

# **NAIKUN WIND ENERGY GROUP INC.**

(A Development Stage Company)

## **Management's Discussion & Analysis For the year ended September 30, 2013**

Containing information up to and including January 10, 2014 (the "Report Date")

This Management's Discussion and Analysis ("MD&A") reviews the activities of NaiKun Wind Energy Group Inc. ("Group") and its material subsidiaries: wholly owned NaiKun Wind Development Inc. ("Devco"), NaiKun Wind Operating Inc. ("OpCo"), and 50% owned NaiKun Wind Generating Inc. ("Genco"), (collectively the "Company" or "NaiKun Wind"). For a more complete understanding of the Company's financial condition and results of operations, this MD&A should be read together with the audited consolidated financial statements for the years ended September 30, 2013 and 2012 and the accompanying notes. The above-mentioned documents along with additional information and disclosure relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Company's website, [www.naikun.ca](http://www.naikun.ca).

### ***Forward-Looking Information and Report Date***

This MD&A contains certain forward-looking information. Investors are cautioned that all information, other than historical facts included herein, including without limitation, data regarding future plans and objectives of the Company, is forward-looking information based on management's expectations, assumptions and estimates. Although the Company believes these underlying estimates and assumptions to be reasonable, they are difficult to predict and actual results may differ materially from those in the forward-looking statements.

Forward-looking information can be subject to significant risks and uncertainties, and estimates and assumptions can prove to be inaccurate. There are many factors that could result in materially different outcomes than the forward-looking information contained herein including, but not limited to, the state of capital and financial markets, the general economy, the political climate, the commodity markets, foreign exchange fluctuations, the energy sector, electricity demand, technology, environmental factors, community relations and First Nations. Investors should be aware that there can be no assurance that forward-looking information will prove to be accurate and future events and actual results could differ materially from those anticipated.

The information herein is only provided as of the date of this MD&A, January 10, 2014 (the "Report Date").

### ***Description and Overview of Business***

NaiKun Wind Energy Group Inc. is a British Columbia-based renewable energy company with a current focus on an offshore wind energy project. Headquartered in Vancouver, it is a Tier 1 listed company that trades on the TSX Venture Exchange (TSX-V:NKW). It is developing a 400 MW offshore wind project in the Haida Energy Field which is located in Hecate Strait off the north coast of British Columbia (the "NaiKun Wind Project" or the "Phase 1 Project"). NaiKun Wind was a registered proponent in the Clean Power Call RFP (the "CPC") issued by British Columbia Hydro and Power Authority ("BC Hydro") on June 11, 2008. On March 31, 2010, BC Hydro advised NaiKun Wind that its proposal to build and operate the Phase 1 Project was no longer under consideration

for a contract award in the Clean Power Call. Despite this significant setback, the Company is exploring how it can advance the Phase 1 Project and how the Haida Energy Field can fit into the Province's clean energy plans.

## ***NaiKun Wind Project***

The Company holds an investigative license ("IUP") from the Government of British Columbia which provides the Company with the ability to develop wind energy projects in a 550 km<sup>2</sup> area off the north east coast of Haida Gwaii in British Columbia's Hecate Strait. The proposed site for the Phase 1 Project is a 100 km<sup>2</sup> area within the permit area. The IUP also includes two transmission corridors that would connect the NaiKun Wind Project to Haida Gwaii and the mainland power grid, and it includes the license of occupancy for the Company's metmast. The IUP has just been renewed through to May 2018.

The wind resource in the area is the best in British Columbia and among the best in the world due to the consistent and high wind speeds, rated as a top level Class 7 with measured mean annual wind speeds exceeding 10.0 meters/second. The wind energy regime is the strongest and most consistent in the fall and winter when electricity demand is the highest. Other characteristics that make Hecate Strait an ideal location for offshore wind projects include its flat sedimentary seabed, relatively shallow waters, access to BC Hydro's power grid, and its proximity to the potential new electricity demand in the Northwest.

The energy potential of the area within the IUP is 2,000 megawatts ("MW"), enough to power over 900,000 homes. If an Energy Purchase Agreement (EPA) is acquired, the Phase 1 Project would move through the finalization of supplier agreements, financial close on debt and equity, and then construction, which altogether would take approximately three years. The receipt and timing of such an EPA for the initial phase is subject to the overall energy requirements in BC, and in particular, the demand for electricity to meet the new demand in the Northwest from the numerous LNG plants proposed for Kitimat and Prince Rupert and the electricity demand from the NW Transmission Line. The development schedules for any subsequent phases are also subject to environmental and other approvals, First Nations consultation, along with other factors. Development of the initial and subsequent phases will require securing strategic and/or financial partners. The project is however dependant on getting an Electricity Purchase Agreement and the Company's key business focus is to obtain an Electricity Purchase Agreement for the Phase I Project.

