

NAIKUN WIND ENERGY GROUP INC.

(A Development Stage Company)

Management's Discussion & Analysis

For the year ended September 30, 2017

Containing information up to and including January 25, 2018

This Management's Discussion and Analysis ("MD&A") reviews the activities of NaiKun Wind Energy Group Inc., (the "Company" or "NaiKun") and its material subsidiary; the wholly owned NaiKun Wind Development Inc. ("Devco"). For a more complete understanding of the Company's financial condition and results of operations, this MD&A should be read together with the audited consolidated financial statements for the years ended September 30, 2017 and 2016 and the accompanying notes, and the MD&A for the year ended September 30, 2016. The above-mentioned documents along with additional information and disclosure relating to the Company can be found on SEDAR at www.sedar.com or on the Company's website, www.naikun.ca.

Forward-Looking Information and Report Date

This MD&A contains certain forward-looking information. Investors are cautioned that all information, other than historical facts included herein, including without limitation, data regarding future plans and objectives of the Company, is forward-looking information based on management's expectations, assumptions and estimates. Although the Company believes these underlying estimates and assumptions to be reasonable, they are difficult to predict, and actual results may differ materially from those in the forward-looking statements.

Forward-looking information can be subject to significant risks and uncertainties, and estimates and assumptions can prove to be inaccurate. There are many factors that could result in materially different outcomes than the forward-looking information contained herein including, but not limited to, the state of capital and financial markets, the general economy, the political climate, the commodity markets, foreign exchange fluctuations, the energy sector, electricity demand, technology, environmental factors, community relations and First Nations. Investors should be aware that there can be no assurance that forward-looking information will prove to be accurate and future events and actual results could differ materially from those anticipated.

The information herein is only provided as of the date of this MD&A, January 25, 2018 (the "Report Date").

Description and Overview of Business

NaiKun Wind Energy Group Inc. is a British Columbia ("BC")-based renewable energy company with a current focus on an offshore wind energy project. Headquartered in Vancouver, it is a Tier 2 listed company that trades on the TSX Venture Exchange (TSX-V:NKW). It is developing a 400 MW offshore wind project in the Haida Energy Field which is located in Hecate Strait off the north coast of British Columbia (the "NaiKun Wind Project" or the "Project"). NaiKun Wind was a registered proponent in the Clean Power Call RFP (the "CPC") issued by British Columbia Hydro and Power Authority ("BC Hydro") on June 11, 2008. On March 31, 2010, BC Hydro advised NaiKun Wind that its proposal to build and operate the Project was no longer under consideration for a contract award in the Clean Power Call. The Company is exploring how it can advance the first phase of the project and how the Haida Energy Field can fit into the New Provincial Government's Clean Energy Plans.

NaiKun Wind Project

The Company holds an investigative license (“IUP”) from the Government of British Columbia which provides the Company with the ability to develop wind energy projects in a 550 km² area off the north-east coast of Haida Gwaii in British Columbia’s Hecate Strait. The proposed site for the first phase is less than 100 km² area within the permit area. The IUP also includes two transmission corridors that would connect the NaiKun Wind Project to Haida Gwaii and the mainland power grid, and includes the license of occupancy for the Company’s Met Mast.

The area’s wind resource is the best in British Columbia and among the best in the world. This is due to the strong, consistent and high wind speeds, with mean annual wind speeds exceeding 10.0 meters/second (rated as a Class 7 resource). The wind is the strongest and most consistent in the fall and winter when electricity demand is the highest. Other characteristics that make Hecate Strait an ideal location for offshore wind projects include its flat sedimentary seabed, relatively shallow waters, access to BC Hydro’s power grid, and its proximity to the potential for increasing electricity demand in the Northwest.

The energy potential of the area within the IUP is well more than 2,000 megawatts (“MW”), enough to power more than 900,000 homes. If an Energy Purchase Agreement (EPA) is acquired, the Project would take approximately three years for finalization of supplier agreements, financial close on debt and equity, and construction.

The development schedules for subsequent phases are also subject to environmental and other approvals, First Nations engagement, and other factors.

