

# WATERFRONT CAPITAL CORPORATION

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West Vancouver, British Columbia  
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## Form 51-102F6 STATEMENT OF EXECUTIVE COMPENSATION (for the year ended December 31, 2018)

The following information is presented by the management of Waterfront Capital Corporation (the “Company”) in accordance with Form 51-102F6 – *Statement of Executive Compensation*, and sets forth compensation as at December 31, 2018.

### Named Executive Officers

During the financial year ended December 31, 2018, the Company had two Named Executive Officers (“NEOs”) being, Douglas L. Mason, the Chief Executive Officer (“CEO”) and President and Sead Hamzagic, the Chief Financial Officer (“CFO”).

“Named Executive Officer” or “NEO” means: (a) each CEO, (b) each CFO, (c) each of the three most highly compensated executive officers of the Company, including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000; and (d) each individual who would be a NEO under (c) above but for the fact that the individual was neither an executive officer of the Company, nor acting in a similar capacity, at the end of that financial year.

### Compensation Discussion and Analysis

The compensation of the Company’s Named Executive Officers is determined by the Company’s Board of Directors (the “Board”).

The general objectives of the Board’s compensation decisions are:

- to encourage management to achieve a high level of performance and results with a view to increasing long-term shareholder value;
- to align management’s interests with the long-term interest of shareholders;
- to provide compensation commensurate with peer companies in order to attract and retain highly qualified executives; and
- to ensure that total compensation paid takes into account the Company’s overall financial position.

The Board’s compensation program is designed to provide competitive levels of compensation, a significant portion of which is dependent upon individual and corporate performance and contribution to increasing shareholder value. The Board recognizes the need to provide a total compensation package that will attract and retain qualified and experienced executives as well as align the compensation level of each executive to that executive’s level of responsibility. In general, a NEO’s compensation is comprised of contractor payments and stock option grants.

The objectives and reasons for this system of compensation are generally to allow the Company to remain competitive compared to its peers in attracting experienced personnel. All salaries and/or consulting fees are set on a basis of a review and comparison of compensation paid to executives at similar companies (the “peer group”). The companies in the peer group operate in a similar business environment and are of similar size, scope and complexity. Currently, the Company’s peer group consists of the following companies: Gratomic Inc., LGC Capital Ltd., Eastwest Bioscience Inc., New Age Brands Inc., James Bay Resources Ltd., Far Resources Ltd., Sintana Energy Inc., Copper Lake Resources Ltd., Clean Commodities Corp., Getty Copper Inc., International Bethlehem Mining Corp., Canadian International Pharma Corp. and Zenith Energy Ltd. Changes to the peer group may be made from time to time as recommended by management.

Stock option grants are designed to reward the NEOs for success on a similar basis as the shareholders of the Company, but these rewards are highly dependent upon the volatile stock market, much of which is beyond the control of the NEOs.

### **Share-Based and Option-Based Awards**

The Company does not grant share-based awards. The Board is responsible for granting options to the NEOs. Stock option grants are designed to reward the NEOs for success on a similar basis as the shareholders of the Company, but these rewards are highly dependent upon the volatile stock market, much of which is beyond the control of the NEOs. When new options are granted, the Board takes into account the previous grants of options, the number of stock options currently held, position, overall individual performance, anticipated contribution to the Company’s future success and the individual’s ability to influence corporate and business performance. The purpose of granting such stock options is to assist the Company in compensating, attracting, retaining and motivating the officers, directors and employees of the Company and to closely align the personal interest of such persons to the interest of the shareholders. The exercise price of the stock options granted is determined by the market price at the time of grant.

### **Risk of Compensation Practices and Disclosure**

The Company has not formally considered the risks associated with the Company’s compensation policies and practices. The Company’s compensation policies and practices give greater weight toward long-term incentives to mitigate the risk of encouraging short term goals at the expense of long term sustainability. The discretionary nature of annual bonus awards and option grants are significant elements of the Company’s compensation plans and provide the Board with the ability to reward historical performance and behaviour that the Board considers to be aligned with the Company’s best interests. The Company has attempted to minimize those compensation practices and policies that expose the Company to inappropriate or excessive risks.

