

**WATERFRONT CAPITAL CORPORATION**

**Management's Interim Discussion and Analysis**

**For the six month period ended June 30, 2015**

**Contact Information:**

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## **DESCRIPTION OF BUSINESS AND OVERVIEW OF OPERATIONS AND FINANCIAL CONDITION**

The following is management's interim discussion and analysis ("MD&A"), prepared as of August 21, 2015. This MD&A should be read in conjunction with the unaudited Interim Consolidated Financial Statements for the six months ended June 30, 2015 and the accompanying notes, the Company's audited Consolidated Financial Statements and the accompanying notes for the year ended December 31, 2014, and MD&A related thereto, all as prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian dollars unless otherwise indicated.

This report includes certain statements that may be deemed "forward looking statements" within the meaning of applicable securities legislation. All statements, other than statements of historical facts that address such matters as future events or developments that the Company expects, are forward looking statements and, as such, are subject to risks, uncertainties and other factors of which are beyond the reasonable control of the Company. Such statements are not guarantees of future performance and actual results or developments may differ materially from those expressed in, or implied by, this forward looking information. With respect to forward looking statements and information contained herein, we have made numerous assumptions including among other things, assumptions about economics and competition surrounding the services provided by the Company, anticipated costs and expenditures and the Company's ability to achieve its goals. Although management believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that a forward looking statement or information herein will prove to be accurate. Forward looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements or information.— Factors that could cause actual results to differ materially from those in forward looking statements include such matters as continued availability of capital and financing and general economic, market or business conditions. Although we have attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward looking statements or information, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward looking statements or information. Any forward looking statements are expressly qualified in their entirety by this cautionary statement. The information contained herein is stated as of the current date and subject to change after that date and the Company does not undertake any obligation to update publicly or to revise any of the forward looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Description of Business**

The Company offers a range of financial and communications services to companies in various industry sectors. The Company often serves as a company's strategic partner through the entire corporate "life-cycle", providing independent expertise and business advisory services in connection with venture capital markets, investor relations, initial public offerings and secondary financings, mergers and acquisitions, public market administration, as well as, media and marketing advice. The Company's management has extensive financing and operating experience and assists promising companies that require infusions of capital, management and restructuring to realize the value of their underlying business. The Company and its wholly owned subsidiary, Waterfront Strategic Capital Corporation ("Waterfront Strategic"), offer Business Advisory and Capital Markets services to various leading growth companies. The Company's Business Advisory platform offers a range of products and services designed to increase its clients' exposure and visibility within a network of more than 900 Investment Advisors in Canada's leading independent and bank-owned investment dealers. Waterfront Strategic offers Capital Markets services by helping raise funds for its corporate clients from accredited retail, institutional and family wealth management clients in Canada and abroad. Waterfront Strategic is registered as an Exempt Market Dealer in the Provinces of British Columbia, Alberta, Manitoba and Ontario in accordance with National Instrument 31-103 Registration Requirements and Exemptions ("NI 31-103"). Exempt Market Dealers may act as a dealer or underwriter for any securities which are prospectus exempt, and as a dealer for investment funds which are either prospectus qualified or prospectus exempt provided these funds are sold to clients who qualify as exempt purchasers.

The Company trades on the TSX Venture Exchange under the symbol WFG.

## **PERFORMANCE SUMMARY**

The following is a summary of the significant events and transactions that occurred during the period ended June 30, 2015 and for the subsequent period to the report date hereof:

