

Shear Wind Inc.

Consolidated Financial Statements

(Unaudited)

For the six months ended

February 29, 2008 and 2007

Shear Wind Inc.
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February 29, 2008

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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of Shear Wind Inc. (the “Company”) have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor for the 6 months ended February 28, 2007.

SHEAR WIND INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED BALANCE SHEETS

UNAUDITED

	February 29, 2008	August 31, 2007
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 98,849	\$ 63,379
Investments (market value \$289,428) (note 17)	289,428	756,801
Accounts receivable	102,661	117,932
	490,938	938,112
Prepays and deposits	335,050	228,501
Project development costs (note 6)	3,962,717	3,109,852
Capital assets (note 7)	3,943,328	2,594,257
	\$ 8,732,033	\$ 6,870,722
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 914,486	\$ 413,016
Margin loan (note 17)	178,723	-
Shareholder loan (note 16)	1,641,644	-
	2,734,853	413,016
Future income taxes	1,166,380	1,147,000
	3,901,233	1,560,016
SHAREHOLDERS' EQUITY		
Share capital (note 10)	7,336,708	7,084,802
Contributed surplus (note 13)	401,560	432,160
Warrants (note 14)	314,015	367,299
Deficit	(3,221,483)	(2,573,555)
	4,830,800	5,310,706
	\$ 8,732,033	\$ 6,870,722

NATURE OF OPERATIONS and BASIS OF PRESENTATION (note 1)
 COMMITMENTS AND GUARANTEES (note 9)

Approved on behalf of the Board:

(Signed) David D. Heighington, Director

(Signed) Michael J. Wheatley, Director

see accompanying notes to the consolidated financial statements

SHEAR WIND INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

UNAUDITED

	For the 3 months ended February 29, 2008	For the 3 months ended February 28, 2007	For the 6 months ended February 29, 2008	For the 6 months ended February 28, 2007	Cumulative, Since inception on December 17, 2004 to February 29, 2008
EXPENSES					
Consulting fees	\$ 24,000	\$ -	\$ 48,000	\$ 28,825	\$ 519,268
Salaries & benefits	107,962	85,816	211,628	135,168	587,029
Professional fees	76,575	36,702	106,746	72,468	337,350
Amortization	52,422	14,777	91,207	73,023	278,822
General	99,037	42,106	147,516	81,486	729,889
Stock-based compensation	-	-	-	-	256,963
	359,996	179,401	605,097	390,970	2,709,321
INCIDENTAL REVENUE					
Other income	7,965	11,199	16,984	23,173	136,802
Electricity sales	87,266	49,416	92,021	86,198	292,219
	95,231	60,615	109,005	109,371	429,021
OTHER EXPENSES					
Interest expense	47,379	-	80,387	-	80,387
Other expenses	109	-	2,663	-	2,663
Asset writedown	-	-	752	-	831,850
(Gain) loss on investment	(6,705)	-	48,653	-	110,903
	40,783	-	132,455	-	1,025,803
LOSS BEFORE INCOME TAXES	(305,548)	(118,786)	(628,547)	(281,599)	(3,306,103)
Future income tax expense (recovery)	77,830	-	19,380	-	(84,620)
NET LOSS	\$ (383,378)	\$ (118,786)	\$ (647,927)	\$ (281,599)	\$ (3,221,483)
Deficit, beginning of period	(2,838,105)	(1,033,670)	(2,573,556)	(870,857)	-
Deficit, end of period	(3,221,483)	(1,152,456)	(3,221,483)	(1,152,456)	(3,221,483)
Basic and diluted loss per share (note 15)	\$ (0.009)	\$ (0.003)	\$ (0.015)	\$ (0.008)	\$ (0.075)

