

Western Wind Energy Corp.
Consolidated Financial Statements
(A Development Stage Company)
(Expressed in Canadian Dollars)
January 31, 2007, 2006 and 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Western Wind Energy Corp.

We have audited the accompanying consolidated balance sheets of **Western Wind Energy Corp.** (a development stage company) as of January 31, 2007 and 2006, and the related consolidated statements of operations and deficit and cash flows for each of the years in the two year period ended January 31, 2007, and for the period January 5, 1998 (inception) through January 31, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The consolidated financial statements for the year ended January 31, 2005, and for the period January 5, 1998 (inception) through January 31, 2004, were audited by other auditors whose reports dated May 25, 2005 and June 10, 2004, respectively, expressed an unqualified opinion on those statements prior to restatement. The consolidated financial statements for the year ended January 31, 2005 and the period January 5, 1998 (inception) through January 31, 2004 prior to restatement, as described below, included a net loss of \$2,803,208 and \$4,405,502, respectively. Our opinion on the consolidated statements of operations and deficit and cash flows for the period January 5, 1998 (inception) through January 31, 2007, insofar as it relates to amounts for prior periods through January 31, 2005 before restatement is based solely on the reports of other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Western Wind Energy Corp.**, at January 31, 2007, and 2006 and the results of its operations and its cash flows for each of the years in the two year period ended January 31, 2007 and the period from January 5, 1998 (inception) through January 31, 2007, in conformity with Canadian generally accepted accounting principles.

The consolidated financial statements of **Western Wind Energy Corp.** for the year ended January 31, 2005, prior to the adjustments described in our audit report dated September 1, 2006 (except as to notes 2, 4, 11, 12, 13, 14, 15, 18 and 21 which are as of July 4, 2007) with respect to the restated consolidated financial statements of **Western Wind Energy Corp.** as at January 31, 2006 and for the year then ended, were audited by other auditors who have ceased operations.

The accompanying financial statements have been prepared assuming that **Western Wind Energy Corp.** will continue as a going concern. As discussed in note 1 to the consolidated financial statements, the Company's recurring net losses and working capital deficiency raise substantial doubt about its ability to continue as a going concern. The Company is also the subject of a number of law suits, which are further described in note 18 to the consolidated financial statements. Management's plans as to these matters are described in note 1. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Vancouver, Canada,
August 21, 2007

/s/ Ernst & Young LLP
Chartered Accountants

MOORE STEPHENS ELLIS FOSTER LTD.

Chartered Accountants

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Vancouver, BC Canada V6J 1G1
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of WESTERN WIND ENERGY CORP.

(A development stage company)

We have audited the consolidated statements of operations and deficit and cash flows of **Western Wind Energy Corp.** (A development stage company) (the "Company") for the year ended January 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards and the standards of the Public Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the consolidated financial statements present fairly, in all material respects, the results of the Company's operations and its cash flows for the year ended January 31, 2005 in accordance with Canadian generally accepted accounting principles.

Canadian generally accepted accounting principles vary in certain significant respects from accounting principles generally accepted in the United States. Application of accounting principles generally accepted in the United States would have affected the Company's results of operations for the year ended January 31, 2005, as summarized in note 24 to the consolidated financial statements.

Vancouver, Canada
May 25, 2005

/s/ Moore Stephens Ellis Foster Ltd.
Chartered Accountants

COMMENTS BY AUDITORS FOR U.S. READERS ON CANADA-U.S. REPORTING CONFLICT

In the United States of America, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when the consolidated financial statements are affected by conditions and events that cast substantial doubt on the Company's ability to continue as a going concern, such as those described in note 1 to the consolidated financial statements.

Our report to the shareholders dated May 25, 2005 is expressed in accordance with Canadian reporting standards which do not permit a reference to such events and conditions in the independent auditors' report when these issues are adequately disclosed elsewhere in the consolidated financial statements.

MOORE STEPHENS ELLIS FOSTER LTD.

Chartered Accountants

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of WESTERN WIND ENERGY CORP.

(A development stage company)

We have audited the consolidated statements of operations and deficit and cash flows of **Western Wind Energy Corp.** (A development stage company) (the "Company") for the period from January 5, 1998 (inception) to January 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the results of the Company's operations and its cash flows for the period from January 5, 1998 (inception) to January 31, 2004 in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada
June 10, 2004

/s/ Moore Stephens Ellis Foster Ltd.
Chartered Accountants

COMMENTS BY AUDITORS FOR U.S. READERS ON CANADA-U.S. REPORTING CONFLICT

In the United States of America, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when the consolidated financial statements are affected by conditions and events that cast substantial doubt on the Company's ability to continue as a going concern, such as those described in note 1 to the consolidated financial statements.

Our report to the shareholders dated June 10, 2004 is expressed in accordance with Canadian reporting standards which do not permit a reference to such events and conditions in the independent auditors' report when these issues are adequately disclosed elsewhere in the consolidated financial statements.

Western Wind Energy Corp.
(A Development Stage Company)
Consolidated Balance Sheets
January 31, 2007 and 2006
(Expressed in Canadian Dollars)

| | Note | 2007 | 2006 |
|--|------------------|----------------------|----------------------|
| Assets | | | |
| Current | | | |
| Cash | | \$ 42,506 | \$ 5,922,795 |
| Accounts receivable | | 694,001 | - |
| Refundable tax credits | | 68,624 | 45,490 |
| Income taxes refundable | | 264,768 | - |
| Prepaid expenses and deposits | | 238,234 | 40,667 |
| Total current assets | | 1,308,133 | 6,008,952 |
| Restricted cash | 3 | 1,194,530 | - |
| Construction in progress | 4 | 262,697 | 98,529 |
| Property and equipment deposits | 5 | 30,411 | 839,819 |
| Property and equipment | 6 | 23,355,314 | 2,599,698 |
| Goodwill and other intangible assets | 8 | 4,409,958 | - |
| Discontinued operations | 14 | 13,472 | 2,800,095 |
| Total Assets | | \$ 30,574,515 | \$ 12,347,093 |
| Liabilities | | | |
| Current | | | |
| Accounts payable and accrued liabilities | | \$ 2,693,436 | \$ 321,741 |
| Loans payable, current portion | 9 | 17,456,429 | 408,865 |
| Total current liabilities | | 20,149,865 | 730,606 |
| Loans payable | 9 | 545,236 | - |
| Asset retirement obligation | 10 | 1,030,000 | - |
| Future income tax liability | 13 | 5,726,251 | - |
| Discontinued operations | 14 | 1,134,194 | 144,484 |
| Total liabilities | | 28,585,546 | 875,090 |
| Commitments | 17 | | |
| Contingencies | 18 | | |
| Shareholders' Equity | | | |
| Share capital | 11, 18(c) | 21,879,587 | 21,490,117 |
| Share subscriptions (receivable) received in advance | 16 | 165,500 | (129,100) |
| Contributed surplus | 12 | 3,710,094 | 2,961,768 |
| Deferred share bonus expense | 16 | (83,920) | (418,000) |
| Cumulative currency translation adjustment | | 473,098 | - |
| Deficit accumulated in the development stage | | (24,155,390) | (12,432,782) |
| Total shareholders' equity | | 1,988,969 | 11,472,003 |
| Total Liabilities and Shareholders' Equity | | \$ 30,574,515 | \$ 12,347,093 |
| Nature of Business and Continued Operations | 1 | | |

The accompanying notes are an integral part of these consolidated 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 Operations and Deficit
For the Years Ended January 31, 2007, 2006 and 2005
(Expressed in Canadian Dollars)

| | Period From January 5, 1998 (Inception) to January 31, | | | |
|---|---|-----------------|-----------------|----------------|
| Note | 2007 | 2007 | 2006 | 2005 |
| Revenues | | | | |
| Energy sales | \$ 1,594,440 | \$ 1,594,440 | \$ - | \$ - |
| Expenses | | | | |
| Advertising and promotion | 337,827 | 140,370 | 89,125 | 95,547 |
| Amortization – deferred charges | 2,625 | - | - | - |
| Amortization – discount on promissory note | 22,487 | - | - | - |
| Amortization | 1,479,881 | 1,418,075 | 31,398 | 25,095 |
| Asset retirement obligation accretion | 10 76,296 | 76,296 | - | - |
| Bonuses | 16 1,421,433 | 334,080 | 1,087,353 | - |
| Communications | 417,658 | 27,219 | 283,664 | 106,775 |
| Consulting and directors' fees | 16 2,610,747 | 798,775 | 448,549 | 289,527 |
| Financing costs | 16 471,449 | 142,014 | 256,935 | 72,500 |
| Foreign exchange loss (gain) | 574,254 | 536,996 | 38,339 | (1,081) |
| Interest and accretion on long term debt | 16 1,088,286 | 946,304 | 104,220 | 13,132 |
| Management fees | 16 933,648 | 417,723 | 131,725 | 142,200 |
| Office and secretarial | 16 576,556 | 83,278 | 118,319 | 71,442 |
| Plant operating expenses | 1,064,495 | 1,064,495 | - | - |
| Professional fees | 2,212,371 | 1,013,673 | 373,312 | 215,824 |
| Project costs | 613,289 | 215,606 | 70,099 | 181,572 |
| Regulatory fees | 298,778 | 22,560 | 93,029 | 28,844 |
| Rent | 16 156,747 | 62,616 | 45,216 | 21,215 |
| Stock-based compensation | 11 2,779,836 | 490,168 | 536,787 | 1,010,317 |
| Telephone | 127,409 | 39,445 | 27,712 | 29,304 |
| Travel and automotive | 16 1,166,905 | 304,496 | 250,958 | 192,065 |
| | 18,432,977 | 8,134,189 | 3,986,740 | 2,494,278 |
| Loss before the following | (16,838,537) | (6,539,749) | (3,986,740) | (2,494,278) |
| Interest income | 129,873 | 111,006 | 5,301 | 697 |
| Loss on the sale and write off of assets | (558,163) | - | - | - |
| Write off of equipment, land leases and wind data | 15 (852,661) | (24,286) | (726,000) | (102,375) |
| Gain on sale of assets and debt forgiveness | 72,530 | - | - | - |
| Loss from continuing operations before income taxes | (18,046,958) | (6,453,029) | (4,707,439) | (2,595,956) |
| Income tax provision (recovery) | 13 (881,863) | (893,482) | 11,919 | - |
| Loss from continuing operations after tax | (17,165,395) | (5,559,547) | (4,719,358) | (2,595,956) |
| Loss from discontinued operations | 14 (6,989,995) | (6,163,061) | (394,863) | (317,103) |
| Loss for the year | (24,155,390) | (11,722,608) | (5,114,221) | (2,913,059) |
| Deficit, beginning of year | - | (12,432,782) | (7,318,561) | (4,405,502) |
| Deficit, end of year | \$ (24,155,390) | \$ (24,155,390) | \$ (12,432,782) | \$ (7,318,561) |
| Loss per share as reported – basic and diluted | | \$ (0.50) | \$ (0.30) | \$ (0.21) |
| Weighted average number of common shares outstanding - basic and diluted | | 23,788,927 | 17,256,697 | 13,924,833 |

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

Western Wind Energy Corp.
(A Development Stage Company)
Consolidated Statements of Cash Flows
For the Years Ended January 31, 2007, 2006 and 2005
(Expressed in Canadian Dollars)

| | Period From January 5, 1998 (Inception) to January 31, | | | |
|---|---|---------------------|---------------------|--------------------|
| | 2007 | 2007 | 2006 | 2005 |
| Cash flows from (used in) operating activities | | | | |
| Loss for the year from continuing operations after tax | \$ (17,165,395) | \$ (5,559,547) | \$ (4,719,358) | \$ (2,595,956) |
| Add: items not involving cash: | | | | |
| Amortization | 1,479,881 | 1,418,075 | 31,398 | 25,095 |
| Asset retirement obligation accretion | 76,296 | 76,296 | - | - |
| Bonuses paid in shares and to repay investment deposit | 1,421,433 | 334,080 | 1,087,353 | - |
| Financing fees payable in common shares and equity rights | 445,425 | 125,990 | 256,935 | 62,500 |
| Accretion of fair value of conversion option | 99,008 | 99,008 | - | - |
| Write off of land leases, wind data and equipment | 852,661 | 24,286 | 726,000 | 102,375 |
| Stock-based compensation expense | 2,779,836 | 490,168 | 536,787 | 1,010,317 |
| Future income taxes recoverable | (359,259) | (359,259) | - | - |
| Amortization of deferred charges and discounts | 25,112 | - | - | - |
| Loss on sale and write off of assets | 558,163 | - | - | - |
| Legal expenses settled by the issue of shares | 15,000 | - | - | - |
| Gain on sale of assets | (72,530) | - | - | - |
| | (9,844,369) | (3,350,903) | (2,080,885) | (1,395,669) |
| <i>Change in non-cash working capital items:</i> | | | | |
| Refundable tax credits | (68,624) | (23,134) | (22,381) | (5,209) |
| Accounts receivable | (694,001) | (694,001) | - | - |
| Income taxes refundable | (264,768) | (264,768) | - | - |
| Prepaid expenses and deposits | (238,234) | (197,567) | (25,246) | (8,560) |
| Accounts payable and accrued liabilities | 2,693,336 | 2,371,695 | 200,605 | 35,326 |
| Discontinued operations | (3,038,735) | (2,386,728) | (195,215) | (356,101) |
| Net cash used in operating activities | (11,455,395) | (4,545,406) | (2,123,122) | (1,730,213) |
| Cash flows from (used in) financing activities | | | | |
| Shares and warrants issued for cash | 20,470,912 | 607,950 | 11,797,024 | 1,791,831 |
| Loans payable and conversion rights | 18,110,944 | 17,702,079 | 215,307 | 126,963 |
| Advances (repayments to) Clean Power Income Fund | - | - | (50,000) | 50,000 |
| Advances (repayments to) related party | 5,767 | - | - | (19,952) |
| Discontinued operations | - | - | (350,000) | 350,000 |
| Net cash used in financing activities | 38,587,623 | 18,310,029 | 11,612,331 | 2,298,842 |
| Cash flows from (used in) investing activities | | | | |
| Purchase of property and equipment | (6,187,882) | (3,526,377) | (174,716) | (540,679) |
| Purchase of Mesa Wind Farm | (15,534,623) | (15,534,623) | - | - |
| Purchase of intangible assets | (34,623) | (34,623) | - | - |
| Construction in progress | (262,696) | (164,167) | (98,529) | - |
| Property and equipment deposits | (30,411) | 809,408 | (839,819) | - |
| Restricted cash | (1,194,530) | (1,194,530) | - | - |
| Discontinued operations | (2,830,540) | - | (2,484,881) | (271,292) |
| Investment deposit | (172,020) | - | - | - |
| Purchase of marketable securities | (43,500) | - | - | - |
| Acquisition of exploration assets | (541,004) | - | - | - |
| Proceeds from the sale of assets | 93,107 | - | - | - |
| Increase in deferred charge | (351,000) | - | - | - |
| Net cash used in investing activities | (27,089,722) | (19,644,912) | (3,597,945) | (811,971) |
| Increase (decrease) in cash & cash equivalents | 42,506 | (5,880,289) | 5,891,264 | (243,342) |
| Cash and cash equivalents, beginning of year | - | 5,922,795 | 31,531 | 274,873 |
| Cash and cash equivalents, end of year | \$ 42,506 | \$ 42,506 | \$ 5,922,795 | \$ 31,531 |
| Supplemental disclosure of cash flow information: | | | | |
| Interest paid in cash | \$ | 39,734 | \$ | 128,018 |
| Interest income | \$ | 111,006 | \$ | - |

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

Western Wind Energy Corp.
(A Development Stage Company)
Notes to Consolidated Financial Statements
For the Years Ended January 31, 2007, 2006 and 2005
(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 California and Arizona. The Company holds these wind farm properties in North America through its wholly owned subsidiaries Verde Resources Corporation ("Verde"), Aero Energy, LLC ("Aero") and Mesa Wind Power Corporation ("Mesa Wind").

During the year ended January 31, 2007, New Brunswick Power and Arizona Public Service terminated power purchase agreements and the Company wrote off its investments in these projects and incurred losses totalling \$6,163,061 (note 14). As a result, the operations of the wholly-owned subsidiary that operated in New Brunswick, Eastern Wind Power Inc. ("EWP"), and the operations of its 49% owned affiliate Steel Park, LLC that was developing the Steel Park 15 MW Project in Arizona have been discontinued.

The Company is the subject of several lawsuits with Pacific Hydro as detailed in the notes 18(b), 18(c) and 18(d). If the Company is not successful in its lawsuits or settlement, Mesa Wind may be transferred to Pacific Hydro to repay the US\$13,400,000 acquisition loan (note 18 (b)), Pacific Hydro may have the right to put 4,333,333 common shares of the Company at a price of \$1.50 per share (note 18(c)) and the Company may be required to joint venture wind projects in Riverside and Kern Counties, California and Mohave County, Arizona with Pacific Hydro (note 18(d)).

At January 31, 2007, the Company had a working capital deficiency of \$18,841,732 and shareholders' equity of \$1,988,969. For the year ended January 31, 2007, the Company had a loss of \$11,722,608 and has accumulated losses since the commencement of operation of \$24,155,390.

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 settle the lawsuits with Pacific Hydro and to obtain necessary financing to repay the loan from Pacific Hydro of US\$13,400,000 (note 9), 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 wholly-owned U.S. subsidiaries, Verde, Aero and Mesa Wind. All significant inter-company accounts and transactions have been eliminated.

b) Basis of Presentation

While the Company has commenced commercial operations with the acquisition of the Mesa Wind Farm, it has not completed the development of any wind projects and its development activities are continuing. Consequently, the Company is currently in the development stage and presents its financial statements in accordance with CICA Accounting Guideline 11, "Enterprises in the development stage". The Company expects to exit the development stage and enter the operating stage in the year ended January 31, 2008.

c) 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, the disclosure of contingent assets and liabilities at the date of the financial statements and the amount of revenues and expenses reported during the period. Actual results may differ from those estimates.

d) Cash

Cash consists of cash on deposit with banks.

