Shear Wind Inc.

Consolidated Financial Statements

(Unaudited)

For the three months ended

November 30, 2009 and 2008

Shear Wind Inc.

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November 30, 2009

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SHEAR WIND INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED BALANCE SHEETS

	November 30, 2009	August 31, 2009
	$	**$**
ASSETS		
CURRENT		
Cash and cash equivalents	**2,297,409**	-
Short-term investments **(note 21)**	**19,000,000**	-
Accounts receivable	**336,500**	59,193
	21,633,909	59,193
Prepaids and deposits **(note 5)**	**2,353,579**	346,676
Project development costs **(note 6)**	**5,253,533**	5,030,775
Property, plant and equipment **(note 7)**	**3,578,422**	3,631,244
Intangible assets & deferred charges (**note 8**)	**-**	98,360
	32,819,443	9,166,248
LIABILITIES		
CURRENT		
Bank indebtedness	**-**	33,296
Accounts payable and accrued liabilities	**1,790,254**	811,634
Shareholder loans **(note 9)**	**-**	-
Convertible debenture **(note 10)**	**-**	-
Current portion of capital lease **(note 11)**	**126,597**	124,842
	1,916,851	**969,772**
Long-term portion of capital lease **(note 11)**	**1,288,855**	1,321,170
Future income tax liability	**-**	799,700
	3,205,706	3,090,642
SHAREHOLDERS' EQUITY		
Share capital **(note 12)**	**31,828,571**	8,900,009
Contributed surplus **(note 15)**	**1,213,169**	1,131,763
Warrants **(note 13, 16)**	**1,266,231**	380,785
Deficit	**(4,694,234)**	(4,336,951)
	29,613,737	6,075,606
	32,819,443	9,166,248

NATURE OF OPERATIONS AND CONTINUATION OF BUSINESS **(note 1)**
COMMITMENTS AND GUARANTEES **(note 19)**

Approved on behalf of the Board:

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

"Gary F. MacKenzie"
Gary F. MacKenzie, Director

see accompanying notes to the consolidated financial statements

SHEAR WIND INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

	For the 3 months ended November 30 , 2009	For the 3 months ended November 30 , 2008	**Cumulative, Since inception on December 17, 2004 to November 30, 2009**
	$	$	**$**
INCIDENTAL REVENUE			
Electricity sales	**79,801**	85,148	**792,326**
Interest income	**4,846**	3,462	**145,184**
Dividend income	**-**	-	**19,976**
Other	**-**	-	**997**
	84,647	88,610	**958,483**
EXPENSES			
Salaries and benefits	**197,926**	435,819	**2,569,098**
General and administration	**130,794**	66,330	**1,428,904**
Consulting fees **(note 18)**	**24,000**	59,000	**732,428**
Professional fees **(note 18)**	**45,823**	47,722	**750,533**
Amortization of property, plant and equipment **(note 7)**	**52,822**	53,526	**652,390**
	451,365	662,397	**6,133,353**
OTHER			
Gain on sale of asset **(note 6)**	**-**	-	**(1,221,459)**
Interest expense	**11,340**	49,339	**321,496**
Asset write-down	**-**	-	**1,386,216**
Realized loss on sale of investments	**-**	-	**130,313**
Other	**3,106**	163	**12,742**
	14,446	49,502	**629,308**
LOSS BEFORE INCOME TAXES	**(381,164)**	(623,289)	**(5,804,178)**
Current income tax expense	**-**	-	**(9,182)**
Future income tax recovery (expense)	**23,881**	149,000	**1,119,126**
NET AND COMPREHENSIVE LOSS	**(357,283)**	(474,289)	**(4,694,234)**
Deficit, beginning of period	**(4,336,951)**	(3,708,767)	**-**
Deficit, end of period	**(4,694,234)**	(4,183,056)	**(4,694,234)**
Basic loss per share (note 17)	**(0.005)**	(0.010)	**(0.060)**
Diluted loss per share (note 17)	**(0.005)**	(0.010)	**(0.060)**

