WATERFRONT CAPITAL CORPORATION

Consolidated Financial Statements

For the years ended December 31, 2014 and 2013
(Expressed in Canadian Dollars)

Contact Information:

Waterfront Capital Corporation
2489 Bellevue Avenue
West Vancouver, BC
V7V 1E1
Phone: (604) 922-2030
Fax: (604) 922-2037
Contact Person: Mr. Clive Shallow

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Waterfront Capital Corporation

We have audited the accompanying consolidated financial statements of Waterfront Capital Corporation, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Fax (604) 687-6172

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Waterfront Capital Corporation as at December 31, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Waterfront Capital Corporation's ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

February 23, 2015

WATERFRONT CAPITAL CORPORATION
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
As at December 31, 2014 and 2013

	2014	2013
ASSETS		
Current		
Cash	$ 219,763	$ 15,746
Accounts receivable	112,161	65,056
Investments (Note 4)	18,781	9,044
Prepaid expenses	29,292	10,433
	379,997	100,279
Property and equipment (Note 5)	-	36,546
	$ 379,997	$ 136,825
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 40,169	$ 40,821
Shareholders' equity		
Capital Stock (Note 8)	8,546,639	7,459,938
Reserves	353,009	256,590
Deficit	(8,559,820)	(7,620,524)
	339,828	96,004
	$ 379,997	$ 136,825

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 11)
Subsequent events (Note 16)

On behalf of the Board:

"Douglas L. Mason" Director

"Sead Hamzagic" Director

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

WATERFRONT CAPITAL CORPORATION
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
For the years ended December 31, 2014 and 2013

	2014	2013
REVENUE		
Corporate and administrative services	$ 273,134	$ 223,821
EXPENSES		
Consulting fees	615,915	78,000
Depreciation	10,861	15,484
Interest expense	57,987	-
Office and general	50,588	4,338
Professional fees	158,442	58,040
Regulatory and transfer agent fees	37,366	18,791
Rent	34,309	6,000
Share-based payments (Note 9)	33,419	14,819
Travel	54,288	-
Wages and benefits	66,700	10,700
	(1,119,875)	(206,172)
Income (loss) before other items	(846,741)	17,649
OTHER ITEMS		
Write-down of accounts receivable	(69,460)	-
Loss on disposition of assets	(18,685)	-
Unrealized loss on investments	(4,410)	(24,197)
Net loss and comprehensive loss for the year	$ (939,296)	$ (6,548)
Basic and diluted loss per common share	$ (0.08)	$ 0.00
Weighted average shares outstanding	11,526,550	9,654,066

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

WATERFRONT CAPITAL CORPORATION

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

	Number of Common Shares	Number of Preferred Shares	Share Capital Amount	Equity Component of Convertible Debenture	Share-based payment reserves	Warrant Reserve	Deficit	Total
Authorized Capital								
Unlimited number of common shares without par value								
Unlimited number of preferred shares without par value								
Balance as at December 31, 2012	**9,654,066**	**-**	**$ 7,459,938**	**$ -**	**$ 241,771**	**$ -**	**$ (7,613,976)**	**$ 87,733**
Share-based payments	-	-	-	-	14,819	-	-	**14,819**
Net loss for the year	-	-	-	-	-	-	(6,548)	**(6,548)**
Balance as at December 31, 2013	**9,654,066**	**-**	**7,459,938**	**-**	**256,590**	**-**	**(7,620,524)**	**96,004**
Private placements	5,512,040	-	551,204	-	-	-	-	**551,204**
Share issue costs	-	-	(12,500)	-	-	-	-	**(12,500)**
Residual value of warrants			(63,000)			63,000		-
Convertible debentures	-	-	-	82,435	-	-	-	**82,435**
Debt conversion	-	**2,400,000**	610,997	(82,435)	-	-	-	**528,562**
Share-based payments	-		-	-	33,419	-	-	**33,419**
Net loss for the year	-		-	-	-	-	(939,296)	**(939,296)**
Balance as at December 31, 2014	**15,166,106**	**2,400,000**	**$ 8,546,639**	**$ -**	**$ 290,009**	**$ 63,000**	**$ (8,559,820)**	**$ 339,828**

