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# **NAIKUN WIND ENERGY GROUP INC.**

Condensed Consolidated Interim Financial Statements  
Unaudited - Prepared by Management

**For the three months ended December 2016 and 2015**

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## **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**

(Unaudited - Prepared by Management without Auditor's Review)

	December 31, 2016	September 30, 2016
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 850,424	\$ 913,529
Accounts receivable	1,395	4,445
Share subscription receivable	-	100,000
Investment (note 6)	129,000	213,000
Prepaid expenses and other	9,820	8,873
	990,639	1,239,847
Non-current assets		
Deposit - Natural Resources Canada - Metmast	360,000	360,000
	360,000	360,000
<b>Total assets</b>	<b>\$ 1,350,639</b>	<b>\$ 1,599,847</b>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable and accrued liabilities (note 5)	\$ 281,958	\$ 251,919
Non-Current Liabilities		
Asset retirement obligation	400,000	400,000
<b>Total liabilities</b>	<b>681,958</b>	<b>651,919</b>
<b>Shareholders' Equity</b>		
Share capital (note 4(a))	46,866,445	46,856,548
Contributed surplus	2,248,701	2,248,701
Deficit	(48,446,465)	(48,157,321)
<b>Total shareholders' equity</b>	<b>668,681</b>	<b>947,928</b>
<b>Total liabilities &amp; shareholders' equity</b>	<b>\$ 1,350,639</b>	<b>\$ 1,599,847</b>

Nature of operations and going concern (notes 1 &amp; 2)

Contingent liabilities (note 5)

Subsequent events (note 7)

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

Approved by the Board of Directors and authorized for issue on February 23, 2017.

Director: "Dave Rehn"

Director: "Michael O'Connor"

**NAIKUN WIND ENERGY GROUP INC.****Unaudited Condensed Consolidated Interim Statements of Comprehensive Loss****For the three months ended December 30, 2016 and 2015**

(Unaudited - Prepared by Management without Auditor's Review)

	December 31, 2016	December 31, 2015
<b>Expenses</b>		
Compensation	\$ 120,696	\$ 177,790
Engineering and development costs	-	-
Office and administration	35,722	31,835
Public and community relations	28,906	84,400
Professional fees	10,783	10,303
Travel	10,796	4,813
<b>Loss before the following:</b>	<b>(206,903)</b>	<b>(309,141)</b>
<b>Other Revenues / (Expenses)</b>		
Investment income	1,557	1,248
Gain/(loss) on investments (note 6)	(83,798)	-
	<b>(82,241)</b>	<b>1,248</b>
<b>Loss and comprehensive loss for the period</b>	<b>\$ (289,144)</b>	<b>\$ (307,893)</b>
<b>Loss per share, basic and diluted</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of shares outstanding</b>	<b>64,074,487</b>	<b>54,125,463</b>

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

**NAIKUN WIND ENERGY GROUP INC.****Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Equity  
For the three months ended December 30, 2016 and 2015**

	Number of Shares (Note 6 and 8)	Share Capital (Note 6 and 8)	Contributed Surplus	Deficit	Total Equity
Balance, September 30, 2015	53,909,088	\$ 46,317,080	\$ 2,080,578	\$ (47,696,404)	\$ 701,254
Total comprehensive loss for the year	-	-	-	(307,893)	(307,893)
Share based portion of compensation	255,211	22,969	-	-	22,969
Share based compensation expense		-	1,875	-	1,875
Balance, December 31, 2015	54,164,299	46,340,049	2,082,453	(48,004,297)	418,205
Total comprehensive loss for the year	-	-	-	(153,024)	(153,024)
Share based portion of compensation	661,984	43,907	-	-	43,907
Share based compensation expense	-	-	3,375	-	3,375
Private Placement - September 2016	9,078,069	472,592	162,873	-	635,465
Share issuance costs	71,428	-	-	-	-
Balance, September 30, 2016	63,975,780	46,856,548	2,248,701	(48,157,321)	947,928
Total comprehensive loss for the year	-	-	-	(289,144)	(289,144)
Share based portion of compensation	116,424	9,897	-	-	9,897
Share based compensation expense	-	-	-	-	-
Balance, December 31, 2016	64,092,204	\$ 46,866,445	\$ 2,248,701	\$ (48,446,465)	\$ 668,681

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 three months ended December 30, 2016 and 2015**

(Unaudited - Prepared by Management without Auditor's Review)