SHEAR WIND INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the 3 months ended November 30 , 2009	For the 3 months ended November 30 , 2008	**Cumulative, Since inception on December 17, 2004 to November 30, 2009**
Cash (used in) provided by:	**$**	$	**$**
OPERATING ACTIVITIES			
Net loss	**(357,283)**	(474,289)	**(4,694,234)**
Adjustments for items not affecting cash:			
Amortization of property, plant and equipment	**52,822**	53,526	**652,390**
Asset writedown	**-**	-	**1,386,216**
Gain on sale of asset	**-**	-	**(1,221,459)**
Loss on sale of investments	**-**	-	**130,313**
Acretion of convertible debenture	**-**	-	**11,232**
Accrued interest - expense	**-**	25,413	**-**
Accrued interest - income	**(4,846)**	-	**(8,726)**
Future income tax expense (recovery)	**(23,881)**	(149,000)	**(1,119,126)**
Deferred charges			
Share issue costs			
Stock-based compensation **(note 14)**	**81,406**	329,921	**1,203,413**
Consulting fees settled with shares	**-**	-	**150,100**
	(251,782)	(214,429)	**(3,509,881)**
Changes in non-cash working capital balances			
Accounts receivable	**(272,461)**	166,985	**(385,777)**
Prepaid expenses	**(1,006,903)**	7,512	**(1,010,694)**
Accounts payable and accrued liabilities	**(340,383)**	(675,553)	**(62,401)**
	(1,871,529)	(715,485)	**(4,968,753)**
FINANCING ACTIVITIES			
Proceeds from issuance of common shares	**26,925,935**	1,707,500	**35,649,507**
Share issue costs	**(3,789,386)**	(175,258)	**(4,063,004)**
Realized loss on investment	**-**	-	**(70,133)**
Proceeds from margin loan	**-**	-	**688,738**
Repayment of margin loan	**-**	-	**(688,738)**
Proceeds from shareholder loan	**-**	-	**2,600,000**
Repayment of shareholder loan	**-**	-	**(2,600,000)**
Proceeds from convertible debenture	**-**	-	**750,000**
Repayment of convertible debenture	**-**	(768,493)	**(750,000)**
Proceeds from sale lease-back	**-**	-	**1,600,000**
Repayment of sale lease-back	**(30,560)**	(28,899)	**(184,548)**
Cash advanced for deferred charges	**-**	-	**(98,360)**
Accounts payable and accrued liabilities	**1,319,003**	222,989	**1,977,672**
	24,424,992	957,839	**34,811,134**
INVESTING ACTIVITIES			
Cash advanced for deposits	**(1,000,000)**	-	**(2,161,627)**
Cash repayment from deposits	**-**	-	**517,959**
Business acquisition, net of cash acquired	**-**	-	**361,901**
Proceeds on the sale of assets	**-**	-	**2,137,500**
Proceeds on the sale of investments	**-**	-	**1,673,579**
Acquisition of investments	**-**	-	**(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	**-**	-	**(1,652,310)**
Wind power project development costs	**(222,758)**	(329,124)	**(7,618,082)**
	(1,222,758)	(329,124)	**(8,544,972)**
(Decrease) increase in cash and cash equivalents	**21,330,705**	(86,770)	**21,297,409**
Cash and cash equivalents, beginning of the year	**(33,296)**	124,698	**-**
Cash and cash equivalents, end of the year	**21,297,409**	37,928	**21,297,409**
Cash and cash equivalents consist of the following:			
Cash and cash equivalents	**2,297,409**	37,928	**2,297,409**
Short-term deposits	**19,000,000**	**-**	**19,000,000**
	21,297,409	**37,928**	**21,297,409**

SHEAR WIND INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended November 30, 2009 and 2008
(Unaudited)

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 unaudited interim 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.