WATERFRONT CAPITAL CORPORATION

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

For the years ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (939,296)	$ (6,548)
Items not affecting cash:		
Depreciation	10,861	15,484
Share-based payments	33,419	14,819
Accretion of convertible debt	10,997	-
Loss on disposition of assets	18,685	-
Write-down of accounts receivable	69,460	-
Unrealized loss on investments	4,410	24,096
	(791,464)	47,851
Changes in non-cash working capital items:		
Increase in accounts receivable	(130,712)	(50,108)
Increase in prepaid expenses	(18,859)	(8,820)
Decrease in accounts payable and accrued liabilities	(652)	(1,802)
Net cash used in operating activities	(941,687)	(12,879)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on disposition of equipment	7,000	-
Net cash provided by investing activities	7,000	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issuance of debentures	600,000	-
Proceeds on issuance of shares	551,204	-
Share issue costs	(12,500)	-
Net cash provided by financing activities	1,138,704	-
Increase (decrease) in cash for the year	204,017	(12,879)
Cash, beginning of year	15,746	28,625
Cash, end of year	$ 219,763	$ 15,746
Cash paid for interest	$ 48,132	$ -
Cash paid for tax	$ -	$ -

Supplemental disclosures with respect to cash flows (Note 10)

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of operations

The Company was incorporated under the laws of Alberta and was continued into British Columbia during the year ended December 31, 2000. The Company's principal business activity is providing business advisory services and reporting and financial services and investment assistance to public and non-public companies.

Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Management believes the Company will be successful at securing additional funding so that its capital resources will be sufficient to carry its operations through the next twelve months, however, the Company has incurred significant operating losses over the past several fiscal years (2014 - $939,296; 2013 - $6,548), is currently unable to self-finance operations, has working capital of $339,828 (2013 - $59,458), has a deficit of $8,559,820 (2013 - $7,620,524) has limited resources and no assurances that sufficient funding will be available to obtain the necessary financing to meet its obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The application of the going concern concept is dependent upon the Company's ability to generate future profitable operations and receive continued financial support from its creditors and shareholders. Management believes that the Company will be successful in raising sufficient working capital to maintain operations for the upcoming year. Management is actively engaged in the review and due diligence of its revenue and expenses and may seek to raise the necessary capital to meet new funding requirements. There can be no assurance that management's plan will be successful. If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of December 31, 2014. The Board of Directors approved the financial statements for issue on February 23, 2015.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

2. BASIS OF PREPARATION (Continued)

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information is expressed in Canadian dollars unless otherwise stated and have been rounded to the nearest dollar.

Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the depreciation of equipment, impairment of assets, valuation of share-based payments, and recognition of deferred tax amounts.

Critical accounting estimates:

a) Impairment of assets
At each reporting period, assets, including accounts receivable and investments, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of the carrying amount often requires estimates and assumptions such as discount rates, exchange rates and future operating performance.

b) Share-based payments
The fair value of share options granted is measured using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the option, expected volatility, expected life of the options, expected dividends and the risk-free rate. These estimates will impact the amount of share-based payments recognized.

c) Income taxes
Related assets and liabilities are recognized for the estimated tax consequences between amounts included in the financial statements and their tax base using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences and, accordingly, affect the amount of the deferred tax asset or liability calculated at a point in time.

d) Depreciation for equipment
Depreciation expense is allocated based on assumed asset lives. Should the asset life or depreciation rates differ from the initial estimate, an adjustment would be made in the statements of loss and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES

The following are a list of significant accounting policies used by the Company.

(a) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Waterfront Strategic Capital Corp. All significant inter-company transactions and balances have been eliminated.

(b) Cash

Cash includes highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(c) Financial instruments

Financial assets and financial liabilities are recognized on the statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statements of loss and comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity dates. They are initially recognized at fair value and subsequently carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statements of loss and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments (Continued)

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statements of loss and comprehensive loss.

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statements of loss and comprehensive loss.

Other financial liabilities: This category includes promissory notes, amounts due to related parties, and accounts payable and accrued liabilities, all of which are initially recognized at fair value, net of transaction costs, and are subsequently stated at amortized cost using the effective interest method. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property and equipment

Property and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Property and equipment are depreciated at the following annual rates using the declining balance method:

Computer equipment	30%
Computer software	30%
Furniture and fixtures	20%

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statements of loss and comprehensive loss.

Where an item of property and equipment comprises major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

The Company compares the carrying value of property and equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant.

