Condensed Consolidated Interim Financial Statements Unaudited - Prepared by Management

For the six months ended March 2017 and 2016



## **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.

#### **Unaudited Condensed Consolidated Interim Statements of Financial Position**

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

		March 31, 2017	September 30, 2016
Assets			
Current assets	\$	657.090	<u></u>
Cash and cash equivalents Accounts receivable	Φ	657,989 2,372	\$ 913,529 4,445
Share subscription receivable		-	100,000
Investment (note 6)		189,000	213,000
Prepaid expenses and other		29,472	8,873
		878,833	1,239,847
Non-current assets Deposit - Natural Resources Canada - Metmast		360,000	360,000
		360,000	360,000
Total assets	\$	1,238,833	\$ 1,599,847
Liabilities			_
Current Liabilities			
Accounts payable and accrued liabilities (note 5)	\$	342,868	\$ 251,919
Non-Current Liabilities Asset retirement obligation		400,000	400,000
Total liabilities		742,868	651,919
Total nabilities		742,000	031,919
Shareholders' Equity			
Share capital (note 4(a))		46,875,195	46,856,548
Contributed surplus		2,248,701	2,248,701
Deficit		(48,627,931)	(48,157,321)
Total shareholders' equity		495,965	947,928
Total liabilities & shareholders' equity	\$	1,238,833	\$ 1,599,847

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

Contingent liabilities (note 5)

Subsequent events (note 7)

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

Approved by the Board of Directors and authorized for issue on May 25, 2017.

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

# Unaudited Condensed Consolidated Interim Statements of Comprehensive Loss For the six months ended March 31, 2017 and 2016

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

	3 months ended March 31,			6 months e	6 months ended March 31,			
		2017		2016		2017		2016
Expenses								
Compensation	\$	124,863	\$	88,707	\$	245,559	\$	266,497
Engineering and development costs		-		-		-		-
Office and administration		44,311		40,760		80,033		72,595
Public and community relations		38,725		32,375		67,631		116,775
Professional fees		15,285		14,356		26,068		24,659
Travel		9,570		4,504		20,366		9,317
Loss before the following:		(232,754)		(180,702)		(439,657)		(489,843)
Other Revenues / (Expenses)								
Investment income		1,288		751		2,845		1,999
Gain/(loss) on investments (note 6)		50,000				(33,798)		-
		51,288		751		(30,953)		1,999
Loss and comprehensive loss for the period	\$	(181,466)	\$	(179,951)	\$	(470,610)	\$	(487,844)
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Loss per share, basic and diluted	\$	(0.003)	\$	(0.003)	\$	(0.007)	\$	(0.01)
Weighted average number of shares outstanding	(	64,170,141	5	4,488,219		64,122,053		54,305,849

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

Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Equity For the six months ended March 31, 2017 and 2016

	Number of Shares (Note 6 and 8)	Share Capital (Note 6 and 8)	Contributed Surplus	Deficit	Total Equity
Balance, September 30, 2015	53,909,088	\$ 46,317,080	\$ 2,080,578	\$ (47,696,404)	\$ 701,254
Total comprehensive loss for the year Share based portion of compensation Share based compensation expense	638,025	- 45,937 -	- - 3,750	(487,844) - -	(487,844) 45,937 3,750
Balance, March 31, 2016	54,547,113	46,363,017	2,084,328	(48,184,248)	263,097
Total comprehensive loss for the year Share based portion of compensation Share based compensation expense Private Placement - September 2016 Share issuace costs	279,170 - 9,078,069 71,428	- 20,939 - 472,592 -	- 1,500 162,873 -		26,927 20,939 1,500 635,465
Balance, September 30, 2016	63,975,780	46,856,548	2,248,701	(48,157,321)	947,928
Total comprehensive loss for the year Share based portion of compensation Share based compensation expense	- 208,531 -	- 18,647 -	- - -	(470,610) - -	(470,610) 18,647 -
Balance, March 31, 2017	64,184,311	\$ 46,875,195	\$ 2,248,701	\$ (48,627,931)	\$ 495,965

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

Unaudited Condensed Consolidated Interim Statements of Cash Flows For the six months ended March 31, 2017 and 2016

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

	March 31, 2017	March 31, 2016
Cash flows provided by (used in)		
OPERATING ACTIVITIES		
Loss for the year	\$ (470,610) \$	(487,844)
Items not affecting cash		
Share-based compensation	18,646	49,687
Changes in non-cash working capital		
Receivables	2,073	5,154
Prepaid expenses and other	(20,598)	(20,410)
Accounts payable and accrued liabilities	90,949	(94,409)
Writedown of investment to current market price	24,000	-
Net cash used in operating activities	(355,540)	(547,822)
FINANCING ACTIVITIES		
Share subscription receivable	100,000	-
Net cash from financing activities	100,000	
Increase(decrease) in cash and cash equivalents	(255,540)	(547,822)
Cash and cash equivalents, beginning of year	913,529	871,844
Cash and cash equivalents, end of year	\$ 657,989 \$	324,022

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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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

For the six months ended March 31, 2017 and 2016

#### 1. Corporate Information

NaiKun Wind Energy Group Inc. ("NaiKun Wind" or the "Company") is incorporated under the Business Corporations Act (British Columbia) and is listed on the TSX Venture Exchange. The Company's registered office is at Suite 570, 355 Burrard Street, Vancouver, BC, V6C 2G8. The Company's primary business is the development of renewable energy projects. The Company is currently developing a project (the "NaiKun Wind Project") on the north coast of British Columbia in Hecate Strait. As the Company is in the development phase, it has not generated any revenue from the sale of wind energy.

