

Western Wind Energy Corp.
Consolidated Financial Statements
(A Development Stage Company)
(Expressed in Canadian Dollars)
Six Months Period Ended July 31, 2006

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102, the Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the period ended July 31, 2006.

Western Wind Energy Corp.
(A Development Stage Company)
Consolidated Balance Sheets
July 31, 2006 and January 31, 2006
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	<u>Note</u>	<u>July 31</u> <u>2006</u>	<u>January 31</u> <u>2006</u>
Assets			
Current			
Cash and cash equivalents		\$ 469,310	\$ 5,922,795
Accounts receivable		20,072	-
Refundable tax credits		45,916	56,348
Advances to related parties	11	268,732	-
Prepaid expenses and deposits		<u>12,032</u>	<u>40,667</u>
Total current assets		817,476	6,019,810
Restricted cash	3	1,162,800	-
Construction in process	4	5,544,227	2,803,407
Property and equipment deposits	5	296,320	839,819
Property and equipment	6	<u>19,183,391</u>	<u>2,684,057</u>
Total Assets		<u>\$ 27,004,214</u>	<u>\$ 12,347,093</u>
Liabilities			
Current			
Accounts payable and accrued liabilities		\$ 752,986	\$ 466,225
Loans payable	7	<u>15,565,948</u>	<u>408,865</u>
Total liabilities		<u>16,318,934</u>	<u>875,090</u>
Contingencies and commitments	12		
Shareholders' Equity			
Share Capital	8	21,575,407	21,490,117
Share subscriptions receivable	11	(129,100)	(129,100)
Contributed surplus	9	2,655,271	2,645,011
Deferred share bonus expense	11	(260,832)	(418,000)
Deficit accumulated in the development stage		<u>(13,155,466)</u>	<u>(12,116,025)</u>
Total shareholders equity		<u>10,685,280</u>	<u>11,472,003</u>
Total Liabilities and Shareholders Equity		<u>\$ 27,004,214</u>	<u>\$ 12,347,093</u>
Continued Operations	1		

The accompanying notes are an integral part of these financial statements

On behalf of the board:

Jeffrey Ciachurski
(Chief Executive Officer and Director)

Claus Andrup
(Director)

Western Wind Energy Corp.
(A Development Stage Company)
Consolidated Statements of Operation and Deficit
For the Periods Ended July 31, 2006 and July 31, 2005
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Note	Three Months Ended		Six Months Ended	
		July 31 2006	July 31 2005	July 31 2006	July 31 2005
Revenues		\$ 33,119	\$ -	\$ 50,825	\$ -
Direct costs		12,524	-	12,524	-
Gross margin		20,595	-	38,301	-
Expenses					
Advertising and promotion		5,965	11,328	22,397	15,940
Amortization – equipment		16,767	13,387	33,060	18,629
Bonuses	11	78,584	-	157,168	-
Communications		66,163	84,071	84,295	125,105
Consulting and directors' fees	11	145,078	259,785	334,481	407,369
Interest and bank charges		(4,042)	21,902	22,697	37,971
Management fees	11	28,573	13,499	90,000	53,499
Office and secretarial	11	22,059	34,646	37,403	47,177
Professional fees		111,724	85,665	257,006	136,602
Project costs		2,483	-	44,652	-
Regulatory fees		4,451	9,546	13,128	24,412
Rent	11	12,334	26,763	27,315	37,743
Stock based compensation	8	10,259	187,500	10,259	249,500
Telephone		11,406	6,894	22,233	18,387
Travel and automotive	11	20,480	73,453	111,240	148,772
		532,284	828,439	1,267,334	1,321,106
Loss before the following:		(511,688)	(828,439)	(1,229,032)	(1,321,106)
Interest income		15,675	-	48,418	-
Write off of advances receivable	11	-	-	(7,203)	-
Foreign exchange gains		113,541	-	148,376	-
Loss for the period		(382,472)	(828,439)	(1,039,441)	(1,321,106)
Deficit, beginning of period		(12,772,994)	(7,701,378)	(12,116,025)	(7,208,710)
Deficit, end of period		\$ (13,155,466)	\$ (8,529,817)	\$ (13,155,466)	\$ (8,529,816)
Loss per share – basic and diluted		\$ (0.02)	\$ (0.05)	\$ (0.04)	\$ (0.08)
Weighted average number of common shares outstanding - basic and diluted		23,749,289	16,177,228	23,737,789	15,556,584

The accompanying notes are an integral part of these financial statements.

Western Wind Energy Corp.
(A Development Stage Company)
Consolidated Statements of Operation and Deficit
For the Periods Ended July 31, 2006 and July 31, 2005
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Three Months Ended		Six Months Ended	
	July 31	July 31	July 31	July 31
	2006	2005	2006	2005
Cash flows from (used in) operating activities				
Loss for the period	\$ (382,472)	\$ (828,439)	\$ (1,039,441)	\$ (1,321,106)
Adjustments for items not requiring cash				
Amortization	16,767	13,387	33,060	18,629
Stock based compensation expense	10,259	187,500	10,259	249,500
Bonuses paid in shares	78,584	-	157,168	-
	<u>(276,862)</u>	<u>(627,552)</u>	<u>(838,954)</u>	<u>(1,052,977)</u>
Change in non-cash working capital items				
Refundable tax credits	11,092	62,273	10,432	39,606
Accounts receivable	(20,072)	-	(20,072)	-
Prepaid expenses	1,936	816	27,221	816
Accounts payable and accrued liabilities	111,311	134,894	286,761	147,502
Net cash used in operating activities	<u>(172,595)</u>	<u>(429,569)</u>	<u>(534,612)</u>	<u>(865,053)</u>
Cash flows from (used in) financing activities				
Proceeds from share issuances and subscriptions	41,490	762,175	85,290	1,509,744
Due to related party	(68,732)	(7,098)	(268,732)	52
Loan payable	(5,858)	(2,154)	15,157,083	(135,000)
Promissory note	15,212,324	-	-	(2,154)
Net cash used in financing activities	<u>15,179,225</u>	<u>752,923</u>	<u>14,973,641</u>	<u>1,372,642</u>
Cash flow used in investing activities				
Purchase of property and equipment	(15,472,815)	(94,688)	(16,532,393)	(109,198)
Construction in progress	(459,886)	(294,021)	(2,740,820)	(411,558)
Deposit on real estate purchase	(127,299)	-	543,499	-
Restricted cash	-	-	(1,162,800)	-
Net cash used in investing activities	<u>(16,059,999)</u>	<u>(388,709)</u>	<u>(19,892,514)</u>	<u>(520,756)</u>
Increase (decrease) in cash and cash equivalents	(1,053,369)	(65,355)	(5,453,485)	(13,167)
Cash and cash equivalents, beginning of period	1,522,679	83,719	5,922,795	31,531
Cash and cash equivalents, end of period	<u>\$ 469,310</u>	<u>\$ 18,364</u>	<u>\$ 469,310</u>	<u>\$ 18,364</u>

Supplemental disclosure of cash flow information:

Interest paid in cash	\$ -	\$ 21,902	\$ 22,697	\$ 37,971
Income taxes paid in cash	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

Western Wind Energy Corp.
(A Development Stage Company)
Notes to Consolidated Financial Statements
For the Periods Ended July 31, 2006 and 2005, and January 31, 2006
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

1. Nature of Business and Continued Operations

Western Wind Energy Corp. (the "Company") is in the business of developing wind energy projects on properties either owned or leased by the Company in New Brunswick, California and Arizona. The Company holds these wind farm properties in North America through its wholly owned subsidiaries Eastern Wind Power Inc. ("EWP"), Verde Resources Corporation ("Verde") and Aero Energy, LLC ("Aero").

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. The continued operations of the Company are dependent upon the ability of the Company to obtain necessary financing to complete the development and construction of the wind generated electrical projects and fund corporate overhead costs until future operations are profitable. Management's plan in this regard is to raise equity financing as required.

2. Significant Accounting Policies

a) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned Canadian subsidiary, EWP, and U.S. subsidiaries, Verde and Aero. All significant inter-company accounts and transactions have been eliminated.

b) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from those estimates.

c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit with banks and highly liquid short-term interest bearing investments with maturities at the purchase date of less than three months.

d) Property and Equipment

Land is recorded at cost plus site investigation, legal and title insurance costs.

Equipment consists of wind equipment, furniture and equipment, and vehicles. It is recorded at cost less accumulated amortization. Amortization is provided for over the estimated useful life of 5 years using the straight-line method.

e) Construction in Process

Construction in process costs are costs incurred for the development of wind farm sites. These costs will be amortized over the expected useful life of the projects once the projects commence commercial operations. The recoverability of the capitalized costs is dependent on the Company's ability to obtain financing to complete the development of such projects, meet its obligations under various agreements and the success of future operations or dispositions. As at July 31, 2006, the Company has not commenced commercial operations of its projects that are under construction.

Western Wind Energy Corp.
(A Development Stage Company)
Notes to Consolidated Financial Statements
For the Periods Ended July 31, 2006 and 2005, and January 31, 2006
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

2. Significant Accounting Policies (Continued)

f) Income Taxes

Income taxes are accounted for under the liability method of accounting for income taxes. Under the liability method, future tax liabilities and assets are recognized for the estimated future tax consequences attributable to differences between the amounts reported in the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantially enacted income tax rates expected to apply when the asset is realized or the liability settled. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. Future income tax assets are recognized to the extent that they are considered more likely than not to be realized.

g) Long-lived Assets Impairment

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment losses are recognized when the carrying amount of long-lived assets exceed the sum of the undiscounted future cash flows expected to result from the use of the asset and its eventual disposition. The impairment loss is determined as the amount by which the long-lived asset's carrying amount exceeds its fair value.

h) Asset Retirement Obligations

The Company recognizes the fair value of liabilities for asset retirement obligations in the period in which a reasonable estimate of such costs can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expenses using a systematic and rational method and is also adjusted to reflect period-to-period changes in the liability resulting from passage of time and revisions to either timing or the amount of the original estimate of the undiscounted cash flow. As at July 31, 2006 and January 31, 2006, the Company did not have any asset retirement obligations.

i) Foreign Currency Transactions

Transactions in foreign currencies are translated into the currency of measurement at the exchange rate in effect at the time of the transaction. Monetary items expressed in foreign currencies are translated into the currency of measurement at the exchange rate in effect at the balance sheet date. The resulting exchange gains and losses are recognized in the income statement.

j) Foreign Currency Translation

Assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rates in effect at the balance sheet date for the monetary items and at exchange rates prevailing at the transaction dates for non-monetary items. Revenues and expenses are translated at the average exchange rates prevailing during the year except for amortization, which is translated at historical exchange rates. Gains and losses on translation are included in income (loss) for the period.

k) Loss Per Share

Loss per share is computed using the weighted average number of common shares outstanding during the year. Diluted earnings per share amounts would be calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method, if the company had positive net earnings. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate. Shares held in escrow and contingently cancellable are excluded in the computation of basic loss per share until the conditions for their release are satisfied.

As the Company incurred losses for the quarter ended July 31, 2006, the stock options and share purchase warrants, as disclosed in note 10, were not included in the computation of loss per share as their inclusion would have been anti-dilutive.

