

WATERFRONT CAPITAL CORPORATION

Management's Interim Discussion and Analysis

For the six-months ended June 30, 2018

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 23, 2018. This MD&A should be read in conjunction with the unaudited Interim Financial Statements for the three months ended June 30, 2018 and the accompanying notes, the Company's audited Consolidated Financial Statements and the accompanying notes for the year ended December 31, 2017, 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 ("TSX-V") under the symbol WFG.

PERFORMANCE SUMMARY

The following is a summary of the significant events and transactions that occurred during the year ended June 30, 2017 and for the subsequent period to the report date hereof:

- On May 3, 2018, the Company announced that it has entered into a letter of intent, dated January 23, 2018 (the "LOI") with Water Street Profile Services Inc. ("Water Street") to acquire all of the issued and outstanding shares of Water Street (the "Transaction") in exchange for common shares of Waterfront Capital. The Transaction may constitute a "Change of Business" or "Reverse Takeover" under the policies of the TSX Venture Exchange (the "Exchange") and is subject to prior Exchange approval. The Transaction is an arm's length transaction. About Water Street and The Profile Coworking Business Club ("The Profile") Water Street is revolutionizing how and where people work by offering coworking and office space in a modern social business club model. Established in 2009 under the business name "The Profile Coworking Business Club", Water Street has three locations in Greater Vancouver, British Columbia (specifically, historical Gastown, the Central Business District of Vancouver and Lower Lonsdale in North Vancouver). With 1,500 members and growing, Water Street's expansion plans for The Profile coworking spaces include key areas throughout the Lower Mainland and along the West Coast, under a unique location strategy. The Profile offers the ultimate meeting and networking lounges with coffee bars, kombucha, wine and craft beers on tap, and full catering. A variety of non-lease meeting spaces, living rooms, workshops and board rooms and casual workspace is available 24/7/365.

Summary of Financial Information Respecting Water Street Profile Services Inc.

The following unaudited selected financial summary has been prepared from financial statements and information received by the Company from Water Street:

	3 months Ended March 31, 2018 (Reviewed)	Year Ended December 31, 2017 (Audited)	Year Ended December 31, 2016 (Audited)
Current Assets	\$ 12,963	\$ 85,304	\$ 58,930
Non-current Assets	725,100	737,553	515,797
Total Assets	738,063	822,857	574,727
Current Liabilities	1,503,413	1,472,461	662,574
Non-current Liabilities	650,156	671,945	8,109
Total liabilities	2,153,569	2,144,406	743,238
Total shareholders' equity	(1,415,506)	(1,321,549)	(168,511)
Total Liabilities and Shareholders' Equity	783,063	822,857	574,727
Rental revenue and memberships	378,690	1,108,126	852,559
Expenses	(472,647)	(1,754,104)	(879,700)
Net operating loss	(93,947)	(645,978)	(27,141)
Other losses and write-downs	-	(527,060)	-
Net loss	(93,947)	(1,153,038)	(27,141)

The Coworking Office Space Industry

Coworking office space typically provides a choice of shared and private workspaces for entrepreneurs, freelancers, startups, small businesses and large enterprises. As well as traditional office spaces, coworking spaces offer open concept space and often provide amenities such as food/beverage, catering, office services, presentation and function space and special events coordinated by its members. With the high cost, low availability and onerous lease terms involved in obtaining space in major business centers, there is a growing demand for communal workspace that can provide short-term flexibility without any capital investment, and that is a cheaper and quicker option for an individual or a company to set up. Coworking spaces provide the ability to move in and out of a market faster and many provide

flexibility as they are normally accessible 24/7. Not only can professionals enjoy an affordable, fully-stocked office environment where they can come and go as needed, but many coworking spaces invest in building solid communities, uniting like-minded professionals who come from a diverse range of industries in a space where they can learn, connect, collaborate and socialize. There are a number of coworking space companies established in Vancouver (such as “Spaces” and “WeWork”), some of which also have coworking space in major business centers across Canada, and internationally.