see accompanying notes to the consolidated financial statements

SHEAR WIND INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS

UNAUDITED

	For the 3 months ended February 29, 2008	For the 3 months ended February 28, 2007	For the 6 months ended February 29, 2008	For the 6 months ended February 28, 2007	Cumulative, Since inception on December 17, 2004 to February 29, 2008
Cash (used in) provided by:					
OPERATING ACTIVITIES					
Net loss	\$ (383,378)	\$ (118,786)	\$ (647,927)	\$ (281,599)	\$ (3,221,482)
Adjustments for items not affecting cash:					
Amortization	52,422	14,777	91,207	73,023	278,822
Asset writedown	-	-	752	-	831,850
Loss (Gain) on investment	(6,705)	-	48,653	-	110,903
Accrued interest	40,329	-	41,644	-	41,644
Future income tax expense (recovery)	77,830	-	19,380	-	(84,620)
Stock-based compensation	-	-	-	-	256,963
Consulting fees settled with shares	-	-	-	-	150,100
	(219,502)	(104,009)	(446,291)	(208,576)	(1,635,820)
Changes in non-cash working capital balances					
Accounts receivable	55,788	(592,264)	18,894	(386,663)	(87,531)
Accounts payable and accrued liabilities	179,390	(8,600)	237,557	40,441	(126,520)
	15,676	(704,873)	(189,840)	(554,798)	(1,849,871)
FINANCING ACTIVITIES					
Proceeds from issuance of common shares	69,800	2,400	168,022	2,400	6,420,372
Share issuance costs	-	(30,076)	-	(27,676)	(70,133)
Proceeds from margin loan	123,936	-	597,443	-	597,443
Repayment of margin loan	(418,720)	-	(418,720)	-	(418,720)
Proceeds from shareholder loan	-	-	1,600,000	-	1,600,000
Repayment of shareholder loan	-	-	-	-	-
	(224,984)	(27,676)	1,946,745	(25,276)	8,128,962
INVESTING ACTIVITIES					
Cash advanced for deposits	(41,682)	240,037	(146,549)	169,224	(274,194)
Cash repayment from deposits	40,000	-	40,000	-	40,000
Cash acquired on acquisitions, net of acquisition costs	-	-	-	-	361,901
Proceeds on the sale of investments	418,720	-	418,720	-	1,403,561
Acquisition of investments	-	-	-	-	(1,640,542)
Cash advanced for commercial paper issuance	-	-	-	-	(862,627)
Cash repayment from commercial paper issuance	-	-	-	-	699,277
Purchase of capital equipment	(14,339)	(3,999)	(1,614,784)	(3,999)	(1,643,648)
Wind power project development costs	(373,380)	744,242	(852,865)	681,906	(5,356,859)
Accounts payable and accrued liabilities	275,134	(630,068)	434,043	(616,103)	1,092,889
	304,453	350,212	(1,721,435)	231,028	(6,180,242)
(Decrease) increase in cash and cash equivalents	95,145	(382,337)	35,470	(349,046)	98,849
Cash and cash equivalents, beginning of the period	3,704	1,666,566	63,379	1,633,275	-
Cash and cash equivalents, end of the period	\$ 98,849	\$ 1,284,229	\$ 98,849	\$ 1,284,229	\$ 98,849
Cash and cash equivalents consist of the following:					
Cash held in banks	\$ 98,849	\$ 196,104	\$ 98,849	\$ 196,104	\$ 98,849
Short-term deposits	-	1,088,125	-	1,088,125	-
	\$ 98,849	\$ 1,284,229	\$ 98,849	\$ 1,284,229	\$ 98,849

see accompanying notes to the consolidated financial statements

SHEAR WIND INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended February 29, 2008 and 2007
(Unaudited)

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 power generation. 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 these projects.

These consolidated 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 development of its wind generation projects.

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 consolidated 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. AMALGAMATION TRANSACTION

Pursuant to the terms of a three cornered Amalgamation Agreement dated April 3rd, 2007, Vindt Resources Inc. (“Vindt”) amalgamated with Shear Wind's wholly owned subsidiary, 1297091 Alberta Ltd. The amalgamation was effective April 11, 2007 and the amalgamated entity will operate as a wholly owned subsidiary of Shear Wind and will continue under 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 value of \$0.25 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.

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2. AMALGAMATION TRANSACTION (continued)

In addition, Shear Wind issued 800,000 common shares at a value of \$0.25 to Modus Management Group Inc. as compensation under the terms of a management consulting agreement dated April 11th, 2007.

At the closing of the transaction, 2,800,000 Shear Wind common shares issued to current directors, officers, and founders of Vindt were subject to a voluntary escrow, all of which will be released on April 11th, 2008. The value of the 7,610,000 common shares issued was determined based on the average market price of Shear Wind common shares over the two-day period before and after the terms of the acquisition were agreed to and announced with the value of the shares under escrow being discounted at a rate of 25%. The value of the warrants and agent's options were valued using the Black-Scholes option pricing model under the following assumptions: volatility of 125.7% to 204.0%, risk-free interest rate of 4.11% to 4.23% and a term ranging from 1.25 to 4.25 years.