In March 2011, NaiKun received a Federal screening decision from the Canadian Environmental Assessment Agency (CEAA). The decision concluded the harmonized environmental assessment review process and confirmed that the Project, which could be Canada’s first offshore wind energy project, can be constructed with no significant adverse environmental, social or health effects. Responsible federal agencies are now authorized to issue the required construction and operating permits, including a Navigable Water Protection Act Approval and Fisheries Act Authorization. This Federal approval is in addition to the Environmental Assessment Certificate issued by the Government of British Columbia in December 2009. The Provincial Environmental Assessment Certificate was extended on December 9, 2014 for a five-year period, expiring in December 2019. The Council of the Haida Nation commissioned an independent evaluation of the NaiKun Wind Energy Project and in August 2011 released the resulting report authored by Dr. Thomas I. Gunton and Chris T. Joseph. This report referenced the extensive environmental reviews undertaken by the federal and provincial governments as well as by Rescan. The report concluded that with the implementation of specified mitigation measures, the Project is unlikely to have any significant adverse environmental risks. NaiKun’s phase 1 Project, and prospective subsequent phases, has the potential to provide B.C with a significant and scalable resource that is complementary to the aims and objectives of the New Government in British Columbia.

NaiKun continues to work with First Nations, Northern Communities, BC Hydro, the Government of B.C., and the Government of Canada to move the Project forward.

Outlook

The significant wind energy resource in Northwest BC's Hecate Strait provides an opportunity to supply renewable energy for the increasing requirements in the Province of BC, Alberta and the western USA.

Orsted Energy Partnership

The Company is working on strategies for advancing the Project. In September 2017 NaiKun reached a non-binding agreement with Orsted Energy ("Orsted"), previously DE Wind Power U.S. LLC ("DONG Energy"), to exclusively negotiate the terms of a Joint Development Agreement ("JDA") to define how the NaiKun Wind Project will be developed and the future collaboration, financial and partnership frameworks between the parties. In connection with the agreement, Orsted has agreed to contribute to the Company a monthly fee of \$35,000 from September 1, 2017 to the earlier of a date that a JDA is signed or June 1, 2018. Either the Company or Orsted may, at any time after January 1, 2018, terminate the letter agreement by providing the other party written notice.

Orsted is the largest offshore wind developer in the world with developed assets that exceed the sum of all others in the offshore business. The cost per megawatt and the energy production of offshore wind have significantly improved over the past few years. Orsted have recently successfully competed for projects in the low €60/MW range. In November 2017, a project was awarded to a large utility in Europe for an initial price of US\$ 53/MW with the long-term price projected at US\$40/MW. These prices make offshore competitive with any long-term energy prices. Costs will continue to drop with the advent of larger and more efficient turbines and other improvements in the industry.

New BC Government

In the summer of 2017, the NDP party with the support of the BC Green Party formed government in BC. Both parties are strongly committed to a low carbon economy, a renewable energy future for BC, and significant advances in the Provinces Climate Change Strategy; all of which bode well for NaiKun's strong, affordable wind resource.

The Haida Energy Field is a remarkable world-class wind resource that is permitted and can be developed in a brief time frame to meet the power needs in BC, Alberta and the western USA.

Haida Gwaii is the largest land mass in British Columbia that is not connected to the BC Hydro grid. Six communities on Haida Gwaii represent 10% of the communities that are still on diesel generation. The development of the Haida Energy Field would include a transmission line that would connect Haida Gwaii with the mainland BC Hydro grid. This would effectively bring cost-effective, reliable, green power to Haida Gwaii which would in turn facilitate a vibrant on-island renewable energy economy that could augment the forestry, fishery and cultural initiatives on Haida Gwaii.

Risks and Uncertainties

The Company's future and growth is dependent on a number of risk factors common to other companies in the renewable energy sector and, wind energy companies. Some factors that may have a material impact on the Company's future include, but are not limited to:

Electricity Purchase Agreement (“EPA”)

A significant milestone and risk factor for the Company is an award of an EPA from BC Hydro or a similar purchaser of electricity. The Company, with their new partner Orsted Energy, are exploring how to advance the Project and how the Haida Energy Field can fit into the new Provincial Governments’ clean energy plans. NaiKun is optimistic about the proposed plans of the Provincial and Federal Governments to proceed with a significant renewable energy program in the near future. Given the scale, cost, and availability (permitted) of the resource and the new partnership with Orsted Energy, the Company is optimistic the first phase can become part of these programs.