Western Wind Energy Corp.
(A Development Stage Company)
Notes to Consolidated Financial Statements
For the Years Ended January 31, 2007, 2006 and 2005
(Expressed in Canadian Dollars)

2. Significant Accounting Policies (Continued)

e) Accounts receivable

Accounts receivables are recorded at face value less any provision for uncollectible amounts that are considered necessary. The Company records an allowance for doubtful accounts for any account receivable that management believes is impaired. The Company considers the knowledge of the financial conditions of the customers, aging of accounts receivables, the current business environment and historical collection experience.

f) Restricted Cash

Cash reserves segregated from the Company's cash balances secure a letter of credit. The funds are disclosed separately since the funds cannot be accessed until the expiry of the letter of credit.

g) Property and Equipment

Land is recorded at cost plus site investigation, legal and title insurance costs. Generating facilities include wind turbines, electrical infrastructure, buildings and roads. Meteorological towers include wind equipment used for wind assessments during the development stage.

Depreciable assets are recorded at cost less accumulated amortization. Amortization of these assets is based on the cost of the assets less estimated salvage values and, in the year of acquisition, depreciation is based on one-half of the full year depreciation for depreciable assets excluding generating facilities and land right-of-way.

The land right of way is recorded at cost less accumulated amortization.

The amortization rates are as follows:

| | |
|-------------------------|------------------|
| Land right-of-way | 6.5 years |
| Generating facilities | 6.5 to 7.4 years |
| Meteorological towers | 5 years |
| Furniture and equipment | 5 years |
| Vehicles | 5 years |

h) Construction in Progress

Construction in progress are costs incurred to assess the feasibility of wind farm sites and secure property rights. These costs include costs paid to third parties and financing costs directly related to the project. 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 and construction of such projects, meet its obligations under various agreements and the success of future operations or dispositions. As at January 31, 2007, the Company has not commenced full scale commercial operations of any projects.

i) 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 substantively 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.

j) Impairment of Long-lived Assets

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

Western Wind Energy Corp.
(A Development Stage Company)
Notes to Consolidated Financial Statements
For the Years Ended January 31, 2007, 2006 and 2005
(Expressed in Canadian Dollars)

2. Significant Accounting Policies (Continued)

j) Impairment of Long-lived Assets (Continued)

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.

k) 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 adjusted at least annually 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 January 31, 2007, the Company had an asset retirement obligation with respect to a right of way that is owned by PAMC Management Corp. At January 31, 2006, the Company did not have any significant asset retirement obligations.

l) 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.

m) Foreign Currency Translation

Integrated Foreign Operations

Assets and liabilities of foreign operations having a functional currency of US dollars 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 and bonuses, which is translated at historical exchange rates. Translation exchange gains and losses are included in the loss for the year.

Self-Sustaining Foreign Operations

Assets and liabilities of foreign operations that are self sustaining entities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date for monetary and non-monetary items. Revenues and expenses are translated at the average exchange rates prevailing during the year. Translation exchange gains and losses are recorded as a currency translation adjustment in shareholders' equity.

n) 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 years ended January 31, 2007, 2006 and 2005, the stock options and share purchase warrants, as disclosed in note 11, were not included in the computation of loss per share as their inclusion would have been anti-dilutive.

o) Stock-based Compensation

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

Western Wind Energy Corp.
(A Development Stage Company)
Notes to Consolidated Financial Statements
For the Years Ended January 31, 2007, 2006 and 2005
(Expressed in Canadian Dollars)

2. Significant Accounting Policies (Continued)

o) Stock-based Compensation (Continued)

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 and is recorded as stock-based compensation expense over the vesting period of the stock options.

p) Goodwill and Other Intangible Assets

The Company has recorded goodwill and other intangible assets related to the acquisition of the Mesa Wind Farm. The acquisition was accounted for using the purchase method of accounting. Goodwill is tested for impairment at least annually. Goodwill impairment is assessed based on a comparison of the fair value of an individual reporting unit to the underlying carrying value of the reporting unit's net assets including goodwill. When the carrying amount of the reporting unit exceeds its fair value, the fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The fair value of goodwill is determined in the same manner as in a business combination.

Other intangible assets include amounts allocated to power purchase agreements and are amortized over the remaining term of the power purchase agreements.

q) Revenue Recognition

Revenue derived from the sale of energy in the form of electricity is recognized on the accrual basis at the time electricity is delivered at the point of interconnection to the utility and at rates pursuant to the relevant power purchase document.

3. Restricted Cash

| | <u>2007</u> | <u>2006</u> |
|-----------------------------------|--------------|-------------|
| Term deposit and accrued interest | \$ 1,194,530 | \$ - |

The Company has placed \$1,177,000 to secure a US\$1,000,000 letter of credit to Southern California Edison as required by the Power Purchase Agreement dated March 5, 2005. At January 31, 2007, accrued interest amounted to \$17,530.

4. Construction in Progress

2007

| | Windstar 120 MW | Mesa Wind 50MW | Total |
|----------------------------|--------------------|-------------------|-------------------|
| Balance, beginning of year | \$ 98,529 | \$ - | \$ 98,529 |
| Additions | 124,103 | 40,065 | 164,168 |
| Balance, end of year | <u>\$ 222,632</u> | <u>\$ 40,065</u> | <u>\$ 262,697</u> |

2006

| | | | |
|----------------------------|------------------|-------------|------------------|
| Balance, beginning of year | \$ - | \$ - | \$ - |
| Additions | 98,529 | - | 98,529 |
| Balance, end of year | <u>\$ 98,529</u> | <u>\$ -</u> | <u>\$ 98,529</u> |

The Company has interests in the Windstar 120 MW and Mesa Wind 50 MW wind farm projects. The Steel Park 15 MW and Grand Manan 20 MW projects have been terminated and the losses have been recognized as losses from discontinued operations (note 14).

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4. Construction in Progress (Continued)

Windstar 120 MW Project

On March 7, 2005, the Company's wholly owned subsidiary, Aero, entered into a formal power purchase agreement with Southern California Edison Company for the sale of the available output of up to 120 MW's of wind power for a period of 20 years from its new wind farm to be located in Tehachapi, California. The power purchase agreement requires that the facility be completed by December 31, 2008. The power purchase agreement with Southern California Edison provides for termination if turbine prices exceed \$850 per kW and release of the US\$1 million letter of credit (note 3).

Mesa Wind – 50 MW Redevelopment Project

On July 25, 2006, the Company purchased the Mesa Wind Project with a view of operating the project until a new right-of-way was negotiated with the Bureau of Land Management and satisfactory development work was completed so that the site can be redeveloped to 50 MW's.

The Company has incurred initial development costs on these projects for environmental impact and wind studies with respect to placement of the wind turbines, title insurance and preliminary engineering and transmission studies related to interconnection.

5. Property and Equipment Deposits

| | <u>2007</u> | <u>2006</u> |
|------------|------------------|-------------------|
| Windridge | \$ - | \$ 670,798 |
| Windstar | 30,411 | 43,546 |
| Steel Park | - | 125,475 |
| | <u>\$ 30,411</u> | <u>\$ 839,819</u> |

Windridge

The Company entered into an agreement on June 5, 2005 to purchase the assets of Windridge, Inc., which consisted of land, wind turbines, electrical infrastructure and an assignment of a power purchase agreement with Southern California Edison for US\$550,000 (2005 - \$nil). The purchase commitment was secured by advancing the cash portion of the purchase price to the title insurance company.

The purchase price of the wind farm was \$952,133 (US\$825,000) payable by \$634,755 (US\$550,000) on closing and the balance of \$317,378 (US\$275,000) by a first mortgage convertible into shares at US\$1.40 per share at the holder's option. Other transaction costs related to the acquisition are included in the \$670,798 amount capitalized at January 31, 2006. On February 17, 2006, the purchase of the land, electrical infrastructure and wind turbines and the assignment of the power purchase agreement was completed.

Windstar

During the year ended January 31, 2006, the Company entered into an agreement to purchase land for the Windstar project in Tehachapi, California for \$43,546 (US\$36,440). The funds to complete the purchase were deposited with the title insurance company. The transaction was completed in September 2006.

On August 4, 2006, the Company entered into an agreement to purchase land for \$288,080 (US\$250,000), payable by a deposit of \$28,808 (US\$25,000), vendor financing of \$201,656 (US\$175,000) payable over two years with interest and \$57,616 (US\$50,000) on closing. The vendor has informed the Company that it does not want to proceed with the transaction and the Company has commenced a lawsuit for performance of the purchase agreement.

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5. Property and Equipment Deposits (Continued)

Steel Park

The Company entered into an agreement to purchase land near Kingman, Arizona for \$1,811,195 (US\$1,585,000). The purchase agreement provided for a non-refundable deposit of \$125,475 (US\$105,000) on signing the agreement, a second non-refundable deposit of \$119,595 (US\$105,000) on June 5, 2006 and the payment of the balance of \$1,566,125 (US\$1,375,000) prior to December 5, 2006.

The agreement to purchase land near Kingman, Arizona was renegotiated on December 5, 2006. The purchase price of the land was increased to \$1,883,524 (US\$1,641,130) and the vendor agreed to provide a \$946,852 (US\$825,000) mortgage payable on June 6, 2007 with interest at 7%. The transaction was completed on December 5, 2006 by the payment of \$692,919 (US\$603,746) on closing.

On June 6, 2007, the mortgage payable to the vendors was extended to December 6, 2007 and the Company paid a US\$20,000 renegotiation fee, a principal payment of US\$412,500 and an interest payment of US\$28,875.

6. Property and Equipment

| | Cost | Accumulated Amortization | Net Book Value |
|-------------------------|----------------------|-----------------------------|----------------------|
| 2007 | | | |
| Land | \$ 5,323,725 | \$ - | \$ 5,323,725 |
| Land right-of-way | 434,110 | 33,393 | 400,717 |
| Generating facilities | 18,726,606 | 1,321,780 | 17,404,826 |
| Meteorological towers | 169,317 | 79,250 | 90,067 |
| Furniture and equipment | 36,195 | 15,179 | 21,016 |
| Vehicles | 127,737 | 12,774 | 114,963 |
| | <u>\$ 24,817,690</u> | <u>\$ 1,462,376</u> | <u>\$ 23,355,314</u> |
| 2006 | | | |
| Land | \$ 2,453,406 | \$ - | \$ 2,453,406 |
| Meteorological towers | 148,914 | 47,426 | 101,488 |
| Furniture and equipment | 39,929 | 12,455 | 27,474 |
| Vehicles | 19,255 | 1,925 | 17,330 |
| | <u>\$ 2,661,504</u> | <u>\$ 61,806</u> | <u>\$ 2,599,698</u> |

7. Acquisition of Wind Farms

Windridge, Inc.

On February 17, 2006, the Company acquired the assets of Windridge, Inc for \$952,133 (US\$825,000) plus \$98,097 (US\$84,999) in environment, surveying and legal fees. The purchased assets include approximately 196 acres of land, 43 wind turbines, electrical infrastructure and the assignment of a power purchase agreement with Southern California Edison expiring on December 7, 2014.

The Company has allocated the purchase price as follows:

| | |
|--------------------------|--------------------|
| Land | \$ 568,509 |
| Generating facilities | 447,098 |
| Power purchase agreement | 34,623 |
| | <u>\$1,050,230</u> |

The Company has included the revenues and expenses of the Windridge Wind Farm in its Statement of Operations from February 17, 2006.

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7. Acquisition of Wind Farms (Continued)

PAMC Management Corporation

On July 25, 2006, the Company merged PAMC Corporation ("PAMC") with its wholly-owned subsidiary Mesa Wind Power Corporation to form Mesa Wind Power Corp. and became the sole shareholder of Mesa Wind Power Corp. upon closing the transaction. As a result of the merger, the Company acquired PAMC for \$15,294,760 (US\$13,400,000) and incurred \$240,899 (US\$211,056) in costs related to the transaction. PAMC's assets included a right of way for 440 acres of land from the Bureau of Land Management expiring on January 26, 2013, 460 wind turbines, electrical facilities and buildings and a Reformed Standard Offer 1 Power Purchase Agreement with Southern California Edison expiring on June 22, 2010. The right of way grants the holder the right to enter into a new 30 year right of way if the lease is in good standing. The Company assumed an asset retirement obligation of \$953,704 (US\$875,106).

The Company has allocated the purchase price as follows:

| | |
|-----------------------------|----------------------|
| Generating facilities | \$ 17,729,145 |
| Land right of way | 420,980 |
| Goodwill | 4,249,198 |
| Power purchase agreement | <u>34,242</u> |
| | 22,433,565 |
| Future income tax liability | (5,945,238) |
| Asset retirement obligation | <u>(953,704)</u> |
| | 15,534,623 |
| Cash | <u>1,036</u> |
| | <u>\$ 15,535,659</u> |

The Statement of Operations includes the revenues and expenses of the Mesa Wind Farm from July 25, 2006 (see note 18(b)).

8. Goodwill and Other Intangible assets

| | <u>2007</u> | | <u>2006</u> | |
|--------------------------|---------------------|-----------------------------|--------------------|-------------------|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Goodwill | \$ 4,349,012 | \$ - | \$4,349,012 | \$ - |
| Power purchase contracts | 69,933 | 8,987 | 60,946 | \$ - |
| | <u>\$ 4,418,945</u> | <u>\$ 8,987</u> | <u>\$4,409,958</u> | <u>\$ -</u> |

9. Loans Payable

| | <u>2007</u> | <u>2006</u> |
|---|-------------------|----------------|
| Windridge Deposit Loan | \$ - | \$ 366,239 |
| Windridge Acquisition Loan | 214,395 | - |
| Windstar Mortgages | 320,046 | - |
| Mesa Wind Acquisition Loan | 15,771,800 | - |
| Kingman Acquisition Loan | 971,025 | - |
| Quail Springs Mortgage | - | 42,626 |
| River Springs, Arizona Mortgage | 15,206 | - |
| Loan from a related party to purchase Kingman, Arizona Property | 630,000 | - |
| Finance contracts payable | <u>79,193</u> | <u>-</u> |
| | 18,001,665 | 408,865 |
| Less current portion | <u>17,456,429</u> | <u>408,865</u> |
| | <u>\$ 545,236</u> | <u>\$ -</u> |

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9. Loans Payable (Continued)

Windridge Deposit Loan

The Company entered into an agreement to borrow \$657,250 (US\$550,000) from a shareholder of the Company on August 12, 2005 to secure the purchase of land in California. The loan interest rate was 18% per year, payable quarterly and 82,500 shares were issued at a value of \$1.60 per share in connection with the transaction. The loan was to be secured by a second charge on the land. The balance outstanding at January 31, 2007 was \$nil (2006 - \$366,239 (US\$321,554)).

Windridge Acquisition Loan

The Company entered into an agreement on June 5, 2005 to purchase land, wind turbines, electrical infrastructure and an assignment of a power purchase agreement expiring in 2014 for US\$825,000. The purchase was financed by a mortgage of \$323,675 (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 the option of the holder, at a price of US\$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. Accrued interest at January 31, 2007 on the loan amounts to \$24,688 (US\$20,975) (2006 - \$nil). The loan is secured by a first charge on the land.

The loan is recorded at \$214,395 (US\$182,154) at January 31, 2007. The difference between the fair value of the loan and the US\$275,000 amount on origination of \$208,288 (US\$176,965), has been recorded as contributed surplus. The loan is being accreted so that the loan amount on maturity will equal the original balance and the difference between the fair value and the initial loan amount of \$208,288 (US\$176,965) is being charged to interest expense over the term of the loan. During the year ended January 31, 2007, the Company accreted \$99,008 (US\$84,119).

Windstar Mortgages

The Company entered into mortgages to finance the purchase of land in Tehachapi, California for \$320,046 (US\$271,917). The mortgages are repayable in blended monthly payments with interest at rates from 6.5% to 8% and with terms of 3 to 7 years. The accrued interest on the loans as at January 31, 2007 was \$2,590 (US\$2,201). The mortgages are secured by first charges on the land.

Mesa Wind Acquisition Loan

The acquisition of PAMC was financed by a loan from Pacific Hydro Limited of \$15,771,800 (US\$13,400,000). Pacific Hydro was granted a right to subscribe to US\$7,000,000 pursuant to a new share private placement. Pacific Hydro did not elect to subscribe to the private placement and the loan was repayable on December 31, 2006 with interest at LIBOR plus 6%. The loan is secured by the common shares of Mesa Wind Power Corp. and a charge on all of its assets. If the Company fails to repay the loan, the ownership of the shares of Mesa Wind were to be transferred to Pacific Hydro Limited.

Pacific Hydro has commenced litigation to order the transfer of the common shares of Mesa Wind Power Corporation, immediately. The Company has issued a Statement of Defence and Counterclaim that alleges that Pacific Hydro has obstructed its ability to raise equity and debt financing to repay the loan and to have the Maturity Date extended to six months after the settlement of litigation between the two parties (note 18(b)).

The accrued interest on the Mesa Wind Acquisition Loan from July 25, 2006 to January 31, 2007 at LIBOR plus 6% amounts to \$764,912 (US\$674,764) (2006 - \$nil).

Kingman Acquisition Loan

The Company entered into a \$971,025 (US\$825,000) loan, secured by a first charge on the property, with the vendor of the land. The loan was repayable on June 6, 2007 with interest at 7% per year. Subsequent to January 31, 2007, the term of the loan was extended to December 6, 2007. Accrued interest on the loan, at January 31, 2007, amounted to \$10,429 (US\$8,860).

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9. Loans Payable (Continued)

Quail Springs Mortgage

During 2006, the Company entered into a demand note payable of \$42,626 (2005 – \$58,558), secured by a first charge on property having an original cost of \$172,073 (US\$111,000) and bearing interest rate of 10% per year. Subsequent to January 31, 2006, the note payable was repaid in full.

River Springs Ranch, Arizona Mortgage

The loan of CDN \$15,206 (US\$12,900) is repayable in monthly payments of \$204 (US\$173) including interest at 11% per year and service fees and is secured by a first charge on the land.

Loan Payable to Related Party to Purchase Kingman, Arizona Land

The Company entered into a loan agreement on November 30, 2006 and amended on January 4, 2007 with the spouse of an officer and director to borrow \$630,000. The terms of the loan agreement provide for interest to be paid at LIBOR plus 5.98%, the right of the lender to demand payment prior to maturity, and a maturity of two years. In addition, the Company paid the spouse of the officer and director a bonus of 146,500 shares at a deemed price of \$0.86 per common share. At January 31, 2007, accrued interest on the loan amounted to \$6,886.