Western Wind Energy Corp.
(A Development Stage Company)
Notes to Consolidated Financial Statements
For the Periods Ended July 31, 2006 and 2005, and January 31, 2006
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

2. Significant Accounting Policies (Continued)

l) Stock based compensation

The Company follows the Canadian Institute of Chartered Accountants' Handbook section 3870 for Stock-Based Compensation and Other Stock-Based Payments. Under CICA 3870, all stock option awards granted to employees and directors of the Company require the application of the fair value method, as recommended by the Canadian Institute of Chartered Accountants. All stock option awards granted to employees and directors of the Company after January 31, 2002 have been accounted for using the fair value method.

The fair value of stock options is determined by the *Black-Scholes Option Pricing Model* with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares and an expected life of the options. The fair value of direct awards of shares is determined by the quoted market price of the Company's stock.

3. Restricted Cash

The Company has placed \$1,162,800 (US\$1,000,000) to secure a letter of credit to Southern California Edison as required by the Power Purchase Agreement dated March 5, 2005.

4. Construction in Process

	July 31 2006	January 31 2006
Grand Manan 20 MW Project	\$ 786,870	\$ 689,609
Steel Park 15 MW Project	4,220,858	2,015,269
Windstar 120 MW Project	289,946	98,529
Windridge Repowering Project	199,320	-
Mesa Wind Repowering Project	47,233	-
	<u>\$ 5,544,227</u>	<u>\$ 2,803,407</u>

The Company has interests in the following projects:

Grand Manan 20 MW Project

On September 29, 2004, the Company's wholly owned subsidiary, EWP, entered into a formal and binding 20-year power purchase agreement ("PPA") with New Brunswick Power that provides for the sale to NB Power of the available output of 20 Megawatts (MW) of wind power for a period of 20 years from its new wind farm to be located on Grand Manan Island, New Brunswick.

Steel Park 15 MW Project

On May 3, 2004, the Company's wholly owned subsidiary, Verde, entered into a Master PPA with Arizona Public Service Company ("APS"), a company organized under the laws of the State of Arizona. Pursuant to the Master PPA, APS will purchase from Verde the available output of 15 MW's of wind power for a period of 10 years from its new wind farm to be located near Kingman, Arizona.

Windstar 120 MW Project

In March 7, 2005, the Company's wholly owned subsidiary, Aero, entered into a formal PPA with Southern California Edison Company ("Edison") for the sale to Edison of the available output of up to 120 MW's of wind power for a period of 20 years from its new wind farm located in Tehachapi, California.

Western Wind Energy Corp.
(A Development Stage Company)
Notes to Consolidated Financial Statements
For the Periods Ended July 31, 2006 and 2005, and January 31, 2006
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

4. Construction in Process (Continued)

Mesa Wind 29.9 MW Project

On July 31, 2006, the Company's wholly owned subsidiary, Verde, acquired the common shares of PAMC Management Corporation ("PAMC"). PAMC has a lease of 440 acres close to Palm Springs, California, with the Bureau of Land Management that expires in 2013 and the leaseholder has the right to enter into a new 30 year lease. The wind farm includes 465 Vestas 65 kW turbines that were installed over 20 years ago and sell electricity to Southern California Edison pursuant to a standard offer contract that expires in 2011. The Company plans on developing a 45 MW wind farm on the site.

Windridge Project

The Company purchased the 4.5 MW Windridge Project on February 17, 2006 and is in the process of repowering the project. The capitalized costs include the amount allocated to the cost of the turbines and engineering costs.

The Company has incurred initial construction costs on these projects for the creation of roads, environmental impact and wind studies with respect to placement of the wind turbines, preliminary engineering and wind turbine acquisition.

5. Property and Equipment Deposits

	July 31 2006	January 31 2006
Windridge	\$ -	\$ 670,798
Windstar	43,546	43,546
Steel Park	252,774	125,475
	<u>\$ 296,320</u>	<u>\$ 839,819</u>

Windridge

The Company has entered into an agreement to purchase the Windridge land and wind turbines and an assignment of a power purchase agreement with Edison for US\$550,000 (CDN\$657,250) and has secured the purchase by advancing the cash portion of the purchase price to the title insurance company. In addition, the legal, title insurance and environmental report costs have been capitalized.

The purchase price of the wind farm is US\$825,000 (CDN\$985,875) payable by US\$550,000 (CDN\$657,250) on closing and the balance of US\$275,000 (CDN\$328,625) by a first mortgage convertible into shares at CDN\$1.40 per share at the holder's option.

On February 17, 2006, the purchase of the land and wind turbines and assignment of the power purchase agreement was completed and the purchase was recorded in the accounts of the Company.

Windstar

The Company entered into agreements to purchase land for the Windstar project in Tehachapi, California for US\$36,440 (CDN\$43,546). The funds to complete the purchase have been deposited with the title insurance company. The transaction to purchase land for the Windstar project has not completed. The transaction is expected to close on or about September 30, 2006.

Steel Park

The Company entered into an agreement to purchase land near Kingman, Arizona for US\$1,585,000 (CDN\$1,811,195). The purchase agreement provides for a non-refundable deposit of US\$105,000 (CDN\$125,475) on signing the agreement, a second non-refundable deposit of US\$105,000 (CDN\$116,025) on June 5, 2006 and the balance of US\$1,375,000 (CDN\$1,566,125) prior to December 5, 2006. The transaction is expected to close on or about September 30, 2006.

The Company entered into an agreement to purchase land near Kingman, Arizona for US\$350,000 (CDN\$395,815) subject to the completion of satisfactory due diligence. The purchase agreement provides for a refundable deposit of US\$10,000 (CDN\$11,309).

Western Wind Energy Corp.
(A Development Stage Company)
Notes to Consolidated Financial Statements
For the Periods Ended July 31, 2006 and 2005, and January 31, 2006
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

6. Property and Equipment

	Cost	Accumulated Amortization	Net Book Value
July 31, 2006			
Land	\$ 3,531,908	\$ -	\$ 3,531,908
Land lease	10,371,773	-	10,371,773
Wind equipment	5,328,641	105,426	5,223,215
Furniture and equipment	54,552	22,529	32,023
Vehicles	32,686	8,214	24,472
	<u>\$ 19,319,560</u>	<u>\$136,169</u>	<u>\$ 19,183,391</u>
January 31, 2006			
Land	\$2,453,406	\$ -	\$2,453,406
Wind equipment	248,241	81,004	167,237
Furniture and equipment	52,833	17,160	35,673
Vehicles	32,686	4,945	27,741
	<u>\$2,787,166</u>	<u>\$103,109</u>	<u>\$2,684,057</u>

On July 25, 2006, the Company acquired by way of a reverse merger the common shares of PAMC for US\$13,400,000 (CDN\$15,293,000) plus closing costs of US\$129,365 (CDN\$147,657). PAMC's assets ("Mesa Wind Project") include a lease of 440 acres of land near Palm Springs, California expiring in 2013 with the right to enter into a new lease agreement, 465 Vestas 65 kW turbines and an assignment of a power purchase contract with Southern California Edison expiring in 2011. For financial statement purposes, the purchase price has been allocated as follows:

Land lease	\$10,371,773
Wind turbines	<u>5,070,645</u>
	<u>\$15,442,417</u>

The Company has acquired a lease of approximately 440 acres of land near Palm Springs, California with the Bureau of Land Management to develop and produce wind energy. The lease expires on January 26, 2013 and the leaseholder has a preferential right to renew the lease for a 30 year term. The land lease requires annual payments equal to the greater of US\$278,600 or 2% of revenues generated from the sale of wind energy. At the end of the lease, the Company has the obligation to remove all structures, equipment and machinery.

7. Loans Payable

	July 31 2006	January 31 2006
Windridge Deposit Loan	\$ -	\$366,239
Windridge Acquisition Loan	310,998	-
Windstar Mortgage	100,890	-
Mesa Wind Acquisition Loan	<u>15,293,000</u>	-
Quail Springs Mortgage	<u>-</u>	<u>42,626</u>
	<u>\$15,565,948</u>	<u>\$408,865</u>

Western Wind Energy Corp.
(A Development Stage Company)
Notes to Consolidated Financial Statements
For the Periods Ended July 31, 2006 and 2005, and January 31, 2006
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

7. Loans Payable (Continued)

Windridge Deposit Loan

The Company entered into an agreement to borrow US\$550,000 (CDN\$657,250) from a shareholder of the Company on August 12, 2005 to secure the purchase of land in California. The loan bears interest at 18% per year, payable quarterly and 82,500 shares were issued at a deemed price of \$1.60 per share in connection with the transaction. The balance at January 31, 2006 was US\$321,554 (CDN\$366,239). Subsequent to July 31, 2006, the loan and accrued interest was repaid.

Windridge Acquisition Loan

The Company entered into an agreement to purchase land, wind turbines and an assignment of a power purchase agreement expiring in 2014 for \$825,000. The purchase was financed by a mortgage of \$310,998 (US\$275,000) with interest payable annually at the rate of 8% and principal due on February 16, 2008. The loan and accrued interest is convertible into common shares at a price of \$1.40 per share and accrued interest is convertible at the closing price of the common shares at the date that the note is converted. The note is redeemable by the Company upon 30 days notice.

Windstar Mortgage

The Company entered into a five year mortgage to finance the purchase of real estate in Tehachapi, California for US\$90,000 (CDN\$98,847). The mortgage is payable in blended monthly payments of US\$1,205 with interest at 6.5%, due on June 6, 2011.

Mesa Wind Acquisition Loan

The acquisition of PAMC was financed by a loan from Pacific Hydro Limited of US\$13,400,000 (CDN\$15,293,000). The loan can be repaid by US\$7 million private placement and conversion of the balance of the loan into non-voting and non-dividend bearing preferred shares at the option of Pacific Hydro. If the loan is not converted into common and preferred shares, it is repayable on December 31, 2006 with interest at LIBOR plus 6%. The loan is secured by the common shares of Mesa Wind Power Corporation and a charge on all of the assets of Mesa Wind Power Corporation. If the Company fails to repay the loan, the ownership of the shares of Mesa Wind Power Corporation will be transferred to Pacific Hydro Limited.

Quail Springs Mortgage

The note payable of \$42,626 (2005 – \$58,558) represents the amount due to an arm's length third party. The note payable is secured by a first charge on property having an original cost of US\$111,000, bears interest at a rate of 10% per annum and is due on demand. On February 13, 2006, the note payable was repaid in full with interest.

Western Wind Energy Corp.
(A Development Stage Company)
Notes to Consolidated Financial Statements
For the Periods Ended July 31, 2006 and 2005, and January 31, 2006
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

8. Share Capital

a) Authorized: Unlimited common shares without par value.

