Seaway Energy Services Inc.
Financial Statements
September 30, 2012

Contents

BUCHANAN BARRY LLP
CHARTERED ACCOUNTANTS

Independent Auditors' Report

To the Shareholders of Seaway Energy Services Inc.

We have audited the accompanying financial statements of Seaway Energy Services Inc., which comprise the statements of financial position as at September 30, 2012, September 30, 2011 and October 1, 2010, and the statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the two years ended September 30, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Seaway Energy Services Inc. as at September 30, 2012, September 30, 2011 and October 1, 2010 and the results of its operations and its cash flow for each of the two years ended September 30, 2012 and 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Seaway Energy Services Inc.'s ability to continue as a going concern.

Calgary, Canada
January 23, 2013

Buchanan Barry LLP
Chartered Accountants

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Seaway Energy Services Inc.
Statements of Financial Position

As at	**September 30, 2012**	September 30, 2011	October 1, 2010
		(Note 14 and 15)	(Note 14 and 15)
Assets			
Current			
Cash and cash equivalents	**$ 259,196**	$ 237,101	$ 222,473
Accounts receivable	**913,681**	1,228,025	1,117,122
Prepaid expenses	**21,175**	18,692	29,142
	1,194,052	1,483,818	1,368,737
Property and equipment (Note 5)	**16,132**	19,342	20,601
Deferred income taxes (Note 8)	**-**	25,400	58,700
	$ 1,210,184	$ 1,528,560	$ 1,448,038

Liabilities and Shareholders' Equity			
Current			
Accounts payable and accrued liabilities	**$ 501,723**	$ 447,932	$ 395,602
Convertible debentures (Note 7)	**100,000**	275,000	275,000
	601,723	722,932	670,602
Share capital (Note 9(b))	**2,712,166**	2,768,518	2,926,431
Contributed surplus	**487,246**	452,024	359,906
Deficit	**(2,590,951)**	(2,414,914)	(2,508,901)
	608,461	805,628	777,436
	$ 1,210,184	$ 1,528,560	$ 1,448,038

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

On behalf of the Board:

"signed Jerry Budziak" Director
Jerry Budziak

"signed Elias Foscolos" Director
Elias Foscolos

Seaway Energy Services Inc.
Statements of Operations, Comprehensive Income (Loss)

For the years ended September 30	2012	2011
Revenues	**$ 2,179,033**	$ 3,117,282
Expenses		
Operating	**1,446,396**	2,272,997
General and administrative	**928,762**	680,627
Interest	**19,997**	31,663
Amortization of property and equipment	**4,883**	5,761
	2,400,038	2,991,048
Income before other and income taxes	**(221,005)**	126,234
Other income		
Other	**70,000**	-
Interest	**368**	1,053
	70,368	1,053
Income (loss) before income taxes	**(150,637)**	127,287
Income taxes (Note 8(a))		
Current	**-**	-
Deferred	**25,400**	33,300
	25,400	33,300
Net and comprehensive income (loss) for the year	**$ (176,037)**	$ 93,987
Net earnings (loss) per share - basic and diluted	**$ (0.006)**	$ 0.003
Weighted average shares outstanding - basic and diluted *(1)*	**28,943,891**	30,616,043

(1) The options and warrants have been excluded from the diluted per share computation as they are anti-dilutive

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

Seaway Energy Services Inc.
Statements of Shareholders' Equity

	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance October 1, 2011	$ 2,768,518	$ 452,024	$ (2,414,914)	$ 805,628
Net loss for the year	-	-	(176,037)	(176,037)
Normal course issuer bid	(56,352)	35,222	-	(21,130)
Balance September 30, 2012	$ 2,712,166	$ 487,246	$ (2,590,951)	$ 608,461

	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance October 1, 2010	$ 2,926,431	$ 359,906	$ (2,508,901)	$ 777,436
Net income for the year	-	-	93,987	93,987
Transfer to contributed surplus on warrant expiry	(16,000)	16,000	-	-
Normal course issuer bid	(141,913)	76,118	-	(65,795)
Balance September 30, 2011	$ 2,768,518	$ 452,024	$ (2,414,914)	$ 805,628