Equipment Lease

The Company borrowed \$79,191 (US\$67,282) to acquire four trucks for the Mesa Wind Project. The finance contracts are secured by a charge on the vehicles and are repayable at \$2,538 (US\$2,156) per month without interest.

Interest on long term debt for the year ended January 31, 2007 amounted to \$882,337.

Principal payments due in the next five years and thereafter are as follows:

| | |
|------------|----------------------|
| 2008 | \$ 17,456,429 |
| 2009 | 297,331 |
| 2010 | 86,904 |
| 2011 | 79,000 |
| 2012 | 35,919 |
| Thereafter | <u>46,082</u> |
| | <u>\$ 18,001,665</u> |

10. Asset Retirement Obligation

On July 25, 2006, the Company acquired a right of way with the Bureau of Land Management expiring on January 26, 2013. The right of way requires the Company to submit a site reclamation plan and to remove all buildings, equipment, machinery and materials from the site 30 days after the expiration of the right of way unless renewed by the Company.

The changes in the asset retirement obligation liability are as follows:

| | <u>2007</u> | <u>2006</u> |
|----------------------------|---------------------|-------------|
| Balance, beginning of year | \$ - | \$ - |
| Additions | 953,704 | - |
| Accretion | 76,296 | - |
| Balance, end of year | <u>\$ 1,030,000</u> | <u>\$ -</u> |

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11. 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 unit net of issuance costs of \$109,520 (note 18(c)) | 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 per share | 16,000 | 33,600 |
| Exercise of warrants at \$1.80 per share | 27,000 | 48,600 |
| Private placement at \$1.20 per unit net of issuance costs of \$14,090 | 137,416 | 150,810 |
| Allocation of fair value of warrants | - | (49,870) |
| Exercise of warrants at \$1.03 per share | 78,000 | 80,340 |
| | <u>258,416</u> | <u>263,480</u> |
| Non cash transaction | | |
| Bonus shares at a value of \$0.86 per share | 146,500 | 125,990 |
| | <u>404,916</u> | <u>389,470</u> |
| Balance, January 31, 2007 | 24,119,705 | \$21,879,587 |

- 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 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.

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. There are 426,829 shares to be issued to an officer and director pursuant to the bonus declared during the year ended January 31, 2006. Upon issue, they will be held in escrow and released, subject to the recipient's continued service as a director or employee of the Company, over the period to October 26, 2007.

Pacific Hydro has commenced legal action, that if successful, would require the Company to redeem 4,333,333 shares at \$1.50 per share (see note 18(c)).

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11. Share Capital (Continued)

d) Share purchase warrants outstanding as at January 31, 2007:

| <u>Number of Warrants</u> | <u>Exercise Price</u> | <u>Expiry Date</u> |
|---------------------------|-----------------------------|-----------------------------|
| 119,000 | 1.03 | ¹ March 1, 2007 |
| 175,000 | 1.03 | ¹ March 9, 2007 |
| 18,295 | 1.03 | ¹ March 10, 2007 |
| 425,000 | 1.03 | ¹ March 31, 2007 |
| 388,000 | 2.20 (2 nd year) | ² 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 |
| 4,333,333 | 1.60 | January 31, 2008 |
| 117,416 | 1.30 | November 28, 2008 |
| <u>20,000</u> | 1.30 | December 27, 2008 |
| <u>7,703,844</u> | | |

¹ Exercised subsequent to January 31, 2007

² Expired subsequent to January 31, 2007

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

Warrants granted during the year ended January 31, 2007 were issued 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:

| <u>Number of Warrants</u> | <u>Exercise Price</u> | <u>Expiry Date</u> |
|---------------------------|-----------------------|--------------------|
| 117,416 | 1.30 | November 28, 2008 |
| <u>20,000</u> | 1.30 | December 27, 2008 |
| <u>137,416</u> | | |

The fair value of each warrant granted has been estimated as of the date of the grant using the Black-Scholes option pricing model with the following assumptions: Risk free rate of interest – 3.89%, dividend yield – 0%, volatility - 75% and an expected term of approximately 2 years.

- 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.

During the year ended January 31, 2007, the Company identified 350,000 stock options that were issued in prior years, 100,000 to a director and 250,000 to a consultant resulting in a restatement of amounts previously reported.

During the 2007 fiscal year, the Company granted 850,000 options to directors, officers and the spouse of an officer and director to acquire shares at \$1.23 per share and 25,000 to a consultant at \$2.05 per share.

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11. Share Capital (Continued)

During 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, 250,000 stock options to a consultant of the Company to acquire shares at \$1.65 per share and 100,000 to a director of the Company at \$1.43. 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. Officers of subsidiaries resigned and their 300,000 options were cancelled.

During the year ended January 31, 2005, the Company granted 600,000 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 \$490,168 of stock-based compensation expense on options vested in the year (2006 - \$536,787; 2005 - \$1,010,317).

A summary of stock option information as at January 31, 2007 is as follows:

| | Shares | Weighted Average Exercise Price |
|---|------------------|--|
| Options outstanding at January 31, 2004 | 1,812,500 | \$1.29 |
| Granted | 600,000 | 1.43 |
| Exercised | (207,500) | 0.31 |
| Options outstanding at January 31, 2005 | 2,205,000 | 1.42 |
| Granted | 600,000 | 1.48 |
| Exercised | (85,000) | 0.55 |
| Expired/forfeited | (550,000) | 1.26 |
| Options outstanding at January 31, 2006 | 2,170,000 | 1.51 |
| Granted | 875,000 | 1.25 |
| Options outstanding at January 31, 2007 | <u>3,045,000</u> | <u>\$1.43</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 |
| \$0.75 - \$1.50 | 2,320,000 | 2.91 | \$ 1.27 | 1,495,000 | \$1.39 |
| \$1.50- \$2.25 | 475,000 | 1.19 | \$ 1.73 | 412,500 | 1.93 |
| \$2.25 - \$3.38 | 250,000 | 1.76 | \$ 2.43 | 250,000 | 2.43 |
| | <u>3,045,000</u> | <u>2.54</u> | <u>\$ 1.43</u> | <u>2,157,500</u> | <u>\$ 1.61</u> |

- g) 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 free interest rate of 4.00% (2006 - 4%, 2005 - 4%), dividend yield 0% (2006 - 0%; 2005 - 0%), volatility of 73% - 76% (2006 - 76%; 2005 - 79%) and expected lives of approximately 5 years (2006 - 5 years; 2005 - 5 years). The weighted average fair value of stock options granted during the year ended January 31, 2007 was \$1.55 (2006 - \$1.06; 2005 - \$0.89).

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12. Contributed Surplus

Contributed Surplus has changed as follows:

| | <u>2007</u> | <u>2006</u> |
|--|---------------------|---------------------|
| Balance, beginning of the year, as previously reported | \$ 2,961,768 | \$ 1,752,881 |
| Stock-based compensation expense | 490,168 | 536,787 |
| Fair value of conversion option | 208,288 | - |
| Fair value of warrants issued during the year | 49,870 | - |
| Bonus payable by issuance of 426,829 shares | - | 700,000 |
| Transfer to share capital on exercise of stock options | - | (27,900) |
| | <u>\$ 3,710,094</u> | <u>\$ 2,961,768</u> |

13. Income Taxes

Income taxes:

| | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|---------|---------------------|------------------|-------------|
| Current | \$ (534,262) | \$ 11,919 | \$ - |
| Future | (359,220) | - | - |
| | <u>\$ (893,482)</u> | <u>\$ 11,919</u> | <u>\$ -</u> |

The items accounting for the difference between income taxes computed at the statutory rate of 34.12% (34.46% in 2006; 34.78% in 2005) and the provision for income taxes are as follows:

| | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|---|---------------------|------------------|----------------|
| Loss from continuing operations before income tax | \$ (6,453,029) | \$ (4,707,439) | \$ (2,595,956) |
| Computed tax recovery at statutory rate | \$ (2,201,774) | \$ (1,622,183) | \$ (902,873) |
| Increase (decrease) resulting from: | | | |
| Permanent differences: | | | |
| Stock-based compensation | 167,245 | 184,884 | 351,388 |
| Foreign exchange translation | 270,177 | 154,287 | 67,725 |
| Other | 42,775 | 34,754 | 9,599 |
| Tax rate changes | 133,311 | (143,000) | - |
| US and Canadian tax rate difference | (161,764) | - | - |
| Change in valuation allowance | 856,548 | 1,403,177 | 474,161 |
| Income tax expense (refund) | <u>\$ (893,482)</u> | <u>\$ 11,919</u> | <u>\$ -</u> |

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13. Income Taxes (Continued)

Deferred income taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's future income taxes were as follows:

| | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|-------------------------------------|-----------------------|--------------------|--------------------|
| Future income tax assets: | | | |
| Interest payable to related parties | \$ 311,484 | \$ - | \$ - |
| Property and equipment | 106,080 | - | - |
| Project abandonment | 1,998,324 | - | - |
| Asset retirement obligation | 410,249 | - | - |
| Other | 49,199 | 63,839 | 10,932 |
| Share issue costs | 162,785 | - | - |
| Net operating losses carry forward | <u>4,325,039</u> | <u>2,470,895</u> | <u>1,894,689</u> |
| | 7,363,160 | 2,534,734 | 1,905,621 |
| Valuation allowance | <u>(6,997,627)</u> | <u>(2,432,615)</u> | <u>(1,841,025)</u> |
| | <u>365,533</u> | <u>102,119</u> | <u>64,596</u> |
| Future income tax liabilities: | | | |
| Property and equipment | (5,904,794) | (102,119) | (64,596) |
| Other | (186,990) | - | - |
| | <u>(6,091,784)</u> | <u>(102,119)</u> | <u>(64,596)</u> |
| Net FIT Asset (Liability) | <u>\$ (5,726,251)</u> | <u>\$ -</u> | <u>\$ -</u> |

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. As of January 31, 2007, the Company does not believe it meets the criteria to recognize deferred tax assets, and has accordingly provided a full valuation allowance.

At January 31, 2007 the Company has total net operating loss carry forwards for U.S. federal income tax purposes of approximately \$6,480,000 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 \$5,514,000 which expire as follows:

| | |
|-------|---------------------|
| 2008 | \$ 138,000 |
| 2009 | 562,000 |
| 2010 | 101,000 |
| 2011 | 345,000 |
| 2015 | 654,000 |
| 2026 | 1,041,000 |
| 2027 | <u>2,673,000</u> |
| Total | <u>\$ 5,514,000</u> |

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

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14. Discontinued Operations

The losses from discontinued operations are comprised of the following:

| | Period From January 5, 1998 (Inception) To January 31 | | | |
|---------------------------|--|-----------------------|---------------------|---------------------|
| | 2007 | 2007 | 2006 | 2005 |
| Grand Manan 20 MW Project | \$ (1,976,273) | \$ (1,149,339) | \$ (394,863) | \$ (317,103) |
| Steel Park 15 MW Project | (5,013,722) | (5,013,722) | - | - |
| | <u>\$ (6,989,995)</u> | <u>\$ (6,163,061)</u> | <u>\$ (394,863)</u> | <u>\$ (317,103)</u> |

Losses from discontinued operations are net of taxes (2007 - \$nil; 2006 - \$nil; 2005 - \$nil).

Grand Manan 20 MW Project

The Company had a Power Purchase Agreement with New Brunswick Power that provided for the completion of a 20 MW facility on Grand Manan Island by October 31, 2006. The Company was unable to renegotiate the agreement and the agreement was terminated by New Brunswick Power on October 31, 2006. The termination caused New Brunswick Power to call the \$200,000 letter credit and the Company owes a third party \$200,000 for providing security for the letter of credit. Since the Power Purchase Agreement was terminated, the Company has written off its investment in the Grand Manan Project, property and equipment of \$1,149,339 as a loss on discontinued operations. The results of operations for the last three years are as follows:

| | Period From January 5, 1998 (Inception) To January 31 | | | |
|---------------------------------------|--|-----------------------|---------------------|---------------------|
| | 2007 | 2007 | 2006 | 2005 |
| Loss for the year | (947,124) | (120,190) | (394,863) | (317,103) |
| Write off of construction in progress | (733,417) | (733,417) | - | - |
| Write off of property and equipment | (95,732) | (95,732) | - | - |
| Letter of credit accrual | (200,000) | (200,000) | - | - |
| Loss before income taxes | <u>\$ (1,976,273)</u> | <u>\$ (1,149,339)</u> | <u>\$ (394,863)</u> | <u>\$ (317,103)</u> |

Steel Park 15 MW Project

The Company had a Power Purchase Agreement with Arizona Public Service that provided for the completion of a 15 MW facility near Kingman, Arizona by March 31, 2007. On April 27, 2006, the Steel Park 15 MW Project was transferred to Steel Park, LLC, a joint venture owned 51% by Pacific Hydro US Holdings, Inc. and 49% by the Company. In September 2006, Pacific Hydro notified the Company that it did not want to proceed with the project. On April 11, 2007, Arizona Public Service terminated the power purchase agreement.

The main asset transferred to Steel Park, LLC was a Turbine Supply Agreement. The Turbine Supply Agreement required a letter of credit for the purchase price of the wind turbines less turbine reservation payments. The letter of credit was provided by Pacific Hydro and it is secured by a charge on the wind turbines and on the Company's interest in Steel Park, LLC. As a result, the Company has written off its investment in Steel Park, LLC and the

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14. Discontinued Operations (Continued)

Steel Park 15 MW Project

The results of operations for the last three years are as follows:

| | Period From January 5, 1998 (Inception) To January 31 | | | |
|---------------------------------------|--|---------------------|-------------|-------------|
| | <u>2007</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> |
| Loss for the year | \$ 159,782 | \$ 159,782 | \$ - | \$ - |
| Write off of construction in progress | 4,853,940 | 4,853,940 | - | - |
| | <u>\$ 5,013,722</u> | <u>\$ 5,013,722</u> | <u>\$ -</u> | <u>\$ -</u> |

The Company has segregated its assets and liabilities related to discontinued operations. The assets and liabilities related to the discontinued operations are as follows:

| | <u>2007</u> | | | <u>2006</u> | | |
|--------------------------|-------------------|-------------------|---------------------|-------------------|---------------------|---------------------|
| | <u>Grand</u> | <u>Steel</u> | | <u>Grand</u> | <u>Steel</u> | |
| | Manan | Park | Total | Manan | Park | Total |
| | 15 MW | 15 MW | | 15 MW | 15 MW | |
| Assets | | | | | | |
| Refundable taxes | \$ 13,472 | \$ - | \$ 13,472 | \$ 10,858 | \$ - | \$ 10,858 |
| Construction in progress | - | - | - | 689,609 | 2,015,269 | 2,704,878 |
| Property and equipment | - | - | - | 84,359 | - | 84,359 |
| | <u>\$ 13,472</u> | <u>\$ -</u> | <u>\$ 13,472</u> | <u>\$ 784,826</u> | <u>\$ 2,015,269</u> | <u>\$ 2,800,095</u> |
| Liabilities | <u>\$ 342,220</u> | <u>\$ 791,974</u> | <u>\$ 1,134,194</u> | <u>\$ 144,484</u> | <u>\$ -</u> | <u>\$ 144,484</u> |

15. Write off of Equipment, Land Leases and Wind Data

The Company wrote off \$24,286 in equipment during the year ended January 31, 2007 as a result of the downsizing of its office in Arizona and the write off of a vehicle as a result of an accident.

The Company purchased wind data in 2002 for \$375,000. During the year ended January 31, 2006, management determined that the value of the intangible asset was impaired and wrote off the carrying amount.

The Company entered into a 50-year land lease on September 1, 2002. The lease provided for an advance payment of \$351,000 plus royalties based on the revenues generated from the sale of electricity. During the year ended January 31, 2006, the Company has decided not to develop the property and has written off the carrying amount of the prepaid lease.

During the year ended January 31, 2005, the Company wrote off land leases of \$102,375.

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16. 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:

| | 2007 | 2006 | 2005 |
|--------------------------------|---------------------|---------------------|-------------------|
| Consulting and directors' fees | \$ 689,219 | \$ 367,485 | \$ 172,335 |
| Bonuses | 334,080 | 920,687 | - |
| Management fees | 417,723 | 131,725 | 142,200 |
| Office and secretarial | 36,000 | 37,000 | 30,000 |
| Rent | 35,559 | 26,000 | - |
| Travel and automotive | 33,826 | 34,139 | 35,415 |
| Financing costs | 142,014 | 256,935 | - |
| Interest | 774,498 | 98,407 | - |
| Discontinued operations | - | 91,157 | - |
| | <u>\$ 2,462,919</u> | <u>\$ 1,963,535</u> | <u>\$ 379,950</u> |

- b) On November 30, 2006, the spouse of an officer and director loaned the Company \$630,000 to provide funds to purchase the Kingman, Arizona land (note 9). The loan bears interest at LIBOR plus 5.98% and matures in two years. In addition, the spouse of the officer and director received a bonus of 146,500 common shares at a value of \$0.86. Interest accrued on the loan for the year ended January 31, 2007 amounts to \$6,886.
- c) For the year ended January 31, 2007, the chief executive officer and director of the Company received a bonus of \$237,723 and an officer of a subsidiary and director received a bonus of \$52,904 (US\$46,505).
- d) Pacific Hydro, the owner of approximately 23% of the common shares of the Company, provided a loan of \$15,771,800 (US\$13,400,000) to acquire Mesa Wind Power (note 9). The loan bears interest at LIBOR plus 6% and was repayable on December 31, 2006 (see note 18(b)). Interest accrued on the loan for the period ending January 31, 2007 amounted to \$747,412 (US\$674,764).
- e) As at January 31, 2007, subscriptions receivable (received) from the spouse of a director of the Company is \$nil; (2006 - \$129,100 (2005 - \$20,000)). On December 5, 2006, the spouse advanced the Company \$630,000 and repaid the subscription receivable.
- f) During the fiscal year ended January 31, 2006, the Company wrote off advances receivable of \$89,796 (2005 - \$nil) that related 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. However, at this time, recoverability of the amounts written-off is uncertain.
- g) During the fiscal year ended January 31, 2007, bonuses totalling \$nil (2006 - \$1,000,000; 2005 - \$nil) were awarded to two directors and officers of the Company. The 2006 bonus was settled through the issuance of 182,930 shares and 426,829 shares still to be issued. 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 \$334,080 (2006 - \$582,000 (2005 - \$nil) has been expensed in the year-ended January 31, 2007 and \$83,920 (2006 - \$418,000) has been deferred and will be amortized to expense pursuant to the terms of the agreement.
- h) At January 31, 2007, subscriptions receivable from an officer and director, a director and a former director of the Company is \$nil (2006 - \$nil; 2005 - \$335,208).
- i) During the fiscal year ended January 31, 2006, the investment deposit receivable from an officer and director of \$172,020 and share subscriptions receivable of \$333,333 from an officer and director and a former director were paid by way of a bonus.
- j) A shareholder provided a loan of \$657,250 (US\$550,000) to the Company at an interest rate of 18% plus the issue of 82,500 bonus shares at a value of \$1.60 per share. Interest charged on the loan totalled \$7,436 (US\$6,537) (2006 - \$49,254 (US\$40,851); 2005 - \$nil). The loan was repaid in February 2006.