Unlimited class A preferred shares without par value.

b) Issued: Common shares

	<u>Shares</u>	<u>Amount</u>
Balance, January 31, 2005	14,645,935	\$8,981,033
Cash transactions		
Private placement at \$0.82 per unit, net of issuance costs of \$15,000	1,181,148	953,540
Exercise of warrants at \$1.60 per share	227,000	363,200
Exercise of options at \$0.20	55,000	11,000
Exercise of warrants at \$1.80 per share	5,000	9,000
Private placement at \$1.50 per share net of issuance costs net of issuance costs of \$109,520	6,856,133	10,174,680
Exercise of options at \$1.20 per share	30,000	36,000
Exercise of warrants at \$1.03 per share	365,853	376,829
	<u>8,720,134</u>	<u>11,924,249</u>
Non-cash transactions		
Bonus shares at a deemed price of \$1.50 per share	83,290	124,935
Issue of shares to pay bonus at a deemed price of \$1.64 per share	182,930	300,000
Bonus shares at deemed price of \$1.60	82,500	132,000
Transfer from contributed surplus on exercise of options	-	27,900
	<u>348,720</u>	<u>584,835</u>
	<u>9,068,854</u>	<u>12,509,084</u>
Balance, January 31, 2006	23,714,789	21,490,117
Cash transactions		
Exercise of warrants at \$2.10	8,000	16,800
Exercise of warrants at \$1.80	15,000	27,000
	<u>23,000</u>	<u>43,800</u>
Balance, April 30, 2006	23,737,789	21,533,917
Cash transactions		
Exercise of warrants at \$2.10 per share	8,000	16,800
Exercise of warrants at \$1.03 per share	3,000	3,090
Exercise of warrants at \$1.80 per share	12,000	21,600
	<u>23,000</u>	<u>41,490</u>
Balance, July 31, 2006	23,760,789	\$21,575,407

c) 750,000 shares are held in escrow, the release of which is subject to the direction of the regulatory authorities having jurisdiction. The escrow period for these shares is complete and the officers and directors entitled to the shares no longer have any continuing service requirements in order to obtain those shares. However, no application has yet been submitted for the release of the shares from escrow. The release is subject to the approval of the Superintendent of Brokers or the TSX Venture Exchange. The escrow shares can be cancelled if they are not issued before April 29, 2009, the Company has been subject to a cease trade order for two years or the cancellation of the escrow shares is a condition to the consent of a major reorganization of the Company.

Western Wind Energy Corp.
(A Development Stage Company)
Notes to Consolidated Financial Statements
For the Periods Ended July 31, 2006 and 2005, and January 31, 2006
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

8. Share Capital (Continued)

In addition, 121,953 shares are held in escrow, subject to the recipient's continued service, as a director or employee of the Company, and are to be released over the period to October 26, 2007 pursuant to the escrow agreement.

d) Share purchase warrants outstanding as at July 31, 2006:

Number of Warrants	Exercise Price	Expiry Date
299,500	2.10	September 3, 2006
116,661	2.10	December 13, 2006
119,000	1.03	March 1, 2007
175,000	1.03	March 9, 2007
18,295	1.03	March 10, 2007
500,000	1.03	March 31, 2007
403,000	1.80 (1 st year)	June 15, 2006
	2.20 (2 nd year)	June 15, 2007
666,667	1.60	October 24, 2007
441,133	1.60 (1 st year)	December 5, 2007
	2.20 (2 nd year)	December 5, 2008
1,000,000	1.60	January 27, 2008
<u>4,333,333</u>	1.60	January 31, 2008
<u>8,072,589</u>		

Each warrant entitles the holder to acquire one common share of the Company.

Warrants granted during the year ended January 31, 2006 were granted in conjunction with private placements of common shares, and are exercisable at the holder's option. There are no conditions whereby the Company would have to settle the warrants in cash. The details of warrants granted during the year are as follows:

Number of Warrants	Exercise Price	Expiry Date
119,000	\$1.03	March 1, 2007
175,000	1.03	March 9, 2007
384,148	1.03	March 10, 2007
500,000	1.03	March 31, 2007
403,000	1.80 (1 st year)	June 15, 2006
	2.20 (2 nd year)	June 15, 2007
666,667	1.60	October 24, 2007
441,133	1.60 (1 st year)	December 5, 2006
	2.20 (2 nd year)	December 5, 2007
1,000,000	1.60	January 27, 2008
<u>4,333,333</u>	1.60	January 31, 2008
<u>8,022,281</u>		

Western Wind Energy Corp.
(A Development Stage Company)
Notes to Consolidated Financial Statements
For the Periods Ended July 31, 2006 and 2005, and January 31, 2006
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

8. Share Capital (Continued)

- e) The Company has a stock option plan (the “Plan”) and has allotted and reserved up to an aggregate of 3,199,675 common shares.

Each option entitles the holder to acquire one common share at its exercise price and is being vested 25% immediately and 25% every six months thereafter until fully vested 18 months from the date of grant and expires 5 years from the date of grant.

In the third quarter of the 2006 fiscal year, the Company granted 250,000 stock options to a consultant of the Company to acquire shares at \$1.33 per share. In the second quarter of the 2006 fiscal year, the Company granted 250,000 stock options to a consultant of the Company to acquire shares at \$1.65 per share. The consultant was terminated and the exercise rights for the balance of the stock options (250,000 options at \$1.65 per share) were cancelled.

During the year ended January 31, 2005, the Company granted 350,000 stock options to various employees, directors and consultants of the Company. Each option entitles the holder to acquire one common share at exercise prices ranging from \$1.44 to \$1.52 per share.

The company recorded \$nil of stock-based compensation expense on options vested in the three months ended July 31, 2006 (January 31, 2006 - \$329,881).

A summary of stock option information as at January 31, 2006 is as follows:

	Shares	Weighted Average Exercise Price
Options granted at January 31, 2003	1,120,000	\$0.83
Granted	750,000	2.23
Exercised	<u>(57,500)</u>	<u>0.22</u>
Options granted at January 31, 2004	1,812,500	1.57
Granted	350,000	1.45
Exercised	<u>(207,500)</u>	<u>0.31</u>
Options outstanding at January 31, 2005	1,955,000	1.55
Granted	500,000	1.49
Exercised	(85,000)	0.55
Expired/forfeited	<u>(350,000)</u>	<u>1.52</u>
Options outstanding at January 31, 2006	2,020,000	1.46
Granted	-	-
Exercised	-	-
Expired/forfeited	<u>(300,000)</u>	<u>0.80</u>
Options outstanding at July 31, 2006	<u>1,720,000</u>	<u>\$1.57</u>

Options Outstanding			Options Exercisable		
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (yrs.)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$1.01 - \$2.00	1,470,000	2.25	\$ 1.23	1,345,000	1.43
\$2.01 - \$3.00	250,000	2.26	\$ 2.16	250,000	2.43
	<u>1,720,000</u>	<u>2.25</u>	<u>\$ 1.57</u>	<u>1,895,000</u>	<u>\$ 1.47</u>

Western Wind Energy Corp.
(A Development Stage Company)
Notes to Consolidated Financial Statements
For the Periods Ended July 31, 2006 and 2005, and January 31, 2006
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

8 Share Capital (Continued)

- f) The fair value of each option granted has been estimated as of the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: risk-interest rate of 4.00% (2005 - 4%; 2004 - 3%), dividend yield 0% (2005 - 0%; 2004 - 0%), volatility of 76% (2005 - 79%; 2004 - 59%) and expected lives of approximately 5 years (2005 - 5 years; 2004 - 5 years). The weighted average fair value of stock options granted during the year ended January 31, 2006 was \$1.06 (2005 - \$0.89; 2004 - \$1.31).

9. Contributed Surplus

Contributed Surplus has changed as follows:

	July 31 2006	January 31 2006
Balance, beginning of the year	\$ 2,645,011	\$ 1,643,030
Stock-based compensation expense	10,260	329,881
Bonus payable by issuance of 426,829 shares (see note 13d)	-	700,000
Transfer to share capital on exercise of stock options	-	(27,900)
	<u>\$ 2,655,271</u>	<u>\$ 2,645,011</u>

10. Income Taxes

	July 31 2006	January 31 2006
Income taxes:		
Current	\$ -	\$ 11,919
Future	-	-
	<u>\$ -</u>	<u>\$ 11,919</u>

At January 31, 2006, the Company has total net operating loss carry forwards for U.S. federal income tax purposes of approximately \$6.4 million which expire at various times commencing in 2021. Net operating loss carry forwards may be subject to certain limitations under Section 382 of the Internal Revenue Code. For Canadian federal income tax purposes, the Company has total non capital loss carry forwards of approximately \$2.0 million which expire at various times commencing in 2007.

The tax impact of the losses has not been recorded in the consolidated financial statements.

11. Related Party Transactions

- a) The following expenses were accrued/paid during the year to directors, officers, a significant shareholder and the spouse of a director of the Company:

	July 31 2006	January 31 2006
Consulting and directors' fees	\$ 263,036	\$ 458,642
Bonuses	157,168	920,687
Management fees	90,000	131,725
Office and secretarial	18,000	37,000
Rent	15,984	26,000
Travel and automotive	9,998	34,139
Financing costs	-	256,935
Interest	27,748	98,407
	<u>\$ 581,934</u>	<u>\$ 1,963,580</u>

- b) Subscriptions receivable (received) from the spouse of a director of the Company is \$129,100 (2006 - (\$129,100)).

- c) Write off of advances receivable of \$7,203 (2006 - \$89,795;) relate to amounts that were allegedly embezzled by two former officers of the Company, which were set up as advances receivable and written-off during the year. The Company has commenced litigation against the two former officers.

Western Wind Energy Corp.
(A Development Stage Company)
Notes to Consolidated Financial Statements
For the Periods Ended July 31, 2006 and 2005, and January 31, 2006
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

11. Related Party Transactions (Continued)

However, at this time, recoverability of the amounts written-off is uncertain.

- d) During the year ended January 31, 2006, a bonus of \$700,000 (2005 - \$nil; 2004 - \$nil) was awarded to a director and officer of the Company and will be settled through the issuance of 426,829 shares. Once issued, the shares will be held in escrow and are to be released, subject to the recipient's continued service as a director or employee of the Company, over the period to October 26, 2007. Accordingly, an amount of \$407,000 has been expensed in the year-ended January 31, 2006 and \$58,250 in the three months ended July 31, 2006. At January 31, 2006, \$293,000 was deferred and at July 31, 2006, \$182,582 was deferred and will be amortized to expense pursuant to the terms of the agreement.
- e) During the year ended January 31, 2006, the Company paid a bonus of \$300,000 to an officer and director through the issue of 182,930 shares at a deemed price of \$1.64. The shares are held in escrow and are to be released, subject to the recipient's continued service as a director or employee of the Company, over the period to October 26, 2007. Accordingly, an amount of \$175,000 has been expensed in the year ended January 31, 2006 and \$18,058 has been expenses in the three months ended July 31, 2006. At January 31, 2006, \$125,000 had been deferred and at July 31, 2006, \$78,250 has been deferred and will be amortized to expense pursuant to the terms of the agreement.
- f) A shareholder provided a loan of US\$550,000 to the Company at an interest rate of 18% plus the issue of 82,500 bonus shares at a deemed price of \$1.60 per share. Interest charged on the loan totalled US\$40,851 (CDN\$49,254) for the year ended January 31, 2006 and US\$11,877 (CDN \$13,659) for the three months ended July 31, 2006.
- g) The spouse of an officer and director provided security for a US\$500,000 letter of credit to Southern California Edison. The agreement provided for interest at 12% of letter of credit and the issue of 83,290 bonus shares at a deemed price of \$1.50 per share. Interest charged on the letter of credit totalled US\$40,767 (CDN\$49,153) during the year ended January 31, 2006 and US\$12,249 (CDN \$14,086) for the three months ended July 31, 2006. On April 9, 2006, the letter of credit was released.
- h) The Company loaned the spouse of an officer and director \$200,000. The loan is repayable before January 31, 2007 with interest at prime plus 1%. Interest charged on the loan for the period ending July 31, 2006 was \$6,523.
- i) An officer and director was advanced \$68,732 during the period ended July 31, 2006. The advance will be paid before January 31, 2007 with interest at prime plus 1%.
- j) Pacific Hydro Limited, the owner of approximately 26% of the common shares of the Company, provided a loan of US\$13,400,000 (CDN\$15,293,000) to acquire the Mesa Wind Power Project. The loan bears interest at LIBOR plus 6% and is repayable on December 31, 2006.