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

#### 2. Basis of presentation

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards 34 (IAS34), Interim Financial Reporting. These condensed interim financial statements follow the same accounting policies and methods of application as our most recent annual financial statements. Accordingly, these statements should be read in conjunction with our annual IFRS financial statements for the year ended September 30, 2016. The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and effective as of May 25, 2017, the date the Board of Directors approved the financial statements.

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

#### 3. Recent accounting pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following pronouncement may have an impact on the Company. The Company has not yet completed its assessment of the impact of such pronouncements on its financial statements.

**IFRS 9 Financial instruments** was issued in November 2009 as the first step in a project to replace IAS 39 'Financial instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is effective for years commencing on or after January 1, 2018, with early adoption permitted. IFRS 9 also includes a new general hedge accounting standard which will better align hedge accounting and risk management. The Company intends to adopt IFRS 9 in its consolidated financial statements for the year commencing October 1, 2018

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

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

For the six months ended March 31, 2017 and 2016

IFRS 15 Revenue from Contracts with Customers is effective for years commencing on or after January 1, 2018, 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 judgmental 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.

**IFRS 16 Leases** was issued in January 2016. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 *Revenue for Contracts with Customers* at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 *Leases*. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on October 1, 2019.

## 4. Share Capital

#### a) Authorized Capital

Authorized: Unlimited common shares of no par value

20000000 first preferred shares of no par value

The Company held its Annual General and Special Meeting of Shareholders on October 7, 2016. Shareholders approved the amendment of the Company's Articles whereby the maximum number of issued and outstanding shares be increased from 100,000,000 common shares to an unlimited number of common shares.

#### 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.

At the Company's October 7, 2016 Annual General and Special Meeting of Shareholders, shareholders approved the New Stock Option Plan to replace the existing Old Stock Option Plan. The New Stock Option Plan increased the maximum number of common shares that may be reserved for issuance to 10% of the total number of issued and outstanding common shares on the date the stock options are granted.

	Options Outstanding and Exercisable	Outstanding and Date		Weighted Average Exercise Price	
Balance, September 30, 2015	680,000		\$	0.142	
Expired	(480,000)			0.145	
Balance, September 30, 2016	200,000	5-Feb-2020		0.135	
Issued - October 7, 2016	1,400,000	2-Jan-2021		0.100	
Issued - October 7, 2016 Expired	450,000	6-Oct-2026		0.100	
Balance, March 31, 2017	2,050,000			0.103	

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

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For the six months ended March 31, 2017 and 2016

#### c) Warrants

As of March 31, 2017 the Company has the following common share purchase warrants outstanding:

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

All of the warrants remain outstanding at March 31, 2017.

#### 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 March 31, 2017, the remaining unpaid, unaccrued balance in the Deferred Plan amounted to approximately \$4.2 million (2015 - \$4.2 million).

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

The Company also entered into an agreement with its CEO to defer \$220,000 per annum of his compensation. As at March 31, 2017, the total accumulated accrued amount of this deferral, which commenced January 1, 2016, is \$275,000 (2015 - \$55,000). In addition, a matching amount is payable and triggered by a future success event. This contingent amount has not been accrued due to the uncertainty of the occurrence of a future success event.

As at March 31, 2017, the remaining unpaid, unaccrued balance of these deferred retainer and fee amounts for consultants is \$405,750 (2015 - \$42,800) and for CEO compensation, the amount is \$275,000 (2015 - \$55,000).

#### 6. Investment

During the year ended September 30, 2016, the Company sold its interest in 14 crown grant mineral claims to Barkerville Gold Mines Ltd. ("Barkerville"), in exchange for \$300,000 cash and 300,000 common shares of Barkerville resulting in a gain on sale of assets of \$513,000. The common shares were recorded at fair value through profit and loss. As at March 31, 2017 the market value of this investment had decreased and accordingly the Company recorded a write-down in the amount of \$34,000 during the six month period ending March 31, 2017.

#### 7. Subsequent Events

Subsequent to March 31, 2017, the Company issued 116,668 shares at a deemed price of \$0.075 to directors as full payment of their remuneration. These share issuances covers the period of January 1, 2017 to March 31, 2017, and the value ascribed to the shares was based on the Company's stock price on March 31, 2017.