison of Average Retail Electricity Prices in the United States (YTD to October 31, 2009)
Source. Energy Information Administration

Wind to Provide 20% of California Power Supply by End of 2010; Ramping Up to 33% by 2020

Another positive industry driver for Western Wind is that Renewable Energy Portfolio Standards (RPS) in Arizona, and particularly in California, are among the most demanding of any state in the United States. In California, the 2010 RPS is 20%, and recently the state government put into law a 33% requirement for the year 2020.

In November 2008, the governor of California signed Executive Order S-14-08 requiring that California utilities reach a 33% renewable energy goal by 2020, exceeding the previous legislative mandate that electric utilities supply 20% of their total retail power sales from renewable resources by 2010. According to the California Independent System Operator (CAISO), this renewable portfolio standard will require 8,000 MW of new wind generation, of which approximately 4,000 MW is expected to be developed in Tehachapi Pass, an area that is a primary focus for Western Wind's development.

To put this objective into context, recent data from the California Energy Commission (CEC) suggests that 11.7% of the electricity consumed from California's three largest Investor Owned Utilities (IOUs) in 2007 was generated from renewable sources, and in 2008, this figure rose to 13%. Further data from the CEC indicates that an additional 357 MW of renewable energy capacity was added in the state, in only the first nine months of the year, putting total RPS additions at 1,049 MW added since 2003. Below, Figure 17 captures this positive momentum, and all indications are that this investment will continue, and thus bode positive for Western Wind. What the data also suggests to us is that California may have difficulties arriving at its RPS targets in the near term. For the state to have a chance at reaching its objectives, large utilities will need to continue to enter into renewable energy PPAs, and local government will need to accommodate development efforts. These industry drivers are positive for the prospects of Western Wind.

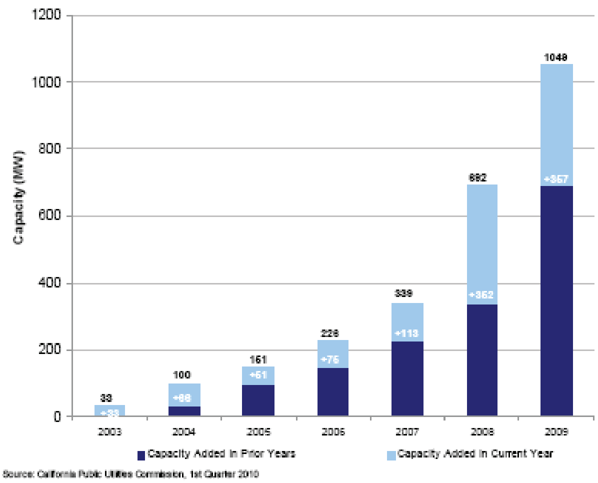

Figure 17. Additions of Renewable Energy Capacity in California
Source. California Public Utilities Commission, Q1/2010 RPS Quarterly Report

California's Market Price Referent (MPR) System Indicates Project Pricing Greater than $100/MWh

As a benchmark, the California Public Utilities Commission (CPUC) uses a mechanism called the Market Price Referent (MPR) as a guideline for utilities and the Commission as to the level of prices in the negotiation of Power Purchase Agreements (PPA) for renewable energy projects. The MPR takes into account all costs of construction and ownership. It represents the levelized price that is paid for power over the lifetime of the contract, and is calculated using a cash-flow modeling approach. A combined cycle gasification turbine plant (CCGT) is used as the proxy for costs in the calculation, and the MPR is calculated as a plug-in formula that makes the revenues over the plant's life exactly equal to the expected proxy CCGT costs on a net present value (NPV) basis. In RPS contracts that are issued to project developers, prices up to and below the MPR may be accepted as "reasonable" by the Commission. For prices above the MPR level, "a stronger burden of proof is required in justifying that price." Below in Figure 18, we summarize the most recent MPR rates that the CPUC published in December 2009.