On November 3, 2009, the Company closed a private placement and subsequently received approval from the TSX Venture Exchange on November 4, 2009. The private placement ("Private Placement") was with Genera Avante Holdings Canada Inc. ("GAHC"), an indirectly owned subsidiary of Inveravante Inversiones Universales, S.L. ("Inveravante"). Proceeds were in the amount of $26,925,935 based on the issuance of 96,439,595 common shares of Shear Wind to GAHC at a price of $0.2792 per common share. This transaction resulted in GAHC holding approximately 62% of the common shares of Shear Wind, on a fully-diluted basis and has provided the Company sufficient working capital to sustain the Company for the next 12 months, meet creditor obligations and continue to invest in wind development projects. All securities of Shear Wind issued in connection with the Prívate Placement are subject to a hold period of four months plus one day from the date of issue pursuant to applicable securities laws in Canada.

While the financial statements have been prepared on the basis of going concern, adverse conditions still exist to cast doubt on the assumptions, based on the fact that the Company has incurred significant operating losses over the past three fiscal years ($628,184 in the year ended August 31, 2009 and $357,283 in the period ending November 30, 2009).

2. SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim consolidated financial statements have been prepared following the accounting policies set out in the 2009 annual audited consolidated financial statements, except as disclosed in Note 3.

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, 2009 annual audited consolidated financial statements. These unaudited consolidated financial statements are denominated in Canadian dollars.

3. ADOPTION OF NEW ACCOUNTING POLICIES

Goodwill and Intangible Assets

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3064, Goodwill and intangible assets, replacing Section 3062, Goodwill and other intangible assets and Section 3450, Research and development costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Sections are applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company has adopted the new standards for the current fiscal year beginning September 1, 2009. It establishes standards for recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The impact of the adoption of this standard is not considered material to the Company.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the Emerging Issues Committee ("EIC") concluded that an entity's own credit risk and the credit risk of the counterparty should be taken into accounting in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC-173 is applicable retrospectively without restatements of prior periods to all financial assets and liabilities measured at fair value in financial statements for periods ending on or after the date of the issue of the Abstract (January 20, 2009). Retrospective application with restatement of prior periods is permitted but not required. The application of incorporating credit risk into the fair value results in entities re-measuring the financial assets and financial liabilities as at the beginning of the period of adoption with any resulting difference recorded in retained earnings except when derivatives in a fair value hedging relationship accounted for by the short cut method (difference is adjusted to the hedged item) and for derivatives in cash flow hedging relationship (differences are recorded in accumulated other comprehensive income). The impact of the adoption of this standard is not considered material to the Company.

Financial Statement Concepts

Effective for financial statements relating to fiscal years beginning on or after October 1, 2008, CICA Handbook Section 1000 ''Financial Statement Concepts'' was revised to remove material that permitted the recognition of assets that might not otherwise meet the definition of an asset and to add guidance from the International Accounting Standards Board's (IASB) ''Framework for the Preparation and Presentation of Financial Statements'' that helps distinguish assets from expenses. The impact of the adoption of this standard is not considered material to the Company.

4. FUTURE ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board ("AcSB") recently confirmed the convergence of Canadian GAAP with IFRS for publicly-listed companies to use IFRS, effective for the Company for interim and annual financial statements beginning on September 1, 2011. The change date will require the restatement for comparative purposes of amounts reported by the Company for interim periods and for the year ended August 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Business Combinations

In January 2009, the CICA issued Section 1582, "Business Combinations", replacing Section 1581 of the same name. The new section will apply prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Section 1582, which provides the Canadian equivalent to International Financial Reporting Standard 3, Business Combinations (January 2008), establishes standards for the accounting for a business combination. Section 1582 requires business acquisitions (including non-controlling interests and contingent consideration) to be measured at fair value on the acquisition date, generally requires acquisition-related costs to be expensed, requires gains from bargain purchases to be recorded in net earnings, and expands the definition of a business. As Section 1582 will apply only to future business combinations, it will not have a significant effect on the Company's financial statements prior to such acquisitions.