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

Seaway Energy Services Inc.
Statements of Cash Flows

For the year ended September 30	2012	2011
Cash flows from (used in) operating activities		
Net income (loss) for the year	$ (176,037)	$ 93,987
Items not involving cash:		
Amortization of property and equipment	4,883	5,761
Deferred income taxes	25,400	33,300
Change in non-cash working capital balances:		
Accounts receivable	314,344	(110,903)
Prepaid expenses	(2,483)	10,450
Accounts payable and accrued liabilities	53,791	52,330
Cash flow from operating activities	219,898	84,925
Cash flows from (used in) financing activities		
Repurchase of common shares	(21,130)	(65,795)
Repayment of debentures	(175,000)	-
Cash flow used in financing activities	(196,130)	(65,795)
Cash flows from (used in) investing activities		
Expenditures on property and equipment	(1,673)	(4,502)
Cash flow used in investing activities	(1,673)	(4,502)
Increase in cash and cash equivalents	22,095	14,628
Cash and cash equivalents, beginning of year	237,101	222,473
Cash and cash equivalents, end of year	$ 259,196	$ 237,101

Supplemental information		
Interest paid	$ 16,231	$ 31,740
Taxes paid	$ -	$ -

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

1. Corporate Information

Seaway Energy Services Inc. ("Seaway" or the "Company") was incorporated under the Business Corporations Act (Alberta) on September 4, 1998. The principal activities of Seaway include the provision of environmental consulting services to the petroleum and natural gas industry. The Company's common shares trade on the TSX Venture exchange under the symbol SEW.

The head office of the Company is located at 101A, 1120 - 53 Avenue NE, Calgary, Alberta, T2E 6N9 and the registered office is located at Suite 1000, 250 2nd Street SW, Calgary, Alberta, T2P 0C1.

2. Basis of Presentation

In conjunction with the Company's annual audited Financial Statements to be issued under International Financial Reporting Standards ("IFRS") for the year ending September 30, 2012, these financial statements present Seaway's results of operations and financial position under IFRS and for the year ended September 30, 2012, including the 2011 comparative period. They have been prepared in accordance with IFRS 1, "First time Adoption of International Financial Reporting Standards" as issued by the International Accounting Standards Board ("IASB"). Previously, the Company prepared annual financial statements in accordance with Canadian generally accepted accounting principles ("previous GAAP" or "Canadian GAAP").

The preparation of these financial statements resulted in changes to Seaway's accounting policies as compared to those disclosed in the Company's annual audited financial statements for the year ended September 30, 2011 issued under previous GAAP. A summary of the accounting policies is disclosed in Note 3 along with reconciliations (Note 14) presenting the impact of the transition to IFRS for the comparative periods as at October 1, 2010 and for the year ending September 30, 2011. These policies have been applied retrospectively and consistently except where specific exemptions permitted an alternative treatment upon transition to IFRS in accordance with IFRS 1 as disclosed in Note 14.

These financial statements were approved and authorised for issuance by the Board of Directors on January 23, 2013.

Going concern assumption

These financial statements have been prepared on a going concern basis, under which the Company is assumed to be able to realize its assets and discharge its liabilities in the normal course of operations. The Company's ability to continue as a going concern is dependent upon achieving profitable operations, increasing cash flow from operations which is dependent on revenue generation and prudently managing administrative costs. There is no certainty that Company can reverse the revenue decline which may cast significant doubt about the Company's ability to continue as going concern. The financial statements do not reflect adjustments that would be necessary if the going concern assumptions were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of property and equipment, liabilities, the reported expenses, and the classifications used in the statement of financial position. Such adjustments could be material.

Basis of Measurement

The financial statements have been prepared on the historical cost basis, which is based on the fair value of the consideration at the time of the transaction, except for certain financial instruments which are accounted for at fair value.