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16. Related Party Transactions (Continued)

- k) During the fiscal year ended January 31, 2006, 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 on the note of 12% applied to the principle amount and the issuance of 83,290 bonus shares at a value of \$1.50 per share. Interest charged on the letter of credit totalled \$16,024 (US\$14,086); (2006 - \$49,153 (US\$40,767)). The letter of credit was replaced on April 6, 2006 (see note 17(a)).

Related party transactions are measured at the exchange amount, which is the consideration established and agreed to by the related parties, unless otherwise noted.

17. Commitments

- a) On April 6, 2006, a Letter of Credit was established for \$1,139,000 (US\$1,000,000) to secure a performance bond to Southern California Edison. The Letter of Credit is secured by US\$1,000,000 (CDN\$1,177,000) in cash. The power purchase agreement requires the Company to complete the Windstar 120 MW Project prior to December 31, 2008 (note 3).
- b) On January 25 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 and development within certain geographic areas. If Pacific Hydro and the Company agree on a definitive joint venture, the parties will co-develop the project. Pacific Hydro has commenced a legal action against the Company to require the Company not to develop wind farms within these geographic areas without their participation or sell, lease or use its Tehachapi property as security for a loan (see note 18(d)).
- c) 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.
- d) The Company has a right of way with the Bureau of Land Management that expires on January 26, 2013 and the Company has the right to enter into a new 30 year right of way. The right of way requires payments of US\$78,478 per year. The Company is committed to the removal of any structure, equipment and machinery at the end of the term of the right of way (note 10).
- e) The Company has entered into a right-of-way grant with the Bureau of Land Management for three years for 19,051 acres of land near Kingman, Arizona for a rental fee of US\$22,227 for the period from November 1, 2006 to December 31, 2007. Future rental rates are to be based on the fair market value of the property. The right of way grant may be renewed by making an amended application and providing a plan of development. Any improvements to the property must be removed at the end of the right-of-way.
- f) The Company entered into a property referral agreement with Richard Simons that provides for a finder's fee of US\$1,000 per MW payable on financial close.

18. Contingencies

- a) 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. As such no amounts have been accrued for any unremitted payroll taxes and source deductions, interest or penalties in these consolidated financial statements.

If any 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.

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18. Contingencies (Continued)

- b) On November 7, 2006, Pacific Hydro has commenced legal action to require the transfer of the shares of Mesa Wind to Pacific Hydro. The Company has filed a Statement of Defence and Counter Claim. The Statement of Defence states that Pacific Hydro did not elect to subscribe to the US\$7 million in shares to partially repay the Loan to Pacific Hydro of US\$13,400,000 so that the maturity date of the loan was extended to December 31, 2006. The Counterclaim states that Pacific Hydro has obstructed the Company's efforts to refinance the loan and demands that the maturity date be extended to 180 days after the settlement of all lawsuits with Pacific Hydro, that Pacific Hydro be restrained from taking action to realize upon its security until a final determination is made by the Court and that Pacific Hydro pay damages to the Company. Management believes that the outcome of this lawsuit is indeterminable.
- c) On November 8, 2006, Pacific Hydro commenced legal action to require the redemption of 4,333,333 common shares at a price of \$1.50 per share. Pacific Hydro has claimed that it has the right to put these shares to the Company pursuant to the Exclusivity Agreement. The Company has filed a Statement of Defence and Counter Claim. The Statement of Defence states that the terms and conditions of the private placement are described in the Subscription Agreement entered into by Pacific Hydro and that the Subscription Agreement does not provide for any redemption right and acknowledges that there are no written or verbal agreements related to the private placement establishing a put option. The Counter Claim is for damages resulting from the dissemination of its notice of intention to sell the common shares and related legal action by Pacific Hydro. Management believes that Pacific Hydro's claim is without merit.
- d) On December 19, 2006, Pacific Hydro commenced legal action to prevent the Company from selling, developing, leasing or using the land in Tehachapi, California as security for a loan, without their consent. Pacific Hydro alleges that the chief executive officer made comments that the Company may sell the property, lease it to a third party, develop it on a piecemeal basis or use it as security for a loan. The Company is claiming that the Alliance Agreement relates solely to the development of wind farms, not to the sale, leasing or use of property as security for loans and any development is subject to the mutual agreement of the proposed development by both parties. The Company has filed a statement of defence denying all of Pacific Hydro's claims. Management believes that the allegations by Pacific Hydro are without merit.
- e) 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 rendered. Management believes that the action is without merit; however, the ultimate outcome is indeterminable. In addition, a former director of EWP is suing the Company and its chief executive officer for slander. Management believes that the suit is without merit.
- f) 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 in 2006 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.

19. Non-cash Financing Activities

During the year ended January 31, 2007, the Company issued 146,500 shares at a value of \$0.86 per share in connection with a loan from a related party for \$630,000.

The Company expensed bonuses totalling \$334,080 that were settled by the issue of shares (see note 16(g)).

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20. 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, accounts receivable, refundable tax credits, deposits, restricted cash, accounts payable and loans 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 has long term liabilities at fixed interest rates and variable interest rates. The fair market value of the long term liabilities approximates its carrying value.

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 does not engage in trading or other speculative activities with respect to financial instruments.

21. Subsequent Events

- a) The Company received \$759,414 from the exercise of 737,295 warrants, which were exercised at \$1.03 per share.
- b) The Company completed a private placement of 732,000 units at a price of \$0.90 per share. Each warrant is comprised of one common share and a share warrant enabling the holder the right to purchase one additional common share for \$1.05 per share for a one year period.
- c) On April 11, 2007, Arizona Public Service terminated the Power Purchase Agreement for the Steel Park 15 MW project with the Company (see note 14).
- d) On June 5, 2007, the Company paid a principal payment of US\$412,500, accrued interest and a mortgage renegotiation fee of US\$21,000 with respect to the Kingman mortgage (note 9) and the lender agreed to extend the remaining balance of the mortgage of US\$412,500 for six months. The funds for the principal payment were borrowed from a significant shareholder. The loan from the significant shareholder bears interest at 12%, is due on July 1, 2009 and is secured by a second charge on the property. In the event of default, the interest rate is increased to 18%. In addition, the shareholder is to receive a bonus of 119,000 common shares at a value of \$0.75 per share, subject to the approval of the TSX Venture Exchange.
- e) On June 8, 2007, the Company entered into a letter of intent with Pacific Hydro to settle the legal disputes between the two parties and the cessation of legal actions. Although, the letter of intent has lapsed, the parties are continuing with the documentation of the definitive settlement agreement. The agreement is subject to negotiation and execution of a definitive settlement agreement.
- f) On July 5, 2007, the Company entered into a letter of intent to sell certain assets of the Grand Manan 20 MW Project for \$250,000 payable by a deposit of \$75,000, \$75,000 on completion of due diligence, one-third of the balance on completion of the purchase agreement and the balance on closing. The Company has received the initial deposit.
- g) On July 9, 2007, the Company was sued by Michael and Grace Wystrach who have commenced a legal action against the Company alleging damages in the amount of \$351,000 for breach of a lease agreement that the Company entered into respecting certain land in Arizona. Management believes that the plaintiffs' allegations are without merit, and will be filing a statement of defence.

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22. Segmented Information

The Company is involved in the acquisition and development of wind farms in the United States. The Company is in the development stage and, accordingly, has no reportable segment revenues or operating results for each of the 2006 and 2005 fiscal years. In 2007, the Company has reportable segments as a result of the acquisition of the Mesa wind farm.

| 2007 | Canada | US | Total |
|--------------------------------------|-------------------|---------------------|----------------------|
| Current assets | \$ 131,429 | \$ 1,176,704 | \$ 1,308,133 |
| Restricted cash | | 1,194,530 | 1,194,530 |
| Construction in progress | - | 262,697 | 262,697 |
| Property and equipment deposits | - | 30,411 | 30,411 |
| Property and equipment | 8,982 | 23,346,332 | 23,355,314 |
| Goodwill and other intangible assets | - | 4,409,958 | 4,409,958 |
| Discontinued operations | 13,472 | - | 13,472 |
| Total assets | <u>\$ 153,883</u> | <u>\$30,420,632</u> | <u>\$ 30,574,515</u> |

| | | | |
|---------------------------------|---------------------|---------------------|----------------------|
| 2006 | | | |
| Current assets | \$ 5,975,252 | \$ 33,700 | \$ 6,008,952 |
| Construction in progress | - | 98,529 | 98,529 |
| Property and equipment deposits | - | 839,819 | 839,819 |
| Property and equipment | 30,081 | 2,569,617 | 2,599,698 |
| Discontinued operations | 784,826 | 2,015,269 | 2,800,095 |
| Total assets | <u>\$ 6,790,159</u> | <u>\$ 5,556,934</u> | <u>\$ 12,347,093</u> |

| 2007 | Canada | US | Total |
|--|---------------|--------------|--------------|
| Revenues | \$ - | \$ 1,594,440 | \$ 1,594,440 |
| Interest expense and accretion on long term debt | 12,022 | 934,281 | 946,304 |
| Depreciation | 6,658 | 1,411,417 | 1,418,075 |
| Income tax provision (recovery) | - | (859,799) | (859,799) |
| Loss from continuing operations | (2,849,551) | (2,709,996) | (5,559,547) |
| Loss from discontinued operations | (1,149,339) | (5,013,722) | (6,163,061) |
| Total loss | (3,998,890) | (7,723,718) | (11,722,608) |
| Property and equipment expenditures | - | (3,526,377) | (3,526,377) |
| Intangible expenditures | - | (34,623) | (34,623) |

| | | | |
|--|-------------|-------------|-------------|
| 2006 | | | |
| Interest expense and accretion on long term debt | \$ 16,715 | \$ 87,505 | \$ 104,075 |
| Depreciation | 5,694 | 25,704 | 31,398 |
| Income tax provision (recovery) | - | 11,919 | 11,919 |
| Loss from continuing operations | (2,264,024) | (2,455,334) | (4,719,358) |
| Loss from discontinued operations | (394,863) | - | (394,863) |
| Total loss | (2,658,887) | (2,455,334) | (5,114,221) |
| Property and equipment expenditures | (40,010) | (134,706) | (174,716) |

23. Comparative Figures

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the current year financial statements.

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24. Reconciliation of Canadian and United States Generally Accepted Accounting Principles

- a) These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP) which differ in some respects from generally accepted accounting principles in the United States (US GAAP).
- b) The significant differences between Canadian and US GAAP that affect the Company's consolidated financial statements are summarized below:

Reconciliation of Total Assets and Liabilities:

| | <u>2007</u> | <u>2006</u> |
|---|----------------------|-------------------|
| Total assets per Canadian/US GAAP | \$ 30,574,515 | \$ 12,347,093 |
| Total liabilities per Canadian | \$ 28,585,546 | \$ 875,090 |
| Convertible debt discount under Canadian GAAP | 109,280 | - |
| Convertible debt discount under US GAAP | <u>(42,143)</u> | <u>-</u> |
| Total liabilities under US GAAP | <u>\$ 28,652,683</u> | <u>\$ 875,090</u> |

Under Canadian GAAP the fixed price conversion feature within the convertible debt described in note 9 was bifurcated based on its fair value at the date of issue and presented as equity creating an initial issue discount on the host debt instrument. Under US GAAP, only the intrinsic value of the beneficial conversion option as at the date of issue of the convertible debt is bifurcated.

Reconciliation of Consolidated Statement of Operations Items:

| | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|--|-----------------------|----------------------|----------------------|
| Loss for the year (Canadian GAAP) | \$(11,722,608) | \$(5,114,221) | \$(2,913,059) |
| Convertible debt accretion under Canadian GAAP | 99,008 | - | - |
| Convertible debt accretion under US GAAP | <u>(38,393)</u> | <u>-</u> | <u>-</u> |
| Loss for the year (US GAAP) | (11,661,993) | (5,114,221) | (2,913,059) |
| Other comprehensive income: | | | |
| Unrealized foreign exchange gain | <u>473,098</u> | <u>-</u> | <u>-</u> |
| Comprehensive loss | <u>\$(11,188,895)</u> | <u>\$(5,114,221)</u> | <u>\$(2,913,059)</u> |
| Loss per share - basic and diluted (US GAAP) | \$(0.47) | \$(0.30) | \$(0.21) |
| Weighted average number of common shares outstanding - basic and diluted | <u>23,788,927</u> | <u>17,256,697</u> | <u>13,924,833</u> |

The *Consolidated Statement of Shareholders' Equity*, prepared in accordance with US GAAP as required, is presented as an additional schedule.

Reconciliation of *Consolidated Statement of Cash Flows* items is not presented since there are no significant differences to report.

Western Wind Energy Corp.
(A Development Stage Company)
Notes to Consolidated Financial Statements (Continued)
For the Years Ended January 31, 2007, 2006 and 2005
(Expressed in Canadian Dollars)

24. Reconciliation of Canadian and United States Generally Accepted Accounting Principles (Continued)

Consolidated Statement of Changes in Shareholders' Equity

| | Shares | Additional Paid-in Capital | Subscription (Receivable) Received | Deficit | Accumulated Other Comprehensive Income | Total Shareholders' Equity | Total Compre- hensive (loss) |
|--|------------|----------------------------------|--|-----------------|---|----------------------------------|---------------------------------------|
| Balance as at January 31, 2005 | 14,645,935 | \$ 10,762,849 | \$ (335,208) | \$ (7,347,496) | \$ - | \$ 3,080,145 | \$ - |
| Exercise of warrants at \$1.60 per share | 227,000 | 363,200 | - | - | - | 363,200 | - |
| Private placement at \$0.82 per unit | | | | | | | |
| Net of issuance costs of \$15,000 | 1,181,148 | 953,541 | - | - | - | 953,540 | - |
| Exercise of options at \$0.20 per share | 55,000 | 11,000 | - | - | - | 11,000 | - |
| Exercise of warrants at \$1.80 | 5,000 | 9,000 | - | - | - | 9,000 | - |
| Bonus shares at a deemed price of \$1.60 | 82,500 | 132,000 | - | - | - | 132,000 | - |
| Private placement at \$1.50 per unit | | | | | | | |
| Net of issuance costs of \$109,520 | 6,856,133 | 10,174,680 | - | - | - | 10,174,680 | - |
| Exercise of stock options at \$1.20 per unit | 30,000 | 36,000 | - | - | - | 36,000 | - |
| Bonus shares at a deemed price of \$1.60 | 83,290 | 124,935 | - | - | - | 124,935 | - |
| Exercise of warrants at \$1.03 | 365,853 | 376,828 | - | - | - | 376,829 | - |
| Shares issued to pay bonus at \$1.64 | 182,930 | 300,000 | - | - | - | 300,000 | - |
| Share subscriptions received | - | - | 335,208 | - | - | 335,208 | - |
| Share subscriptions receivable | - | - | (129,100) | - | - | (129,100) | - |
| Stock-based compensation | - | 536,787 | - | - | - | 536,787 | - |
| Bonuses payable by issuance of shares | - | 700,000 | - | - | - | 700,000 | - |
| Deferred bonus expense | - | (418,000) | - | - | - | (418,000) | - |
| Net income (loss) for the year | - | - | - | (5,114,221) | - | (5,114,221) | (5,114,221) |
| Balance as at January 31, 2006 | 23,714,789 | \$ 24,062,820 | \$ (129,100) | \$ (12,461,717) | \$ - | \$ 11,472,003 | \$ - |
| Exercise of warrants at \$2.10 | 16,000 | 33,600 | - | - | - | 33,600 | - |
| Exercise of warrants at \$1.80 | 27,000 | 48,600 | - | - | - | 48,600 | - |
| Exercise of warrants at \$1.03 | 78,000 | 80,340 | - | - | - | 80,340 | - |
| Private placement at \$1.20 per unit | | | | | | | |
| Net share issuance costs of \$14,090 | 137,416 | 150,810 | - | - | - | 150,810 | - |
| Finance cost payable by issuance of shares | 146,500 | 125,990 | - | - | - | 125,990 | - |
| Share subscriptions received | - | - | 302,100 | - | - | 302,100 | - |
| Share subscriptions receivable | - | - | (7,500) | - | - | (7,500) | - |
| Deferred bonus expense | - | 334,080 | - | - | - | 334,080 | - |
| Stock-based compensation | - | 490,168 | - | - | - | 490,168 | - |
| Fair value of conversion option | - | 80,536 | - | - | - | 80,536 | - |
| Cumulative currency translation adjustment | - | - | - | - | 473,098 | 473,098 | 473,098 |
| Net income (loss) for the year | - | - | - | (11,661,993) | - | (11,661,993) | (11,661,993) |
| Balance as at January 31, 2007 | 24,119,705 | \$ 25,296,944 | \$ 165,500 | \$ (24,123,710) | \$ - | \$ 1,921,832 | \$ - |

Western Wind Energy Corp.
(A Development Stage Company)
Notes to Consolidated Financial Statements (Continued)
For the Years Ended January 31, 2007, 2006 and 2005
(Expressed in Canadian Dollars)

24. Reconciliation of Canadian and United States Generally Accepted Accounting Principles (Continued)

c) Additional Disclosure Required by US GAAP

Operations in a Foreign Country

The Company is subject to numerous risks relating to the conduct of business in a foreign country, including, without limitation, economic, political and currency risk. Any of these risks could have a significant impact on the Company's operations.