Adopted 2009 Market Price Referents1
(Nominal - dollars/kWh)

Contract Start Date	10-Year	15-Year	20-Year	25-Year
2010	0.08448	0.09066	0.09674	0.1002
2011	0.08843	0.09465	0.10098	0.10442
2012	0.09208	0.09852	0.10507	0.10852
2013	0.09543	0.10223	0.10898	0.11245
2014	0.09872	0.10593	0.11286	0.11636
2015	0.10168	0.10944	0.11647	0.12002
2016	0.10488	0.11313	0.1202	0.12378
2017	0.10834	0.11695	0.12404	0.12766
2018	0.11204	0.1209	0.128	0.13165
2019	0.11598	0.12499	0.13209	0.13575
2020	0.12018	0.12922	0.1363	0.13994
2021	0.12465	0.13359	0.14064	0.14424

Figure 18. California's Market Price Referents as of December, 2009
Source. California Public Utilities Commission

To illustrate the use of the table above, the 2009 MPR for a contract commencing in 2013 and 2014 is $109 and $113 per MWh, respectively, for a 20-year duration contract. This compares closely with the price of $115 per MWh that we are using in our model for Western Wind's California projects that start up production during these years. Although the listed MPRs are slightly lower than our $115 per MWh estimate, after speaking with the company, we understand that $115 per MWh is approximately inline with comparable wind power contracts being negotiated for other projects in California. Therefore, we are reasonably comfortable with our $115 per MWh estimate for the pricing of the California projects.

Arizona Project Pricing Indicates Rates Even Higher than Those in California

To model project cash flows from the company's four Arizona development-stage projects, we are assuming an even higher power price of $120 per MWh. Our research suggests that investment in energy producing infrastructure assets within Arizona has also lagged the rate of population growth there, similar to the under-investment that has taken place in California.

During the 1990s, the Arizona Corporation Commission followed the model of other jurisdictions by de-regulating its power industry. With this step, the responsibility of the construction of new power-generating facilities was largely put on the private sector. Despite significant time having elapsed since the process of utility de-regulation took place in Arizona, significant under-investment of new power generating assets still characterizes the situation in Arizona. As a consequence, independent power producers have been able to negotiate premium-priced rates for Power Purchase Agreements that are supplied by renewable energy power plants.

The RPS mandate in Arizona is for 15% of the energy consumed there to come from renewable energy sources by the year 2025. According to data from the Energy Information Administration, currently, under 6% of total electricity net generation in 2007 came from renewable sources, and almost all provided from conventional hydroelectric. In short, significant investment in renewables is necessary for Arizona to meet its target of 15% by 2025, and therefore the need for high prices in renewable energy power contracts.

INVESTMENT CONCLUSION

Although Western Wind is a relatively small-scale producer today, at just 34.5 MW of operating capacity, the company has a large amount of new projects at the "shovel ready" stage, with 131 MW of incremental capacity locked up in long-term Power Purchase Agreements (PPA).

The next 12 months are set to be transformational ones for the company as financial close of the Windstar project looks to be imminent, with the project able to be constructed and placed into service by the middle part of 2011. Achieving this will bring an incremental $40 million of operating revenue to the company, and should provide greater than $10 million of cash flow to equity holders. Other catalysts include a continued frenzy of wind power M&A activity in California, new PPAs, the securing of new permits and land rights, and the receipt of Tax Grants once projects reach the operating stage.

One of the company's most impressive competitive strengths is that it has obtained an impressive portfolio of land rights, securing a total of 28,000 acres of sites with strong wind resource, and in some cases, strong solar energy resource regimes. The company's decision to purchase much of these lands seems a shrewd one as it offers greater flexibility during development and exposes the company to the niche market of rising land values for promising renewable energy sites. The company's geographic focus on states in the Southwestern United States such as California and Arizona provides a further competitive advantage as renewable energy power prices in these regions are at premium levels. Wind power is the primary power-generation technology for the company, resulting in faster lead times for project development, as well as relatively low capex requirements in the renewable space. As a "qualifying technology" for the purposes of both state-imposed Renewable Energy Portfolio Standards (RPS), and for government incentives such as Investment Tax Credits (ITC), positive drivers exist for the company's development pipeline. The culmination of these factors results in project IRRs in the mid-teens, and IRRs to equity holders surpassing 50% in most cases.

The company's demonstrated track record of operating wind projects and negotiating PPAs is proof that this management team is comprised of individuals with a great deal of experience in developing projects in the focus areas of California and Arizona. Furthermore, management's 11% ownership in the company aligns interests.

