Consolidated Financial Statements

Shear Wind Inc.

August 31, 2008 and 2007

SHEAR WIND INC.

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Management's Report

To the Shareholders
Shear Wind Inc.

The accompanying financial statements are the responsibility of management. The financial statements have been prepared according to Canadian generally accepted accounting principles and include amounts based on management's best estimates and judgments.

Management has established and maintains accounting and internal control systems that are designed to provide reasonable assurance that our financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements, and that our assets are properly safeguarded.

The board of directors oversees management's responsibilities for financial reporting primarily through the audit committee. The financial statements have been reviewed and approved by the board of directors on the recommendation from the audit committee. The audit committee is also responsible for making recommendation with respect to the appointment of independent auditors and for approving their remuneration and terms of engagement. Other responsibilities of the audit committee include meeting periodically with the independent auditors and management to review accounting, auditing, internal controls, litigation, financial reporting and other matters. The shareholders' external auditors have free access to the audit committee both with and without management present.

Our independent auditors, Deloitte & Touche LLP, have audited our financial statements. The accompanying auditors' report outlines the scope of their examination and their opinion.

"Michael Magnus"
Michael Magnus
President and Chief Executive Officer

"Gary MacKenzie"
Gary MacKenzie
Chief Financial Officer

December 1, 2008

Auditors' Report

To the Shareholders of Shear Wind Inc.

We have audited the consolidated balance sheets of Shear Wind Inc. as at August 31, 2008 and 2007 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP.

Chartered Accountants
Halifax, Nova Scotia
December 1, 2008

SHEAR WIND INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED BALANCE SHEETS

As at August 31,	**2008**	2007
	$	$
ASSETS		
CURRENT		
Cash and cash equivalents	**124,698**	63,379
Short-term investments **(note 7)**	**-**	756,801
Accounts receivable	**204,840**	117,932
	329,538	938,112
Prepaids and deposits **(note 8)**	**798,516**	228,501
Project development costs **(note 9)**	**5,098,591**	3,109,852
Property, plant and equipment **(note 10)**	**3,845,349**	2,594,257
	10,071,994	6,870,722
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**958,609**	413,016
Shareholder loans **(note 11)**	**1,024,657**	-
Convertible debenture **(note 12)**	**768,493**	-
Current portion of capital lease **(note 13)**	**118,058**	-
	2,869,817	413,016
Long-term portion of capital lease **(note 13)**	**1,446,012**	-
Future income taxes **(note 14)**	**352,000**	1,147,000
	4,667,829	1,560,016
SHAREHOLDERS' EQUITY		
Share capital **(note 15, 24)**	**8,302,082**	7,088,188
Contributed surplus **(note 18, 24)**	**756,697**	428,774
Warrants **(note 16)**	**54,153**	367,299
Deficit	**(3,708,767)**	(2,573,555)
	5,404,165	5,310,706
	10,071,994	6,870,722

NATURE OF OPERATIONS AND CONTINUATION OF BUSINESS **(note 1)**
COMMITMENTS AND GUARANTEES **(note 21)**
CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS **(note 22)**
SUBSEQUENT EVENTS **(note 25)**

Approved on behalf of the Board:

"Michael J. Wheatley"
Michael J. Wheatley, Director

"Murray D. Smith"
Murray D. Smith, Director

SHEAR WIND INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS, AND DEFICIT

For the years ended August 31	2008	2007	Cumulative, Since inception on December 17, 2004 to August 31, 2008
	$	$	$
INCIDENTAL REVENUE			
Other	**252**	745	997
Interest	**7,289**	25,728	126,362
Dividend	**19,976**	24,070	19,976
Electricity sales	**215,801**	154,484	415,999
	243,318	205,027	563,334
EXPENSES			
Consulting fees **(note 20)**	**103,360**	81,825	574,628
Salaries and benefits	**882,142**	342,960	1,514,506
Professional fees **(note 20,23)**	**264,477**	221,237	495,081
Amortization of property, plant and equipment	**197,847**	183,766	385,462
General and administration **(note 23)**	**394,313**	274,764	976,685
	1,842,139	1,104,552	3,946,362
OTHER EXPENSES			
Interest	**204,800**	319	204,800
Other	**3,410**	5,231	3,410
Asset writedown	**55,118**	831,098	886,216
Realized loss on sale of investments **(note 7)**	**68,063**	70,525	130,313
	331,391	907,173	1,224,739
LOSS BEFORE INCOME TAXES	**(1,930,212)**	(1,806,698)	(4,607,767)
Future income tax recovery **(note 14)**	**795,000**	104,000	899,000
NET AND COMPREHENSIVE LOSS	**(1,135,212)**	(1,702,698)	(3,708,767)
Deficit, beginning of period	**(2,573,555)**	(870,857)	**-**
Deficit, end of period	**(3,708,767)**	(2,573,555)	(3,708,767)
Basic and diluted loss per share (note 19)	**(0.025)**	(0.045)	(0.083)

