
NAIKUN WIND ENERGY GROUP INC.

Condensed Consolidated Interim Financial Statements
Unaudited - Prepared by Management

For the six months ended March 2014 and 2013



NOTICE

The accompanying unaudited condensed consolidated interim financial statements have been prepared by management and approved by the Audit Committee and Board of Directors. The Company's independent auditors have not performed a review of these financial statements.

NAIKUN WIND ENERGY GROUP INC.**Unaudited Condensed Consolidated Interim Statements of Financial Position**

	March 31, 2014	September 30, 2013
Assets		
Current assets		
Cash and cash equivalents	\$ 2,605,131	\$ 3,703,263
Accounts receivable	6,744	13,992
Prepaid expenses and other	29,893	9,112
	<u>2,641,768</u>	<u>3,726,367</u>
Non-current assets		
Rent deposit	4,237	11,681
Deposit - Natural Resources Canada - Metmast	360,000	-
Property, plant and equipment	-	-
	<u>364,237</u>	<u>11,681</u>
Total assets	<u>\$ 3,006,005</u>	<u>\$ 3,738,048</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 149,469	\$ 213,366
Non-Current Liabilities		
Asset retirement obligation	400,000	400,000
Total liabilities	<u>549,469</u>	<u>613,366</u>
Shareholders' Equity		
Share capital (Note 4(a))	45,883,140	45,837,202
Contributed surplus	1,668,828	1,668,828
Deficit	(45,095,432)	(44,381,348)
Total shareholders' equity	<u>2,456,536</u>	<u>3,124,682</u>
Total liabilities & equity	<u>\$ 3,006,005</u>	<u>\$ 3,738,048</u>

Nature and continuance of operations (Notes 1 & 2)

Contingent liabilities (Note 5)

Subsequent events (Note 6)

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors and authorized for issue on April 23, 2014.

Director: "Graham Wilson"

Director: "Michael O'Connor"

NAIKUN WIND ENERGY GROUP INC.

Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the six months ended March 31, 2014 and 2013

	Number of Shares (Note 7(a))	Share Capital (Note 7(a))	Contributed Surplus (Note 7(c))	Deficit	Total Equity
Balance, September 30, 2012	40,950,408	\$ 45,745,326	\$ 1,665,370	\$ (43,229,093)	\$ 4,181,603
Total comprehensive loss for the period	-	-	-	(728,820)	(728,820)
Share based portion of compensation	593,364	45,938	-	-	45,938
Share based compensation expense	-	-	3,458	-	3,458
Balance, March 31, 2013	41,543,772	45,791,264	1,668,828	(43,957,913)	3,502,179
Total comprehensive loss for the period	-	-	-	(423,435)	(423,435)
Share based portion of compensation	510,422	45,938	-	-	45,938
Share based compensation expense	-	-	-	-	-
Balance, September 30, 2013	42,054,194	\$ 45,837,202	\$ 1,668,828	\$ (44,381,348)	\$ 3,124,682
Total comprehensive loss for the period	-	-	-	(714,084)	(714,084)
Share based portion of compensation	598,349	45,938	-	-	45,938
Share based compensation expense	-	-	-	-	-
Balance, March 31, 2014	42,652,543	\$ 45,883,140	\$ 1,668,828	\$ (45,095,432)	\$ 2,456,536

The accompanying notes are an integral part of these consolidated financial statements.

NAIKUN WIND ENERGY GROUP INC.**Unaudited Condensed Consolidated Interim Statements of Comprehensive Loss****For the three and six months ended March 31, 2014 and 2013**

	3 months ended March 31,		6 months ended March 31,	
	2014	2013	2014	2013
Expenses				
Compensation	\$ 218,149	\$ 225,181	\$ 428,368	\$ 448,707
Depreciation and amortization	-	21,435	-	42,870
Engineering and development costs	20,331	22,253	42,516	35,183
Office and administration	41,381	53,255	94,710	99,666
Public and community relations	64,350	49,335	133,709	68,796
Professional fees	9,375	27,417	18,170	39,397
Share based compensation expense	-	-	-	3,458
Travel	9,448	13,356	16,359	22,322
Loss before the following:	(363,034)	(412,232)	(733,832)	(760,399)
Other Revenues				
Foreign exchange gain (loss)	212	-	212	-
Investment income	8,893	14,579	19,535	31,579
	9,105	14,579	19,747	31,579
Loss and comprehensive loss for the period	\$ (353,929)	\$ (397,653)	\$ (714,085)	\$ (728,820)
Loss per share, basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Weighted average number of shares outstanding	42,602,062	40,346,736	42,441,808	40,177,202

The accompanying notes are an integral part of these consolidated financial statements.

