
OCEANIC WIND ENERGY INC.

Condensed Consolidated Interim Financial Statements
Unaudited - Prepared by Management

For the nine months ended June 30, 2020 and 2019



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.

OCEANIC WIND ENERGY INC.**Unaudited Condensed Consolidated Interim Statement of Financial Position**

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

	June 30, 2020	September 30, 2019
Assets		
Current assets		
Cash and cash equivalents	\$ 107,032	\$ 232,937
Accounts receivable	35,785	7,605
Prepaid expenses and other current assets	7,533	8,898
	<u>150,350</u>	<u>249,440</u>
Non-current assets		
Deposit - Natural Resources Canada - Metmast	360,000	360,000
	<u>360,000</u>	<u>360,000</u>
Total assets	\$ 510,350	\$ 609,440
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 247,027	\$ 307,020
Short term loan (note 6)	40,000	300,000
Deferred compensation payable (note 5 and 8)	880,000	825,000
	<u>1,167,027</u>	<u>1,432,020</u>
Non-Current Liabilities		
Asset retirement obligation	400,000	400,000
	<u>400,000</u>	<u>400,000</u>
Total liabilities	1,567,027	1,832,020
Shareholders' Deficiency		
Share capital (note 4(a))	48,222,301	47,500,458
Contributed surplus	2,418,548	2,418,548
Deficit	(51,697,526)	(51,141,586)
	<u>(1,056,677)</u>	<u>(1,222,580)</u>
Total shareholders' deficiency	(1,056,677)	(1,222,580)
Total liabilities & shareholders' deficiency	\$ 510,350	\$ 609,440

Nature of operations and going concern (notes 1 and 2(a))

Commitments (note 7)

Contingent liabilities (note 8)

Subsequent events (notes 5, and 11)

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

Approved by the Board of Directors and authorized for issue on August 10, 2020.

Director: "Dave Rehn"

Director: "Michael O'Connor"

OCEANIC WIND ENERGY INC.**Unaudited Condensed Consolidated Interim Statement of Loss and Comprehensive Loss****For the nine months ended June 30, 2020 and 2019**

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

	3 months ended June 30,		9 months ended June 30,	
	2020	2019	2020	2019
Expenses				
Compensation (note 5)	\$ 135,087	\$ 143,811	\$ 416,786	\$ 444,815
Consultant	-	17,500	12,500	52,500
Interest and borrowing costs (note 6)	-	10,323	7,419	10,323
Office and administration	28,281	35,418	93,484	101,368
Public and community relations	4,391	60,805	33,772	168,593
Professional fees	37,501	16,928	118,476	67,223
Travel	1,341	9,793	8,577	37,050
Loss before the following:	(206,601)	(294,578)	(691,014)	(881,872)
Other Income				
Management fee income	105,000	-	105,000	-
Other income (note 10)	30,000	-	30,000	-
Investment income	-	4	74	37
Fair value loss on financial instruments	-	-	-	(5,313)
	30,000	4	135,074	(5,276)
Loss and comprehensive loss for the period	\$ (176,601)	\$ (294,574)	\$ (555,940)	\$ (887,148)
Loss per share, basic and diluted	\$ (0.002)	\$ (0.004)	\$ (0.008)	\$ (0.014)
Weighted average number of shares outstanding	75,386,380	66,038,094	73,219,647	65,406,047

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

OCEANIC WIND ENERGY INC.**Unaudited Condensed Consolidated Interim Statement of Changes in Shareholders' Equity (Deficiency)****For the nine months ended June 30, 2020 and 2019**

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

	Number of Common Shares (Notes 4)	Share Capital (Notes 4)	Contributed Surplus	Deficit	Total Shareholders' Equity (Deficiency)
Balance, September 30, 2018	64,919,469	\$ 46,933,789	\$ 2,447,761	\$ (49,886,276)	\$ (504,726)
Total comprehensive loss for the year	-	-	-	(887,148)	(887,148)
Share based portion of compensation	441,292	32,344	-	-	32,344
Share based compensation expense	-	-	118,125	-	118,125
Warrants exercised	2,253,902	225,390	-	-	225,390
Balance, June 30, 2019	67,614,663	47,191,523	2,565,886	(50,773,424)	(1,016,015)
Total comprehensive loss for the year	-	-	-	(368,162)	(368,162)
Share based portion of compensation	166,336	10,781	-	-	10,781
Share based compensation expense	-	-	(53,625)	-	(53,625)
Share based consulting expense	-	-	16,300	-	16,300
Share based borrowing expense	-	-	23,700	-	23,700
Warrants exercised	1,472,484	298,154	(133,713)	-	164,441
Balance, September 30, 2019	69,253,483	47,500,458	2,418,548	(51,141,586)	(1,222,580)
Total comprehensive loss for the year	-	-	-	(555,940)	(555,940)
Share based portion of compensation	226,272	32,343	-	-	32,343
Options exercised	3,860,526	389,500	-	-	389,500
Warrants exercised	3,000,000	300,000	-	-	300,000
Balance, June 30, 2020	76,340,281	\$ 48,222,301	\$ 2,418,548	\$ (51,697,526)	\$ (1,056,677)