- On April 8, 2015, the Company announced the resignation of Rick Peterson as a director and officer of the Company and the Company's wholly owned subsidiary, Waterfront Strategic Capital Corporation ("Waterfront Strategic"), effective April 7, 2015. Mr. Peterson's financing and management activities with Waterfront Capital have been assumed by Douglas Mason, the Company's Chief Executive Officer, while business advisory services have been assumed by Valerie Samson of Vancouver and by Spencer Dyer of Toronto.
- On March 23, 2015, the Company announced that it has entered into an agreement to provide business advisory services to Teranga Gold Corporation ("Teranga"). Headquartered in Toronto, Teranga (TSX: TGZ; ASX: TGZ) operates the only producing gold mine and mill in Senegal, West Africa.
- On January 27, 2015, the Company announced that its wholly owned subsidiary, Waterfront Strategic Capital Corporation ("Waterfront Strategic"), had been engaged by First Global Data Limited ("First Global") to assist with First Global's recently announced offering of a minimum of \$3 million and a maximum of \$8 million 10% Convertible Debentures (the "Offering"). For additional information and details regarding First Global (TSX-V: FGD) and the Offering, see First Global's news release dated January 27, 2015.
- On January 19, 2015, the Company announced that, in accordance with the terms of the Company's stock option plan, the Company had 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.
- On January 6, 2015, the Company announced that its wholly owned subsidiary, Waterfront Strategic Capital Corporation ("Waterfront Strategic") had received regulatory approval for registration as an Exempt Market Dealer ("EMD") in the Provinces of British Columbia, Alberta and Ontario, effective January 5, 2015 (Manitoba effective January 15, 2015). An exempt market dealer may act as a dealer or underwriter for any securities which are prospectus exempt, and as a dealer for investment funds which are either prospectus qualified or prospectus exempt, provided these funds are sold to clients who qualify as exempt purchasers.

## **Results of Operations**

The following discussion addresses the operating results and financial condition of the Company for the three and six months ended June 30, 2015, compared with the three and six month ended June 30, 2014. The Management's Discussion and Analysis should be read in conjunction with the Company's unaudited consolidated financial statements and the accompanying notes for the six month period ended June 30, 2015.

### **For the three month period ended June 30, 2015:**

#### **Net income for the period**

The Company had a net loss for the three month period ended June 30, 2015 of \$62,253 (2014 - \$221,663). The net decrease of \$159,410 in the net loss for the three month period ended compared to net income for the three month period ended June 30, 2014 was primarily due to a decrease in general administrative expense of \$120,004 and a change in other items of \$44,503 offset by a decrease in revenue of \$5,097.

#### **Revenue**

During the three month period ended June 30, 2015, the Company reported revenue and other income of \$62,452 compared to \$67,549 in the three month period ended June 30, 2014. The decrease of \$5,097 in revenue and other income is mainly related to advisory services provided to its clients during the period.

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**Other Items**

During the three month period ended June 30, 2015, the Company reported an income of \$20,623 compared to a loss of \$23,880 in the three month period ended June 30, 2014 from other sources of income and other expenses. Items that caused the \$44,503 net change in other items are noted in the following:

- Write-down of accounts receivables of \$nil (2014 - \$22,980) decreased by \$22,980 due to uncollectible amounts during the same period in the prior year.
- Loss on sales of marketable securities of \$10,888 (2014 - \$nil) changed by \$10,888 due to the sale of marketable securities during the current period.
- Unrealized gain on investments of \$31,551 (2014 - loss of \$900) changed by \$32,411 due to market values of securities held. The Company holds certain securities in related parties.

**Operating Expenses**

General and administrative expenses of \$145,328 (2014 - \$265,332) are primarily comprised of consulting, administrative, professional fees, transfer agent fees and filing fees, and general office expenses. The net decrease was \$120,004 when compared to the three month period ended June 30, 2014. Items that caused the net decrease are noted in the following:

In comparison to the three month period ended June 30, 2014:

- Consulting fees of \$58,500 (2014 - \$134,400) decreased by \$75,900 mainly due to the resignation of one of the Company's officers in the current period.
- Depreciation of \$nil (2014 - \$2,716) decreased by \$2,716 due to the sale of the Company's fixed assets during the year ended December 31, 2014.
- Interest expense of \$145 (2014 - \$20,538) decreased by \$20,393 mainly due to the interest paid on the \$600,000 debenture issued on January 17, 2014. On September 16, 2014, the debenture was converted into 2,400,000 preferred shares.
- Office and miscellaneous of \$13,029 (2014 - \$7,753) increased by \$5,276. The increase is due to supplies used in providing advisory business services.
- Professional fees of \$26,092 (2014 - \$46,152) decreased by \$20,060. The decrease was due to the in general legal fees and legal fees in relation to the exempted market dealer (EMD) registration in other provinces in the prior period while a lot less such fees were incurred in the current period.
- Regulatory and transfer agent fees of \$4,192 (2014 - \$12,228) decreased by \$8,036 due to the timing of filing fees incurred.
- Rent of \$18,765 (2014 - \$7,984) increased by \$10,781. The increase was due to an additional lease engaged in February 2015, for a satellite office for the Company's advisory staff.
- Share-based payments of \$nil (2014 - \$12,741) decreased by \$12,741 due to the timing of the option issuances in each period when and if such options are available.
- Travel of \$91 (2014 - \$3,674) decreased by \$3,583 was due to the reduced activities in the promotion of the advisory business.
- Wages and benefits of \$24,514 (2014 - \$17,146) increased by \$7,368 due to an increase in staff in relation to expanding the advisory business.

**For the six month period ended June 30, 2015:**

**Net income for the period**

The Company had a net loss for the six month period ended June 30, 2015 of \$251,784 (2014 - \$490,986). The net decrease of \$239,202 in the net loss for the six month period ended compared to net income for the six month period ended June 30, 2014 was primarily due to an increase in revenue of \$45,045 and a change in other items of \$45,913 and a decrease in general and administrative expenses of \$148,244.

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**Revenue**

During the six month period ended June 30, 2015, the Company reported revenue and other income of \$169,359 compared to \$124,314 in the six month period ended June 30, 2014. The increase of \$45,045 in revenue is due to a change from administrative services to advisory services provided to its clients and the engagement of new clients during the current period.

**Other Items**

During the six month period ended June 30, 2015, the Company reported an income of \$23,233 compared to a loss of \$22,680 in the six month period ended June 30, 2014 from other sources of income and other expenses. Items that caused the \$45,913 net change in other items are noted in the following:

- Write-down of accounts receivables of \$nil (2014 - \$22,980) decreased by \$22,980 due to uncollectible amounts during the same period in the prior year.
- Loss on sales of marketable securities of \$10,888 (2014 - \$nil) changed by \$10,888 due to the sale of marketable securities during the current period.
- Unrealized gain on investments of \$34,121 (2014 - of \$300) changed by \$33,821 due to market values of securities held. The Company holds certain securities in related parties.

**Operating Expenses**

General and administrative expenses of \$444,376 (2014 - \$592,620) are primarily comprised of consulting, administrative, professional fees, transfer agent fees and filing fees, and general office expenses. The net decrease was \$148,244 when compared to the six month period ended June 30, 2014. Items that caused the net decrease are noted in the following:

In comparison to the six month period ended June 30, 2014:

- Consulting fees of \$181,800 (2014 - \$353,400) decreased by \$171,600 mainly due to the resignation of one of the Company's officers in the current period.
- Depreciation of \$nil (2014 - \$5,431) decreased by \$5,431 due to the sale of the Company's fixed assets during the year ended December 31, 2014.
- Interest expense of \$289 (2014 - \$39,487) decreased by \$39,198 mainly due to the interest paid on the \$600,000 debenture issued on January 17, 2014. On September 16, 2014, the debenture was converted into 2,400,000 preferred shares.
- Office and miscellaneous of \$39,747 (2014 - \$18,782) increased by \$20,965. The increase is due to supplies used in providing advisory business services.
- Professional fees of \$65,580 (2014 - \$82,992) decreased by \$17,412. The decrease was due to the in general legal fees and legal fees in relation to the exempted market dealer (EMD) registration in other provinces in the prior period while a lot less such fees were incurred in the current period.
- Regulatory and transfer agent fees of \$12,618 (2014 - \$20,946) decreased by \$8,328 due to the timing of filing fees incurred.
- Rent of \$41,105 (2014 - \$15,968) increased by \$25,137. The increase was due to an additional lease engaged in February 2015, for a satellite office for the Company's advisory staff.
- Share-based payments of \$17,873 (2014 - \$13,825) increased by \$4,048 due to the timing of the option issuances in each period when and if such options are available.
- Travel of \$27,356 (2014 - \$19,752) increased by \$7,604 was due to the promotion of the advisory business in multiple cities in Canada and Europe.
- Wages and benefits of \$58,008 (2014 - \$22,037) increased by \$35,971 due to an increase in staff in relation to expanding the advisory business.