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Cash flows provided by (used in)		
<b>OPERATING ACTIVITIES</b>		
Loss for the year	\$ (289,144)	\$ (307,893)
Items not affecting cash		
Share-based compensation	9,896	24,844
Changes in non-cash working capital		
Receivables	3,050	1,673
Prepaid expenses and other	(946)	(924)
Accounts payable and accrued liabilities	30,039	(42,060)
Writedown of investment to current market price	84,000	-
<b>Net cash used in operating activities</b>	<b>(163,105)</b>	<b>(324,360)</b>
<b>FINANCING ACTIVITIES</b>		
Share subscription receivable	100,000	-
<b>Net cash from financing activities</b>	<b>100,000</b>	<b>-</b>
<b>Increase(decrease) in cash and cash equivalents</b>	<b>(63,105)</b>	<b>(324,360)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>913,529</b>	<b>871,844</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 850,424</b>	<b>\$ 547,484</b>

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**

(Unaudited - Prepared by Management without Auditor's Review)

**For the three months ended December 31, 2016 and 2015**

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### **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 570, 355 Burrard Street, Vancouver, BC, V6C 2G8. 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.

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. Basis of presentation**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards 34 (IAS34), Interim Financial Reporting. These condensed interim financial statements follow the same accounting policies and methods of application as our most recent annual financial statements. Accordingly, these statements should be read in conjunction with our annual IFRS financial statements for the year ended September 30, 2016. The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and effective as of February 23, 2017, the date the Board of Directors approved the financial statements.

The Company's ability to continue as a going concern is dependent on its ability to obtain additional financing or an investment by a strategic partner in order to meet its planned business objectives and be able to advance the offshore wind project. The Company may need to raise funds through grants, strategic collaborations, public or private equity, debt financing, or other funding sources. The funding may not be available on acceptable terms, or at all, and may be dilutive to shareholder interests. If the Company is unable to generate positive cash flows or obtain adequate financing, the Company may need to curtail operations. These factors cast significant doubt on the Company's ability to continue as a going concern. If the going concern assumption is not appropriate for these financial statements, adjustments affecting the carrying values of assets, liabilities, reported net losses and balance sheet classifications may be required and such adjustments could be material.

### **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. The Company has not yet completed its assessment of the impact of such pronouncements on its financial statements.

**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 and is effective for years commencing on or after January 1, 2018, with early adoption permitted. IFRS 9 also includes a new general hedge accounting standard which will better align hedge accounting and risk management. The Company intends to adopt IFRS 9 in its consolidated financial statements for the year commencing October 1, 2018



## NAIKUN WIND ENERGY GROUP INC.

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Unaudited - Prepared by Management without Auditor's Review)

For the three months ended December 31, 2016 and 2015

#### c) Warrants

As of December 31, 2016 the Company has the following common share purchase warrants outstanding:

Issue date	Warrants outstanding	Exercise price	Expiry date
July 14, 2014	7,500,000	\$0.10	July 14, 2019
September 7, 2016	4,539,035	\$0.15	September 7, 2019

All of the warrants remain outstanding at December 31, 2016.

#### 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 December 31, 2016, the remaining unpaid, unaccrued balance in the Deferred Plan amounted to approximately \$4.2 million (2015 - \$4.2 million).

To preserve cash the Company entered into agreements with several consultants to defer all or a portion of their retainer, fees, or compensation, the payment of which is triggered by a future success event. The accumulated amounts have not been accrued due to the uncertainty of the occurrence of a future success event.

The Company also entered into an agreement with its CEO to defer \$220,000 per annum of his compensation. As at December 31, 2016, the total accumulated accrued amount of this deferral, which commenced January 1, 2016, is \$220,000 (2015 - nil). In addition, a matching amount is payable and triggered by a future success event. This contingent amount has not been accrued due to the uncertainty of the occurrence of a future success event.

As at December 31, 2016, the remaining unpaid, unaccrued balance of these deferred retainer and fee amounts for consultants is \$324,850 (2015 - nil) and for CEO compensation, the amount is \$220,000 (2015 - nil).

#### 6. Investment

During the year ended September 30, 2016, the Company sold its interest in 14 crown grant mineral claims to Barkerville Gold Mines Ltd. ("Barkerville"), in exchange for \$300,000 cash and 300,000 common shares of Barkerville resulting in a gain on sale of assets of \$513,000. The common shares were recorded at fair value through profit and loss. As at December 31, 2016 the market value of this investment had decreased and accordingly the Company recorded a write-down in the amount of \$84,000 during the period ending December 31, 2016.

#### 7. Subsequent Events

Subsequent to December 31, 2016, the Company issued 92,107 shares at a deemed price of \$0.095 to directors as full payment of their remuneration. These share issuances covers the period of October 1, 2016 to December 31, 2016, and the value ascribed to the shares was based on the Company's stock price on December 31, 2016.