# NAIKUN WIND ENERGY GROUP INC.

Audited Consolidated Financial Statements

**For the years ended September 30, 2019 and 2018**

NAIKUN Wind Energy Group Inc.

## MANAGEMENT'S REPORT

To the Shareholders of

**NaiKun Wind Energy Group Inc. (the "Company")**

The preparation and presentation of the Company's consolidated financial statements as at September 30, 2019 and 2018 is the responsibility of management. The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and where appropriate include managements best estimates and judgments.

Management is responsible for installing and maintaining a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded, transactions are authorized and financial information is reliable.

Independent auditors are appointed by the Company's shareholders to give an opinion on the financial statements based upon their scope of examination as outlined in their Auditor's Report.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility with the assistance of the Audit Committee. The Audit Committee meets with management and the independent auditors to satisfy itself that management's responsibilities are properly discharged, to review the consolidated financial statements and recommend that the financial statements be presented to the Board of Directors for approval.

***Signed: "Wilbur J. Lang"***

Wilbur J. Lang - Chief Financial Officer

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# INDEPENDENT AUDITORS' REPORT

To the Shareholders of NaiKun Wind Energy Group Inc.

***Opinion***

We have audited the consolidated financial statements of NaiKun Wind Energy Group Inc. ("the Company"), which comprise:

- the consolidated statements of financial position as at September 30, 2019 and September 30, 2018;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity (deficiency) for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- notes to the consolidated statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2019 and September 30, 2018, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 2(a) in the financial statements, which describes that the Entity has negative working capital and a shareholders' deficiency at September 30, 2019 and has sustained a loss from operations and negative cash flow from operations for the years ended September 30, 2019 and 2018.

As stated in Note 2(a) in the financial statements, these events or conditions, along with other matters as set forth in Note 2(a) in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

### *Other Information*

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

– Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

– Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

– Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditors' report is Robert Ryan Owsnett, CPA, CA

Vancouver, Canada

January 24, 2020

## NAIKUN WIND ENERGY GROUP INC.
**Consolidated Statements of Financial Position**

| | September 30, 2019 | September 30, 2018 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ 232,937 | $ 91,045 |
| Accounts receivable | 7,605 | 4,753 |
| Investment | - | 117,000 |
| Prepaid expenses and other current assets | 8,898 | 8,898 |
| | 249,440 | 221,696 |
| Non-current assets | | |
| Deposit - Natural Resources Canada - Metmast | 360,000 | 360,000 |
| **Total assets** | $ 609,440 | $ 581,696 |
| **Liabilities** | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | $ 307,020 | $ 81,422 |
| Short term loan (note 9) | 300,000 | - |
| Deferred compensation payable (note 8 and 11) | 825,000 | 605,000 |
| | 1,432,020 | 686,422 |
| Non-Current Liabilities | | |
| Asset retirement obligation (note 5) | 400,000 | 400,000 |
| **Total liabilities** | 1,832,020 | 1,086,422 |
| **Shareholders' Deficiency** | | |
| Share capital (note 6(a)) | 47,500,458 | 46,933,789 |
| Contributed surplus | 2,418,548 | 2,447,761 |
| Deficit | (51,141,586) | (49,886,276) |
| **Total shareholders' deficiency** | (1,222,580) | (504,726) |
| **Total liabilities & shareholders' deficiency** | $ 609,440 | $ 581,696 |

Nature of operations and going concern (notes 1 and 2(a))
Commitments (note 10)
Contingent liabilities (note 11)
Subsequent events (notes 6(b), 6(c), 8,9, and15)

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

Approved by the Board of Directors and authorized for issue on January 24, 2020.

Director: "Dave Rehn" Director: "Michael O'Connor"

## NAIKUN WIND ENERGY GROUP INC.
**Consolidated Statements of Loss and Comprehensive Loss**
**For the years ended September 30, 2019 and 2018**

| | | September 30, 2019 | | September 30, 2018 |
|---|---|---|---|---|
| **Expenses** | | | | |
| Compensation (note 8) | $ | 604,034 | $ | 594,420 |
| Consultant | | 103,800 | | - |
| Interest and borrowing costs (note 9) | | 40,281 | | - |
| Office and administration | | 130,552 | | 123,443 |
| Public and community relations | | 200,497 | | 171,878 |
| Professional fees | | 174,372 | | 44,534 |
| Travel | | 48,414 | | 53,640 |
| **Loss before the following:** | | (1,301,950) | | (987,915) |
| **Other Income** | | | | |
| Other income (note 10) | | 50,000 | | 280,000 |
| Investment income | | 1,953 | | 2,051 |
| Fair value loss on financial instruments (note 14) | | (5,313) | | (141,000) |
| | | 46,640 | | 141,051 |
| Loss and comprehensive loss for the period | $ | (1,255,310) | $ | (846,864) |
| Loss per share, basic and diluted | $ | (0.02) | $ | (0.01) |
| Weighted average number of shares outstanding | | 66,060,799 | | 64,703,095 |

