WATERFRONT CAPITAL CORPORATION

Management's Discussion and Analysis

For the year ended December 31, 2016

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

DESCRIPTION OF BUSINESS AND OVERVIEW OF OPERATIONS AND FINANCIAL CONDITION

The following is management's discussion and analysis ("MD&A"), prepared as of March 14, 2017. This MD&A should be read in conjunction with the audited Consolidated Financial Statements for the year ended December 31, 2016 and the accompanying notes, 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, assumptions and other factors of which are beyond the reasonable control of the Company. You can identify these statements by forward-looking words such as "expects", "does not expect", "plans", "anticipates", "does not anticipate", "believes", "intends", "estimated", "projects", "potential", "scheduled", forecast", "budget", and similar expressions, or that events or conditions "will", "would", "may", "could", "should" or "might" occur and similar words. Such statements give the Company's current expectations or forecasts of future events and 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 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, for example, 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.

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 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 year ended December 31, 2016 and for the subsequent period to the report date hereof:

- The Company's wholly owned subsidiary, Waterfront Strategic Capital Corp. received regulatory approval for a voluntary deregistration as an Exempt Market Dealer ("EMD") in the Province of British Columbia on January 12, 2017, from Alberta on December 29, 2016, from Ontario on January 18, 2017, and from Manitoba on December 29, 2016.

- On June 30, 2016, the Company announced the resignations of Bruce Morley and Valerie Samson as directors of the Company, effective June 1, 2016. Mr. Morley will still continue to provide the Company with legal services through his law corporation, and similarly, Ms. Samson will continue to provide consulting services to Waterfront Capital through her consulting company.

- On February 5, 2016 (further to its news release of January 27, 2016) the Company reported that it issued an additional 1,000,000 units (the "Units") at $0.05 per Unit for additional gross proceeds of $50,000 under its non-brokered private placement (the "Private Placement"). As a result, the Company raised an aggregate of $220,000 by the issuance of 4,400,000 Units. 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 $0.06. The initial 3,400,000 Units issued pursuant to the Private Placement are subject to a hold period expiring on May 27, 2016 and the additional 1,000,000 Units are subject to a hold period expiring on June 4, 2016. The Company intends to use the proceeds from this Private Placement for general working capital purposes.

- On January 27, 2016, the Company announced that it closed its non-brokered private placement (the "Private Placement") and raised $170,000 by the issuance of 3,400,000 units (the "Units") at $0.05 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 $0.06. All of the securities issued pursuant to the Private Placement are subject to a hold period expiring on May 27, 2016. The Company intends to issue an additional 1,000,000 Units within the next week for additional gross proceeds of $50,000. The Company intends to use the proceeds from this Private Placement for general working capital purposes.

Results of Operations

The following discussion addresses the operating results and financial condition of the Company for the three and twelve months ended December 31, 2016, compared with the three and twelve months ended December 31, 2015. The Management's Discussion and Analysis should be read in conjunction with the Company's audited consolidated financial statements and the accompanying notes for the year ended December 31, 2016.

For the three month period ended December 31, 2016:

Net income for the period

The Company had a net loss for the three month period ended December 31, 2016 of $58,773 (2015 - $65,371). The net decrease of $6,598 in the net loss for the three month period ended compared to the three month period ended December 31, 2015 was primarily due to a decrease in general administrative expense of $22,065 offset by a decrease in revenue in other items in the amount of $15,467.

Revenue

During the three month period ended December 31, 2016, the Company reported revenue of $nil compared to $nil in the three month period ended December 31, 2015.

Other Items

During the three month period ended December 31, 2016, the Company reported a loss of $3,738 compared to a gain of $11,729 in the three month period ended December 31, 2015 from other sources of income and other expenses. Items that caused the $15,467 net change in other items are noted in the following:

- Loss on sales of securities of $nil (2015 - $7,090) changed by $7,090 due to the sales of marketable securities during the same period in the prior year.
- Other income of $9,175 (2015 - $128) changed by $9,047 mainly due to the receipt of distributed investments on one of its marketable securities.
- Unrealized loss on investments of $12,913 (2015 - gain of $18,691) changed by $31,604 due to market values of securities held. The Company holds certain securities in related parties.

