WATERFRONT CAPITAL CORPORATION

Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

Contact Information:

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Waterfront Capital Corporation

Opinion

We have audited the accompanying consolidated financial statements of Waterfront Capital Corporation (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Waterfront Capital Corporation as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that as at December 31, 2018 the Company's total deficit was $10,276,134. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Grant P. Block.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

April 9, 2019

WATERFRONT CAPITAL CORPORATION

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

As at December 31, 2018 and 2017

	2018	2017
ASSETS		
Current		
Cash	$ 144,183	$ 478,696
Accounts receivable	10,962	6,319
Loan receivable (Note 4)	103,518	-
Investments (Note 5)	698	6,975
Prepaid expenses (Note 7)	5,367	15,128
	$ 264,728	$ 507,118
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities (Note 7)	$ 24,076	$ 22,603
Shareholders' equity (deficiency)		
Capital stock (Note 8)	9,891,279	9,627,279
Reserves	625,507	625,507
Deficit	(10,276,134)	(9,768,271)
	240,652	484,515
	$ 264,728	$ 507,118

Nature of operations and going concern (Note 1)

On behalf of the Board:

"Douglas L. Mason" — Director

"Sead Hamzagic" — Director

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

WATERFRONT CAPITAL CORPORATION

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

For the years ended December 31, 2018 and 2017

	2018	2017
EXPENSES		
Consulting fees (Note 7)	$ 270,750	$ 73,000
Interest expense (Note 7)	13	2,781
Office and general (Note 7)	23,873	23,521
Professional fees	136,697	80,193
Regulatory and transfer agent fees	23,491	25,644
Rent (Note 7)	23,818	25,296
Share-based payments (Note 7)	-	254,625
Travel and entertainment	-	185
Wages and benefits (Note 7)	26,485	30,756
	(505,127)	(516,001)
OTHER ITEMS		
Other income	3,541	87
Gain (loss) on investments	(6,277)	409
	(2,736)	496
Net loss and comprehensive loss for the year	$ (507,863)	$ (515,505)
Basic and diluted loss per common share	$ (0.01)	$ (0.02)
Weighted average shares outstanding	43,258,057	23,280,054

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

WATERFRONT CAPITAL CORPORATION

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian Dollars)

	Number of Common Shares	Number of Preferred Shares	Share Capital Amount	Share-based Payment Reserves	Warrant Reserve	Deficit	Total
Authorized Capital							
Unlimited number of common shares without par value							
Unlimited number of preferred shares without par value							
Balance as at December 31, 2016	**19,566,106**	**2,400,000**	**$ 8,766,639**	**$ 307,882**	**$ 63,000**	**$ (9,252,766)**	**$ (115,245)**
Private placement (Note 8)	18,318,800	-	915,940	-	-	-	**915,940**
Share issue costs (Note 8)	-	-	(55,300)	-	-	-	**(55,300)**
Share-based payments	-	-	**-**	254,625	**-**	-	**254,625**
Net loss for the year	**-**	**-**	**-**	-	**-**	(515,505)	**(515,505)**
Balance as at December 31, 2017	**37,884,906**	**2,400,000**	**9,627,279**	**562,507**	**63,000**	**(9,768,271)**	**484,515**
Warrants exercised (Notes 8 and 9)	4,400,000	**-**	264,000	**-**	**-**	-	**264,000**
Conversion from preferred to common shares (Note 6)	2,400,000	(2,400,000)	**-**	**-**	**-**	-	**-**
Net loss for the year	**-**	**-**	**-**	-	**-**	(507,863)	**(507,863)**
Balance as at December 31, 2018	**44,684,906**	**-**	**$ 9,891,279**	**$ 562,507**	**$ 63,000**	**$ (10,276,134)**	**$ 240,652**

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

WATERFRONT CAPITAL CORPORATION
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
For the years ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (507,863)	$ (515,505)
Items not affecting cash:		
Share-based payments	-	254,625
Unrealized (gain) loss on investments	6,277	(409)
	(501,586)	(261,289)
Changes in non-cash working capital items:		
Increase in accounts receivable	(4,643)	(3,054)
Increase in interest from loan receivable	(3,518)	-
Decrease in prepaid expenses	9,761	3,764
Decrease (increase) in accounts payable and accrued liabilities	1,473	(195,048)
Net cash used in operating activities	(498,513)	(455,627)
CASH FLOWS FROM INVESTING ACTIVITIES		
Issuance of loan receivable	(100,000)	-
Proceeds on sales of securities	-	4,971
Net cash provided (used in) by investing activities	(100,000)	4,971
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issuance of shares	264,000	880,000
Finders' fees	-	(19,360)
Loan advances	-	35,500
Loan repayment	-	(46,500)
Net cash provided by financing activities	264,000	849,640
Increase (decrease) in cash for the year	(334,513)	398,984
Cash, beginning of year	478,696	79,712
Cash, end of year	$ 144,183	$ 478,696
Cash paid for interest	$ -	$ 2,781
Cash paid for tax	$ -	$ -

Supplemental disclosures with respect to cash flows (Note 10)

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.