The Company's subsidiaries, Aero Energy, LLC, Verde Resources Corporation and Mesa Wind Power Corp. are subject to US tax.

d) New Accounting Pronouncements for US GAAP

Accounting for Uncertainty in Income Taxes

In July 2006, the FASB issued FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" ("FIN 48"), an interpretation of FASB Statement No 109, "Accounting for Income Taxes". FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Interpretation requires that the Company recognize in the financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure. The provisions in FIN 48 are effective beginning February 1, 2007 with the cumulative effect of the change in accounting principle recorded as an adjustment to the opening balance of deficit. The Company is currently evaluating the impact FIN 48 will have on its consolidated financial statements.

Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". SFAS No. 157 establishes a framework for measuring the fair value of assets and liabilities. This framework is intended to provide increased consistency in how fair value determinations are made under various existing accounting standards which permit, or in some cases require, estimates of fair market value. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Earlier application is encouraged, provided that the reporting entity has not yet issued financial statements for that fiscal year, including any financial statements for an interim period within that fiscal year. The Company is currently assessing the impact of SFAS No. 157 on the Company's financial position and results of operations, but does not anticipate a material impact.

The Fair Value Option for Financial Assets and Financial Liabilities

In February, 2007, the FASB issued SFAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities". SFAS No. 159 permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We are currently assessing the impact of SFAS No. 159 on our financial position and results of operations, but do not anticipate a material impact.

Western Wind Energy Corp.
Management Discussion and Analysis
For the Year Ended January 31, 2007

September 6, 2007

This Management Discussion and Analysis (“MD&A”) should be read in conjunction with the audited financial statements of Western Wind Energy Corp. (“Western Wind” or the “Company”) for the year ended January 31, 2007. 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 owns two wind energy electrical generation facilities and is developing wind energy projects in California and Arizona. The Windridge generating facility in Tehachapi, California has a 4.5 MW rated capacity and the Mesa Wind Power generating facility near Palm Springs, California has a 29.9 MW rated capacity. In California and Arizona, the Company has purchased or leased land to build wind farms on and is continuing to carry out meteorological, environmental, geotechnical, permitting and zoning work to further the development of these properties into 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 OTC Bulletin Board trading on the Pink Sheets market under the symbol “WNDER”.

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, turbine selection, construction, environmental, operations and sales and marketing.

The Company operates through two wholly-owned subsidiaries that are responsible for the management of wind farms and the development of new energy projects. Aero Energy LLC (“Aero”) is responsible for the development of the Windstar 120 MW Project and Windridge 9MW Redevelopment Project as well as the operation of the existing 4.5 MW Windridge wind farm. Verde Resources Corporation (“Verde”) is responsible for the development of Arizona and California wind projects (excluding the Windstar 120 MW and Windridge 9 MW Redevelopment Projects) and the Mesa Wind 50 MW Redevelopment Project, as well as the operation of the existing 29.9 MW Mesa Wind Farm. Verde owns the Mesa Wind Farm through its wholly-owned subsidiary Mesa Wind Power Corporation (“Mesa Wind”).

The Company employs five full time consultants and three part-time consultants to develop new wind farms and manage the Company. The Mesa Wind Farm and the Windridge Wind Farm are managed by Airstreams Maintenance Corp. that employs eight full time employees who operate and maintain the wind farms.

Operations

California – Windstar 120 MW

The Company owns 1,292 acres of land in the Tehachapi Pass Wind Park and has a transaction in escrow for the purchase of a further 77 acres of land in Tehachapi. Subsequent to the 2007 year end, the Company purchased 20 acres of land for US\$75,000.

Parcels in excess of 40 acres are zoned for wind farm development and the smaller properties are being rezoned. Five meteorological towers have been erected to provide data for wind assessment reports to forecast electricity production and to site the turbine wind turbines to optimize electricity production.

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 the State of California has mandated electrical utilities to supply 20% of their 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 prices less than \$850 per kW and may be amended if turbine prices exceed that amount.

On April 9, 2006, a US\$1 million letter of credit was issued to Southern California Edison to secure our performance pursuant to the Power Purchase Agreement.

On February 16, 2006, the Company made an application to the Federal Energy Regulatory Commission ("FERC") to require Sagebrush Partnership to provide transmission access to the Company for 50 MW to 120 MW of firm capacity. The *Federal Power Act* requires that transmission qualifying facilities provide access to public utilities and small independent power generators at costs that the qualifying facilities charge themselves for transmission. On April 28, 2006, FERC granted an order requiring Sagebrush Partnership to enter into an interconnection agreement with the Company subject to the negotiation of commercial terms. The Company received a final order on March 15, 2007 from the FERC confirming that the system impact study concludes that there is sufficient firm transmission capacity to satisfy our requirements and requiring Sagebrush Partnership to provide us access to the transmission line after a 33 MW allocation to one of the Sagebrush Partners. The order requires that the wind farm have Qualifying Facility status pursuant to *Public Utilities Regulatory Policies Act of 1978* and that the parties submit within 30 days the interconnection and transmission agreement. On May 16, 2007, FERC granted to one of the Sagebrush Partners, the right to appeal the FERC decision.

If the Company is unable to obtain access to the Sagebrush Transmission Line, the Company is listed on Southern California Edison's queue for its new transmission line that is expected to be completed by 2010.

The Company incurs property taxes, liability insurance costs and mortgage interest of approximately US\$70,000 per year plus incremental costs related to zoning and permitting, geotechnical, engineering and interconnection studies and legal fees related to transmission, power purchase and regulatory matters. The Company capitalized \$222,632 in construction-in-progress at January 31, 2007.

The completion of the project is dependent upon the Company's ability to enter into a transmission agreement with Sagebrush Partnership, to obtain the necessary permitting and zoning, to complete satisfactory wind, environmental and geotechnical assessments, to purchase and arrange delivery of wind turbines to meet completion deadlines, to renegotiate the electricity price in the power purchase contract with Southern California Edison, to obtain

development and construction approvals and to raise sufficient debt and equity capital to finance the construction of the project.

California – Windridge

On February 17, 2006, the Company completed the purchase of the Windridge assets that consisted of 192 acres of land in Tehachapi, 43 Windmatic turbines, a substation, and collection system and an assignment of a Power Purchase Agreement with Southern California Edison expiring on December 7, 2014 to deliver the output from 4.5 MW of capacity. The purchase price for the land, generating facilities and power purchase agreement was \$952,133 (US\$825,000) payable by \$634,755 (US\$550,000) on closing and a convertible secured note for \$317,378 (US\$275,000) with interest at 8% per year, due on February 17, 2008. The loan is convertible into common shares at a price of US\$1.40 per share and is redeemable by the Company on thirty days notice. In addition, the Company capitalized \$98,097 (US\$84,999) in environment, surveying and legal fees incurred in connection with the purchase.

The allocation of the purchase price is as follows:

| | |
|--------------------------|---------------------|
| Land | \$ 568,509 |
| Generating facilities | 447,098 |
| Power purchase agreement | <u>34,623</u> |
| | <u>\$ 1,050,230</u> |

The facility is operating below its rated capacity and management estimates that the wind farm will generate \$96,696 (US\$85,000) per year in revenues. From February 18, 2006 to January 31, 2007, the Windridge facility generated 1,447,778 kWh of electricity production and \$95,032 (US\$85,537) in revenues. Plant operating costs including operations and maintenance, electricity charges and property taxes amounted to \$26,229 (US\$23,056). Annual interest costs on the US\$275,000 mortgage are \$25,027 (US\$22,000) per year and for the year ended January 31, 2007, interest expense amounted to \$24,688 (US\$20,975).

Management believes that the Windridge property can be redeveloped into a 9 MW generating facility. Southern California Edison has advised the Company to redevelop the existing transmission capacity of 4.5 MW and to add a further 4.5 MW of generation if transmission capacity is available. The Windridge 9 MW Redevelopment Project is at the early stage.

Mesa Wind Farm

On July 25, 2006, the Company acquired PAMC Management Corporation (“PAMC”) for \$15,294,760 (US\$13,400,000) and changed its name to Mesa Wind. In addition, the Company incurred \$240,899 (US\$211,056) in costs related to the transaction. PAMC’s primary asset is the Mesa Wind Farm located in the San Geronio Pass near Palm Springs, California. The assets included a right-of-way with the Bureau of Land Management, a power purchase agreement with the Southern California Edison Company, 460 wind turbines, collection system, substation, roads and a maintenance building. Since the Company acquired shares and the cost base for tax purposes is less than the fair value of the purchased assets, the Company recorded a future income tax liability of 5,945,238(US\$5,051,179). At the acquisition date, the Company assumed an asset retirement obligation of \$953,704 (US\$875,106).

The Company allocated the purchase price at the date of acquisition as follows:

| | |
|-----------------------------|----------------------|
| Generating facilities | \$ 17,700,299 |
| Land right of way | 420,980 |
| Goodwill | 4,217,431 |
| Power purchase agreement | <u>34,242</u> |
| | <u>22,372,952</u> |
| Less: | |
| Future income tax liability | (4,217,431) |
| Asset retirement obligation | <u>(924,858)</u> |
| | 15,534,623 |
| Cash | 1,036 |
| | <u>\$ 15,535,659</u> |

The wind farm is situated on 440 acres of land in the San Geronio Pass, 16 miles from Palm Springs, California. The Company has a right-of-way from the Bureau of Land Management for the exclusive use of the land for wind energy development. The right-of-way expires on January 26, 2013 and grants the leaseholder the right to enter into a new 30 year right-of-way if the agreement is not in default. The right-of-way grant provides for annual payments of US\$78,478 per year.

The Power Purchase and Interconnection Agreement expire on June 10, 2010. It provides for the sale of electricity on an “as available electricity” basis at Southern California Edison’s short-run avoided cost. The electricity production over the last five years has been in the area of 65 million kWh’s per year.

The wind farm was constructed in 1984 and includes 460 Vestas V15 turbines. The Company entered into an agreement with Airstreams Maintenance Corporation (“AMC”) to provide operations and maintenance services for the wind farm. AMC has extensive experience in operating and maintaining wind farms and overhauling wind turbines. The Company invested approximately US\$500,000 in deferred maintenance in addition to normal operating costs of US\$90,000 per month. The Company expects the major repairs to be less in the future since a preventative maintenance program has been implemented and deferred maintenance from prior years has been completed.

From July 25, 2006 to January 31, 2007, the Mesa Wind Farm generated 212,153,872 kWh of electricity and revenues of \$1,499,408 (US\$1,318,045). During this period, the Company incurred \$1,038,267 (US\$912,682) in plant operating expenses including the deferred maintenance costs described above..

The purchase was financed by a loan from Pacific Hydro of US\$13.4 million. The loan bears interest at LIBOR plus 6%. The loan is the subject of a lawsuit with Pacific Hydro which is described under Legal Proceedings. Interest on the Mesa Acquisition Loan amounted \$764,912 (US\$674,764) from July 25, 2006 to January 31, 2007.

The Company has completed the environmental and archeological assessments that are required for a new right-of-way, has been short listed on the 2007 RFP for the sale of electricity to Southern California Edison and has engaged Windots, Inc. to complete a wind assessment study and to advise on the siting of the wind turbines. The Company capitalized \$40,065 in construction-in-progress costs related to these activities.

Steel Park 15 MW Project

The Company entered into a power purchase agreement with Arizona Public Service (“APS”) on May 4, 2005. On April 28, 2006, the Company entered into a joint venture agreement with Pacific Hydro to develop the Steel Park 15 MW facility through Steel Park, LLC, a limited liability company owned 51% by Pacific Hydro and 49% by Western Wind. The facility was scheduled to be completed on March 31, 2007, but the project was terminated by Pacific Hydro in September 2006 and, as a result of Pacific Hydro’s actions, the project was not completed by March 31, 2007. APS terminated the power purchase agreement on April 7, 2007. As a result, the Company has incurred losses, including the write off of costs, totaling \$5,013,722 related to Steel Park, LLC and the development of the Steel Park 15 MW Project during the year ended January 31, 2007.

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 of US\$3.3 million 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 Turbine 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 were delivered in October 2006. Pacific Hydro secured its letter of credit by a first charge on the wind turbines and on Western Wind’s capital account in Steel Park, LLC.

The Company completed the purchase of 1,128 acres of land near Kingman, Arizona for US\$1,641,130. The purchase price was paid by purchase deposits of US\$210,000, cash on closing of US\$606,130 and a vendor mortgage of US\$825,000 payable on June 7, 2007 with interest at 7% per year. On June 6, 2007, the Company borrowed US\$412,500 from a significant shareholder and used the funds to make a principal payment of US\$412,500. At that date, the vendors agreed to extend the term of the mortgage to December 7, 2007. The Company paid a renegotiation fee of US\$21,000 to complete the transaction.

On November 30, 2006, the Company borrowed \$630,000 from the spouse of an officer and director to complete the purchase of the property. The terms of the loan provide for interest to be paid at the rate of LIBOR plus 5.98%, the right to demand payment prior to maturity and a maturity of two years. In addition, the spouse of the officer and director received a bonus of 146,500 shares at a deemed price of \$0.86 per common share.

The US\$412,500 loan from the significant shareholder bears interest at 12% per year and 18% per year in the event of default. The loan is due on July 1, 2009 and is secured by a second charge on the property. In addition, the significant shareholder received a bonus of 119,000 shares at a deemed price of \$0.75 per common share

Arizona – Steel Park Expansion

The Company has entered into a right-of-way for the use of 22,227 contiguous acres of land, adjacent the Steel Park property, by the Bureau of Land Management, with a view of constructing a wind farm with up to 250 MW of generating capacity. The Company intends on completing a preliminary environmental assessment so that meteorological towers can be installed on the property and completing other due diligence activities to finalize development plans. The right-of-way is for three years and the fee is \$22,227 per year. At the end of the term, the Company has the right to enter into a new right-of-way for 30 years.

California – New Projects

The Company entered into an agreement to acquire wind data for sites within California that may be developed into wind farms. The agreement provides for the payment of a fee of \$1,000 per MW payable on completion of the project. These projects are at an early stage and the Company is carrying out preliminary due diligence to determine the feasibility of these sites for wind energy development.

Other Real Estate

The Company owns 800 acres by way of clear title in Arizona that the Company plans to sell or develop for commercial real estate purposes. It is recorded at a cost of \$341,723.

Grand Manan 20 MW Project

The Company operated in New Brunswick through Eastern Wind. The development of the wind farm in New Brunswick commenced in the 2003 fiscal year, when Eastern Wind entered into a lease for 4,500 acres on Grand Manan Island on the coast of New Brunswick. The permitting and zoning of the property, environmental, geotechnical and wind studies were completed and only turbine selection and equity financing was required to commence construction of the wind farm.

The Company entered into a power purchase agreement with New Brunswick Power that required the 20 MW facility to be completed by October 31, 2006. In November 2006, New Brunswick Power terminated the power purchase agreement for breach of contract. As a result, New Brunswick Power called the \$200,000 letter of credit and the Company has recorded a \$200,000 liability to an unrelated party who provided security for the letter of credit.

During the year ended January 31, 2007, the Company incurred costs and wrote off its investment in construction-in-progress costs and property and equipment totaling \$1,149,339 as a loss from discontinued operations.

On July 5, 2007, the Company entered into a letter of intent with UPC Wind Canada Inc. to sell certain assets for \$250,000 payable by way of a non-refundable deposit of \$75,000, paid on signing of the letter of intent, \$75,000 on the completion of due diligence, one-third of the balance on the completion of the purchase agreement and the balance on closing. The initial deposit has been received.

Legal Proceedings

Mesa Acquisition Loan

On November 6, 2006, Pacific Hydro commenced a legal action to require the transfer of Mesa Wind to Pacific Hydro. The Company has filed a Statement of Defence and Counterclaim. Pacific Hydro provided a US\$13.4 million loan that was used to acquire the common shares of PAMC Management Corporation that owned the Mesa Wind Farm.

The Company counterclaimed that Pacific Hydro has obstructed the Company from obtaining financing and prevented the loan from being repaid. The Company is demanding the right to repay the loan 180 days after the litigation with Pacific Hydro is settled and that Pacific Hydro be restrained from taking any action to realize upon its security until a final determination has been made by the Court. Management believes that the outcome of this lawsuit is indeterminable at this time.

Exclusivity Deed

The Exclusivity Deed was entered into on October 20, 2006 with Pacific Hydro in conjunction with their purchase of 666,666 units at \$1.50 and their due diligence for a further investment. The Exclusivity Deed provided that the Company would not entertain financing from other parties until Pacific Hydro had completed its due diligence and decided whether or not it would make a further investment in the Company or until 45 days after a Turbine Supply Agreement was completed for the Grand Manan 20MW Project. In addition, the Exclusivity Deed described procedures for Pacific Hydro to make a further investment and for approval for the further investment by the TSX Venture Exchange and the Company's shareholders. The size of the further investment by Pacific Hydro was large enough that it would make Pacific Hydro a "control person" and the TSX approved the transaction on the basis that Pacific Hydro agreed to restrict their voting rights to 19.9% until the shareholders approved them as a control person. The Exclusivity Deed provided for Pacific Hydro to have a put option with respect to the future private placement, if Pacific Hydro was not approved by the shareholders as a control person at the Annual General Meeting.

Pacific Hydro entered into a subscription agreement with the Company on January 27, 2006. The subscription agreement did not provide for a put option and contained Pacific Hydro's acknowledgement that there were no other written or oral agreements with respect to the private placement.

At the Annual General Meeting, the disinterested shareholders did not pass the control person resolution and Pacific Hydro remained restricted to voting 19.9% of their shares. On October 31, 2006, Pacific Hydro tendered their shares to the Company. At that time, Pacific Hydro issued a press release that advised its intent to sell 4,333,333 shares.

On November 10, 2006, Pacific Hydro filed a Statement of Claim to require the Company to repurchase 4,333,333 units at a price of \$1.50 per unit. The Company filed a Statement of Defense and Counterclaim.

The Company contends that the investment was made pursuant to the subscription agreement, in which Pacific Hydro acknowledged that there was no other written or oral agreement between the parties. The subscription agreement does not refer to any right that would require the Company to repurchase shares other than standard rescission provisions.

Management believes that the allegations made by Pacific Hydro in their Statement of Claim are without merit.

Alliance Agreement

On December 19, 2006, Pacific Hydro filed a Statement of Claim in Australia related to the interpretation of the Alliance Agreement. Pacific Hydro alleges that the Alliance Agreement prevents the Company from selling, leasing, developing or using the real estate owned by the Company without the participation of Pacific Hydro.

