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# **NAIKUN WIND ENERGY GROUP INC.**

Condensed Consolidated Interim Financial Statements  
Unaudited - Prepared by Management

**For the three months ended December 2015 and 2014**

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## **NOTICE**

The accompanying unaudited condensed consolidated interim financial statements have been prepared by management and approved by the Audit Committee and Board of Directors. The Company's independent auditors have not performed a review of these financial statements.

**NAIKUN WIND ENERGY GROUP INC.****Unaudited Condensed Consolidated Interim Statements of Financial Position**

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

	December 31, 2015	September 30, 2015
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 547,484	\$ 871,844
Accounts receivable	5,373	7,046
Prepaid expenses and other	9,823	8,899
	<u>562,680</u>	<u>887,789</u>
Non-current assets		
Rent deposit	4,237	4,237
Deposit - Natural Resources Canada - Metmast	360,000	360,000
	<u>364,237</u>	<u>364,237</u>
<b>Total assets</b>	<u>\$ 926,917</u>	<u>\$ 1,252,026</u>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 108,712	\$ 150,772
Non-Current Liabilities		
Asset retirement obligation	400,000	400,000
<b>Total liabilities</b>	<u>508,712</u>	<u>550,772</u>
<b>Shareholders' Equity</b>		
Share capital (note 4(a))	46,340,049	46,317,080
Contributed surplus	2,082,453	2,080,578
Deficit	<u>(48,004,297)</u>	<u>(47,696,404)</u>
<b>Total shareholders' equity</b>	<u>418,205</u>	<u>701,254</u>
<b>Total liabilities &amp; equity</b>	<u>\$ 926,917</u>	<u>\$ 1,252,026</u>

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

Contingent liabilities (note 5)

Subsequent events (note 6)

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

Approved by the Board of Directors and authorized for issue on February 25, 2016.

Director: "Dave Rehn"

Director: "Michael O'Connor"

**NAIKUN WIND ENERGY GROUP INC.**  
**Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Equity**  
**For the three months ended December 31, 2015 and 2014**

	Number of Shares (Note 6(a))	Share Capital (Note 6(a))	Contributed Surplus	Deficit	Total Equity
Balance, September 30, 2014	53,115,781	\$ 46,230,078	\$ 2,067,828	\$ (46,161,291)	\$ 2,136,615
Total comprehensive loss for the year	-	-	-	(403,616)	(403,616)
Share based portion of compensation	174,480	20,938	-	-	20,938
Balance, December 30, 2014	53,290,261	46,251,016	2,067,828	(46,564,907)	1,753,937
Total comprehensive loss for the year	-	-	-	(1,131,497)	(1,131,497)
Share based portion of compensation	618,827	66,064	-	-	66,064
Share based compensation expense	-	-	12,750	-	12,750
Balance, September 30, 2015	53,909,088	46,317,080	2,080,578	(47,696,404)	701,254
Total comprehensive loss for the year	-	-	-	(307,893)	(307,893)
Share based portion of compensation	255,211	22,969	-	-	22,969
Share based compensation expense	-	-	1,875	-	1,875
Balance, December 31, 2015	54,164,299	\$ 46,340,049	\$ 2,082,453	\$ (48,004,297)	\$ 418,205

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

**NAIKUN WIND ENERGY GROUP INC.****Unaudited Condensed Consolidated Interim Statements of Comprehensive Loss****For the three months ended December 31, 2015 and 2014**

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

	December 31, 2015	December 31, 2014
<b>Expenses</b>		
Compensation	\$ 177,790	\$ 204,495
Engineering and development costs	-	33,269
Office and administration	31,835	37,019
Public and community relations	84,400	116,438
Professional fees	10,303	6,999
Travel	4,813	12,301
<b>Loss before the following:</b>	(309,141)	(410,521)
<b>Other Revenues</b>		
Investment income	1,248	6,905
	1,248	6,905
<b>Loss and comprehensive loss for the period</b>	<b>\$ (307,893)</b>	<b>\$ (403,616)</b>
<b>Loss per share, basic and diluted</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of shares outstanding</b>	<b>54,125,463</b>	<b>44,914,540</b>

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

**NAIKUN WIND ENERGY GROUP INC.****Unaudited Condensed Consolidated Interim Statements of Cash Flows  
For the three months ended December 31, 2015 and 2014**

	December 31, 2015	December 31, 2014
Cash flows provided by (used in)		
<b>OPERATING ACTIVITIES</b>		
Loss for the period	\$ (307,893)	\$ (403,616)
Items not affecting cash		
Share-based compensation	24,844	20,938
Changes in non-cash working capital		
Receivables	1,673	7,568
Prepaid expenses and other	(924)	(893)
Accounts payable and accrued liabilities	(42,060)	(279,768)
<b>Net cash used in operating activities</b>	<b>(324,360)</b>	<b>(655,771)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(324,360)</b>	<b>(655,771)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>871,844</b>	<b>2,564,861</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 547,484</b>	<b>\$ 1,909,090</b>

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

# **NAIKUN WIND ENERGY GROUP INC.**

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

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

**For the three months ended December 31, 2015 and 2014**

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### **1. Corporate Information**

NaiKun Wind Energy Group Inc. ("NaiKun Wind" or the "Company") is incorporated under the Business Corporations Act (British Columbia) and is listed on the TSX Venture Exchange. The Company's registered office is at Suite 615, 1140 West Pender, Vancouver, BC, V6E 4G1. The Company's primary business is the development of renewable energy projects. The Company is currently developing a project (the "NaiKun Wind Project") on the north coast of British Columbia in Hecate Strait. As the Company is in the development phase, it has not generated any revenue from the sale of wind energy.

