

**SHEAR WIND INC.**

**INTERIM FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED  
FEBRUARY 28, 2007  
(UNAUDITED)**

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**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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The accompanying unaudited interim financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements.

**SHEAR WIND INC.**  
**(A DEVELOPMENT STAGE COMPANY)**

**BALANCE SHEET**  
**FOR THE PERIOD ENDED FEBRUARY 28, 2007**

**UNAUDITED**

(with comparative figures at August 31, 2006)

**February 28**  
**2007**

**August 31**  
**2006**

**ASSETS**

**CURRENT**

Cash and Cash Equivalents  
Accounts Receivable

**1,284,229**      **1,633,275**  
**708,006**      **321,343**

**1,992,235**      **1,954,618**

Deposits  
Wind Power Project Development Costs (note 5)  
Equipment (note 6)

**21,000**      **190,224**  
**3,829,722**      **4,582,727**  
**10,425**      **8,350**

**5,853,382**      **6,735,919**

**LIABILITIES**

**CURRENT**

Accounts Payable and Accrued Liabilities

**221,256**      **796,918**

Future income taxes

**1,628,000**      **1,628,000**

**1,849,256**      **2,424,918**

**SHAREHOLDERS' EQUITY**

Share Capital (note 9)  
Contributed Surplus (note 12)  
Deficit

**4,886,432**      **4,911,708**  
**270,150**      **270,150**  
**(1,152,456)**      **(870,857)**

**4,004,126**      **4,311,001**

**NATURE OF OPERATIONS and BASIS OF PRESENTATION (note 1)**

**COMMITMENTS AND GUARANTEES (note 8)**

**SUBSEQUENT EVENT (note 14)**

**5,853,382**      **6,735,919**

Approved on behalf of the Board:

(Signed) Gary MacKenzie, Director

(Signed) J. M. Magnus, Director

See accompanying notes to the financial statements.

**SHEAR WIND INC.**  
**(A DEVELOPMENT STAGE COMPANY)**

**STATEMENTS OF OPERATIONS AND DEFICIT**  
**FOR THE PERIOD FROM SEPTEMBER 1, 2006 TO FEBRUARY 28, 2007**  
**UNAUDITED**

(with comparative figures for the period from September 1, 2005 to February 28, 2006  
and cumulative figures since inception on December 17, 2004 to February 28, 2007)

	3 months ended February 28, 2007	3 months ended February 28, 2006	6 months ended February 28, 2007	6 months ended February 28, 2006	Cumulative, Since inception on December 17, 2004 to February 28, 2007
<b>EXPENSES</b>					
Consulting Fees	-	65,451	28,825	123,288	418,268
Salaries & Benefits	85,815	-	135,168	-	184,572
Professional Fees	36,702	7,440	72,468	18,801	156,672
Amortization	14,777	-	73,023	-	76,872
General	56,072	22,243	81,486	46,626	285,545
Stock-Based Compensation	-	-	-	-	240,000
	<b>193,366</b>	<b>95,134</b>	<b>390,970</b>	<b>188,715</b>	<b>1,361,929</b>
<b>INCIDENTAL REVENUE</b>					
Other Income	11,199	4,613	23,173	13,048	92,448
Electricity Sales	63,381	8,815	86,198	12,591	108,750
Gain on Sale of Investment	-	-	-	-	8,275
	<b>74,580</b>	<b>13,428</b>	<b>109,371</b>	<b>25,639</b>	<b>209,473</b>
<b>NET LOSS</b>	<b>(118,786)</b>	<b>(81,706)</b>	<b>(281,599)</b>	<b>(163,076)</b>	<b>(1,152,456)</b>
<b>Deficit, beginning of period</b>	<b>(1,033,670)</b>	<b>(317,147)</b>	<b>(870,857)</b>	<b>(235,777)</b>	<b>-</b>
<b>Deficit, end of period</b>	<b>(1,152,456)</b>	<b>(398,853)</b>	<b>(1,152,456)</b>	<b>(398,853)</b>	<b>(1,152,456)</b>
<b>Basic and Diluted Loss Per Share (note 13)</b>	<b>0.003</b>	<b>0.002</b>	<b>0.008</b>	<b>0.005</b>	

See accompanying notes to the financial statements.