Related party transactions are in the normal course of operations, with the exception of the loan to the spouse of an officer and director of \$200,000 and to the officer and director of \$68,732, and are measured at the exchange amount, which is the consideration established and agreed to by the related parties, unless otherwise noted.

Western Wind Energy Corp.
(A Development Stage Company)
Notes to Consolidated Financial Statements
For the Periods Ended July 31, 2006 and 2005 and January 31, 2006
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

12. Commitments and Contingencies

- a) The Company is committed to a land lease agreement with a lessor with respect to the wind power project in New Brunswick, Canada. The lease has a term of 30 years commencing December 10, 2002 and ending on December 10, 2032. As required by the agreement, the Company has initiated plans to commence the construction of permanent wind energy conversion facilities by October 31, 2006. The agreement required the Company to pay the lessor annual rent equal to:
- 1.55% of the actual annual sale revenue for the first 3 years after commencement of the “operation of the wind farm” on the permanent sites;
 - 1.9% of the actual annual sales revenue for the 4th year to 7th year;
 - 2.2% of the actual annual sales revenue for the 8th year to 11th year;
 - 2.5% of the actual annual sales revenue for the 12th year to the end of lease term; and
 - If any additional revenue from the sale of CO₂ emission reduction credit is generated, the Company shall pay the lessor additional annual rent at the rates set out above.
 - The Company has entered into a verbal understanding to pay the lessor an additional rent of 0.5% of annual sales revenue.
- b) In October 2004, the Company opened a Letter of Credit in favour of New Brunswick Power (“NBP”) for \$200,000, which is valid until November 1, 2006. NBP can withdraw funds from the Letter of Credit if Eastern Wind Power does not commission the wind plant by October 31, 2006. Security for the Letter of Credit was provided by a third party. In the event that the wind plant is not commissioned by October 31, 2006, the Company will be liable for the \$200,000. Management of the Company expects the commissioning date to be extended to November 2007.
- c) In April 2005, the Company opened a Letter of Credit in favour of Southern California Edison for USD\$500,000 (CDN\$639,500), which is valid until December 31, 2006 with an option by the Company to extend to December 31, 2008. The Letter of Credit was provided by the spouse of a director in consideration for a charge on the Company’s assets, interest of 12% of the undrawn amount and the issue of 83,290 common shares to the related party at a price of \$1.50 per share.
- Subsequent to the year end, a new Letter of Credit was established for US\$1 million (CDN\$1,139,000) and the original Letter of Credit was released. The new Letter of Credit is secured by US\$1 million (CDN\$1,139,000) in cash.
- d) The Company entered into an agreement on June 30, 2005 to purchase land, wind turbines and an assignment of a power purchase agreement expiring in 2014 for US\$825,000. The Company placed US\$550,000 in trust with a title insurance company and the balance of the purchase price will be paid by a first mortgage on the land convertible into shares at CDN\$1.60 per share at the holder’s option with interest payable at 8% per year and due on February 17, 2008. The purchase was completed on February 2006.
- e) On January 28, 2006, the Company entered into an Alliance Agreement with Pacific Hydro Limited in conjunction with private placement subscriptions totalling \$9,000,000 for 6,000,000 shares. The Alliance Agreement requires the Company to offer projects to Pacific Hydro for financing within certain geographic areas and requires Pacific Hydro to fund development and construction costs on projects that are satisfactory to them.
- f) In November, 2005, the Company entered into an agreement to purchase land near Kingman, Arizona for US\$1,585,000 (CDN\$1,811,195). The purchase agreement provides for a non-refundable deposit of US\$105,000 (CDN\$125,475) on signing the agreement, a second non-refundable deposit of US \$105,000 (CDN \$119,595) on June 5, 2006 and the balance of US\$1,375,000 (CDN\$1,566,125) plus interest at 7% prior to December 5, 2006. The Company has made both non-refundable deposit payments.

Western Wind Energy Corp.
(A Development Stage Company)
Notes to Consolidated Financial Statements
For the Periods Ended July 31, 2006 and 2005 and January 31, 2006
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

12. Commitments and Contingencies (Continued)

- g) During the 2006 fiscal year, the Board of Directors approved the payment of bonuses totalling \$1,350,000 by the issue of common shares at \$1.64 per share. At the year end, \$300,000 of the bonus was paid by the issue of 182,930 common shares of the Company and a further 426,829 shares having a deemed value of \$700,000 have been approved but not issued. The remaining \$350,000 was payable upon the successful completion of the Grand Manan Project. Subsequent to the year end, this bonus arrangement was cancelled and the officers of EWP were terminated for cause. The officers have initiated a lawsuit for the delivery of the bonus shares and payment of income taxes that may be payable as a result of the issue of the bonus shares. Management believes that the action is without merit; however the ultimate outcome is indeterminable.
- h) The Company is being sued by a former director of EWP for 50,000 stock options that were not authorized by the Company, and \$6,000 in remuneration for services. Management believes that the action is without merit; however, the ultimate outcome is indeterminable.
- i) The Company entered into a memorandum of understanding with a California civic government to jointly acquire and develop wind generated electricity projects in California. At this time, no definitive agreements have been entered into.
- j) In March 2006, the Company entered into an agreement to purchase wind turbines from Mitsubishi Power Systems Inc. Subsequent to that transaction, the Company established Steel Park LLC, a joint venture company with Pacific Hydro Limited to develop the Steel Park 15 MW Project. In April 2006, the agreement was assigned to Steel Park, LLC. Pursuant to the operating agreement, Pacific Hydro Limited will be providing the funding to secure the balance of the turbine supply contract. The initial term sheet for the transaction was signed in November 2005.
- k) The Company has no employees, and remunerates all officers, directors, and all other individuals by way of consulting fees. In addition, certain of these individuals earned bonuses during the year.

If certain of these individuals were deemed to be employees of the Company, as opposed to consultants, then the Company could be contingently liable for unremitted payroll taxes and source deductions and possible interest and penalties.

The Company has not been challenged on this issue, and as such no amounts have been accrued for any unremitted payroll taxes and source deductions, interest or penalties in these consolidated financial statements.

- l) The Company has a lease with the Bureau of Land Management that expires in 2013 and the Company has the right to enter into a new 30 year lease. The lease requires payments equal to the greater of US\$278,600 and 2% of revenues. The Company is committed to the removal of any structure, equipment and machinery at the end of the lease.

13. Non-cash Financing Activities

During the year ended January 31, 2006, the Company issued 83,290 shares at a deemed price of \$1.50 per share in connection with the letter of credit for USD\$500,000 provided to Southern California Edison and 82,500 shares at a deemed price of \$1.60 per share were issued in connection with the US\$550,000 loan to secure the purchase of the Windridge property.

Western Wind Energy Corp.
(A Development Stage Company)
Notes to Consolidated Financial Statements
For the Periods Ended July 31, 2006 and 2005 and January 31, 2006
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

14. Financial Instruments

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The fair values of cash and cash equivalents, refundable tax credits, deposits, accounts payable and accrued liabilities, advance from Clean Power Income Fund, loans payable and the note payable approximates their respective carrying values due to the short-term nature of these financial instruments.

The Company places its cash and cash equivalents with high credit rated financial institutions.

The Company is subject to foreign exchange risk since its wind development projects are primarily located in the US. The Company will generate US dollar revenues from its projects in the future, but raises funds denominated in Canadian dollars to invest in its US projects and incurs corporate overhead costs in Canadian dollars.

The Company is not exposed to significant interest, credit or currency risks arising from these financial instruments.

15. Subsequent Events

At the Company's annual general meeting, the Loan Repayment Private Placement was approved by the Shareholders. The Company was not advised by Pacific Hydro Limited that it would participate in a US\$7,000,000 private placement to reduce the loan. Therefore, the entire loan is repayable on December 31, 2006.

The Directors approved the issue of 850,000 stock options at a price of \$1.23 per common share to certain officers, directors and related parties of the Company. The stock options expire 5 years from the date of grant.

16. Segmented Information

The Company is involved in the acquisition and development of wind farms, primarily in Eastern Canada and the United States. The Company is in the development stage, but has reportable segment revenues and operating results for the three months ended July 31, 2006.

July 31, 2006	Canada	US	Total
Current assets	\$ 643,154	\$ 174,322	\$817,476
Project development costs	786,870	4,757,357	5,544,227
Restricted cash	-	1,162,800	1,162,800
Property and equipment deposits	-	296,320	296,320
Property and equipment	98,065	19,476,326	19,183,391
Total assets	<u>\$1,528,089</u>	<u>\$25,914,125</u>	<u>\$27,004,214</u>
Revenues	<u>\$ -</u>	<u>\$ 50,735</u>	<u>\$ 50,735</u>
Loss for the period	<u>\$(894,523)</u>	<u>\$(144,918)</u>	<u>\$(1,039,441)</u>
January 31, 2006	Canada	US	Total
Current assets	\$5,986,110	\$ 33,700	\$ 6,019,810
Project development costs	689,609	2,113,798	2,803,407
Property and equipment deposits	-	839,819	839,819
Property and equipment	114,440	2,569,617	2,684,057
Total assets	<u>\$6,790,159</u>	<u>\$5,556,934</u>	<u>\$12,347,093</u>

**Western Wind Energy Corp.
Management Discussion and Analysis
For the Six Months Ended July 31, 2006**

September 30, 2006

This Management Discussion and Analysis (“MDA”) should be read in conjunction with the unaudited financial statements of Western Wind Energy Corp. (“Western Wind” or the “Company”) for the six months ended July 31, 2006. All amounts are expressed in Canadian dollars unless otherwise stated.

This report, including the MD&A, may contain forward-looking statements, including statements regarding the business and anticipated future financial performance of the Company, which involve risks and uncertainties. These risks and uncertainties may cause the Company’s actual results to differ materially from those contemplated by the forward-looking statements. Factors that might cause or contribute to such differences include, among others, market price, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and those actual results or developments may differ materially from those projected in the forward-looking statements. Investors are also directed to consider other risks and uncertainties discussed in the Company’s required financial statements and filings.