This transaction has been accounted for using the purchase method with the results of Vindt Resources Inc.'s operations being included in the consolidated results of Shear Wind Inc. since that date.

The Company has recorded a future tax liability of \$580,000 with respect to differences between income tax values and fair values of acquired assets. The Company has offset \$427,000 of this future tax liability by recognizing previously unrecognized future tax assets.

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2. AMALGAMATION TRANSACTION (continued)

The following table summarizes the preliminary purchase equation based on the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition and consideration given.

Net Assets Acquired		
as at		
April 11, 2007		
Cash and Cash Equivalents	\$	58,061
Accounts Receivable		1,000
Deposits		100,856
Wind Power Project Development Costs		2,131,383
Total Assets Acquired	\$	2,291,300
Accounts Payable & Accrued Liabilities		(7,034)
Future Income Tax Liability		(153,000)
Total Liabilities Assumed		(160,034)
Net Assets Acquired	\$	2,131,266
Shares	\$	1,677,500
Warrants		367,299
Options		145,047
Acquisition Costs		(58,580)
Total Consideration Given	\$	2,131,266

3. ARBITRATION DISPUTE & TERMINATION SETTLEMENT

In December, 2004 the Company entered into a Power Development, Operating and Farm-In Agreement (“PDOA”) 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 secured a 15 year power purchase agreement with Nova Scotia Power Inc. for 4 Megawatts of power annually.

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

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3. ARBITRATION DISPUTE & TERMINATION SETTLEMENT (continued)

Agreement with RESL. 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.

A final order was received on July 19, 2007 settling all previously outstanding matters including finalization of charges with respect to the Goodwood and Fitzpatrick Mountain sites and costs.

The Company subsequently reached an agreement to terminate their PDOA with RESL. Under the terms of the agreement the Company acquired 100 % ownership of two turbines (1.6 megawatts) for \$1,600,000 and relinquished their 33.33 % ownership in three other turbines (2.0 megawatts). The agreement was finalized on October 17, 2007 and closed on November 28, 2007. Proceeds from a shareholder loan of \$1,600,000 were used to close the transaction.

4. ADOPTION OF NEW ACCOUNTING POLICIES

Comprehensive Income, Equity, Financial Instruments and Hedges

Effective September 1, 2007, the Company adopted Canadian Institute of Chartered Accountants ("CICA") Section 1530, "Comprehensive Income", Section 3251, "Equity", Section 3855, "Financial Instruments - Recognition and Measurement" and Section 3865, "Hedges". Under the standards:

Financial assets are classified as loans and receivables, held-to-maturity, held-for-trading or available-for-sale. Loans and receivables include all loans and receivables except debt securities and are accounted for at amortized cost. Held-to-maturity classification is restricted to fixed maturity instruments that the Company intends and is able to hold to maturity and are accounted for at amortized cost. Held-for-trading instruments are recorded at fair value with realized and unrealized gains and losses reported in net earnings.

Financial liabilities are classified as either held-for-trading or other. Held-for-trading instruments are recorded at fair value with realized and unrealized gains and losses reported in net earnings. Other instruments are accounted for at

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4. ADOPTION OF NEW ACCOUNTING POLICIES (continued)

amortized cost with gains and losses reported in net earnings in the period that the liability is derecognized; and

Derivative instruments ("derivatives") are classified as held-for-trading unless designated as hedging instruments. All derivatives are recorded at fair value on the consolidated balance sheet. For derivatives that hedge variability in cash flows, the effective portion of the changes in the derivatives' fair value are initially recognized in other comprehensive earnings ("OCE") with any ineffective portion recorded in net earnings. Amounts temporarily recorded in AOCE will subsequently be reclassified to net earnings in the periods when net earnings is affected by the variability in the cash flows of the hedged item.

These standards have been applied prospectively; accordingly comparative amounts for prior periods have not been restated. The adoption of these standards resulted in the following classifications as of September 1, 2007 in accordance with the transition provisions:

Cash and cash equivalents are classified as held for trading. These financial assets are marked-to-market through net earnings in each period. The carrying value of these assets approximate the market value at the transition date and no adjustment was required. The Company holds preferred shares that pay a quarterly dividend. The Company adjusts the carrying value of these investments to fair market value at each reporting period and records any gain or loss on these investments in net earnings.

Accounts receivable are classified as "Loans and Receivables". After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Company, the measured amount generally corresponds to cost and no transition adjustment was required.