Consolidated Financial Statements and Non-Controlling Interests

In January 2009, the CICA issued Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests", which together replace the existing Section 1600, "Consolidated Financial Statements", and provide the Canadian equivalent to International Accounting Standard 27, "Consolidated and Separate Financial Statements (January 2008)". The new sections will be applicable to the Company for the year ended August 31, 2011. Section 1601 establishes standards for the preparation of consolidated financial statements, and Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company is assessing the impact, if any, of the adoption of these new sections on its financial statements.

5. PREPAIDS AND DEPOSITS

At November 30, 2009, the Company has provided to Nova Scotia Power Inc. (“NSPI”), as a condition of its Power Purchase Agreement (“PPA”), a Performance Security Deposit (“PSD”) in the form of two letters of credit in the amount of $500,000 and $1,000,000. These letters of credit are secured by redeemable short term investments renewing annually for a three year term and bearing interest at an annual compound equivalent rate of 0.50% per year for the investment of $500,000 and 1.00% for the $1,000,000 investment. A write-down was also recorded in the amount of $500,000 during the year ended August 31, 2009. This write-down is in relation to the full amount of the PSD held by NSPI that the Company forfeited on November 30, 2009. This $500,000 forfeiture will be required to be replaced in the following period and is in accordance with the Company’s PPA with NSPI and is a result of not having the first 20 megawatts of generation at Glen Dhu, Nova Scotia in service by November 30, 2009. As a result, the net value of this PSD at November 30, 2009 is $1,000,000 (August 31, 2009 - $nil). During the period ended November 30, 2009 the Company also had deposits in the amount of $280,000 (August 31, 2009 - $280,000) for interconnection and system impact studies as well as prepaid expenses in the amount of $1,073,579 (August 31, 2009 - $66,676) related to land leases, insurance, rent, turbine maintenance and flight passes.

6. PROJECT DEVELOPMENT COSTS

Project development costs are comprised of the following:

		November 30, 2009		August 31, 2009
Opening balance	$	5,030,775	$	5,098,591
Additions		222,758		848,225
Disposals		-		(916,041)
Closing balance	**$**	**5,253,533**	**$**	**5,030,775**

During the period ended November 30, 2009, the Company made project development expenditures of $222,758.

During the year ended August 31, 2009, the Company made project development expenditures of $848,225. The Company sold its Glen Ridge project for total proceeds of $2,137,500 in an arm’s length transaction and had a net gain of $1,221,459. Disposals of $916,041 relate to costs incurred on the Company’s Glen Ridge asset prior to the sale of this asset.

SHEAR WIND INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended November 30, 2009 and 2008
(Unaudited)

7. PROPERTY, PLANT AND EQUIPMENT

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

	September 1, 2009 Cost	Accumulated Amortization	November 30, 2009 Net Book Value
Turbines under capital lease	**$ 1,600,000**	$ (235,556)	**$ 1,383,590**
Turbine related infrastructure	**2,578,503**	$ (379,613)	**2,229,744**
Office equipment	**10,648**	(5,559)	**5,622**
Computer equipment	**21,811**	(21,811)	**-**
Vehicles	**5,511**	(4,593)	**1,377**
Leasehold improvements	**14,339**	(5,258)	**9,798**
Total	**$ 4,230,812**	**$ (652,390)**	**$ 3,578,422**

There were no additions to property, plant and equipment during the period ended November 30, 2009. The Company recorded amortization expense in the amount of $52,822 during the period ended November 30, 2009 (November 30, 2008 - $53,526).