see accompanying notes to the consolidated financial statements

SHEAR WIND INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended August 31	2008	2007	Cumulative, Since inception on December 17, 2004 to August 31, 2008
Cash (used in) provided by:	$	$	$
OPERATING ACTIVITIES			
Net loss	**(1,135,212)**	(1,702,698)	(3,708,767)
Adjustments for items not affecting cash:			
Amortization of property, plant and equipment	**197,847**	183,766	385,462
Asset writedown	**55,118**	831,098	886,216
Loss on sale of investments	**68,063**	70,525	130,313
Acretion of convertible debenture	**11,232**	-	11,232
Accrued interest - expense	**43,150**	-	43,150
Accrued interest - income	**(3,870)**	-	(3,870)
Future income tax recovery	**(795,000)**	(104,000)	(899,000)
Stock-based compensation	**453,717**	16,963	710,680
Consulting fees settled with shares	**-**	-	150,100
	(1,104,955)	(704,346)	(2,294,484)
Changes in non-cash working capital balances			
Accounts receivable	**(152,548)**	204,411	(258,973)
Accounts payable and accrued liabilities	**485,557**	(317,013)	121,480
	(771,946)	(816,948)	(2,431,977)
FINANCING ACTIVITIES			
Proceeds from issuance of common shares	**763,722**	51,850	7,016,072
Realized loss on investment	**-**	(27,676)	(70,133)
Proceeds from margin loan	**688,738**	-	688,738
Repayment of margin loan	**(688,738)**	-	(688,738)
Proceeds from shareholder loan	**2,600,000**	-	2,600,000
Repayment of shareholder loan	**(1,600,000)**	-	(1,600,000)
Proceeds from convertible debenture	**750,000**	-	750,000
Proceeds from sale lease-back	**1,600,000**	-	1,600,000
Repayment of sale lease-back	**(35,930)**	-	(35,930)
Accounts payable and accrued liabilities	**303,300**	924,698	962,146
	4,381,092	948,872	11,222,155
INVESTING ACTIVITIES			
Cash advanced for deposits	**(610,015)**	(128,501)	(1,190,619)
Cash repayment from deposits	**40,000**	191,080	492,959
Business acquisition, net of cash acquired	**-**	(519)	361,901
Proceeds on the sale of investments	**688,738**	813,216	1,673,579
Acquisition of investments	**-**	(1,640,542)	(1,640,542)
Cash advanced for commercial paper issuance	**-**	-	(862,627)
Cash repayment from commercial paper issuance	**-**	-	699,277
Purchase of property, plant and equipment	**(1,623,445)**	(16,665)	(1,652,309)
Wind power project development costs	**(2,043,105)**	(919,889)	(6,547,099)
	(3,547,827)	(1,701,820)	(8,665,480)
(Decrease) increase in cash and cash equivalents	**61,319**	(1,569,896)	124,698
Cash and cash equivalents, beginning of the period	**63,379**	1,633,275	-
Cash and cash equivalents, end of the period	**124,698**	63,379	124,698
Cash and cash equivalents consist of the following:			
Cash held in banks (bank indebtedness)	**124,698**	(136,621)	124,698
Short-term deposits	**-**	200,000	-
	124,698	63,379	124,698

see accompanying notes to the consolidated financial statements and note 23 for additional cash flow information.

1. NATURE OF OPERATIONS AND CONTINUATION OF BUSINESS

Shear Wind Inc. (the "Company" or "Shear Wind") was incorporated as EW Power Services Ltd. under the Business Corporations 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 debt and 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 the financial statements have been prepared on the basis of accounting principles applicable to a going concern, several adverse conditions and events cast substantial doubt upon the validity of this assumption.

The Company has incurred significant operating losses over the past three fiscal years ($1,135,212) in the current year) and has a working capital deficiency of $2,540,279.