Accounts payable, shareholder loans and long - term debt are classified as "Other Financial Liabilities". After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Company, the measured amount generally corresponds to cost and no transition adjustment was required.

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5. SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim consolidated financial statements have been prepared following the accounting policies set out in the 2007 annual audited consolidated financial statements, except as disclosed in Note 4.

The disclosures in these unaudited consolidated financial statements do not conform in all material respects to the requirements of GAAP for annual financial statements. Accordingly, these unaudited consolidated financial statements should be read in conjunction with the August 31, 2007 annual audited consolidated financial statements.

These unaudited consolidated financial statements are denominated in Canadian dollars.

6. PROJECT DEVELOPMENT COSTS

Costs incurred relating to Project Development are as follows:

	September 1, 2007 Opening Balance	Additions	Transfers	February 29, 2008 Closing Balance
Wind Power Project Development Costs:	3,109,852	852,865		3,962,717

	September 1, 2006 Opening Balance	Additions	Transfers	August 31, 2007 Closing Balance
Wind Power Project Development Costs:	4,582,728	3,109,852	(4,582,728)	3,109,852

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7. CAPITAL ASSETS

Costs incurred relating to Capital Assets are as follows:

	September 1, 2007 Cost	Additions	Transfers	Adjustments and Writedowns	Sub-total Cost	Accumulated Amortization	February 29, 2008 Net Book Value
Turbines	2,753,008	1,425,494	-	-	4,178,502	(265,169)	3,913,333
Office equipment	7,024	758	-	-	7,782	(1,976)	5,806
Computer equipment	16,329	(313)	-	-	16,016	(10,060)	5,956
Vehicles	5,511	-	-	-	5,511	(1,378)	4,133
Leasehold Improvements	-	14,339	-	-	14,339	(239)	14,100
Total	2,781,872	1,440,278	-	-	4,222,150	(278,822)	3,943,328

	September 1, 2006 Cost	Additions	Transfers	Adjustments and Writedowns	Sub-total Cost	Accumulated Amortization	August 31, 2007 Net Book Value
Turbines	-	-	4,582,728	(1,829,720)	2,753,008	(178,502)	2,574,506
Office equipment	1,627	5,397	-	-	7,024	(1,210)	5,814
Computer equipment	10,572	5,757	-	-	16,329	(7,443)	8,886
Vehicles	-	5,511	-	-	5,511	(460)	5,051
Total	12,199	16,665	4,582,728	(1,829,720)	2,781,872	(187,615)	2,594,257

SHEAR WIND INC.
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8. 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 the agreed transaction value.

The Company was involved in the following related party transactions:

- A shareholder provided a loan for \$1,600,000 during the period ended November 30, 2007.
- A company owned 100% by a director of the Company charged the Company \$59,945 during the period ended February 29, 2008 (2007 - \$49,889) for legal fees.

9. COMMITMENTS AND GUARANTEES

The Company is contractually obligated, through a 1.6 megawatt Power Purchase Agreement (PPA) with Nova Scotia Power Inc. (NSPI) to provide the net electrical output of the Fitzpatrick Mountain wind generation facilities for the next 13 years.

The Company has secured office premises through lease until February, 2013. Annual rent, including operating costs, is estimated at \$35,000.

The Company obtained a shareholder loan in the amount of \$1,600,000. The loan is payable on demand and is secured by two turbines, intellectual property and associated equipment located at the Company's site at Fitzpatrick Mountain. Principal plus accrued interest in the amount of \$41,644 has been recorded as of the period ended February 29, 2008.

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10. SHARE CAPITAL

Authorized:

Class of shares	Number of shares authorized
Class A - voting common shares	Unlimited
Preferred Shares	Unlimited

Issued and outstanding:	Class A Common Shares	Amount (\$)
Balance, August 31, 2006	34,991,000	4,911,708
Agent's options	239,000	51,850
Share issue costs	-	(27,676)
Tax benefits renounced to shareholders	-	530,000
Share issue costs - Vindt Resources Inc.	-	(58,580)
Issued on acquisition of Vindt Resources Inc.	7,610,000	1,677,500
Balance, August 31, 2007	42,840,000	7,084,802
Fair value transfer on exercise of agents' warrants		53,284
Fair value transfer on exercise of options		30,600
Issued on exercise of options	260,000	76,500
Issued on exercise of agent's options	58,500	8,775
Issued on exercise of warrants	284,787	82,747
Balance, February 29, 2008	43,443,287	7,336,708