7. PROPERTY, PLANT AND EQUIPMENT (continued)

	September 1, 2008 Cost	Accumulated Amortization	August 31, 2009 Net Book Value
Turbines under capital lease	**$ 1,600,000**	$ (216,410)	**$ 1,383,590**
Turbine related infrastructure	**2,578,503**	$ (348,759)	**2,229,744**
Office equipment	**10,648**	(5,026)	**5,622**
Computer equipment	**21,811**	(20,698)	**1,113**
Vehicles	**5,511**	(4,134)	**1,377**
Leasehold improvements	**14,339**	(4,541)	**9,798**
Total	**$ 4,230,812**	**$ (599,568)**	**$ 3,631,244**

There were no additions to property, plant and equipment during the year ended August 31, 2009. The Company recorded amortization expense in the amount of $214,105 during the year ended August 31, 2009 (August 31, 2008 - $197,847). The Company's wholly owned subsidiary Fitzpatrick Mountain Wind Energy Inc. sold its two turbines to a commercial bank in June 2008 for $1,600,000 and entered into a capital lease for a period of five years. *See Note 11 – Obligation under Capital Lease.*

8. INTANGIBLE ASSETS AND DEFERRED CHARGES

During the period ended November 30, 2009, the Company re-classed costs related to the private placement which were incurred prior to the year ended August 31, 2009. The Company had reasonable certainty that the transaction would close and recorded these costs as deferred charges at August 31, 2009 pending completion of the transaction. Upon closing, these share issue costs are now presented as a reduction to share capital.

9. SHAREHOLDER LOANS

	November 30, 2009	August 31, 2009
Opening balance	$ -	$ 1,024,657
Gross proceeds	-	-
Repayment	-	(1,060,738)
Accrued interest	-	36,081
Closing balance	**$ -**	**$ -**

The Company had two loans from a shareholder and a shareholder and director which were amended on September 1, 2008. The principal balance of each was $512,400. The loans had an interest rate of 10% per year and matured on December 31, 2008. The Company repaid the loans and accrued interest of $36,081 on January 7, 2009.

10. CONVERTIBLE DEBENTURE

	November 30, 2009	August 31, 2009
Opening balance	$ -	$ 768,493
Gross proceeds	-	-
Accrued interest	-	1,028
Repayment	-	(769,521)
Closing balance	**$ -**	**$ -**

The Company issued a 5% secured convertible debenture to a shareholder in the amount of $750,000 in the prior 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 was 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 could 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

10. 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 had been recorded in the prior year. The shareholder was fully repaid on September 9, 2008 for the principal plus accrued interest of $19,521.

11. OBLIGATION UNDER CAPITAL LEASE

The Company's wholly owned subsidiary Fitzpatrick Mountain Wind Energy Inc. sold its two turbines to a commercial bank in June 2008 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) cause a third party to purchase the equipment or (c) renew the lease for another 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 $1,415,452 as of November 30, 2009. 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.

	November 30, 2009	August 31, 2009
Total amount of future minimum lease payments	$ 1,653,262	$ 1,703,924
Interest included in installments	(237,810)	(257,912)
Obligation under capital lease	**$ 1,415,452**	**$ 1,446,012**
Current portion	126,597	124,842
Long-term portion	$ 1,288,855	$ 1,321,170

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

December 1, 2009 – August 31, 2010	$ 151,984
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
	$ 1,653,262

12. 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, 2008	**45,495,621**	**8,106,782**
Issued on exercise of options	150,000	45,000
Fair value transfer on exercise of options	-	36,261
Fair value transfer on expiry of warrants	-	54,153
Private Placement:		
Flow-through shares issued for cash	3,452,128	1,622,500
Shares issued for cash	85,106	40,000
Tax benefits renounced to shareholders	-	(502,975)
Share issue costs	-	(120,927)
Fair value of warrants issued	-	(380,785)
Balance, August 31, 2009	**49,182,855**	**8,900,009**
Private Placement:		
Shares issued for cash	96,439,595	26,925,935
Share issue costs	-	(3,111,927)
Fair value of warrants issued	-	(885,446)
Balance, November 30, 2009	**145,622,450**	**31,828,571**

Share capital transactions during the period ended November 30, 2009.