SHEAR WIND INC.  
(A DEVELOPMENT STAGE COMPANY)

STATEMENTS OF CASH FLOWS  
FOR THE PERIOD FROM SEPTEMBER 1, 2006 TO FEBRUARY 28, 2007  
UNAUDITED

(with comparative figures for the period from September 1, 2005 to February 28, 2006  
and cumulative figures since inception on December 17, 2004 to February 28, 2007)

	3 months ended February 28, 2007	3 months ended February 28, 2006	6 months ended February 28, 2007	6 months ended February 28, 2006	Cumulative, Since inception on December 17, 2004 to February 28, 2007
Cash (used in) provided by:					
<b>OPERATING ACTIVITIES</b>					
Net loss	(118,786)	(81,706)	(281,599)	(163,076)	(1,152,456)
Adjustments for items not affecting cash:	0				
Amortization	14,777	-	73,023	-	76,872
Gain on sale of investment	-	-	-	-	(8,275)
Stock-based compensation	-	-	-	-	240,000
Consulting fees settled with shares	-	-	-	-	150,100
	(104,009)	(81,706)	(208,576)	(163,076)	(693,759)
Changes in non-cash working capital balances					
Cash calls	-	211,431	-	528,577	-
Accounts receivable	(592,264)	(18,715)	(386,663)	(19,164)	(697,499)
Accounts payable and accrued liabilities	(8,600)	(311,711)	40,441	75,590	(6,623)
	(704,873)	(200,701)	(554,798)	421,927	(1,397,881)
<b>FINANCING ACTIVITIES</b>					
Cash acquired on acquisition of MWP Capital Corp.	-	-	-	-	362,420
Common shares issued for cash	-	974,000	2,400	2,435,000	6,202,900
Share issuance costs	(27,676)	(3,054)	(27,676)	(7,634)	(70,133)
	(27,676)	970,946	(25,276)	2,427,366	6,495,187
<b>INVESTING ACTIVITIES</b>					
Deposits	240,037	32,747	169,224	81,867	(21,000)
Proceeds on the sale of investments	-	-	-	-	171,625
Cash advanced for commercial paper issuance	-	-	-	-	(862,627)
Cash repayment from commercial paper issuance	-	113,000	-	282,500	699,277
Purchase of equipment	(3,999)	-	(3,999)	-	(16,198)
Wind power project development costs	744,242	(856,546)	681,906	(2,091,707)	(3,900,821)
Accounts payable and accrued liabilities	(630,068)	-	(616,103)	-	116,667
	350,212	(710,799)	231,028	(1,727,340)	(3,813,077)
<b>Increase in cash</b>	<b>(382,337)</b>	<b>59,446</b>	<b>(349,046)</b>	<b>1,121,953</b>	<b>1,284,229</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>1,666,566</b>	<b>1,950,074</b>	<b>1,633,275</b>	<b>887,567</b>	<b>-</b>
<b>Cash and cash equivalents, end of the period</b>	<b>1,284,229</b>	<b>2,009,520</b>	<b>1,284,229</b>	<b>2,009,520</b>	<b>1,284,229</b>
<b>Cash and cash equivalents consist of the following:</b>					
Cash held in banks	196,104	1,759,520	196,104	1,759,520	196,104
Short-term deposits & investments	1,088,125	250,000	1,088,125	250,000	1,088,125
	1,284,229	2,009,520	1,284,229	2,009,520	1,284,229

See accompanying notes to the financial statements.