In March 2011 NaiKun received a Federal screening decision from the Canadian Environmental Assessment Agency (CEAA). The decision concludes the harmonized environmental assessment review process and confirms that the NaiKun Wind Project, which could be Canada's first offshore wind energy project, can be constructed with no significant environmental, social or health effects. Responsible federal agencies are now authorized to issue the required construction and operating permits, including a Navigable Water Protection Act Approval and Fisheries Act Authorization. This Federal approval is in addition to the Environmental Assessment Certificate issued by the Government of British Columbia in December 2009. The Council of the Haida Nation commissioned an independent evaluation of the NaiKun Wind Energy Project and in August 2011 released the resulting report authored by Dr. Thomas I. Gunton and Chris T. Joseph. This report referenced the extensive environmental reviews undertaken by the federal and provincial governments as well as by Rescan, concluding that contingent on the implementation of specified mitigation measures, the project is unlikely to have any significant adverse environmental risks.

NaiKun's Phase 1 Project and prospective subsequent phases has the potential to provide British Columbia with a significant and scalable resource that is complementary to the aims of the Clean Energy Act (CEA). In addition, the British Columbia North Coast region, where the Phase 1 Project is located, is home to other renewable energy resources, all of which have the potential to be a much-needed strong economic foundation.

NaiKun continues to develop its strategy, working with First Nations, Northern Communities, BC Hydro and the Province of BC to move the project forward.

## ***Outlook***

The significant wind energy resource in the Haida Energy Field situated in northwest BC's Hecate Strait provides an opportunity to supply renewable energy for the increasing requirements in the northwest. Consequently, the Company is working on strategies for advancing the project.

NaiKun Wind, in cooperation with First Nations, key suppliers and contractors is working to develop a practical cost effective strategy for development of the project that meets the Province's renewable and clean energy strategy, its power procurement plans and economic development program.

The cost per megawatt and the energy production of offshore wind have significantly improved since the 2008 Clean Power Call. Turbines are larger, less expensive, and more productive. Foundation design and supply is more efficient with erection rates nearly double those of 2008/2009. Interest rates have dropped considerably and the Euro/Can\$ rate has moved from \$1.60 to \$1.40. With the reduced capital and operating costs, improved energy production from the new turbines, and with the substantial energy demand forecast in the region, the NaiKun Project is well positioned to meet the electrical demand in the Northwest. The project would also help reduce the CO2 emissions from the proposed LNG plants.

There are currently five large LNG plants being considered for the Kitimat/Prince Rupert area. Chevron partnership (Kitimat), Shell partnership (Kitimat), Petronas (Prince Rupert), British Gas (Prince Rupert), CNOOC/Nexen (Prince Rupert/Grassy Point). The combined direct energy demand for those plants is in excess of 4000 MW. While it is unlikely all these plants will be built, there is good probability 2 to 4 plants will be built.

Will the huge increase in power demand be supplied by only gas generated electricity? The GHG and non-GHG emissions (SOx, NOx, CO2) are forecast to be significant. For example, the two large plants in Kitimat are forecast to burn more natural gas than FortisBC currently sells/burns in all of B.C.

The Haida Energy Field is a remarkable world class wind resource that is permitted and developable in a time frame consistent with the proposed LNG plant development schedules. The NaiKun Project can be developed affordably to offset a portion of the GHG emissions. In 2013 NaiKun commissioned the KPMG World Infrastructure Group to review the project. This report (on NaiKun website) confirms the Company's phase one project can be developed for a cost of \$90/MW to \$155/MW depending on the implementation model. It is our belief that renewable energy should be part of a balanced solution for the northwest, if and when the LNG plants proceed.

Obtaining an EPA is critical for the NaiKun project to proceed and NaiKun continues to pursue partnering, joint venture and business combination opportunities that would result in the initiation of the project. However, offshore wind power is more expensive than other conventional sources and consideration must be given to the environmental and other benefits associated with wind based electricity.

## ***Risks and Uncertainties***

The Company's future and growth is dependent on a number of risk factors common to other companies in the renewable energy sector and in particular, wind energy companies. Some factors that may have a material impact on the Company's future include, but are not limited to:

### **Electricity Purchase Agreement**

A significant milestone and risk factor for the Company is an award of an EPA from BC Hydro or a similar purchaser of electricity. 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. Despite this setback, the Company is exploring how to advance the Phase 1 Project and how the Haida Energy Field can fit into the Province's clean energy plans. The timing of an EPA is subject to the overall energy requirements in BC, arising from the Clean Energy Act and BC Hydro's Integrated Resource Planning process, and in the Western Electricity Coordinating Council and Western Renewable Energy Zones.

