

***Western Wind Energy Corp.***  
***Consolidated Financial Statements***

*(A Development Stage Company)*

*(Expressed in Canadian Dollars)*

***July 31, 2007***

**NOTICE OF NO AUDITOR REVIEW OF FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JULY 31, 2007**

**In accordance with National Policy 51-102, the Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the six months ended July 31, 2007.**

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

	<b>Note</b>	<b>July 31</b>	<b>January 31</b>
		<b>2007</b>	<b>2007</b>
<b>Assets</b>			
<b>Current</b>			
Cash		\$ 49,463	\$ 42,506
Accounts receivable		1,033,999	694,001
Refundable tax credits		104,371	68,624
Income taxes refundable		252,945	264,768
Prepaid expenses and deposits		<u>244,149</u>	<u>238,234</u>
Total current assets		1,684,927	1,308,133
<b>Restricted cash</b>		1,167,655	1,194,530
<b>Investment</b>		69,000	-
<b>Construction in progress</b>	<b>3</b>	373,382	262,697
<b>Property and equipment deposits</b>	<b>4</b>	31,576	30,411
<b>Property and equipment</b>	<b>5</b>	20,638,318	23,355,314
<b>Goodwill and other intangible assets</b>	<b>6</b>	3,992,830	4,409,958
<b>Discontinued operations</b>	<b>8</b>	<u>13,472</u>	<u>13,472</u>
<b>Total Assets</b>	<b>14</b>	<u>\$ 27,971,160</u>	<u>\$ 30,574,515</u>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		\$ 3,250,190	\$ 2,693,436
Loans payable, current portion	9	<u>15,479,692</u>	<u>17,456,429</u>
<b>Total current liabilities</b>		18,729,882	20,149,865
<b>Loans payable</b>	9	545,236	545,236
<b>Asset retirement obligation</b>	10	967,142	1,030,000
<b>Future income tax liability</b>	13	4,829,570	5,726,251
<b>Discontinued operations</b>	14	<u>904,628</u>	<u>1,134,194</u>
<b>Total liabilities</b>		<u>25,976,458</u>	<u>28,585,546</u>
<b>Commitments</b>	17		
<b>Contingencies</b>	18		
<b>Shareholders' Equity</b>			
Share capital	11, 18(c)	23,121,727	21,879,587
Share subscriptions (receivable) received in advance	16	88,000	165,500
Contributed surplus	12	4,076,345	3,710,094
Deferred share bonus expense	16	-	(83,920)
Cumulative currency translation adjustment		(947,858)	473,098
Deficit accumulated in development stage		<u>(24,343,512)</u>	<u>(24,155,390)</u>
		<u>1,994,702</u>	<u>1,988,969</u>
<b>Total Liabilities and Shareholders' ' Equity</b>		<u>\$ 27,971,160</u>	<u>\$ 30,574,515</u>
<b>Nature of Business and Continued Operations</b>	<b>1</b>		
The accompanying notes are an integral part of these financial statements			

On behalf of the board:

"Claus Andrup"

"V. John Wardlow"

\_\_\_\_\_  
Claus Andrup  
(Director)

\_\_\_\_\_  
V. John Wardlow  
(Director)

**Western Wind Energy Corp.**  
(A Development Stage Company)  
**Consolidated Statements of Operations and Deficit**  
**For the Six Months Ended July 31, 2007 and 2006**  
(Expressed in Canadian Dollars)

	Period From		Three		Six	
	January 5, 1998 (inception) to	July 31, 2007	Months Ended July 31, 2006	July 31, 2007	Months Ended July 31, 2006	July 31, 2006
Note	July 31, 2007	July 31, 2007	July 31, 2006	July 31, 2007	July 31, 2006	July 31, 2006
<b>Revenues</b>						
Energy sales	\$ 5,288,321	\$ 2,021,263	\$ 33,119	\$ 3,693,881	\$	50,825
<b>Expenses</b>						
Advertising and promotion	786,479	12,889	72,128	30,994		106,692
Amortization	2,675,857	557,572	16,767	1,170,864		33,060
Asset retirement obligation	10 112,869	17,805	-	36,573		-
Bonuses	16 1,505,353	-	78,584	83,920		157,168
Consulting and directors' fees	16 3,098,758	260,204	145,078	488,011		334,481
Financing costs	471,449	-	-	-		-
Foreign exchange gain (loss)	(1,204,487)	(878,240)	(113,541)	(1,778,741)		(148,376)
Interest and accretion on long term debt	16 2,071,369	496,854	-	983,083		22,697
Management fees	16 1,023,648	45,000	28,573	90,000		90,000
Office and secretarial	16 922,519	27,159	45,798	61,808		86,950
Plant operating expenses	2,831,939	1,071,983	12,524	1,767,444		12,524
Professional fees	3,108,291	413,007	111,724	895,920		257,006
Project costs	750,702	61,468	2,483	137,413		44,652
Regulatory fees	319,200	6,896	4,451	20,422		13,128
Stock-based compensation	11 2,890,666	51,990	10,259	110,830		10,259
Travel and automotive	16 1,344,783	94,438	20,480	177,878		111,240
	<u>22,709,393</u>	<u>2,239,025</u>	<u>435,308</u>	<u>4,276,417</u>		<u>1,131,481</u>
<b>Loss before the following</b>	<b>(17,421,073)</b>	<b>(217,763)</b>	<b>(402,189)</b>	<b>(582,537)</b>		<b>(1,080,656)</b>
<b>Interest income</b>	<b>174,364</b>	<b>13,581</b>	<b>19,717</b>	<b>44,491</b>		<b>48,418</b>
<b>Gain (loss) on sale and write off of assets</b>	<b>(1,338,294)</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>(7,203)</b>
<b>Loss) from continuing operations</b>						
<b>before income taxes</b>	<b>(17,327,352)</b>	<b>(204,182)</b>	<b>(382,472)</b>	<b>(538,046)</b>		<b>(1,039,441)</b>
<b>Income tax (recovery)</b>	<b>(1,257,651)</b>	<b>(184,022)</b>	<b>-</b>	<b>(376,089)</b>		<b>-</b>
<b>Loss from continuing</b>						
<b>operations after income taxes</b>	<b>(18,585,003)</b>	<b>(20,160)</b>	<b>(382,472)</b>	<b>(188,122)</b>		<b>(1,039,441)</b>
<b>Income (loss) from discontinued operations</b>	<b>(7,016,160)</b>	<b>74,861</b>	<b>-</b>	<b>(26,165)</b>		<b>-</b>
<b>Loss for the period</b>	<b>(24,343,512)</b>	<b>54,700</b>	<b>(382,472)</b>	<b>(188,122)</b>		<b>(1,039,441)</b>
<b>Deficit, beginning of period</b>	<b>-</b>	<b>(24,398,213)</b>	<b>(12,772,994)</b>	<b>(24,155,390)</b>		<b>(12,116,025)</b>
<b>Deficit, end of period</b>	<b>\$ (24,343,512)</b>	<b>\$ (24,343,512)</b>	<b>\$ (13,155,466)</b>	<b>\$ (24,343,512)</b>		<b>\$ (13,155,466)</b>
Loss per share as reported - basic and fully diluted		\$ (0.00)	\$ (0.02)	\$ (0.01)	\$	(0.04)
Weighted average number of shares		25,743,080	23,749,289	24,466,165		23,737,789