**SHEAR WIND INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**February 28, 2007**

**1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION**

Shear Wind Inc. ("the Company" or "Shear Wind") was incorporated as EW Power Services Ltd. under the Business Corporation Act of the Province of Alberta on December 17, 2004. The Company changed its name to Shear Wind Inc. on October 4, 2005. The Company is engaged in the business of developing wind generation technology through a joint venture operating agreement on a non-operating basis. The Company is considered to be in the development stage as it has yet to earn significant commercial revenues and it is devoting substantially all of its efforts and equity funds toward the development of this technology.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. To fund its past development activities, the Company has raised equity capital. Management is of the opinion that additional funding is available and may be sourced in time to allow the Company to continue its development of its wind generation technology.

While it has been successful in the past, there can be no assurance that it will be able to raise sufficient funds in the future. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

**2. REVERSE TAKEOVER TRANSACTION**

On June 9, 2006, MWP Capital Corp. ("MWP"), a capital pool company listed on the TSX Venture Exchange, completed its Qualifying Transaction pursuant to TSX Venture Exchange (the "Exchange") policy with Shear Wind, through an amalgamation agreement (the "Amalgamation"). Pursuant to the Amalgamation, MWP acquired all of the issued and outstanding equity securities of Shear Wind. After the acquisition, MWP and Shear Wind amalgamated into Shear Wind Inc. (or the "Company"). For accounting purposes, the Qualifying Transaction is considered a reverse takeover with Shear Wind identified as the acquirer and MWP the deemed acquired company. There are a number of factors that indicate Shear Wind is the continued entity for accounting purposes, including: the continued use of the Shear Wind name and of its principal business operations; dominance of the management of Shear Wind; dominance of the Board of Shear Wind by Shear Wind management and nominees and the lack of any individually significant shareholdings other than the former Shear Wind shareholders.

As a consequence of applying reverse takeover accounting, these financial statements have been prepared on the basis that Shear Wind is the continuing accounting entity. The Qualifying Transaction has been accounted for as a capital transaction of Shear Wind.

**SHEAR WIND INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**February 28, 2007**

**2. REVERSE TAKEOVER TRANSACTION (continued)**

A summary of the net assets acquired of MWP on June 9, 2006 is as follows:

Cash and cash equivalents	362,420
Other receivables	10,507
Deferred transaction costs	171,912
Accounts payable and accrued liabilities	(111,212)
Options issued prior to reverse takeover	(35,700)
<hr/>	
<b>4,100,000 Class A common shares issued</b>	<b>397,927</b>

**3. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. These financial statements are denominated in Canadian dollars.

**Use of Estimates**

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. Significant areas requiring the use of management estimates relate to the determination of impairment of its long-lived assets, including asset retirement obligations and the determination of stock-based compensation.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, balances with banks and highly liquid short-term deposits with maturities at period end of twelve months or less.

**Wind Power Project Development Costs**

All direct costs relating to the Wind Power Project which meet generally accepted criteria for deferral are capitalized as incurred. These criteria include having a clearly defined process with identifiable associated costs, establishment of technical feasibility, an intention to process and sell the wind generation power to a clearly defined market, and adequate resources exist or are expected to be available to complete the project to commercial production.

**SHEAR WIND INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**February 28, 2007**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Equipment and Related Amortization**

Office equipment is recorded at cost. Amortization is recorded on a straight-line basis over five years.

Computer equipment is recorded at cost. Amortization is recorded on a straight-line basis over three years.

Wind turbine equipment is recorded at cost. Amortization is recorded on a straight-line basis over twenty years.

**Stock-Based Compensation**

The Company grants share options to executive officers, directors and certain consultants pursuant to a share option plan. In addition, from time to time in connection with short form offerings and private placements, the Company issues warrants to agents as commission for services. Awards of share options are accounted for in accordance with the fair value method of accounting for stock-based compensation and result in compensation expense and a credit to contributed surplus when share options are granted. Awards of warrants to agents are also accounted for using the fair value method and result in share issue costs and a credit to contributed surplus when the warrants are issued. Any consideration paid on exercise of share options is credited to share capital.