2. Basis of Presentation - continued

Functional and Presentation Currency
The financial statements are presented in Canadian dollars, which is the functional currency of Seaway.

Use of Estimates, Judgments and Assumptions
The preparation of financial statements requires management to make estimates and use judgment regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the financial statements. Accordingly, actual results may differ from the estimated amounts as future confirming events occur. Significant estimates and judgments made by management in the preparation of these financial statements are as follows:

Property and equipment – estimates are used in determining useful economic lives of property and equipment for the purpose of calculating depreciation.

Revenue recognition – environmental consulting services revenue earned from consulting contracts is recognized by the stage of completion of the transaction determined using the percentage-of-completion method. Judgment is used in determining progress of each contract at period end. In assessing revenue recognition, judgment is also used in determining the ability to collect the corresponding account receivable.

Stock-based compensation – assumptions and estimates are used in determining the inputs used in the Black-Scholes option pricing model, including assumptions regarding volatility, dividend yield, risk-free interest rates, forfeiture estimates and expected option lives.

Deferred income taxes – assumptions and estimates are made regarding the amount and timing of realization and/or settlement of the temporary differences between the accounting carrying value of the Company's assets versus the tax basis of those assets, and the tax rates at which the differences will be recovered or settled in the future.

Operations - The operations of the Company are complex, and regulations and legislation affecting the Company are continually changing. Although the ultimate impact of the matters noted above on the profit or loss cannot be determined at this time, it could be material for any one quarter or year. Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results can differ from those estimates.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS statement of financial position at October 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated. The accounting policies have been applied consistently by the Company's entities.

Financial instruments
Non-derivative financial instruments:
Non-derivative financial instruments are comprised of cash and cash equivalents, trade and other accounts receivables, trade and other accounts payable, and obligations under finance lease. Non-derivative financial instruments are recognized initially at fair value net of any directly attributable transaction costs except for non-derivative instruments classified as "fair value through earnings".

3. Summary of Significant Accounting Policies - continued

Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Financial assets at fair value through profit and loss:
An instrument is classified at fair value through earnings if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through earnings if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, directly attributable transaction costs are deducted against proceeds. Financial instruments at fair value through earnings are measured at fair value, and changes therein are recognized in earnings.

Other:
Other non-derivative financial instruments, such as trade and other accounts receivable, trade and other accounts payable and obligations under finance lease are measured at amortized cost using the effective interest method.

Derivative financial instruments:
The Company may enter into certain financial derivative contracts in order to manage the exposure to market risks from fluctuations in foreign currency rates or interest rates. These instruments are not used for trading or speculative purposes. The Company does not designated its financial derivative contracts as effective accounting hedges, and thus not applied hedge accounting, even though the Company considers all contracts to be economic hedges. As a result, all financial derivative contracts when entered into will be classified as fair value through earnings and are recorded on the statement of financial position at fair value. Transaction costs are recognized in earnings when incurred.

On initial recognition, the convertible debentures were classified into debt and equity components at fair value. The liability was valued at fair value using a valuation model that incorporates the redeemable option and this was deducted from the fair value of the convertible debenture as a whole to determine the value of the equity component. Subsequent to the initial recognition, the liability component is re-measured at amortized cost using the effective interest rate method. The equity component is not re-measured subsequent to initial recognition.

Available for sale financial assets:
Available for sale financial assets are non-derivative financial assets that are designated as available for sale and that are not classified within loans and receivables or financial assets at fair value through profit or loss. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to net income for the period.

Share capital:
Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Property and Equipment
Property and equipment is recorded at cost and net of accumulated amortization and accumulated impairment losses. Property and equipment is amortized on a declining balance basis at rates designed to apportion the cost of the assets over their estimated useful lives as follows:

3. Summary of Significant Accounting Policies

Computer equipment	30%
Computer software	50%
Furniture and equipment	20%
Field equipment	20%

The assets' residual values, useful lives and methods of amortization are reviewed at each financial year end and if applicable, adjusted prospectively.