The Transaction

In accordance with the LOI, Waterfront Capital will acquire all of the issued and outstanding shares of Water Street (the “Transaction”) in exchange for common shares of Waterfront Capital. Water Street will obtain a valuation from a third-party business valuator and the purchase price for the shares of Water Street will be the mid-point of such valuation, or such other price as the parties may agree. The purchase price will be paid by issuing that number of common shares of Waterfront Capital to Water Street that is equal to the purchase price divided by \$0.07, being the market price of Waterfront Capital’s shares as of April 11, 2018. Closing of the Transaction is subject to the following conditions:

- (a) the entering into of a definitive agreement (the “Definitive Agreement”) between Waterfront Capital and Water Street before June 22, 2018;
- (b) completion of satisfactory due diligence by each of Waterfront Capital and Water Street;
- (c) the approval of the Waterfront Capital shareholders, if required, together with any requisite minority shareholder approvals;
- (d) closing of the Financing (defined below);
- (e) the receipt of all required regulatory, stock exchange and securityholder approvals, consents, permits, waivers, exemptions and orders; and
- (f) no breach of the obligations under the LOI.

Principals and Insiders of Resulting Issuer

Douglas L. Mason, President, CEO and Director of Waterfront Capital

Douglas Mason (“Douglas”) has served as a senior officer and director of a number of public companies and has extensive experience in financings and acquisitions in capital markets, raising over \$200 million over the past 25 years. From 1988 through 2005, Douglas served as President & Chief Executive Officer and as a director of Clearly Canadian Beverage Corporation, a producer of premium beverage products. During his 20 years in the beverage industry, Douglas built a reputation for innovation and has been credited as being one of the pioneers of the New Age Beverage category.

Sead Hamzagic, CFO and Director of Waterfront Capital

Sead Hamzagic (“Sead”) has over 25 years of public practice accounting and financial management experience with a variety of public and private companies. He is on the board of directors and Chief Financial Officer for a number of publicly traded companies and as a financial advisor for a number of privately held companies. Sead is a member in good standing with the Chartered Professional Accountants Association of British Columbia.

Andrzej Kowalski, Director of Waterfront Capital

Andrzej Kowalski (“Andrzej”) is a successful entrepreneur and multiple business owner. He is also a lawyer experienced in commercial law and litigation. Much of Andrzej’s business career has involved founding, financing, operating and selling technology companies both in the private and public sectors. He also has experience with real estate development and investing. Andrzej holds Bachelor of Arts and Bachelor of Laws degrees from Monash University, Australia and a Master of Laws degree from The University of British Columbia.

Mehrun (Mack) Payravi, Director of Waterfront Capital

Mehrun Payravi (“Mehrun”) has over 25 years of Canadian and international pharmacy experience. He has worked for major Canadian drug chains such as Shoppers Drug Mart and Rexall wherein each company he held the position of Pharmacy Director for British Columbia. Mehrun is a registered Pharmacist in British Columbia and Alberta.

Subject to all necessary regulatory approvals, it is anticipated that one or two of the individuals associated with Water Street will be appointed as officers and/or directors of Waterfront Capital following the completion of the proposed Transaction.

Financing

In connection with the Transaction, Waterfront Capital and Water Street will arrange a market equity financing of Waterfront Capital common shares for gross proceeds of approximately \$1.25 million (the "Financing") at a price to be determined in the context of the market. The Financing will be used for business and location expansion costs, key hiring, upgrading existing facilities, developing management/facilities software and technology and for working capital purposes.

Secured Loan

In connection with the Transaction and following receipt of all necessary approvals from the Exchange, Waterfront Capital has agreed to advance, at Water Street's request, a secured loan into Water Street in the principal amount of \$100,000, which loan is to be used for completion of existing business locations and for expanding capacity for additional revenues.

The Loan will bear simple interest, payable on maturity one year after the date of the Loan at 6% per annum and will be repayable within ninety (90) days in the event that Water Street and/or its shareholders select not to proceed with the Transaction. In the event that Waterfront Capital elects not to proceed with the Transaction, all amounts owing under the Loan will be repayable within ninety (90) days of demand. The Loan will be secured by a security charge over Water Street's assets.