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 Six Months Ended July 31, 2007 and 2006**  
(Expressed in Canadian Dollars)

	Period From		Three		Six
	January 5, 1998 (inception) to July 31, 2007	July 31, 2007	Months Ended July 31, 2006	July 31, 2007	Months Ended July 31, 2006
<b>Cash flows from (used in) operations for the period from continuing operations after income taxes</b>	\$ (17,327,352)	\$ (20,160)	\$ (382,472)	\$ (161,957)	\$ (1,039,441)
Add: Items not involving cash					
Amortization	2,675,857	557,572	16,767	1,170,864	33,060
Asset retirement obligation	112,869	17,805	-	36,573	-
Bonuses paid in shares	1,505,353	-	78,584	83,920	157,168
Financing fees paid in common shares and equity rights	445,425	-	-	-	-
Accretion of fair value of conversion option	150,652	26,250	-	51,644	-
Write off of land leases, wind data and equipment	1,338,294	-	-	-	-
Stock based compensation	2,890,666	51,990	10,259	110,830	10,259
Future income taxes	(735,349)	(376,090)	-	(376,090)	-
Other	15,000	-	-	-	-
	(8,928,585)	449,435	(276,862)	915,784	(838,954)
<b>Change in non-cash working capital items</b>					
Refundable tax credits	(104,371)	(24,633)	11,092	(35,747)	10,432
Accounts receivable	(1,033,999)	262,085	(20,072)	(339,998)	(20,072)
Income taxes refundable	(252,945)	10,538	-	11,823	-
Prepaid expenses and deposits	(244,149)	(121,936)	1,936	(5,915)	27,221
Accounts payable and accrued liabilities	3,250,088	373,839	111,311	556,752	286,761
Discontinued operations	(3,064,899)	150,761	-	(26,164)	-
<b>Net cash used in operating activities</b>	<b>(10,378,859)</b>	<b>1,100,089</b>	<b>(172,595)</b>	<b>1,076,536</b>	<b>(534,612)</b>
<b>Cash flows from (used in) financing activities</b>					
Shares and warrants issued for cash	21,621,692	239,405	41,490	1,150,780	85,290
Loans payable and conversion rights	16,185,851	(672,566)	15,206,467	(1,925,093)	15,157,083
Advances (repayments to) related party	5,767	-	(68,732)	-	(268,732)
Discontinued operations	(229,566)	(229,566)	-	(229,566)	-
<b>Net cash used in financing activities</b>	<b>37,583,744</b>	<b>(662,727)</b>	<b>15,179,225</b>	<b>(1,003,879)</b>	<b>14,973,641</b>
<b>Cash flow from (used in) investing activities</b>					
Purchase of property and equipment	(6,288,089)	(97,177)	61,808	(100,207)	(997,770)
Investment in Mesa Wind Farm	(15,346,142)	(175,492)	(15,534,623)	188,481	(15,534,623)
Purchase of intangible assets	(34,623)	-	-	-	-
Construction in progress	(373,381)	(117,300)	(459,886)	(110,685)	(2,740,820)
Property and equipment deposits	(31,576)	(856)	(127,298)	(1,165)	543,499
Restricted cash	(1,167,655)	(41,125)	-	26,875	(1,162,800)
Investment	(69,000)	(69,000)	-	(69,000)	-
Discontinued operations	(2,830,540)	-	-	-	-
Other	(1,014,417)	-	-	-	-
<b>Net cash used in investing activities</b>	<b>(27,155,422)</b>	<b>(500,949)</b>	<b>(16,059,999)</b>	<b>(65,700)</b>	<b>(19,892,514)</b>
<b>Increase (decrease) in cash</b>	<b>49,463</b>	<b>(63,587)</b>	<b>(1,053,369)</b>	<b>6,957</b>	<b>(5,453,485)</b>
Cash, beginning of period	-	113,050	1,522,679	42,506	5,922,795
Cash, end of period	\$ 49,463	\$ 49,463	\$ 469,310	\$ 49,463	\$ 469,310

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 Six Months Ended July 31, 2007**  
**(Expressed in Canadian Dollars)**

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**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 July 31, 2007, the Company had a working capital deficiency of \$17,044,955 and shareholders' equity of \$1,994,702. For the year ended January 31, 2007, the Company had a loss of \$11,962,693 and has accumulated losses since the commencement of operation of \$24,395,475. For the six months ended July 31, 2007, the loss was reduced by foreign exchange gains of \$1,778,741 resulting from the loss in value of the United States dollar.