**OFF BALANCE SHEET ARRANGEMENTS**

The Company is not a party to any off-balance sheet arrangements or transactions.

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**PROPOSED TRANSACTIONS**

The Company does not have any current proposed asset or business acquisition or dispositions; however, the Company continues to seek new business opportunities to raise capital.

**SUMMARY OF QUARTERLY RESULTS**

The following is a summary of quarterly results of the Company for the eight most recently completed financial quarters ended June 30, 2015:

	<b>June 30, 2015</b>	<b>March 31, 2015</b>	<b>December 31, 2014</b>	<b>September 30, 2014</b>
Total assets	\$ 229,349	\$ 237,002	\$ 379,997	\$ 380,594
Working capital	105,917	168,170	339,828	327,414
Shareholders' equity	105,917	168,170	339,828	355,814
Total Revenue	62,452	106,907	103,724	45,096
Operating expenses	145,328	299,048	250,353	276,902
Net income (loss) and comprehensive income (loss)	(62,253)	(189,531)	(214,690)	(233,620)
Basic income (loss) per share	(0.01)	(0.01)	(0.02)	(0.02)
Diluted income (loss) per share	(0.01)	(0.01)	(0.02)	(0.02)

	<b>June 30, 2014</b>	<b>March 31, 2014</b>	<b>December 31, 2013</b>	<b>September 30, 2013</b>
Total assets	\$ 382,051	\$ 470,235	\$ 136,825	\$ 160,620
Working capital	325,492	422,816	59,458	84,853
Shareholders' equity	(168,722)	(64,800)	96,004	125,270
Total Revenue	67,549	56,765	45,921	59,100
Operating expenses	265,332	327,288	72,096	45,201
Net income (loss) and comprehensive income (loss)	(221,663)	(269,323)	(37,689)	18,263
Basic income (loss) per share	(0.02)	(0.03)	(0.00)	0.00
Diluted income (loss) per share	(0.02)	(0.03)	(0.00)	0.00

**SELECTED ANNUAL INFORMATION**

	<b>Year Ended December 31, 2014</b>	<b>Year Ended December 31, 2013</b>	<b>Year Ended December 31, 2012</b>
Revenues	273,134	223,821	333,016
Operating income (loss)	(846,741)	17,649	39,517
Net income (loss) and comprehensive income (loss)	(939,296)	(6,548)	(313,782)
Impairment charges	-	-	(315,759)
Basic earnings (loss) per share	0.08	0.00	(0.03)
Diluted earnings (loss) per share	0.08	0.00	(0.03)
Total assets	379,997	136,825	130,356

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company has financed its operations to date primarily through the issuance of common shares, warrants and debenture financing. The Company continues to seek capital through various means including the issuance of equity and/or debt.

The Company anticipates spending some of its capital resources on exploring new business opportunities during the year in expanding its business services to potentially include the distributions of exempt market securities, and in connection therewith, proceeded with an application to the British Columbia Securities Commission for registration as an "Exempt Market Dealer" in accordance with National Instrument 31-103 Registration Requirements and Exemptions ("NI 31-103") and was and was approved on January 5, 2015. Currently, general and administrative expenses amount to approximately \$50,000 per month (which includes consulting agreements totaling \$15,000 per month), however, the expansion to its business advisory services (and to potentially include the distributions of exempt market securities) will cause the general and administrative expenses to increase substantially.

The Company assesses its financing requirements and its ability to access equity or debt markets on an ongoing basis. The assessment considers: the stage and success of the Company's activities to date; the continued participation of the Company's larger investors; and financial market conditions. To expand its current business operations and opportunities, on January 20, 2014, April 10, 2014, August 8, 2014, September 5, 2014, and December 22, 2014 the Company announced the completion of five non-brokered private placements, and raised \$551,200 in non-brokered private placements (the "Private Placements") and a \$600,000 convertible debenture financing (the "Debenture Financing") in which the Company raised an aggregate of \$1,151,200. In connection with the Private Placements, the Company issued 5,512,040 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. 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, which Debenture converted on September 16, 2014 into 2,400,000 Preferred Shares. It is possible that future economic events and global conditions may result in further volatility in the financial markets which could negatively impact the Company's ability to access equity or debt markets in the future.