In terms of valuation, we believe that the stock's intrinsic value offers investors significant upside from current levels. Our target price of $2.80 is arrived at by taking the average of our NAV and EV/EBITDA approaches.

We estimate that the company will generate approximately $45 million and $166 million in EBITDA in F2013 and F2014, respectively, on in-service capacity of 177 MW and 602 MW in those years, respectively. At an EV/EBITDA multiple of 9x, we arrive at a $3.00 target price based on the EV/EBITDA approach. Our risk-adjusted NAV target price of $2.60 is arrived at by performing discounted cash-flow calculations on all 11 of the company's projects. We then add up all these components to produce a net asset valuation. Our $2.80 target price is based on the average of these numbers, $2.60/share and $3.00/share.

This $2.80 target price could prove to be extremely conservative, however, should the flurry of M&A activity continue in California, and in the North American wind power sector in general. We calculate that the company's "blue-sky valuation potential" may prove to be as high as $8.00/share in this scenario.

Regardless of the industry's attractive M&A activity, our long-term view on Western Wind is positive and we believe that the stock has more upside as the company de-risks its development-stage projects by hitting value-creating milestones.

Key Risks include regulatory risks, variability in wind resources, inability to obtain financing at favourable terms, execution risk, and commodity price risk as it relates to fluctuations in oil and gas prices and the impact that may have on power prices in spot electricity markets.

We are initiating coverage on Western Wind Energy Corp. with a BUY recommendation and target price of $2.80.