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 Guidelines 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 consist of cash on deposit with banks.

**Western Wind Energy Corp.**  
(A Development Stage Company)  
**Notes to Consolidated Financial Statements**  
**For the Six Months Ended July 31, 2007**  
(Expressed in Canadian Dollars)

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**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 Six Months Ended July 31, 2007**  
(Expressed in Canadian Dollars)

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**2. Significant Accounting Policies (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 Six Months Ended July 31, 2007**  
(Expressed in Canadian Dollars)

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**2. Significant Accounting Policies (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**

	July 31 2007	January 31 2007
Term deposit and accrued interest	<u>\$1,167,655</u>	<u>\$ 1,194,530</u>

The Company has placed \$1,139,655 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 and US\$90,000 letter of credit to Southern California Edison for a performance bond on a Request for Proposal.

**4. Construction in Progress**

2007

	Windstar 120 MW	Mesa Wind 50MW	Total
Balance, beginning of year	\$ 222,632	\$ 40,065	\$ 262,697
Additions (	63,581	47,104	110,685
Balance, end of year	<u>\$ 286,213</u>	<u>\$ 87,169</u>	<u>\$ 373,382</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).

**Western Wind Energy Corp.**  
*(A Development Stage Company)*  
**Notes to Consolidated Financial Statements**  
**For the Six Months Ended July 31, 2007**  
**(Expressed in Canadian Dollars)**

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**4. Construction in Progress (Continued)**

Windstar 120 MW Project

In 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 and provided US\$1,090,000 in letters of credit.

**5. Property and Equipment Deposits**

<b>July 31</b>	<b>January 31</b>
<b>2007</b>	<b>2007</b>
<u>\$ 31,576</u>	<u>\$ 30,411</u>

Windstar

On August 4, 2006, the Company entered into an agreement to purchase land for \$266,425 (US\$250,000), payable by a deposit of \$26,643 (US\$25,000), vendor financing of \$186,498 (US\$175,000) payable over two years with interest and \$55,505 (US\$50,000) on closing. The vendor 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. The parties have reached an agreement and the transaction is expected to close during the third quarter of the 2008 fiscal year

**Western Wind Energy Corp.**  
(A Development Stage Company)  
**Notes to Consolidated Financial Statements**  
**For the Six Months Ended July 31, 2007**  
(Expressed in Canadian Dollars)

**6. Property and Equipment**

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
<b>July 31, 2007</b>			
Land	\$ 5,403,972	\$ -	\$ 5,403,972
Land right-of-way	393,060	60,741	332,589
Generating facilities	17,020,578	2,311,272	14,709,306
Meteorological towers	169,317	96,182	73,135
Furniture and equipment	36,195	18,798	17,397
Vehicles	127,737	25,548	102,189
	<u>\$ 23,150,859</u>	<u>\$ 2,512,541</u>	<u>\$ 20,638,318</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
<b>January 31, 2007</b>			
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>

**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 \$998,846 (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	34,242
Cash	<u>1,036</u>
	<u>22,433,565</u>
Less	
Future income tax liability	5,945,238
Asset retirement obligation	<u>953,704</u>
	6,898,942
	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>July 31</u>		<u>January 31</u>	
	<u>2007</u>		<u>2007</u>	
	<u>Accumulated</u>	<u>Net</u>	<u>Net</u>	<u>Net</u>
	<u>Cost</u>	<u>Amortization</u>	<u>Book Value</u>	<u>Book Value</u>
Goodwill	\$ 3,937,760	\$ -	\$ 3,937,760	\$ 4,349,012
Power purchase contracts	66,594	11,524	55,070	\$ 60,946
	<u>\$ 4,004,354</u>	<u>\$ 11,524</u>	<u>\$ 3,992,830</u>	<u>\$ 4,409,958</u>

**9. Loans Payable**

	<u>July 31</u>	<u>January 31</u>
	<u>2007</u>	<u>2006</u>
Windridge Acquisition Loan	\$235,432	\$ 214,395
Windstar Mortgages	256,522	320,046
Mesa Wind Acquisition Loan	14,280,380	15,771,800
Kingman Acquisition Loans	879,203	971,025
River Springs, Arizona Mortgage	12,113	15206
Loan from a related party to purchase Kingman, Arizona Property	303,835	630,000
Finance contracts payable	<u>57,443</u>	<u>79,193</u>
	16,024,928	18,001665
Less current portion	<u>15,479,692</u>	<u>17,456,429</u>
	<u>\$ 545,236</u>	<u>\$ -545,236</u>

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**9. Loans Payable (Continued)**

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 \$879,203 (US\$825,000). The purchase was financed by a mortgage of \$293,068 (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. The loan is secured by a first charge on the land.

The loan is recorded at its fair value of \$235,432. The difference between the fair value and loan amount of \$57,635 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 \$57,635 being charged to interest expense over the term of the loan. During the six months ended July 31, 2007, the Company accreted \$51,644 in interest expense.

Windstar Mortgages

The Company entered into mortgages to finance the purchase of land in Tehachapi, California for \$256,522 (US\$240,708). The mortgages are repayable in blended monthly payments of \$5,492 (US\$5,153) with interest at rates from 6.5% to 8% and with terms of 3 to 7 years. 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 \$14,280,380 (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 July 31, 2007 is \$1,520,613 (US\$1,426,868).