The Company’s NEOs and directors are not permitted to purchase financial instruments, including for greater certainty, prepaid variable forward contracts, equity swaps, collars or units of exchange funds that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director.

## **SUMMARY COMPENSATION TABLE**

Set out below is a summary of compensation paid or accrued during the Company’s three most recently completed financial years to the Company’s NEOs.

**Summary Compensation Table**

Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$) <sup>(1)</sup>	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Douglas L. Mason, CEO & President	2018	30,000	Nil	Nil	N/A	N/A	N/A	50,000 <sup>(2)</sup>	80,000
	2017	30,000	Nil	71,375	N/A	N/A	N/A	Nil	101,375
	2016	30,000	Nil	Nil	N/A	N/A	N/A	Nil	30,000
Sead Hamzagic, CFO	2018	30,000	Nil	Nil	N/A	N/A	N/A	50,000 <sup>(2)</sup>	80,000
	2017	30,000	Nil	48,283	N/A	N/A	N/A	Nil	78,283
	2016	30,000	Nil	Nil	N/A	N/A	N/A	Nil	30,000

Note:

- (1) The fair value of option-based awards is determined by the Black-Scholes Option Pricing Model with the following assumptions:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Risk-free interest rate:	N/A	1.71-1.72%	N/A
Expected dividend yield:	N/A	0.00%	N/A
Expected volatility:	N/A	119.70-123.50%	N/A
Expected life of option:	N/A	5 years	N/A

The Company has chosen the Black-Scholes methodology to calculate the grant date fair value of option-based awards as it is the methodology used in the Company’s financial statements.

- (2) Compensation paid for termination of consulting agreement (see “Termination and Change of Control Benefits” at page 5 herein).

**Narrative Discussion**

As a cost effective measure, the Company shares office space, equipment, staff, utilities and facilities with certain other companies, most of which companies have certain directors in common (the “Other Entities”). In view of the above, effective August 1, 2012, the Company has had an arrangement with Waterfront Communications Inc. (“WCI”), a private company that has been engaged to handle, allocate and recover expenses amongst the Company and the Other Entities on a non-profit basis. WCI and the Company have certain directors in common. During the most recently completed financial year, the Company paid \$64,219 to WCI in reimbursement for such shared expenses incurred on the Company’s behalf.

The Company pays office rent to Beachfront Enterprises Limited Partnership (“Beachfront Enterprises”), a limited partnership, the majority of which partnership is owned by a director/officer of the Company, namely, Douglas L. Mason. During the most recently completed financial year, the Company paid \$23,816 in rent to Beachfront Enterprises. Specifically, this rent figure includes a basic rent amount of \$15,412 and also includes \$8,404 which is for the Company’s proportionate share of the operating costs for the leased premises, the Company’s proportionate share of applicable property taxes and utilities, as well as other related items chargeable on a net lease basis.

## INCENTIVE PLAN AWARDS

### Outstanding Share-Based Awards and Option-Based Awards

The Company does not have any share-based awards held by a NEO. The following table sets forth the outstanding option-based awards held by the NEOs of the Company at the end of the most recently completed financial year:

### Outstanding Share -Based Awards and Option-Based Awards

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup> (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Douglas L. Mason CEO & President	850,000 5,000	0.10 0.12	October 13, 2022 January 19, 2020	Nil Nil	N/A N/A	N/A N/A
Sead Hamzagic, CFO	575,000 5,000	0.10 0.12	October 13, 2022 January 19, 2020	Nil Nil	N/A N/A	N/A N/A

Notes:

- (1) **“In-the-Money Options”** means the excess of the market value of the Company’s shares on December 31, 2018 over the exercise price of the options. The market price for the Company’s common shares on December 31, 2018 was \$0.06.

### Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth details of the value vested or earned for all incentive plan awards during the most recently completed financial year by each NEO:

### Value Vested or Earned for Incentive Plan Awards During the Most Recently Completed Financial Year

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Douglas L. Mason, CEO & President	Nil	N/A	Nil
Sead Hamzagic, CFO	Nil	N/A	Nil

Note:

- (1) All options granted to the NEOs vested on the date of grant and the exercise price of such options was equal to the closing price of the Company’s shares as of the date of grant.

## **Narrative Discussion**

The following information is intended as a brief description of the Company's stock option plan (the "Stock Option Plan") and is qualified in its entirety by the full text of the Stock Option Plan, which will be available for review at the Company's next annual general meeting.

1. The maximum aggregate number of shares that may be issued upon the exercise of stock options granted under the Stock Option Plan shall not exceed 10% of the issued and outstanding share capital of the Company, the exercise price of which, as determined by the Board in its sole discretion, shall not be less than the last closing price of the Company's shares traded through the facilities of the TSX Venture Exchange (the "Exchange") prior to the announcement of the option grant, or such other price as may be required or permitted by the Exchange, or if the shares are no longer listed for trading on the Exchange, then such other exchange or quotation system on which the shares are listed or quoted for trading.
2. The Board shall not grant options to any one person in any 12 month period which will, when exercised, exceed 5% of the issued and outstanding shares of the Company or to any one consultant or to those persons employed by the Company who perform investor relations services which will, when exercised, exceed 2% of the issued and outstanding shares of the Company.
3. Upon expiry of an option, or in the event an option is otherwise terminated for any reason, the number of shares in respect of the expired or terminated option shall again be available for the purposes of the Stock Option Plan. All options granted under the Stock Option Plan may not have an expiry date exceeding five years from the date on which the Board grants and announces the granting of the option.
4. If the option holder ceases to be a director, officer, employee or consultant of the Company (other than by reason of death) then the option granted shall expire on a date stipulated by the Board at the time of grant and, in any event, must terminate within 60 days after the date on which the option holder ceases to be a director, officer, employee or consultant, subject to the terms and conditions set out in the Stock Option Plan.

The Board retains the discretion to impose vesting periods on any options granted. In accordance with the policies of the Exchange, stock options granted to consultants performing investor relations services must vest in stages over a minimum of 12 months with no more than one-quarter of the stock options vesting in any three month period.

## **PENSION BENEFITS**

The Company does not have a pension plan that provides for payments or benefits to the NEOs at, following, or in connection with retirement.

## **TERMINATION AND CHANGE OF CONTROL BENEFITS**

The Company previously entered into a consulting agreement dated February 10, 2006, as amended, with Waterfront Capital Partners Inc., formerly Criterion Capital Corporation (a corporation controlled by Douglas L. Mason, a director of the Company) under which the Company was required to pay a consulting fee equal to \$2,500 per month, and additionally, the Company previously entered into a consulting agreement dated October 1, 2008, as amended, with Sead Hamzagic, Inc. (a corporation controlled by Sead Hamzagic, a director of the Company) under which the Company was required to pay a consulting fee of \$2,500 per month (collectively the "Consulting Agreements"). As of November 30, 2018, the Company

terminated the Consulting Agreements, and in connection therewith, paid a termination fee of \$50,000 to each of the two consulting companies.

Other than disclosed herein, the Company and its subsidiaries have no compensatory plan, contract or arrangement where a Named Executive Officer is entitled to receive more than \$100,000 (including periodic payments or instalments) to compensate such executive officer in the event of resignation, retirement or other termination of the Named Executive Officer's employment with the Company or its subsidiaries, a change of control of the Company or its subsidiaries, or a change in responsibilities of the Named Executive Officer following a change in control.

### DIRECTOR COMPENSATION

Other than compensation paid to the NEOs, and except as noted below, no compensation was paid to directors in their capacity as directors of the Company or its subsidiaries, in their capacity as members of a committee of the Board or of a committee of the board of directors of its subsidiaries, or as consultants or experts, during the Company's most recently completed financial year.