Overall Performance

Corporate Summary

The Company is a 100% owner and producer of electricity from wind energy electrical generation facilities in Tehachapi, California and Palm Springs, California and a developer of wind energy projects in New Brunswick, Canada, California and Arizona. It has purchased or leased land and carried out meteorological, environmental, geotechnical, permitting and zoning work to further the use of these properties for wind farms.

The Company is headquartered in Coquitlam, BC and has branch offices in Scottsdale, Arizona and Bakersfield, California. It is listed on the TSX Venture Exchange under the symbol “WND”, and the NASDAQ OTC market under the symbol “WNEDEF”.

The Company has assembled a Management Team that is experienced in various aspects of the wind energy business, including but not limited to site evaluation, energy analysis, site acquisition, transmission, permitting and zoning, construction, environmental, operations and sales and marketing.

The Company operates through three (3) wholly-owned subsidiaries that are responsible for energy projects – Aero Energy LLC (“Aero”) for the California operations, Verde Resources Corporation (“Verde”) for the Arizona operations and Eastern Wind Power Inc. (“EWP”) for New Brunswick and Eastern Canadian operations.

Operations

California

The Company operates in Tehachapi through Aero Energy LLC. Aero has one full time consultant and one part time consultant who are working on the development of the Windstar 120 MW project and repowering of the Windridge 9 MW Projects.

California – Windstar 120 MW

Aero owns and has made deposits for 1,520 acres of land in the Tehachapi Pass Wind Park. Most parcels in excess of 40 acres are zoned for wind farm development and the smaller properties are being rezoned.

The Tehachapi Pass Wind Park is one of the largest wind parks in the world with over 5,000 wind turbines generating over 705 megawatts of name plated capacity and producing over 1.4 billion kilowatt hours of electricity per year.

The Company is continuing to purchase property in Tehachapi since it is one of the most favorable regions to develop wind energy. California's electricity rates are among the highest in the United States and it has mandated to supply 20% of its total retail electrical sales from renewable resources by 2010. The 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.

In Tehachapi, the mean-average annual wind speeds and frequency distributions are well documented due to the long history of wind energy in the area. Capacity factors in Tehachapi are in excess of 40% using modern wind turbines.

On March 8, 2005, the Company negotiated a power purchase agreement with Southern California Edison to supply the output from a 120 MW facility no later than December 31, 2008. The contract is subject to the Company acquiring turbines at specified prices and may be amended if turbine prices increase. The estimated cost to construct the project, at this time, is approximately US\$216 million.

The Power Purchase Agreement with Southern California Edison required a US \$1 million letter of credit to secure Aero's performance. In April 2006, a letter of credit was issued for \$1 million secured by funds provided by the Company.

On February 16, 2006, Aero made an application to the Federal Energy Regulatory Commission ("FERC") to require Sagebrush Partnership to provide transmission access to Aero for 50 MW to 120 MW of capacity. The *Federal Power Act* requires that transmission qualifying facilities provide access to public utilities and small independent power generators, such as Aero, at costs that the qualifying facilities charge themselves for transmission. We received an order on April 28, 2006 from the FERC requiring Sagebrush Partnership to provide our subsidiary, Aero, access to the transmission line. The order was reaffirmed on August 14, 2006 and required the parties to submit within 30 days the rates, terms and conditions of service, system impact studies and any remaining issues that have not been agreed upon between the parties. If we are unable to obtain access to the Sagebrush Transmission Facility on reasonable terms, the FERC may order the Sagebrush Partnership to do so on terms to be decided by the FERC.

The Company incurs property taxes and liability insurance costs of approximately US\$30,000 per year and payments on a US\$90,000 mortgage of approximately US\$15,000 per year plus incremental costs related to zoning and permitting, geotechnical, engineering and access studies and legal fees related to transmission, power purchase and regulatory matters. The Company has capitalized \$289,946 in costs as at July 31, 2006. In addition, five anemometers have been erected at a cost of approximately US\$87,000. In previous years, the Company expensed \$832,292 in project and general and administrative costs related to the Windstar 120 MW project.

The Company continues to work with its current shareholders and warrant holders and brokerage firms to raise additional equity to acquire new properties in Tehachapi and to finance development costs until construction financing is advanced.

California – Windridge

The Company entered into an agreement on June 30, 2005 to purchase 192 acres in Tehachapi and 43 Windmatic turbines and an assignment of a Power Purchase Agreement with Southern California Edison expiring in 2014 to deliver the output from 4.5 MW of capacity. The purchase price for the property, wind turbines and power purchase agreement was US\$825,000 payable by US\$550,000 on closing and a convertible secured note for US\$275,000 with interest at 8% per year, due on February 17, 2008. The net cash flow generated by the wind farm is expected to be approximately US\$100,000 per year. The transaction closed on February 17, 2006.

Management believes that the Windridge property can be redeveloped into a 9 MW to 12 MW facility. The estimated cost, at this time, to redevelop the wind farm, is in the area of US\$16.2 million to US\$21.6 million.

For the period ended July 31, 2006, the Windridge facility generated \$50,825 in revenues and \$38,301 in gross margin. The Company expects to generate approximately annual revenues of \$120,000 and \$100,000 in gross margin. Annual interest costs on the mortgage are in the area of US\$22,000 per year.

As at July 31, 2006, the Company has recorded the cost of the land. Wind turbines and other development costs totalling \$199,320 have been capitalized under construction in progress.

Mesa Wind Power

On July 25, 2006, the Company acquired PAMC Management Corporation (“PAMC”) for US\$13.4 million. PAMC’s primary assets are the Mesa Wind Farm near Palm Springs, California and the power purchase agreement with the Southern California Edison Company and 460 wind turbines. The wind farm is situated on 440 acres of land leased from the Bureau of Land Management until January 13, 2013 and the leaseholder has the right to enter into a new 30 year lease. The lease provides for annual payments equal to the greater of US\$278,600 per year or 2% of revenues.

The power purchase agreement expires in 2011. It is a RSO1 contract that provides for the sale of “as available electricity” at Southern California Edison’s avoided cost. In the past 22 years, it has generated on average, 70 million kWh of electricity per year.

The wind farm was constructed in 1984 and includes 460 Vestas V15 turbines. We have entered into an agreement with Airstreams Maintenance Corporation to manage the wind farm for us. They have extensive experience in maintaining wind farms and overhauling wind turbines. Initially, maintenance and remediation costs have been estimated at US\$160,000 per month for the first five months due to the age of the turbines and the lack of maintenance carried out by the previous owners of the facility. After the major repairs are completed, maintenance costs are projected to be US\$80,000 per month. Last year’s production at Mesa generated US \$5.4 million for the entire year (US \$450,000 per month on average).

The purchase was financed by a loan from Pacific Hydro of US\$13.4 million. The loan bears interest at LIBOR plus 6% and in part on September 30, 2006 by a subscription to a private placement of common shares if the proposed financing was approved at the Annual General Meeting by the shareholders. The financing was approved at the Annual General Meeting and the maturity date of the loan is extended to December 31, 2006.

The Company is proceeding with the necessary requirements to obtain a new lease and has engaged Windots, Inc. to review the wind data and provide potential turbine siting to repower the wind farm to 45 MW’s. The Company has incurred \$47,333 related to these activities.

Arizona

The Company operates in Arizona through Verde. Verde is the only company to have executed a wind power purchase agreement with a regulated utility on property situated in Arizona. Verde had two full time consultants and one part time project manager at January 31, 2006. Since the year end, we have added two consultants who are working on the Steel Park 15 MW Project.

The Company owns 800 acres by way of clear title in Arizona and it has entered into an agreement on December 5, 2005 to purchase 1,128 acres of land near Kingman, Arizona for US\$1,585,000. The purchase price is payable by US\$105,000 upon entering the agreement, an additional US\$105,000 in six months and the balance prior to December 5, 2006. The Company plans on using the property to build the Steel Park 15 MW Project. The Company intends on retaining ownership of the Kingman property and on leasing it to Steel Park LLC, the joint venture company which is developing the Steel Park 15 MW Project.

The Company has access by way of Federal lease application to over 36,000 acres of land and 5,000 acres of land by way of State lease applications. The Company will complete environmental, permitting, zoning, and interconnection and feasibility studies.

Arizona - Steel Park 15 MW

In December 2005, the 1,128 acre property located near Kingman was determined to possess the best potential for wind power development in Arizona. Previously, the Company had entered into a power purchase agreement with Arizona Public Service (“APS”) based on other land holdings. Management decided to use the Kingman, Arizona property for the development of the Steel Park 15 MW project.

On May 4, 2004, the Company negotiated a power purchase agreement with APS for the sale of 32,193,000 kWh’s of electricity per year at a fixed rate plus annual adjustments for inflation. Any excess electricity would be purchased at the spot price based on the Dow Jones Firm Palo Verde On-Off Peak Index and additional green credits would be sold to APS at a price to be agreed upon. The facility was scheduled for completion by March 31, 2006, with an extension to March 31, 2007.

Subsequently, APS agreed to amend the contract by extending the in service date to March 31, 2007 and the term to 15 years and increasing the electricity price to reflect the change in the price in turbines and construction costs since the date of the power purchase agreement.

On April 28, 2006, we entered into a joint financing agreement with Pacific Hydro to develop the Steel Park 15 MW Project. The Steel Park Financing Agreement provides for the following:

1. The ownership of Steel Park LLC to be 51% Pacific Hydro and 49% by Verde;
2. The contribution of development costs incurred prior to April 28, 2006 by the Company and Pacific Hydro;
3. The sharing of development and construction costs in proportion to equity ownership, subject to the Company’s right to require Pacific Hydro to pay for the Company’s portion of development and construction costs subsequent to April 28, 2006 and the option to increase the Company’s equity interest in the project by providing the Company’s share of the project cost less any debt or proceeds from equity financings within 180 days of completion of the project;
4. Pacific Hydro taking security over the Company’s membership interest in Steel Park LLC until contributions by each party are in proportion to their equity interest;

5. The distribution of cash flow to the members in proportion to their equity interest; and
6. The management of the project by Pacific Hydro subject to the requirement for unanimous agreement to major issues.

The Company entered into a Turbine Supply Agreement with Mitsubishi Power Systems Inc. (“Mitsubishi”) for the purchase of 15 – 1MW turbines. The contract required reservation payments that were made by the Company from the date that the Term Sheet was agreed upon to April 28, 2006. At April 28, 2006, the Turbines Supply Agreements and other collateral agreements with Mitsubishi were assigned to Steel Park LLC. At that date, Steel Park LLC issued the Notice to Proceed to Mitsubishi and a letter of credit was provided by Pacific Hydro to secure the balance of the purchase price. The turbines are expected to be delivered in October 2006.

The Company, on behalf of Steel Park LLC, has completed a satisfactory environmental assessment of the property and is having the property permitted and zoned for a wind farm. Zoning has been approved by the County Board of Supervisors. Contracts will be issued for geotechnical, foundations, roads, interconnection, erection and collection. Two anemometer towers have been erected on the property. The wind data is being correlated to long term data collected from other anemometers that the Company has erected near Kingman.

Steel Park LLC has estimated that the cost to complete the project is approximately US\$29 million, subject to receipt of final bids from the remaining contractors.