Operating Expenses

General and administrative expenses of $55,035 (2015 - $77,100) are primarily comprised of consulting, administrative, professional fees, transfer agent fees and filing fees, rent and general office expenses. The net decrease was $22,065 when compared to the three month period ended December 31, 2015. Items that caused the net decrease are noted in the following:

In comparison to the three month period ended December 31, 2015:

- Consulting fees of $18,250 (2015 - $23,250) decreased by $5,000 mainly due to a recovery of accrued fees. Consultant costs consist mainly of fees to consultants who are also directors.
- Interest expense of $398 (2015 - $186) did not fluctuate by much when compared to the same period in the prior year and was mainly related to the outstanding balance of the loans.
- Office and miscellaneous of $6,383 (2015 - $5,428) did not fluctuate significantly.
- Professional fees of $15,304 (2015 - $24,221) decreased by $8,917. The decrease was mainly due to reduced fees paid to a consultant for legal services rendered in the current period.
- Regulatory and transfer agent fees of $3,425 (2015 - $5,873) decreased by 2,448 mainly due to timing of invoices received for the filing fee.
- Rent of $5,707 (2015 - $5,707) remained fairly consistent when compared to the same period in the prior year.
- Travel of $46 (2015 - $nil) remained fairly consistent when compared to the same period in the prior year.
- Wages and benefits of $5,522 (2015 - $12,435) decreased by $6,913 due to the decreased in advisory staff needed in the current period.

For the twelve month period ended December 31, 2016:

Net income for the period

The Company had a net loss for the twelve month period ended December 31, 2016 of $225,948 (2015 - $466,998). The net decrease of $241,050 in the net loss for the twelve month period ended compared to the twelve month period ended December 31, 2015 was primarily due to a decrease in general administrative expense of $391,220 and a decrease in other items of $18,834 offset by a decrease in revenue of $169,004.

Revenue

During the twelve month period ended December 31, 2016, the Company reported revenue of $nil compared to $169,004 in the twelve month period ended December 31, 2015. The change of $169,004 in revenue is mainly related to the termination of advisory services for the current period.

Other Items

During the twelve month period ended December 31, 2016, the Company reported a loss of $181 compared to $19,015 in the twelve month period ended December 31, 2015 from other sources of income and other expenses. Items that caused the $18,834 net change in other items are noted in the following:

- Write-down of accounts receivables of $nil (2015 - $44,672) decreased by $44,672 due to uncollectible amount during the same period in the prior year.
- Other income of $9,520 (2015 - $615) changed by $8,905 mainly due to the receipt of distributed investments on one of its marketable securities.
- Loss on sales of securities of $67,913 (2015 - $17,978) increased by $49,935 due to the sales of marketable securities.
- Unrealized gain on investments of $58,212 (2015 - $43,020) increased by $15,192 due to market values of securities held. The Company holds certain securities in related parties.

Operating Expenses

General and administrative expenses of $225,767 (2015 - $616,987) are primarily comprised of consulting, administrative, professional fees, transfer agent fees and filing fees, rent and general office expenses. The net decrease was $391,220 when compared to the twelve month period ended December 31, 2015. Items that caused the net decrease are noted in the following:

In comparison to the twelve month period ended December 31, 2015:

- Consulting fees of $68,000 (2015 - $239,300) decreased by $171,300 mainly due to the resignation of one of the Company's officers in April 2015 and not replaced.
- Interest expense of $1,568 (2015 - $619) did not fluctuate by much when compared to the prior year and was mainly related to the outstanding balance of the loans.
- Office and miscellaneous of $26,525 (2015 - $53,155) decreased by $26,630. The decrease is due to a reduction of computer expenses, office supplies, telephone and repair and maintenance mainly due to the discontinuance of the satellite advisory staff office.
- Professional fees of $59,877 (2015 - $116,777) decreased by $56,900. The decrease was due to reduced fees paid to a consultant for legal services and the reduction in legal fees in relation to the exempted market dealer (EMD) registration in other provinces which were incurred in the comparative period.
- Regulatory and transfer agent fees of $20,887 (2015 - $22,214) decreased by $1,327 due to the timing of invoice received.
- Rent of $22,888 (2015 - $59,399) decreased by $36,511 mainly due to the termination of the satellite office for the Company's advisory staff in the prior year.
- Share-based payments of $nil (2015 - $17,873) decreased by $17,873 due to the timing of the option issuances in each period.
- Travel of $406 (2015 - $27,356) decreased by $26,950 due to the reduced activities in the promotion of the advisory business.
- Wages and benefits of $25,616 (2015 - $80,294) decreased by $54,678 due to the decreased in advisory staff needed in the current year.