Shareholder Approval

The Transaction is not a Related Party Transaction (as defined in the Exchange Policies), no circumstances exist which may compromise the independence of Waterfront Capital or the interested parties (in particular, Waterfront Capital's directors and senior officers) with respect to the Transaction, no aspect of the Transaction requires the approval of shareholders of Waterfront Capital under applicable corporation and securities legislation, the - 4 - company is without active operations, and the common shares of Waterfront Capital will resume trading on completion of the Transaction. As such, subject to the consent of the Exchange, Waterfront Capital will not seek shareholder approval to complete the Transaction. Furthermore, Waterfront Capital intends to apply for an exemption from the sponsorship requirements; however, there is no assurance that Waterfront Capital will obtain this exemption.

Completion of the Transaction is subject to a number of conditions, including but not limited to, Exchange acceptance and if applicable, disinterested shareholder approval. Where applicable, the Transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the Transaction will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the management information circular or filing statement to be prepared in connection with the Transaction, any information released or received with respect to the Transaction may not be accurate or complete and should not be relied upon. Trading in the securities of Waterfront Capital should be considered highly speculative.

The TSX Venture Exchange Inc. has in no way passed upon the merits of the proposed transaction and has neither approved nor disapproved the contents herein.

- On April 3, 2018, further to its news releases of June 28, September 15, 2017 and February 2, 2018, the Company announced that the TSX Venture Exchange (the "Exchange") has granted the Company an additional 30 day extension (to April 30, 2018) to address the Company's one remaining Tier 2 Continued Listing Requirement ("CLR"), being the Activity criteria.
- On February 2, 2018, further to its news releases of June 28 and September 15, 2017, the Company announced that the TSX Venture Exchange (the "Exchange") has granted the Company an additional 60-day extension (to March 31, 2018) to address the Company's one remaining Tier 2 Continued Listing Requirement ("CLR"), being the Activity criteria. The Company intends to use the proceeds that it raised from its recently completed private placement (see news release dated October 13, 2017) and the funding proceeds that it recently received through the exercise of certain previously issued share purchase warrants (see news release dated January 24, 2018) to continue its investigation and due diligence of certain potential business opportunities that the Company believes will address the Activity criteria of the Tier 2 CLR requirements.

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- On January 24, 2018, the Company announced the receipt of \$264,000 of funding proceeds through the exercise of 4,400,000 share purchase warrants into 4,400,000 common shares at \$0.06 per share. \$156,000 of the funding proceeds, representing 59.1% of the total proceeds, were received from two officers and one independent director of the Company, who participated in the warrant exercise. The warrants were originally issued on January 26 and February 3, 2016 as part of a private placement unit offering of common shares and share purchase warrants and were due to expire on January 26 and February 3, 2018. All participants in this private placement converted their warrants, prior to expiry, into common shares of the Company (including 2,600,000 warrants held by insiders of the Company). Following the issuance of these shares, the Company had 42,284,906 common shares outstanding. The Company intends to use the proceeds from this exercise of share purchase warrants to investigate certain potential business opportunities and for general working capital purposes.
- On June 28, 2017, the Company announced that it received a letter, dated June 27, 2017, from the TSX-V that indicates the exchange has determined that the Company does not meet the exchange's Tier 2 Continued Listing Requirements ("CLR"). As a result, the exchange has given the Company 90 days (to September 29, 2017) to submit documentation evidencing that it meets Tier 2 CLR. The exchange has further indicated that if the Company is unable to file satisfactory documentation by the September 29, 2017 deadline, the Company will be transferred to the NEX Board of the exchange.

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, 2018, compared with the three and six months ended June 30, 2017. The Management's Discussion and Analysis should be read in conjunction with the Company's financial statements and the accompanying notes for the six-month period ended June 30, 2018.