However, the Company cannot predict when or if the Project will proceed, or an EPA awarded.

Capital Resources

Due to the delay in receiving an EPA for the Project, the Company has substantially reduced its activity level and cash expenditures. In September 2016, the Company closed on a private placement that raised \$635,465 and also sold certain crown grants which the Company held in the area for the amount of \$300,000 and 300,000 common shares in Barkerville Gold Mine (TSX-V – BGM). The current resources of the Company are anticipated to cover operations through fiscal 2018, based on current activity level.

Prior to executing an EPA, the Company will need to raise additional equity at the Project level and likely at the Company level to fund contributions to equipment deposits and Project security. The availability and possible dilutive effect of additional equity will be subject to market conditions at the time of the equity financing.

Project Financing

The availability and cost of project equity and debt are beyond the Company’s control and subject to market conditions at the time the NaiKun Wind Project advances to the construction stage.

Contracting Parties

The Company’s current and future contractual arrangements with various parties (e.g., consultants, suppliers, First Nations, strategic partners, management, etc.) for the development, construction and operation of the Project are another risk factor. The Company’s and other parties’ ability to fulfill obligations can have a material impact on future success. The Company would include technical and financial capacity and credit-worthiness assessments in its contracting strategies. The Company would also need to either sell the Project in part or full, or enter into an agreement with a strategic partner. The Company may not be able to sell a portion at a reasonable price nor to secure an appropriate partnership.

Wind Resource and Weather

Long-term historical wind data obtained from Environment Canada at or around the site for the NaiKun Wind Project, along with data received from the Met Mast, indicate this is a world-class, affordable wind resource. However, wind speeds may vary over time and may or may not continue at the historical trend due to changes in weather patterns. The 19 plus years of

correlated data indicate the resource may be growing stronger over time, however, this is not assured. During construction, the weather and marine environment at the Project site can cause scheduling delays resulting in cost overruns or a delay in the operation start date. Where possible, the Company and Orsted Energy would incorporate their extensive experience to manage this risk.

Financial Summary

The following summarizes selected financial information for the years ended September 30, 2017, 2016, and 2015.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Loss and comprehensive loss	\$882,091	\$460,917	\$1,535,113
Loss per common share	<u>\$0.01</u>	<u>\$0.01</u>	<u>\$0.03</u>

The following summarizes the total assets and total liabilities as at September 30, 2017, 2016, and 2015.

	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>
Total Assets	\$1,074,438	\$1,599,847	\$1,252,026
Total Liabilities	\$872,951	\$651,919	\$550,772

The loss and the decrease in total assets during the year ended September 30, 2017 is primarily due to the Company's expenditures on the Project, all of which were expensed in the period incurred.

Summary of Quarterly Results

The following table summarizes information derived from the Company's financial statements for each of the eight most recently completed quarters. For more detail information, refer to the consolidated financial statements for the applicable periods.

Quarter ended	Revenues - \$	General and Administrative Expenses - \$	Net Profit/(Loss) - \$	Basic and Diluted Profit/(Loss) per share - \$
30-Sep-17	Nil	328,417	(285,752)	(0.00)
30-Jun-17	Nil	198,758	(125,729)	(0.00)
31-Mar-17	Nil	232,754	(181,466)	(0.00)
31-Dec-16	Nil	206,903	(289,144)	(0.00)
30-Sep-16	Nil	231,931	281,236	0.00
30-Jun-16	Nil	199,710	(199,309)	(0.00)
31-Mar-16	Nil	235,702	(234,951)	(0.00)
31-Dec-15	Nil	309,141	(307,893)	(0.01)