There is currently no formal process either underway or scheduled to award EPAs in British Columbia. However, BC Hydro has submitted their 2013 Integrated Resource Plan ("IRP") to the B.C. Government. That plan recognizes the need for power to support the proposed LNG projects in the northwest. The new demand in the northwest region of BC will have to be provided locally as the 500KV line, which connects this region to the electric grid, has insufficient capacity and is limited on its expansion possibility. Meanwhile the supply/demand energy gap in the province continues to grow. In 2011 the northwest region of BC has seen interest from a number of proponents which could lead to three or more major liquid natural gas (LNG) plants in the Kitimat/Prince Rupert area. The cumulative electricity demand from these plants could be in excess of 2400MW. Add to that, there is significant new demand at the Port of Prince Rupert, the new NW Transmission line and the mining development that it services, and the Alcan smelter, which could cumulatively result in an additional demand of at least 1500MW over the next decade. NaiKun is the largest permitted source of electricity in the northwest and is encouraged by this change in the regional power demand outlook. However the Company cannot predict when or if the project will proceed.

### **Capital Resources**

Due to the delay in receiving an EPA for the Phase 1 Project, the Company has substantially reduced its activity level and cost structure so that its existing resources can sustain a focus on the wind energy project into 2015 and beyond. Prior to executing an EPA, the Company will need to raise additional equity at the Project level and likely at the Company level to fund contributions to equipment deposits and project security. The availability and possible dilutive effect of additional equity will be subject to market conditions at the time of the equity financing.

### **Project Financing**

The availability and cost of project equity and debt are beyond the Company's control and subject to market conditions at the time the NaiKun Wind Project advances to the construction stage.

## **Contracting Parties**

The Company's current and future contractual arrangements with various parties (e.g., consultants, suppliers, First Nations, strategic partners, management, etc.) for the development, construction and operation of the Project is another risk factor. The Company's ability to fulfill its obligations as well as the ability and likelihood of the other parties to fulfill their obligations can have a material impact on the future success of the Company. The Company would include technical and financial capacity and credit-worthiness assessments in its contracting strategies. The Company will need to either sell a portion, or all, of the project or enter into an agreement with a strategic partner. The Company may not be able to sell a portion at a reasonable price nor to secure an appropriate partnership.

## **Wind Resource and Weather**

Although long-term historical wind data obtained from Environment Canada at or around the site for the NaiKun Wind Project, along with data received from the Met Mast, indicate the wind resource as being world-class in nature and supportive of the project economics, wind speeds are unpredictable, may vary over time and may or may not continue at the historical trend due to changes in weather patterns. Prior to construction, the measured wind speeds affect the finance ability of the Project and during operations, affect the profitability of the Project and the Company. During construction, the weather and marine environment at the Project site can cause scheduling delays resulting in material cost overruns or a delay in the operation start date. Where possible, the Company would incorporate insurance, contracting and scheduling strategies to manage this risk.

## **Haida Vote on Business Partnership**

In a general vote on December 10, 2011, the Haida Nation made the decision to not enter into a business partnership with NaiKun in the offshore wind project in Hecate Strait. The Company continues their consultation with the Haida Nation to identify the opportunities that a future project would bring and to solicit their support for the project. The support of the Haida Nation is critical to the project and the Company believes that the Haida Nation will support the project.

## ***Financial Summary***

The following summarizes selected financial information for the years ended September 30, 2013, 2012 and 2011.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Loss and comprehensive loss	\$1,152,255	\$2,378,374	\$2,497,820
Loss per common share	<u>\$0.03</u>	<u>\$0.06</u>	<u>\$0.06</u>

The following summarizes the total assets and total liabilities as at September 30, 2013, 2012 and 2011.

	September 30 <u>2013</u>	September 30 <u>2012</u>	September 30 <u>2011</u>
Total Assets	\$3,738,048	\$5,390,034	\$7,617,410
Total Liabilities	\$613,366	\$1,208,431	\$1,189,653

The loss and the decrease in total assets during the year ended September 30, 2013 are primarily due to the Company's expenditures on the Phase 1 Project, all of which were expensed in the period incurred.

### ***Summary of Quarterly Results***

The following table summarizes information derived from the Company's financial statements for each of the eight most recently completed quarters. For more detail information, refer to the consolidated financial statements for the applicable periods.