Share capital transactions in period

During the period the Company raised \$76,500 when a director of the Company exercised 10,000 options at a price of \$0.15 and 250,000 options at a price of \$0.30. Additionally, the Company raised \$91,522 when 58,500 agent's options were exercised at a price of \$0.15, 53,787 warrants were exercised at a price of \$0.25 and 231,000 warrants were exercised at a price of \$0.30

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11. COMMON SHARE PURCHASE WARRANTS AND AGENTS' OPTIONS

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

Expiry Date	Exercise Price (\$)	September 1, 2007 Opening Balance	Issued	Exercised	Expired	February 29, 2007 Closing Balance
Agents' Options:						
October 24, 2007	0.15	58,500	-	(58,500)	-	-
Warrants:						
June 20, 2008	0.30	1,500,000	-	(231,000)	-	1,269,000
June 20, 2009	0.25	304,500	-	(53,787)	-	250,713
Total		1,863,000	-	(343,287)	-	1,519,713

Expiry Date	Exercise Price (\$)	September 1, 2006 Opening Balance	Issued	Exercised	Expired	August 31, 2007 Closing Balance
Agents' Options:						
October 24, 2007	0.15	150,000	-	(91,500)	-	58,500
Warrants:						
June 20, 2008	0.30	-	1,525,000	(25,000)	-	1,500,000
June 20, 2009	0.25	-	427,000	(122,500)	-	304,500
Total		150,000	1,952,000	(239,000)	-	1,863,000

12. 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. Options expire after a five year period following the date of grant to officers and directors.

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12. STOCK OPTION PLAN (continued)

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

	Number of Stock Options		Weighted Average Exercise Price	
	February 29, 2007	August 31, 2007	February 29, 2007	August 31, 2007
Opening balance	4,060,000	2,410,000	0.28	0.27
Granted	-	1,050,000	-	0.30
Issued on reverse takeover	-	-	-	-
Cancelled/expired	-	-	-	-
Exercised	260,000	-	0.29	-
Issued on Vindt acquisition	-	600,000	-	0.30
Ending balance	3,800,000	4,060,000	0.28	0.28

As at February 29, 2008 there were 3,800,000 stock options granted under the Plan. The following table reflects the stock options outstanding as at February 29, 2008:

Expiry Date	Weighted Average Exercise Price (\$)	Options Outstanding
November 26, 2010	0.15	400,000
June 26, 2011	0.30	1,750,000
June 21, 2011	0.30	600,000
April 12, 2012	0.30	1,000,000
June 19, 2012	0.29	50,000
Total		3,800,000

During the period ended November 30, 2007 a director of the Company exercised 10,000 options at a price of \$0.15 and 250,000 options at a price of \$0.30.

During the year ended August 31, 2007, 1,050,000 (2006 – 2,000,000) 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, 50,000 (2006 – 2,000,000) had vested and accordingly \$16,963 (2006 - \$240,000) was recorded as stock-based compensation and credited to contributed surplus.

On April 12, 2007 the Company granted 500,000 incentive stock options to the Chief Operating Officer and 500,000 incentive stock options to the Vice President, Finance & Corporate Affairs. These are exercisable at \$0.30 in increments of 1/3 on April 12, 2008, 1/3 on April 12, 2009 and 1/3 on April 12, 2010 and expire on April 12, 2012.

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12. STOCK OPTION PLAN (continued)

As part of the Vindt acquisition 600,000 incentive stock options were issued effective April 11, 2007 to replace the Vindt Resources Inc. stock options cancelled on amalgamation. These are exercisable at \$0.30 and expire on June 21, 2011.

The fair value of all warrants, agent's options and incentive options granted in fiscal year 2007 were estimated using the Black-Scholes option pricing model under the following assumptions: volatility of 186% to 204%, risk-free interest rate of 4.11% to 4.23% and a term ranging from 1.25 to 4.25 years.