(e) Impairment of non-current assets

At each financial position reporting date, the Company's non-current assets are reviewed to determine whether there is any indication that the carrying value of those assets are impaired and may not be recoverable. If any such indication exists, the recoverable amount of the asset is evaluated at the level of a cash generating unit ("CGU"), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statements of loss and comprehensive loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in the statement of loss and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Capital stock

Common shares are classified as shareholders' equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(g) Share-based payment transactions

The Company's stock option plan allows employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Share-based payments to non-employees are measured at the fair value of goods or services received or at the fair value of equity instruments issued, if it is determined the fair value of the goods or services cannot be readily measured, and are recorded at the date the goods or services are received.

The fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. The fair value of the options is accrued and charged to operations with the offset credit to share-based payment reserve, over the vesting period. If and when the stock options are exercised, the applicable amounts from share-based payment reserve are transferred to share capital.

The Black-Scholes option valuation model used by the Company to determine fair values of options and similar financial instruments requires the input of highly subjective assumptions including future stock volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate.

(h) Revenue recognition

Security transactions are recorded on a settlement date basis. Realized gains and losses on disposal of investments and unrealized gains and losses in the value of investments are reflected in the statements of loss and comprehensive loss and are calculated on an average cost basis. Upon disposal of an investment, previously recognized unrealized gains or losses are reversed, so as to recognize the full realized gain or loss in the period of disposition. All transaction costs are expensed to the statements of loss and comprehensive loss as incurred.

Consulting, rent and administration fees are recognized when the services are rendered and collection is reasonably assured. Deposits received in advance of services rendered are recorded as deferred revenue.

Interest income is recorded on an accrual basis. Loan commitment fees are recorded over the term of the loans. Annual loan fees are recorded quarterly based on the terms of the loan agreement and adjusted to the amount agreed to by the parties. Reasonable assurance of collectability is also required for recognition as revenue.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Loss per share

Basic loss per share is calculated by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common shares. The dilutive effect on loss per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

(j) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized as equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided for based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable profit; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it will not be recognized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(k) Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as interest expense.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) New accounting standards, interpretations and amendments not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of December 31, 2014 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a material effect on the consolidated financial statements of the Company.

Tentatively effective for annual periods beginning on or after January 1, 2018

- IFRS 9 Financial Instruments

A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing de-recognition requirements from IAS 39 *Financial Instruments: Recognition and Measurement.*

The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

The IASB has a tentative adoption date of periods beginning on or after January 1, 2018 for this standard.

4. INVESTMENTS

Investments are marketable securities comprised of common shares in publicly traded companies as follows:

	2014	2013
Black Panther Mining Corp. – 381,033 common shares (December 31, 2013 – 27,333* common shares) (2)	$ 11,431	$ 1,094
BC Moly Ltd. (formerly Columbia Yukon Explorations Inc. – 30,000 common shares (December 31, 2013 – 30,000** common shares) (1)	4,350	1,950
International Bethlehem Mining Corp. – 600,000 common shares (December 31, 2013 – 600,000 common shares) (2)	3,000	6,000
	$ 18,781	$ 9,044

* Adjusted to reflect a 3 for 1 share consolidation completed on June 13, 2013
** Adjusted to reflect a 10 for 1 share consolidation completed on December 17, 2013
(1) The investee companies had certain former directors in common
(2) The investee companies have certain directors in common

(Expressed in Canadian Dollars)

5. PROPERTY AND EQUIPMENT

	Computer equipment	Computer software	Furniture and fixtures	Total
Cost				
Balance, December 31, 2012	$ 54,178	$ 114,313	$ 45,127	$ 213,618
Dispositions	-	-	-	-
Balance, December 31, 2013	54,178	114,313	45,127	213,618
Dispositions	(54,178)	(114,313)	(45,127)	(213,618)
Balance December 31, 2014	$ -	$ -	$ -	$ -
Accumulated Depreciation				
Balance, December 31, 2012	$ 44,670	$ 73,082	$ 43,836	$ 161,588
Depreciation for the period	2,852	12,368	264	15,484
Balance, December 31, 2013	47,522	85,450	44,100	177,072
Depreciation for the period	1,997	8,659	205	10,861
Dispositions	(49,519)	(94,109)	(44,305)	(187,933)
Balance December 31, 2014	$ -	$ -	$ -	$ -
Carrying amounts				
As at December 31, 2012	$ 9,508	$ 41,231	$ 1,291	$ 52,030
As at December 31, 2013	$ 6,656	$ 28,863	$ 1,027	$ 36,546
As at December 31, 2014	$ -	$ -	$ -	$ -

