
OCEANIC WIND ENERGY INC.

Condensed Consolidated Interim Financial Statements
Unaudited - Prepared by Management

For the three months ended December 31, 2021 and 2020



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)

	December 31, 2021	September 30, 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 185,984	\$ 238,303
Accounts receivable	1,882	814
Prepaid expenses and other current assets	31,293	18,217
	<u>219,159</u>	<u>257,334</u>
Non-current assets		
Prepaid insurance expense (note 6)	11,595	15,969
	<u>11,595</u>	<u>15,969</u>
Total assets	\$ 230,754	\$ 273,303
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 50,762	\$ 60,820
Deferred compensation payable (note 4 and 8)	1,000,000	1,000,000
	<u>1,050,762</u>	<u>1,060,820</u>
Non-Current Liabilities		
CEBA loan (note 5)	36,932	36,205
Deferred government grants (note 5)	23,068	23,795
	<u>59,999</u>	<u>59,999</u>
Total liabilities	1,110,762	1,120,820
Shareholders' Deficiency		
Share capital (note 3(a))	48,758,545	48,747,764
Contributed surplus	2,440,990	2,400,990
Deficit	(52,079,543)	(51,996,271)
	<u>(880,008)</u>	<u>(847,517)</u>
Total shareholders' deficiency	(880,008)	(847,517)
Total liabilities & shareholders' deficiency	\$ 230,754	\$ 273,303

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

Contingent liabilities (note 8)

Subsequent events (notes 10)

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

Approved by the Board of Directors and authorized for issue on February 28, 2022.

Director: "Dave Rehn"

Director: "Michael O'Connor"

OCEANIC WIND ENERGY INC.**Unaudited Condensed Consolidated Interim Statement of Loss and Comprehensive Loss
For the three months ended December 31, 2021 and 2020**

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

	December 31, 2021	December 31, 2020
Expenses		
Compensation (note 4)	\$ 89,340	\$ 86,093
Interest and borrowing costs (note 6)	-	1,225
Office and administration	16,294	20,063
Public and community relations	263	2,030
Professional fees	7,000	19,735
Travel	375	(307)
Loss before the following:	(113,272)	(128,839)
Other Income		
Management fee income (note 7)	-	105,000
Gain on sale of asset (note 7)	30,000	-
	30,000	105,000
Loss and comprehensive loss for the period	\$ (83,272)	\$ (23,839)
Loss per share, basic and diluted	\$ (0.00)	\$ (0.00)
Weighted average number of shares outstanding	78,924,087	76,557,339

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' Deficiency****For the three months ended December 31, 2021 and 2020**

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

	Number of Common Shares (Notes 3)	Share Capital (Notes 3)	Contributed Surplus	Deficit	Total Shareholders' Deficiency
Balance, September 30, 2020	76,494,300	48,448,542	2,203,088	(51,701,620)	(1,049,990)
Total comprehensive loss for the year	-	-	-	(23,839)	(23,839)
Share based portion of compensation	74,354	10,781	-	-	10,781
Share based compensation expense			38,500	-	38,500
Balance, December 31, 2020	76,568,654	48,459,323	2,241,588	(51,725,459)	(1,024,548)
Total comprehensive loss for the year	-	-	-	(270,812)	(270,812)
Share based portion of compensation	213,341	32,343	-	-	32,343
Share based compensation expense	-	-	115,500	-	115,500
Private Placement - August 18, 2021	2,068,967	256,098	43,902	-	300,000
Balance, September 30, 2021	78,850,962	\$ 48,747,764	\$ 2,400,990	\$ (51,996,271)	\$ (847,517)
Total comprehensive loss for the year	-	-	-	(83,272)	(83,272)
Share based portion of compensation	86,250	10,781	-	-	10,781
Share based compensation expense			40,000	-	40,000
Balance, December 31, 2021	78,937,212	48,758,545	2,440,990	(52,079,543)	(880,008)

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 three months ended December 31, 2021 and 2020**

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

	December 31, 2021	December 31, 2020
Cash flows provided by (used in)		
OPERATING ACTIVITIES		
Loss for the year	\$ (83,272)	\$ (23,839)
Items not affecting cash		
Share-based compensation (note 4)	10,781	10,781
Share based compensation expense (note 4)	40,000	38,500
Changes in non-cash working capital		
Accounts receivables	(1,068)	245
Prepaid expenses and other	(8,702)	(57,307)
Accounts payable and accrued liabilities	(10,058)	(30,622)
Net cash used in operating activities	(52,319)	(62,242)
FINANCING ACTIVITIES		
Proceeds of CEBA loan (note 5)	-	20,000
Repayment of short term loan (note 6)	-	47,870
Net cash from financing activities	-	67,870
Increase (decrease) in cash and cash equivalents	(52,319)	5,628
Cash and cash equivalents, beginning of year	238,303	51,820
Cash and cash equivalents, end of period	\$ 185,984	\$ 57,448

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

OCEANIC WIND ENERGY 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, 2021 and 2020

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-NEX (TSXV-NEX : NKW.H). Pursuant to a resolution passed by shareholders at the Company's May 15, 2020 Annual General and Special Meeting, the Company changed its name effective May 28, 2020. The Company's registered office is at Suite 1000, 355 Burrard Street, Vancouver, BC, V6C 2G8. The Company's primary business is the development of renewable energy projects. The Company has been developing an offshore wind project on the north coast of British Columbia in Hecate Strait. As the Company has been in the development phase, it has not generated any revenue from the sale of wind energy.