**Share Issue Costs**

Costs associated with the issuance of share capital are charged directly to share capital.

**Flow-through Class A Common Shares**

Qualifying expenditure deductions for income tax purposes related to wind generation development activities funded by flow-through common share arrangements are renounced to investors in accordance with income tax legislation. The future income tax liability is recognized, and share capital is reduced by the estimated tax benefits transferred on the date the Company files the prescribed form renouncing the tax credits associated with the flow-through expenditures, provided that there is reasonable assurance that the expenditures will be made.

**SHEAR WIND INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**February 28, 2007**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Asset Retirement Obligation**

The fair value of the liability for retirement costs related to site reclamation and abandonment is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. At February 28, 2007, the Company has not incurred or committed any asset retirement obligations related to the development of its Wind Generation Project.

**Income Taxes**

Income taxes are calculated using the asset and liability method of tax accounting. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and on unclaimed losses carried forward and are measured using substantively enacted tax rates that will be in effect when the differences are expected to reverse or losses are expected to be utilized. A valuation allowance is recognized to the extent that the recoverability of future income tax assets is not considered more likely than not.

**Loss Per Common Share**

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted loss per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants. Currently, the effect of potential issuances of shares under options and warrants would be anti-dilutive, and accordingly basic and diluted loss per common share are the same.

**SHEAR WIND INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**February 28, 2007**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Impairment of Long-Lived Assets**

Canadian generally accepted accounting principles requires that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment when ever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, undiscounted future cash flows expected to result from the use of the asset and its disposition must be estimated and compared with the carrying values of those assets.

Where the undiscounted future cash flows are less than the carrying amount of the asset, the assets are written down to their estimated fair values. Management has not identified circumstances indicating possible impairment of the Company's long-lived assets as at August 31, 2006 and February 28, 2007.

**Joint Venture Operations**

The Company's activities are conducted jointly with others. The Company's accounts reflect only the Company's proportionate interest in these activities.

**4. FINANCIAL INSTRUMENTS**

The Company's financial instruments include cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. The carrying amounts recorded in the financial statements for the financial instruments approximate their fair values due to the short-term maturity of these instruments.

**SHEAR WIND INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**February 28, 2007**

**5. WIND POWER PROJECT DEVELOPMENT COSTS**

Costs incurred relating to the Wind Power Project development is as follows:

	September 1, 2006 Opening Balance	Additions, Adjustments & Writedowns	Accumulated Amortization	February 28, 2007 Closing Balance
<b>Acquisition and Development Costs:</b>	4,582,727	(681,907)	71,098	3,829,722

	September 1, 2005 Opening Balance	Additions, Adjustments & Writedowns	Amortization	August 31, 2006 Closing Balance
<b>Acquisition and Development Costs:</b>	1,499,116	3,083,611	-	4,582,727

In December, 2004 the Company entered into a joint venture farm-in agreement with Renewable Energy Services Ltd. ("RESL"), a private company operating in Nova Scotia, for the joint development of wind power generation in the Province of Nova Scotia. The Company and RESL have secured a 15 year power purchase agreement with Nova Scotia Power Inc. for 4 Megawatts of power annually. Pursuant to the Company's agreement with RESL the Company has the right to pay 2/3 of the installed costs of the test turbines in return for a 1/3 working interest. As at February 28, 2007 the company has a 1/3 interest in four wind turbines which have been erected and tied into the power grid.

**SHEAR WIND INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**February 28, 2007**

**6. EQUIPMENT**

	September 1, 2006 Cost	Additions	Accumulated Amortization	February 28 2006 Net Book Value	August 31, 2006 Net Book Value
Office equipment	1,627	4,000	488	5,139	1,302
Computer equipment	10,572	-	5,286	5,286	7,048
	<b>12,199</b>	<b>4,000</b>	<b>5,774</b>	<b>10,425</b>	<b>8,350</b>

**7. RELATED PARTY TRANSACTIONS**

Transactions in the normal course of operations are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties and which are similar to those negotiable with third parties. Transactions not in the normal course of operations, supported by independent evidence are recorded at fair market value.

