

**WATERFRONT CAPITAL CORPORATION**

**Interim Financial Statements  
(Unaudited – Prepared by Management)**

**For the six-month period ended June 30, 2019  
(Expressed in Canadian Dollars)**

**Contact Information:**

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## WATERFRONT CAPITAL CORPORATION

**Dated August 14, 2019**

### **Management's Comments on Unaudited Interim Financial Statements**

The accompanying unaudited interim financial statements of Waterfront Capital Corporation for the six months ended June 30, 2019 and 2018 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim financial statements for the six-month period ended June 30, 2019.

# WATERFRONT CAPITAL CORPORATION

## Interim Statements of Financial Position

(Unaudited – Expressed in Canadian Dollars)

As at June 30, 2019 and December 31, 2018

	June 30, 2019	December 31, 2018
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 22,236	\$ 144,183
Accounts receivable	4,049	10,962
Loan receivable (Note 4)	95,981	103,518
Investments (Note 5)	1,569	698
Prepaid expenses (Note 7)	5,749	5,367
	<u>\$ 129,584</u>	<u>\$ 264,728</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 27,650	\$ 24,076
<b>Shareholders' equity (deficiency)</b>		
Capital stock (Note 8)	9,891,279	9,891,279
Reserves	625,507	625,507
Deficit	(10,414,852)	(10,276,134)
	<u>101,934</u>	<u>240,652</u>
	<u>\$ 129,584</u>	<u>\$ 264,728</u>

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 financial statements

**WATERFRONT CAPITAL CORPORATION**  
**Interim Statements of Loss and Comprehensive Loss**  
(Unaudited – Expressed in Canadian Dollars)  
For the six months ended June 30, 2019 and 2018

	Three month period ended June 30, 2019	Three month period ended June 30, 2018	Six month period ended June 30, 2019	Six month period ended June 30, 2018
<b>EXPENSES</b>				
Consulting fees (Note 7)	26,500	56,750	53,000	93,250
Office and general (Note 7)	5,704	5,418	13,685	11,875
Professional fees	29,819	28,275	44,895	44,109
Regulatory and transfer agent fees	4,955	5,495	8,922	11,083
Rent (Note 7)	5,955	5,955	11,909	11,909
Travel and entertainment	-	-	-	809
Wages and benefits (Note 7)	5,031	6,368	10,330	12,964
	<u>(77,964)</u>	<u>(108,261)</u>	<u>(142,741)</u>	<u>(185,999)</u>
<b>OTHER ITEMS</b>				
Other income	1,543	986	3,151	1,088
Unrealized loss on investments	872	(1,046)	872	(4,534)
	<u>2,415</u>	<u>(60)</u>	<u>4,023</u>	<u>(3,446)</u>
<b>Net loss and comprehensive loss for the period</b>	<u>\$ (75,549)</u>	<u>\$ (108,321)</u>	<u>\$ (138,718)</u>	<u>\$ (189,445)</u>
Basic and diluted loss per common share	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted average shares outstanding	<u>44,684,906</u>	<u>42,284,906</u>	<u>44,684,906</u>	<u>41,701,481</u>

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

## WATERFRONT CAPITAL CORPORATION

### Interim Statements of Changes in Shareholders' Deficiency

(Unaudited - Expressed in Canadian Dollars)

	Number of Common Shares	Number of Preferred Shares	Share Capital Amount	Share-based Payment Reserves	Warrant Reserve	Deficit	Total
<b>Authorized Capital</b>							
Unlimited number of common shares without par value							
Unlimited number of preferred shares without par value							
<b>Balance as at December 31, 2017</b>	<b>37,884,906</b>	<b>2,400,000</b>	<b>\$ 9,627,279</b>	<b>\$ 562,507</b>	<b>\$ 63,000</b>	<b>\$ (9,768,271)</b>	<b>\$ 484,515</b>
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 period	-	-	-	-	-	(189,445)	(189,445)
<b>Balance as at June 30, 2018</b>	<b>44,684,906</b>	<b>-</b>	<b>9,891,279</b>	<b>562,507</b>	<b>63,000</b>	<b>(9,957,716)</b>	<b>\$ 559,070</b>
Net loss for the period	-	-	-	-	-	(318,418)	(318,418)
<b>Balance as at December 31, 2018</b>	<b>44,684,906</b>	<b>-</b>	<b>9,891,279</b>	<b>562,507</b>	<b>63,000</b>	<b>(10,276,134)</b>	<b>240,652</b>
Net loss for the period	-	-	-	-	-	(138,718)	(138,718)
<b>Balance as at June 30, 2019</b>	<b>44,684,906</b>	<b>-</b>	<b>\$ 9,891,279</b>	<b>\$ 562,507</b>	<b>\$ 63,000</b>	<b>\$ (10,414,852)</b>	<b>\$ 101,934</b>