NAIKUN WIND ENERGY GROUP INC.**Unaudited Condensed Consolidated Interim Statements of Cash Flows
For the six months ended March 31, 2014 and 2013**

	6 months ended March 31,	
	2014	2013
Cash flows provided by (used in)		
OPERATING ACTIVITIES		
Loss for the period	\$ (714,085)	\$ (728,820)
Items not affecting cash		
Depreciation and amortization	-	42,870
Share-based compensation	45,938	49,396
Changes in non-cash working capital		
Receivables	7,248	5,625
Prepaid expenses and other	(20,781)	(20,774)
Accounts payable and accrued liabilities	(63,897)	(88,808)
Net cash used in operating activities	(745,577)	(740,511)
INVESTING ACTIVITIES		
Deposit - Natural Resources Canada - Metmast	(360,000)	
Rent deposit	7,444	-
Net cash from investing activities	(352,556)	-
Decrease in cash and cash equivalents	(1,098,133)	(740,511)
Cash and cash equivalents, beginning of period	3,703,263	5,259,639
Cash and cash equivalents, end of period	\$ 2,605,130	\$ 4,519,128

The accompanying notes are an integral part of these consolidated financial statements.

NAIKUN WIND ENERGY GROUP INC.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2014 and 2013

1. Corporate Information

NaiKun Wind Energy Group Inc. ("NaiKun Wind" or the "Company") is incorporated under the Business Corporations Act (British Columbia) and is listed on the TSX Venture Exchange. The Company's registered office is at Suite 615, 1140 West Pender, Vancouver, BC, V6E 4G1. The Company's primary business is the development of renewable energy projects. The Company is currently developing a project (the "NaiKun Wind Project") on the north coast of British Columbia in Hecate Strait. As the Company is in the development phase, it has not generated any revenue from the sale of wind energy. The Company has financed its operations through equity issuance and currently has sufficient funds, at its current activity level, to continue to pursue an electricity purchase agreement for 2 years.

On March 31, 2010, NaiKun Wind learned that its offshore wind energy project was no longer under consideration in BC Hydro's Clean Power Call procurement process. Following that decision, the Board directed a review of the alternatives open to the Company. These were broad ranging and included continuing to advance the wind project, business combinations, joint ventures, and the sale of all or part of the Company. The Board and Management were assisted in this review by Cormark Securities and Energy+Environmental Economics (E3). It was determined that the best interest of the shareholders would be served by continuing to advance the wind project, reducing the day to day costs of operating the company, and continuing to look for partnerships and business opportunities in the Renewable Energy field. The Company cautions that there can be no assurance that these strategic efforts will ultimately result in an offshore wind project being completed.

2. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards 34 (IAS334), Interim Financial Reporting. These condensed consolidated interim financial statements follow the same accounting policies and methods of application as our most recent annual financial statements except for the adoption of new standards discussed below. Accordingly, these statements should be read in conjunction with our annual IFRS financial statements for the year ended September 30, 2013. The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and effective as of April 23, 2014, the date the Board of Directors approved the financial statements.

The significant accounting policies applied in preparing these condensed consolidated interim financial statements are consistent with those disclosed in the annual consolidated financial statements except the Company has adopted the following new IFRS standards, along with any consequential amendments effective October 1, 2013. The nature and impact of each new standard and amendment applicable to the Company are described below:

IFRS 10 Consolidated Financial Statements - IFRS 10 establishes control as the basis for an investor to consolidate its investee; it defines control as an investor's power over the investee with exposure, or rights, to variable returns from the investee and the ability to affect the investor's return through its power over the investee. At October 1, 2013, the Company adopted this standard and there was no impact on its unaudited condensed consolidated interim financial statements.

IFRS 11 Joint Agreements - IFRS 11 replaces the guidance in IAS 31 Interest in Joint Ventures. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. Joint venture entities are now accounted for using the equity method. At October 1, 2013, the Company adopted this standard and there was no impact on its unaudited condensed consolidated interim financial statements.

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IFRS 12 Disclosure of Interest in Other Entities - IFRS 12 is a new standard that applies to companies with an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities. The application of this standard intends to enable users of financial statements to evaluate the nature of and risks associated with its interest in other entities, and the effects of those interests on its financial position, financial performance and cash flows. At October 1, 2013, the Company adopted this standard and there was no impact on its unaudited condensed consolidated interim financial statements.

IFRS 13 Fair Value Measures - IFRS 13 is a new standard that provides as a single source of guidance for all fair value measurements required by IFRS to reduce the complexity and improve consistency across its application. The standard provides a definition of fair value and guidance on how to measure fair value as well as a requirement for enhanced disclosures. At October 1, 2013, the Company adopted this standard and there was no impact on its unaudited condensed consolidated interim financial statements.