Amounts paid to related parties are in the normal course of pre-operations and are valued at fair market value as determined by management. The Company was involved in the following related party transactions:

A company owned 100% by an officer of the Company had charged the Company \$25,000 (2006 - \$0) in consulting fees in the period.

**8. COMMITMENTS AND GUARANTEES**

The Company is contractually obligated, through the joint venture agreements, to provide the net electrical output of the Goodwood, Brookfield, Fitzpatrick and Statia area wind generation facilities at a rate of \$0.068 per Kilowatt-hour for the next 15 years.

The Company has secured office premises through lease until March, 2009. Annual rent, including operating costs, is estimated at \$22,000.

**SHEAR WIND INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**February 28, 2007**

**8. COMMITMENTS AND GUARANTEES (continued)**

Through the company's involvement in the joint venture agreement, the company had committed to purchase three additional wind turbines from a foreign supplier. This commitment has been cancelled and is now the full responsibility of the joint venture partner RESL.

During a prior period (2005) the company agreed to guarantee a loan for a third party for the initial amount of \$250,000. In order to guarantee this loan, the company pledged and assigned a \$250,000 guaranteed investment certificate. The term of the guarantee extended to March 14, 2006. The loan was not repaid at this date. The company's investment, including the accrued interest used to secure the loan, was forfeited. The debtor Company had pledged certain assets as collateral. Subsequent to the end of the period ended August 31, 2006 steps have been taken to collect on the assets pledged as security. The outstanding balance of \$250,000 was collected in full on November 24, 2006.

**9. SHARE CAPITAL AND RELATED INFORMATION**

**Authorized:**

<u>Class of shares</u>	<u>Number of shares authorized</u>
Class A - voting common shares	Unlimited
Preferred Shares	Unlimited

<b>Issued and outstanding:</b>	<b>Class A Common Shares</b>	<b>Amount (\$)</b>
<u>Private Placements:</u>		
Issued for cash	4,650,000	558,000
Flow-through shares issued for cash	15,300,000	3,060,000
Issued in lieu of payment of consulting fees	1,251,000	150,100
Share issue costs	-	(34,823)
<b>Balance, August 31, 2005</b>	<b>21,201,000</b>	<b>3,733,277</b>

**SHEAR WIND INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**February 28, 2007**

<b>Issued and outstanding:</b>	<b>Class A Common Shares</b>	<b>Amount (\$)</b>
Flow-through shares issued on exercise of flow-through warrants	9,740,000	2,435,000
Tax benefits renounced to shareholders	-	(1,628,000)
Issued on exercise of warrants	500,000	125,000
Issued on exercise of agents' options	150,000	22,500
Fair value transfer on exercise of agents' options	-	5,550
Share issue costs	-	(7,634)
Cancelled on amalgamation	(700,000)	-
Issued on acquisition of MWP	4,100,000	397,927
Deferred transaction costs of reverse takeover	-	(171,912)
<b>Balance, August 31, 2006</b>	<b>34,991,000</b>	<b>4,911,708</b>
Agents options	16,000	2,400
Share issue costs	-	(27,676)
<b>Balance, February 28, 2007</b>	<b>35,007,000</b>	<b>4,886,432</b>

**Share capital transactions in period**

During the period the Company incurred share issue costs of \$27,676 and 16,000 agent's options were exercised at a price of \$0.15 raising \$2,400.