The accompanying notes are an integral part of these financial statements

# WATERFRONT CAPITAL CORPORATION

## Statements of Cash Flows

(Unaudited - Expressed in Canadian Dollars)

For the six months ended June 30, 2019 and 2018

	Three month period ended June 30, 2019	Three month period ended June 30, 2018	Six month period ended June 30, 2019	Six month period ended June 30, 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net loss for the period	\$ (75,549)	\$ (108,321)	\$ (138,718)	\$ (189,445)
Items not affecting cash:				
Unrealized (gain) loss on investments	(872)	1,046	(872)	4,534
	(76,421)	(107,275)	(139,590)	(184,911)
Changes in non-cash working capital items:				
Decrease (Increase) in accounts receivable	(1,468)	(2,217)	6,913	245
Increase in loan interest receivable	4,016	(100,000)	2,537	(100,000)
Proceeds on loan receivable	5,000	-	5,000	-
Decrease in prepaid expenses	1,684	3,509	(382)	(6,939)
Decrease (increase) in accounts payable and accrued liabilities	3,092	4,248	3,575	3,479
Net cash used in operating activities	(64,097)	(201,735)	(121,947)	(288,126)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds on issuance of shares	-	-	-	264,000
Net cash provided by financing activities	-	-	-	264,000
<b>Increase (decrease) in cash for the period</b>	(64,097)	(201,735)	(121,947)	(24,126)
<b>Cash, beginning of period</b>	86,333	656,305	144,183	478,696
<b>Cash, end of period</b>	\$ 22,326	\$ 454,570	\$ 22,236	\$ 454,570
Cash paid for interest	\$ -	\$ -	\$ -	\$ 7
Cash paid for tax	\$ -	\$ -	\$ -	\$ -

Supplemental disclosures with respect to cash flows (Note 10)

The accompanying notes are an integral part of these financial statements

# **WATERFRONT CAPITAL CORPORATION**

## **Notes to the Financial Statements**

(Unaudited - Expressed in Canadian Dollars)

June 30, 2019

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### **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.

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 \$101,934 (December 31, 2018 - \$240,652), has a deficit of \$10,414,852 (December 31, 2018 - \$10,276,134) and has limited resources and no assurances that sufficient funding will be available to obtain the necessary financing to meet its obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The application of the going concern concept is dependent upon the Company's ability to generate future profitable operations and receive continued financial support from its creditors and shareholders. Management believes that the Company will be successful in raising sufficient working capital to maintain operations for the upcoming year. Management is actively engaged in the review and due diligence of its revenue and expenses and may seek to raise the necessary capital to meet new funding requirements. There can be no assurance that management's plan will be successful. If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

### **2. BASIS OF PREPARATION**

#### **Statement of compliance**

These interim financial statements are unaudited and have been prepared in accordance with IAS 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The policies applied in these financial statements are based on IFRS issued and effective as of June 30, 2019. The Board of Directors approved the financial statements for issue on August 14, 2019.

# WATERFRONT CAPITAL CORPORATION

## Notes to the Financial Statements

(Unaudited - Expressed in Canadian Dollars)

June 30, 2019

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### 2. BASIS OF PREPARATION (Continued)

#### **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.

#### **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.

#### Critical accounting estimates:

##### **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.

##### **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.



# WATERFRONT CAPITAL CORPORATION

## Notes to the Financial Statements

(Unaudited - Expressed in Canadian Dollars)

June 30, 2019

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### 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.

***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 statements of comprehensive loss in the period in which they arise.

# WATERFRONT CAPITAL CORPORATION

## Notes to the Financial Statements

(Unaudited - Expressed in Canadian Dollars)

June 30, 2019

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (b) Financial instruments (Continued)

##### *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 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).

#### (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.

# WATERFRONT CAPITAL CORPORATION

## Notes to the Financial Statements

(Unaudited - Expressed in Canadian Dollars)

June 30, 2019

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (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.

#### (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.

# WATERFRONT CAPITAL CORPORATION

## Notes to the Financial Statements

(Unaudited - Expressed in Canadian Dollars)

June 30, 2019

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (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.

# WATERFRONT CAPITAL CORPORATION

## Notes to the Financial Statements

(Unaudited - Expressed in Canadian Dollars)

June 30, 2019

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### 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 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 adopted this standard on January 1, 2019, the date of initial application. The adoption of IFRS 16 did not have an impact on the Company's financial statements.

# WATERFRONT CAPITAL CORPORATION

## Notes to the Financial Statements

(Unaudited - Expressed in Canadian Dollars)

June 30, 2019

### 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 and Water Street negotiated a short-term repayment plan for the loan.

### 5. INVESTMENTS

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

	June 30, 2019	December 31, 2018
Magnum Goldcorp Inc. – 34,876 post consolidated common shares (December 31, 2018 – 34,876 post consolidated common shares) <sup>(1)</sup>	\$ 1,569	\$ 698
	\$ 1,569	\$ 698

<sup>(1)</sup> 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.