The Company has made an offer to purchase 31 acres of land adjacent to the Kingman Property for US\$350,000 subject to due diligence and financing. The property will be used as a staging area during the construction of the wind farm.

The Company has capitalized \$4,220,858 in costs related to the Steel Park 15 MW project at July 31, 2006. These costs will be transferred to Steel Park LLC in exchange for shares of Steel Park LLC.

Arizona – Steel Park Expansion

The Company has applied to lease 14,888 contiguous acres of land adjacent the Steel Park property from the Bureau of Land Management, with a view of constructing up to 250 MW of wind facilities. The Company will be required to finalize a lease with the Bureau of Land Management and complete an environmental assessment of the property, prior to the installation of any wind turbine generators.

The Company expects more wind energy projects in Arizona since the State has proposed the increase of its renewable portfolio standard from the current 1.1% to 15% of its retail electric sales by regulated utilities.

Arizona – Other Properties

The Company owns 800 acres of land and leases a further 36,000 acres from the Bureau of Land Management. At this time, the properties have anemometers that are being assessed on a monthly basis

All costs relating to these projects are being expensed as incurred. The Company has expensed \$1,063,474 in project and general and administrative costs related to these other properties in Arizona.

New Brunswick

The Company operates in New Brunswick and Eastern Canada through EWP. The development of the wind farm in New Brunswick commenced in the 2003 fiscal year. EWP entered into a lease for 4,500

acres on Grand Manan Island on the coast of New Brunswick and has completed the permitting and zoning of the property, environmental, geotechnical and wind studies. The construction of the roads has commenced.

The lease requires the payment of royalties of 1.55% and increasing to 2.5% on the twelfth year. In addition, there is a verbal agreement to pay an additional royalty of 0.5% to the land owner. The term of the lease is for 30 years from 2002 and requires construction to commence by October 31, 2006 (however, the power purchase agreement requires commissioning of the project by October 31, 2006. An extension to that date is being negotiated).

The Company has engaged Neil and Gunter Ltd. a Fredericton based electrical consulting firm to review the construction costs of the facility. The Company has also negotiated a draft Term Sheet with Clipper Wind Power, Inc. to supply 8 -2.5 MW turbines. As a result of the delay in the project, the cost to construct the project has increased to \$46 million. The Company has proposed revisions to the power purchase agreement to reflect the delay in construction and increased cost of the project. The term of the contract is for 20 years. In October 2004, the Company opened a letter of credit in favour of New Brunswick Power (“NBP”) for \$200,000, which is valid until November 1, 2006. NBP can withdraw funds from the letter of credit if EWP does not commission the wind plant by October 31, 2006. The project will not be commissioned by October 31, 2006; however, management of the Company is negotiating an amended power purchase agreement with New Brunswick Power and hopes to avoid being liable for the \$200,000.

The Company received a term sheet from Manufacturers’ Life Insurance Company based on the existing power purchase agreement and a different turbine supplier. The Company will require amendments to the term sheet to reflect changes to the power purchase contract and the new turbine supplier.

As at July 31, 2006, the Company had capitalized \$786,870 in construction costs.

Development Strategy

The Company develops and acquires sites or existing wind farms based on the following criteria:

- Availability and access of transmission
- Superior wind resources to justify a commercial wind energy facility
- Permitting and zoning policies that allow wind farm development
- Satisfactory environmental and archeological studies
- Satisfactory terrain and geographic features that do not impede development
- Regional support of renewable energy
- Local political support for wind power development
- Adequate incentives at the federal and state levels
- High electricity prices
- Growing demand for electricity

Development activities are carried out by the Company’s internal consultants as well as third party consultants who are experienced in assessing wind resources and completing the necessary development programs to build a wind farm.

Revenue Strategies

Revenue sources for wind farms in the US come from the sale of electricity, sale of green credits and the Federal Production Tax Credit. Electricity prices vary due to the demand for electricity, competing electricity sources and the support for renewable energy. Green credits are a developing market that is

expected to evolve into a significant source of revenue. Federal production tax credits are a federal tax credit of \$0.019 per kWh plus inflation adjustments for ten years.

It is now common practice that power purchase agreements with utilities will include the green credit with the energy sales (“bundled energy”).

The Company will continue to focus on markets that will provide the highest potential returns.

Financing Strategies

The Company will raise capital through established institutional sources to finance the construction and operation of wind energy facilities. These financial sources are familiar with the operation of electrical generating facilities and their potential operating and construction risks. The amount of project debt that is available for a project depends upon the projected cash flow of the project, the existence of a long term power purchase contract with a utility or credit worthy company, the wind assessment report, turbine supplier and the interest rates existing when funds are drawn down.

In the US, the Company may be a member of a limited liability corporation to secure financing that will increase the rate of return on equity and to monetize any tax benefits that can not be used by the Company or its subsidiaries. Similarly, the Company will use a partnership structure to monetize its tax benefits that can not be used internally.

The Company will raise equity to finance the development of projects with a view of using a structure outlined above that will provide a reasonable return on equity on completion of the project and the highest leverage from project debt and tax equity investors.

In January 2006 the Company entered into an Alliance Agreement with Pacific Hydro, an Australian renewable energy developer. Pacific Hydro has 260 MW of combined wind energy and hydro in Australia, Fiji, Chile and the Philippines. Pacific Hydro was a publicly listed company on the Australian Stock Exchange that was subsequently acquired last year by IFM, one of Australia’s largest pension fund managers. With the Alliance Agreement, Pacific Hydro invested \$9 million in the Company through private placements of 6,000,000 shares at \$1.50 per share and 6,000,000 warrants exercisable within two years at \$1.60. As a result, Pacific Hydro owns approximately 25% of the Company.

The Alliance Agreement is for five years and provides the Company an option to joint venture with Pacific Hydro, in regions such as Riverside County and Kern County, California (Palm Springs and Tehachapi), Mohave County in Arizona (Kingman) and New Brunswick, Canada through special purpose vehicles (joint venture companies, limited liability companies, partnerships) owned 51% by Pacific Hydro and 49% by the Company. After confirming the feasibility of the project, Pacific Hydro will provide funds to construct the project in proportion to their ownership interest and will contribute all the development and construction funding, including Western Wind’s portion of the funding requirement.

Project and Contractual Obligations

Each operating subsidiary is affected by local, county, state or provincial and federal legislation concerning environmental, zoning, permitting and operating laws and regulations. The Company is in compliance with all laws and regulations, except for its requirement to file Form 20-F with the Securities and Exchange Commission (United States). This delay has resulted in the shares being cease traded on the OTC Bulletin Board and the shares are currently trading on the pink sheets. The Company anticipates filing the Form 20F in the near future.

California – Windstar 120 MW, Windridge and Mesa Wind Power

The Company's contract with Southern California Edison requires that the facility be completed by December 31, 2007 with an extension to 2008. The timing of completion is dependent upon the Company's ability to arrange a transmission contract with Sagebrush Partnership either by way of a negotiated agreement or by FERC order. The agreement can be cancelled if turbine prices increase above specified levels. The Company has posted a \$1 million letter of credit that can be drawn on by Southern California Edison if the facility is not completed by December 31, 2008. However, management of the Company has an option to extend the terms of the letter of credit without incurring any liability. The letter of credit is subject to the same cancellation privileges as contained in the power purchase agreement. The Company will be negotiating amendments to the power purchase agreement to reflect the higher cost of wind turbines and existing wholesale electricity rates. The Company is not aware of any risks associated with the contract with Southern California Edison.

Both Windridge and Mesa Wind Power have standard offer contracts with Southern California Edison that provide for the sale of available output at Southern California's avoided cost.

All real estate interests in California, except for Mesa Wind Power, are owned directly by the Company. The only obligations are land taxes and liability insurance costs of approximately US\$30,000 per year and there will be interest payments on the Windridge mortgage of approximately US\$22,000 per year until the mortgage is converted into stock or repaid and US\$15,000 per year for mortgage on 120 acres of land.

The Company is obligated to pay Pacific Hydro US\$ 6.7 million plus interest at LIBOR plus 6% by December 31, 2006. The loan is secured by the shares of Mesa Wind Developers Corporation ("Mesa Wind") and a charge on all Mesa Wind's assets.

Mesa Wind leases 440 acres of land near Palm Springs from the Bureau of Land Management. The right-of-way provides for lease payments equal to the greater of \$276,800 per year or 2% of gross revenues. Property taxes are in the area of US\$130,000 per year.

Arizona – Steel Park 15 MW

On May 4, 2004, the Company negotiated a power purchase agreement with APS for the sale of 32,193,000 kwh's of electricity per year at a fixed rate plus an adjustment for inflation. Subsequent to January 31, 2006, APS agreed to amend the power purchase agreement to extend the service date to March 31, 2007, extend the term of the contract to 15 years and increase the electricity price to reflect the increase in the cost of wind turbines and construction costs.

The Company has entered into a contract to purchase land near Kingman, Arizona for US\$1,585,000 of which US\$210,000 has been paid and is non-refundable and is committed to pay US\$1,375,000 prior to December 5, 2006 and to complete the purchase before construction starts.

The Company has made an offer to purchase 31 acres of land near Kingman, Arizona for \$350,000 subject to due diligence and financing. A refundable deposit has been made to secure the offer.

The Company entered into a Turbine Supply Agreement with Mitsubishi for 15 – 1MW turbines. At April 28, 2006, the Company transferred its obligations with respect to the Turbine Supply Agreement with Mitsubishi and other collateral agreements to Steel Park LLC. The cash calls made by Steel Park LLC to the Company to develop the Steel Park 15 MW Project will be financed by a loan from Pacific Hydro and the loan will be secured by the Company's 49% interest in Steel Park LLC.

Arizona – Other

The Company owns 800 acres of other land in Arizona. At January 31, 2006, the balance owing on a mortgage was \$42,626. Subsequent to the year end, the mortgage was paid. Property taxes on the owned land are not significant.

Federal land leases in Arizona have a minimum lease rate of US\$1 per acre. The lease rates will increase to approximately 3% of revenues after the wind energy facilities are constructed on the leased land.

New Brunswick

The Company has leased 4,500 acres on Grand Manan Island. The lease is for 30 years and all lease rates are based on a percentage of revenue. There are no penalties for cancellation of the lease. The lease requires that construction commence before October 31, 2006.

The Company has provided a \$200,000 performance bond to NB Power secured by a letter of credit provided by a third party. The contract requires the project to be commissioned, unless extended, by October 31, 2006. However, management of the Company is negotiating amendments to the power purchase agreement, which they will result in an extension of the date that the facility must be in service.