Kingman Acquisition Loans

The Company entered into a \$879,203 (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. On June 6, 2007, the loan was renegotiated and \$439,602 (US\$412,500) was extended to December 6, 2007. The Company paid a renegotiation fee of \$22,380 (US\$21,000) and accrued interest on the loan.

On June 6, 2007, the Company borrowed \$439,601 (US\$412,500) from a significant shareholder to repay a portion of the first mortgage. The loan bears interest at 12% and is secured by a second charge on the property. Interest is payable monthly

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**9. Loans Payable (Continued)**

River Springs Ranch, Arizona Mortgage

The loan of \$12,113 (US\$11,366) is repayable in monthly payments of \$184(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% and for 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. The balance of the loan at July 31, 2007 is \$303,835.

Finance Contracts

The Company has finance contracts totalling \$57,443 (US\$53,902) to acquire four trucks for the Mesa Wind Project. The finance contracts are secured by a charge on the vehicles and are repayable at \$2,298 (US\$2,156) per month without interest.

Interest on long term debt for the six months ended July 31, 2007 amounted to \$983,083 and \$496,854 for the three months ended July 31, 2007.

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

2008	\$ 15,479,692
2009	327,538
2010	79,935
2011	31,321
2012	35,919
Thereafter	<u>70,523</u>
	<u>\$ 16,024,928</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 renewal by the Company.

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

	<u>July 31</u> <u>2007</u>	<u>January 31</u> <u>2007</u>
Balance, beginning of year	\$ 1,030,000	\$ -
Additions		953,704
Accretion	36,573	76,296
Foreign exchange adjustment	(99,431)	-
Balance, end of year	<u>\$ 967,142</u>	<u>\$ 1,030,000</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>
<b>Balance, January 31, 2005</b>	<b>14,645,935</b>	<b>\$ 8,981,033</b>
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 19(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>
<b>Balance, January 31, 2006</b>	<b>23,714,789</b>	<b>21,490,117</b>
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>
<b>Balance, January 31, 2007</b>	<b>24,119,705</b>	<b>21,879,587</b>
Debt settlement at a deemed price of \$0.80 per share	179,375	143,500
Private placement at \$0.90 per unit net of issuance costs of \$38,100	732,000	620,700
Allocation of fair value of warrants		(255,420)
Exercise of warrants at \$1.03	712,000	733,360
	<u>1,623,375</u>	<u>1,242,140</u>
<b>Balance, July 31, 2007</b>	<b>25,743,080</b>	<b>\$ 23,121,727</b>

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**11. Share Capital (Continued)**

- 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)).

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

<b>Number of Warrants</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
666,667	1.60	October 24, 2007
441,133	1.60 (1 <sup>st</sup> year)	December 5, 2007
-	2.20 (2 <sup>nd</sup> 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
20,000	1.30	December 27, 2008
<u>732,000</u>	1.05	February 23, 2009
<u>7,292,549</u>		

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 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 six months ended July 31, 2007, the Company granted 250,000 options to consultants to acquire shares at \$1.10 per share. The stock options of three consultants having 370,000 stock options at \$1.20 expired and the stock option of one consultant having 25,000 stock options at \$1.52 were cancelled since she ceased to provide services to the Company.

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:

	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
Options outstanding at January 31, 2004	1,812,500	\$1.29
Granted	600,000	1.43
Exercised	<u>(207,500)</u>	<u>0.31</u>
Options outstanding at January 31, 2005	2,205,000	1.42
Granted	600,000	1.48
Exercised	(85,000)	0.55
Expired/forfeited	<u>(550,000)</u>	<u>1.26</u>
Options outstanding at January 31, 2006	2,170,000	1.51
Granted	<u>875,000</u>	<u>1.25</u>
Options outstanding at January 31, 2007	3,045,000	1.43
Granted	250,000	1.10
Expired/forfeited	<u>(395,000)</u>	<u>1.22</u>
Options outstanding at April 30, 2007 and July 31, 2007	<u>2,900,000</u>	<u>\$1.43</u>

<u>Options Outstanding</u>				<u>Options Exercisable</u>	
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	2,200,000	3.15	\$ 1.26	1,587,500	\$1.28
\$1.50- \$2.25	450,000	1.32	\$ 1.72	450,000	1.72
\$2.25 - \$3.38	250,000	1.19	\$ 2.43	250,000	2.43
	<u>2,900,000</u>	<u>2.70</u>	<u>\$ 1.43</u>	<u>2,287,500</u>	<u>\$ 1.47</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).

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**12. Contributed Surplus**

Contributed Surplus has changed as follows:

30	<u>July 31</u> <u>2007</u>	<u>January 31</u> <u>2007</u>
Balance, beginning of the year, as previously reported	\$ 3,710,094	\$ 2,961,768
Stock-based compensation expense	110,830	490,168
Fair value of conversion option	-	208,288
Fair value of warrants issued during the year	255,421	49,870
	<u>\$ 4,076,345</u>	<u>\$ 3,710,094</u>

**13. Income Taxes**

Income taxes:

	<u>July 31</u> <u>2007</u>	<u>January 31</u> <u>2007</u>
Current	\$ -	\$ (534,262)
Future	(376,089)	(359,220)
	<u>\$ (376,089)</u>	<u>\$ (893,482)</u>

**14. Discontinued Operations**

The losses from discontinued operations are comprised of the following:

	Period From January 5, 1998 (Inception) To January 31 <u>2007</u>	July 31 <u>2007</u>	January 31 <u>2007</u>
Grand Manan 20 MW Project	\$ (2,002,299)	\$ (26,026)	\$ (1,149,339)
Steel Park 15 MW Project	(5,013,861)	(139)	(5,013,722)
	<u>\$ (7,016,160)</u>	<u>\$ (26,165)</u>	<u>\$ (6,163,061)</u>

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 \$2,002,299 as a loss on discontinued operations.