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

**NAIKUN WIND ENERGY GROUP INC.**
**Consolidated Statements of Changes in Shareholders' Equity (Deficiency)**
**For the years ended September 30, 2019 and 2018**

| | Number of Common Shares (Notes 6 and 8) | Share Capital (Notes 6 and 8) | Contributed Surplus | Deficit | Total Shareholders' Equity (Deficiency) |
|---|---|---|---|---|---|
| Balance, September 30, 2017 | 64,435,597 | $ 46,892,696 | $ 2,348,203 | $ (49,039,412) | $ 201,487 |
| Total comprehensive loss for the year | - | - | - | (846,864) | (846,864) |
| Share based portion of compensation | 483,872 | 41,093 | - | - | 41,093 |
| Share based compensation expense | - | - | 99,558 | - | 99,558 |
| Balance, September 30, 2018 | 64,919,469 | 46,933,789 | 2,447,761 | (49,886,276) | (504,726) |
| Total comprehensive loss for the year | - | - | - | (1,255,310) | (1,255,310) |
| Share based portion of compensation | 607,628 | 43,125 | - | - | 43,125 |
| Share based compensation expense | - | - | 64,500 | - | 64,500 |
| Share based consulting expense | - | - | 16,300 | - | 16,300 |
| Share based borrowing expense | - | - | 23,700 | - | 23,700 |
| Warrants exercised | 3,726,386 | 523,544 | (133,713) | - | 389,831 |
| Balance, September 30, 2019 | 69,253,483 | $ 47,500,458 | $ 2,418,548 | $ (51,141,586) | $ (1,222,580) |

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

**NAIKUN WIND ENERGY GROUP INC.**
**Consolidated Statements of Cash Flows**
**For the years ended September 30, 2019 and 2018**

| | September 30, 2019 | September 30, 2018 |
|---|---|---|
| Cash flows provided by (used in) | | |
| OPERATING ACTIVITIES | | |
| Loss for the year | $ (1,255,310) | $ (846,864) |
| Items not affecting cash | | |
| Share-based compensation (notes 6(b) and 8) | 107,625 | 140,651 |
| Share-based borrowing costs (note 9) | 23,700 | - |
| Share-based consulting costs (note 6(b)) | 16,300 | - |
| Fair value loss on financial instruments | 5,313 | 141,000 |
| Changes in non-cash working capital | | |
| Bank overdraft | - | (21,097) |
| Receivables | (2,852) | 29,146 |
| Accounts payable and accrued liabilities | 225,598 | 14,568 |
| Deferred compensation payable | 220,000 | 220,000 |
| Net cash used in operating activities | (659,626) | (322,596) |
| FINANCING ACTIVITIES | | |
| Proceeds from exercise of warrants | 389,831 | - |
| Proceeds from sale of financial instruments | 111,687 | - |
| Proceeds from short term loan | 300,000 | - |
| Net cash from financing activities | 801,518 | - |
| **Increase (decrease) in cash and cash equivalents** | 141,892 | (322,596) |
| **Cash and cash equivalents, beginning of year** | 91,045 | 413,641 |
| **Cash and cash equivalents, end of period** | $ 232,937 | $ 91,045 |

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

## 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 and going concern

### (a) Going concern

These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to realize, in the foreseeable future, its assets and discharge its liabilities in the normal course of business as they come due. The Company has recurring operating losses, negative cash flow from operations, working capital deficiency of $1,182,580, and a shareholders' deficiency of $1,222,580 which includes an accumulated deficit of $51,141,586 (2018 - $49,886,276). The Company also expects to incur losses in future years until it is able to sell or find a strategic partner for its project and the timing of such events cannot be predicted with certainty.

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 will need to raise additional funds through grants, strategic collaborations, public or private equity, debt financing, or other funding sources. On July 8, 2019 the Company signed an indicative offer with a major offshore wind development company to develop the wind project in Hecate Strait and the parties are working to negotiate a definitive agreement. Additional funding will be required and 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 would need to curtail operations. These factors may 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 statement of financial position classifications may be required and such adjustments could be material.

### (b) Statement of compliance

These consolidated financial statement have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The policies applied in these consolidated financial statements are based on IFRS applicable for the Company's year ended September 30, 2019 as issued and outstanding as of January 24, 2020, the date the Board of Directors approved the financial statements.