As at June 30, 2015, the Company had working capital of \$109,917 compared to a working capital of \$339,828 as at December 31, 2014. As at June 30, 2015, the Company had cash of \$87,885 compared to cash of \$219,763 as at December 31, 2014.

Net cash used in operating activities for the period ended June 30, 2015, 2014 was \$134,788 compared to \$521,280 used in operating activities for the same period in 2014.

Net cash provided by investing activities for the period ended June 30, 2015 including \$2,910 (2014 - \$nil) from proceeds on sales of securities.

Net cash provided by financing activities for the period ended June 30, 2015 was \$nil compared to \$730,000 for the same period in 2014, including \$nil (2014 - \$600,000) from proceeds on issuance of debentures, \$nil (2014 - \$135,000) from proceeds on issuance of shares less \$nil (2014 - \$5,000) from share issue costs.

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**TRANSACTIONS WITH RELATED PARTIES**

(a) Included in accounts receivable at June 30, 2015 is \$6,340 (December 31, 2014 - \$15,855) due from companies controlled by directors and/or companies with certain directors in common as follows:

<b>Name of Company</b>	<b>Directors/Officers</b>	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Grignan Holdings Ltd.	a company controlled by a former director, namely, Rick Peterson	40	40
Rainy Mountain Royalty Corp.	Douglas L. Mason, Bruce E. Morley, Sead Hamzagic and Andrzej Kowalski	6,300	6,300
Waterfront Communications Inc.	Douglas L. Mason, Bruce E. Morley and Sead Hamzagic	-	9,515
		\$ 6,340	\$ 15,855

(b) Included in prepaid expenses at June 30, 2015 is \$20,000 (December 31, 2014 - \$20,000) as a deposit paid to Waterfront Communications Inc., a company with certain directors in common, to cover shared employee payroll and office costs.

(c) Included in accounts payable at June 30, 2015 is \$92,813 (December 31, 2014 - \$12,803) due to companies controlled by directors and/or with certain directors in common as follows:

<b>Name of Company/Director</b>	<b>Directors/Officers</b>	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Gorand Enterprises Inc.	a company controlled by a director, namely, Andrzej Kowalski	\$ 525	\$ 525
Bruce E. Morley Law Corporation	a company controlled by a director, namely, Bruce E. Morley	22,400	-
Criterion Capital Corporation	a company controlled by a director, namely, Douglas L. Mason	21,000	-
Grignan Holdings Ltd.	a company controlled by a former director, namely, Rick Peterson	-	-
Sead Hamzagic, Inc.	a company controlled by a director, namely, Sead Hamzagic	21,000	-
Spencer Dyer	a director of the Company's subsidiary	11,300	-
Waterfront Communications Inc.	Douglas L. Mason, Bruce E. Morley and Sead Hamzagic	838	12,278
		\$ 77,063	\$ 12,803

(d) During the period ended June 30, 2015, the Company reimbursed Waterfront Communications Inc. (a company with certain directors in common) on a cost basis, to cover shared administrative payroll costs in the amount of \$56,275 (2014 - \$22,037) and shared expenses in the amount of \$14,250 (2014 - \$10,002).