On March 31, 2010, NaiKun Wind learned that its offshore wind energy project was no longer under consideration in BC Hydro's Clean Power Call procurement process. Following that decision, the Board directed a review of the alternatives open to the Company. These were broad ranging and included continuing to advance the wind project, business combinations, joint ventures, and the sale of all or part of the Company. The Board and Management were assisted in this review by Cormark Securities and Energy+Environmental Economics (E3). It was determined that the best interest of the shareholders would be served by continuing to advance the wind project, reducing the day to day costs of operating the company, and continuing to look for partnerships and business opportunities in the Renewable Energy field. The Company cautions that there can be no assurance that these strategic efforts will ultimately result in an offshore wind project being completed.

### **2. Basis of presentation**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards 34 (IAS34), Interim Financial Reporting. These condensed interim financial statements follow the same accounting policies and methods of application as our most recent annual financial statements. Accordingly, these statements should be read in conjunction with our annual IFRS financial statements for the year ended September 30, 2015. The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and effective as of February 25, 2016, the date the Board of Directors approved the financial statements.

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

### **3. Recent accounting pronouncements**

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following pronouncement may have an impact on the Company.

**IFRS 9 Financial instruments** was issued in November 2009 as the first step in a project to replace IAS 39 'Financial instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2018, with early adoption permitted. IFRS 9 also includes a new general hedge accounting standard which will better align hedge accounting and risk management.

## NAIKUN WIND ENERGY GROUP INC.

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

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**IFRS 15 Revenue from Contracts with Customers** is effective for years commencing on or after January 1, 2017, and replaces IAS 11, Construction; IAS 18, Revenue; International Financial Reporting Interpretations Committee ("IFRIC") 13, Customer Loyalty Programmes; IFRIC 15, Agreements for the Construction of Real Estate; IFRIC 18, Transfer of Assets from Customers; and Standard Interpretations Committee ("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 judgemental thresholds have been introduced which may affect the amount and/or timing of revenue recognition. In the absence of revenue, this standard will not have an impact on the financial statements, however the Company intends to adopt IFRS 15 in its consolidated financial statements for the year commencing October 1, 2018.

#### 4. Share Capital

##### a) Authorized Capital

Authorized: 100,000,000 common shares of no par value  
20,000,000 first preferred shares of no par value

##### 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 and expensed with a corresponding increase to contributed surplus over the vesting period.

The weighted average exercise price of options outstanding as at December 31, 2015 and September 30, 2015 is as follows:

	Options Outstanding and Exercisable	Weighted Average Exercise Price
Balance, September 30, 2014	510,000	\$ 0.145
Issued - February 5, 2015	200,000	0.135
Expired	(30,000)	0.145
Balance, September 30, 2015 and December 31, 2015	680,000	0.142

Of the outstanding options at December 31, 2015, 480,000 expire on July 5, 2016 and 200,000 expire on February 5, 2020.

##### c) Warrants

On April 25, 2014 the Company announced the intention to complete a non-brokered private placement with Mr. Joseph Houssian, a director and insider of the Company. The private placement was for 10,000,000 units at a price of \$0.07 per unit for gross proceeds of \$700,000. Each unit consists of one common share in the capital of the Company and 0.75 common share purchase warrants. Each full common share purchase warrant is exercisable at \$0.10 per share for a period of five years from the date of issuance. The offering was subject to certain conditions including shareholder approval and all necessary approvals of the TSX Venture Exchange and compliance with all applicable regulatory requirements. The shareholders of the Company approved the private placement and the establishment of a control person at the Company's annual and special meeting of shareholders held on June 26, 2014 and the transaction closed on July 14, 2014. The Company has bifurcated the proceeds into the shares and warrants issued and recorded the warrants as contributed surplus. The Company has reclassified these proceeds on the fiscal 2014 statement of cash flows from investing activities to financing activities to reflect the financing nature of this transaction.



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#### **d) Warrant Plan**

During the quarter ending December 31, 2015, unit holders of Restricted Warrants have surrendered their warrants for cancellation and the Company's board of directors has approved the cancellation of the Amended & Restated 2011 Warrant Plan. As of report date the outstanding Restricted Warrants is nil.

#### **5. Contingent Liabilities**

The Company's deferred compensation plan ("Deferred Plan") was designed to attract and retain qualified personnel while conserving cash during the Company's development stages. The Deferred Plan deferred payment of the majority of the Company's salary expenses prior to 2009 until Financial Close. Amounts allocated to the Deferred Plan have not been accrued due to the uncertainty of the occurrence of the triggering events for payment, being Financial Close.

As at December 31, 2015, the remaining unpaid, unaccrued balance in the Deferred Plan amounted to approximately \$4.2 million (2014 - \$4.2 million).

#### **6. Subsequent Events**

Subsequent to December 31, 2015, the Company issued 174,481 common shares at a deemed price of \$0.06 per share to the directors as full payment of their remuneration. Additionally, the Company issued 208,333 common shares at a deemed price of \$0.06 per share to the Company's CEO as the share portion of his compensation. The above share issuances cover the period of October 1, 2015 to December 31, 2015 and the value ascribed to the shares was based on the Company's stock price on December 31, 2015.