APPENDIX 1

FINANCIALS

Windpower Comps

4-Apr-10	Western Wind Energy Corp.	Sky Harvest Wind Power Corp.	Juhl Wind Inc.	Schneider Power Inc.	Nacel Energy Corporation	Naikun Wind Energy Group	Finavera Renewables Inc.	Boralex	Sea Breeze Power Corp.	Shear Wind Inc.	Innergex Renewable Energy Inc.	AVG
Symbol	WND	SKYH	JUHL	SNE	NCEN	NKW	FVR	BLX	SBX	SWX	INE	
Share Price	1.48	0.55	2.18	0.17	0.35	0.59	0.12	10.61	0.30	0.23	8.10	
Market Cap	68	16	46	12	8	23	32	400	23	34	192	
52 week low:	0.58	0.01	1.50	0.08	0.27	0.23	0.03	5.62	0.13	0.15	2.75	
52 week high:	2.05	0.90	2.60	0.30	1.60	0.84	0.19	10.98	0.42	0.40	9.00	
BALANCE SHEET												
Cash	2	na	4	na	1	14	1	38	0	0	6	
Net Fixed Assets	19	na	0	na	0	2	0	414	0	4	205	
Total Assets	29	na	17	na	1	18	2	664	1	9	412	
Total Debt	3	na	8	na	0	0	2	243	7	1	101	
Net Debt	-1	na	4	na	0	-14	1	205	6	2	95	
Shareholders' equity	25	na	6	na	0	15	-5	347	-9	5	225	
Enterprise Value (EV)	67	16	50	12	7	9	33	605	30	35	287	
Book Value	26	na	9	na	0	18	0	421	-6	8	310	
Net debt (net cash)/Capital	-5%	na	22%	na	-42%	-81%	28%	31%	na	18%	23%	-1%
Size of Generating and Development portfolio:												
Installed capacity -- own account	34	-	-	-	-	-	-	351	-	-	116	
Installed capacity -- managed for 3rd party	-	-	-	-	-	-	-	190	-	-	-	
Total Installed capacity	34	-	-	-	-	-	-	395	-	-	116	
Development pipeline with PPAs	131	-	-	27	-	-	293	495	-	60	128	
Development pipeline without PPAs	472	300	543	974	130	1,750	424	184	3,000	1,650	1,472	
Total Development pipeline	603	300	543	1,000	130	1,750	717	679	3,000	1,710	1,600	
Installed Capacity + Total Development Pipeline	637	300	543	1,000	130	1,750	717	1,074	3,000	1,710	1,716	
Current generation to total development pipeline	0.06	-	-	-	-	-	-	0.58	-	-	0.07	0.06
Project Development with PPAs as a % of total pipeline	21.7%	0.0%	0.0%	2.7%	0.0%	0.0%	40.9%	72.9%	0.0%	3.5%	8.0%	13.6%
4-year CAGR of installed capacity	51.5%	na	na	na	na	na	na	13.4%	na	na	175.7%	80.2%
Valuation Metrics												
EPS - previous year	-0.07	na	na	na	na	na	na	0.51	-0.08	-0.05	0.22	
EPS - current year	-0.10	na	na	na	na	na	na	0.43	na	na	na	
EPS - next year	-0.16	na	na	na	na	na	na	0.54	na	na	na	
EPS - next 2 year	-0.14	na	na	na	na	na	na	0.48	na	na	na	
EPS - Y/Y growth, %	39.7%	na	na	na	na	na	na	-16.1%	na	na	na	11.8%
EPS - 2-year CAGR	50.9%	na	na	na	na	na	na	2.7%	na	na	na	26.8%
EPS - 3-year CAGR	24.9%	na	na	na	na	na	na	-2.0%	na	na	na	11.5%
Price/ Book Value	2.6x	nmf	5.0x	nmf	16.2x	1.3x	nmf	1.0x	nmf	4.4x	0.6x	4.4x
EV/EBITDA - previous year	nmf	na	na	na	na	na	na	15.3x	na	na	170.5x	92.9x
EV/EBITDA - current year	nmf	na	na	na	na	na	na	8.2x	na	na	4.7x	6.5x
EV/EBITDA - next year	nmf	na	na	na	na	na	na	6.7x	na	na	4.6x	5.7x
EV/EBITDA - next 2 years	3.9x	na	na	na	na	na	na	7.1x	na	na	3.5x	4.8x
P/S - previous year	13.3x	na	na	na	na	na	na	2.1x	na	na	23.9x	13.1x
P/S - current year	21.7x	na	na	na	na	na	na	1.9x	na	na	2.9x	8.8x
P/S - next year	22.5x	na	na	na	na	na	na	1.8x	na	na	2.4x	8.9x
P/S - next 2 years	2.8x	na	na	na	na	na	na	2.0x	na	na	2.0x	2.3x
P/E - previous year	nmf	na	na	na	na	na	na	na	na	na	36.8x	36.8x
P/E - current year	nmf	na	na	na	na	na	na	24.8x	na	na	23.5x	24.1x
P/E - next year	nmf	na	na	na	na	na	na	19.7x	na	na	30.5x	25.1x
P/E - next 2 years	nmf	na	na	na	na	na	na	22.1x	na	na	18.3x	20.2x
EV/ Generating capacity (MW)	1.96	nmf	nmf	nmf	nmf	nmf	nmf	1.53	nmf	nmf	2.48	1.99
EV/[Generating capacity + PPA project pipeline (MW)]	0.40	nmf	nmf	0.45	nmf	nmf	0.11	0.68	nmf	0.58	1.18	0.57
EV/[Generating capacity + total development pipeline]	0.10	0.05	0.09	0.01	0.06	0.01	0.05	0.56	0.01	0.02	0.17	0.10

Figure 19. Wind Power Comparables
Source. Mackie Research Capital estimates, Bloomberg

Income Statement (000s)