13. CONTRIBUTED SURPLUS

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

Contributed Surplus	February 29, 2008	August 31, 2007
Opening balance	432,160	270,150
Stock-based compensation expense	-	16,963
Fair value of options issued for Vindt acquisition	-	145,047
Fair value of options exercised	(30,600)	-
Ending balance	401,560	432,160

14. WARRANTS

The following table reflects the continuity of warrants issued:

Warrants	February 29, 2008	August 31, 2007
Opening balance	367,299	-
Fair value of warrants issued for Vindt acquisition	-	367,299
Fair value of warrants exercised	(53,284)	-
Ending balance	314,015	367,299

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15. BASIC AND DILUTED LOSS PER SHARE

The basic loss per share is computed by dividing the net loss for the period by the weighted average number of shares outstanding during the period. Diluted loss per share is the 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 during the period:

	3 months ended February 29, 2008	3 months ended February 28, 2007	6 months ended February 29, 2008	6 months ended February 28, 2007
Numerator:				
Net loss	\$ 383,378	\$ 118,786	\$ 647,927	\$ 281,599
Denominator:				
Weighted average number of shares	43,263,463	35,002,000	43,202,471	35,002,000

16. SHAREHOLDER LOAN

A shareholder loan was obtained to facilitate the closing of the termination settlement with RESL (Note 3) during the period ended November 30, 2007. The loan is payable on demand and is secured by the two turbine assets, intellectual property and associated equipment located at the Company's Fitzpatrick Mountain site. The Company is obligated to repay this loan and accrued interest. Principal of \$1,600,000 plus accrued interest of \$41,644 was recorded as of February 29, 2008. The Company plans to secure a commercial bank loan in April, 2008 and use the proceeds to repay the shareholder.

17. INVESTMENTS AND MARGIN LOAN

As at February 29, 2008, the Company had made investments in Co Operators General preferred shares and Royal Bank of Canada preferred shares. During the period the Company sold 20,000 shares at a value of \$418,720. The Company incurred a loss of \$680 at the time of sale and net proceeds were used to repay a portion of the margin loan and the balance used for working capital. The remaining investments were recorded at their market value of \$289,428 (August 31, 2007 - \$756,801) and the Company's margin loan balance was \$178,723 (2007 - \$0). The margin loan is secured by the market value of these investments and incurs interest at a rate of floating prime and is payable on demand. Interest charged during the period has ranged from 5 ¾ % to 6 ¼ %.

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18. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform to the presentation used in the current year.

19. SUBSEQUENT EVENTS

Debenture Financing

The Company announced on March 7, 2008 that it had secured a debenture financing for total proceeds of \$1,750,000. The debenture matures on September 1, 2008 ("Maturity Date") and is secured with a general security agreement registered against all present and after acquired personal property of the Corporation. A portion of the debenture, being \$750,000, is convertible, at the option of the holder, into Units of the Corporation at a price of \$0.80 per Unit. Each Unit will consist of one common share and one-half common share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share of the Corporation for \$0.90 per common share within 12 months of the conversion date. The debenture will bear interest at the rate of 5 per cent per year, payable in one lump sum on the Maturity Date. As part of the transaction, the Corporation will issue an aggregate of 250,000 bonus warrants to two parties, one of whom is a director of the Corporation, in connection with the non-convertible portion of the debenture, being \$1,000,000, at an exercise price of \$0.80 per share and expiring on the Maturity Date. Based on TSXV Exchange policies an issuer can grant bonus warrants in connection with a non-convertible loan and these bonus warrants will be subject to a four month hold period. The proceeds from the private placement will be used for the continued build out of the Company's key initiatives in 2008 which include the 60 megawatt Glen Dhu project and 100 megawatt Glen Ridge project as well as general working capital requirements.

Power Purchase Agreement – Nova Scotia Power Inc.

The Company announced on April 2, 2008 that it had entered into a 60 Megawatt ("MW") Power Purchase Agreement ("PPA") agreement with Nova Scotia Power Inc. The Company plans to use 30 Enercon E-82 2.0 MW turbines. The agreement is for a 20 year term and at an estimated investment of \$160 million. Initial commissioning is expected to begin in 2009.

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19. SUBSEQUENT EVENTS (cont'd)

Private Placement

On April 8, 2008 the Company announced that it had engaged a syndicate of agents led by TD Securities Inc. and including Macquarie Capital Markets (Canada) Inc. and Blackmont Capital Inc. (the "Agents") to market, on a best efforts agency basis, a private placement of units ("Units") for total gross proceeds of approximately \$17 million, subject to the Agents' option to increase the gross proceeds by up to 25% (the "Offering"). Each Unit will be comprised of one common share and one half of a common share purchase warrant of the Company, with each whole warrant entitling the holder to purchase one common share of the Company for a period of 24 months following closing of the Offering. Closing is expected to occur on or about April 30, 2008.

The net proceeds from the Offering will be used to finance initial project construction costs for the Glen Dhu Wind Park, Nova Scotia (the "Glen Dhu Project") and for general corporate purposes.