# WATERFRONT CAPITAL CORPORATION

## Notes to the Financial Statements

(Unaudited - Expressed in Canadian Dollars)

June 30, 2019

### 7. RELATED PARTY TRANSACTIONS

- (a) Included in accounts payable at June 30, 2019 is \$97 (December 31, 2018 - \$1,050) due to companies controlled by directors, former directors and/or companies with certain directors in common.
- (b) During the period ended June 30, 2019, 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 \$10,330 (June 30, 2018 - \$12,964) and shared expenses in the amount of \$7,453 (June 30, 2018 - \$10,095).
- (c) 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). No amounts are outstanding as at June 30, 2019.
- (d) During the period ended June 30, 2019, the Company recovered, paid or accrued the following amounts to directors, companies or limited partnerships controlled by directors or former directors:

	June 30, 2019	June 30, 2018
Consulting	\$ 47,000	\$ 32,500
Rent	11,909	11,909

Key management compensation includes the following:

	June 30, 2019	June 30, 2018
Consulting	\$ 45,000	\$ 30,000

### 8. CAPITAL STOCK

During the period ended June 30, 2019, there were no share transactions.

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.

# WATERFRONT CAPITAL CORPORATION

## Notes to the Financial Statements

(Unaudited - Expressed in Canadian Dollars)

June 30, 2019

### 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.

As at June 30, 2019, the following incentive stock options were outstanding:

June 30, 2019	December 31, 2018	Exercise Price	Expiry Date
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
<b>3,106,000</b>	<b>3,106,000</b>		

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
<b>Outstanding</b> , December 31, 2017	<b>3,781,000</b>	<b>\$ 0.10</b>
Expired	(675,000)	0.10
<b>Outstanding and exercisable</b> , December 31, 2018 and June 30, 2019	<b>3,106,000</b>	<b>\$ 0.10</b>

#### Warrants

As at June 30, 2019, the following warrants were outstanding:

June 30, 2019	December 31, 2018	Exercise Price	Expiry Date
18,318,800	18,318,800	\$ 0.10	October 13, 2019

Warrant transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
<b>Outstanding and exercisable</b> , December 31, 2017	22,718,800	<b>\$ 0.09</b>
Exercised	(4,400,000)	0.06
<b>Outstanding and exercisable</b> , December 31, 2018 and June 30, 2019	<b>18,318,800</b>	<b>\$ 0.10</b>



## **WATERFRONT CAPITAL CORPORATION**

### Notes to the Financial Statements

(Unaudited - Expressed in Canadian Dollars)

June 30, 2019

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#### **10. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS**

There were no non-cash financing or investing transactions during the period ended June 30, 2019.

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

#### **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 period ended June 30, 2019. 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.

# WATERFRONT CAPITAL CORPORATION

## Notes to the Financial Statements

(Unaudited - Expressed in Canadian Dollars)

June 30, 2019

### 12. FINANCIAL INSTRUMENTS (Continued)

The Company's measurement of fair value of financial instruments as at June 30, 2019 and December 31, 2018 in accordance with the fair value hierarchy is as follows:

	Total	Level 1	Level 2	Level 3
June 30, 2019				
Cash	\$ 22,236	\$ 22,236	\$ -	\$ -
Investments	\$ 1,569	\$ 1,569	\$ -	\$ -
December 31, 2018				
Cash	\$ 144,183	\$ 144,183	\$ -	\$ -
Investments	\$ 698	\$ 698	\$ -	\$ -

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:

	June 30, 2019	December 31, 2018
Bank accounts	\$ 22,236	\$ 144,183
Investments	1,569	698
Accounts receivable	4,039	10,962
Loan receivable	95,981	103,518
	\$ 123,825	\$ 259,361

#### 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, 2019, the Company had accounts payable and accrued liabilities of \$27,650 (December 31, 2018 - \$24,076). Based on the current funds held as at June 30, 2019, 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.

# WATERFRONT CAPITAL CORPORATION

## Notes to the Financial Statements

(Unaudited - Expressed in Canadian Dollars)

June 30, 2019

### 12. FINANCIAL INSTRUMENTS (Continued)

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

June 30, 2019				
Due Date	Accounts Payable and Accrued Liabilities	Due to Related Parties		Total
0 – 90 days	\$ 27,553	\$ 97	\$	27,650

  

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

#### 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.

## WATERFRONT CAPITAL CORPORATION

### Notes to the Financial Statements

(Unaudited - Expressed in Canadian Dollars)

June 30, 2019

#### 13. INCOME TAXES

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

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

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:

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

#### 14. SEGMENTED INFORMATION

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

# WATERFRONT CAPITAL CORPORATION

## Notes to the Financial Statements

(Unaudited - Expressed in Canadian Dollars)

June 30, 2019

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### 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.