At the Company's May 15, 2020 Annual General and Special Meeting, shareholders were asked to consider and approved the sale of the development rights to its wind project. At the meeting, 50% of shareholders were represented and 99% of voted shares were voted in favour of the sale of the development rights in its offshore wind project in Hecate Strait to Northland Power Inc. ("Northland"). The definitive agreements related to this sale were signed on March 27, 2020 (the "Agreement") and can be found on the Company's website and on Sedar at www.sedar.com under Oceanic Wind Energy Inc., filed April 20, 2020, under the category of Material Document(s). On September 1, 2020 the transaction with Northland was formally closed.

Pursuant to the terms of the Agreement, the Company sold 100% of its interest in its wholly owned subsidiary NaiKun Wind Development Inc. ("Devco") which held the certain intellectual information and property, permits, a deposit with Natural Resources Canada ("NRCan") with respect to certain asset retirement obligations, an asset retirement obligation associated with fully depreciated Metmast wind-monitoring equipment, and Canadian tax losses. Under the terms of the Agreement, the Company has the right to receive the following:

- upon the project reaching its financial close, as defined in the Agreement, a payment based on the size of the developed project (\$67,500 per installed megawatt ("MW") to a maximum of \$33,750,000) (the "Cash Consideration");
- upon the project becoming operational, future payments consisting of an annual cash distribution from the project after the operating costs and specified return on equity have been recovered by Northland (the "Cash Distribution"); and
- subject to financial close of the project, an option to purchase up to a 10% interest in Northland's interest in the project (the "Option").

Given that development decisions are outside the control of the Company and the payment of cash consideration, any future cash distributions, and the value of the option are entirely dependent on Northland reaching a financial close and successfully developing the wind project, no value has been accrued with respect to the contingent proceeds.

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, 2021. These statements follow the same accounting policies and methods of their application as the most recent annual financial statements.

The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and effective as of February 28, 2022, 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. The Company may need to raise funds through grants, strategic collaborations, public or private equity, debt financing, or other funding sources. On March 27, 2020 the Company signed the definitive agreements to sell the development rights to Northland. The Company was providing development services to Northland under a Development Services Agreement, earning fees for services of \$35,000 per month with this agreement terminating March 27, 2021. 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.

OCEANIC WIND ENERGY INC.

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For the three months ended December 31, 2021 and 2020

3. 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, 2020	1,089,474		\$ 0.097
Issued - October 1, 2020	1,400,000	30-Sep-2030	0.145
Balance, September 30, 2021	2,489,474		\$ 0.124
Issued - October 25, 2021	1,500,000	24-Oct-2031	0.140
Balance, December 31, 2021	3,989,474		\$ 0.130

On October 1, 2020 1,400,000 stock options were granted to directors and officers with an exercise price of \$0.145 per share, an expiry date of September 30, 2030, vesting 50% at issuance and 50% in 180 days.

On October 24, 2021 1,500,000 stock options were granted to directors and officers with an exercise price of \$0.14 per share, an expiry date of October 24, 2031, vesting 50% at issuance and 50% in 180 days.

As at December 31, 2021, 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
October 1, 2020	1,400,000	\$0.145	September 30, 2030
October 25, 2021	1,500,000	\$0.140	October 24, 2031

At December 31, 2021 3,239,474 of the outstanding stock options were fully exercisable.

During the year ended September 30, 2021, share based compensation expense associated with stock options was \$154,000 for options awarded October 1, 2020.

During the three months ended December 31, 2021, share based compensation expense associated with stock options was \$40,000 for options awarded October 25, 2021.

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.

	2022 Directors/Officers 1,500,000 stock options	2021 Directors/Officers 1,400,000 stock options
Fair value at grant date	\$0.108	\$0.110
Share price at grant date	\$0.140	\$0.145
Exercise price	\$0.140	\$0.145
Expected volatility (weighted-average)	73%	73%
Expected life in years	10	10
Risk-free interest rate	1.47%	0.59%

OCEANIC WIND ENERGY 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, 2021 and 2020

c) Warrants

As of December 31, 2021 the Company has the following common share purchase warrants outstanding totalling 2,068,967 (2020 - nil):

Issue date	Warrants outstanding	Exercise price	Expiry date
Balance, September 30, 2020	-		
Issued August 18, 2021	2,068,967	\$0.20	August 18, 2022
Balance, September 30, 2021	2,068,967		

During the year ended September 30, 2021, the Company completed a private placement issuing 2,068,967 units at \$0.145 per unit, raising \$300,000. Each unit consisted of one common share in the capital of the Company and one warrant. Each warrant is exercisable at an exercise price of \$0.20 for a period of one year from the date of issuance. The private placement closed August 18, 2021. The proceeds of the private placement were allocated between share capital and contributed surplus based on the relative fair value of the components. The fair value of the warrants was determined using a Black-Scholes valuation model with significant assumptions being a 1 year life, an expected volatility of 69%, and a risk free rate of 0.45%.