If the trend continues, the current working capital is not sufficient to sustain the Company for the next 12 months. Management's opinion is that the Company must obtain cash flow from additional financing to maintain sufficient working capital to meet creditor obligations and invest in wind development projects. Management is currently pursuing various options with prospective lenders to secure the necessary funds. There have been no financing agreements received as of yet and there can be no assurance that such agreements will be received and that financing efforts will be successful. If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, the reported net earnings and the balance sheet classifications used.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Vindt Resources Inc. and Fitzpatrick Mountain Wind Energy Inc. All inter-company transactions and balances have been eliminated upon consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

In preparing the consolidated 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 consolidated financial statements and reported amounts of revenue and expenses during the year. 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, asset retirement obligations, deferred development costs, amortization, future income tax valuation allowance 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 original maturities of 90 days or less.

Project Development Costs – Wind Power

All direct costs relating to Wind Power projects 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 power to a clearly defined market, and adequate resources exist or are expected to be available to complete the project to commercial production.

Property, Plant and 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.

Vehicles are 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. The compensation cost for options granted is determined based on the estimated fair value of the stock options at the time of the grant using the

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Black-Scholes option pricing model and is amortized over the vesting period with an offset to contributed surplus. 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. When options or warrants are exercised, the corresponding contributed surplus and the proceeds received by the Company are credited to share capital.

Share Issue Costs

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

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 August 31, 2008 (2007 - $0), the Company has not incurred or committed any asset retirement obligations related to the development of its wind generating projects.

Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are determined based on differences between the carrying amount 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.

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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Impairment of Long-Lived Assets

Long-lived assets and intangibles are reviewed for possible impairment whenever 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. During the year ended August 31, 2008 an impairment of $55,118 was recorded (August 31, 2007 - $831,098).

Shared Operations

Where activities are conducted jointly with others, the Company’s accounts reflect only the Company’s proportionate interest in these activities.

Revenue Recognition

The Company recognizes wind energy sales revenue at the time of generation and delivery to the purchasing party as metered at the point of interconnection with the transmission system.

3. ADOPTION OF NEW ACCOUNTING POLICIES

Effective September 1, 2007, the Company adopted Canadian Institute of Chartered Accountants ("CICA") Section 3855, “Financial Instruments – Recognition and Measurement”, Section 3861, "Financial Instruments – Disclosure and Presentation" 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

3. ADOPTION OF NEW ACCOUNTING POLICIES (continued)

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 amortized cost with gains and losses reported in net earnings in the year 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 income ("OCI") with any ineffective portion recorded in net earnings. Amounts temporarily recorded in accumulative other comprehensive income ("AOCI") will subsequently be reclassified to net earnings in the years when net earnings is affected by the variability in the cash flows of the hedged item.

These standards have been applied retrospectively; accordingly comparative amounts for prior years 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 year.

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.

Transaction costs are expensed as incurred. In implementing these standards the Company was required to search for embedded derivatives. No embedded derivatives were identified.

Effective September 1, 2007, the Company adopted CICA Handbook Section 1530, "Comprehensive Income". Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income in accordance with generally accepted accounting principles. The Company has no other comprehensive income components and, accordingly, the Company's net loss equals comprehensive loss.

3. ADOPTION OF NEW ACCOUNTING POLICIES (continued)

Effective September 1, 2007, the Company early adopted CICA Handbook Section 1535, "Capital Disclosures".

4. FUTURE ACCOUNTING PRONOUNCEMENTS

Financial Instruments – Disclosures and Financial Instruments – Presentation

In December 2006, the CICA issued Handbook sections entitled "Financial Instruments –Disclosures", (section 3862) and "Financial Instruments – Presentation" (section 3863), which will replace "Financial Instruments – Disclosure and Presentation (section 3861). The new disclosures standard increases the emphasis on the risk associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward the former presentation requirements and is effective for the Company's interim and annual reporting years beginning September 1, 2008. The impact of the new standard has not been determined on the Company's consolidated financial statements.

International Financial Reporting Standards

In January 2006, the CICA Accounting Standards Board adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by the fiscal year ending August 31, 2012. The impact of the transition of IFRS on the Company's consolidated financial statements has not yet been determined.

5. 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 operates as a wholly owned subsidiary of Shear Wind and continues to operate 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.

In addition, Shear Wind issued 800,000 common shares at a value of $0.25 to Modus Management Group Inc. ("Modus") as consideration under the terms of a management consulting agreement dated April 11th, 2007. At the closing of the transaction, the 800,000 common shares issued to Modus and the 2,800,000 Shear Wind common shares issued to current directors, officers, and founders of Vindt were subject to a voluntary

5. AMALGAMATION TRANSACTION (continued)

escrow, which has been released as of 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. The value of the 3,600,000 shares under escrow were 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 the quarter ended May 31, 2007.