December year end	2008	09Q1	09Q2	09Q3	09Q4	2009	10Q1e	10Q2e	10Q3e	10Q4e	2010E	2011E
Sales	5,118	673	1,042	692	392	2,798	764	730	730	803	3,027	23,869
Cost of goods sold	(1,859)	(472)	(480)	(483)	(409)	(1,844)	(472)	(480)	(445)	(490)	(1,888)	(3,426)
Gross profit	3,259	202	561	208	(17)	954	292	250	285	313	1,140	20,443
Operating	0	0	0	0	0	0	0	0	0	0	0	0
General and administrative	(4,176)	(754)	(757)	(627)	(639)	(2,776)	(687)	(657)	(657)	(723)	(2,725)	(3,668)
Other					0							
EBITDA	(918)	(553)	(196)	(418)	(655)	(1,822)	(396)	(407)	(372)	(410)	(1,585)	16,775
Amortization	(2,418)	(714)	(663)	(257)	(242)	(1,875)	(281)	(277)	(284)	(373)	(1,215)	(9,552)
Other					0							
Operating income	(3,336)	(1,267)	(858)	(675)	(897)	(3,697)	(676)	(684)	(656)	(783)	(2,799)	7,223
Interest	164	(15)	(5)	(12)	(6)	(38)	(15)	(0)	(260)	(780)	(1,056)	(8,584)
Project development	(1,877)	(550)	(482)	(481)	(847)	(2,360)	(550)	0	0	0	(550)	0
Gain/(loss) on foreign exchange	(582)	(44)	(20)	35	(10)	(39)	(44)				(44)	0
stock-based compensation			0	0	0	0	0	0	0	0	0	0
Other income (expense)	(69)	(20)	(19)	(2)	175	134	(20)	0	0		(20)	0
Other					0							
Earnings before taxes	(5,700)	(1,896)	(1,383)	(1,134)	(1,585)	(5,999)	(1,306)	(684)	(917)	(1,563)	(4,470)	(1,361)
Income taxes	707	212	203	489	73	976	212	0	0	0	212	0
Earnings from continuing operations	(4,992)	(1,685)	(1,181)	(646)	(1,512)	(5,023)	(1,094)	(684)	(917)	(1,563)	(4,258)	(1,361)
Income (loss) from discontinued operations	2,724	0	0	0	0	0	0	0	0	0	0	0
Net income	(2,268)	(1,685)	(1,181)	(646)	(1,512)	(5,023)	(1,094)	(684)	(917)	(1,563)	(4,258)	(1,361)
Dividends												
EPS - basic	($0.07)	($0.05)	($0.03)	($0.01)	($0.03)	($0.12)	($0.02)	($0.01)	($0.02)	($0.03)	($0.08)	($0.03)
EPS - fully diluted (FD)	($0.07)	($0.05)	($0.03)	($0.01)	($0.03)	($0.12)	($0.02)	($0.01)	($0.02)	($0.03)	($0.08)	($0.04)
EPS - excl. unusual items (FD)	($0.07)	($0.05)	($0.03)	($0.01)	($0.03)	($0.12)	($0.02)	($0.01)	($0.02)	($0.03)	($0.08)	($0.04)
CFPS - basic	($0.04)	($0.02)	($0.01)	($0.01)	($0.02)	($0.07)	($0.02)	($0.01)	($0.01)	($0.02)	($0.06)	$0.14
CFPS - fully diluted	($0.04)	($0.02)	($0.01)	($0.01)	($0.02)	($0.07)	($0.02)	($0.01)	($0.01)	($0.02)	($0.06)	$0.14
FCFPS - basic	($0.18)	($0.03)	($0.04)	($0.02)	($0.03)	($0.08)	($0.03)	($0.01)	($1.08)	($1.05)	($2.22)	($3.05)
FCFPS - fully diluted	($0.18)	($0.03)	($0.04)	($0.02)	($0.03)	($0.08)	($0.03)	($0.01)	($1.08)	($1.05)	($2.22)	($2.92)
Shares outstanding - basic	32,544	36,703	41,732	45,979	49,300	42,860	49,325	49,350	51,192	53,034	50,725	57,991
Shares outstanding - fully diluted	32,544	36,703	41,732	45,979	49,325	42,860	49,325	49,350	51,192	53,034	50,725	60,532

Figure 20. Income Statement
Source. Company reports, Mackie Research Capital estimates

Balance Sheet (000s)