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 and the deposit on completion of due diligence.

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**14. Discontinued Operations (Continued)**

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 of \$

**15. Investments**

The Company invested \$69,000 in a joint venture to develop wind energy in India.

**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:

	<u>July 31</u> <u>2007</u>	<u>January 31</u> <u>2007</u>
Consulting and directors' fees	\$ 385,327	\$ 689,219
Bonuses	83,920	334,080
Management fees	90,000	417,723
Office and secretarial	18,000	36,000
Rent	21,000	35,559
Travel and automotive	9,300	33,826
Financing costs	-	142,014
Interest	855,823	774,498
	<u>\$ 1,463,370</u>	<u>\$ 2,462,919</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.
- 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 \$14,280,380 (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 and \$1,520,613 at July 31, 2007).
- e) 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.

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- f) 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 will be settled through the issuance of 609,759 shares. Once issued, the shares will be held in escrow and are to be released, subject to the recipient's continued service as a director or employee of the Company, over the period to October 26, 2007. Accordingly, an amount of \$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. The balance of the bonus of \$83,920 was expensed during the six months ended July 31, 2007.

**17. Commitments**

- a) On April 6, 2006, a Letter of Credit was established for \$1,065,700 (US\$1,000,000) to secure a performance bond to Southern California Edison. The Letter of Credit is secured by US\$1,000,000 in cash. The power purchase agreement requires the Company to complete the Windstar 120 MW Project prior to December 31, 2008 (note 3). On July 16, 2007, a Letter of Credit was established for \$95,914 (US\$90,000) to secure the Company's performance pursuant to a Request for Proposal.
- 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. The Company is committed to the removal of any structure, equipment and machinery at the end 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 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.

**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.

**Western Wind Energy Corp.**  
*(A Development Stage Company)*  
**Notes to Consolidated Financial Statements**  
**For the Six Months Ended July 31, 2007**  
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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 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 Company has the right to repay the loan and maintain ownership of Mesa Wind. 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 Deed. 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 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 2006 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.
- 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.

**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)).

During the six months ended July 31, 2007, the Company issued shares for debt totalling \$143,500.

**Western Wind Energy Corp.**  
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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**

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. The Settlement Agreement is expected to be completed prior to the end of September 2007.

**22. 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.



**Western Wind Energy Corp.**  
**Management Discussion and Analysis**  
**For the Six Months Ended July 31, 2007**

**September 28, 2007**

This Management Discussion and Analysis (“MD&A”) should be read in conjunction with the unaudited financial statements of Western Wind Energy Corp. (“Western Wind” or the “Company”) for the six months ended July 31, 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 \$80,257 (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 has capitalized \$286,213 in construction-in-progress at July 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 \$879,203 (US\$825,000) payable by \$586,135 (US\$550,000) on closing and a convertible secured note for \$317,378 (US\$293,068) 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 \$23,445 (US\$22,000) per year.

For the six months ended July 31, 2007, the facility generated \$86,834 (US\$76,953) in revenues. Plant operating costs amounted to \$5,664 (US\$5,019).

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 Gorgonio 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	<u>1,036</u>
	<u>\$ 15,535,659</u>

The wind farm is situated on 440 acres of land in the San Gorgonio 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.

For the six months ended July 31, 2007, the facility generated \$4,081,341 (US\$3,616,927) in revenues. Plant operating costs for the same period amounted to \$1,988,720 (US\$1,762,425).

The purchase was financed by a loan from Pacific Hydro of \$14,280,380 (US\$13,400,000). 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 and \$855,823 (US\$803,062) for the six months ended July 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 \$87,169 (UA\$81,795) in construction-in-progress costs related to these activities. In addition, the Company has provided a letter of credit to secure its performance pursuant to a Request for Proposals with Southern California Edison.

#### 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 \$5,013,861 related to Steel Park, LLC and the development of the Steel Park 15 MW Project during the year ended January 31, 2007 and six months ended July 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.

#### 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 and six months ended July 31, 2007, the Company incurred costs and wrote off its investment in construction-in-progress costs and property and equipment totaling \$1,149,339 for the year ended January 31, 2007 and \$26,026 for the six months ended July 31, 2007 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 was received prior to July 31, 2007 and \$75,000 was paid upon the completion of due diligence subsequent to July 31, 2007.

## **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 outcome of this lawsuit is indeterminable at this time.

#### 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. Management believes that the Settlement Agreement will be completed prior to the end of September 2007.

#### 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. 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 Company has entered into a settlement agreement with Paul Woodhouse and Darlene Gillis that requires the Company to pay \$100,000 to the plaintiffs and provides for the termination of all litigation between the parties. The Company has provided for the settlement in the consolidated financial statements for the six months ended July 31, 2007.

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.

The Company entered into mortgages to finance the purchase of land in Tehachapi, California for \$256,522(US\$240,708). The mortgages are repayable in blended monthly payments of \$5,492 (US\$5,153) with interest at rates from 6.5% to 8% and with terms of 3 to 7 years. The mortgages are secured by first charges on the land.

The Company has a commitment to purchase 77 acres for \$266,425 (US\$250,000). The Company has placed \$26,643 (US\$25,000) in escrow and will require an additional \$53,285 (US\$50,000) on closing which is to occur in later in the year. The vendor is to provide a first mortgage of \$186,498 (US\$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 \$14,638 (US\$13,600).

#### ***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 \$293,068 (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 and is secured by a first charge on the land.

For accounting purposes, the loan is recorded at its fair value of \$235,432. The difference between the fair value and loan amount of \$57,635 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 \$57,635 being charged to interest expense over the term of the loan. During the six months ended July 31, 2007, the Company accreted \$51,644 in interest expense.