Selected Annual Information
For the Six Months Ended July 31, 2006, 2005 and 2004
(\$'000's except per share amounts)

	July 31 <u>2006</u>	July 31 2005	July 31 2004
Total revenues	\$51	Nil	Nil
Income/Loss before discontinued Operations	(\$1,039)	(\$1,321)	(\$1,400)
Net income	(\$1,039)	(\$1,321)	(\$1,400)
Loss per share, basic and diluted	(\$0.04)	(\$0.08)	(\$0.10)
Total Assets	\$27,004	\$12,347	\$4,066
Long Term Financial Liabilities	Nil	Nil	Nil

Results of Operations

Bonuses

At the previous Annual General Meeting, the shareholders approved the payment of bonuses to Jeff Ciachurski of \$700,000 and to Michael Boyd of \$300,000. The bonus to Michael Boyd was paid by the issue of 182,930 shares at a deemed price of \$1.64 per share. The bonus payable to Jeff Ciachurski will be paid by the issue of 426,829 shares to Jeff Ciachurski at a deemed price of \$1.64. The shares are subject to an escrow agreement over the period from May 30, 2005 (the date of grant) to October 2007, as such \$582,000 of the bonuses have been expensed in the year ended January 31, 2006, and the remainder, which totals \$418,000, will be amortized to expense during the years ending January 31, 2007, and 2008.

For the three months ended April 30, 2006, we amortized to expense \$78,584 of deferred share bonus expense and \$157,168 for the six months ended July 31, 2006.

Stock Based Compensation

Other stock based compensation decreased from \$187,500 for the three months ended July 31, 2005 to \$10,259 for the three months ended July 31, 2006 and from \$249,500 for the six months ended July 31, 2005 to \$10,259 for the six months ended July 31, 2006. The stock based compensation is charged to expense based on the vesting. The change reflects the timing of the vesting of the stock options.

Interest and Bank Charges

Interest and bank charges decreased from \$21,902 for the three months ended July 31, 2005 to a negative \$4,042 for the three months ended July 31, 2006 and from \$37,971 for the six months ended July 31, 2005 to \$22,697 for the six months ended July 31, 2006. The negative amount reflects an over accrual of interest in prior periods. Interest expense declined since the loans for \$400,000 and \$135,000 was repaid.

Write off of Advances Receivable

The write off of advances receivable of \$7,302 during the six months ended July 31, 2006 was incurred by EWP. The Company determined last year that the two directors and officers of EWP had taken consulting fees in excess of the agreed upon amounts for the 2005 and 2006 fiscal year and a further \$7,302 was paid to them during the period ended July 31, 2006. The account receivable from these officers and directors has been provided for, but the Company has commenced a legal action to recover the amounts owing.

Foreign Exchange Gains

The Company incurred foreign exchange gains primarily from the increase in the value of the Canadian dollar from the date that US denominated debt was borrowed to July 31, 2006. On July 31, 2006, the Company borrowed US\$13.4 million, US\$275,000 on February 17, 2006 and US\$90,000 on June 12, 2006. In addition, some differences arise since actual exchange rates at the time Canadian dollars were converted to US dollars and the average exchange rates at which US transactions are recorded at for financial statement purposes.

Project Costs

Project costs increased from nil for the three months ended July 31, 2005 to \$2,483 for the three months ended July 31, 2006 and from nil for the six months ended July 31, 2005 to \$44,652 for the six months ended July 31, 2006. During the period, we incurred costs for liability and property insurance on our properties and we expenses costs related to the collection of wind data on sites that are not within our near term development horizon.

Professional Fees

Professional fees increased to \$111,724 for the three months ended July 31, 2006 from \$85,665 for the three months ended July 31, 2005 and to \$257,006 for the six months ended July 31, 2006. The Company is accruing its audit fees and certain legal costs through the year rather than at year end. The increase results from higher audit fees, professional fees related to business transactions and tax compliance and planning costs.

Consulting and Directors' Fees

Consulting and directors' fees decreased from \$259,785 to \$145,078 for the three months ended July 31, 2006 since the Company no longer employs Paul Woodhouse and Darlene Gillis as officers of Eastern Wind. For the six months ended July 31, 2006, consulting and directors' fees decreased from \$407,369 to \$334,481 for similar reasons.

Management fees

Management fees increased from \$13,499 for the three months ended July 31, 2005 to \$28,573 for the three months ended July 31, 2006. The change reflects higher compensation arrangements for Jeff Ciachurski.

Interest income

Interest income increased from nil for the three months ended July 31, 2005 to \$48,418 for the same period ended July 31, 2006. The increase is attributed to the cash balances from February 1, 2006 to July 31, 2006 and interest on the loan to a related party.

Construction in Progress

The Company is involved in the early construction stage of the Grand Manan 20 MW Project, the Steel Park 15 MW Project, the Windstar 120 MW Project and Windridge Repowering Project. The balance of construction in progress as at July 31, 2006 and January 31, 2006 is as follows:

	July 31 2006	January 31 2006
Grand Manan 20 MW Project	\$786,870	\$ 689,609
Steel Park 15 MW Project	4,220,858	2,015,269
Windstar 120 MW Project	289,946	98,529
Windridge Repowering Project	199,320	-
Mesa Wind Repowering Project	47,233	-
	<u>\$5,084,341</u>	<u>\$ 2,803,407</u>

Summary of Quarterly Results

	Total Revenues	Loss Before Discontinued Operations	Loss For The Quarter	Loss Per Share Basic and Diluted
July 31, 2006	\$50,825	(\$382,472)	(\$382,472)	(\$0.02)
April 30, 2006	\$17,706	(\$656,969)	(\$656,969)	(\$0.03)
January 31, 2006	Nil	(\$2,140,896)	(\$2,140,896)	(\$0.13)
October, 31 2005 (restated ¹)	Nil	(\$1,249,085)	(\$1,249,085)	(\$0.07)
July 31, 2005 (restated ¹)	Nil	(\$1,024,667)	(\$1,024,667)	(\$0.06)
April 30, 2005	Nil	(\$492,667)	(\$492,667)	(\$0.02)
January 31, 2005	Nil	(\$603,527)	(\$603,527)	(\$0.04)
October, 31 2004	Nil	(\$801,347)	(\$801,347)	(\$0.06)
July 31, 2004	Nil	(\$732,361)	(\$732,361)	(\$0.05)
April 30, 2004	Nil	(\$666,670)	(\$666,670)	(\$0.05)
January 31, 2004	Nil	(\$651,191)	(\$651,191)	(\$0.06)
October, 31 2003	Nil	(\$319,858)	(\$319,858)	(\$0.03)
July 31, 2003	Nil	(\$398,895)	(\$398,895)	(\$0.03)
April 30, 2003	Nil	(\$233,565)	(\$233,565)	(\$0.02)

¹ July 31 and October 31, 2005 amounts have been restated because the management share bonuses granted on May 30, 2005, during the second quarter were originally expensed in full during the third quarter. In the fourth quarter, the bonuses were adjusted to be amortized over their vesting period, from May 30, 2005 to October 2007, thus resulting in a restatement of the July 31, 2005 and October 31, 2005 figures.

Liquidity and Capital Resources

As at July 31, 2006, the Company had working capital deficiency of \$15,501,548 compared to a surplus of \$5,144,720 at January 31, 2006. The funds were used to finance construction in progress costs incurred during the period of \$2,749,829, to provide security for the letter of credit for Southern California Edison of \$1,162,800 (US\$1,000,000), to repay the loan from a related party of \$366,239 and to finance operations. The Company borrowed \$15,293,000 from Pacific Hydro to acquire PAMC. Since the loan is due on December 31, 2006, it reduces working capital. At July 31, 2006, the Company's cash position was \$469,310.

The Company has real estate interests in Tehachapi and in Arizona. The Tehachapi property can be leased to other wind developers and would generate lease income for the Company. Some of it could be developed for residential purposes or continued to be used for farming activities.

If the Company was unable to raise equity capital to develop its wind properties, it could enter into joint ventures with Pacific Hydro or other large wind developers that have greater capital resources. The corporate expenses could also be reduced by placing all development activities on hold and expending funds only on activities that are required to maintain its listing and to cover fixed property costs.

Transactions with Related Parties

During the year, the following expenses were accrued or paid to officers, directors and parties related to directors and officers of the Company:

- a) The following expenses were accrued/paid during the year to directors, officers, a significant shareholder and the spouse of a director of the Company:

	July 31 2006	January 31 2006
Consulting and directors' fees	\$263,036	\$ 458,642
Bonuses	157,168	920,687
Management fees	90,000	131,725
Office and secretarial	18,000	37,000
Rent	15,984	26,000
Travel and automotive	9,998	34,139
Financing costs	-	256,935
Interest	27,748	98,407
	<u>\$581,934</u>	<u>\$1,963,580</u>

- a) Subscriptions receivable (received) from the spouse of a director of the Company is \$129,100 (2006 - (\$129,100)).
- b) Write off of advances receivable of \$7,203 (2006 - \$89,795;) relate to amounts that were allegedly taken by two former officers of the Company, which were set up as advances receivable and written-off during the year. The Company has commenced litigation against the two former officers. However, at this time, recoverability of the amounts written-off is uncertain.
- c) During the year ended January 31, 2006, a bonus of \$700,000 (2005 - \$nil; 2004 - \$nil) was awarded to a director and officer of the Company and will be settled through the issuance of 426,829 shares. Once issued, the shares will be held in escrow and are to be released, subject to the recipient's continued service as a director or employee of the Company, over the period to October 26, 2007. Accordingly, an amount of \$407,000 has

been expensed in the year-ended January 31, 2006 and \$58,250 in the three months ended July 31, 2006. At January 31, 2006, \$293,000 was deferred and at July 31, 2006, \$182,582 was deferred and will be amortized to expense pursuant to the terms of the agreement.

- d) During the year ended January 31, 2006, the Company paid a bonus of \$300,000 to an officer and director through the issue of 182,930 shares at a deemed price of \$1.64. The shares are held in escrow and are to be released, subject to the recipient's continued service as a director or employee of the Company, over the period to October 26, 2007. Accordingly, an amount of \$175,000 has been expensed in the year ended January 31, 2006 and \$18,058 has been expenses in the three months ended July 31, 2006. At January 31, 2006, \$125,000 had been deferred and at July 31, 2006, \$78,250 has been deferred and will be amortized to expense pursuant to the terms of the agreement. .
- e) A shareholder provided a loan of US\$550,000 to the Company at an interest rate of 18% plus the issue of 82,500 bonus shares at deemed price of \$1.60 per share. Interest charged on the loan totalled US\$40,851 (CDN\$49,254) for the year ended January 31, 2006 and US\$11,877 (CDN\$13,659) for the three months ended July 31, 2006.
- f) The spouse of an officer and director provided security for a US\$500,000 letter of credit to Southern California Edison. The agreement provided for interest at 12% of letter of credit and the issue of 83,290 bonus shares at a deemed price of \$1.50 per share. Interest charged on the letter of credit totalled US\$40,767 (CDN\$49,153) during the year ended January 31, 2006 and US\$12,249 (CDN \$14,086) for the three months ended July 31, 2006.
- g) The Company partly repaid the spouse of an officer and director \$200,000 towards the security provided.
- h) An officer and director was advanced \$68,732 during the period ended July 31, 2006. The advance will be paid before January 31, 2007 with interest at prime plus 1%.
- i) Pacific Hydro Limited, the owner of approximately 26% of the common shares of the Company, provided a loan of US\$13,400,000 (CDN\$15,293,000) to acquire the Mesa Wind Power Project. The loan bears interest at LIBOR plus 6% and US \$6.7 million is repayable on December 31, 2006.