The level of expenditures and loss varies from period to period depending on the level of activity related to the development of the NaiKun Wind Project. During 2010 the Company undertook a restructuring focused on reducing costs, the full impact of which is reflected in the expenses and net loss for all the above reported quarters. During the quarter ended March 31, 2016 there were significant reductions in management compensation and the directors cash compensation was eliminated effective October 1, 2015. The Company has also negotiated deferred compensation for certain of the consultants who are working to help advance the Project. The net profit recorded in the quarter ending September 30, 2016 is the result of the Company selling certain non-wind assets resulting in a gain on sale of \$513,000. Of the loss in the quarter ending December 31, 2016, \$77,000 is the result of the write-down to the market value of the common shares which were a component of the non-wind assets sold in September 30, 2016. In quarters ending March 31, 2017 and June 30, 2017 there was an increase in the market value of these common shares resulting in unrealized gains of \$50,000 and \$72,000 respectively. Of the expenses recorded in the quarters ending September 30, 2016, December 31, 2016, March 31, 2017, June 30, 2017, and September 30, 2017 \$165,000, \$55,000, \$55,000, \$55,000, and \$55,000 respectively relate to the accrual of the deferred portion of the CEO's annual compensation. These amounts do not represent a draw on cash but rather a deferred payable.

Results of Operations

The Company reported a loss of \$882,091 for the year ended September 30, 2017 compared with a loss of \$460,917 for the same period last year. Cash used in operations for the year ended September 30, 2017 was \$599,888 compared to \$798,017 for the year ended September 30, 2016.

General and administrative expenses ("G&A") for the year ended September 30, 2017 totaled \$966,832 (2016 - \$976,484) of which \$207,480 (2016 - \$161,919) related to public and community relations, \$48,030 (2016 - \$59,902) related to professional fees, \$135,364 (2016 - \$147,769) for office and administrative expenses and \$52,620 (2016 - \$23,264) related to travel. Compensation expense for the year ended September 30, 2017, which is also included in G&A, amounted to \$523,338 (2016 - \$583,630). In total G&A expenses remain consistent with the prior year, with lower compensation expense arising from lower payments to the Company's CFO being offset by higher public and community relations and travel costs arising from work done to profile the project to governments and potential strategic partners.

During the year ended September 30, 2017, the Company recorded investment income of \$4,741 (2016 - \$2,567), an unrealized a fair value gain on financial instruments of \$45,000 (2016 – nil), and received \$35,000 (2016 – nil) of other income under an agreement with Orsted Energy.

During the year ended September 30, 2016, the Company recorded a gain in sale of \$513,000 related to historical crown grant mineral claims sold by the Company in 2016.

Liquidity

As at September 30, 2017, the Company had \$0.4 million in cash and cash equivalents compared to \$0.9 million as at September 30, 2016. Of that balance, \$0.4 million was held in cashable guaranteed investment certificate ("GIC") issued by Manulife Bank. As at the Report Date, the entire balance is redeemable in full with interest at the Company's option. Working capital, being current assets less current liabilities, as at September 30, 2017 was \$0.2 million vs. \$1.0 million as at September 30, 2016. The decrease in cash and cash equivalents and working capital during the

year ended September 30, 2017 is the result of expenditures related to the advancement of the NaiKun Wind Project and the ongoing overhead and administration to maintain the Company incurred during the year ended September 30, 2017.

During the quarter ended March 31, 2014 the Company made a deposit with Natural Resources Canada (NRC) as part of the Met Mast license renewal. This deposit is held by NRC to ensure the retirement obligation is fulfilled when the Met Mast is decommissioned.

As a result of the private placement and the non-wind asset sale in September 2016, the Company currently has cash in place to maintain operations to approximately the end of fiscal 2018. The Company believes it will still be some time before there is clarity on the development plans for the northwest region of BC, and until those plans are understood there is uncertainty as to the future demand for electricity and the role that the NaiKun Wind Project could play in meeting that demand.

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 Project. The Company will 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 would need to curtail operations.

Capital Resources

During the year ended September 30, 2017, the Company issued 459,817 common shares at an average fair value of \$0.079 per common share to directors as full payment of their remuneration. As at September 30, 2017 the Company had 64,435,597 common shares issued and outstanding. Subsequent to September 30, 2017, the Company issued 87,501 shares at a fair value of \$0.10 per common share and 134,766 shares at a fair value of \$0.08 per common share to directors as full payment of their remuneration. These subsequent issuances covered compensation for the period of July 1, 2017 to September 30, 2017, and October 1, 2017 to December 31, 2017, and the value ascribed to the shares was based on the Company's stock price on September 30, 2017 and December 31, 2017 respectively. As at the Report Date, the Company had 64,657,864 common shares issued and outstanding.