4. Related Party Transactions

Key management compensation to the Chief Executive Officer ("CEO"), Chief Financial Officer, and the Board of Directors for the three months ended December 31, 2021 and 2020 are as follows:

	2021	2020
Wages and benefits	\$38,559	\$36,812
Share-based compensation	50,781	49,281
	\$89,340	\$86,093

During the three months ended December 31, 2021 the Company issued 86,250 common shares (2020 - 74,354 common shares) with a fair value of \$10,781 (2020 - \$10,781) to directors as their full annual compensation. On October 25, 2021, 1,500,000 stock options, with a fair value of \$160,000, were issued to officers and directors and \$40,000 was recorded in compensation expense for the three months ended December 31, 2021 (2020 - 38,500).

As at December 31, 2021 \$10,781 (2020 - \$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 December 31, 2021 \$1,000,000 (2020 - \$1,000,000) was payable to the Company's CEO and included in current liabilities (note 11).

5. CEBA Loans

To provide near term funding, the Company borrowed \$40,000 in April 2020 and \$20,000 in December 2020 under the federal government Covid-19 relief program Canadian Emergency Business Assistance ("CEBA"). These funds are interest free until December 31, 2022 and if the loans are repaid by December 31, 2022, \$20,000 of the loans is forgiven. After December 31, 2022 the loans bear interest at 5% per annum and all principal and interest amounts must be paid no later than December 31, 2025. Once there is greater certainty as it relates to both the markets and the future progress of the project, the Company will look at raising sufficient funds to maintain its reduced level of activity into the future, including the repayment of the loans.

The Company classifies the \$20,000 potential forgiveness as a government grant and recognizes this amount in deferred government grants until such time as the December 31, 2022 payment threshold is met. At that time the Company recognizes the grant as other income. Furthermore, the below-market rate of interest is treated as a government grant. The present value of the difference in cashflows related to the difference between a market interest rate, which the Company estimated to be 8%, and the 0% rate is also recorded in deferred government grants.

6. Prepaid Expenses

Based on the sale of Devco to Northland, our insurance underwriters required the Company to purchase an additional run-off D&O policy to cover periods prior to September 1, 2020 (the closing date), in addition to the normal forward looking D&O policy. The total combined premiums were roughly \$50,000 higher than planned in our cash forecasting. To preserve near term cash, on October 17, 2020 the Company put in place a short term financing in the amount of \$59,203 with 10 monthly payments of \$6,278. As at December 31, 2021 the balance of the financing was nil (2020 - \$47,870). As of December 31, 2021, the prepaid D&O insurance balance on this run-off policy was \$28,983, which covers a period until August 2023, as such \$11,595 is recorded as a long-term prepaid balance.

OCEANIC WIND ENERGY INC.

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For the three months ended December 31, 2021 and 2020

7. Other income

The Company was providing development services to Northland under a Development Services Agreement and was earning fees for services of \$35,000 per month until the agreement terminated on March 27, 2021.

During the three months ended December 31, 2021, the Company sold certain portable assessment credits that originated with its predecessor company, Uniterre Resources Ltd. The proceeds were \$30,000 and are recorded as a gain on sale of assets of \$30,000 as no asset was recorded at September 30, 2021 due to the uncertainty of receipt of any further proceeds at such date. This was the final asset from Uniterre Resources Ltd.

8. Contingent Liabilities

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 December 31, 2021, the remaining unpaid, unaccrued balance of these deferred retainer and fee amounts for consultants is \$672,375 (2020 - \$672,375).

The Company also entered into an agreement with its CEO to defer \$220,000 per annum of his compensation. As at December 31, 2021, the total accumulated accrued amount of this deferral, which commenced January 1, 2016 and continued until August 2020, is \$1,000,000 (2020 - \$1,000,000). 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, 2021. The Company includes all shareholders' deficiency balances as capital.

The Company currently has the debt obligation as disclosed in notes 5 and is not subject to externally imposed capital restrictions. To complete its planned business objectives, the Company intends to raise additional capital when necessary by issuing additional equity and/or borrowing funds.

10. Subsequent Events

Subsequent to December 31, 2021, the Company issued 89,844 common shares, at a fair value of \$0.12 per common share to directors as full payment of their remuneration. These share issuances cover remuneration for the period of October 1, 2021 to December 31, 2021.