Announcements for the Period Under Review – July 31, 2006

On May 1, 2006, the Company announced that the Federal Energy Regulatory Commission (“FERC”) had issued a decision requiring that the Company be provided access to the Sagebrush transmission line in California. The Sagebrush Partnership and the Company have 28 days to negotiate the transmission agreement or FERC will establish the terms of the agreement. This will enable the Company to commence development of its 120 MW Windstar Project.

On May 4, 2006, the Company announced that Arizona Public Service will increase its electricity purchases from 15 MW to 40 MW's and extend the term from 10 years to 15 years.

On May 15, 2006, the Company announced that it would appoint two new directors. Robert Grant, the CEO of Pacific Hydro was appointed immediately, and Kevin Holmes, the chief operating officer and chief financial officer of Pacific Hydro, will be elected at the next Annual General Meeting.

On June 19, 2006, the Company announced that a Management Cease Trade Order was issued by the British Columbia Securities Commission for failing to provide its audited financial statements by May 31, 2006. This order prevents management and insiders from trading in the Company's stock during the period of the order.

On June 30, 2006, the Company announced that it will provide sponsorship to the TD Canada Trust Vancouver International Jazz Festival from June 23, 2006 to July 2, 2006.

On June 30, 2006 and July 14, 2006, the Company announced that the Management Cease Trade Order was still in effect and that the audited financial statements were going to be late for filing. In addition, the Company confirmed that no material changes to its business had occurred.

On July 25, 2006, the Company announced that it had completed a Plan of Merger with PAMC Management Corporation ("PAMC"), AltaMesa Energy LLC, Mesa Wind Developers, Enron Wind Systems LLC, Zond-PanAero Windsystem Partners I, and Zond-PanAero Windsystem Partners II, and Mesa Wind Power Corporation ("Mesa Wind") regarding the acquisition of certain assets and rights relating to two wind farms located in Riverside County, California. The acquisition comprises certain independently owned assets, including, Rights of Way from the Bureau of Land Management, a power purchase agreement with Southern California Edison (SCE"), rights under an Interconnection Facilities Agreement with SCE, roads, substations, other infrastructure, 460 - V-15 Vestas wind turbines, as well as, all of the outstanding shares of PAMC Management Corporation (collectively, the "Mesa Wind Project"). In addition, Mesa Wind would be merged with PAMC, with PAMC being the surviving corporation. Mesa Wind has been incorporated by Western Wind Energy, as a wholly owned subsidiary, in order to facilitate the merger with PAMC.

The Mesa Project has a 22-year continuous operating history with an historical average yearly production of 70 billion watt-hours per year. This is enough energy to power 9,000 average- sized California homes. Last year's revenues were US \$5.4 million and the discretionary cash flow was US \$3.4 million for fiscal 2005.

The cost of the acquisition was US \$13,410,000. Pacific Hydro provided a short-term loan of US \$13,410,000 to facilitate the acquisition. The interest rate for the loan is the 30-day LIBOR rate plus 6%. Interest will accrue daily based on a 365 day year and will be payable on the Maturity Date. The assets comprising the Mesa Wind Project as well as all of the issued and outstanding shares of PAMC secure the loan. Western Wind Energy intends to repay the loan from proceeds of a private placement (the "Loan Repayment Private Placement") once the management cease trade order has been lifted. Pacific Hydro will have the first right (but no obligation) to subscribe for securities pursuant to the Loan Repayment Private Placement.

The maturity date of the loan is the earlier of:

- (a) if Pacific Hydro elects to participate in the Loan Repayment Private Placement, 10 business days after disinterested shareholder approval no later than September 30, 2006 is obtained for such participation at the Company's annual general meeting (currently scheduled for late September 2006); and
- (b) if Pacific Hydro elects not to participate in the Private Placement or, if Pacific Hydro elects to participate in the Loan Repayment Private Placement and shareholder approval is not obtained at the AGM, December 31, 2006.

If Pacific Hydro elects to participate in the Loan Repayment Private Placement and if shareholder approval is not obtained at the AGM, the Company, (if unable to otherwise repay the loan), will transfer one half of its ownership interest in the Mesa Wind Project to Pacific Hydro in full satisfaction of 50% of

the balance owing under the loan on the date of transfer. If the Company fails to repay the remaining half of the Loan by December 31, 2006, Western Wind will transfer its remaining ownership interest in full and final satisfaction of the loan. The Company may repay the loan or any part of the loan at any time without penalty or bonus.

Subsequent Events

On September 7, 2006, the Company issued information circular that discloses that the Company will nominate five directors. No Pacific Hydro representatives are among the directors that have been nominated.

On September 7, 2006, the Company also announced that its audited financial statements for the year ended January 31, 2006 have been filed. In addition, the Company announced, subject to regulatory approval and the lifting of the Management Cease Trade Order, that it will be negotiating a non-brokered private placement comprising of a combination of common shares and Series 1 Class A preference shares that will be used to repay the loan granted by Pacific Hydro in connection with the acquisition of the Mesa Wind Project described in the press release dated July 25, 2006. The Preference Shares will be non-voting and redeemable upon the Company providing 30 days notice or the holder, after December 31, 2006, by providing 60 days notice. The Preference Shares have no right to receive dividends.

On September 25, 2006, the Company announced the appointment of V. John Wardlow to the Board of Directors. The Company also announced that it has granted 850,000 stock options exercisable at a price of \$1.23 for a period of five years to certain consultants, directors and related parties.

Contingent Liabilities

The Company is contingently liable to a third party for providing security for a \$200,000 letter of credit to secure a performance bond for NB Power and to a related party for providing security for a US\$500,000 letter of credit to secure a performance bond for Southern California Edison.

A former employee of EWP is suing EWP for the right to 50,000 options at \$0.80. The Company has filed a Statement of Defence and Counterclaim.

A US citizen has filed a Statement of Claim in Pima County, Arizona for compensation for services rendered. Management does not believe that the claim has any merit. The proceedings were dismissed in Arizona. It has been appealed to the US Federal District Court in Tucson, Arizona and it was dismissed there as well. The US citizen has currently appealed to the Ninth Circuit, US Court of Appeal in San Francisco. The Company's legal advisors give the chances of a successful appeal by the US citizen, a very remote chance of success.

Two former officers and directors of EWP have filed Statements of Claim in British Columbia for the failure of the Company to pay its bonuses. The directors cancelled the bonuses until the individuals could prove performance. The Company has entered a Statement of Defence and has filed a Statement of Claim for funds owing to EWP and damages for failing to perform their duties.

At the date of this Report, the Company was in good standing under all corporate laws and securities laws by which it is governed except for its failure to file Form 20-F with the Securities and Exchange Commission in the United States.

Other MD&A Requirements

Additional information relating to the Company is available on SEDAR at www.sedar.com.

Additional Disclosures for Venture Issuers Without Significant Revenues

Comparative Statement of Operations

	Three Months Ended		Six Months Ended	
	July 31 2006	July 31 2005	July 31 2006	July 31 2005
Revenues	\$ 33,119	\$ -	\$ 50,825	\$ -
Direct costs	12,524	-	12,524	-
Gross margin	20,595	-	38,301	-
Expenses				
Advertising and promotion	5,965	11,328	22,397	15,940
Amortization – equipment	16,767	13,387	33,060	18,629
Bonuses	78,584	-	157,168	-
Communications	66,163	84,071	84,295	125,105
Consulting and directors' fees	145,078	259,785	334,481	407,369
Interest and bank charges	(4,042)	21,902	22,697	37,971
Management fees	28,573	13,499	90,000	53,499
Office and secretarial	22,059	34,646	37,403	47,177
Professional fees	111,724	85,665	257,006	136,602
Project costs	2,483	-	44,652	-
Regulatory fees	4,451	9,546	13,128	24,412
Rent	12,334	26,763	27,315	37,743
Stock based compensation	10,259	187,500	10,259	249,500
Telephone	11,406	6,894	22,233	18,387
Travel and automotive	20,480	73,453	111,240	148,772
	532,284	828,439	1,267,334	1,321,106
Loss before the following:	(511,688)	(828,439)	(1,229,032)	(1,321,106)
Interest income	15,675	-	48,418	-
Write off of advances receivable	-	-	(7,203)	-
Foreign exchange gains	113,541	-	148,376	-
Loss for the period	(382,472)	(828,439)	(1,039,441)	(1,321,106)
Deficit, beginning of period	(12,772,994)	(7,701,378)	(12,116,025)	(7,208,710)
Deficit, end of period	<u>\$ (13,155,466)</u>	<u>\$ (8,529,817)</u>	<u>\$ (13,155,466)</u>	<u>\$ (8,529,816)</u>

Disclosure of Outstanding Share Data

Summary of Securities Issued During the Period

Type of Security	Type of Issue	Total Number	Proceeds Net of Issuance Costs	Type of Consideration	Price
Common	Warrant exercise	8,000	\$16,800	Cash	\$2.10
Common	Warrant exercise	3,000	3,090	Cash	\$1.03
Common	Warrant exercise	12,000	21,600	Cash	\$1.80
		<u>23,000</u>	<u>\$43,800</u>		

Summary of Options Granted During the Period

Nil

Summary of Marketable Securities Held at the End of the Period

Nil

Summary of Securities at the End of the Reporting Period

Authorized Capital: unlimited common shares without par value, unlimited class A preferred securities without par value
Issued and Outstanding: 23,760,789 common shares

Number and Recorded Value for Shares Issued and Outstanding

At July 31, 2006, the Company had 23,760,789 common shares outstanding having a paid up value of \$0.91 per share (\$21,575,407).

Description of Options, Warrants and Convertible Securities Outstanding

Type of Security	Number or Amount	Exercise or Conversion Price	Expiry Date
Stock Options	370,000	\$1.20	February 20, 2007
Stock Options	100,000	\$1.05	June 25, 2008
Stock Options	400,000	\$1.74	October 31, 2008
Stock Options	200,000	\$2.40	October 31, 2008
Stock Options	50,000	\$2.55	November 10, 2008
Stock Options	200,000	\$1.44	May 20, 2009
Stock Options	100,000	\$1.44	May 25, 2009
Stock Options	50,000	\$1.52	June 11, 2009
Stock Options	250,000	\$1.33	September 9, 2010
Warrants	299,500	\$2.10	September 3, 2006
Warrants	116,661	\$2.10	December 13, 2006
Warrants	119,000	\$1.03	March 1, 2007
Warrants	175,000	\$1.03	March 9, 2007
Warrants	18,295	\$1.03	March 10, 2007
Warrants	500,000	\$1.03	March 31, 2007
Warrants	403,000	\$1.80 (1st year)	June 15, 2006
		\$2.20 (2nd year)	June 15, 2007
Warrants	666,667	\$1.60	October 24, 2007
	441,133	\$1.60 (1st year)	December 5, 2007
		\$2.20 (2 nd year)	December 5, 2008
Warrants	1,000,000	\$1.60	January 27, 2008
Warrants	4,333,333	\$1.60	January 31, 2008

Total Number of Shares in Escrow or Subject to Pooling Agreement

750,000 shares are held in escrow pursuant to an escrow agreement dated April 29, 1999
121,953 shares are held in escrow pursuant to an escrow agreement dated October 26, 2005