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

OCEANIC WIND ENERGY INC.**Unaudited Condensed Consolidated Interim Statement of Cash Flows****For the nine months ended June 30, 2020 and 2019**

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

	9 months ended June 30,	
	2020	2019
Cash flows provided by (used in)		
OPERATING ACTIVITIES		
Loss for the period	\$ (555,940)	\$ (887,148)
Items not affecting cash		
Share-based compensation (note 5)	32,343	375,859
Fair value loss on financial instruments	-	5,313
Changes in non-cash working capital		
Receivables	(28,180)	2,038
Prepaid expenses and other	1,365	(10,457)
Accounts payable and accrued liabilities	(169,993)	3,641
Deferred compensation payable	165,000	165,000
Net cash used in operating activities	(555,405)	(345,754)
FINANCING ACTIVITIES		
Proceeds from exercise of options	389,500	-
Proceeds from exercise of warrants	300,000	-
Proceeds from sale of financial instruments	-	111,687
Proceeds / (repayment) from short term loan	(260,000)	300,000
Net cash from financing activities	429,500	411,687
Increase (decrease) in cash and cash equivalents	(125,905)	65,933
Cash and cash equivalents, beginning of year	232,937	91,045
Cash and cash equivalents, end of period	\$ 107,032	\$ 156,978

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

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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

For the nine months ended June 30, 2020 and 2019

1. Corporate Information

Oceanic Wind Energy Inc. ("Oceanic Wind" or the "Company"), previously NaiKun Wind Energy Group Inc, is incorporated under the Business Corporations Act (British Columbia) and is listed on the TSX Venture Exchange (TSXV - NKW). 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 an offshore wind project (the "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, Oceanic 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.

Pursuant to a resolution passed by shareholders at the Company's May 15, 2020 Annual General and Special Meeting, the Company has changed its name. Effective May 28, 2020, the Company has changed its name to Oceanic Wind Energy Inc. The trading symbol "NKW" on the TSX-V exchange has remained the same. At the same meeting 50% of shareholders were represented and 99% of voted shares were voted in favour of the sale of the development rights to Northland Power Inc. ("Northland"). The definitive agreements related to this sale were signed on March 27, 2020 and can be found on Sedar at www.sedar.com under Oceanic Wind Energy Inc, filed April 20, 2020 under the category of Material Document(s).

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 consolidated 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, 2019. This is the first set of the Company's financial statements where IFRS 16 has been applied. Changes to significant accounting policies are described in note 3. These statements follow the same accounting policies and methods of their application as the most recent annual financial statements, except for those related to the application of IFRS 16.

The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and effective as of August 10, 2020, 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. In the nine months ending June 30, 2020 the Company's directors and officers exercised options and warrants which raised \$389,500 and \$300,000 respectively. On March 27, 2020 the Company signed the definitive agreements to sell the development rights to Northland. The Company is providing development services to Northland under a Development Services Agreement, earning fees for services of \$35,000 per month. 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 balance sheet classifications may be required and such adjustments could be material.

3. Significant accounting policies

Accounting standards and amendments adopted as of October 1, 2019:

On January 13, 2016, the IASB published a new standard, IFRS 16 Leases. The new standard 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 has adopted IFRS 16 Leases as at October 1, 2019.

Currently the Company has no lease obligations more that 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.

OCEANIC WIND ENERGY INC.**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

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

For the nine months ended June 30, 2020 and 2019**4. 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, 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
Exercised - quarter ending December 31, 2019	(2,700,000)		
Exercised - quarter ending June 30, 2019	(1,160,526)		
Forfeited	(350,000)		
Balance, June 30, 2020	1,089,474		\$ 0.097

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, with an exercise price of \$0.10, an expiry date of February 22, 2021, vesting 40% at issuance and 10% monthly thereafter.