6. CONVERTIBLE DEBENTURE

On January 17, 2014, the Company raised $600,000 through the issuance of one debenture (the “Debenture”) to Resource Income Partners Limited Partnership, part of the Sprott Group of Companies (the “Investor”). The Debenture paid an interest rate of 12% per annum and, at the election of the Investor, was convertible into common shares at $0.25 per share and would mature 5 years from issue date, unless otherwise converted. The Debenture was also convertible into preferred shares (the “Preferred Shares”), at the same conversion rate of $0.25 per Preferred Share. The Preferred Shares have a cumulative dividend of 12% per annum and are convertible into common shares, at the election of the Investor, on the basis of one common share for one Preferred Share. As well, the Preferred Shares automatically convert into common shares at a conversion price of $0.25 per share where the Company’s common shares trade at a price not less than $0.50 per share for 20 consecutive trading days. At the Company’s Annual General and Special Meeting held on July 3, 2014, the shareholders approved the issuance of a class of Preferred Shares, which was accepted by the TSX Venture Exchange on September 16, 2014. On September 16, 2014, the Debenture was converted into 2,400,000 Preferred Shares.

The Debenture was determined to be a compound instrument. As the Debenture is convertible into preferred and/or common shares, the liability and equity components are presented separately. The initial carrying amount of the financial liability is determined by discounting the stream of future payments of interest and principal. Using the residual method, the carrying amount of the conversion features is the difference between the principal amount and the carrying value of the financial liability. The Debenture is net of the equity component and is accreted using the effective interest rate method over the term of the Debenture, such that the carrying amount will equal the total face value of the Debenture at maturity.

(Expressed in Canadian Dollars)

6. CONVERTIBLE DEBENTURE (Continued)

The following is a breakdown of the transaction on the proceeds of the Debenture:

	Debt component	Equity component	Total
Balance, December 31, 2013	$ -	$ -	$ -
Proceeds on debenture issue	600,000	-	600,000
Equity component of debenture	(82,435)	82,435	-
Accretion	10,997	-	10,997
Conversion to Preferred Shares	(528,562)	(82,435)	(610,997)
Balance, September 30, 2014	$ -	$ -	$ -

7. RELATED PARTY TRANSACTIONS

(a) Included in accounts receivable at December 31, 2014 is $15,855 (December 31, 2013 - $63,761) due from companies controlled by directors and/or companies with certain directors in common;

(b) Included in prepaid expenses at December 31, 2014 is $20,000 (December 31, 2013 - $10,000) as a deposit paid to Waterfront Communications Inc., a company with a certain director in common, to cover shared employee payroll and office costs.

(c) Included in accounts payable at December 31, 2014 is $12,803 (December 31, 2013 - $525) due to companies controlled by directors and/or companies with certain directors in common;

(d) During the year ended December 31, 2014, the Company reimbursed Waterfront Communications Inc. (a company with certain former directors in common) on a cost basis, to cover shared administrative payroll costs in the amount of $66,700 (2013 - $10,700) and shared expenses in the amount of $26,569 (2013 - $8,838). The Company also sold furniture and equipment at fair value to Waterfront Communications Inc. for $7,000;

(e) During the year ended December 31, 2014, the Company paid or accrued the following amounts to directors, companies or limited partnerships controlled by directors:

	2014	2013
Consulting fees	$ 432,000	$ 63,000
Professional fees	60,000	35,000
Rent	36,371	6,000
Share-based payments	28,550	13,320

Key management compensation to the CEO, President, CFO, VP of Business Development, Directors and Consultants include the following:

	2014	2013
Consulting and professional fees	$ 432,000	$ 98,000
Share-based payments	28,550	13,320

(Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS (Continued)

(f) During the year ended December 31, 2014, the Company received or accrued the following amounts from companies controlled by directors and/or companies with directors in common:

	2014	2013
Corporate and administrative services revenue	$ -	$ 209,480

8. CAPITAL STOCK

On January 17, 2014, the Company completed a non-brokered private placement (the "Private Placement") and a convertible debenture financing (the "Debenture Financing") in which the Company raised an aggregate of $625,000. In connection with the Private Placement, the Company raised $25,000 by the issuance of 250,000 units (the "Units") at $0.10 per Unit. Each Unit consists of one common share and one share purchase warrant, with each warrant entitling the holder to purchase an additional common share for a period of two years at an exercise price of $0.20. With regard to the Debenture Financing, the Company raised $600,000 through the issuance of one Debenture to Resource Income Partners Limited Partnership, part of the Sprott Group of Companies (Note 6). The Company allocated the fair value to the shares and the residual value of $12,500 was allocated to the warrants.

On April 9, 2014, the Company completed a non-brokered private placement (the "Private Placement") and raised $110,000 by the issuance of 1,100,000 units (the "Units") at $0.10 per Unit. Each Unit consisted of one common share and one share purchase warrant, with each warrant entitling the holder to purchase an additional common share for a period of two years at an exercise price of $0.20. In connection with this Private Placement, finders' fees in the amount of $5,000 were paid. The Company allocated the fair value to the shares and the residual value of $38,500 was allocated to the warrants.

On August 7, 2014, the Company closed tranche 1 of its non-brokered private placement (the "Private Placement"). Under tranche 1, the Company raised $60,000 by the issuance of 600,000 units (the "Units") at $0.10 per Unit. Each Unit consists of one common share and one share purchase warrant, with each warrant entitling the holder to purchase an additional common share for a period of two years at an exercise price of $0.20. All of the securities issued pursuant to tranche 1 of the Private Placement are subject to a hold period expiring on December 8, 2014. In connection with this Private Placement, no finders' fees were paid. The Company allocated the fair value to the shares and the residual value of $12,000 was allocated to the warrants.

On August 28, 2014, the Company closed tranche 2 (the final tranche) of its non-brokered private placement (the "Private Placement"). Under tranche 2, the Company raised $150,000 by the issuance of 1,500,000 units (the "Units") at $0.10 per Unit. Each Unit consists of one common share and one share purchase warrant, with each warrant entitling the holder to purchase an additional common share for a period of two years at an exercise price of $0.20. All of the securities issued pursuant to tranche 2 of the Private Placement are subject to a hold period expiring on December 29, 2014. In connection with this Private Placement, no finders' fees were paid.

On December 19, 2014, the Company completed a non-brokered private placement (the "Private Placement") and raised $206,204 by the issuance of 2,062,040 units (the "Units") at $0.10 per Unit. Each Unit consisted of one common share and one share purchase warrant, with each warrant entitling the holder to purchase an additional common share for a period of two years at an exercise price of $0.20. In connection with this Private Placement, finders' fees in the amount of $7,500 were paid. All of the securities issued pursuant to the Private Placement are subject to a hold period expiring on April 20, 2015.

(Expressed in Canadian Dollars)

9. STOCK OPTIONS AND WARRANTS

Stock Options

The Company has a rolling stock option plan (as adopted and approved by shareholders on June 12, 2013), whereby it is allowed to issue options of up to 10% of the Company's issued and outstanding common shares at any given time. Under the plan, options can be granted for a maximum term of five years and vesting of stock options is at the discretion of the Board of Directors at the time options are granted.

On November 1, 2011, the Company granted 200,000 stock options to a director at an exercise price of $0.10 per share and for a term of five years. These options are subject to vesting over an 18 month period, with one-quarter of the options vesting on the date of grant and an additional one-quarter vesting at each subsequent 6 month interval. During the year ended December 31, 2014, the Company recorded share-based payments of $nil (2013 - $498) in relation to the vested portion.

On July 24, 2012, the Company granted 75,000 stock options to a director at an exercise price of $0.10 per share and for a term of five years. These options were subject to vesting over an 18 month period, with one-quarter of the options vesting on the date of grant and an additional one-quarter vesting at each subsequent 6 month interval (now fully vested). During the year ended December 31, 2014, the Company recorded share-based payments of $27 (2013 - $825) in relation to the vested portion.

On February 15, 2013, the Company granted 675,000 incentive stock options to certain directors, officers, employees and directors at an exercise price of $0.10 per share for a term of five years. These options are subject to vesting over an 18 month period, with one-quarter of the options vesting on the date of grant and an additional one-quarter vesting at each subsequent 6 month interval. During the year ended December 31, 2014, the Company recorded share-based payments of $2,114 (2013 - $13,496) in relation to the vested portion.