Management believes that there are no terms in the Alliance Agreement that would prevent the Company from selling or leasing the property to a third party or from obtaining financing using the property as security.

The Company filed a Statement of Defence and Counterclaim with respect to this action. The Australian Courts have agreed that the Company has the right to use the Tehachapi land as security for a loan. The Company offered Pacific Hydro the opportunity to participate in the development of the Windstar 120 MW Project and Pacific Hydro has accepted. There is a continuing dispute over the interpretation of the Alliance Agreement.

The Company believes that the Alliance Agreement requires the negotiation of a definitive joint venture agreement for each project and that each definitive joint venture agreement is subject to the approval of both parties. Pacific Hydro believes that they have a unilateral right to require the Company to enter into a joint venture agreement based on Pacific Hydro's interpretation of the Alliance Agreement. The Company further believes that a Special General Meeting of the Shareholders is required to approve any agreement with Pacific Hydro since they are a "control person". Management believes that the lawsuit is without merit.

Settlement Negotiations with Pacific Hydro

On June 8, 2007 the Company entered into negotiations to settle all outstanding issues between the parties and to provide for the cessation of all legal proceedings between the parties. Although the basic financial terms have been agreed to by both parties, settlement is subject to a definitive agreement. There can be no guarantee that a settlement will be reached between the Company and Pacific Hydro or that the final terms of the settlement will be favourable to the Company.

Other Legal Proceedings

Paul Woodhouse and Darlene Gillis, former directors and officers of Eastern Wind Power, are suing the Company for failure to issue certain bonus shares and incentive stock options. There can be no guarantee that a settlement will be reached or that the terms of any settlement will be favourable to the Company. However, management believes that the lawsuit is without merit.

The Company has sued Paul Woodhouse and Darlene Gillis for breach of fiduciary duties and negligence with respect to their duties as officers and directors of Eastern Wind.

Paul Woodhouse and Darlene Gillis are suing the Company and its chief executive officer for comments that they allege were made by the Company's chief executive officer on an Internet chat room. The parties have agreed upon the terms of a settlement agreement and are preparing legal documents to implement the settlement. Management does not believe that the settlement will have a material effect on the Company.

Tom Vihveln, a former director and officer of Eastern Wind, is suing Eastern Wind for the right to exercise incentive stock options to acquire 50,000 common shares of Western Wind at an exercise price of \$0.80 per share and \$6,000 for services rendered. The Company has filed a counterclaim for breach of fiduciary duties. Management believes that the lawsuit is without merit.

Michael Wystrach filed statements of claim in Pima County, Arizona and Vancouver, British Columbia seeking compensation for services rendered. The lawsuit was dismissed in Pima County and proceedings to re-instate the lawsuit were also dismissed. The Plaintiff appealed the decision to the Federal Court and a hearing is scheduled to be held in September 2007. On November 6, 2006, the plaintiff commenced a lawsuit in British Columbia on essentially the same basis as the action that was dismissed in Pima County, Arizona. Management believes that the lawsuits are without merit.

On July 9, 2007, Michael and Grace Wystrach filed a Statement of Claim with respect to the prepayment of a lease in Elgin, Arizona for \$351,000. In the Statement of Claim, the plaintiffs claim that they were not paid the lease fee; and alternatively, if the plaintiffs were paid, the funds were unlawfully misappropriated by the chief executive officer. The Company will file a Statement of Defense. Management believes that the claims are without merit.

Development Strategy

General

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

- Availability and access to 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.

The Company has decided to focus its efforts on developing its properties in California and Arizona since these States have renewal portfolio standards and relatively high energy prices.

Revenue Strategies

Revenue sources for wind farms situated 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 \$0.02 per kWh plus inflation adjustments for ten years. The Federal Production Tax Credits are scheduled to expire on December 31, 2008. Management believes that the Federal Tax Credit will be extended or that a green credit program will be established to provide renewable energy developers a similar benefit.

It is now common practice that power purchase agreements with utilities will include the purchase of green credits 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 plans to raise capital through institutional sources experienced in power project financing 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 depends upon the projected cash flow, the existence of a long term power purchase contract with credit-worthy utilities, the wind assessment report, the identity of the turbine supplier and the general contractor and the interest rates existing when funds are drawn down.

In the US, power project financings generally use a limited liability corporation to secure tax equity financing and to monetize any tax benefits that cannot be used by the Company or its subsidiaries. The value of the tax losses resulting from accelerated depreciation and the production tax credits is a significant part of the cost of a wind farm project.

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

Project and Contractual Obligations

The Company is affected by local, county, state or provincial and federal legislation concerning environmental, zoning, permitting and operating laws and regulations in the jurisdiction that the Company operates. The Company is in compliance with all laws and regulations, except for its requirement to file its annual audited statements and

MD&A for the year ended January 31, 2007 with the BC Securities Commission and failure to file its 2007 Form 20F with the Securities and Exchange Commission.

The Company was late in filing its 2006 Form 20-F and the failure to file on a timely basis has resulted in the shares not being eligible for quotation on the OTC Bulletin Board. The shares are currently trading on the Pink Sheets. The Company intends on reapplying for a listing on the OTC Bulletin Board.

On June 8, 2007 the British Columbia Securities Commission issued a temporary Management Cease Trade Order prohibiting our directors, officers and insiders from trading in the securities of our Company because of our failure to file, within the prescribed period of time, our audited financial statements and MD&A for the year ended January 31, 2007 and the unaudited financial statements and MD&A for the three months ended April 30, 2007. This restriction will remain in place until our regulatory filings are brought up to date.

Windstar 120 MW Project

The Company's contract with Southern California Edison requires that the facility be completed by December 31, 2007 with an extension to December 31, 2008. 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. The Company, however, 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 currently aware of any other risks associated with the contract with Southern California Edison.

At January 31, 2007, the Company had mortgages on properties totaling \$320,046 (US\$271,918) payable in monthly payments of \$6,065 (US\$5,153) including interest at rates from 6.5% to 8.0% per year with maturities from 2009 to 2012.

The Company has a commitment to purchase 77 acres for US\$250,000. The vendor has refused to close the transaction and the Company is suing for specific performance. The Company has placed US\$25,000 in escrow and will require an additional US\$50,000 on closing. The vendor is to provide a first mortgage of \$175,000 repayable over two years with interest at 6.5% per year.

The Company is required to pay property taxes on its real estate holdings. For the year ended January 31, 2007 property taxes were \$55,088 (US\$48,425). The Company also maintains liability insurance on its properties and the amount allocated to the Windstar 120 MW Project was \$12,469 (US\$10,961).

Windridge 9 MW Redevelopment Project

The Company entered into an agreement on February 18, 2006 to purchase land, wind turbines, electrical infrastructure and an assignment of a power purchase agreement expiring on December 17, 2004 for US\$825,000. The purchase was financed by a mortgage of \$323,675 (US\$275,000) with interest payable annually at the rate of 8% and principal due on February 18, 2008. The loan and accrued interest is convertible into common shares, at the option of the holder, at a price of US\$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. Accrued interest at January 31, 2007 on the loan amounts to \$24,688 (US\$20,975) (2006 - \$nil). The loan is secured by a first charge on the land.

For accounting purposes, the loan is recorded at its fair value of \$214,395 (US\$186,154). The difference between the fair value and loan amount of \$208,288 (US\$176,965) has been recorded as contributed surplus. The loan is being accreted so that the loan amount on maturity will equal the original balance and the difference between the fair value of the loan and the US\$275,000 amount on origination of \$208,288 (US\$176,695) is being charged to interest expense over the term of the loan. During the year ended January 31, 2007, the Company accreted \$99,008 (US\$84,119).

The power purchase agreement provides for the sale of electricity on an "as available" basis at Southern California Edison's short run avoided cost. The power purchase agreement expires on December 7, 2014.

Airstreams Maintenance Corp. provides operations and maintenance services and charges us based on the time and materials supplied.

The Company is required to pay property taxes based on the assessed value of the real estate and improvements. The property taxes for the year ended January 31, 2007 were in the area of US\$3,000.

Mesa Wind Power

Mesa Wind has a Standard Offer Power Purchase and Interconnection Agreement with Southern California Edison expiring on June 22, 2010 to sell electricity on an “as available” basis at Southern California Edison’s short run avoided cost.

The Company is obligated to repay Pacific Hydro US\$13.4 million plus interest at LIBOR plus 6%. The loan is secured by the shares of Mesa Wind Developers Corporation (“Mesa Wind”) and a charge on all Mesa Wind’s assets. At January 31, 2007, accrued interest on this loan amounted to \$764,912 (US\$674,674).

Mesa Wind has the exclusive right until January 26, 2013 to use 440 acres of land owned by the Bureau of Land Management near Palm Springs for a wind energy development. The right-of-way provides for lease payments of US\$78,478 per year and the right to enter a new right-of-way, if the existing right-of-way is in good standing. Property taxes are approximately US\$135,000 per year and liability insurance costs are approximately US\$30,000 per year.

The Company has entered into an Operations & Maintenance Agreement with Airstreams Maintenance Corp. The contract provides for Airstreams to operate and maintain the Mesa Wind Farm for a fee equal to costs plus US\$200,000 per year. The contract is automatically renewable with an escalation for inflation.

The Company has entered into an agreement to purchase four vehicles used by employees of Airstreams Maintenance Corp. in the operation of the Mesa Wind Farm. At January 31, 2007, the balance outstanding amounted to \$79,191 (US\$67,282).

Pacific Hydro commenced a legal action demanding the immediate transfer of the common shares of Mesa Wind to repay the US\$13.4 million acquisition loan. If the Company is unable to repay the loan, it will lose its major source of revenue, its largest asset and the opportunity to redevelop the site (See Legal Proceedings).

Steel Park Project

During the year ended January 31, 2007, the Company completed the purchase of 1,128 acres of land near Kingman, Arizona. The purchase is financed by a first mortgage of US\$412,500 payable to the vendors on December 7, 2007 with interest at 7% per year and a second mortgage of US\$412,500 payable to a significant shareholder on May 31, 2010 with interest payable monthly at 12% per annum and at 18% after default. In addition, the significant shareholder received a bonus of 119,000 common shares at a deemed price of \$0.75 per common share.

To complete the purchase of the Kingman land on December 6, 2006, the Company borrowed \$630,000 from the spouse of an officer and director. The loan is unsecured and repayable on November 30, 2008 and interest is payable monthly at LIBOR plus 5.98%. In addition, the spouse of the officer and director received a bonus of 146,500 common shares at a deemed price of \$0.86 per share.

Steel Park Expansion

The Company was granted a land right-of-way with the Bureau of Land Management for three years for the right to use 22,227 acres for the development of wind energy. Annual payments for the use of the property amount to US\$22,227 per year. The Company is required to provide environmental reports to the Bureau of Land Management prior to the installation of meteorological towers on the property. If satisfactory due diligence is completed on the property, the Company will enter in to a 30 year right-of-way.

Grand Manan 20 MW Project

The Company provided a \$200,000 performance bond to New Brunswick Power secured by a letter of credit provided by a third party. The contract required the project to be commissioned by October 31, 2006. New Brunswick Power terminated the agreement as at October 31, 2006. The Company has recorded a \$200,000 liability to the third party who provided the security for the letter of credit. During the year ended, January 31, 2007, the Company incurred costs and wrote off its investment in construction-in-progress and property and equipment totaling \$1,149,339.

Selected Annual Information For the Years Ended January 31, 2007, 2006 and 2005

| | 2007 | 2006 | 2005 |
|--|----------------|----------------|----------------|
| Total revenues | \$ 1,594,440 | \$ Nil | \$ Nil |
| Income (Loss) before discontinued operations | \$ (5,559,547) | \$ (4,719,358) | \$ (2,595,956) |
| Net income | \$(11,722,608) | \$ (5,114,221) | \$ (2,913,059) |
| Loss per share, basic and diluted | \$ (0.50) | \$ (0.30) | \$ (0.21) |
| Total assets | \$ 30,574,474 | \$ 12,347,093 | \$ 3,794,839 |
| Dividends declared and paid | \$ - | \$ - | \$ - |

Results of Operations

Revenues

The Company acquired two operating wind farms during the year ended January 31, 2007. On July 25, 2006, the Company acquired the 29.9 MW Mesa Wind Farm and on February 18, 2006, the Company acquired the 4.5 MW Windridge Wind Farm. From July 25, 2006 to January 31, 2007, the Mesa Wind Farm generated \$1,499,408 (US\$1,318,045) in revenues. The Windridge Wind Farm generated \$95,032 (US\$85,537) in revenues from February 18, 2006 to January 31, 2007. Total revenues for the year ended January 31, 2007 amounted to \$1,594,440 (US\$1,401,582).

Plant Operating Costs

Plant operating costs include operations and maintenance costs, property taxes, right-of-way fees, insurance and electricity costs. The Mesa Wind Farm plant operating costs from July 25, 2006 to January 31, 2007 amounted to \$1,038,267 (US\$1,007,371) and the Windridge Wind Farm plant operating costs from February 18, 2006 to January 31, 2007 amounted to \$26,228 (US\$23,056). Total plant operating costs amounted to \$1,064,495 (US\$1,030,427).

Amortization

Amortization increased from \$31,398 for the year ended January 31, 2006 to \$1,418,075 for the year ended January 31, 2007. During the year ended January 31, 2007, the Company completed the acquisition of the Mesa Wind Farm and the purchase of the Windridge Wind Farm. At January 31, 2007, the purchase price allocation, based on machinery, equipment and intangible appraisals and estimates of asset retirement obligations, resulted in increases to assets as follows:

| | Windridge | Mesa Wind | Total |
|--------------------------|---------------------|----------------------|----------------------|
| Land | \$ 568,509 | \$ - | \$ 568,509 |
| Land right-of-way | - | 434,111 | 434,111 |
| Generating facilities | 447,098 | 18,252,367 | 18,699,465 |
| Power purchase agreement | 34,623 | 35,310 | 69,933 |
| | <u>\$ 1,050,230</u> | <u>\$ 18,721,788</u> | <u>\$ 19,772,018</u> |
| Amortization | <u>\$ 32,551</u> | <u>\$ 1,328,896</u> | <u>\$ 1,361,447</u> |

The amortization for these assets amounted to \$1,361,447 and the balance of the increase is related to the purchase of meteorological towers for the Windstar 120 MW Project and vehicles for Mesa Wind.

Asset Retirement Obligation

During the year ended January 31, 2007, the Company purchased the Mesa Wind Farm. The grant of right-of-way with the Bureau of Land Management requires that the turbines and foundations be removed at the termination of the lease. The Company provided for an asset retirement liability of \$953,704 (US\$810,284) and accreted the liability by \$79,296 (US\$64,856) to increase the asset retirement liability to \$1,030,000 (US\$875,106).

Bonuses

At the 2005 Annual General Meeting, the shareholders approved the payment of bonuses to Jeff Ciachurski, the chief executive officer and a director of the Company, of \$700,000 and to Michael Boyd, an officer and director of the Company, 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 31, 2007, as such \$334,080 of the bonuses has been expensed in the year ended January 31, 2007 and \$582,000 of the bonuses have been expensed in the year ended January 31, 2006, and the remainder, which totals \$83,920, will be amortized to expense during the years ending January 31, 2008.

Communications

Communication expenses for the year ended January 31, 2007 decreased from \$283,664 to \$27,219 as a result of reduced investor relations activities.

Consulting and directors' fees

Consulting and directors' fees increased from \$448,549 for the year ended January 31, 2006 to \$798,775 for the year ended January 31, 2007. The major reasons for the increase include the increase in monthly compensation to Cash Long, an officer and director of the Company, the contracting of a legal consultant to assist with the negotiation and documentation of the legal agreements, negotiation of settlements with Pacific Hydro and providing advise on other law suits that the Company is involved in and increases in compensation to the chief financial officer commencing in September 2006.

Foreign Exchange Loss

The foreign exchange loss increased from \$38,339 for the year ended January 31, 2006 to \$536,996 for the year ended January 31, 2007. The foreign exchange losses resulted from the decrease in the value of the Canadian dollar and the increase in US dollar debt financing for the Mesa Wind Farm and the loans payable from the purchase of US real estate.

Interest and Accretion on Long Term Debt

Interest and accretion on long term debt increased from \$104,220 for the year ended January 31, 2006 to \$946,304 for the year ended January 31, 2007. The increase results from the interest accrued on the Mesa Wind acquisition loan payable from Pacific Hydro of \$764,912 (US\$674,764) and the accretion of the fair value of the conversion option provided for in the Windridge Acquisition Loan of \$99,008.

Management Fees

The compensation of the chief executive officer increased from \$131,725 for the year ended January 31, 2006 to \$417,723 for the year ended January 31, 2007 as approved by the Board of Directors.

Professional Fees

Professional fees have increased from \$373,312 for the year ended January 31, 2006 to \$1,013,673 for the year ended January 31, 2007. The increase results from higher audit fees, the cost of using an accounting firm to provide accounting services, legal fees to defend against the law suits by Pacific Hydro, Paul Woodhouse and Darlene Gillis and Michael Wystrach and to initiate a lawsuit against Paul Woodhouse and Darlene Gillis, legal fees related to FERC applications to obtain access to the Sagebrush transmission line, legal and accounting costs related to the completion of the 2006 20F and restatement of the financial statements for the year ended January 31, 2006.

Loss From Discontinued Operations

During the year ended January 31, 2007, the Company incurred losses of \$6,163,061 from the discontinuance of the Grand Manan 20 MW Project and the Steel Park 15 MW Project.

The Company's operations in New Brunswick were terminated as a result of the cancellation of the power purchase agreement with New Brunswick Power. As a result, the Company incurred costs including the write offs of construction-in-progress costs and property and equipment totaling \$1,149,339.

The Company discontinued the development of the Steel Park 15 MW Project that was to be developed in a joint venture with Pacific Hydro. Pacific Hydro advised the Company in September 2006, that it did not wish to proceed with the project and on April 10, 2007, Arizona Public Service terminated the power purchase agreement. During the year ended January 31, 2007, the Company wrote off \$5,013,722 in construction-in-progress costs and operating costs related to the project.