### (c) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates, and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of expenses during the reporting periods. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future period affected.

Areas requiring the use of management estimates relate to the amount of asset retirement obligations, the determination of share compensation expense associated with stock options and warrants, and the Company's ability to utilize tax losses. A discussion of these estimates is provided in the relevant accounting policy notes and in notes 5 and 6 respectively. Significant judgment is applied in the determination of the Company's ability to continue as a going concern as discussed in note 2(a). Management assesses its ability to continue as a going concern taking into account its forecast cash requirements, its budgeted non-discretionary expenditures, its available cash and cash equivalents, and expected sources of financing.

## 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by NaiKun Wind and its subsidiaries.

### a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: NaiKun Wind Development Inc.("Devco"); NaiKun Wind Operating Inc.("Opco"); and NaiKun Wind Generating Inc.("Genco"). Opco and Genco are inactive companies with no material assets or liabilities. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company transactions and balances have been eliminated upon consolidation.

### b) Foreign currency translation

The presentation and functional currency of the Company and its subsidiaries is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. Foreign exchange gains and losses resulting from the settlements of such transactions are recognized in the income statement. At each financial reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary assets and liabilities are translated using the historical rate on the date that the fair value was determined.

### c) Cash and cash equivalents

Cash and cash equivalents include short term investments that are readily convertible into cash with original maturities of three months or less. Bank overdraft represents cheques issued in excess of funds on deposit with an individual financial institution.

### d) Property, plant, and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost comprises the fair value of consideration given to acquire or construct an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use, along with borrowing costs and the future cost of dismantling and removing the asset. Such cost includes the cost of replacing part of the plant and equipment, significant overhauls, and borrowing costs for long-term construction projects if the recognition criteria are met. The cost of replacing a part of an item of property, plant, and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company. All other repair and maintenance costs are recognized in the statement of comprehensive loss as incurred.

Residual values, useful lives and methods of depreciation are reviewed at each period year end and adjusted prospectively, if appropriate. When parts of an item of property, plant, and equipment have different useful lives, they are accounted for as separate major components.

The estimated useful lives and depreciation methods for the current and comparative periods are as follows:

| | |
|---|---|
| Wind measuring equipment | 5 years straight line |
| Office equipment | 3 - 5 years straight line |

All items of property, plant and equipment have been fully amortized or written-off in prior years.

### e) Asset retirement obligations

The Company recognizes its legal and constructive obligations associated with the future costs of removal and abandonment of its long-lived assets in the period in which the obligation is incurred. The fair value of the asset retirement obligation ("ARO") is recorded as a liability in the period when those future costs can be reasonably estimated and the carrying value of the related long-lived asset is increased by the corresponding amount. The capitalized amount is amortized on the same basis as the related asset. The liability is adjusted for accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Any difference between the actual costs incurred upon settlement of the ARO and the recorded liability is recognized as a gain or loss in that period. Changes in estimates of the liability are reflected as a change in the related asset unless the asset has been reduced to zero, in which case, any excess amount would be included in the statement of comprehensive loss. Significant judgments and estimates are involved in forming expectations of the amount and timing of these obligations.

**f) Impairment of non-financial assets**

Non-financial assets are evaluated at least annually by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit (“CGU”), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets, where the recoverable amount of the CGU is the greater of the CGU’s fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments to the time value of money and the risks specific to the asset, for which the estimated of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive loss.

**g) Income taxes**

Tax expense comprises current and deferred tax. Tax expense is recognized in income except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax liabilities are generally recognized for all taxable temporary differences. However, deferred tax liabilities are not recognized for taxable temporary differences arising on investments in subsidiaries where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future, or on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

**h) Interest income**

Interest earned on the Company's cash and cash equivalent balances is recorded as investment income on an accrual basis.

**i) Loss per share**

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. If the Company had reported positive earnings, diluted earnings per share would be calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares. As the Company has had a net loss for all periods presented herein, the unexercised stock options and share purchase warrants, disclosed in notes 6(b) and 6(c), have not been included in any calculations of loss per share as their inclusion would have been anti-dilutive.

**j) Share based payments**

Compensation expense for stock options granted to employees or consultants is measured at fair value, using the Black-Scholes valuation model, factoring in amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of the stock options, the fair value of the Company's stock and the risk-free interest rate. The estimated fair values of stock-based compensation are charged to expense over the vesting period with offsetting amounts recognized as contributed surplus. The value assigned to stock options shown on the statement of financial position as contributed surplus is subsequently reduced if the options are exercised, and the amount so reduced is then credited to share capital. Any values assigned to stock options that have expired remain in contributed surplus.