December year end	2008	09Q1	09Q2	09Q3	09Q4	2009	10Q1e	10Q2e	10Q3e	10Q4e	2010E	2011E
Assets												
Current assets												
Cash and cash equivalents	1,817	503	2,850	1,879	1,882	1,882	491	105	(0)	(0)	(0)	0
Short-term investments		0	0	0	0	0	0	0	0	0	0	0
Accounts receivable	547	654	740	471	254	254	516	494	494	543	543	7,527
Prepaid expenses	346	444	561	523	489	489	458	438	438	482	482	6,680
Refundable tax credits	311	332	62	74	89	89	0	0	0	0	0	0
Income taxes refundable	223	0	0	0	196	196	196	196	196	196	196	196
Other				0	0	0						
Other		0	0	0	0	0					0	0
	3,245	1,933	4,213.129	2,947	2,910	2,910	1,661	1,233	1,128	1,221	1,221	14,403
Goodwill and other intangibles	4,841	4,963	4,593	4,234	4,095	4,095	4,095	4,095	4,095	4,095	4,095	4,095
Restricted cash	210	104	104	104	106	106	106	106	106	106	106	106
PPE	20,864	20,547	21,258	19,313	18,856	18,856	18,575	18,299	72,515	126,642	126,642	295,390
Construction in progress	1,103	1,434	1,850	2,283	2,789	2,789	2,789	2,789	2,789	2,789	2,789	2,789
Other	0	31	42	164	446	446	446	446	446	446	446	446
	30,263	29,012	32,060.848	29,045	29,202	29,202	27,672	26,967	81,078	135,298	135,298	317,229
Liabilities and Shareholders' Equity												
Current liabilities												
Short-term loans		0	0	0	0	0	0	0	55,028	110,765	110,765	285,421
Accounts payable and accrued liabilities	1,217	948	652	802	908	908	472	451	451	497	497	6,883
Accrued interest liabilities	57	7	4	5	6	6	6	6	6	6	6	6
Deferred construction amounts payable		0	0	0	0	0	0	0	0	0	0	0
Income taxes payable		0	0	0	0	0	0	0	0	0	0	0
Loans payable, current portion	582	535	198	212	144	144	0	0	0	0	0	0
Other		0	0	0	0	0	0	0	0	0	0	0
	1,857	1,490	854.083	1,019	1,059	1,059	478	457	55,485	111,268	111,268	292,309
Other					0	0						
Loans payable	350	388	287	204	185	185	329	329	329	329	329	329
Other	5,614	5,588	4,972	3,063	3,116	3,116	3,116	3,116	3,116	3,116	3,116	3,116
	7,821	7,466	6,113.738	4,286	4,359	4,359	3,923	3,902	58,930	114,713	114,713	295,754
Shareholders' equity												
Share capital:												
Common shares	40,604	40,604	45,113	45,167	47,320	47,320	47,320	47,320	47,320	47,320	47,320	47,320
Contributed surpolus and warrants	10,135	10,541	12,595	12,838	12,603	12,603	12,603	12,603	12,603	12,603	12,603	12,603
Accumulated other comprehensive income (loss)	712	1,094	113	(725)	(1,047)	(1,047)	(1,047)	(1,047)	(1,047)	(1,047)	(1,047)	(1,047)
Retained earnings (accumulated deficit)	(29,009)	(30,694)	(31,874)	(32,520)	(34,032)	(34,032)	(35,126)	(35,810)	(36,727)	(38,290)	(38,290)	(37,401)
	22,442	21,546	25,947.111	24,759	24,843	24,843	23,749	23,065	22,149	20,585	20,585	21,475
	30,263	29,012	32,060.849	29,045	29,202	29,202	27,672	26,967	81,078	135,298	135,298	317,229
Net debt (net cash position)	(885)	(115)	(2,562)	(1,463)	(1,553)	(1,553)	(162)	224	55,357	111,095	111,095	285,750
Debt to total capital	-4.1%	-0.5%	-11.0%	-6.3%	-6.7%	-6.7%	-0.7%	1.0%	71.4%	84.4%	84.4%	93.0%
Debt:EBITDA	0.2	0.1	3.3	0.9	0.6	0.9	0.1	(0.1)	(37.2)	(67.8)	(70.1)	17.0
EBITDA:interest	5.6	(37.3)	(42.6)	(34.8)	(106.4)	(48.5)	(26.7)	(3,882.4)	(1.4)	(0.5)	(1.5)	2.0
CAPEX		0	663	0	0	663	0	0	54,500	54,500	109,000	178,300

Figure 21. Balance Sheet
Source. Company reports, Mackie Research Capital estimates

Cashflow Statement (000s)