For the three-month period ended June 30, 2018:

Net loss for the period

The Company had a net loss for the three-month period ended June 30, 2018 of \$108,321 (2017 - \$53,888). The net increase of \$54,433 in the net loss for the three-month period ended compared to the three-month period ended June 30, 2017 was primarily due to an increase in consulting and legal fees in valuating Water Street Profile Services Inc. and the transaction contemplated.

Other Items

During the three-month period ended June 30, 2018, the Company reported a loss of \$60 compared to an income of \$3,110 in the three-month period ended June 30, 2017 from other sources of income and other expenses. Items that caused the \$3,170 change in other items are noted in the following:

- Other income of \$986 (2017 - \$18) remained fairly consistent.
- Unrealized Loss on investments of \$1,046 (2017 gain - \$3,092) changed by \$4,138 due to the fair market value of marketable securities held for sale. The Company holds certain securities in related parties.

Operating Expenses

General and administrative expenses of \$108,261 (2017 - \$56,998) are primarily comprised of consulting, administrative, professional fees, transfer agent fees and filing fees, rent, share-based payments and general office expenses. The net increase was \$51,263 when compared to the three-month period ended June 30, 2017. Items that caused the net increase are noted in the following:

In comparison to the three-month period ended June 30, 2017:

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- Consulting fees of \$56,750 (2017 - \$18,250) increased by \$38,500 and was mainly due to external consulting fees including valuating Water Street Profile Services Inc. for a possible acquisition of all of its shares.
- Interest expense of \$7 (2017 - \$1,197) decreased by \$1,190 and was mainly related to the outstanding balance of the loans which was repaid during the prior year.
- Office and miscellaneous of \$5,411 (2017 - \$6,237) remained fairly consistent.
- Professional fees of \$28,275 (2017 - \$15,208) increased by \$13,067. The increase was mainly due to legal fees related to the acquisition of Water Street Profile Services Inc.
- Regulatory and transfer agent fees of \$5,495 (2017 - \$2,724) increased by \$2,771 mainly due to increase in transfer agent fees.
- Rent of \$5,955 (2017 - \$5,954) remained fairly consistent.
- Travel of \$nil (2017 - \$44) remained fairly consistent.
- Wages and benefits of \$6,368 (2017 - \$7,384) remained fairly consistent.

For the six-month period ended June 30, 2018:

Net loss for the period

The Company had a net loss for the six-month period ended June 30, 2018 of \$189,445 (2017 - \$125,104). The net increase of \$64,341 in the net loss for the six-month period ended compared to the six-month period ended June 30, 2017 was primarily due to an increase in consulting fees.

Other Items

During the six-month period ended June 30, 2018, the Company reported a loss of \$3,446 compared to an income of \$2,299 in the six-month period ended June 30, 2017 from other sources of income and other expenses. Items that caused the \$5,745 net change in other items are noted in the following:

- Other income of \$1,088 (2017 - \$57) increased by \$1,031 and it mainly fluctuated with the cash balance in the bank.
- Unrealized loss on investments of \$4,534 (2017 gain - \$2,242) decreased by \$6,776 due to market values of securities held. The Company holds certain securities in related parties.

Operating Expenses

General and administrative expenses of \$185,999 (2017 - \$127,403) are primarily comprised of consulting, administrative, professional fees, transfer agent fees and filing fees, rent and general office expenses. The net increase was \$58,596 when compared to the six-month period ended June 30, 2017. Items that caused the net increase are noted in the following:

In comparison to the six-month period ended June 30, 2017:

- Consulting fees of \$93,250 (2017 - \$36,500) increased by \$56,750 and was mainly due to external consulting fees including valuating Water Street Profile Services Inc. for a possible acquisition of all of its shares.
- Interest expense of \$7 (2017 - \$1,607) decreased by \$1,600 and was mainly related to the outstanding balance of the loans.
- Office and miscellaneous of \$11,868 (2017 - \$10,066) increased by \$1,802 mainly due to the insurance coverage and increase in printing expense for the current period when compared to the same period in the prior year.
- Professional fees of \$44,109 (2017 - \$41,648) increased by \$2,461. The increase was mainly due to the increase in audit fees related to the wind-up of the wholly-owned subsidiary in the current period.
- Regulatory and transfer agent fees of \$11,883 (2017 - \$10,773) remained fairly consistent.
- Rent of \$11,909 (2017 - \$12,107) remained fairly consistent.
- Travel of \$809 (2017 - \$101) remained fairly consistent.
- Wages and benefits of \$12,964 (2017 - \$14,601) decreased by \$1,637 mainly due to the timing of employee benefits paid under the Company's health and welfare benefits plan.

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OFF BALANCE SHEET ARRANGEMENTS

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

PROPOSED TRANSACTIONS

On May 3, 2018, the Company announced that it has entered into a letter of intent, dated January 23, 2018 (the "LOI") with Water Street Profile Services Inc. ("Water Street") to acquire all of the issued and outstanding shares of Water Street (the "Transaction") in exchange for common shares of Waterfront Capital. The Transaction may constitute a "Change of Business" or "Reverse Takeover" under the policies of the TSX Venture Exchange (the "Exchange") and is subject to prior Exchange approval. The Transaction is an arm's length transaction.

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, 2018:

	June 30, 2018	March 30, 2018	December 31, 2017	September 30, 2017
Total assets	\$ 582,152	\$ 689,225	\$ 507,118	\$ 105,573
Working capital (deficit)	559,070	667,391	484,515	54,052
Shareholders' equity (deficit)	559,070	667,391	484,515	54,052
Other income	1,088	102	5	25
Operating expenses	185,999	77,738	327,307	61,291
Net loss and comprehensive loss	(189,445)	(81,124)	(327,302)	(63,099)
Basic loss per share	0.00	0.00	(0.01)	0.00
Diluted loss per share	0.00	0.00	(0.01)	0.00

	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
Total assets	\$ 52,638	\$ 56,305	\$ 113,406	\$ 123,612
Working capital (deficit)	(240,349)	(186,461)	(115,245)	(56,472)
Shareholders' equity (deficit)	(240,349)	(186,461)	(115,245)	(56,472)
Total Revenue	18	39	9,175	108
Operating expenses	56,998	70,405	55,035	53,804
Net loss and comprehensive loss	(53,888)	(71,216)	(58,773)	(58,934)
Basic loss per share	(0.00)	(0.00)	0.00	0.00
Diluted loss per share	(0.00)	(0.00)	0.00	0.00

SELECTED ANNUAL INFORMATION

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
Revenues	-	-	169,619
Operating income (loss)	(516,001)	(225,767)	(447,368)
Net income (loss) and comprehensive income (loss)	(515,505)	(225,948)	(466,998)
Basic loss per share	(0.02)	(0.01)	(0.03)
Diluted loss per share	(0.02)	(0.01)	(0.03)
Total assets	507,118	113,406	157,100

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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 \$28,000 per month (which includes consulting agreements totaling \$7,500 per month).

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. On October 13, 2017 closed on a \$880,000 private placement and on January 26, 2018 received proceeds of \$264,000 on the exercise of warrants. Further financing may be required to cover the Company's long-term 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 June 30, 2018, the Company had working capital of \$559,070 compared to \$484,515 as at December 31, 2017. As at June 30, 2018, the Company had cash of \$454,570 compared to cash of \$478,696 as at December 31, 2017.

Net cash used in operating activities for the period ended June 30, 2018 was \$288,126 compared to \$96,848 for the same period in the prior year.

Net cash provided by investing activities for the period ended June 30, 2018 was \$nil (2017 - \$nil).

Net cash provided by financing activities for the period ended March 31, 2018 was \$264,000 compared to \$13,000 for the same period in the prior year, consisting of \$264,000 (2017 - \$13,000) from proceeds on issuance of shares and \$nil (2017 - \$13,000) from loan advances.