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

The following table summarizes the 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		
Share acquisition costs		(58,580)		
Total Consideration Given			**$**	**2,131,266**

6. ARBITRATION DISPUTE AND 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 had disputed charges accrued in the accounts for wind turbine purchase and installations and disputed the whole PDOA with RESL. In order to settle the dispute, the Company and RESL went to binding arbitration. An interim arbitration 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 amounting to $998,662. A final arbitration 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 and an asset write-down of $831,098 was recorded at August 31, 2007. 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. For the current year ending August 31, 2008 the Company did not have any shared operations. During the prior year, Company's revenue of $154,484, was fully derived from shared operations as well as $57,494 of general expenses. As at August 31, 2007 the Company had wind turbine assets valued at a net book value of $2,574,506 and liabilities of $174,506 related to shared operations.

7. INVESTMENTS AND MARGIN LOAN

During the year, the Company sold its remaining investments in preferred shares at a value of $688,738. The Company incurred a loss of $68,063 on the sale of these investments and the proceeds were used to repay the margin loan.

8. PREPAIDS AND DEPOSITS

During the year, the Company was required to provide to Nova Scotia Power, as a condition of its Power Purchase Agreement (PPA), a Letter of Credit in the amount of $500,000. This letter of credit is secured by a redeemable short term investment renewing annually and bearing interest at a rate of 2.75% per year. The Company also made deposits in the amount of $255,000 for interconnection and system impact studies (2007 - $150,000) as well as prepaid expenses in the amount of $43,516 (2007 - $78,501) related to land leases, insurance and flight passes.

9. PROJECT DEVELOPMENT COSTS

Project development costs are comprised of the following**:**

	September 1, 2007 Opening Balance	Additions	Adjustments	Write downs	Transfers	August 31, 2008 Closing Balance
Wind Project Development Costs:	**3,109,852**	2,043,105	-	(54,366)	-	**5,098,591**

	September 1, 2006 Opening Balance	Additions	Adjustments	Write downs	Transfers	August 31, 2007 Closing Balance
Wind Project Development Costs:	**4,582,728**	919,889	2,189,963	-	(4,582,728)	**3,109,852**

During the year, the Company incurred project development expenditures of $2,043,104. In addition, the Company has cancelled further development on its site at Merland, Nova Scotia and has recorded a write-down of $54,366.

During the year-ended August 31, 2007, the Company was amalgamated with Vindt Resources Inc. The land acquired was calculated at a fair value of $1,891,097 and the project additions at the time of amalgamation were $298,866 for a total value of the acquired Vindt assets of $2,189,963. Share acquisition costs in the amount of $58,580 were deducted from share capital with the offsetting credit applied to the value of the assets acquired which reduced the net value to $2,131,383 (note 5). During the year ended August 31, 2007 the Company spent an additional $919,889 on project development assets in Alberta, Nova Scotia and New Brunswick. The Company put into service and transferred assets at a value of $4,582,728 to Property Plant and Equipment that were developed with RESL under the PDOA (note 6).

10. PROPERTY, PLANT AND EQUIPMENT

Costs incurred relating to Property, Plant and Equipment are as follows:

	September 1, 2007 Cost	Additions	Transfers	Adjustments	Write downs	Sub-total Cost	Accumulated Amortization	August 31, 2008 Net Book Value
Turbines and related infrastructure	**2,753,008**	1,600,000	**-**	(173,754)	(752)	**4,178,502**	(365,169)	**3,813,333**
Office equipment	**7,024**	3,624	**-**	**-**	**-**	**10,648**	(2,897)	**7,751**
Computer equipment	**16,329**	5,482	**-**	**-**	**-**	**21,811**	(13,427)	**8,384**
Vehicles	**5,511**	-	**-**	**-**	**-**	**5,511**	(2,296)	**3,215**
Leasehold Improvements	**-**	14,339	**-**	**-**	**-**	**14,339**	(1,673)	**12,666**
Total	**2,781,872**	**1,623,445**	**-**	**(173,754)**	**(752)**	**4,230,811**	**(385,462)**	**3,845,349**

The Company had additions of $1,623,445 which included $1,600,000 paid for turbines and related infrastructure as part of the termination agreement with RESL (note 6) and the forgiveness of a $173,754 debt owing to RESL. The Company sold its two turbines to a commercial bank for $1,600,000 and entered into a capital lease for a period of five years (See note 13 and note 21).