Revenue
The Company recognizes revenue to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue from environmental consulting and construction services is recognized as the services are provided and calculated on either a daily or hourly basis.

Share based compensation
The Company has established a share based compensation plan (the "Plan") comprised of a Stock Option Plan (note 9(c)). The Company uses the fair value method for valuing share based compensation. Under this method, the compensation cost attributed to stock options granted is measured at the fair value at the grant date using the Black-Scholes options pricing model and expensed over the vesting period with a corresponding increase to contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of option or units that vest. Upon the settlement of the stock options, the previously recognized value in contributed surplus is recorded as an increase to shareholders' equity.

Income tax
Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in the statements of operations and comprehensive income (loss) except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted substantively at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognized on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Earnings per share
Basic earnings (loss) per share is calculated by dividing the net earnings or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted per share amounts are calculated based on the treasury stock method, which assumes that any proceeds obtained on the exercise of the in the money stock options and warrants would be used to purchase common shares at the average market price for the period.

3. Summary of Significant Accounting Policies

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax "risk-free" rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

4. New Standards and Interpretations Not Yet Adopted

As of October 1, 2013, Seaway will be required to adopt the following standards and amendments as issued by the IASB. The adoption of the following standards is not expected to have a material impact on Seaway's financial statements:

In November 2009, the IASB published IFRS 9, "Financial Instruments," which covers the classification and measurement of financial assets as part of its project to replace IAS 39, "Financial Instruments: Recognition and Measurement." In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to a company's own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective for the Company for annual periods beginning on or after January 1, 2015. Early adoption is permitted and the standard is required to be applied retrospectively. The Company has not determined the impact of the new standard on the financial statements and will not be an early adopter of the standard.

IFRS 10 Consolidated *Financial Statements* provides additional guidance to determine whether an investee should be consolidated. The guidance applies to all investees, including special purpose entities. The standard is required to be adopted for periods beginning on or after January 1, 2013. The Company has determined the standard will not have an impact on the Company.

IFRS 11 *Joint Arrangements* will apply to interests in joint arrangements where there is joint control. IFRS 11 would require joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement would no longer be the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. In addition, the option to account for joint ventures (previously called jointly controlled entities) using proportionate consolidation would be removed, equity accounting would be required. Venturers would transition the accounting for joint ventures from the proportionate consolidation method to the equity method by aggregating the carrying values of the proportionately consolidated assets and liabilities into a single line item. These amendments are effective for annual periods beginning on or after January 1, 2013 and early adoption is permitted. The Company has not determined the impact of the new standard on the financial statements and will not be an early adopter of the standard.

IFRS 12 *Disclosure of Interests in Other Entities* aggregates and amends disclosure requirements included within other standards. The standard requires a company to provide disclosures about subsidiaries, joint arrangements, associates and structured entities. The standard is required to be adopted for periods beginning on or after January 1, 2013. The Company has determined the standard will not have an impact on the Company.

4. New Standards and Interpretations Not Yet Adopted

IFRS 13 *Fair Value Measurement* provides comprehensive guidance for instances where IFRS requires fair value to be used. The standard provides guidance on determining fair value and requires disclosures about those measurements. The standard is required to be adopted for annual periods beginning on or after January 1, 2013. The Company has not determined the impact of the new standard on the financial statements and will not be an early adopter of the standard.

In May 2011, the IASB issued amendments to IAS 28, *"Investments in Associates and Joint Ventures"*, to establish the accounting for investments in associates and defines how the equity method is applied when accounting for associates and joint ventures. The standard is required to be adopted for annuals periods beginning on or after January 1, 2013. The Company has determined the standard will not have an impact on the Company.

Amendments to IAS 1 Presentation of Financial Statements
The Company intends to adopt the amendments in its financial statements for the annual period beginning on or after January 1, 2013. As the amendments only require changes in the presentation of items in other comprehensive income, the Company does not expect the amendments to IAS 1 to have a material impact on the financial statements.