On June 4, 2014, the Company granted 150,000 incentive stock options to an officer and director at an exercise price of $0.10 per share for a term of five years. These options are fully vested. During the year ended December 31, 2014, the Company recorded share-based payments of $12,741 (2013 - $nil).

On September 30, 2014, the Company granted 210,000 incentive stock options to certain directors, officers, employees and directors at an exercise price of $0.10 per share for a term of five years. These options are fully vested. During the year ended December 31, 2014, the Company recorded share-based payments of $18,537 (2013 - $nil).

As at December 31, 2014, the following incentive stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
200,000	$ 0.10	November 1, 2016
75,000	$ 0.10	July 24, 2017
675,000	$ 0.10	February 15, 2018
150,000	$ 0.10	June 4, 2019
210,000	$ 0.10	September 30, 2019
1,310,000		

(Expressed in Canadian Dollars)

9. STOCK OPTIONS AND WARRANTS (Continued)

Stock Options (Continued)

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2012	375,000	$ 0.10
Expired	(100,000)	$ 0.10
Granted	675,000	$ 0.10
Outstanding, December 31, 2013	950,000	$ 0.10
Granted	360,000	$ 0.10
Outstanding, December 31, 2014	1,310,000	$ 0.10
Exercisable, December 31, 2014	1,310,000	$ 0.10

The weighted average grant-date fair value of options granted during the year ended December 31, 2014 was $0.09 (2013 – $0.02) per share.

The fair value of stock options was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2014	2013
Expected life (years)	5	5
Interest rate	1.62%	1.47%
Volatility	133.42%	133.18%
Dividend yield	0.00%	0.00%

Stock-based compensation for the year ended December 31, 2014 was $33,419 (2013 - $14,819).

Warrants

As at December 31, 2014, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
250,000	$ 0.20	January 17, 2016
1,100,000	$ 0.20	April 9, 2016
600,000	$ 0.20	August 7, 2016
1,500,000	$ 0.20	August 28, 2016
2,062,040	$ 0.20	December 19, 2016
5,512,040		

(Expressed in Canadian Dollars)

9. STOCK OPTIONS AND WARRANTS (Continued)

Warrant transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Outstanding, December 31, 2012 and 2013	-	$	-
Issued	5,512,040	$	0.20
Outstanding, December 31, 2014	5,512,040	$	0.20

10. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

During the year ended December 31, 2014, the Company recorded the following items:

- A convertible debenture of $600,000 was converted to preferred shares (Note 6);
- Equity component on convertible debenture of $82,435 was offset by a convertible debenture payable (Note 6);
- Marketable securities with a fair value of $14,147 were received to settle receivables, $19,980 was written off.

There were no non-cash financing or investing transactions during the year ended December 31, 2013.

11. COMMITMENTS AND CONTINGENCIES

(a) The Company has entered into three 5-year term renewable agreements with companies controlled by three directors of the Company for the provision of consulting and/or legal services at a cost of $5,000 per month ($60,000 per annum) each. If any of such agreements are terminated without cause, or if there is a change in control of the Company, the Company is required to pay an amount equal to five times the annual fees payable there under.

(b) The Company has entered into three agreements with certain directors/officers for services rendered in such capacities. If such agreements are terminated without consent of the director/officer or the director/officer resigns within 120 days following a change in control, the Company must pay $100,000 to such director/officer and allow any unvested stock options to vest.

12. CAPITAL MANAGEMENT

The Company manages its common shares and stock options as capital. The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

(Expressed in Canadian Dollars)

12. CAPITAL MANAGEMENT (Continued)

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company does not pay out dividends, other than on its Preferred Shares (see Note 6). The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 365 days or less from the original date of acquisition, selected with regard to the expected timing of expenditures from continuing operations.

To fund future operating activities the Company will need to raise funds through future share issuances, issue new debt or dispose of assets.

There have been no changes to the Company's approach to capital management during the year ended December 31, 2014. The Company is not subject to externally imposed capital requirements.

The Company expects to raise sufficient capital to carry its corporate and administrative services and operations through its current operating period.

13. FINANCIAL INSTRUMENTS

Fair value

The Company classifies its cash and short-term investments as fair value through profit or loss; accounts receivable as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities.