Set out below is a summary of compensation paid or accrued during the Company's most recently completed financial year to the Company's directors, other than the NEOs previously disclosed:

**Director Compensation Table**

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards <sup>(1)</sup> (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Andrzej Kowalski <sup>(2)</sup>	3,167	Nil	Nil	N/A	N/A	Nil	3,167
Mehrune Payravi <sup>(3)</sup>	1,833	Nil	Nil	N/A	N/A	Nil	1,833
Brayden Sutton <sup>(4)</sup>	30,000	Nil	Nil	N/A	N/A	Nil	30,000
Joe Bleackley <sup>(5)</sup>	Nil	Nil	Nil	N/A	N/A	Nil	Nil

Note:

(1) The fair value of option-based awards is determined by the Black-Scholes Option Pricing Model with the following assumptions:

Risk-free interest rate: N/A  
 Expected dividend yield: N/A  
 Expected volatility: N/A  
 Expected life of option: N/A

The Company has chosen the Black-Scholes methodology to calculate the grant date fair value of option-based awards as it is the methodology used in the Company's financial statements.

(2) Andrzej Kowalski resigned as a director on November 27, 2018.

(3) Mehrune Payravi resigned as a director on November 27, 2018.

(4) Brayden Sutton was appointed as a director on November 15, 2018 and compensation was paid to a company controlled by Brayden Sutton for consulting services provided to the Company during the period from January 1, 2018 to December 31, 2018.

(5) Joe Bleackley was appointed as a director on November 27, 2018.

## Narrative Discussion

Other than referred to herein, no compensation was paid to directors in their capacity as directors of the Company or its subsidiaries, in their capacity as members of a committee of the board of directors of the Company or its subsidiaries, or as consultants or experts, during the Company’s most recently completed financial year.

The Company has entered into a consulting agreement dated January 1, 2018, as extended, with Sutton Ventures Ltd. (a corporation controlled by Brayden Sutton, a director of the Company) under which the Company is currently required to pay a consulting fee of \$2,500 per month.

## INCENTIVE PLAN AWARDS

### Outstanding Share-Based Awards and Option-Based Awards

The Company does not have any share-based awards held by a director. The following table sets forth details of all awards granted to directors of the Company which are outstanding at the end of the most recently completed financial year.

### Outstanding Option-Based Awards and Option-Based Awards

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup> (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Joe Bleackley	Nil	N/A	N/A	Nil	N/A	N/A
Brayden Sutton	850,000	0.10	October 13, 2022	Nil	N/A	N/A
Andrzej Kowalski <sup>(2)</sup>	50,000	0.10	October 13, 2022	Nil	N/A	N/A
	75,000	0.125	October 16, 2022	Nil	N/A	N/A
Mehrun Payravi <sup>(3)</sup>	50,000	0.10	October 13, 2022	Nil	N/A	N/A

Notes:

- (1) “**In-the-Money Options**” means the excess of the market value of the Company’s shares on December 31, 2018 over the exercise price of the options. The market price for the Company’s common shares on December 31, 2018 was \$0.06.
- (2) Andrzej Kowalski resigned as a director on November 27, 2018.
- (3) Mehrun Payravi resigned as a director on November 27, 2018.

### Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth details of the value vested or earned for all incentive plan awards during the most recently completed financial year by each director:

**Value Vested or Earned for Incentive Plan Awards During the Most Recently Completed Financial Year**

<b>Name</b>	<b>Option-based awards – Value vested during the year<sup>(1)</sup> (\$)</b>	<b>Share-based awards – Value vested during the year (\$)</b>	<b>Non-equity incentive plan compensation – Value earned during the year (\$)</b>
Joe Bleackley	Nil	N/A	Nil
Brayden Sutton	Nil	N/A	Nil
Andrzej Kowalski <sup>(2)</sup>	Nil	N/A	Nil
Mehrun Payravi <sup>(3)</sup>	Nil	N/A	Nil

Note:

- (1) All options granted to the directors vested on the date of grant and the exercise price of such options was equal to the closing price of the Company's shares as of the date of grant.
- (2) Andrzej Kowalski resigned as a director on November 27, 2018.
- (3) Mehrun Payravi resigned as a director on November 27, 2018.