On January 23, 2018, the Company entered into a letter of intent ("LOI") with Water Street Profile Services Inc. ("Water Street") to acquire all the issued and outstanding shares of Water Street (the "Transaction") in exchange for common shares of Waterfront Capital. On October 17, 2018 the parties mutually agreed to terminate the LOI. Neither party has any further obligations under the LOI.

On March 5, 2019, the Company entered into an LOI with Whistler Water Inc. ("Whistler Water") to acquire all the issued and outstanding shares of Whistler Water. The Transaction will be structured to be a reverse takeover under the policies of the TSX Venture Exchange ("TSX-V") (Note 15).

Going concern

These 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 and accumulated deficits over the past several fiscal years (2018 - $507,863; 2017 - $515,505), is currently unable to self-finance operations, has working capital of $240,652 (December 31, 2017 - $484,515), has a deficit of $10,276,134 (December 31, 2017 - $9,768,271) 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The policies applied in these consolidated financial statements are based on IFRS issued and effective as of December 31, 2018. The Board of Directors approved the consolidated financial statements for issue on April 9, 2019.

Basis of measurement

The 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 financial statements included the accounts of the Company and its wholly-owned subsidiary, Waterfront Strategic Capital Corp. up until February 7, 2017. 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 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 financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the amounts reported in the 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 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, loans 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.

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

The Company adopted all of the requirements of IFRS 9 – Financial Instruments (“IFRS 9”) as of January 1, 2018. IFRS 9 replaces IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company’s accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company’s new accounting policy for financial instruments under IFRS 9:

Classification
The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The Company did not restate prior periods and determined that the adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on January 1, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Financial instruments (Continued)

Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of comprehensive loss in the period in which they arise.

Impairment of financial assets at amortized cost
An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of comprehensive loss.

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 year.

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) 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.

(g) Income taxes

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

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

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

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

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

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

(h) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) New and amended accounting pronouncements

New accounting policies
Effective January 1, 2018, the Company adopted the following accounting standards

IFRS 9, Financial Instruments:
IFRS 9 Financial Instruments was issued by the IASB in July 2014 and has replaced IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes significant changes to hedge accounting. The Company adopted the standard retrospectively. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities. The following summarizes the significant changes in IFRS 9 compared to the current standard:

- IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. The change did not impact the carrying amounts of any of the Company’s financial assets on the transition date. Prior periods were not restated, and no material changes resulted from adopting this new standard.
- The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had no impact on the carrying amounts of financial assets on the transition date.

IFRS 15, Revenue from Contracts with Customers:
In May 2014 the IASB approved IFRS 15, Revenue from Contracts with Customers, which specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers, except for leases, financial instruments and insurance contracts. The adoption of IFRS 15 did not have an impact on the Company’s consolidated financial statements.

Accounting pronouncements adopted on January 1, 2019

IFRS 16, Leases
In January 2016, the IASB issued IFRS 16, Leases, which would replace IAS 17, Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Company will adopt this standard on January 1, 2019, the date of initial application. The Company does not expect the adoption of IFRS 16 to have an impact on the Company’s consolidated financial statements.

(Expressed in Canadian Dollars)

4. LOAN RECEIVABLE

In connection with the proposed LOI with Water Street, the Company entered into a secured loan agreement and advanced a principal amount of $100,000. The loan is secured by a security charge pursuant to a general security agreement dated May 25, 2018 and bears interest at a rate of 6% per annum. The loan is payable on maturity one year after the date of the agreement. In the event that the Company elects not to proceed with the transaction, all amounts owing under the loan will be repayable within ninety (90) days of demand.

On October 17, 2018, the Company elected not to proceed with its proposed acquisition of Water Street and has given Water Street ninety (90) days notice for the loan to be repaid. The Company is in discussions with Water Street and is currently negotiating a repayment plan for the loan.

5. INVESTMENTS

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

	2018	2017
Magnum Goldcorp Inc. – 34,876 post consolidated common shares (December 31, 2017 – 34,876 post consolidated common shares) [1]	$ 698	$ 6,975
	$ 698	$ 6,975

[1] The investee company has certain directors in common

On June 13, 2018 Magnum Goldcorp Inc. has consolidated its issued common share capital based on 4 old common shares for 1 new common shares.