10. PROPERTY, PLANT AND EQUIPMENT (continued)

	September 1, 2006 Cost	Additions	Transfers	Adjustments	Write downs	Sub-total Cost	Accumulated Amortization	August 31, 2007 Net Book Value
Turbines and related infrastructure	**-**	-	4,582,728	(998,622)	(831,098)	**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**	**(998,622)**	**(831,098)**	**2,781,872**	**(187,615)**	**2,594,257**

The Company put into service and transferred assets at a value of $4,582,728 to Property, Plant and Equipment that were developed with RESL under the PDOA (note 9). This value was further adjusted in the amount of $998,662 based on the final arbitration ruling received on July 19, 2007 (note 6). A writedown was recorded in the amount of $831,098 to value the turbines and related infrastructure based on the terms of the termination agreement which closed on November 28, 2007.

11. SHAREHOLDER LOANS

	August 31, 2008
Opening balance	-
Gross proceeds	$ 2,600,000
Repayment	(1,600,000)
Accrued interest	24,657
Ending balance	**$ 1,024,657**

11. SHAREHOLDER LOANS (continued)

The Company obtained a loan from a shareholder and director in the amount of $1,600,000 in the current year. The loan had an interest rate of 10%, was payable on demand and was secured by two turbines, intellectual property and associated equipment located at the Company's site at Fitzpatrick Mountain. Principal plus interest in the amount of $89,398 had been repaid during the current year.

The Company obtained two loans in the amount of $500,000 each from two shareholders (one of which is also a director). Each loan beared interest at the rate of 5% per annum with an original maturity date of September 1, 2008. Each loan was secured by a General Security Agreement and warrants were issued to the two shareholders as consideration for the risk associated with the loans. Subsequently it was determined that the term of the warrants would legally expire on the maturity date rather than their stated two year term. Prior to August 31, 2008, the Company and the shareholders agreed to cancel the options and re-issue new ones in conjunction with amending the loan agreements. As disclosed in note 25, the loan agreements were amended as of the September 1, 2008 maturity date and as consideration for the cancellation of the warrants and the extended maturity date to December 31, 2008, the Company increased the interest rate to 10% on the principal balance and the accrued interest for the year from September 2, 2008 to December 31, 2008. Principal plus accrued interest in the amount of $24,657 has been recorded in the current year.

12. CONVERTIBLE DEBENTURE

	August 31, 2008
Opening balance	-
Gross proceeds	$ 750,000
Accrued interest	18,493
Unamortized value of equity component	-
Ending balance	**$ 768,493**

The Company issued a 5% secured convertible debenture to a shareholder in the amount of $750,000 in the current year which matured on September 1, 2008. The shareholder had the right to convert all or any portion of outstanding indebtedness into units ("units") of the Company at the conversion price per unit (the "Conversion Price") equal to $0.80 per unit. Each unit consisted of one common share and one half (1/2) purchase warrant with each whole warrant entitling the shareholder to acquire one additional common share at $0.90 within 12 months of the conversion date. The shareholder is entitled to convert all or a portion of the indebtedness into units anytime prior to the second anniversary of the date of issue (the "Conversion Period"). The debenture was secured by a General Security Agreement. As the shareholder can convert all or any portion of the debenture into units of the Company, the debenture obligations were classified partially as a liability and partially as shareholders' equity. The liability component was calculated in the amount of $738,768. This amount represented the present value of the required contractual payments of principal and

12. CONVERTIBLE DEBENTURE (continued)

interest discounted at an interest rate of 8% approximating that which would have been applicable to non-convertible subordinated debt at the time the debenture was issued. The difference between the original principal amount of the debenture and the amount recorded as a liability was $11,232 and represented the value of the conversion option which was recorded as capital stock. This equity component of $11,232 has been fully amortized and accrued interest in the amount of $18,493 has been recorded in the current year. The shareholder was fully repaid on September 9, 2008 for the principal plus accrued interest of $19,521.

13. OBLIGATION UNDER CAPITAL LEASE

The Company's wholly owned subsidiary Fitzpatrick Mountain Wind Energy Inc. sold its two turbines to a commercial bank for $1,600,000 and entered into a capital lease for a period of five years. At the end of the lease term Fitzpatrick Mountain Wind Energy Inc. may: (a) exercise an option to purchase the equipment (b) because a third party purchase the equipment or (c) renew the lease for another five year term. Fitzpatrick Mountain Wind Energy Inc. has provided security to the commercial bank by the assignment of its Power Purchase Agreement with Nova Scotia Power, the assignment of its maintenance agreement with the turbine manufacturer and the assignment of its land leases. The lease had an outstanding balance of $1,564,070 as of August 31, 2008. This site is currently operational with positive cash flow. The lease contract is repayable in monthly installments of $16,887. The payments include principal plus a floating interest rate which is based on the Canadian Deposit Offering Rate ("CDOR") plus a spread of 2.44%. Interest is calculated monthly and adjusted quarterly. The lease has a purchase option of $944,000 on June 30, 2013.