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 \$14,280,380 (US\$13,400,000) 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 July 31, 2007, accrued interest on this loan amounted to \$1,520,613 (US\$1,426,868).

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 \$159,855 (US\$150,000) per year and liability insurance costs are approximately \$14,494 (US\$13,600) 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 \$213,140 (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 \$57,433 (US\$53,892).

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 \$439,602 ( US\$412,500) payable to the vendors on December 7, 2007 with interest at 7% per year and a second mortgage of \$439,601 (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.

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. The balance outstanding on the loan at July 31, 2007 is \$303,385.

### ***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 and wrote off a further \$26,026 during the six months ended July 31, 2007.

### **Selected Annual Information**

**For the Six Months Ended July 31, 2007, 2006 and 2005**  
(‘\$’000’s)

	\$`000`s		
	2007	2006	2005
Total revenues	\$ 3,694	\$ 51	\$ -
Income (Loss) before discontinued operations	\$ (162)	\$ (1,321)	\$ (1,400)
Net income	\$ (188)	\$ (1,321)	\$ (1,400)
Loss per share, basic and diluted	\$ (0.02)	\$ (0.08)	\$ (0.10)
Total assets	\$ 27,971	\$ 12,347	\$ 4,066
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). For the six months ended July 31, 2007, the Mesa Wind Farm generated \$3,607,047 (US\$3,196,603) in revenues and the Windridge Wind Farm generated \$86,834 (US\$76,953) in revenues. Total revenues amounted to \$3,693,881 (US\$3,273,556).

The Company carried out substantial repairs of the wind turbines and collection system at the Mesa Wind Farm at the end of the 2007 fiscal year so that the wind turbines would be available for the spring and summer, which have greater wind speeds. For the balance of the fiscal year, revenues will be lower due to seasonal lower wind speeds and lower electricity prices.

#### 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).

For the six months ended July 31, 2007, the operations and maintenance expenses totaled \$1,767,444. The Mesa Wind portion of the costs amounted to \$1,761,781 (US\$1,561,209). The costs incurred in the previous operating period were higher due the longer operating period and the remediation and deferred repair expenditures. The operations and maintenance costs for Windridge for the six months ended July 31, 2007 totaled \$5,664 (US\$5,019). The costs to operate the Windridge Wind Farm are lower since there are fewer wind turbines, the wind farm is not located in a high wind area like Mesa Wind is and the wind turbines are old and in poorer condition than Mesa Wind.

#### 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, and the Company completed the acquisition of the Mesa Wind Farm and the purchase of the Windridge Wind Farm.

For the three months ended July 31, 2007, amortization amounted to \$557,572 and was \$1,170,864 for the six months ended July 31, 2007. Comparable amounts for the previous year were \$16,767 and \$33,060 respectively.

#### 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).

For the three months ended April 30, 2007 and July 31, 2007, cost base of the asset retirement obligation was reduced as a result of the strength of the Canadian dollar. In addition, the Company accreted \$17,805 for the three months ended April 30, 2007 and \$36,573 for the six months ended July 31, 2007.

#### 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, was amortized to expense during the three months ended April 30, 2007.

#### Consulting and directors' fees

Consulting and directors' fees increased from \$145,078 for the three months ended July 31, 2006 to \$260,204 for the three months ended July 31, 2007 and from \$334,481 for the six months ended July 31, 2006 to \$488,011 for the six months ended July 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, the cost of computer consultants to complete a forensic analysis on computers used by Paul Woodhouse and Darlene Gillis, the hiring of a vice president construction and development to manage the development and construction of wind projects and the accrual of directors fees for independent directors.

#### Foreign Exchange Gain

The Company generated a foreign exchange gain of \$878,240 for the three months ended July 31, 2007 and \$1,778,741 for the six months ended July 31, 2007. The gain resulted from a change in the US exchange rate from

1.177 at January 31, 2007 to 1.0657 at July 31, 2007. As a result of the acquisition of the Mesa Wind Farm and real estate in Tehachapi and Arizona, the Company has \$14,805,975 in US long term debt and \$2,215,279 in payables.

The major US assets are considered foreign self-sustaining operations and the loss in value is deferred until the assets are disposed of. The accumulated losses are recorded as cumulative currency translation adjustments in shareholders' equity. At July 31, 2007, the accumulated loss amounted to \$947,858 and has increased by \$1,420,956 since January 31, 2007.

#### Interest and Accretion on Long Term Debt

Interest and accretion on long term debt increased from \$nil for the three months ended July 31, 2006, 2006 to \$496,854 for the three months ended July 31, 2007 and from \$22,697 for the six months ended July 31, 2006 to \$983,083 for the six months ended July 31, 2007. The increase results from the interest accrued on the Mesa Wind acquisition loan payable from Pacific Hydro of \$855,823 for the six months ended July 31, 2007 and the accretion of the fair value of the conversion option provided for in the Windridge Acquisition Loan of \$51,644.

#### Professional Fees

Professional fees have increased from \$12,524 for the three months ended July 31, 2006 to \$413,007 for the three months ended July 31, 2007 and from \$257,006 for the six months ended July 31, 2006 to \$895,920 for the six months ended July 31, 2007. The increase results from higher audit fees, 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 and higher 2007 audit costs than budgeted.