3. Recent accounting pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following pronouncement may have an impact on the Company.

IFRS 9 Financial instruments was issued in November 2009 as the first step in a project to replace IAS 39 'Financial instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2015, with early adoption permitted. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment and hedge accounting.

4. Share Capital

a) Authorized Capital

Authorized: 100,000,000 common shares of no par value
20,000,000 first preferred shares of no par value

b) Stock Options

The Company has a stock option plan ("Option Plan") that provides for the issuance of options to its directors, officers, employees, and consultants. Compensation costs attributable to share options granted to employees, directors or consultants are measured at fair value at the grant date and expensed with a corresponding increase to contributed surplus over the vesting period.

The weighted average exercise price of options outstanding as at September 30, 2013 and March 31, 2014 is as follows:

	Options Outstanding and Exercisable	Weighted Average Exercise Price
Balance, September 30, 2012	740,000	\$ 0.145
Expired	(110,000)	0.145
Balance, September 30, 2013	630,000	0.145
Expired	-	-
Balance, March 31, 2014	630,000	\$ 0.145

All outstanding options at March 31, 2014 expire on July 5, 2016.

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c) Warrant Plan

The Company's Warrant Plan (formerly the Restricted Stock Unit ("RSU") Plan) was created to attract and retain a talent pool of professionals during the start-up years when cash resources were limited and to defer the majority of its initial compensation expenses until commercial success is achieved.

The Warrant Plan was approved by shareholders at the Company's annual general meeting held on February 6, 2008 and subsequently by the TSX Venture Exchange. A revised Warrant Plan, to increase the exercise price from \$0.60 to \$0.63, was submitted to the TSX Venture Exchange and subsequently approved in October 2008. The Amended and Restated 2011 Warrant Plan, conditionally approved by the TSX Venture Exchange, was approved by disinterested shareholders at the Company's annual general meeting held on March 16, 2011. As at March 31, 2014, 9.2 million (September 30, 2013 - 9.2 million) warrants are outstanding pursuant to the Amended and Restated 2011 Warrant Plan.

The main components of the Amended and Restated 2011 Warrant Plan are:

- maximum number of warrants to be granted reduced from 15.0 million to 10.5 million;
- one warrant entitles the holder to acquire one common share at a price of \$0.63 per share;
- warrants not exercisable until 30 days after financial close on construction financing for Phase 1 of the NaiKun Wind Project ("Financial Close");
- warrants expire 90 days after a warrant holder ceases to have ongoing active involvement with the Corporation;
- upon death of a warrant holder, warrants will be exercisable by a Qualified Successor until the earlier of a period not more than one year following the date of such death and the Expiry Date of the Warrant;
- warrants expire on the earlier of two years from Financial Close or September 30, 2016.

Due to the uncertainty of the occurrence and timing of the triggering event, warrants granted under this plan are not included in the stock option table above nor in the computation of stock-based compensation.

5. Contingent Liabilities

The Company's deferred compensation plan ("Deferred Plan") was designed to attract and retain qualified personnel while conserving cash during the Company's development stages. The Deferred Plan deferred payment of the majority of the Company's salary expenses prior to 2009 until Financial Close. Amounts allocated to the Deferred Plan have not been accrued due to the uncertainty of the occurrence of the triggering events for payment, being Financial Close.

As at March 31, 2014, the remaining unpaid, unaccrued balance in the Deferred Plan amounted to approximately \$4.2 million (2013 - \$4.2 million).

6. Subsequent Events

Subsequent to March 31, 2014, the Company issued 149,555 common shares at a deemed price of \$0.07 per share to the directors as partial payment of their remuneration. Additionally, the Company issued 178,571 common shares at a deemed price of \$0.07 to the Company's CEO as the share portion of his compensation. The above share issuances cover the period of January 1, 2014 to March 31, 2014 and the value ascribed to the shares was based on the Company's stock price on March 31, 2014.

On April 25, 2014 the Company announced the intention to complete a non-brokered private placement with Mr. Joseph Houssian, a director and insider of the Company. The private placement is for 10,000,000 units at a price of \$0.07 per unit for gross proceeds of \$700,000. Each unit shall consist of one common share in the capital of the Company and 0.75 common share purchase warrants. Each full common share purchase warrant is exercisable at \$0.10 per share for a period of five years from the date of issuance. The offering is subject to certain conditions including shareholder approval and all necessary approvals of the TSX Venture Exchange and compliance with all applicable regulatory requirements. The Company plans to seek shareholder approval at the Company's annual and special meeting of shareholders to be held on June 26, 2014.