	August 31, 2008	**August 31, 2007**
Total amount of future minimum lease payments	$ 1,906,570	-
Interest included in installments	(342,500)	-
Obligation under capital lease	**$ 1,564,070**	**-**
Current portion	118,058	-
Long-term portion	$ 1,446,012	-

Future minimum lease payments under the capital lease in each of the next five years are as follows:

September 1, 2008 – August 31, 2009	$ 202,646
September 1, 2009 – August 31, 2010	202,646
September 1, 2010 – August 31, 2011	202,646
September 1, 2011 – August 31, 2012	202,646
September 1, 2012 – August 31, 2013	1,095,986
	$ 1,906,570

14. INCOME TAXES

Current Income Taxes

The provision for income taxes differs from the results which would be obtained by applying the Company's combined Federal and Provincial statutory tax rate of 35.50% (2007 - 38.12%) to the loss before income taxes. This difference results from the following items:

	August 31, 2008	August 31, 2007
Income tax recovery at combined statutory rate of 38.12%	$ (685,000)	$ (689,000)
Increase (decrease) resulting from:		
Stock-based compensation	161,000	6,500
Amounts not deductible for tax and other	46,000	4,000
Rate change	(127,000)	(69,500)
Writedown of project development costs	-	387,000
Wind power project development costs previously renounced	(174,000)	-
Loss on sale of investments	25,000	-
Share issue costs	(42,000)	-
Provision for future income taxes (recovery)	**$ (795,000)**	**$ (104,000)**

14. INCOME TAXES (continued)

The tax effect of items which give rise to future income tax assets and liabilities at August 31 are as follows:

	August 31, 2008	August 31, 2007
Future income tax asset – long term		
Tax loss carryforwards	$ 593,000	$ 476,000
Financing costs and other	63,000	54,000
	656,000	530,000
Future income tax liabilities – long term		
Project development costs	(283,000)	(789,000)
Capital assets	(725,000)	(888,000)
	(1,008,000)	(1,677,000)
Future income tax liability – long term	**$ (352,000)**	**$ 1,147,000)**
Less: Valuation Allowance	-	-
Net Future Tax Liability	**$ (352,000)**	**$ (1,147,000)**

Tax Losses

The Company has non-capital losses for income tax purposes which can be used to reduce taxable income in future years, expiring as follows:

2015	$ 2,900
2026	276,100
2027	926,200
2028	619,000
	$ 1,824,200

15. 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**
Fair value transfer on exercise of options	-	3,386
Issued on exercise of warrants	239,000	51,850
Share issue costs	-	(27,676)
Reversal of tax benefits to shareholders	-	530,000
Share acquisition 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**	**7,088,188**
Fair value transfer on exercise of options	-	137,026
Fair value transfer on exercise of warrants	-	313,146
Issued on exercise of options	1,043,334	291,500
Issued on exercise of warrants	1,612,287	472,222
Balance, August 31, 2008	**45,495,621**	**8,302,082**

During the year, the Company raised $291,500 when two directors of the Company exercised 143,334 options at a price of $0.15 and 750,000 options at a price of $0.30 and a former director of the Company's subsidiary, Vindt Resources Inc., exercised 150,000 options at $0.30. Additionally, the Company raised $472,222 when 58,500 warrants were exercised at a price of $0.15, 53,787 warrants were exercised at a price of $0.25 and 1,500,000 warrants were exercised at a price of $0.30.

16. COMMON SHARE PURCHASE WARRANTS

The following table reflects the continuity of the number of warrants exercised and outstanding:

Expiry Date	Exercise Price ($)	September 1, 2007 Opening Balance	Issued	Exercised	August 31, 2008 Closing Balance
Warrants:					
October 24, 2007	0.15	58,500	-	(58,500)	-
June 20, 2008	0.30	1,500,000	-	(1,500,000)	-
June 20, 2009	0.25	304,500	-	(53,787)	250,713
Total		**1,863,000**	**-**	**(1,612,287)**	**250,713**

Expiry Date	Exercise Price ($)	September 1, 2006 Opening Balance	Issued	Exercised	August 31, 2007 Closing Balance
Warrants:					
October 24, 2007	0.15	150,000	-	(91,500)	58,500
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**

The following table reflects the continuity of the fair value of warrants issued:

Warrants	August 31, 2008	August 31, 2007
Opening balance	367,299	-
Fair value of warrants issued for Vindt acquisition	-	367,299
Fair value of warrants issued for shareholder loans	131,494	-
Fair value of warrants expired from shareholder loans	(131,494)	-
Fair value of warrants exercised	(313,146)	-
Ending balance	**54,153**	**367,299**

17. 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.