At the October 7, 2016 Annual General and Special Meeting of the Shareholders the Company's Articles were amended whereby the maximum number of issued and outstanding shares be increased from 100,000,000 common shares to an unlimited number of common shares.

As at September 30, 2017, the Company had the following options and warrants outstanding:

Description	Exercise Price	Expiry Date	Number Outstanding
Stock Options	\$0.135	February 5, 2020	200,000
Stock Options	\$0.10	January 2, 2021	1,300,000
Stock Options	\$0.10	October 6, 2026	450,000
Warrants	\$0.10	July 14, 2019	7,500,000
Warrants	\$0.15	September 6, 2019	4,539,035

Subsequent to September 30, 2017, the Company issued 1,400,000 stock options to directors and officers at an exercise price of \$0.095. The expiry date of these stock options is November 1, 2027 and vest 50% at issue and 50% after 180 days.

As of the Report Date, the Company had 3,350,000 stock options, and 12,039,035 warrants outstanding.

Commitments

The Company has signed a number of agreements in principle with various First Nations to partner on the operations and maintenance of the generation and transmission assets of the NaiKun Wind Project. These agreements and commitments are contingent on a number of Project milestones, the most significant being an EPA and arrangement of Project financing.

In September 2017 NaiKun reached a non-binding agreement with Orsted Energy ("Orsted"), previously DE Wind Power U.S. LLC ("DONG Energy") to exclusively negotiate the terms of a Joint Development Agreement ("JDA") to define how the NaiKun wind project will be developed and the future collaboration, financial and partnership frameworks between the parties. In connection with the agreement, Orsted has agreed to contribute to the Company a monthly fee of \$35,000 from September 1, 2017 to the earlier of a date that a JDA is signed or June 1, 2018. Either the Company or Orsted may, at any time after January 1, 2018, terminate the letter agreement by providing the other party written notice.

Contingent Liabilities

The Company's 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 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 event for payment, that being financial close.

As at September 30, 2017, the remaining unpaid, unaccrued balance in the Deferred Plan amounted to approximately \$4.2 million.

To preserve cash, the Company entered into agreements with several consultants and CEO 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.

The Company also entered into an agreement with its CEO to defer \$220,000 per annum of his compensation. As at September 30, 2017, the total accumulated accrued amount of this deferral, which commenced January 1, 2016, is \$385,000 (2016 - \$165,000) (note 8). 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.

As at September 30, 2017, the remaining unpaid, unaccrued balance of these deferred retainer and fee amounts for consultants is \$563,150 (2016 – \$279,200) and for CEO compensation, the amount is \$385,000 (2016 – \$165,000).

Related Party Transactions

Key management compensation to the Chief Executive Officer, Chief Financial Officer, and the Board of Directors are as follows:

	2017	2016
Wages and benefits	\$ 457,640	\$ 513,307
Share-based	65,698	66,876
	\$ 523,338	\$ 580,183

During the year ended September 30, 2017 the Company issued 459,817 common shares (2016 – 917,195 common shares) with a fair value of \$36,148 (2016 - \$66,876) and 450,000 stock options with a fair value of \$29,550 to directors as their full compensation.

As at September 30, 2017 \$385,000 (2016 – \$165,000) was payable to the Company’s CEO and included in accounts payable and accrued liabilities (note 10).

Internal Controls and Procedures over Financial Reporting

Disclosure controls and procedures (“DC&P”) are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting (“ICFR”) are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

TSX Venture listed companies are not required to provide representations in their annual and interim filings relating to the establishment and maintenance of DC&P and ICFR, as defined in National Instrument 52-109. In particular, the certifying officers (the Chief Executive Officer and Chief Financial Officer) do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP. The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the

representations they are making in their certificates regarding absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in National Instrument 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Approval

The board of directors of the Company has approved the disclosure contained in this MD&A.

Additional Information

Additional information relating to the Company can be found on SEDAR at www.sedar.com under *NaiKun Wind Energy Group Inc.* or at www.naikun.ca.

Dated January 25, 2018