Amendments to IAS 19 Employee Benefits
The Company intends to adopt the amendments in its financial statements for the annual period beginning on or after January 1, 2013. The extent of the impact of adoption of the amendments has not yet been determined.

Amendments to IAS 32 and IFRS 7, Offsetting Financial Assets and Liabilities
The Company intends to adopt the amendments to IFRS 7 in its financial statements for the annual period beginning on or after January 1, 2013, and the amendments to IAS 32 in its financial statements for the annual period beginning on or after January 1, 2014. The extent of the impact of adoption of the amendments has not yet been determined.

5. Property and Equipment

Cost		Corporate
Balance, October 1, 2010	$	175,589
Additions		4,502
Balance, September 30, 2011		180,091
Additions		1,673
Balance, September 30, 2012	$	181,764
Accumulated Amortization		
Balance, October 1, 2010	$	(154,988)
Amortization		(5,761)
Balance, September 30, 2011		(160,749)
Amortization		(4,883)
Balance, September 30, 2012	$	(165,632)
Net book value October 1, 2010	$	20,601
Net book value September 30, 2011	$	19,342
Net book value September 30, 2012	$	16,132

6. Bank Loan

The Company has a $600,000 (September 30, 2011 - $600,000 and October 1, 2010 - $600,000) revolving demand loan facility with a chartered bank. As at September 30, 2012 and 2011, the facility has not been drawn on. The loan bears interest at bank prime plus 1½ percent, with an effective rate of 3.75% at September 30, 2012, September 30, 2011 and October 1, 2010. A general assignment of book debts, and a first floating charge debenture over all the assets of the Company has been pledged as collateral.

7. Convertible Debentures

The convertible debentures are due to a Director and Officer of the Company, bear interest at 9% (2011 – 9%) per annum, convertible into common shares of the Company at $0.15 per share and mature on April 4, 2013 as a result of an extension granted by the debenture holder in April 2012. The Company also received an extension in April 2011. The equity component of the extended debentures was determined not to be material. The convertible debenture is subordinated to the bank loan (Note 6). The Company repaid $175,000 of the debentures in 2012 and subsequent to the year-end approved the repayment of the remaining $100,000. Interest of $19,997 (2011 - $31,663) was incurred to the Director and Officer in the year of which $3,337 is included in accounts payable accrued liabilities.

8. Income taxes

(a) The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate income tax rate to income before income taxes. The major components of these differences are explained as follows:

	2012	2011
Income (loss) before taxes	**$ (150,637)**	$ 127,288
Corporate income tax rate	**25.5%**	26.5%
Computed expected tax provision (recovery)	**$ (38,412)**	$ 33,731
Increase in income taxes resulting from:		
Rate and other adjustments	**747**	(2,000)
Other permanent differences	**2,039**	1,569
Valuation allowance	**61,026**	-
Income tax expense	**$ 25,400**	$ 33,300

(b) Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes. The components of the Company's deferred income tax assets and liabilities are as follows:

Nature of temporary differences	**2012**	2011
Property, equipment and intangibles	**$ (231)**	$ (60)
Non-capital losses	**50,507**	16,424
Share issue costs and finance fees	**368**	736
Other	**10,382**	8,300
Valuation allowance	**(61,026)**	-
Deferred income tax asset	**$ -**	$ 25,400

Deferred income tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefit.

8. Income taxes - continued

(c) The Company has non-capital losses of approximately $202,000, which are available to reduce taxable income in future years. If unutilized, these losses will expire as follows: 2028 - $66,000 and 2032 - $136,000.