December year end	2008E	09Q1	09Q2	09Q3	09Q4	2009	10Q1e	10Q2e	10Q3e	10Q4e	2010E	2011E
Cash provided by (used in):												
Operating activities												
Net income	(4,993)	(1,685)	(1,181)	(646)	(1,512)	(5,023)	(1,094)	(684)	(917)	(1,563)	(4,258)	(1,361)
Items not involving cash:												
Amortization	2,418	714	663	257	242	1,875	281	277	284	373	1,215	9,552
Unrealized FX (gain) loss	273	44	(67)	(63)	(52)	(139)	0					0
Future income taxes recoverable	(711)	(212)	(201)	(493)	124	(782)	0	0	0	0	0	0
Other (Accretion on LT debt, and Asset retirement obl	83	20	19	2	(175)	(134)	0	0	0	0	0	0
Stock-based compensation	1,475	406	332	256	233	1,227	0	0	0	0	0	0
	(1,456)	(713)	(435)	(687)	(1,141)	(2,976)	(813)	(407)	(633)	(1,190)	(3,043)	8,191
Changes in non-cash operating working capital	(2,735)	(314)	(242)	440	134	18	(578)	22	0	(48)	(604)	(6,796)
Cash from operations after WC	(4,190)	(1,027)	(677)	(247)	(1,007)	(2,958)	(1,391)	(385)	(633)	(1,238)	(3,648)	1,395
Financing activities												
Proceeds from warrants, options exercised		0	0	0	0							2,250
Loans payable and conversion rights	(13,629)	(40)	(395)	(33)	(65)	(532)	0	0	55,028	55,738	110,765	174,655
Shares and warrants issued for cash	17,734	0	4,530	41	1,686	6,257	0	0	0	0	0	0
Financing costs		0	0	0	0	0	0	0	0	0	0	0
Change in short-term portion of LTD		0	0	0	0	0	(144)	0	0	0	(144)	0
Long term debt		0	0	0	0	0	144	0	0	0	144	0
Proceeds from grants and tax credits		0	0	0	0	0	0	0	0	0	0	0
Net funds from financing	4,105	(40)	4,135	8	1,621	5,724	0	0	55,028	55,738	110,765	176,905
Investing activities												
Construction in progress	(566)	(357)	(438)	(418)	(511)	(1,723)	0	0	0	0	0	0
Purchase of property and equipment	(1,809)	0	(663)	(191)	218	(636)	(0)	(0)	(54,500)	(54,500)	(109,000)	(178,300)
Other (long-term deposits)	2,846	0	(11)	(122)	(313)	(446)	0	0	0	0	0	0
Restricted cash	982	109	0	0	(5)	104	0	0	0	0	0	0
Net funds from investing	1,453	(248)	(1,112)	(732)	(610)	(2,701)	(0)	(0)	(54,500)	(54,500)	(109,000)	(178,300)
Effect of exchange rate changes on cash and cash equi	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash Flow	1,368	(1,314)	2,347	(971)	3	65	(1,391)	(385)	(105)	(0)	(1,882)	0
Net Cash Flow ex. Bank debt	14,997	(1,274)	2,742	(938)	68	65	(1,391)	(385)	(55,133)	(55,738)	(1,882)	0
Free Cash Flow	(6,000)	(1,274)	(1,788)	(979)	(1,618)	(3,594)	(1,391)	(385)	(55,133)	(55,738)	(112,648)	(176,905)
Cash, beginning of period	449	1,817	503	2,850	1,879	1,817	1,882	491	105	(0)	1,882	(0)
Cash, end of period	1,817	503	2,850	1,879	1,882	1,882	491	105	(0)	(0)	(0)	0
FCF yield (FCF/ sales)	-117%	-189%	-172%	-142%	-413%	-128%	-182%	-53%	-7550%	-6939%	-3721%	-741%
Per share cash flow:												
CFO (pre-wkg cap changes)	-0.04	-0.02	-0.01	-0.01	-0.02	-0.07	-0.02	-0.01	-0.01	-0.02	-0.06	0.14
CFO (post-wkg cap changes)	-0.13	-0.03	-0.02	-0.01	-0.02	-0.07	-0.03	-0.01	-0.01	-0.02	-0.07	0.02
Free Cash Flow	-0.18	-0.03	-0.04	-0.02	-0.03	-0.08	-0.03	-0.01	-1.08	-1.05	-2.22	-2.92
Free Cash Flow ex. Bank debt	0.46	-0.03	0.07	-0.02	0.00	0.00	-0.03	-0.01	-1.08	-1.05	-0.04	0.00
Net Cash Flow	0.04	-0.04	0.06	-0.02	0.00	0.00	-0.03	-0.01	0.00	0.00	-0.04	0.00

Figure 22. Cash-Flow Statement
Source. Company reports, Mackie Research Capital estimates

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