The carrying values of accounts receivable, accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

The Company's measurement of fair value of financial instruments as at December 31, 2014 and 2013 in accordance with the fair value hierarchy is as follows:

	Total	Level 1	Level 2	Level 3
December 31, 2014				
Cash	$ 219,763	$ 219,763	$ -	$ -
Investments	$ 18,781	$ 18,781	$ -	$ -
December 31, 2013				
Cash	$ 15,746	$ 15,746	$ -	$ -
Investments	$ 9,044	$ 9,044	$ -	$ -

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS (Continued)

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

Credit risk

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its payment obligations. The Company is exposed to credit risk with respect to its cash, short-term investments and accounts receivable.

The Company's credit risk is primarily attributable to cash and short-term investments. Management believes that the credit risk concentration with respect to cash and short-term investments is remote as it maintains accounts with highly-rated financial institutions.

Credit risk with respect to other receivables is considered to be moderate due to the balance being outstanding from related parties (see Note 7). Credit risk with respect to trade accounts receivable has been assessed as low from management, as the Company has strong working relationships with the parties involved.

The credit risk associated with cash is minimized substantially by ensuring that these financial assets are placed with a major financial institution with strong investment-grade ratings by a primary ratings agency.

The Company's concentration of credit risk and maximum exposure thereto is as follows:

		2014		2013
Bank accounts	$	219,763	$	15,746
Investments		18,781		9,044
Trade accounts receivable		112,161		65,056
	$	350,705	$	89,846

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At December 31, 2014, the Company had accounts payable and accrued liabilities of $40,173 (December 31, 2013 - $40,821). Based on the current funds held as at December 31, 2014, the Company has sufficient working capital to cover its current liabilities.

The amounts listed below are the remaining contractual maturities for financial liabilities held by the Company:

December 31, 2014						
Due Date		Accounts Payable and Accrued Liabilities		Due to Related Parties		Total
0 – 90 days	$	27,370	$	12,803	$	40,173

December 31, 2013						
Due Date		Accounts Payable and Accrued Liabilities		Due to Related Parties		Total
0 – 90 days	$	40,296	$	525	$	40,821

13. FINANCIAL INSTRUMENTS (Continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

Interest rate risk consists of two components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's cash consists of cash held in bank accounts. Due to the short-term nature of the Company's financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values.

Future cash flows from interest income on cash will be affected by interest rate fluctuations. Given the balance of cash, any fluctuations in the interest rate would lead to an immaterial change in the statements of loss and comprehensive loss.

(ii) Foreign currency risk

The Company is not exposed to significant foreign currency risk.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk with respect to its short-term investments, as they are carried at fair values based on quoted market prices, and investments.

(Expressed in Canadian Dollars)

14. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2014	2013
Loss for the year	$ 939,296	$ (6,548)
Expected income tax (recovery)	(244,000)	(2,000)
Non-deductible expenditures	29,000	7,000
Change in statutory, foreign tax, foreign exchange rates and other	17,000	(98,000)
Share issue cost	(3,000)	-
Change in unrecognized deductible temporary differences	201,000	93,000
	$ -	$ -

The significant components of the Company's temporary differences and unused tax losses that have not been included on the consolidated statements of financial position are as follows:

	2014	Expiry Dates	2013
Temporary Differences			
Allowable capital losses	$ 2,532,000	not applicable	$ 2,532,000
Share issue costs	10,000	2035 to 2038	-
Non-capital losses available for future period	1,718,000	2015 to 2034	747,000
Property and equipment	(5,000)	not applicable	209,000
Marketable securities	356,000	not applicable	352,000

15. SEGMENTED INFORMATION

The Company currently operates its business in one operating segment in Canada.

16. SUBSEQUENT EVENTS

Effective January 5, 2015, the Company's wholly owned subsidiary, Waterfront Strategic Capital Corp. received regulatory approval for registration as an Exempt Market Dealer ("EMD") in the Provinces of British Columbia, Alberta and Ontario, and effective January 15, 2015 in the Province of Manitoba.

On January 19, 2015, the Company, in accordance with the terms of the Company's stock option plan, the Company granted 206,000 incentive stock options to certain directors, officers, employees and consultants, at an exercise price of $0.12 per share for a term of 5 years.