During the quarter ending December 31, 2019, 2,700,000 options were exercised with resulting proceeds of \$275,750. During the quarter ending June 30, 2020, 1,160,526 options were exercised with resulting proceeds of \$113,750.

As at June 30, 2020, the Company had the following outstanding stock options:

Issue date	Options outstanding	Exercise price	Expiry date
December 5, 2017	689,474	\$0.095	November 1, 2027
January 24, 2019	400,000	\$0.10	January 24, 2029

At June 30, 2020 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 stock options	2019 PwC stock options
Fair value at grant date	\$0.052	\$0.016
Share price at grant date	\$0.07	\$0.07
Exercise price	\$0.10	\$0.10
Expected volatility (weighted-average)	74%	61%
Expected life in years	10	2
Risk-free interest rate	1.92%	1.78%

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c) Warrants

As of June 30, 2020 the Company has the following common share purchase warrants outstanding totalling nil (2019 - 10,500,000):

Issue date	Warrants outstanding	Exercise price	Expiry date
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
Exercised	(250,000)	\$0.10	
Exercised	(2,750,000)	\$0.10	
Balance, June 30, 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 6) Of these warrants, 250,000 were exercised in December 2019 for proceeds of \$25,000.

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.

On January 17, 2020, 2,750,000 warrants were exercised for total proceeds of \$275,000 and the short term loan associated with these warrants was paid in full. As at June 30, 2020 there are no warrants outstanding.

5. Related Party Transactions

Key management compensation to the Chief Executive Officer ("CEO"), Chief Financial Officer, and the Board of Directors for the three months ending June 30, 2020 and 2019 are as follows:

	2020	2019
Wages and benefits	\$124,306	\$133,030
Share-based compensation	10,781	10,781
	\$135,087	\$143,811

During the three months ended June 30, 2020 the Company issued 98,012 common shares (2019 - 179,687 common shares) with a fair value of \$10,781 (2019 - \$10,781) to directors as their full quarterly compensation.

As at June 30, 2020 \$10,781 (2019 - \$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 June 30, 2020 \$990,000 (2019 - \$770,000) was payable to the Company's CEO and included in current liabilities.

6. 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%.

On January 17, 2020, 2,750,000 warrants were exercised and the short term loan was paid in full.

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Given the turbulence in the market related to uncertainty generated by the Covid-19 pandemic, the Company decided it was not a good environment to raise funds through a private placement. To provide near term funding, the Company borrowed \$40,000 under the government Covid-19 relief program. These funds are interest free and if the loan is repaid by December 2021, there is a forgiveness of \$10,000. Once markets return to normal functioning the Company will look at raising sufficient funds to maintain its reduced level of activity into the future, including the repayment of this loan.

7. Commitments and other income

On March 27, 2020 the Company signed the definitive agreements to sell the development rights to Northland. The Company is providing development services to Northland under a Development Services Agreement and is earning fees for services of \$35,000 per month.

The Company entered into a consulting agreement with PwC in relation to assisting in identifying and securing a strategic partner for the 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 Oceanic for a period of 24 months, subject to a maximum fee of \$500,000.

8. 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 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 June 30, 2020, the remaining unpaid, unaccrued balance in the Deferred Plan amounted to approximately \$4.2 million (2019 - \$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 Project, 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 Oceanic that may or may not be partially owned by Oceanic. In order for the deferred retainers and fees to become payable, the Success Event must provide Oceanic shareholders with a significant increase in share value and further, this event must provide Oceanic 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 June 30, 2020, the remaining unpaid, unaccrued balance of these deferred retainer and fee amounts for consultants is \$672,375 (2019 - \$703,000).

The Company also entered into an agreement with its CEO to defer \$220,000 per annum of his compensation. As at June 30, 2020, the total accumulated accrued amount of this deferral, which commenced January 1, 2016, is \$990,000 (2019 - \$770,000). 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.

9. 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, 2019. The Company includes all shareholders' equity balances as capital.

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).

10. 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.

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.

In April 2020 the Company sold its crown claims in the Goldbridge/Bralorne region. This represents the final holdings of Uniterre Resources, the predecessor company to Oceanic. The Company received 100,000 shares in Talisker Resources and based on the prevailing market price of \$0.30 realized proceeds of \$30,000.

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For the nine months ended June 30, 2020 and 2019

11. Subsequent Events

Subsequent to June 30, 2020, the Company issued 154,019 common shares, at a fair value of \$0.07 per common share to directors as full payment of their remuneration. These share issuances cover remuneration for the period of April 1, 2020 to June 30, 2020.