WATERFRONT CAPITAL CORPORATION

Interim Consolidated Financial Statements
(Unaudited – Prepared by Management)

For the nine month period ended September 30, 2017
(Expressed in Canadian Dollars)

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WATERFRONT CAPITAL CORPORATION

Dated November 1, 2017

Management's Comments on Unaudited Interim Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements of Waterfront Capital Corporation for the nine months ended September 30, 2017 and 2016 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim consolidated financial statements for the nine month period ended September 30, 2017.

WATERFRONT CAPITAL CORPORATION
Interim Consolidated Statements of Financial Position
(Unaudited – Expressed in Canadian Dollars)
As at September 30, 2017 and December 31, 2016

	September 30, 2017	December 31, 2016
ASSETS		
Current		
Cash	$ 74,489	$ 79,712
Accounts receivable	4,440	3,265
Investments (Note 4)	6,975	11,537
Prepaid expenses (Note 5)	19,669	18,892
	$ 105,573	$ 113,406
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Accounts payable and accrued liabilities (Note 5)	$ 51,521	$ 217,651
Loans payable (Note 5)	-	11,000
	51,521	228,651
Shareholders' deficiency		
Capital stock (Note 6)	8,766,639	8,766,639
Reserves	370,882	370,882
Subscriptions received	357,500	-
Deficit	(9,440,969)	(9,252,766)
	54,052	(115,245)
	$ 105,573	$ 113,406

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 9)

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

Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited – Expressed in Canadian Dollars)

	Three month period ended September 30, 2017	Three month period ended September 30, 2016	Nine month period ended September 30, 2017	Nine month period ended September 30, 2016
EXPENSES				
Consulting fees (Note 5)	18,250	18,250	54,750	49,750
Interest expense (Note 5)	1,174	461	2,781	1,170
Office and general (Note 5)	6,370	5,952	16,436	20,142
Professional fees (Note 5)	16,625	13,223	58,273	44,573
Regulatory and transfer agent fees	5,356	2,629	16,129	17,462
Rent (Note 5)	5,954	5,707	18,061	17,181
Travel	44	52	145	360
Wages and benefits (Note 5)	7,518	7,530	22,119	20,094
	(61,291)	(53,804)	(188,694)	(170,732)
OTHER ITEMS				
Other income (Note 4)	25	108	82	345
Loss on sales of securities	(162,538)	(12,228)	(162,538)	(67,913)
Unrealized gain on investments	160,705	6,990	162,947	71,125
	(1,808)	(5,130)	491	3,557
Net loss and comprehensive loss for the period	$ (63,099)	$ (58,934)	$ (188,203)	$ (167,175)
Basic and diluted loss per common share	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
Weighted average shares outstanding	19,566,106	19,566,106	19,566,106	19,164,646

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

WATERFRONT CAPITAL CORPORATION

Interim Consolidated Statements of Changes in Shareholders' Deficiency

(Unaudited – Expressed in Canadian Dollars)

	Number of Common Shares	Number of Preferred Shares	Share Capital Amount	Share-based Payment Reserves	Subscriptions Received	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, 2015	**15,166,106**	**2,400,000**	**$ 8,546,639**	**$ 307,882**	**$ -**	**$ 63,000**	**$ (9,026,818)**	**$ (109,297)**
Private placement @ $0.05	4,400,000	**-**	220,000	**-**	**-**	**-**	**-**	**220,000**
Net loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	(167,175)	**(167,175)**
Balance as at September 30, 2016	**19,566,106**	**2,400,000**	**8,766,639**	**307,882**	**-**	**63,000**	**(9,193,993)**	**(56,472)**
Net loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	(58,773)	**(58,773)**
Balance as at December 31, 2016	**19,566,106**	**2,400,000**	**8,766,639**	**307,882**	**-**	**63,000**	**(9,252,766)**	**(115,245)**
Subscriptions received	**-**	**-**	**-**	**-**	**357,500**	**-**	-	**357,500**
Net loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	(188,203)	**(188,203)**
Balance as at September 30, 2017	**19,566,106**	**2,400,000**	**$ 8,766,639**	**$ 307,882**	**$ 357,500**	**$ 63,000**	**$ (9,440,969)**	**$ 54,052**

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

WATERFRONT CAPITAL CORPORATION

Interim Consolidated Statements of Cash Flows

(Unaudited – Expressed in Canadian Dollars)