On November 3, 2009, the Company closed a private placement and subsequently received approval from the TSX Venture Exchange on November 4, 2009. The private placement ("Private Placement") was with Genera Avante Holdings Canada Inc. ("GAHC"), an indirectly owned subsidiary of Inveravante Inversiones Universales, S.L. ("Inveravante"). Proceeds were in the amount of $26,925,935 based on the issuance of 96,439,595 common shares of Shear Wind to GAHC at a price of $0.2792 per common share. GAHC now holds approximately 62% of the common shares of Shear Wind, on a fully-diluted basis. All securities of Shear Wind issued in connection with the Prívate Placement are subject to a hold period of four months plus

12. SHARE CAPITAL (continued)

one day from the date of issue pursuant to applicable securities laws in Canada. Concurrent with the closing of the Private Placement, Shear Wind paid STS Capital Partners International Inc. ("STS") a finder's fee of CAD$1,750,000 and issued 4,500,000 warrants (the "STS Warrants") with each STS Warrant exercisable for one newly issued common share of Shear Wind at the Subscription Price per share for two years following the closing. STS is at arms' length to Shear Wind and GAHC.

13. COMMON SHARE PURCHASE WARRANTS

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

Expiry Date	Exercise Price ($)	September 1, 2009 Opening Balance	Issued	Exercised	Expired	November 30, 2009 Closing Balance
Warrants:						
September 30, 2010	0.5500	1,768,618	-	-	-	1,768,618
November 3, 2011	0.2792	-	4,500,000	-	-	4,500,000
Total		**1,768,618**	**4,500,000**	**-**	**-**	**6,268,618**

Expiry Date	Exercise Price ($)	September 1, 2008 Opening Balance	Issued	Exercised	Expired	August 31, 2009 Closing Balance
Warrants:						
June 20, 2009	0.2500	250,713	-	-	**250,713**	-
September 30, 2010	0.5500	-	1,768,618	-	-	1,768,618
Total		**250,713**	**1,768,618**	**-**	**250,713**	**1,768,618**

The Company closed a private placement offering on November 3, 2009. The offering included 4,500,000 warrants exercisable for one newly issued common share of Shear Wind at the subscription price per share for two years following the closing.

14. 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 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	
	November 30, 2009	August 31, 2009	November 30, 2009	August 31, 2009
Opening balance	4,186,666	3,546,666	0.37	0.36
Granted	-	940,000	-	0.40
Exercised	-	(150,000)	-	0.30
Expired	-	(150,000)	-	0.30
Ending balance	**4,186,666**	**4,186,666**	**0.37**	**0.37**

As at November 30, 2009, there were 4,186,666 stock options outstanding under the Plan (August 31, 2009 - 4,186,666). The following table reflects the weighted average exercise price as at November 30, 2009:

Expiry Date	Weighted Average Exercise Price ($)	Options Outstanding	Options Outstanding and Exercisable
August 26, 2010	0.15	266,666	266,666
June 26, 2011	0.30	1,250,000	1,250,000
June 21, 2011	0.30	150,000	150,000
April 12, 2012	0.30	1,000,000	1,000,000
June 19, 2012	0.29	50,000	50,000
April 3, 2013	0.75	530,000	530,000
September 26, 2013	0.40	940,000	940,000
Total	**0.37**	**4,186,666**	**4,186,666**

15. CONTRIBUTED SURPLUS

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

Contributed Surplus	**November 30, 2009**	**August 31, 2009**
Opening balance	$ 1,131,763	$ 756,697
Stock-based compensation expense	81,406	411,327
Fair value of options exercised	-	(36,261)
Ending balance	**$ 1,213,169**	**$ 1,131,763**

Options are expensed in the statement of operations and deficit as they vest and accordingly $81,406 (November 30, 2008 - $329,921) has been recorded as stock-based compensation and credited to contributed surplus

16. WARRANTS

The following table reflects the continuity of warrants issued:

Warrants	**November 30, 2009**	**August 31, 2009**
Opening balance	$ 380,785	$ 54,153
Fair value of warrants issued for private placement	885,446	380,785
Fair value of warrants expired	-	(54,153)
Ending balance	**$ 1,266,231**	**$ 380,785**

The Company closed a private placement offering on November 3, 2009. The offering included 4,500,000 warrants exercisable for one newly issued common share of Shear Wind at the subscription price per share for two years following the closing. The fair value of warrants issued was calculated at $885,446 using the Black-Scholes pricing model under the following assumptions: volatility of 151 %, risk-free interest rate of 1.38 % and a term of two years.