6. PREFERRED SHARES

On January 17, 2014, the Company raised $600,000 through the issuance of one debenture (the “Debenture”) to Resource Income Partners Limited Partnership, part of the Sprott Group of Companies (the “Investor”). The Debenture paid an interest rate of 12% per annum and, at the election of the Investor, was convertible into common shares at $0.25 per share and would mature 5 years from issue date, unless otherwise converted. The Debenture was also convertible into preferred shares (the “Preferred Shares”), at the same conversion rate of $0.25 per Preferred Share. The Preferred Shares have a cumulative dividend of 12% per annum and are convertible into common shares, at the election of the Investor, on the basis of one common share for one Preferred Share. As well, the Preferred Shares automatically convert into common shares at a conversion price of $0.25 per share where the Company’s common shares trade at a price not less than $0.50 per share for 20 consecutive trading days. At the Company’s Annual General and Special Meeting held on July 3, 2014, the shareholders approved the issuance of a class of Preferred Shares, which was accepted by the TSX Venture Exchange on September 16, 2014. On September 16, 2014, the Debenture was converted into 2,400,000 Preferred Shares. On June 22, 2018, the Preferred Shares were converted into 2,400,000 Common Shares.

(Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS

(a) Included in prepaid expenses at December 31, 2018 is $nil (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 December 31, 2018 is $1,050 (December 31, 2017 - $2,344) due to companies controlled by directors, former directors and/or companies with certain directors in common.

(c) During the year ended December 31, 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 $26,485 (2017 - $30,756) and shared expenses in the amount of $37,734 (2017 - $16,039). The shared expenses for the year ended December 31, 2018 include a $20,000 break fee to cover committed expenses.

(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 was 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 year ended December 31, 2018, the Company recovered, paid or accrued the following amounts to directors, companies or limited partnerships controlled by directors or former directors:

	2018	2017
Consulting	$ 190,000	$ 64,000
Interest	-	2,781
Rent	23,818	25,296
Share-based payments	-	135,807

Key management compensation includes the following:

	2018	2017
Consulting	$ 160,000	$ 64,000
Share-based payments	-	135,807

Included in consulting fees are one-time payments of $50,000 to the CEO and CFO to terminate existing consulting contracts.

(Expressed in Canadian Dollars)

8. CAPITAL STOCK

During the year ended December 31, 2018, the following share transactions were completed by the Company:

- On January 24, 2018, 4,400,000 warrants were exercised at $0.06 for total proceeds of $264,000.
- On June 22, 2018, 2,400,000 Preferred Shares were converted into 2,400,000 Common Shares with no effect on share capital.

During the year ended December 31, 2017, the share following transactions were completed by the Company:

- On October 13, 2017, the Company completed its non-brokered private placement and raised an aggregate of $880,000 by the issuance of 17,600,000 units (the "Units") at a price of $0.05 per Unit. Each Unit consisted 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 finders' fee of 718,800 Units (valued of $44,925) and $19,360 in cash, being 10% of the gross proceeds raised by the Company from investors introduced to the Company.

9. STOCK OPTIONS AND WARRANTS

Stock Options

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

On October 13, 2017, the Company 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 in accordance with the terms of the Company's stock option plan.

On October 16, 2017, the Company granted 75,000 incentive stock options to a director at an exercise price of $0.125 per share for a term of 5 years in accordance with the terms of the Company's stock option plan.

As at December 31, 2018, the following incentive stock options were outstanding:

2018	2017	Exercise Price	Expiry Date
-	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
2,940,000	2,940,000	$ 0.10	October 13, 2022
75,000	75,000	$ 0.125	October 16, 2022
3,106,000	**3,781,000**		

(Expressed in Canadian Dollars)

9. STOCK OPTIONS AND WARRANTS (Continued)

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2016	**841,000**	**$ 0.10**
Expired	(75,000)	0.10
Issued	3,015,000	0.10
Outstanding, December 31, 2017	**3,781,000**	**$ 0.10**
Expired	(675,000)	0.10
Outstanding and exercisable, December 31, 2018	**3,106,000**	**$ 0.10**

The fair value of stock options granted in 2017 were calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2017
Expected life (years)	5
Interest rate	1.71 - 1.72%
Volatility	119.70 - 123.50%
Dividend yield	0.00%

Stock based compensation recognized for options granted and vested during the year ended December 31, 2018 was $nil (2017 - $254,625).

Warrants

As at December 31, 2018, the following warrants were outstanding:

	2018	2017	Exercise Price	Expiry Date
	-	3,400,000	$ 0.06	January 26, 2018
	-	1,000,000	$ 0.06	February 3, 2018
	18,318,800	18,318,800	$ 0.10	October 13, 2019
	18,318,800	22,718,800		

Warrant transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2016	4,400,000	**$ 0.06**
Issued	18,318,800	0.10
Outstanding, December 31, 2017	22,718,800	**$ 0.09**
Exercised	(4,400,000)	0.06
Outstanding and exercisable, December 31, 2018	18,318,800	**$ 0.10**

10. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

There were no non-cash financing or investing transactions during the year ended December 31, 2018.