	Three month period ended September 30, 2017	Three month period ended September 30, 2016	Nine month period ended September 30, 2017	Nine month period ended September 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	$ (63,099)	$ (58,934)	$ (188,203)	$ (167,175)
Items not affecting cash:				
Loss on sales of securities	162,538	12,228	162,538	67,913
Unrealized gain on investments	(160,705)	(6,990)	(162,947)	(71,125)
	(61,266)	(53,696)	(188,612)	(170,387)
Changes in non-cash working capital items:				
Decrease (increase) in accounts receivable	(621)	(876)	(1,175)	1,868
Decrease (increase) in prepaid expenses	3,507	1,675	(777)	(1,675)
Increase (decrease) in accounts payable and accrued liabilities	(201,466)	31,464	(166,130)	(80,313)
Net cash used in operating activities	(259,846)	(21,433)	(356,694)	(250,507)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds on sales of securities	4,971	7,365	4,971	25,832
Net cash provided by investing activities	4,971	7,365	4,971	25,832
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds on issuance of shares	-	-	-	220,000
Loan advances	6,500	-	35,500	8,500
Loan repayment	(46,500)	-	(46,500)	(14,500)
Subscriptions received	357,500	-	357,500	-
Net cash provided by financing activities	317,500	-	346,500	214,000
Increase (decrease) in cash for the period	62,625	(14,068)	(5,223)	(10,675)
Cash, beginning of period	11,864	93,756	79,712	90,363
Cash, end of period	$ 74,489	$ 79,688	$ 74,489	$ 79,688
Cash paid for interest	$ 1,174	$ 461	$ 2,781	$ 1,170
Cash paid for tax	$ -	$ -	$ -	$ -

Supplemental disclosures with respect to cash flows (Note 8)

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

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.

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.

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 February 7, 2017, the Company wound up its wholly-owned subsidiary.

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 (2016 - $225,948; 2015 - $466,998), is currently unable to self-finance operations, has working capital of $54,052 (December 31, 2016 - deficit of $115,245), has a deficit of $9,440,969 (December 31, 2016 - $9,252,766) and 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 interim consolidated financial statements are unaudited and have been prepared in accordance with IAS 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the 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 effective as of September 30, 2017. The Board of Directors approved the financial statements for issue on November 1, 2017.

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.

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.

On February 7, 2017, the Company wound up its wholly-owned subsidiary.

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.

<u>Critical accounting estimates:</u>

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.

2. BASIS OF PREPARATION (Continued)

Critical accounting estimates: (Continued)

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) 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.

(b) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Financial instruments (Continued)

Financial assets (Continued)

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.

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)

(c) 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.

(d) 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.

(e) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) 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.

(g) 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.

(h) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Income taxes (Continued)

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.

(i) 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.

(j) New and amended accounting pronouncements

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.

- IFRS 15 Revenue from Contracts with Customers

IFRS 15 outlines the principles for recognizing revenue from contracts with customers. The new standard establishes a new five-step model for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new standard is effective for annual periods beginning on or after January 1, 2018, and is applicable to all entities and will supersede all current revenue recognition requirements under IFRS.

(Unaudited – Expressed in Canadian Dollars)

4. INVESTMENTS

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

	September 30, 2017	December 31, 2016
Canadian International Pharma Corp. – nil common shares (December 31, 2016 – 100,033 common shares) [1]	$ -	$ 6,002
BC Moly Ltd. – nil common shares (December 31, 2016 – 30,000 common shares) [2]	-	1,350
Magnum Goldcorp Inc. – 139,500 common shares (December 31, 2016 – 139,500 common shares) [1]	6,975	4,185
	$ 6,975	$ 11,537

[1] The investee companies have certain directors in common
[2] The investee companies had certain former directors in common

During the year ended December 31, 2016, the Company received a return of Capital from International Bethlehem Mining Corp. in the form of 139,500 shares of Magnum Goldcorp Inc. at a fair value of $9,067 which was recorded as other income.

5. RELATED PARTY TRANSACTIONS

(a) Included in prepaid expenses at September 30, 2017 is $11,000 (December 31, 2016 - $15,000) 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 September 30, 2017 is $16,521 (December 31, 2016 - $161,704) due to companies controlled by directors, former directors and/or companies with certain directors in common.

(c) During the period ended September 30, 2017, 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 $22,118 (2016 - $20,324) and shared expenses in the amount of $12,338 (2016 - $10,427).

(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 agreement was provided by a company controlled by a director 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 ended December 31, 2016. During the nine month period ended September 30, 2017, the Company received loan advances of $35,500. The Company repaid all outstanding loans on September 29, 2017, totalling $46,500. No loan bonus shares were issued in connection with these loans.

(Unaudited – Expressed in Canadian Dollars)

5. RELATED PARTY TRANSACTIONS (Continued)

(e) During the period ended September 30, 2017, the Company recovered, paid or accrued the following amounts to directors, companies or limited partnerships controlled by directors or former directors:

	September 30, 2017	September 30, 2016
Consulting/Director fees	$ 48,000	$ 49,750
Interest	2,781	941
Professional fees	22,500	22,500
Rent	18,061	17,181

Compensation to the CEO, President, CFO, and Directors include the following:

	September 30, 2017	September 30, 2016
Consulting and professional fees	$ 48,000	$ 49,750

6. CAPITAL STOCK

Common

No shares were issued during the nine month period ended September 30, 2017.

During the year ended December 31, 2016, the Company completed a non-brokered private placement (the "Private Placement") and raised an aggregate of $220,000 by the issuance of 4,400,000 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.

7. 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.