OFF BALANCE SHEET ARRANGEMENTS

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

PROPOSED TRANSACTIONS

The Company does not have any current proposed asset or business acquisition of 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 December 31, 2016:

	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Total assets	$ 113,406	$ 123,612	$ 151,082	$ 148,569
Working capital (deficit)	(115,245)	(56,472)	2,462	27,596
Shareholders' equity (deficit)	(115,245)	(56,472)	2,462	27,596
Other income	9,175	108	113	124
Operating expenses	55,035	53,804	45,173	71,755
Net loss and comprehensive loss	(58,773)	(58,934)	(25,134)	(83,107)
Basic loss per share	(0.00)	(0.00)	(0.00)	(0.00)
Diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)

	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Total assets	$ 157,100	$ 144,550	$ 229,349	$ 237,002
Working capital (deficit)	(109,297)	(43,926)	105,917	168,170
Shareholders' equity (deficit)	(109,297)	(43,926)	105,917	168,170
Total Revenue	128	132	62,452	106,907
Operating expenses	77,100	95,511	145,328	299,048
Net loss and comprehensive loss	(65,371)	(149,843)	(62,253)	(189,531)
Basic loss per share	(0.00)	(0.01)	(0.01)	(0.01)
Diluted loss per share	(0.00)	(0.01)	(0.01)	(0.01)

SELECTED ANNUAL INFORMATION

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Revenues	-	169,619	273,134
Operating income (loss)	(225,767)	(447,368)	(846,741)
Net income (loss) and comprehensive income (loss)	(225,948)	(466,998)	(939,296)
Impairment charges	-	-	-
Basic loss per share	(0.01)	(0.03)	(0.08)
Diluted loss per share	(0.01)	(0.03)	(0.08)
Total assets	113,406	157,100	379,997

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. Currently, general and administrative expenses amount to approximately $20,000 per month (which includes consulting agreements totaling $7,500 per month) which is not expected to change over the next several months.

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 evaluation activities to date; the continued participation of the Company's investors in evaluation activities; and financial market conditions. The Company has marketable securities with a value of $11,537, which it could convert to cash and has on February 5, 2016 announced that it closed on a $220,000 private placement. Further financing will required to cover the Company's future cash requirements. 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 December 31, 2016, the Company had working capital deficit of $115,245 compared to $109,297 as at December 31, 2015. As at December 31, 2016, the Company had cash of $79,712 compared to cash of $90,363 as at December 31, 2015.

Net cash used in operating activities for the year ended December 31, 2016 was $250,483 compared to $152,220 for the prior year.

Net cash provided by investing activities for the year ended December 31, 2016 including $25,832 (2015 - $5,820) from proceeds on sales of securities.

Net cash provided by financing activities for the year ended December 31, 2016 was $214,000 compared to $17,000 for the prior year, including $220,000 (2015 - $nil) from proceeds on issuance of shares and $8,500 (2015 - $17,000) from loan proceeds offset by $14,500 (2015 - $nil) of loan repayments.

TRANSACTIONS WITH RELATED PARTIES

(a) Included in prepaid expenses at December 31, 2016 is $15,000 (2015 - $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.

(b) Included in accounts payable at December 31, 2016 is $161,704 (2015 - $190,486) due to companies controlled by directors and/or with certain directors in common as follows:

Name of Company/Director	Directors/Officers	2016	2015
Andrzej Kowalski	a director of the Company	$ 2,000	$ 1,575
Beachfront Enterprises Limited Partnership	a limited partnership, the majority of which is owned by a director, namely, Douglas L. Mason	36,017	11,984
Bruce E. Morley Law Corporation	a company controlled by a former director, namely, Bruce E. Morley	30,800	50,400
Criterion Capital Corporation	a company controlled by a director, namely, Douglas L. Mason	30,148	47,635
Mehrun Payravi	a director of the Company	2,500	525
Sead Hamzagic, Inc.	a company controlled by a director, namely, Sead Hamzagic	28,875	47,250
Spencer Dyer	a former director of the Company's subsidiary	-	5,650
VJS Consulting Corp.	a company controlled by a former director, namely, Valerie Samson	-	788
Waterfront Communications Inc.	Douglas L. Mason and Sead Hamzagic	31,364	24,679
		$ 161,704	$ 190,486

(c) During the year ended December 31, 2016, 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 $25,845 (2015 - $78,308) and shared expenses in the amount of $13,987 (2015 - $20,738).

(d) The Company entered into a loan agreement, dated October 8, 2015, pursuant to which the lender agreed to loan the Company up to $50,000 for working capital purposes. The loan was provided by Criterion Capital Corporation, a company controlled by Douglas L. Mason, a director and officer of the Company, and each loan advance is for a term of one year with interest at a rate of 1% per month (12% per annum). The Company borrowed $8,500 and repaid $14,500 during the year. Included in loans payable at December 31, 2016 is $11,000 (2015 - $17,000). No loan bonus shares were issued in connection with these loans.