**10. COMMON SHARE PURCHASE WARRANTS AND AGENTS' OPTIONS**

The following table reflects the continuity of the number of warrants and Agents' options:

<b>Expiry Date</b>	<b>Exercise Price (\$)</b>	<b>2007 Opening Balance</b>	<b>Issued</b>	<b>Exercised</b>	<b>Expired</b>	<b>2007 Closing Balance</b>
<b>Agents' Options:</b>						
August 26, 2007	0.15	150,000	-	(16,000)	-	134,000
<b>Warrants:</b>						
December 15, 2005	0.25	-	-	-	-	-
July 15, 2006	0.25	-	-	-	-	-
		<b>150,000</b>	<b>-</b>	<b>(16,000)</b>	<b>-</b>	<b>134,000</b>

**SHEAR WIND INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**February 28, 2007**

**10. COMMON SHARE PURCHASE WARRANTS AND AGENTS' OPTIONS**  
**(continued)**

<b>Expiry Date</b>	<b>Exercise Price (\$)</b>	<b>2006 Opening Balance</b>	<b>Issued</b>	<b>Exercised</b>	<b>Expired</b>	<b>2006 Closing Balance</b>
<b>Agents' Options:</b>						
August 26, 2007	0.15	300,000	-	(150,000)	-	150,000
<b>Warrants:</b>						
December 15, 2005	0.25	15,300,000	-	(9,740,000)	(5,560,000)	-
July 15, 2006	0.25	500,000	-	(500,000)	-	-
		<b>16,100,000</b>	<b>-</b>	<b>(10,390,000)</b>	<b>(5,560,000)</b>	<b>150,000</b>

**11. STOCK OPTION PLAN**

The Company has a stock option plan (the "Plan") which is restricted to directors, officers, key employees and consultants of the Company. The number of common shares subject to options granted under the Plan (and under all other management options and employee stock purchase plans) is limited to 10 % of the issued and outstanding Class A common shares of the Company and with respect to any one optionee, to 5 % of the number of issued and outstanding Class A common shares of the Company at the date of the grant of the option.

The following table reflects the continuity of stock options granted under the Plan.

	<b>Number of Stock Options</b>		<b>Weighted Average Exercise Price</b>	
	<b>February 28, 2007</b>	<b>August 31, 2006</b>	<b>February 28, 2007</b>	<b>August 31, 2006</b>
Opening balance	2,410,000	825,000	0.27	0.18
Granted	-	2,000,000	-	0.30
Issued on reverse takeover	-	410,000	-	0.15
Cancelled/expired	-	(825,000)	-	0.18
Exercised	-	-	-	-
<b>Ending balance</b>	<b>2,410,000</b>	<b>2,410,000</b>	<b>0.27</b>	<b>0.27</b>

**SHEAR WIND INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**February 28, 2007**

**11. STOCK OPTION PLAN (continued)**

As at February 28, 2007 there were 2,410,000 exercisable stock options.

The following table reflects the stock options outstanding as at February 28, 2007:

<b>Expiry Date</b>	<b>Weighted Average Exercise Price (\$)</b>	<b>Options Outstanding</b>
August 26, 2010	0.15	410,000
June 26, 2011	0.30	2,000,000
		<b>2,410,000</b>

During the year ended August 31, 2006, 2,000,000 (2005 – 825,000) stock options were granted to directors, officers and employees of the Company. These options will be expensed in the statement of operations and deficit as they vest. Of the options granted 2,000,000 (2005 – 275,000) have vested and accordingly, \$240,000 (2005 - \$Nil) was recorded as stock-based compensation and credited to contributed surplus.

As part of the reverse takeover transaction 410,000 stock options was issued to replace the MWP stock options cancelled on amalgamation. The stock options issued contained the same exercise terms and conditions as before.

The fair value of all options granted fiscal 2006 have been estimated at the date of grant using a Black-Scholes option pricing model. The current's valuation was calculated with the following assumptions: weighted average risk free interest rate of 3.33%; volatility factor of the expected market price of the Company's common stock of 40%; and a weighted average expected life of the option of 5 years.