(Unaudited – Expressed in Canadian Dollars)

7. STOCK OPTIONS AND WARRANTS (Continued)

Stock Options (Continued)

As at September 30, 2017, the following incentive stock options were outstanding:

September 30, 2017	December 31, 2016	Exercise Price	Expiry Date
-	75,000	$ 0.10	July 24, 2017
675,000	675,000	$ 0.10	February 15, 2018
58,000	58,000	$ 0.10	September 30, 2019
33,000	33,000	$ 0.12	January 19, 2020
766,000	841,000		

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2015	1,201,000	$ 0.10
Expired/Cancelled	(360,000)	$ 0.10
Outstanding, December 31, 2016	841,000	$ 0.10
Expired/Cancelled	(75,000)	$ 0.10
Outstanding, September 30, 2017	766,000	$ 0.10

Warrants

As at September 30, 2017, the following warrants were outstanding:

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		

Warrant transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2015	5,512,040	$ 0.20
Expired	(5,512,040)	$ 0.20
Issued	4,400,000	$ 0.06
Outstanding, December 31, 2016 and September 30, 2017	4,400,000	$ 0.06

8. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

There were no non-cash financing or investing transactions during the period ended September 30, 2017 and 2016.

9. COMMITMENTS AND CONTINGENCIES

(a) 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.

(b) 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.

10. 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, 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 period ended September 30, 2017. 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 year.

(Unaudited – Expressed in Canadian Dollars)

11. 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 September 30, 2017 and December 31, 2016 in accordance with the fair value hierarchy is as follows:

	Total	Level 1	Level 2	Level 3
September 30, 2017				
Cash	$ 74,489	$ 74,489	$ -	$ -
Investments	$ 6,975	$ 6,975	$ -	$ -
December 31, 2016				
Cash	$ 79,712	$ 79,712	$ -	$ -
Investments	$ 11,537	$ 11,537	$ -	$ -

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 (see Note 5). 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:

	September 30, 2017	December 31, 2016
Bank accounts	$ 74,489	$ 79,712
Investments	6,975	11,537
Accounts receivable	4,440	3,265
	$ 85,904	$ 94,514

(Unaudited – Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS (Continued)

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 September 30, 2017, the Company had accounts payable and accrued liabilities of $51,521 (December 31, 2016 - $217,651) and loans payable of $nil (December 31, 2016 - $11,000). Based on the current funds held as at September 30, 2017, 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:

September 30, 2017						
Due Date		Accounts Payable, Accrued Liabilities and Loans Payable		Due to Related Parties		Total
0 – 90 days	$	35,000	$	16,521	$	51,521

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

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.

(Unaudited – Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS (Continued)

Market risk (Continued)

(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 investments, as they are carried at fair values based on quoted market prices.

12. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes as at December 31, 2016 is as follows:

		2016
Loss for the year	$	225,948
Expected income tax (recovery)		(59,000)
Non-deductible expenditures		(6,000)
Change in statutory, foreign tax, foreign exchange rates and other		13,000
Adjust to prior years provision versus statutory tax returns and expiry of non-capital losses		(8,000)
Change in unrecognized deductible temporary differences		60,000
	$	-

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:

	Expiry Dates		2016
Temporary Differences			
Allowable capital losses	not applicable	$	2,585,000
Share issue costs	2035 to 2038		5,000
Non-capital losses available for future period	2017 to 2036		2,314,000
Property and equipment	not applicable		-
Marketable securities	not applicable		265,000

13. SEGMENTED INFORMATION

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

14. SUBSEQUENT EVENTS

On October 13, 2017, the Company announced that, further to its news releases dated September 15, 2017 and September 22, 2017, the Company has closed its non-brokered private placement (the "Private Placement"). The Company has raised gross proceeds of $880,000 by the issuance of 17,600,000 units (the "Units") at a price of $0.05 per Unit. Each Unit consists of one common share and one share purchase warrant, with each warrant entitling the holding to purchase an additional common share for a period of two years at an exercise price of $0.10. All of the securities issued pursuant to this Private Placement are subject to a hold period expiring on February 13, 2018. In connection with the closing of the Private Placement, the Company has paid a finder's fee of $55,300 (718,800 Units valued at $35,940 and $19,360 in cash) being 10% of the gross proceeds raised by the Company from investors introduced to the Company.

On October 13, 2017, the Company announced that in accordance with the terms of the Company's stock option plan, the Company has granted 2,940,000 incentive stock options to certain directors, officers, employees, and consultants, at an exercise price of $0.10 per share for a term of 5 years. The Company also announced that it engaged Sutton Ventures Ltd. ("Sutton"), a business advisory firm, to assist the Company in its efforts to investigate potential business opportunities. Brayden Sutton, Managing Partner, has extensive experience in equity analysis and financing, and for the past 14 years has specialized in due diligence, financial re-structuring and sourcing early-stage, high-growth opportunities. The Company will grant Sutton 850,000 incentive stock options at an exercise price of $0.10 for services for this engagement.

On October 16, 2017, the Company announced that in accordance with the terms of the Company's stock option plan, the Company has granted 75,000 incentive stock options to certain directors, officers, employees, and consultants, at an exercise price of $0.125 per share for a term of 5 years.