Quarter ended	Revenues - \$	General, Administrative & Engineering Expenses - \$	Net Profit/( Loss) - \$	Basic and Diluted Loss per share - \$
30-Sep-13	Nil	(87,166)	99,264	(0.00)
30-Jun-13	Nil	542,186	(522,699)	(0.01)
31-Mar-13	Nil	412,232	(397,653)	(0.01)
31-Dec-12	Nil	348,167	(331,167)	(0.01)
30-Sep-12	Nil	573,581	(559,148)	(0.01)
30-Jun-12	Nil	614,619	(593,150)	(0.01)
31-Mar-12	Nil	662,385	(641,247)	(0.02)
31-Dec-11	Nil	666,365	(584,829)	(0.01)

The level of expenditures and loss varies from period to period depending on the level of activity related to the development of the NaiKun Wind Project. During 2010 the Company undertook a restructuring and focused on reducing costs, the full impact of which is reflected in the expenses and net loss for all the above reported quarters. The decrease in expenses and net loss for the quarters ending December 31, 2012 and March 31, 2013 is largely due to decreased depreciation and amortization expense. The increase in expenses for the quarter ending June 30, 2013 as compared to the first two fiscal quarters is related to costs invoiced by KPMG Infrastructure Group for a study on the project and on strategies to move the project forward. Expenses were likewise higher in Q4 due to the balance of the costs related to the KPMG Infrastructure Group study. However, during the quarter ending September 30, 2013, the Company undertook an analysis of the methodology of removing the wind measurement equipment and received an estimate on the related costs from a marine contractor in the region. Based on this analysis the Company reduced the asset retirement obligation from \$1,000,000 to \$400,000 and credited \$600,000 to asset retirement obligation expense on the Consolidated Statement of Comprehensive Loss.

## ***Results of Operations***

The Company reported a loss of \$1,152,255 for the year ended September 30, 2013 compared with a loss of \$2,378,374 for the same period last year. Cash used in operations for the year ended September 30, 2013 was \$1,552,139 compared to \$1,523,803 for the same period last year.

General, administrative and engineering expenses (“GA&E”) for the year ended September 30, 2013 totaled \$1,215,419 (2012 - \$2,516,950) of which \$82,842 (2012 – \$99,528) related to engineering, research and development, \$189,999 (2012 - \$269,905) related to public and community relations, \$232,559 (2012 - \$nil) related to consultants, \$62,146 (2012 - \$60,723) related to professional fees, \$218,693 (2012 - \$264,552) for office and administrative expenses and \$51,276 (2012 - \$57,632) related to travel. Compensation expense for the year ended September 30, 2013, which is also included in GA&E, amounted to \$887,720 (2012 - \$1,049,666). Non-cash expenses for the year ended September 30, 2013 included depreciation and amortization \$86,726 (2012 – \$665,270) and accretion of \$nil (2012 - \$9,903). Overall costs are down from the same period last year as the Company maintains tight control on expenditures while pursuing avenues to move its project forward. The most significant drop in costs is depreciation as all the Company’s assets are fully depreciated as of September 30, 2013 combined with a reduction in the asset retirement obligation of \$600,000. One specific increase in the period relates to costs invoiced by KPMG Infrastructure Group for the study they completed on the project.

During the year ended September 30, 2013, the Company recorded investment income of \$56,948 (2012 - \$82,471). The decline in investment income is attributable to the lower average cash balance.

## ***Liquidity***

As at September 30, 2013, the Company had \$3.7 million in cash and cash equivalents compared to \$5.3 million as at September 30, 2012. Of that balance, substantially all of the \$3.7 million was held in guaranteed investment certificates (“GICs”) issued by HSBC Bank Canada and Manulife Bank. The terms on these GICs include a minimum 90 day holding period to avoid interest penalties and a one year guarantee on the interest rate. As at the Report Date, the minimum hold period has lapsed on all GICs and the entire balance is redeemable in full with interest at the Company’s option. In accordance with the Company’s investment policy on its cash holdings, the Company does not hold more than \$5 million with any single issuer and does not have any cash or short term investments with maturity dates beyond 6 months. Working capital as at September 30, 2013 was \$3.5 million vs. \$5.1 million as at September 30, 2012. The decrease in cash and cash equivalents and working capital during the year ended September 30, 2013 is a result of the expenditures related to the advancement of the NaiKun Wind Project and the ongoing overhead and administration to maintain the Company. The Company believes its cash and cash equivalents are sufficient to fund operations of the Company for the next 12 months and beyond.