**k) Financial instruments**

Under IFRS 9 Financial Instruments, financial assets and liabilities are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

*Recognition, classification and measurement*

All financial assets are initially recorded at fair value and subsequently classified as measured at amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit and loss (FVTPL).

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL.

- the asset is held within a business model whose objective is to hold the asset to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt security is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets are classified as measured at FVTPL.

All financial liabilities are initially recorded at fair value and subsequently classified as measured at amortized cost or FVTPL. On initial recognition, the Company may irrevocably designate a financial liability at FVTPL when doing so results in more relevant information, because either:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets of liabilities or recognizing the gains and losses on them on different bases; or
- a group of financial liabilities or financial assets and financial liabilities is managed with its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel.

For financial assets classified as measured at FVTPL or designated at FVTPL, changes in fair value are recognized in profit or loss. For financial assets classified as measured at FVOCI or an irrevocable election has been made, changes in fair value are recognized in other comprehensive income or loss. For financial assets and other financial liabilities measured at amortized cost, interest income and interest expense is calculated using the effective interest method and is recognized in profit or loss.

*Business model assessment:*

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because the best this best reflects the way the asset is managed and information is provided to management. The information considered includes:

- how the performance of the portfolio is evaluated and reported to management;
- how managers of the business are compensated;
- whether the assets are held for trading purposes;
- the risks that affect the performance of the financial assets held within the business model and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sale activity.

*Contractual cash flow characteristics assessment:*

In assessing whether the contractual cash flows are solely payments of principal and interest, "principal" is defined as the fair value of the financial asset on initial recognition and "interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

The Company considers the contractual terms of the financial asset and whether the asset contains contractual terms that could change the timing or amount of cash flows such that it would not meet the condition of principal and interest. Contractual terms considered in this assessment include contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms, terms that limit the claim to cash flows from specified assets, and features that modify the consideration from time value of money.

*Equity Instruments*

Equity instruments issued by the Company are recorded at the proceeds received net of direct issuance costs. If an equity instrument is comprised of a common share and a share purchase warrant, the gross proceeds are allocated between share capital for the common share component, and contributed surplus, for the warrant component, on a relative fair value basis where the value of the warrants is estimated using a Black-Scholes valuation model.

*Fair value measurements*

The fair value of financial instruments that are measured subsequent to initial recognition at their fair value, is measured within a 'fair value hierarchy' which has the following levels:

(i) Level 1: quoted price (unadjusted) in active markets for identical assets or liabilities

(ii) Level 2: valuation techniques using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (ie: as prices) or indirectly (ie: derived from prices)

(iii) Level 3: valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs)

**l) Impairment of financial assets:**

*Credit-impaired financial assets*

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amounts of the assets.

*Financial instruments and contract assets*

The Company recognizes loss allowances for expected credit losses (ECL) on:

- financial assets measured at amortized costs;
- debt investments measured at fair value through other comprehensive income; and
- contracted assets

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLS:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which the credit risk has not increased significantly since initial recognition.

Loss allowances for trade receivables are measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. ECLs are probability-weighted estimate of credit losses, and credit losses are measured as the present value of cash shortfalls from a financial asset.

The Company determines whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating lifetime ECLs, by considering reasonably available quantitative and qualitative information based on the Company's credit risk experience, forward looking information, and other reasonable estimates.

**m) Revenue from Contracts with Customers**

On May 28, 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 has replaced IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue - Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue, at a point in time or over time. The model features a contract-based, five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognition.

**n) Accounting standards issued by not yet adopted**

IFRS 16 Leases was issued in January 2016. The new standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 will replace IAS 17 *Leases* and introduces a single lessee accounting model that requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months. A lessee is required to recognize a right-of-use asset representing the right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on October 1, 2019. Currently the Company has no lease obligations more than 12 months and does not expect to enter into any in the near future and thus does not expect there to be a significant impact associated with the adoption of IFRS 16.

## 4. Changes in significant accounting policies

The Company has initially adopted IFRS 15 Revenue from Contract with Customers and IFRS 9 Financial Instruments from October 1, 2018. The effect of initially adopting these standards is mainly attributed to the following:

- IFRS 15 has no impact on the Company's financials as it is in a development phase and no revenues have been generated.
- IFRS 9 reclassifies certain financial assets and financial liabilities.

IFRS 9 Financial Instruments:

IFRS 9 sets out requirements for recognizing and measuring financial assets and financial liabilities and replaces IAS 39 Financial Instruments: Recognition and Measurement

The Company has adopted IFRS 9 with the effect of initially applying this standard recognized at the date of initial application (i.e. October 1, 2018). The impact of IFRS 9 on the classification and measurement of financial assets and liabilities is set out below.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, and available for sale. Under IFRS 9, on initial recognition, the classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics, IFRS 9 replaces classification categories applicable under IAS 39 with amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL).