9. Share Capital

(a) Authorized
Unlimited number of preferred shares
Unlimited number of common voting shares without nominal or par value
Unlimited number of share purchase warrants

(b) Issued and outstanding

	September 30, 2012			September 30, 2011		
Common shares	**Shares**		**Amounts**	Shares		Amounts
Balance, beginning of period	**29,477,470**	**$**	**2,768,518**	30,988,470	$	2,910,431
Normal course issuer bid*(1)*	**(600,000)**		**(56,352)**	(1,511,000)		(141,913)
Balance, end of period	**28,877,470**	**$**	**2,712,166**	29,477,470	$	2,768,518
Warrants						
Balance, beginning of period	**-**	**$**	**-**	5,000,000	$	16,000
Expired *(2)*	**-**		**-**	(5,000,000)		(16,000)
Balance, end of period	**-**	**$**	**-**	-	$	-
		$	**2,712,166**		$	2,768,518

(1) Pursuant to a Normal Course Issuer Bid ("NCIB") approved on February 17, 2011 through the facilities of the TSX Venture Exchange, Seaway can purchase up to 3,098,847 common shares. During the 2011 fiscal year, the Company repurchased 1,511,000 Common Shares at an average price of $0.044 for a total cost of $65,795. In October 2011, the Company purchased 600,000 Common Shares with an average price of $0.035. The NCIB was not renewed in February 2012.

(2) During the 2011 fiscal year, 5,000,000 warrants with an exercise price of $0.10 expired unexercised.

(c) Stock options

The Company has a stock option plan that provides for the issuance to its directors, officers, employees and consultants options to purchase from treasury a number of common shares not exceeding 10% of the common shares that are outstanding from time to time which is the number of shares reserved for issuance under the plan. Options granted under the plan have varying vesting periods as determined by the Board at the grant date. Options can be exercisable for a maximum of five years from the effective date. The options are non-transferable if not exercised. Pursuant to the Stock Option Plan, the exercise price of options will be set by the Board at the time options are granted and cannot be less than the discounted market price, except as permitted by the Exchange. A summary of the status of the Company's stock option plan as at September 30, 2012 and September 30, 2011 and changes during the periods ending on those dates are presented below.

	September 30, 2012		September 30, 2011	
Stock Options	**Number of options**	**Weighted average Exercise price**	Number of options	Weighted average exercise price
Beginning of year	**540,000**	**$0.24**	945,000	$0.18
Expired	**(540,000)**	**$0.24**	(405,000)	$0.10
End of year	**-**	**-**	540,000	$0.24
Exercisable, end of year	**-**	**-**	540,000	$0.24

10. Personnel Expenses

Included in general and administrative expenses is $396,257 related to payroll, consulting and director compensation. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel include officers and non-executive directors. Executive officers are paid either a salary or management fees and are entitled to participate in the Company's stock option program. Non-executive directors may also participate in the Company's stock option program and may be paid fees for services. Key management personnel compensation is comprised of the following:

		2012		2011
Management salary/fees and benefits	**$**	**184,189**	$	175,551
Management bonus		**3,487**		-
Directors fees		**11,000**		-
Share based compensation		**-**		-
Vacation pay accrual		**8,500**		-
Total employee remuneration	**$**	**241,945**	$	175,551

The Company has accrued approximately $41,500 (2011 - $33,000) of vacation pay to an executive officer and director of the Company and $6,000 in directors fees. Seaway paid a company controlled by an Officer $32,031 (2011 - $23,539) in management fees. All the aforementioned payments are considered related party transactions and are in the normal course of operations and have been measured at the agreed to exchange amounts, which is the amount of consideration established and agreed to by the related parties.

11. Financial Instruments

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to interest rate and foreign currency, liquidity, and fair value risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical. These risks are outlined more fully below.

Financial instrument:	Category:
Cash and cash equivalents	Held for trading
Accounts receivable	Loans receivable
Accounts payable and accrued liabilities	Other financial liabilities
Current portion of convertible debentures	Other financial liabilities

(a) Fair value of financial instruments

The Company has determined that the fair values of the financial instruments consisting of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and convertible debentures are not materially different from the carrying values of such instruments reported on the statement of financial position due to their short-term nature.