(e) During the period ended June 30, 2015, the Company paid or accrued the following amounts to directors, companies or limited partnerships controlled by directors, and/or companies with common directors:



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<b>Name of Company</b>	<b>Directors/Officers</b>	<b>June 30, 2015</b>	<b>June 30, 2014</b>
Bruce E. Morley Law Corporation (legal services)	Bruce E. Morley	30,000	30,000
Criterion Capital Corporation (consulting fees)	Douglas L. Mason	30,000	30,000
Sead Hamzagic, Inc. (consulting fees)	Sead Hamzagic	30,000	30,000
Gorand Enterprises Inc. (director's fee)	Andrzej Kowalski	1,000	1,000
Grignan Holdings Ltd. (consulting fees)	Rick Peterson (former director/officer)	30,000	150,000
Spencer Dyer (consulting fees)	Spencer Dyer	60,000	20,000
Steven Low (consulting fees)	Steven Low (former officer)	-	40,000
VJS Consulting Corp. (consulting fees)	Valerie Samson	28,000	15,000
Beachfront Enterprises Limited Partnership (rent)	a limited partnership, the majority of which is owned by a director, namely, Douglas L. Mason	14,706	15,968

These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

**COMMITMENTS AND CONTINGENCIES**

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. Effective April 1, 2015, the compensation payable on termination was reduced, and accordingly, 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 \$150,000 (previously \$300,000) to such contracted party so affected.

The Company has entered into three agreements with certain directors/officers for services rendered in such capacities. Effective April 1, 2015, the compensation payable on termination was reduced, and accordingly, 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 \$50,000 (previously \$100,000) to such director/officer and allow any unvested stock options to vest.

**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.

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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. 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 may 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 period ended June 30, 2015. The Company is not subject to externally imposed capital requirements.

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

## **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 June 30, 2015 and December 31, 2014 in accordance with the fair value hierarchy is as follows:

	Total	Level 1	Level 2	Level 3
June 30, 2015				
Cash	\$ 87,885	\$ 87,885	\$ -	\$ -
Investments	\$ 39,104	\$ 39,104	\$ -	\$ -
December 31, 2014				
Cash	\$ 219,763	\$ 219,763	\$ -	\$ -
Investments	\$ 18,781	\$ 18,781	\$ -	\$ -

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. 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.

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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:

	June 30, 2015	December 31, 2014
Bank accounts	\$ 87,885	\$ 219,763
Investments	39,104	18,781
Trade accounts receivable	72,025	112,161
	<b>\$ 199,014</b>	<b>\$ 350,705</b>

**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 June 30, 2015, the Company had accounts payable and accrued liabilities of \$123,432 (December 31, 2014 - \$40,169). Based on the current funds held as at June 30, 2015, 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:

June 30, 2015			
Due Date	Accounts Payable and Accrued Liabilities	Due to Related Parties	Total
0 – 90 days	\$ 46,639	\$ 77,063	\$ 123,432
December 31, 2014			
Due Date	Accounts Payable and Accrued Liabilities	Due to Related Parties	Total
0 – 90 days	\$ 27,366	\$ 12,803	\$ 40,169

**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 and cash equivalents consist 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.

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Future cash flows from interest income on cash and cash equivalents will be affected by interest rate fluctuations. Given the balance of the cash and equivalents, any fluctuations in the interest rate would lead to an immaterial change in the statements of 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 marketable securities, as they are carried at fair values based on quoted market prices, and investments, as they are carried at fair values based on quoted market prices.

**SEGMENTED INFORMATION**

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

**Management's Responsibility for Financial Statements**

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgements and have been properly reflected in the financial statements.

**WATERFRONT CAPITAL CORPORATION**  
**Management's Interim Discussion and Analysis**  
**June 30, 2015**

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OUTSTANDING SHARE DATA as of August 21, 2015:

- a) Authorized Share Capital:  
unlimited number of common shares without par value  
unlimited number of preferred shares without par value
- b) Issued and Outstanding Shares:  
15,166,106 common shares with a stated value of \$ 7,935,638  
2,400,000 preferred shares with a stated value of \$ 610,997

c) Outstanding incentive stock options:

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
158,000	\$ 0.10	September 30, 2019
133,000	\$ 0.12	January 19, 2020
1,241,000		
1,241,000		Exercisable

d) Outstanding warrants:

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		

e) Shares in escrow or pooling agreements: nil

**OFFICERS AND DIRECTORS**

Douglas L. Mason, President, CEO and Director (Chairman)  
Sead Hamzagic, CFO and Director  
Bruce E. Morley, Director  
Valerie Samson, Director  
Andrzej Kowalski, Director