The following table below explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and liabilities as at October 1, 2018.

| | Original classification under IAS 39 | New classification under IFRS 9 | | Balance at September 30, 2018 under IAS 39 and IFRS 9 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash | Loans and receivables | Amortized cost | $ | 91,045 |
| Accounts Receivable | Loans and receivables | Amortized cost | | 4,753 |
| Investment | Fair value through profit and loss | Fair value through profit and loss | | 117,000 |
| Deposits | Loans and receivables | Amortized cost | | 360,000 |
| Total financial assets | | | $ | 572,798 |
| **Financial liabilities** | | | | |
| Accounts payable and accrued liabilities | Amortized cost | Amortized cost | $ | 81,422 |
| Deferred compensation payable | Amortized cost | Amortized cost | | 605,000 |
| Total financial liabilities | | | $ | 686,422 |

**5. Asset Retirement Obligation ("ARO")**

The Company has recorded an ARO in regards to its wind measuring equipment installed in Hecate Strait. In fiscal 2013 the Company did an analysis of the methodology of removing this equipment and received an estimate of the related costs from a marine contractor in the region. Based on this analysis the costs are currently estimated to be $400,000. The settlement of the obligation was expected to occur in fiscal 2013, however, until such time as an Electricity Purchase Agreement is secured, the Company continues to collect important meteorological data to strengthen the Company's understanding of the wind resource and remains obligated to remove such equipment at a future undetermined date.

**6. Share Capital**

**a) Authorized Capital**

| | |
|---|---|
| Authorized: | Unlimited common shares of no par value |
| | 20,000,000 first preferred shares of no par value (none of which have been issued) |

**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, using the Black-Scholes formula, and expensed with a corresponding increase to contributed surplus over the vesting period.

The Option Plan allows the maximum number of common shares that may be reserved for issuance to be 10% of the total number of issued and outstanding common shares on the date the stock options are granted.

| | Options Outstanding and Exercisable | Expiry Date | Weighted Average Exercise Price |
|---|---|---|---|
| Balance, September 30, 2017 | 1,950,000 | | $ 0.103 |
| Issued - December 5, 2017 | 1,400,000 | 1-Nov-2027 | 0.095 |
| Balance, September 30, 2018 | 3,350,000 | | $ 0.100 |
| Issued - January 24, 2019 | 1,250,000 | 23-Jan-2029 | 0.100 |
| Issued - February 22, 2019 | 1,000,000 | 22-Feb-2021 | 0.100 |
| Forfeited | (300,000) | 2-Jan-2021 | 0.100 |
| Balance, September 30, 2019 | 5,300,000 | | $ 0.100 |

On January 24, 2019 stock options were granted to directors and officers with an exercise price of $0.10, an expiry date of January 23, 2029, vesting 50% at issuance and 50% in 180 days. On February 22, 2019 stock options were issued to PriceWaterhouseCoopers ("PwC") for consulting services (note 10), with an exercise price of $0.10, an expiry date of February 22, 2021, vesting 40% at issuance and 10% monthly thereafter. Stock options granted during the year ending September 30, 2018 were issued at an exercise price of $0.095 with an expiry date of November 1, 2027, vesting 50% at time of issue and 50% in 180 days.

As at September 30, 2019, the Company had the following outstanding stock options:

| Issue date | Options outstanding | Exercise price | Expiry date |
|---|---|---|---|
| February 5, 2015 | 200,000 | $0.135 | February 5, 2020 |
| October 7, 2016 | 1,000,000 | $0.10 | January 2, 2021 |
| October 7, 2016 | 450,000 | $0.10 | October 6, 2026 |
| December 5, 2017 | 1,400,000 | $0.095 | November 1, 2027 |
| January 24, 2019 | 1,250,000 | $0.10 | January 24, 2029 |
| February 22. 2019 | 1,000,000 | $0.10 | February 22. 2021 |

At September 30, 2019 all of the outstanding stock options were fully exercisable.

Compensation costs attributable to stock options granted to employees, directors and consultants are measured at fair value at the grant date, using the Black-Scholes valuation model, and are expensed with a corresponding increase to contributed surplus over the vesting period. The inputs used in the measurement of the fair values at grant date were as follows.

| | 2019 Directors/Officer 1,250,000 stock options | 2019 PwC 1,000,000 stock options | 2018 Directors/Officer 1,400,000 stock options |
|---|---|---|---|
| Fair value at grant date | $0.052 | $0.016 | $0.071 |
| Share price at grant date | $0.07 | $0.07 | $0.095 |
| Exercise price | $0.10 | $0.10 | $0.095 |
| Expected volatility (weighted-average) | 74% | 61% | 71.0% |
| Expected life in years | 10 | 2 | 9.91 |
| Risk-free interest rate | 1.92% | 1.78% | 0.76% |

During the year ended September 30, 2019, share based compensation expense associated with stock options was $64,500 (2018 - $99,558) and share based consulting expense associated with stock options was $16,300 (2018 - nil).