#### **Summary of Quarterly Results**

	Total Revenues	Loss Before Discontinued Operations	Net Income (Loss) For The Quarter	Loss Per Share Basic and Diluted
July 31, 2007	\$2,021,263	\$ (20,160)	\$ 54,700	\$ (0.00)
April 30, 2007	\$1,672,618	\$ (140,870)	\$ (241,896)	\$ (0.01)
January 31, 2007 <sup>1,3</sup>	\$ 694,668	\$ (1,683,212)	\$ (6,910,189)	\$ (0.29)
October 31 2006 <sup>1,3</sup>	\$ 861,471	\$ (2,806,422)	\$ (3,742,506)	\$ (0.16)
July 31, 2006 <sup>1,3</sup>	\$ 20,595	\$ (382,472)	\$ (382,472)	\$ (0.02)
April 30, 2006 <sup>1,3</sup>	\$ 17,706	\$ (687,441)	\$ (687,441)	\$ (0.03)
January 31, 2006 <sup>1,3</sup>	\$ Nil	\$ (2,347,802)	\$ (2,347,802)	\$ (0.14)
October, 31 2005 <sup>1,2,3</sup>	\$ Nil	\$ (1,249,085)	\$ (1,249,085)	\$ (0.07)
July 31, 2005 <sup>1,2,3</sup>	\$ Nil	\$ (1,024,667)	\$ (1,024,667)	\$ (0.06)
April 30, 2005 <sup>1,3</sup>	\$ Nil	\$ (492,667)	\$ (712,861)	\$ (0.03)
January 31, 2005 <sup>1,3</sup>	\$ Nil	\$ (712,681)	\$ (603,527)	\$ (0.04)
October, 31 2004 <sup>1,3</sup>	\$ Nil	\$ (861,266)	\$ (861,266)	\$ (0.06)
July 31, 2004 <sup>3</sup>	\$ Nil	\$ (732,361)	\$ (732,361)	\$ (0.05)

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup>October 31, 2006 amounts have been restated for discontinued operations.

### ***Liquidity and Capital Resources***

As at July 31, 2007, the Company had a working capital deficiency of \$17,044,955 compared to a deficit of \$18,841,732 at January 31, 2007. At both dates, the deficiency was created by the Pacific Hydro loan to acquire the Mesa Wind Farm, which is a current liability until the Company arranges long term debt and equity financing to repay the loan. 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 letters of credit for Southern California Edison of \$1,167,655 (US\$1,090,000), 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 and at July 31, 2007, the cash position was \$49,463.

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.

As a result of the termination of the power purchase agreements with New Brunswick Power and Arizona Public Service, the Company is focusing on the development of the 120 MW Windstar Project and the redevelopment of the Mesa Wind Farm to 50 MW's.

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.

### **Off-Balance Sheet Arrangements**

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

### **Critical Accounting Estimates**

**The critical accounting estimates are as follows:**

1. The Company has recorded an asset retirement obligation, based on estimates of the cost to remediate the Mesa Wind Farm at a future date.
2. The Company has performed impairment testing on the amount recorded as goodwill.
3. The Company has allocated the purchase price of property and equipment and goodwill and other intangible assets based on the estimated fair market values of assets and liabilities acquired.

4. 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: The Company has amortized the cost of its generating facilities, equipment and power purchase agreements over their estimated useful lives.
5. 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.
6. 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.

### **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:**

	<u>July 31</u>	<u>January 31</u>
	<u>2007</u>	<u>2007</u>
Consulting and directors' fees	\$ 385,327	\$ 689,219
Bonuses	83,920	334,080
Management fees	90,000	417,723
Office and secretarial	18,000	36,000
Rent	21,000	35,559
Travel and automotive	9,300	33,826
Financing costs	-	142,014
Interest	855,823	774,498
	<u>\$ 1,463,370</u>	<u>\$ 2,462,919</u>

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.

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).

Pacific Hydro, the owner of approximately 23% of the common shares of the Company, provided a loan of

\$14,280,380 (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 and \$1,520,613 at July 31, 2007).

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.

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 will be settled through the issuance of 609,759 shares. Once issued, the shares will be held in escrow and are to be released, subject to the recipient's continued service as a director or employee of the Company, over the period to October 26, 2007. Accordingly, an amount of \$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. The balance of the bonus of \$83,920 was expensed during the six months ended July 31, 2007.

### **Announcements for the Period Under Review – Three Months Ended July 31, 2007**

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 12%. 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 announced that definitive settlement documentation with Pacific Hydro was being finalized between the respective legal counsels of both parties. The details can only be released upon execution of

the final settlement documents. 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.

On August 17, 2007, The Company announced that it had completed a private placement of 107,769 units at a price of \$0.90 per unit. Each unit consists of one share and one share purchase warrant that entitles the holder to purchase one common share at a price of \$1.05 per share until August 1, 2009.

On August 20, 2007, the Company announced it filed a copy of its 2006 Form 20F on SEDAR. The Form 20-F contains the restated audited financial statements for the year ended January 31, 2006 and a restated Management, Discussion & Analysis.

On August 29, 2007, the Company filed its restated audited financial statements and Management, Discussion & Analysis for the year ended January 31, 2006.

On September 7, 2007, the Company filed its audited financial statements for the year ended January 31, 2007 and the Management, Discussion & Analysis.

On September 19, 2007, the Company a notice that its Annual General Meeting will be held on October 25, 2007 and that the record date for voting is September 14, 2007.

### **Subsequent Events**

On August 17, 2007, The Company announced that it had completed a private placement of 107,769 units at a price of \$0.90 per unit. Each unit consists of one share and one share purchase warrant that entitles the holder to purchase one common share at a price of \$1.05 per share until August 1, 2009.

On August 20, 2007, the Company announced it filed a copy of its 2006 Form 20F on SEDAR. The Form 20-F contains the restated audited financial statements for the year ended January 31, 2006 and a restated Management, Discussion & Analysis.

On August 29, 2007, the Company filed its restated audited financial statements and Management, Discussion & Analysis for the year ended January 31, 2006.