**12. CONTRIBUTED SURPLUS**

The following table reflects the continuity of contributed surplus relating to stock options:

	<b>Amount (\$)</b>
Balance, August 31, 2005	-
Stock-based compensation expense	240,000
Agents' options from reverse takeover	11,100
Stock-based compensation from reverse takeover	24,600
Fair value transfer on exercise of Agents' options	(5,550)
<b>Balance August 31, 2006 and February 28, 2007</b>	<b>270,150</b>

**SHEAR WIND INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**13. LOSS PER SHARE**

The basic loss per share is computed by dividing the loss for the year by the weighted average number of shares outstanding during the year. Diluted loss per share is that same as basic loss per share. The effect of the options, warrants and Agents' options on the net loss is anti-dilutive and therefore, basic loss per share is equal to full diluted loss per share.

The following table sets forth the computation of basic and fully diluted loss per share:

	2007	2006
Numerator:		
Net loss	281,599	81,370
Denominator:		
Weighted average number of shares	35,002,000	21,201,000

**14. SUBSEQUENT EVENTS**

**i) Amalgamation Agreement – Vindt Resources**

Pursuant to the terms of a three cornered Amalgamation Agreement dated April 3rd, 2007, Vindt Resources Inc amalgamated with Shear Wind's wholly owned subsidiary, 1297091 Alberta Ltd. The amalgamated entity will operate as a wholly owned subsidiary of Shear Wind and will continue with the name "Vindt Resources Inc."

All outstanding securities of Vindt were exchanged for Shear Wind securities on the following basis:

- (i) 6,810,000 Shear Wind common shares at a deemed issue price of \$0.19 per share;
- (ii) 1,525,000 Shear Wind warrants exercisable at \$0.30 and expiring on June 20th, 2008;
- (iii) 427,000 Shear Wind broker warrants exercisable at \$0.25 and expiring on June 20th, 2009; and
- (iv) 600,000 Shear Wind incentive stock options exercisable at \$0.30 and expiring on June 21st, 2011.

In addition, Shear Wind issued 800,000 common shares at a deemed price of \$0.19 to Modus Management Group Inc. as compensation under the terms of a management consulting agreement dated April 11th, 2007.

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**15. SUBSEQUENT EVENTS (continued)**

After giving effect to the transaction, Shear Wind will have 42,617,000 common shares, 1,952,000 warrants (including 427,000 broker warrants) and 3,144,000 options (including 134,000 Agent's Options) issued and outstanding. At the closing of the transaction, 2,800,000 Shear Wind common shares issued to current directors, officers, and founders of Vindt will be subject to a voluntary escrow, all of which will be released on April 11th, 2008.

Pursuant to the Amalgamation, effective April 11th, 2007, Tim Bergen, currently a director of Vindt, became a director of Shear Wind and Jane MacKay, currently Vice President of Vindt, became Vice President of Business Development of Shear Wind.

Mr. Bergen, a co-founder of Vindt Resources, has over 20 years of entrepreneurial experience in the mining and manufacturing industries. Mr. Bergen is also currently the Chief Executive Officer of Radar Acquisitions Corp, a publicly traded company on the TSX Venture Exchange.

Ms. Mackay, a co-founder of Vindt Resources, has extensive hands-on experience in company development and operations, and most recently she established Wind Works Energy Corp., a wind farm development company based in Calgary, Alberta. She also has over 15 years of International experience in the mineral resource industry.

**ii) Arbitration Dispute – Renewable Energy Services Ltd. (RESL)**

The Company had disputed charges accrued in the accounts for wind turbine purchase and installations and disputed the whole Farm in Agreement and the Joint Operating Agreement with RESL as disclosed in note 5. In order to settle the dispute the Company and RESL went to binding arbitration. An Interim Order was received from the arbitrator on March 23, 2007 which resulted in a reduction in the amounts due to RESL, a recovery of amounts previously paid and a corresponding reduction in the capitalized costs of the wind power project.

Outstanding matters include finalization of charges with respect to the Goodwood and Fitzpatrick Mountain sites and costs.