Subsequent to the year ended September 30, 2019, 2,700,000 stock options were exercised for total proceeds of $275,750 and 350,000 forfeited. As at January 24, 2020 there are a total of 2,250,000 stock options outstanding.

**c) Warrants**

As of September 30, 2019 the Company has the following common share purchase warrants outstanding totalling 3,000,000 (2018 - 12,039,035):

| Issue date | Warrants outstanding | Exercise price | Expiry date |
|---|---|---|---|
| Issued - July 14, 2014 | 7,500,000 | $0.10 | July 15, 2019 |
| Issued - September 7, 2016 | 4,539,035 | $0.15 | September 7, 2019 |
| Balance, September 30, 2017 | 12,039,035 | $0.12 | |
| Balance, September 30, 2018 | 12,039,035 | $0.12 | |
| Issued - January 24, 2019 | 3,000,000 | $0.10 | January 24, 2020 |
| Exercised | (3,382,937) | $0.10 | September 7, 2019 |
| Exercised | (343,449) | $0.15 | September 7, 2019 |
| Forfeited | (812,649) | $0.15 | September 7, 2019 |
| Forfeited | (7,500,000) | $0.10 | July 15, 2019 |
| Balance, September 30, 2019 | 3,000,000 | $0.10 | January 24, 2020 |

During the year ended September 30, 2019, as part of securing a loan for $300,000, warrants were issued at an exercise price of $0.10, an expiry date of January 24, 2020, fully vesting at issuance. (see note 9)

During the year ended September 30, 2019, 3,651,308 outstanding warrants that were to expire on September 7, 2019 were repriced from an exercise price of $0.15 per common share to $0.10 per common share, with 3,382,937 of such warrants being exercised prior to expiry.

Subsequent to the year ended September 30, 2019, 3,000,000 warrants were exercised for total proceeds of $300,000 and the short term loan associated with these warrants was paid in full. As at January 24, 2020 there are no warrants outstanding.

**7. Income Tax Expense**

a) A reconciliation of income taxes at statutory rates to actual income taxes is as follow:

| | September 30, 2019 | September 30, 2018 |
|---|---|---|
| Income (loss) before income taxes | $ (1,255,310) | $ (846,864) |
| Statutory rate | 27.00% | 26.67% |
| Expected income tax expense (recovery) | (338,934) | (225,858) |
| Reconciliation of effective tax rate: | | |
| Change in statutory tax rates | - | (137,778) |
| Permanent differences | 63,716 | 37,930 |
| Change in unrecognized tax benefits | 262,055 | 327,267 |
| Loss on sale of investment | 13,163 | |
| Other | | (1,561) |
| Income tax expense | $ - | $ - |

b) Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

| | September 30, 2019 | September 30, 2018 |
|---|---|---|
| Non-capital losses and resource deductions | $ 40,770,000 | $ 39,920,000 |
| Other deductible temporary differences | 1,436,000 | 1,315,000 |
| | $ 42,206,000 | $ 41,235,000 |

c) As at September 30, 2019, the Company has non-capital losses carried forward for Canadian tax purposes totaling approximately $38,633,000, (2018 - $38,631,000) for which nil (2018 - nil) have been recognized as deferred tax assets. The Company recognizes the benefit of tax losses only to the extent of anticipated future taxable income in relevant jurisdictions. The gross amount of tax losses carried forward expire as follows:

| Expiry date | $ |
|---|---|
| 2026 | 146,000 |
| 2027 | 935,000 |
| 2028 | 8,449,000 |
| 2029 | 6,609,000 |
| 2030 | 5,532,000 |
| 2031 | 2,400,000 |
| 2032 | 1,651,000 |
| 2033 | 1,517,000 |
| 2034 | 1,519,000 |
| 2035 | 8,437,000 |
| 2036 | 456,000 |
| 2037 | 572,000 |
| 2038 | 410,000 |
| | $ 38,633,000 |

d) As at September 30, 2019, the Company had deductible temporary differences related to investments in subsidiaries of $3,958,000 (2018 - $3,958,000) that have not been recognized because the Company controls the timing of the reversal of the temporary differences and it is uncertain as to whether taxable profit will be available against which the temporary differences can be utilized.