On September 7, 2007, the Company filed its audited financial statements for the year ended January 31, 2007 and the Management, Discussion & Analysis.

On September 19, 2007, the Company a notice that it's Annual General Meeting will be held on October 25, 2007 and that the record date for voting is September 14, 2007.

On September 24, 2007, the Company announced that it had filed its unaudited financial statements and MD&A for the three months ended April 30, 2007.

## Commitments and Contingent Liabilities

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

- a) On April 6, 2006, a Letter of Credit was established for \$1,161,613 (US\$1,090,000) to secure performance bonds to Southern California Edison. The Letter of Credit is secured by US\$1,090,000 in cash.
- 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 in 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.

## Other MD&A Requirements

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## Additional Disclosures for Venture Issuers Without Significant Revenues

### Comparative Statement of Operations

	Period From January 5, 1998 (inception) to		Three Months Ended		Six Months Ended
	Note	July 31, 2007	July 31, 2007	July 31, 2006	July 31, 2006
<b>Revenues</b>					
Energy sales		\$ 5,288,321	\$ 2,021,263	\$ 33,119	\$ 3,693,881
<b>Expenses</b>					
Advertising and promotion		786,479	12,889	72,128	30,994
Amortization		2,675,857	557,572	16,767	1,170,864
Asset retirement obligation	10	112,869	17,805	-	36,573
Bonuses	16	1,505,353	-	78,584	83,920
Consulting and directors' fees	16	3,098,758	260,204	145,078	488,011
Financing costs		471,449	-	-	-
Foreign exchange gain (loss)		(1,204,487)	(878,240)	(113,541)	(1,778,741)
Interest and accretion on long term debt	16	2,071,369	496,854	-	983,083
Management fees	16	1,023,648	45,000	28,573	90,000
Office and secretarial	16	922,519	27,159	45,798	61,808
Plant operating expenses		2,831,939	1,071,983	12,524	1,767,444
Professional fees		3,108,291	413,007	111,724	895,920
Project costs		750,702	61,468	2,483	137,413
Regulatory fees		319,200	6,896	4,451	20,422
Stock-based compensation	11	2,890,666	51,990	10,259	110,830
Travel and automotive	16	1,344,783	94,438	20,480	177,878
		<u>22,709,393</u>	<u>2,239,025</u>	<u>435,308</u>	<u>4,276,417</u>
<b>Loss before the following</b>		<b>(17,421,073)</b>	<b>(217,763)</b>	<b>(402,189)</b>	<b>(582,537)</b>
<b>Interest income</b>		<b>174,364</b>	<b>13,581</b>	<b>19717</b>	<b>44,491</b>
<b>Gain (loss) on sale and write off of assets</b>		<b>(1,338,294)</b>	<b>-</b>	<b>-</b>	<b>(7,203)</b>
<b>Loss) from continuing operations</b>					
<b>before income taxes</b>		<b>(17,327,352)</b>	<b>(204,182)</b>	<b>(382,472)</b>	<b>(538,046)</b>
<b>Income tax (recovery)</b>		<b>(1,257,651)</b>	<b>(184,022)</b>	<b>-</b>	<b>(376,089)</b>
<b>Loss from continuing</b>					
<b>operations after income taxes</b>		<b>(18,585,003)</b>	<b>(20,160)</b>	<b>(382,472)</b>	<b>(161,957)</b>
<b>Income (loss) from discontinued operations</b>		<b>(7,016,160)</b>	<b>74,861</b>	<b>-</b>	<b>(26,165)</b>
<b>Loss for the period</b>		<b>(24,343,512)</b>	<b>54,700</b>	<b>(382,472)</b>	<b>(188,122)</b>
<b>Deficit, beginning of period</b>		<b>-</b>	<b>(24,398,213)</b>	<b>(12,772,994)</b>	<b>(24,155,390)</b>
<b>Deficit, end of period</b>		<b><u>\$(24,343,512)</u></b>	<b><u>\$(24,343,512)</u></b>	<b><u>\$(13,155,466)</u></b>	<b><u>\$(24,343,512)</u></b>
Loss per share as reported - basic and fully diluted		\$ (0.00)	\$ (0.02)	\$ (0.01)	\$ (0.04)
Weighted average number of shares		25,743,080	23,749,289	24,466,165	23,737,789

**Disclosure of Outstanding Share Data**  
**Summary of Securities Issued During the Period**

	<u>Shares</u>	<u>Amount</u>
<b>Balance, January 31, 2007</b>		
Debt settlement at a deemed price of \$0.80 per share	179,375	\$ 143,500
Private placement at \$0.90 per unit net of issuance costs of \$38,100	732,000	620,700
Allocation of fair value of warrants		(255,420)
Exercise of warrants at \$1.03	<u>712,000</u>	<u>733,360</u>
Balance, April 30, 2007 and January 31, 2007	<u>25,743,080</u>	<u>\$ 23,121,727</u>

**Summary of Options Granted During the Period**

No options were granted during the three months ended July 31, 2007.

**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: 25,743,080 common shares

**Number and Recorded Value for Shares Issued and Outstanding**

At April 30 2007, the Company had 25,743,080 common shares outstanding having a paid up value of \$0.90 per share (\$23,121,727).

**Description of Options, Warrants and Convertible Securities Outstanding**

<u>Type of Security</u>	<u>Number or Amount</u>	<u>Exercise or Conversion Price</u>	<u>Expiry Date</u>
Stock Options	100,000	\$0.86	November 4., 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	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
Stock Options	250,000	\$1.10	February 23, 2012
Warrants	666,667	\$1.60	October 24, 2007
Warrants	441,133	\$1.60 (1st year)	December 5, 2007
		\$2.20 (2 <sup>nd</sup> 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

Warrants	732,000	\$1.10	February 23, 2007
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***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