The Company classifies the fair value of these financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

11. Financial Instruments - continued

- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

All financial assets (except for cash and cash equivalents which are classified as held for trading), are classified as either loans or receivables and are accounted for on an amortized cost basis. All financial liabilities are classified as other liabilities. There are no financial assets on the statement of financial position that have been designated as available-for-sale. There have been no changes to the aforementioned classifications during the years ended September 30, 2012 and 2011.

(b) Credit risk

The Company is subject to a concentration of credit risk in its accounts receivable as all of the Company's customers are in the oil and gas sector. Management is of the opinion that any risk of loss is reduced due to the financial strength of its customers. Concentration of credit risk is mitigated by having concentrations with credit worthy clients and broadening the Company's customer base. During 2012, three customers accounted for 18.5%, 11.8% and 15.4% (2011 – two customers accounted for 27.8% and 14.4%) of the Company's total revenue, respectively these three customers account receivable balances at September 30, 2012 are 0.01%, 19.7% and 31.2% of the total receivables (2011 – 18.2% and 20.5% of the total receivables)**.** As at September 30, 2012, the total trade accounts receivable with three customers accounted for 60% of the Company's current accounts receivable.

	September 30, 2012	September 30, 2011	October 1, 2010
1-30 days	**$ 503,740**	$ 874,027	$ 989,785
31-60 days	**65,586**	149,098	72,950
61 + days	**352,391**	223,656	75,448
Total trade receivables	**921,717**	1,246,781	1,138,183
Allowance for doubtful accounts	**(8,036)**	(18,756)	(21,061)
Total accounts receivable	**$ 913,681**	$ 1,228,025	$ 1,117,122

(c) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not exposed to interest rate fluctuations at September 30, 2012, September 30, 2011 and October 1, 2010.

Fixed rate debt is subject to interest rate price risk, as the value will fluctuate as a result of changes in market rates. As at September 30, 2012, September 30, 2011 and October 1, 2010the Company has fixed interest rates on 100% of its interest bearing obligations. As the interest rates approximate the prevailing market rates, the fair value of these debt instruments approximate its carrying values.

(d) Liquidity risk

Liquidity risk includes the risk that, as a result of our operational liquidity requirements:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will be forced to sell financial assets at a value which is less than what they are worth; or
- The Company may be unable to settle or recover a financial asset at all.

11. Financial Instruments - continued

Trade and other payables

		September 30, 2012		September 30, 2011		October 1, 2010
Trade	**$**	**403,448**	$	384,449	$	316,656
Accrued		**84,205**		60,366		76,304
Other		**14,070**		3,117		2,642
Total accounts payable	**$**	**501,723**	$	447,932	$	395,602

Seaway expects that cash flows from operations commencing, together with its credit facilities, will be more than sufficient to fund its requirements for investments in working capital, capital expenditures and scheduled debt repayment. As these variables change, liquidity risks may necessitate the need for the Company to conduct equity issues or obtain additional debt financing.

12. Capital Risk Management

The Company's objectives when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. Managed capital consists of the Company's current working capital (current assets less current liabilities). The Company sets the amount of capital in proportion to 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. The Company's objective is met by retaining adequate equity to provide for the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable profitable growth. The Company is not subject to any externally imposed capital requirements other than maximum credit facility which is based on 75% of the Company's accounts receivable under 90 days. There have been no changes to the Company's capital risk management approach during the years ended September 30, 2012 or 2011.

13. Commitments and Contingencies

(a) The Company's office lease rental arrangements expire on November 30, 2013 and October 30, 2014. The future minimum lease payments are 2013 - $69,269, 2014 - $38,048 and 2015 - $2,524 exclusive of common costs. Seaway has entered into a sublease effective January 1, 2013 and expiring on November 30, 2013 whereby it will be reimbursed $42,670 of rent plus common costs.

(b) From time to time, the Company may be involved in litigation or has claims sought against it in the normal course of business operations. Management of the Company is not currently aware of any claims or actions that would materially affect the Company's reported financial position or results from operations.