## 8. Related Party Transactions

Key management compensation to the Chief Executive Officer ("CEO"), Chief Financial Officer, and the Board of Directors for the years ending September 30, 2019 and 2018 are as follows:

| | 2019 | 2018 |
|---|---|---|
| Wages and benefits | $496,409 | $453,769 |
| Share-based compensation | 107,625 | 140,651 |
| | $604,034 | $594,420 |

During the year ended September 30, 2019 the Company issued 607,628 common shares (2018 - 483,872 common shares) with a fair value of $43,125 (2018 - $41,093) to directors as their annual compensation. On January 24, 2019, 1,250,000 stock options with a fair value of $64,500 were issued to officers and directors and were recorded in compensation expense.

As at September 30, 2019 $10,781 (2018 - $10,781) in directors remuneration was accrued in accounts payable and accrued liabilities and was subsequently paid by issuance of common shares of the Company.

As at September 30, 2019 $825,000 (2018 - $605,000) was payable to the Company's CEO and included in current liabilities.

As at September 30, 2019 the Company accrued $16,581 in interest costs related to a short term loan from one of the Company's directors. On January 17, 2020 the loan and interest entitlement were paid in full.

## 9. Short Term Loan

To provide near term funding of the Company's activities, the Company entered into a loan agreement dated January 24, 2019 with one of the Company's directors ("Lender") to provide financing of $300,000. The terms of the loan include an interest rate of 8% per annum and a maturity date of July 31, 2019 which has subsequently been extended. Concurrently with entering into the loan agreement, the Company and the Lender entered into a general security agreement pursuant to which the Company grants the Lender a general security interest in all of the Company's present and after-acquired property and a floating charge over all present and future land, interests in land, and real property as security for the loan indebtedness. In connection with the loan, the Company issued the Lender 3,000,000 non-transferrable warrants to purchase common shares in the capital of the Company at an exercise price of $0.10 per common share which vested immediately and are exercisable for one year from the date of issuance. The $23,700 of costs attributed to the fair value of the warrants at the grant date, using the Black-Scholes valuation model, are included in Interest and borrowing costs with a corresponding increase to contributed surplus. The significant assumptions used in the measurement of the fair value of warrants issued were an expected volatility of 57%, an expected life of one year and a risk-free interest rate of 1.86%.

Subsequent to September 30, 2019, the 3,000,000 warrants were exercised and on January 17, 2020 the loan was paid in full.

## 10. Commitments and other income

On July 8, 2019 the Company signed an indicative offer with a major offshore wind development company to develop its wind resource. In connection with the signing of such agreement the Company received a non-refundable payment of $50,000 which has been recorded as other income.

During the year ended September 30, 2018, the Company received $280,000 in monthly fees in accordance with the terms of an agreement with Orsted Energy ("Orsted") to negotiate a joint development agreement for the NaiKun Wind Project. The monthly fees were recorded in other income and the agreement with Orsted was mutually terminated.

The Company entered into a consulting agreement with PwC in relation to assisting in identifying and securing a strategic partner for the NaiKun Wind Project. In exchange for services PwC received fixed monthly fees of $12,500 and 1,000,000 stock options (note 6(b)) which PwC will exercise equal to the value of fees up to $100,000. Additionally PwC will be entitled to 2% of any proceeds received by NaiKun for a period of 24 months, subject to a maximum fee of $500,000.

## 11. 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 stage. The Deferred Plan deferred payment of the majority of the Company's salary expenses prior to 2009 until financial close associated with the NaiKun Wind Project, as defined within the Deferred Plan agreement. 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 September 30, 2019, the remaining unpaid, unaccrued balance in the Deferred Plan amounted to approximately $4.2 million (2018 - $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. "Success Event" is defined as the point in time at which an agreement has been announced to undertake the first phase of the NaiKun wind farm, to develop the project(s) on some deferred timeframe, or to sell all or part of the Company assets. The agreement to proceed, to develop, or to sell assets may be undertaken by an arms-length third party acceptable to the board of NaiKun that may or may not be partially owned by NaiKun. In order for the deferred retainers and fees to become payable, the Success Event must provide NaiKun shareholders with a significant increase in share value and further, this event must provide NaiKun with sufficient liquidity to pay the outstanding amounts due. The accumulated amounts have not been accrued due to the uncertainty of the occurrence of a future Success Event. As at September 30, 2019, the remaining unpaid, unaccrued balance of these deferred retainer and fee amounts for consultants is $672,375 (2018 - $650,350).