17. 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. The effect of the options and warrants on the net loss is anti-dilutive and therefore, diluted loss per share is equal to basic loss per share.

	November 30, 2009	November 30, 2008
Numerator:		
Net loss	**$ 357,283**	**$ 474,289**
Denominator:		
Weighted average number of shares	**77,796,801**	**48,209,439**

18. 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 period ended November 30, 2009:

- A company owned 100% by a director of the Company charged the Company $nil for consulting fees (November 30, 2008 - $35,000).
- A company owned 100% by a former director of the Company charged the Company $6,746 for legal fees (November 30, 2008 - $5,702).
- A company owned 100% by a shareholder of the Company charged the Company $24,000 for consulting fees (November 30, 2008 - $24,000).

18. RELATED PARTY TRANSACTIONS (continued)

The Company was involved in the following related party transactions during the period ended November 30, 2008:

- A shareholder was repaid during the period for a convertible debenture provided during the year ended August 31, 2008. Repayment was for the principal balance of $750,000 plus accrued interest of $19,521 and was made on September 10, 2008 (August 31, 2008 - $768,493).
- A director purchased 900,000 units of the private placement offering which closed on September 29, 2008 for total proceeds of $423,000 (August 31, 2008 - $0).
- A shareholder and director provided a loan provided during the year ended August 31, 2008 and the loan agreement was amended on September 1, 2008. Repayment was for the principal balance of $512,400 plus accrued interest of $30,369 and was made on January 7, 2009 (August 31, 2008 - $512,328).
- A shareholder provided a loan provided during the year ended August 31, 2008 and the loan agreement was amended on September 1, 2008. Repayment was for the principal balance of $512,400 plus accrued interest of $30,369 and was made on January 7, 2009 (August 31, 2008 - $512,329).

19. COMMITMENTS AND GUARANTEES

As at November 30, 2009, the Company was 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 10.25 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 the Commercial Operation Date ("COD"). As part of the agreement the Company has posted a $1,500,000 performance security deposit. See Note 5 – Prepaids and Deposits.
- The Company has secured office premises through lease until February, 2013. Annual rent, including operating costs, is estimated at $35,000.
- The Company has a turbine lease contract in the amount of $1,600,000 repayable in monthly installments of $16,887 including an effective interest rate of 5.6% per annum with a purchase option of $944,000 on June 30, 2013. Principal balance outstanding as at November 30, 2009 was $1,415,452. *See Note 11 – Obligation under Capital Lease.*
- The Company signed a 20 year lease agreement with a renewal option for land required for its Glen Dhu, Nova Scotia project.

20. CAPITAL MANAGEMENT

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 and investment 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.

21. FINANCIAL INSTRUMENTS

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 manages market risk with respect to any short-term investments it holds by investing in guaranteed investment certificates with a Canadian chartered bank. The Company has made short-term investments in the amount of $19,000,000 during the period ended November 30, 2009 and had no investments as at August 31, 2009.

21. FINANCIAL INSTRUMENTS (continued)

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. As at November 30, 2009 the Company has assessed that a one percentage point increase in interest rates would have caused a quarterly increase in net loss of approximately $4,000 and a one percentage point decrease in interest rates would have caused a quarterly decrease in net loss of approximately $4,000.

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 continuously monitors its forecast and actual cash flows to assess and further reduce liquidity risk. *See Note 1 – Nature of Operations and Continuation of Business.*

Credit risk

The Company has minimal credit risk with respect to accounts receivable balances owing. Credit risk is also managed with respect to any short-term investments it holds by investing in guaranteed investment certificates with a Canadian chartered bank.

22. ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

Other information

	November 30, 2009	**November 30, 2008**
Interest paid	$ 11,340	$ 49,339