Under the terms of certain agreements and the Company's by-laws the Company indemnifies individuals who have acted at the Company's request to be a director and/or officer of the Company, to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individuals as a result of their service. The Company has no outstanding claims having a potentially material adverse effect on the Company as a whole.

13. Commitments and Contingencies

(c) In May 2006, Seaway entered into an employment agreement with the Chief Executive Officer. The employment agreement provides for a termination without cause or change in control allowance of six months plus one month for every year of service aseverance for termination without cause and/or change of control of the Company. At September 30, 2012, the Company estimates the obligation to be approximately $162,500.

14. Transition to IFRS

IFRS 1, *First time Adoption of International Financial Reporting Standards* sets forth guidance for the initial adoption of IFRS. Under IFRS 1, the standards are applied retroactively at the transitional statement of financial position date with all adjustments to assets and liabilities taken to retained earnings or if appropriate another category of equity unless certain exemptions are applied. The date of transition to IFRS from Canadian GAAP is October 1, 2010.

The Company's IFRS accounting policies are presented in note 3 and have applied in preparing the financial statements for the year ended September 30, 2012, the comparative information for the year ended September 30, 2011 and the opening statement of financial position as at October 1, 2010.

First time adoption exemptions applied

Upon transition, IFRS 1 permits certain exemptions from full retrospective application. The Company has applied the mandatory exemptions and certain optional exemptions. The exemptions adopted by the Company are set out below:

Mandatory exemptions:

(a) Financial Assets and Liabilities
Financial assets and liabilities that had been de-recognized before October 1, 2010 under the previous GAAP have not been recognized under IFRS.

(b) Use of Estimates
The Company has used estimates under IFRS that are consistent with those applied under the previous GAAP (with adjustment for account policy differences) unless there is objective evidence those estimates were in error.

Optional exemptions applied:

(c) Business Combinations
IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3, *Business Combinations* retrospectively to business combinations before the date of transition to IFRS. The Company has chosen to use this election and will apply IFRS 3 to business combinations that may occur after October 1, 2010. As a result of this election, business combinations which occurred prior to October 1, 2010 have a deemed cost equal to the carrying value in accordance with the previous GAAP.

(d) Property and Equipment
IFRS 1 allows first time adopters to elect the deemed cost equal to the carrying value of property and equipment in accordance with the previous GAAP.

14. Transition to IFRS

(e) Share-Based Payments
IFRS 1 allows first time adopters not to elect IFRS 2, *Share-Based Payment* to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected the IFRS 1 exemption, and consequently, as a first time adopter will only have to apply the provisions of IFRS 2 to all outstanding equity instruments that are unvested prior to the date of transition to IFRS.

(f) Deferred Tax Asset/Liability
Under IFRS all deferred tax assets and liabilities are classified as non-current compared to Canadian GAAP under which deferred tax assets and liabilities were classified as current or non-current.

Impact of the transition to IFRS
The transition from Canadian GAAP to IFRS had no significant impact on the statement of position, statement of operations, statement of changes in shareholders' equity and cash flows generated by the Company as a result of the transition exemptions applied therefore no tables have been included.

15. Comparative Figures Restatement

In November 2012, management determined that the vacation pay accrual was understated and as a result the tax provision required adjustment. The re-computed vacation pay and tax provision adjustments had the following effect on the balances in the financial statements:

October 1, 2010

	As stated	Adjustment	Restated
Accrued liability	$ 362,602	$ 33,000	$ 395,602
Deferred tax asset	$ 50,400	$ 8,300	$ 58,700
Increase in the deficit	$ (2,484,201)	$ (24,700)	$ (2,508,901)

September 30, 2011

	As stated	Adjustment	Restated
Accrued liability	$ 414,932	$ 33,000	$ 447,932
Deferred tax asset	$ 17,100	$ 8,300	$ 25,400
Increase in the deficit	$ (2,390,214)	$ (24,700)	$ (2,414,914)