## ***Capital Resources***

During the year ended September 30, 2013, the Company issued 503,091 common shares at a deemed average price of \$0.083 per share to directors as partial payment of their remuneration and 600,695 common shares at a deemed price of \$0.083 to the Company’s CEO as the share portion of his compensation. As at September 30, 2013 the Company had 42,054,194 common shares

issued and outstanding. Subsequent to September 30, 2013, the Company issued 123,164 shares at a deemed price of \$0.085 per share to directors as partial payment of their remuneration and 147,059 common shares at a deemed price of \$0.085 to the Company's CEO as the share portion of his compensation. These subsequent issuances cover compensation for the period of July 1, 2013 to September 30, 2013. As at the Report Date, the Company had 42,324,417 common shares issued and outstanding.

As at September 30, 2013, the Company had the following options and warrants outstanding:

Description	Exercise Price	Expiry Date	Number Outstanding
Restricted Warrants	\$0.63	September 30, 2016*	9,196,890
Stock Options	\$0.145	July 5, 2016	630,000

\*or 2 years after close of construction financing ("Financial Close") on Phase 1 of the NaiKun Wind Project (whichever is earlier).

As of the Report Date, the Company had 630,000 stock options and 9,196,890 warrants outstanding.

### ***Commitments***

The Company has signed a number of agreements in principle with various First Nations to partner on the operations and maintenance of the generation and transmission assets of the NaiKun Wind Project. These agreements and commitments are contingent on a number of project milestones, the most significant being an EPA and arrangement of project financing.

The Company is party to an asset transfer agreement between Devco, a wholly owned subsidiary, and Genco, an entity owned 50% by the Company and 50% by ENMAX Green Power Inc. Upon completion of certain project milestones, Genco would have the option to purchase the rights to the NaiKun Wind Project from Devco and progress the Project through to the construction and operation phases. One of these milestones was the award of an Electric Purchase Agreement under the BC Hydro June 11, 2008 Clean Power Call. Since this milestone cannot be fulfilled, the conditions of the asset transfer agreement cannot be satisfied.

### ***Contingent Liabilities***

The Company's 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 event for payment, that being Financial Close.

As at September 30, 2013, the remaining unpaid, unaccrued balance in the Deferred Plan amounted to approximately \$4.2 million.

### ***Related Party Transactions***

The Company utilized certain management, legal and administrative services from various consultants and companies, some of which are controlled by officers, directors and others. During the year ended September 30, 2013, \$74,000 of these expenses were included in the consolidated interim statements of comprehensive loss (2012 - \$181,005). These transactions with related parties are in the normal course of operations and have been measured at the exchange amount, which is

the amount of the consideration established and agreed to by the related parties and which is considered similar to that which would be otherwise negotiated with third parties. As at September 30, 2013, \$5,310 (2012 - \$10,500) was payable to related parties and included in accounts payable and accrued liabilities.

### ***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 may have an impact on the Company.

a) IFRS 9 – Financial Instruments

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 introduced 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.

b) IFRS 10 – Consolidated Financial Statements

IFRS 10, “Consolidated Financial Statements” was issued in May 2011 and will supersede the consolidation requirements in SIC-12 “Consolidation – Special Purpose Entities” and IAS 27 “Consolidated and Separate Financial Statements” effective for annual periods beginning on or after January 1, 2013, with early application permitted. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent Company. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess.

c) IFRS 11 – Joint Arrangements

IFRS 11, “Joint Arrangements”, was issued in May 2011 and will supersede existing IAS 31, “Joint Ventures” effective for annual periods beginning on or after January 1, 2013, with early application permitted. IFRS 11 provides for the accounting of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard also eliminates the option to account for jointly controlled entities using the proportionate consolidation method.

d) IFRS 12 – Disclosure of Interest in Other Entities

IFRS 12, “Disclosure of Interests in Other Entities” was issued in May 2011 and is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

e) IFRS 13 – Fair Value Measurement

IFRS 13, “Fair Value Measurement” was issued in May 2011 and sets out in a single IFRS standard a framework for measuring fair value. IFRS 13 defines fair value as the price that would be received

to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific measurement. In addition, IFRS 13 also requires specific disclosures about fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

### ***Internal Controls and Procedures over Financial Reporting***

Disclosure controls and procedures (“DC&P”) are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting (“ICFR”) are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

TSX Venture listed companies are not required to provide representations in their annual and interim filings relating to the establishment and maintenance of DC&P and ICFR, as defined in National Instrument 52-109. In particular, the certifying officers (the Chief Executive Officer and Chief Financial Officer) do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP. The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in National Instrument 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

### ***Approval***

The board of directors of the Company has approved the disclosure contained in this MD&A.

### ***Additional Information***

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com) under *NaiKun Wind Energy Group Inc.* or at [www.naikun.ca](http://www.naikun.ca).

Dated January 10, 2014