The Company also entered into an agreement with its CEO to defer $220,000 per annum of his compensation. As at September 30, 2019, the total accumulated accrued amount of this deferral, which commenced January 1, 2016, is $825,000 (2018 - $605,000). In addition, a matching amount is contingently payable and triggered by a future Success Event. This contingent portion has not been accrued due to the uncertainty of the occurrence of a future Success Event.

## 12. Financial Risk Management and Fair Values

The Company's exposure to risk on its financial instruments arises primarily from its cash and cash equivalents and its investments in marketable securities holdings. The Company's intent is to minimize and manage these risks through the following:

| | |
|---|---|
| Interest Rate Risk | The Company maintains an investment policy where all cash deposits and short term investments must be convertible to cash within three months. Given the Company's cash balance, the Company's exposure to interest rate risk is not significant. The Company's short term loan bears interest at a fixed rate thereby does not result in an exposure to interest rate risk. |
| Currency Rate Risk | Most of the Company's expenditures are currently in Canadian dollars and to minimize currency rate risk, it maintains its cash and cash equivalents in Canadian dollar denominated accounts. The Company does engage suppliers in the US and Europe, but the terms of those engagements are short thereby minimizing the Company's exposure to fluctuations in foreign exchange rates. Therefore, the Company's exposure to currency risk is not significant. |
| Credit Risk | The Company's credit risk arises from its cash and cash equivalents, amounts receivable and deposits. The carrying amount of these assets represents the Company's maximum exposure to credit risk. The Company manages its credit risk by restricting its deposits to Government of Canada treasury notes or short term instruments guaranteed by a Canadian chartered bank. Holdings with banks are limited to $5 million with any one bank. The Company has not incurred any credit losses during the years ended September 30, 2019 and 2018. |
| Liquidity Risk | The Company manages liquidity risk by continually monitoring actual and projected cash flows and by ensuring that all cash and cash equivalents are convertible to cash with less than 3 months notice. All of the Company's accounts payable and accrued liabilities, short term loan, and deferred compensation payable are potentially due within 1 year (see Note 2(a)). |

The following table shows the carrying values of financial instrument assets and liabilities classified by measurement category at September 30, 2019 and 2018.

| | September 30, 2019 | September 30, 2018 |
|---|---|---|
| Financial assets | | |
| Amortized cost: | | |
| Cash | 232,937 | 91,045 |
| Accounts receivable | 7,605 | 4,753 |
| Prepaid expenses and other | 8,898 | 8,898 |
| Deposit | 360,000 | 360,000 |
| Fair Value through profit and loss: | | |
| Investment | - | 117,000 |
| | 609,440 | 581,696 |
| Financial liabilities | | |
| Amortized cost: | | |
| Accounts payable and accrued liabilities | 307,020 | 81,422 |
| Deferred compensation payable (note 8) | 825,000 | 605,000 |
| Short term loan | 300,000 | - |
| | 1,432,020 | 686,422 |

The fair value of the Company's cash and cash equivalents, accounts receivable, deposits, accounts payable and accrued liabilities, deferred compensation payable, and short term loan approximate their carrying amounts due to the short-term maturities and/or ability for prompt liquidation of these instruments. The carrying value of the Company's investment in Canadian marketable securities is based on the quoted market price of the related shares in a publicly traded company, which is considered Level 1 of the fair value hierarchy.

## 13. Capital Management

The Company's capital management objectives are to safeguard its assets and maintain investor, creditor and market confidence in order to sustain ongoing development activities in the wind energy sector. The Company's capital management objectives have not changed from September 30, 2018. The Company includes all shareholders' equity balances as capital.

The Company currently has the debt obligation as disclosed in note 9 and is not subject to externally imposed capital restrictions. To complete the development of its wind project, the Company intends to raise additional capital when necessary by either selling portions of its project(s), issuing additional equity and/or borrowing funds (see note 2(a)).

## 14. 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. The common shares are recorded at fair value through profit and loss. As at September 30, 2018 the market value of this investment had decreased from the value at September 30, 2017 and accordingly the Company recorded a revaluation loss of $141,000 during the year ended September 30, 2018.

On November 21, 2018, to provide near term funding, the Company sold its common shares in Barkerville for proceeds of $111,687. The sale resulted in a $5,313 realized fair value loss on financial instruments from the fair value recorded at September 30, 2018.

## 15. Subsequent Events

Subsequent to September 30, 2019, the Company issued 53,906 common shares, at a fair value of $0.20 per common share, and 74,354 common shares at a fair value of $0.145 per common share to directors as full payment of their remuneration. These share issuances cover remuneration for the period of July 1, 2019 to September 30, 2019, and October 1, 2019 to December 31, 2019 respectively.

Subsequent to September 30, 2019, to provide near term funding certain stock options (see note 6(b)) and warrants (see note 6(c) and 9) were exercised.