(e) During the year ended December 31, 2016, the Company recovered, paid or accrued the following amounts to directors, companies or limited partnerships controlled by directors, and/or companies with common directors:

Name of Company	**Directors/Officers**	**2016**	**2015**
Bruce E. Morley Law Corporation (legal services)	Bruce E. Morley (former director)	30,000	55,000
Criterion Capital Corporation (consulting fees)	Douglas L. Mason	30,000	55,000
Sead Hamzagic, Inc. (consulting fees)	Sead Hamzagic	30,000	55,000
Andrzej Kowalski (director's fee)	Andrzej Kowalski	2,000	2,000
Grignan Holdings Ltd. (consulting fees)	Rick Peterson (former director/officer)	-	30,000
Mehrun Payravi (director's fee)	Mehrun Payravi	2,000	500
Spencer Dyer (consulting fees)	Spencer Dyer	(5,000)	60,000
VJS Consulting Corp. (consulting fees)	Valerie Samson (former director)	9,000	34,000
Beachfront Enterprises Limited Partnership (rent)	a limited partnership, the majority of which is owned by a director, namely, Douglas L. Mason	22,888	26,119

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 two directors and one former director of the Company for the provision of consulting services and/or legal services at a cost of $2,500 per month ($30,000 per annum) for each of the three agreements. 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 to such contracted party so affected.

The Company has entered into two 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 $50,000 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.

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 year ended December 31, 2016. 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 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, 2016 and 2015 in accordance with the fair value hierarchy is as follows:

	Total	Level 1	Level 2	Level 3
December 31, 2016				
Cash	$ 79,712	$ 79,712	$ -	$ -
Investments	$ 11,537	$ 11,537	$ -	$ -
December 31, 2015				
Cash	$ 90,363	$ 90,363	$ -	$ -
Investments	$ 38,003	$ 38,003	$ -	$ -

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, investments, and accounts receivable.

The Company's credit risk is primarily attributable to cash and investments. Management believes that the credit risk concentration with respect to cash and 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.

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:

		2016		2015
Bank accounts	$	79,712	$	90,363
Investments		11,537		38,003
Accounts receivable		3,265		4,842
	$	94,514	$	133,208

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, 2016, the Company had accounts payable and accrued liabilities of $217,651 (2015 - $249,397) and loans payable of $11,000 (2015 - $17,000). Based on the current funds held as at December 31, 2016, the Company will need to rely upon financing from shareholders and/or debt holders to obtain sufficient working capital. There is no assurance that such financing will be available on terms and conditions acceptable to the Company.

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

December 31, 2016						
Due Date		Accounts Payable, Accrued Liabilities and Loans Payable		Due to Related Parties		Total
0 – 90 days	$	55,947	$	161,704	$	217,651
90 – 365 days		-		11,000		11,000

December 31, 2015						
Due Date		Accounts Payable, Accrued Liabilities and Loans Payable		Due to Related Parties		Total
0 – 90 days	$	58,911	$	190,486	$	249,397
90 – 365 days		-		17,000		17,000

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 is not exposed to significant interest rate risk.

(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

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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 impairment of assets, valuation of share-based payments and recognition of deferred tax amounts.

Critical accounting estimates:

a) Recoverability of asset carrying values

The Company assesses its assets for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable, at each reporting period. The assessment of any impairment assets is dependent upon estimates of recoverable amounts that take into account factors such as reserves, economic and market conditions, timing of cash flows, the useful lives of assets and their related salvage values.

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.

CHANGES IN ACCOUNTING POLICIES

There were no changes in accounting policies during the year ended December 31, 2016.

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.

OUTSTANDING SHARE DATA as of March 14, 2017:

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:
19,566,106 common shares with a stated value of $8,155,642
2,400,000 preferred shares with a stated value of $610,997

c) Outstanding incentive stock options:

Number of Options	Exercise Price	Expiry Date
75,000	$ 0.10	July 24, 2017
675,000	$ 0.10	February 15, 2018
58,000	$ 0.10	September 30, 2019
33,000	$ 0.12	January 19, 2020
841,000		
841,000		Exercisable

d) Outstanding warrants:

Number of Warrants	Exercise Price	Expiry Date
3,400,000	$ 0.06	January 26, 2018
1,000,000	$ 0.06	February 3, 2018
4,400,000		

e) Shares in escrow or pooling agreements: nil

OFFICERS AND DIRECTORS

Douglas L. Mason, President, CEO and Director (Chairman)
Sead Hamzagic, CFO and Director
Andrzej Kowalski, Director
Mehrun Payravi, Director