The significant non-cash financing or investing transactions during the year ended December 31, 2017 included:

- Issued 718,800 units (with a value of $35,940) in connection with a private placement (Note 7).

11. 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 will need to raise funds through future share issuances, issue new debt or dispose of assets.

There have been no changes to the Company's approach to capital management during the year ended December 31, 2018. 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.

12. FINANCIAL INSTRUMENTS

Fair value

The Company classifies its cash and investments as fair value through profit or loss; accounts receivable and loans receivable at amortized cost; and accounts payable and accrued liabilities at amortized cost.

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

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS (Continued)

The Company's measurement of fair value of financial instruments as at December 31, 2018 and 2017 in accordance with the fair value hierarchy is as follows:

	Total	Level 1	Level 2	Level 3
December 31, 2018				
Cash	$ 144,183	$ 144,183	$ -	$ -
Investments	$ 698	$ 698	$ -	$ -
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, accounts receivable, and loan receivable.

The Company's credit risk is primarily attributable to cash, investments and loans receivable. 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 accounts receivable and loans receivable has been assessed as low from management, as the Company has strong working relationships with the parties involved and its loan receivable is secured against a general security agreement (Note 4).

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

	2018	2017
Bank accounts	$ 144,183	$ 478,696
Investments	698	6,975
Accounts receivable	10,962	6,319
Loan receivable	103,518	-
	$ 259,361	$ 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 December 31, 2018, the Company had accounts payable and accrued liabilities of $24,076 (2017 - $22,603). Based on the current funds held as at December 31, 2018, the Company will need to rely upon financing from shareholders and/or debt holders to obtain sufficient working capital to proceed with a proposed acquisition. There is no assurance that such financing will be available on terms and conditions acceptable to the Company.

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS (Continued)

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

December 31, 2018						
Due Date		Accounts Payable and Accrued Liabilities		Due to Related Parties		Total
0 – 90 days	$	23,026	$	1,050	$	24,076

December 31, 2017						
Due Date		Accounts Payable and Accrued Liabilities		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 investments, as they are carried at fair values based on quoted market prices.

(Expressed in Canadian Dollars)

13. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes as at December 31, 2018 is as follows:

	2018	2017
Loss for the year	$ 507,863	$ 515,505
Expected income tax (recovery)	(137,000)	(134,000)
Non-deductible expenditures	1,000	66,000
Change in statutory, foreign tax, foreign exchange rates and other	-	(45,000)
Share issue costs	-	(5,000)
Adjust to prior years provision versus statutory tax returns and expiry of non-capital losses	(46,000)	2,000
Change in unrecognized deductible temporary differences	182,000	116,000
	$ -	$ -

In September 2017, the British Columbia (BC) Government proposed changes to the general corporate income tax rate to increase the rate from 11% to 12% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on October 26, 2017. The relevant deferred tax balances have been remeasured to reflect the increase in the Company's combined Federal and Provincial (BC) general corporate income tax rate from 26% to 27%.

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

	2018	Expiry Dates	2017
Temporary Differences			
Allowable capital losses	$ 2,657,000	not applicable	$ 2,657,000
Share issue costs	33,000	2021	18,000
Non-capital losses available for future period	3,132,000	2027 to 2038	2,483,000
Marketable securities	8,000	not applicable	2,000

14. SEGMENTED INFORMATION

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

15. SUBSEQUENT EVENTS

On March 5, 2019, the Company entered into an LOI with Whistler Water to acquire all the issued and outstanding shares of Whistler Water (the "Proposed Transaction").

In connection with the Proposed Transaction the parties will arrange an equity financing (the "Financing") on a best efforts basis for gross proceeds of up to $4,000,000. Each Unit will be comprised of one common share and one transferable warrant with each warrant exercisable for a period of 2 years at an exercise price equal to twice the financing price. The warrants will contain certain accelerated exercise provisions to be determined at the time of issuance.

Closing of the Proposed Transaction is subject to a number of conditions being satisfied, including the following:

- Execution of a mutually accepted Definitive Agreement on or before the termination date;
- Satisfactory completion of due diligence by each of the parties prior to execution of the Definitive Agreement;
- The approval of the Waterfront shareholders;
- Closing of the Financing;
- Whistler Water's long term debt being converted into equity of Whistler Water and Whistler Water having no debt other than trade payables in the ordinary course;
- The receipt of all require regulatory, stock exchange security holder approvals, consents, permits, waivers ,exemptions and orders; and
- No breach of the obligations under the LOI.

Whistler Water may terminate the LOI at any time in order to enter into a transaction with a third-party for a break fee of $200,000.

A finder's fee of 500,000 common shares of the Company will be paid to an arm's length party for introducing Whistler Water and the Company payment of the fee will be subject to completion of the transaction.