Construction-in-Progress

The Company is involved in the development of the Windstar 120 MW Project, the Mesa 50 MW Redevelopment Project and Windridge Repowering Project. The construction-in-progress costs are summarized as follows:

| 2007 | Windstar 120 MW | Mesa Wind 50MW | Total |
|----------------------------|--------------------|-------------------|-------------------|
| Balance, beginning of year | \$ 98,529 | \$ - | \$ 98,529 |
| Additions | 124,103 | 40,065 | 164,168 |
| Balance, end of year | <u>\$ 222,632</u> | <u>\$ 40,065</u> | <u>\$ 262,697</u> |

Summary of Quarterly Results

| | Total Revenues | Loss Before Discontinued Operations | Loss For The Quarter | Loss Per Share Basic and Diluted |
|-------------------------------------|-------------------|---|----------------------------|--|
| January 31, 2007 ^{1,3} | \$ 694,668 | \$ (1,683,212) | \$ (6,910,189) | \$ (0.29) |
| October 31 2006 ^{1,3} | \$ 861,471 | \$ (2,806,422) | \$ (3,742,506) | \$ (0.16) |
| July 31, 2006 ^{1,3} | \$ 20,595 | \$ (382,472) | \$ (382,472) | \$ (0.02) |
| April 30, 2006 ^{1,3} | \$ 17,706 | \$ (687,441) | \$ (687,441) | \$ (0.03) |
| January 31, 2006 ^{1,3} | \$ Nil | \$ (2,347,802) | \$ (2,347,802) | \$ (0.14) |
| October, 31 2005 ^{1, 2, 3} | \$ Nil | \$ (1,249,085) | \$ (1,249,085) | \$ (0.07) |
| July 31, 2005 ^{1, 2, 3} | \$ Nil | \$ (1,024,667) | \$ (1,024,667) | \$ (0.06) |
| April 30, 2005 ^{1,3} | \$ Nil | \$ (492,667) | \$ (712,861) | \$ (0.03) |
| January 31, 2005 ^{1,3} | \$ Nil | \$ (712,681) | \$ (603,527) | \$ (0.04) |
| October, 31 2004 ^{1,3} | \$ Nil | \$ (861,266) | \$ (861,266) | \$ (0.06) |
| July 31, 2004 ³ | \$ Nil | \$ (732,361) | \$ (732,361) | \$ (0.05) |
| April 30, 2004 ³ | \$ Nil | \$ (666,670) | \$ (666,670) | \$ (0.05) |

¹ These amounts have been restated because, subsequent to October 31, 2006, we identified errors in the recording of stock based compensation for the years ended January 31, 2005 and 2006 and for the nine months ended October 31, 2006. The amounts omitted the calculation of stock based compensation omitted the effects of the issue of 250,000 stock option on September 4, 2004 with an exercise price of \$1.40 per share and the effects of the issue of 100,000 stock options on March 16, 2005 with an exercise price of \$1.43 per share.

² 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.

³ October 31, 2006 amounts have been restated for discontinued operations.

Liquidity and Capital Resources

As at January 31, 2007, the Company had a working capital deficiency of \$18,841,732 compared to a surplus of \$5,278,346 at January 31, 2006. The funds were used to purchase the Mesa Wind Farm for \$15,535,659 (US\$13,611,056), finance construction-in-progress costs incurred during the period of \$3,176,992, to provide security for the letter of credit for Southern California Edison of \$1,177,000 (US\$1,000,000), to repay the loan from a related party of \$366,239 and to finance operations. The Company borrowed \$15,771,800 from Pacific Hydro to acquire the Mesa Wind Farm. Since the loan was due on December 31, 2006, it is a reduction in working capital. At January 31, 2007, the Company's cash position was \$42,506.

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. Pacific Hydro commenced a lawsuit that states that they believe that we are unable to sell, lease or mortgage our real estate without their participation. The description of the lawsuit is detailed under Legal Proceedings.

If the Company is unable to raise equity capital to develop its wind properties, it could enter into joint ventures with larger wind developers that have greater capital resources. The corporate expenses are being reduced by the costs of the Steel Park 15MW Project discontinuance and other discretionary costs until the dispute with Pacific Hydro is resolved.

During the year ended January 31, 2007, New Brunswick Power and Arizona Public Service terminated power purchase agreements and the Company wrote off its investments in these projects and incurred losses totalling \$6,163,061.

The Company is the subject of several lawsuits with Pacific Hydro as detailed in Legal Proceedings. If the Company

is not successful in its lawsuits or settlement, Mesa Wind may be transferred to Pacific Hydro to repay the US\$13,400,000 acquisition loan, Pacific Hydro may have the right to put 4,333,333 common shares of the Company at a price of \$1.50 per share and the Company may be required to joint venture wind projects in Riverside and Kern Counties, California and Mohave County, Arizona with Pacific Hydro.

The Company's recurring losses and working capital deficiency, the uncertainty as to the ability of the Company to raise funds to repay Pacific Hydro and the lawsuits with Pacific Hydro and other parties raise substantial doubt about the Company's ability to continue as a going concern. Management plans on raising capital to repay the Pacific Hydro loan and to develop and construct wind energy projects.

The Companies contractual obligations are as follows:

| | Total | Less Than One Year | One to Three Years | Three to Five Years | Over Five Years |
|-----------------------------------|----------------------|-----------------------|-----------------------|------------------------|--------------------|
| Long term debt | \$ 18,001,665 | \$ 17,456,429 | \$ 384,235 | \$ 114,919 | \$ 46,082 |
| Land right-of-way-payments | 705,031 | 118,530 | 355,589 | 230,912 | - |
| Purchase obligations ¹ | 264,825 | 58,850 | 117,700 | 88,275 | - |
| Total contractual obligations | <u>\$ 18,971,521</u> | <u>\$ 17,633,809</u> | <u>\$ 857,524</u> | <u>\$ 434,106</u> | <u>\$ 46,082</u> |

¹ The Company has entered into an agreement to purchase land in Tehachapi, California for US\$250,000. The purchase agreement provides for a deposit of US\$25,000 which has been paid into escrow, \$50,000 to be paid on closing, \$100,000 to be paid in one year after closing and \$175,000 to be paid two years after closing.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements at this time.

Critical Accounting Estimates

Since a determination of many assets, liabilities, revenues and expenses is dependent upon future events, the preparation of consolidated financial statements requires the use of estimates and assumptions which have been made using careful judgment. The critical accounting estimates are as follows:

1. The Company has amortized the cost of its generating facilities, equipment and power purchase agreements over their estimated useful lives.
2. The Company has recorded stock-based compensation using the Black-Scholes Option Pricing Model that requires an assumption of the expected lives of stock options granted to employees and consultants.
3. The Company has allocated the value of a conversion option using the Black-Scholes Option Pricing Model that requires an assumption on the expected life of the conversion option. The difference between the loan amount and the value of the conversion option is being accreted over the term of the loan.
4. The Company has recorded an asset retirement obligation, based on estimates of the cost to remediate the Mesa Wind Farm at a future date.
5. The Company has performed impairment testing on the amount recorded as goodwill. In performing its impairment test, management made estimates of cash flow, rates of return, interest rates and project costs and made assumptions regarding the completion of the project.
6. The Company has allocated the purchase price of acquisitions to property and equipment and goodwill and other intangible assets based on the estimated fair market values of assets and liabilities acquired.

Initial Adoption and Changes in Accounting Policies

As a result of the acquisition of Mesa Wind, the Company, established an asset retirement obligation that records the estimated cost to remediate leased property used for wind farms and allocates the remediation cost over the expected useful life of the wind farm.

The Mesa Wind acquisition also required the Company to allocate the purchase price to the assets and liabilities acquired at their appraised values and to record future income tax liabilities created as a result of the difference between the cost bases of the assets for tax purposes and accounting purposes.

The Company issued debt that provided the holder the right to convert the debt into common shares. The Company has valued the conversion option using the Black-Scholes Option Pricing Model and is accreting the difference between the loan amount and the fair value of the conversion option over the term of the loan.

The Company discontinued the proposed construction of the Grand Manan 20 MW and Steel Park 15 MW Generating Facilities. The results of operations, assets, liabilities, expenses, write-offs and cash flows have been segregated and recorded as discontinued operations.

The recognition of Mesa Wind as a self sustaining foreign operation has resulted in a foreign exchange gain from the date of acquisition to January 31, 2007. This foreign exchange gain has been recorded as cumulative foreign currency translation in shareholders' equity.

Transactions with Related Parties:

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

| | 2007 | 2006 | 2005 |
|--------------------------------|---------------------|---------------------|-------------------|
| Consulting and directors' fees | \$ 689,219 | \$ 367,485 | \$ 172,335 |
| Bonuses | 334,080 | 920,687 | - |
| Management fees | 417,723 | 131,725 | 142,200 |
| Office and secretarial | 36,000 | 37,000 | 30,000 |
| Rent | 35,559 | 26,000 | - |
| Travel and automotive | 33,826 | 34,139 | 35,415 |
| Financing costs | 142,014 | 256,935 | - |
| Interest | 774,498 | 98,407 | - |
| Discontinued operations | - | 91,157 | - |
| | <u>\$ 2,462,919</u> | <u>\$ 1,963,535</u> | <u>\$ 379,950</u> |

- a) On November 30, 2006, the spouse of an officer and director loaned the Company \$630,000 to provide funds to purchase the Kingman, Arizona land (note 9). The loan bears interest at LIBOR plus 5.98% and matures in two years. In addition, the spouse of the officer and director received a bonus of 146,500 common shares at a value of \$0.86. Interest accrued on the loan for the year ended January 31, 2007 amounts to \$6,886.
- b) For the year ended January 31, 2007, the chief executive officer and director of the Company received a bonus of \$237,723 and an officer of a subsidiary and director received a bonus of \$52,904 (US\$46,505).
- c) Pacific Hydro, the owner of approximately 23% of the common shares of the Company, provided a loan of \$15,771,800 (US\$13,400,000) to acquire Mesa Wind Power (note 9). The loan bears interest at LIBOR plus 6% and is repayable on December 31, 2006. Interest accrued on the loan for the period ending January 31, 2007 amounted to \$747,412 (US\$674,764).
- d) As at January 31, 2007, subscriptions receivable (received) from the spouse of a director of the Company is \$nil; (2006 - \$129,100 (2005 - \$20,000)). On December 5, 2006, the spouse advanced the Company \$630,000 and repaid the subscription receivable.
- e) During the fiscal year ended January 31, 2007, bonuses totalling \$nil (2006 - \$1,000,000; 2005 - \$nil)

were awarded to two directors and officers of the Company. The 2006 bonus was settled through the issuance of 182,930 shares and 426,829 shares to be issued. 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 \$334,080 (2006 - \$582,000; (2005 - \$nil) has been expensed in the year-ended January 31, 2007 and \$83,920 (2006 - \$418,000) has been deferred and will be amortized to expense pursuant to the terms of the agreement.

- f) A shareholder provided a loan of \$657,250 (US\$550,000) to the Company at an interest rate of 18% plus the issue of 82,500 bonus shares at a value of \$1.60 per share. Interest charged on the loan totalled \$7,436 (US\$6,537) (2006 - \$49,254 (US\$40,851); 2005 - \$nil). The loan was repaid in February 2006.
- g) During the fiscal year ended January 31, 2006, 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 financing fee of 12% per year applied to the principle amount of the letter of credit and the issuance of 83,290 bonus shares at a value of \$1.50 per share. Interest charged on the letter of credit totalled \$16,024 (US\$14,086); (2006 - \$49,153 (US\$40,767)). The letter of credit was replaced on April 6, 2006.

Related party transactions are measured at the exchange amount, which is the consideration established and agreed to by the related parties, unless otherwise noted.

Announcements for the Period Under Review – Year Ended January 31, 2007

On February 13, 2006, the Company announced that it had obtained a listing on the NASDQ Over-the-Counter Bulletin Board under the listing "WNDEF".

On February 27, 2006, the Company announced that it had completed the purchase of the Windridge Wind Farm consisting of 192 acres of land and 43 Windmatic turbines and the assignment of an RS01 power purchase agreement with Southern California Edison expiring in 2014. The purchase price was US\$825,000 payable by US\$550,000 on closing and US\$275,000 by a way of a two year mortgage payable to the vendor. The mortgage is convertible into common shares at \$1.40 per share and bears interest at 8% per year, interest payable annually. The interest is payable by the issue of common shares at the stock price at the date that the holder elects to accept payment in common shares.

On February 27, 2006, the Company announced that it would re-price the 400,000 stock option granted to Steve Mendoza, Executive Vice President and Chief Engineer of the Company from \$2.40 per share to \$1.74 per share.

On March 20, 2006, the Company announced that it had signed a Turbine Supply Agreement with Mitsubishi Power Systems for the delivery of 15 -1MW wind turbines for the Steel Park Project.

On May 1, 2006, the Company announced that the 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 had intended to 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 prevented 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 was sponsoring 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.

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. After the acquisition PAMC changed its name to Mesa Wind.

Pacific Hydro provided a short-term loan of US \$13,400,000 to facilitate the acquisition. The interest rate for the loan was set at 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. The Company announced that it intended to repay the loan from proceeds of a private placement (the “Loan Repayment Private Placement”) once the management cease trade order was lifted. Pacific Hydro had the right (but no obligation) to subscribe for securities pursuant to the Loan Repayment Private Placement.

The maturity date of the loan was set at the earlier of:

- (a) if Pacific Hydro elected to participate in the Loan Repayment Private Placement, 10 business days after disinterested shareholder approval no later than September 30, 2006 was obtained for such participation at the Company’s annual general meeting; 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 participated 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), was to transfer one half of its ownership interest in the Mesa Wind Farm to Pacific Hydro in full satisfaction of 50% of the balance owing under the loan on the date of transfer. If the Company failed to repay the remaining half of the Loan by December 31, 2006, the Company was to transfer its remaining ownership interest in full and final satisfaction of the loan. The Company could repay the loan or any part of the loan at any time without penalty or bonus.

On September 7, 2006, the Company issued an information circular that disclosed that the Company was nominating 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 had been filed. In addition, the Company announced that it was 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 would be non-voting and redeemable upon the Company providing 30 days notice to the holder, after December 31, 2006, and upon providing 60 days notice.

On September 25, 2006, the Company announced the appointment of V. John Wardlow to the Board of Directors. The Company also announced that it had 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.

On October 24, 2006, the Company announced that it has established a strategic site acquisition plan to acquire the rights to approximately 30 potential sites in the State of California with the assistance of Richard Simons from Windots, Inc., a leading US meteorological consulting firm that has sited over 4,000 wind turbines in the United States.

On October 26, 2006, the Company announced its intention to raise \$7.2 million in equity through the issue of 6 million units at a price of \$1.20 per unit. Each unit is to consist of one share and one share purchase warrant entitling the holder to purchase one share at a price of \$1.30 per share for a two-year period. The proceeds of the financing are to be used to acquire land in California.

The Company also announced its intention to raise a further US\$14 million in long term debt financing to repay the loan from Pacific Hydro of US\$13.4 million plus accrued interest.

On October 26, 2006, Pacific Hydro issued a press release stating that it is requiring the Company to repurchase 4,333,333 common shares at a price of \$1.50 per share as a result of their failure to obtain voting rights commensurate with their share ownership at the Annual General Meeting. The Company has stated that Pacific Hydro does not have the right to require the repurchase of these shares.

On October 27, 2006, the Company responded to the press release made by Pacific Hydro. Pacific Hydro is the largest shareholder with approximately 23% of the common shares. At the Annual General Meeting, the disinterested shareholders exercised their right not to allow Pacific Hydro to vote more than 19.9% of their shares. Although, Pacific Hydro lost the control person resolution, it is still able to carry shareholder resolutions through the voting of 19.9% of their shares.

On November 7, 2006, the Company issued a news release to respond to two news releases published by Stockwatch dated November 7, 2006. The Company received a Statement of Claim from Michael Wystrach in the British Columbia Supreme Court. Mr. Wystrach has sued the Company in the State of Arizona and the judge decided that there was no merit to the case and dismissed it. Mr. Wystrach appealed the case to the US Federal District Court and the case was again dismissed.

On November 13, 2006, the Company announced that it had acquired the right of way from the Bureau of Land Management for 22,227 acres near Kingman, Arizona. The right of way entitles the Company to test and evaluate the property for a three year period and to convert the right of way to a 30 year production lease.

The Company also announced that the spouse of a director will loan the Company \$630,000 at an interest rate of LIBOR plus 5.98% payable monthly. The lender will receive a bonus of 146,500 common shares at a deemed price of \$0.86 per share.

The Company received Statements of Claim from Pacific Hydro on November 10, 2006, November 14, 2006 and December 19, 2006. The contents of these documents are described under Legal Proceedings.

On November 14, 2006, the Company issued a news release to respond to Statements of Claim filed by Pacific Hydro against the Company.

On November 29, 2006, the Company announced that it had filed a Statement of Defence and a Counterclaim with respect to one of the lawsuits initiated by Pacific Hydro. The Company alleged that Pacific Hydro had been “unlawfully, dishonestly, unfairly and unethically” in its dealings with the Company. Pacific Hydro interfered with the Company’s efforts to raise equity and debt financing to repay the Mesa Loan of US\$13.4 million plus accrued interest as described previously. The Company announced its intentions to seek damages of \$25 million plus punitive damages.

On December 5, 2006, the Company completed the purchase of 1,128 acres near Kingman, Arizona for US\$1,641,130. The purchase price was paid by the two non-refundable deposits of US\$105,000 each, a cash payment of US\$603,476 and vendor financing of US\$825,000 due on June 6, 2007 with interest at 7%.

On January 4, 2007, the Company announced that it had closed the second tranche of a non-brokered private placement. The Company issued 20,000 units at a price of \$1.20 per unit. Each unit consisted of one common share and one share purchase warrant. The warrants entitled the holders to purchase one common share over a two year period at a price of \$1.30 per share until December 31, 2008.

On January 15, 2007, the Company announced that it had agreed to settle debts totaling approximately \$85,500 with certain creditors by the issuance of 106,875 common shares at a deemed price of \$0.80 per share in full settlement of the debts. These shares were issued subsequent to January 31, 2007.