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

	Number of Stock Options		Weighted Average Exercise Price	
	August 31, 2008	**August 31, 2007**	**August 31, 2008**	**August 31, 2007**
Opening balance	4,060,000	2,410,000	0.28	0.27
Granted	530,000	1,050,000	0.75	0.30
Exercised	(1,043,334)	-	0.28	-
Issued on Vindt acquisition	-	600,000	-	0.30
Ending balance	**3,546,666**	**4,060,000**	**0.36**	**0.28**

As at August 31, 2008 there were 3,546,666 stock options outstanding under the Plan. No options have expired or been forfeited during the year. The following table reflects the weighted average exercise price as at August 31, 2008:

Expiry Date	Weighted Average Exercise Price ($)	Options Outstanding	Options Outstanding and Exercisable
November 26, 2010	0.15	266,666	266,666
June 26, 2011	0.30	1,250,000	1,250,000
June 21, 2011	0.30	450,000	450,000
April 12, 2012	0.30	1,000,000	333,333
June 19, 2012	0.29	50,000	50,000
April 4, 2013	0.75	530,000	530,000
Total	**0.36**	**3,546,666**	**2,879,999**

17. STOCK OPTION PLAN (continued)

During the current year, 530,000 (2007 – 1,050,000) stock options were granted to two directors of the Company. The fair value of these options was estimated using the Black-Scholes option pricing model under the following assumptions: volatility of 148%, risk-free interest rate of 3.21% and a term of 5 years. These options will be expensed in the statement of operations and deficit as they vest. During the current year August 31, 2008, 863,333 (2007 - 50,000) had vested and accordingly $453,717 (2007 - $16,963) was recorded as stock-based compensation and credited to contributed surplus. The fair value of all warrants, agent's options and incentive options granted in fiscal year 2008 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.

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.

18. CONTRIBUTED SURPLUS

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

Contributed Surplus		**August 31, 2008**		**August 31, 2007**
Opening balance	$	428,774	$	270,150
Stock-based compensation expense		453,717		16,963
Fair value of options issued		-		145,047
Equity component of convertible debenture		11,232		-
Fair value of options exercised		(137,026)		(3,386)
Ending balance	**$**	**756,697**	**$**	**428,774**

19. BASIC AND DILUTED LOSS PER SHARE

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

	2008	2007
Numerator:		
Net loss	**$ 1,135,212**	$ 1,702,698
Denominator:		
Weighted average number of shares	**44,613,419**	38,212,500

20. 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.

The Company was involved in the following related party transactions during the current year:

- A shareholder and director provided a loan for $1,600,000 (2007 – $0) as further disclosed in Note 11.
- A shareholder and director provided a loan for $500,000 (2007 – $0) as further disclosed in Note 11.
- A shareholder provided a loan for $500,000 (2007 – $0) as further disclosed in Note 11.
- A shareholder provided a convertible debenture for $750,000 (2007 – $0) as further disclosed in Note 12.
- A company owned 100% by a director of the Company charged the Company $88,750 for legal fees (2007 - $49,889).
- A company owned 100% by a shareholder of the Company charged the Company $96,000 for consulting fees (2007 - $4,000).

The Company was involved in the following related party transactions during the prior year:

- A company owned 100% by a director of the Company charged the Company (2008 - $0) $25,000 for consulting fees.

21. COMMITMENTS AND GUARANTEES

As at the year ended August 31, 2008, the Company had engaged in the following 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 site for the next 13 years. This site is currently operational with positive cash flow.

- The Company is contractually obligated, through a 60 megawatt PPA with NSPI to provide the net electrical output of the Glen Dhu - North wind generation site. The agreement is for a period of 20 years from December 31, 2010. The capital investment is estimated at $160 million and will be raised through a combination of debt and equity.

- The Company has secured office premises through lease until February, 2013. Annual rent, including operating costs, is estimated at $35,000. These funds will be raised by means of an additional financing required in late 2008 to fund ongoing working capital requirements.

22. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its wind projects and to maintain a flexible capital structure for its projects for the benefit of its shareholders. As the Company is in the development stage, its principal source of funds is from the issuance of common shares. In the management of capital, the Company includes the components of shareholders' equity as well as cash and cash equivalents, receivables, investments and investment tax credit receivable balances. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments. In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations. The Company expects its current capital resources will not be sufficient to carry its development plans and operations through its current operating year and plans to raise additional funds through the sale of assets or through the issue of additional shares.

22. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Financial Instruments and Risk Management

The fair value of the Company's financial assets and financial liabilities: cash and cash equivalents, investments, accounts receivable, and accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity. These financial assets and financial liabilities are exposed to various risk factors that may affect the fair value presentation or the amount ultimately received or paid on settlement of its assets and liabilities. The Company manages these risks through prudent investment and business decisions. The Company does not utilize derivative financial instruments for trading or speculative purposes.

A summary of the major financial instrument risks and the Company's approach to the management of these risks are highlighted below:

Market value risk

The Company is exposed to market risk with respect to any short-term investments it holds.

Foreign currency risk

The Company is not currently exposed to foreign currency fluctuations. The Company may have exposure to foreign currency fluctuations in the future as it moves forward with the construction of various wind projects and will consider entering into derivative contracts at that time to reduce any potential exposure to these fluctuations.

Interest rate risk

The Company is exposed to interest rate fluctuations as its capital lease has a floating interest rate.

Liquidity risk

The Company may be unable to sell its entire interest in an asset quickly without having an adverse effect on the fair value of the asset. The Company may also be exposed to risk of not being able raise funds to meet commitments associated with its financial liabilities (i.e. Accounts payable, capital lease obligation, convertible debt and shareholder loans).

Credit risk

The Company has minimal credit risk with respect to accounts receivable balances owing.

23. ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

Other information

	August 31, 2008	**August 31, 2007**
Interest paid	161,650	-
Income taxes paid	-	41,054

24. COMPARATIVE FIGURES

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

Stock-based compensation was disclosed separately in 2007 and has been grouped with Salaries and benefits in 2008. Interest income, Dividend income and other expenses were grouped with other income in 2007 and have been disclosed separately in 2008. Legal fees in the amount of $74,837 had been recorded as General expenses in 2007 and have been reclassified as Professional fees in the current year. The 2007 comparative has been adjusted for the fair value transfer of agent's options in the amount of $3,386 from Contributed surplus to Share capital which had not been reflected in the 2007 financial statements.

25. SUBSEQUENT EVENTS

Amended Shareholder Loans

On September 02, 2008 the Company amended two shareholder loans that had expired on September 1, 2008. The Company had offered warrants to these shareholders over a two year term as part of the original loan agreements, however, the Company's legal counsel has subsequently advised that these warrants could not be offered over a two year term and as such would expire on the maturity date of September 1, 2008. The Company, therefore, reversed the calculated value of these warrants and the associated amortization to interest expense. The loan agreements were amended as of the September 1, 2008 maturity date and as consideration for the expiry of the warrants and the extended maturity date, the Company increased the interest rate to 10% on the principal balance and the accrued interest for the period from September 2, 2008 to December 31, 2008.

25. SUBSEQUENT EVENTS (continued)

Issuance of Stock Options

On September 25, 2008 the Company granted incentive stock options to two directors and a consultant to purchase an aggregate of 940,000 common shares of Shear Wind pursuant to its Stock Option Plan. The options expire on September 26, 2013 and are exercisable at a price of $0.40 per share. The options are subject to a four month hold period from date of grant. The fair value of $0.35 for these options was estimated using the Black-Scholes option pricing model under the following assumptions: volatility of 129%, risk-free interest rate of 3.156% and a term of 5 years. These options are fully vested and the fair value calculated in the amount of $333,471 will be expensed in the statement of operations and deficit to salaries and benefits and credited to contributed surplus.

Private Placement

On October 1, 2008 the Company closed a private placement consisting of the issuance of 3,537,234 Units at a price of $0.47 per Unit for total proceeds of $1,662,500. Each Unit includes one common share and one-half of one purchase warrant, with each full warrant entitling the holder to purchase one additional common share at a price of $0.55 within 24 months of closing. Of the total common shares issued, 3,452,128 were issued on a flow-through basis pursuant to the "Canadian Development Expense(s) and "Canadian Exploration Expense(s)" provisions under subsections 66.2(5) and 66.1(6) of the Income Tax Act (Canada). Related parties subscribed for 900,000 common shares under the private placement. The common shares and warrants will be subject to a four month hold period. Cash commissions of $160,150 in connection with facilitating the private placement were paid. The proceeds from the private placement will be used to further develop Shear Wind's Glen Dhu wind project in Nova Scotia.