TRANSACTIONS WITH RELATED PARTIES

- (a) Included in prepaid expenses at June 30, 2018 is \$11,000 (December 31, 2017 - \$11,000) 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 June 30, 2018 is \$3,884 (December 31, 2017 - \$2,344) due to companies controlled by directors and/or with certain directors in common as follows:

Name of Company/Director	Directors/Officers	June 30, 2018	December 31, 2017
Andrzej Kowalski	a director of the Company	\$ -	\$ 500
Beachfront Enterprises Limited Partnership	a limited partnership, the majority of which is owned by a director, namely, Douglas L. Mason	-	1,344
Mehrun Payravi	a director of the Company	-	500
Waterfront Communications Inc.	Douglas L. Mason and Sead Hamzagic	3,884	
		\$ 3,884	\$ 2,344

- (c) During the period ended June 30, 2018, 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 \$12,964 (June 30, 2017 - \$14,602) and shared expenses in the amount of \$10,095 (June 30, 2017 - \$8,185)

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- (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 year ended December 31, 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.
- (e) During the period ended June 30, 2018, 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	June 30, 2018	June 30, 2017
Criterion Capital Corporation (consulting fees) (interest)	Douglas L. Mason	15,000 -	7,500 1,620
Sead Hamzagic, Inc. (consulting fees)	Sead Hamzagic	15,000	7,500
Andrzej Kowalski (director's fee)	Andrzej Kowalski	1,500	1,000
Mehrun Payravi (director's fee)	Mehrun Payravi	1,000	1,000
Beachfront Enterprises Limited Partnership (rent)	a limited partnership, the majority of which is owned by a director, namely, Douglas L. Mason	11,909	12,107

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.

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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, 2018. 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 June 30, 2018 and December 31, 2017 in accordance with the fair value hierarchy is as follows:

	Total	Level 1	Level 2	Level 3
March 31, 2018				
Cash	\$ 454,570	\$ 454,570	\$ -	\$ -
Investments	\$ 2,441	\$ 2,441	\$ -	\$ -
December 31, 2017				
Cash	\$ 478,696	\$ 478,696	\$ -	\$ -
Investments	\$ 6,975	\$ 6,975	\$ -	\$ -

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:

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	June 30, 2018	December 31, 2017
Bank accounts	\$ 454,570	\$ 478,696
Investments	2,441	6,975
Accounts receivable	6,074	6,319
	\$ 463,085	\$ 491,990

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, 2018, the Company had accounts payable and accrued liabilities of \$26,082 (December 31, 2017 - \$22,603). Based on the current funds held as at June 30, 201, the Company will need to rely upon financing from shareholders and/or debt holders to obtain sufficient working capital to proceed with its proposed acquisition of Water Street Profile Services Inc. 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:

June 30, 2018			
Due Date	Accounts Payable, Accrued Liabilities and Loans Payable	Due to Related Parties	Total
0 – 90 days	\$ 22,198	\$ 3,884	\$ 26,082

December 31, 2017			
Due Date	Accounts Payable, Accrued Liabilities and Loans Payable	Due to Related Parties	Total
0 – 90 days	\$ 20,259	\$ 2,344	\$ 22,603

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

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

b) Share-based payments

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

c) Income taxes

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

CHANGES IN ACCOUNTING POLICIES

A number of new standards, amendments to standards and interpretations have been applied in preparing these financial statements. None of these had a material effect on the financial statements of the Company.

- **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

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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.

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 August 23, 2018:

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:

44,684,906 common shares with a stated value of \$ 9,891,279

c) Outstanding incentive stock options:

Number of Options	Exercise Price	Expiry Date
58,000	\$ 0.10	September 30, 2019
33,000	\$ 0.12	January 19, 2020
2,940,000	\$ 0.10	October 13, 2022
75,000	\$ 0.125	October 16, 2022
<u>3,106,000</u>		
<u>3,106,000</u>		Exercisable

d) Outstanding warrants:

Number of Warrants	Exercise Price	Expiry Date
<u>18,318,800</u>	<u>\$ 0.10</u>	<u>October 13, 2019</u>

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