On January 24, 2007, the Company announced that it has negotiated a non-brokered private placement of up to 650,000 units at a price of \$0.90 per unit for total gross proceeds of approximately \$585,000. Each unit was to be comprised of one (1) common share and one (1) share purchase warrant. Each warrant entitled the holder to purchase one (1) additional common share for a period of two years at a price of \$1.05 per share. The Company paid a finders' fees with respect to certain of the places comprising a combination of cash (10% of subscription amount) and share purchase warrants (10% of the number units placed). Any warrants issued pursuant to the finders' fee will have the same terms as the warrants comprising the units.

Subsequent Events

On February 20, 2007, the Company announced that it is in discussions with an International consulting firm regarding the development by Western Wind Energy Corporation of over 1,000 MW's of wind energy development in a large Asian country.

On February 26, 2007, the Company announced that it had closed the non-brokered private placement announced in the Company's news release of January 24, 2007. The Company issued 732,000 units at a price of \$0.90 per unit. Each unit was comprised of one common share and one share purchase warrant. Each warrant entitled the holder to purchase one common share at a price of \$1.05 per share until February 23, 2009. The hold periods for the units and the underlying securities expired on June 24, 2007. In connection with the private placement, the Company paid to an arm's length registered dealer a finder's fees totaling \$37,710 and brokers' warrants to acquire 42,000 common shares of the Company.

On February 27, 2007, the Company announced that it sent a delegation to Melbourne, Australia, to discuss a settlement proposal sent to the Company, by Pacific Hydro Limited.

On March 6, 2007 the Company announced that it met with a representative of Pacific Hydro in Melbourne, Australia to discuss the settlement. The Company stated that it would provide a settlement documentation package to Pacific Hydro that was to include the repayment of the Mesa Acquisition Loan of US\$13.4 million plus accrued interest, the liquidation of the Mitsubishi Turbines and the allocation of proceeds to each party based on their total investment in the turbines or in the alternative full payment to each party of its total investment if the other party utilizes the turbines for its own projects, assistance to Pacific Hydro by completing a secondary offering of Pacific Hydro's shares of the Company. On June 8, 2007, the Company commenced negotiations to settle all legal proceedings between the parties.

On March 29, 2007, the Company announced it has entered into an investor relations agreement with Ascenta Capital Partners Inc. ("Ascenta"). In consideration of Ascenta providing investor relations services to the Company is to pay to Ascenta a monthly fee of \$5,500 and reimburse Ascenta for certain out of pocket expenditures. The investor relations services include assisting in the development and implementation of an investor relations program, analyzing the Company, its industry and peers, to identify audiences, channels and communication strategy; and communicating with retail broker contacts to enhance recognition, increase awareness and interest in the Company. In addition, the Company agreed to grant 250,000 options to Ascenta, exercisable at a price of \$1.10 per share in accordance with the Company's stock option plan. The options expire 5 years from the date of grant and the options vest 25% on the date of grant and 25% every six months after the date of the grant. The term of the agreement is for one (1) year.

On May 23, 2007, the Company announced that:

1. April 2007 energy production from all its projects has exceeded 8 million kilowatt hours for the month of April. This monthly production record translates into monthly revenues of approximately CDN \$700,000.00 for April.
2. On April 18, 2007, the Company, through its US legal counsel, submitted a comprehensive settlement proposal to Pacific Hydro.
3. Western Wind Energy has hired Rodney Dees as Senior Vice President, Project Development and Construction. Rod Dees is a wind energy construction executive who has directly managed the construction of over 1,000 megawatts of wind energy projects throughout the world including projects for Zond Wind Systems, Cannon Wind Power, Enron Wind Systems and GE Energy.

On May 28, 2007 the Company announced that:

1. It was in advanced discussions with an investor group to purchase 6 million units of the common shares of Western Wind Energy at \$0.90 per unit. Each unit would be comprised of one (1) share at \$0.90 and a warrant entitling the holder to purchase one (1) additional common share at a price of \$1.05 for two (2) years. The use of proceeds was to be used for the acquisition of technical information, individual projects site data, and administrative and professional infrastructure on over 1,000 megawatts of wind energy development in the Republic of India.
2. It has issued a US \$412,500 debenture to partially repay a loan. The debenture was for a term of two years and an interest rate of LIBOR +5.98%. In addition, the lender received a bonus of 119,000 common shares at a deemed price of \$0.75 per share.

On June 8, 2007, the Company announced that the British Columbia Securities Commission issued a Management Cease Trade Order prohibiting certain directors, officers and insiders of the Company from trading in the securities of the Company because of the failure by the Company to file, within the prescribed period of time, its audited financial statements for the year ended January 31, 2007. This restriction will remain in place until the Company's regulatory filings are brought up to date.

On June 8, 2007 the Company entered into negotiations to settle all outstanding issues between the parties and to provide for the cessation of all legal proceedings between the parties. Although the basic financial terms have been agreed to by both parties, settlement is subject to a definitive agreement. There can be no guarantee that a settlement will be reached between the Company and Pacific Hydro or that the final terms of the settlement will be favourable to the Company.

On July 5, 2007, the Company has also decided to cancel the 6 million share private placement previously announced on May 28, 2007, except for private placements received of \$99,000 for 110,000 units already subscribed for by arm's length subscribers.

On July 6, 2007 and on a weekly basis after that date, the Company announced, as required, that there had been no material changes in the information contained in the Notice of Default, that it was unable to meet its June 30, 2007 filing deadline and as a result of its inability to file its audited financial statements for the year ended January 31, 2007, it will be unable to file its unaudited financial statements for the three months ended April 30, 2007 within the time period required by regulatory authorities. The Management Cease Trade Order is to remain until the Company is up to date with its filings with the British Columbia Securities Commission.

Commitments and Contingent Liabilities

The commitments and contingent liabilities as at January 31, 2007 are as follows:

- a) On April 6, 2006, a Letter of Credit was established for \$1,139,000 (US\$1,000,000) to secure a performance bond to Southern California Edison. The Letter of Credit is secured by US\$1,000,000 (CDN\$1,177,000) in cash. The purchase agreement requires the Company to complete the Windstar 120 MW Project prior to December 31, 2008.
- b) On January 25 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 and development within certain geographic areas and requires Pacific Hydro to fund development and construction costs on projects if a definitive joint venture agreement is entered into by the parties. Pacific Hydro has commenced a legal action against the Company to require the Company not to develop wind farms within these geographic areas without their participation or sell, lease or use its Tehachapi property as security for a loan.
- c) 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.

- d) The Company has a right of way with the Bureau of Land Management that expires on January 26, 2013 and the Company has the right to enter into a new 30 year right of way. The right of way requires payments of US\$78,478. The Company is committed to the removal of any structure, equipment and machinery at the end of the right of way. The Company also has an obligation to remove foundations and equipment on the termination of the right-of-way.
- e) The Company has entered into a right-of-way grant with the Bureau of Land Management for three years for 22,227 acres of land near Kingman, Arizona for a rental fee of US\$22,227 for the period from November 1, 2006 to December 31, 2007. Future rental rates are to be based on the fair market value of the property. The right of way grant may be renewed by making an amended application and providing a plan of development. Any improvements to the property must be removed at the end of the right-of-way.
- f) The Company entered into a property referral agreement with Richard Simons that provides for a finder's fee of US\$1,000 per MW payable on financial close.
- g) 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 the consolidated financial statements.

- h) On November 7, 2006, Pacific Hydro has commenced legal action to require the transfer of the shares of Mesa Wind Power Corporation to Pacific Hydro. The Company has filed a Statement of Defence and Counter Claim. The Statement of Defence states that Pacific Hydro did not elect to subscribe to the US\$7 million in shares to partially repay the Loan to Pacific Hydro of US\$13,400,000 so that the maturity date of the loan was extended to December 31, 2006. The Counterclaim states that Pacific Hydro has obstructed the Company's efforts to refinance the loan and demands that the maturity date be extended to 180 days after the settlement of all lawsuits with Pacific Hydro, that Pacific Hydro be restrained from taking action to realize upon its security until a final determination is made by the Court and that Pacific Hydro pay damages to the Company. Management believes that the outcome of the lawsuit is indeterminable at this time.

On November 8, 2006, Pacific Hydro commenced legal action to require the redemption of 4,333,333 common shares at a price of \$1.50 per share. Pacific Hydro has claimed that it has the right to put these shares to the Company pursuant to the Exclusivity Agreement. The Company has filed a Statement of Defence and Counter Claim. The Statement of Defence states that the terms and conditions of the private placement are described in the Subscription Agreement entered into by Pacific Hydro and that the Subscription Agreement does not provide for any redemption right and acknowledges that there are no written or verbal agreements related to the private placement establishing a put option. The Counter Claim is for damages resulting from the dissemination of its notice of intention to sell the common shares and related legal action by Pacific Hydro. Management believes that Pacific Hydro's claim is without any merit.

On December 19, 2006, Pacific Hydro commenced legal action to prevent the Company from selling, developing, leasing or using the land in Tehachapi, California without their participation. The Company is claiming that the Alliance Agreement or subsequent joint venture agreements require shareholder approval and that joint venture agreements are subject to the negotiation of a definitive agreement. The Company has filed its Statement of Defence and Counter Claim with respect to this action. Since the agreement has not been specifically approved by the shareholders, management believes that a Special General Meeting of the Shareholders is required to approve any agreement with Pacific Hydro.

- i) The Company is being sued by a former director of Eastern Wind 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. In addition, a former director of Eastern Wind is suing the Company and its chief executive officer for slander. The Company believes that the suit is without merit.

- j) 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 Eastern Wind 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. The officers have also initiated a lawsuit against the Company and its chief executive officer for slander. The parties have agreed upon the terms of a settlement agreement and are preparing legal documents to implement the settlement. Management does not believe that the settlement will have a material effect on the Company.
- k) On July 9, 2007, Michael and Grace Wystrach filed a Statement of Claim against the Company claiming that they were not paid \$351,000 for a prepaid lease or, if they were paid, that the chief executive officer unlawfully misappropriated the funds. The Company will file a Statement of Defence. Management believes that the allegations made by Michael and Grace Wystrach in the Statement of Claim do not have any merit.
- l) On June 8, 2007 the Company entered into negotiations to settle all outstanding issues between the parties and to provide for the cessation of all legal proceedings between the parties. Although the basic financial terms have been agreed to by both parties, settlement is subject to a definitive agreement. There can be no guarantee that a settlement will be reached between the Company and Pacific Hydro or that the final terms of the settlement will be favourable to the Company.

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 for the year ended January 31, 2007 and its failure to file its audited statements and MD&A for the year ended January 31, 2007 and unaudited financial statements and MD&A for the three months ended April 30, 2007. On June 8, 2007, the Company announced that the British Columbia Securities Commission has issued a Management Cease Trade Order prohibiting certain directors, officers and insiders of the Company from trading in the securities of the Company because of the failure by the Company to file, within the prescribed period of time, its audited financial statements and MD&A for the year ended January 31, 2007 and for the three months ended April 30, 2007. This restriction will remain in place until the Company's regulatory filings are brought up to date.

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

| | Period From January 5, 1998 (Inception) to January 31, | | | |
|--|--|-----------------|-----------------|----------------|
| | 2007 | 2007 | 2006 | 2005 |
| Revenues | | | | |
| Energy sales | \$1,594,440 | \$ 1,594,440 | \$ - | \$ - |
| Expenses | | | | |
| Advertising and promotion | 337,827 | 140,370 | 89,125 | 95,547 |
| Amortization – deferred charges | 2,625 | - | - | - |
| Amortization – discount on promissory note | 22,487 | - | - | - |
| Amortization | 1,479,881 | 1,418,075 | 31,398 | 25,095 |
| Asset retirement obligation accretion | 76,296 | 76,296 | - | - |
| Bonuses | 1,421,433 | 334,080 | 1,087,353 | - |
| Communications | 417,658 | 27,219 | 283,664 | 106,775 |
| Consulting and directors' fees | 2,610,747 | 798,775 | 448,549 | 289,527 |
| Financing costs | 471,449 | 142,014 | 256,935 | 72,500 |
| Foreign exchange loss (gain) | 574,254 | 536,996 | 38,339 | (1,081) |
| Interest and accretion on long term debt | 1,088,286 | 946,304 | 104,220 | 13,132 |
| Management fees | 933,649 | 417,723 | 131,725 | 142,200 |
| Office and secretarial | 576,559 | 83,278 | 118,319 | 71,442 |
| Plant operating expenses | 1,064,495 | 1,064,495 | - | - |
| Professional fees | 2,212,371 | 1,013,673 | 373,312 | 215,824 |
| Project costs | 613,289 | 215,606 | 70,099 | 181,572 |
| Regulatory fees | 298,778 | 22,560 | 93,029 | 28,844 |
| Rent | 156,747 | 62,616 | 45,216 | 21,215 |
| Stock-based compensation | 2,779,836 | 490,168 | 536,787 | 1,010,317 |
| Telephone | 127,409 | 39,445 | 27,712 | 29,304 |
| Travel and automotive | 1,166,901 | 304,496 | 250,958 | 192,065 |
| | 18,432,977 | 8,134,189 | 3,986,740 | 2,494,278 |
| Loss before the following | (16,838,537) | (6,539,749) | (3,986,740) | (2,494,278) |
| Interest income | 129,873 | 111,006 | 5,301 | 697 |
| Loss on the sale and write off of assets | (558,163) | - | - | - |
| Write off of equipment, land leases and wind data | (852,661) | (24,286) | (726,000) | (102,375) |
| Gain on sale of assets and debt forgiveness | 72,530 | - | - | - |
| Loss from continuing operations before income taxes | (18,046,958) | (6,453,029) | (4,707,439) | (2,595,956) |
| Income tax provision (refund) | (881,563) | (893,482) | 11,919 | - |
| Loss from continuing operations after tax | (17,165,395) | (5,559,547) | (4,719,358) | (2,595,956) |
| Loss from discontinued operations | (6,989,995) | (6,163,061) | (394,863) | (317,103) |
| Loss for the year | (24,155,390) | (11,722,608) | (5,114,221) | (2,913,059) |
| Deficit, beginning of year | - | (12,432,782) | (7,318,561) | (4,405,502) |
| Deficit, end of year | \$(24,155,390) | \$ (24,155,390) | \$ (12,432,782) | \$ (7,318,561) |

Disclosure of Outstanding Share Data

Summary of Securities Issued During the Period

| | <u>Shares</u> | <u>Amount</u> |
|--|----------------|-------------------|
| Cash transactions | | |
| Exercise of warrants at \$2.10 per share | 16,000 | \$ 33,600 |
| Exercise of warrants at \$1.80 per share | 27,000 | 48,600 |
| Private placement at \$1.20 per unit net of issuance costs of \$14,090 | 137,416 | 150,810 |
| Exercise of warrants at \$1.03 per share | <u>78,000</u> | <u>80,340</u> |
| | 258,416 | 313,350 |
| Non cash transaction | | |
| Bonus shares at a value of \$0.86 per share | <u>146,500</u> | <u>125,990</u> |
| | <u>404,916</u> | <u>\$ 439,340</u> |

Summary of Options Granted During the Period

During the 2007 fiscal year, the Company granted 850,000 options to directors, officers and the spouse of an officer and director to acquire shares at \$1.23 per share and 25,000 to a consultant at \$2.05 per share.

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: 24,119,705 common shares

Number and Recorded Value for Shares Issued and Outstanding

At January 31 2007, the Company had 24,119,705 common shares outstanding having a paid up value of \$0.91 per share (\$21,879,587).

Description of Options, Warrants and Convertible Securities Outstanding

| Type of Security | Number or Amount | Exercise or Conversion Price | Expiry Date |
|------------------|------------------|-------------------------------|--------------------|
| Stock Options | 100,000 | \$0.86 | November 4,, 2007 |
| 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 | 100,000 | \$1.43 | March 16, 2009 |
| Stock Options | 250,000 | \$1.40 | September 2, 2009 |
| Stock Options | 250,000 | \$1.33 | September 9, 2010 |
| Stock Options | 25,000 | \$2.05 | February 27, 2011 |
| Stock Options | 850,000 | \$1.23 | September 25, 2011 |
| 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 | 425,000 | \$1.03 | March 31, 2007 |
| Warrants | 380,000 | \$2.20 | June 15, 2007 |
| Warrants | 666,667 | \$1.60 | October 24, 2007 |
| Warrants | 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 |
| Warrants | 117,416 | \$1.30 | November 28, 2008 |
| Warrants | 20,000 | \$1.30 | December 27, 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

Internal Control over Financial Reporting and Disclosure Controls and Procedures

Management is responsible for the design and maintenance of both internal control systems over financial reporting and disclosure controls and procedures. Disclosure controls and procedures are designed to provide reasonable assurance that relevant information is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Current disclosure controls include meetings with the CEO, chief financial officer and members of the board of directors and audit committee through emails, telephone conferences and informal meetings to review public disclosure. All public disclosures are reviewed by certain members of senior management and of the board of directors and audit committee. The board of directors has delegated duties to the chief executive officer who is primarily responsible for financial and disclosure internal controls.

The design of the Company's internal control systems over financial reporting and the effectiveness of its disclosure control and procedures were reviewed during the year ended January 31, 2007 and determined not to be effective. The Audit Committee has been provided information on the deficiencies.

The Company has assessed the effectiveness of its disclosure controls and procedures and the design of the internal controls over financial reporting and during the process identified certain weaknesses in internal controls, which are as follows:

1. Due to the limited number of staff, it is not feasible to achieve complete segregation of incompatible duties.
2. Due to the size of the Company and the limited number of staff, the Company does not have the optimum complement of personnel with all of the technical accounting knowledge to address all complex and non-routine accounting transactions that may arise. Therefore, the Company hired an external accounting firm to assist in the completion of such transactions.

The deficiencies have resulted in the restatement of the audited financial statements and MD&A for the year ended January 31, 2006 and late filing of the audited financial statements and MD&A for the year ended January 31, 2007 and the unaudited financial statements and MD&A for the three months ended April 30, 2007. In addition, the Company is late filing its 2006 and 2007 Form 20-F with the Securities and Exchange Commission.

These weaknesses in internal controls over financial reporting result in a more than remote likelihood that a material misstatement would not be prevented or detected. Management and the board of directors work to mitigate the risk of a material misstatement in financial reporting; however, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.

Management has identified certain areas where it can improve process controls and intends on incorporating these changes into the internal control over financial reporting over the next twelve months.

The Board of Directors has indicated that they will review changes in internal controls at the 2007 Annual General Meeting and that the Audit Committee will actively monitor the progress in implementing the controls over the next twelve months.