Seaway Energy Services Inc.
Financial Statements
(In Canadian Dollars)
September 30, 2013

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, 2013 and 2012, and the statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the two years then ended, 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, 2013 and 2012, and the results of its operations and its cash flows for each of the two years then ended 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, Alberta
January 28, 2014

Buchanan Barry LLP
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IAPA INTERNATIONAL

Seaway Energy Services Inc.
Statements of Financial Position
(In Canadian Dollars)

As at September 30,		2013		2012
Assets				
Current				
Cash and cash equivalents	$	76,816	$	259,196
Accounts receivable (Note 11(b))		28,000		913,681
Other receivable (Note 11(b))		7,500		-
GST receivable		5,359		-
Prepaid expenses and deposits		17,993		21,175
		135,668		1,194,052
Investment (Note 4)		25,000		-
Property and equipment (Note 5)		-		16,132
	$	160,668	$	1,210,184
Liabilities and Shareholders' Equity				
Current				
Accounts payable and accrued liabilities (Note 11(d))	$	64,961	$	501,723
Convertible debentures (Note 7)		-		100,000
		64,961		601,723
Share capital (Note 9(b))		2,712,166		2,712,166
Contributed surplus		487,246		487,246
Deficit		(3,103,705)		(2,590,951)
		95,707		608,461
	$	160,668	$	1,210,184

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

On behalf of the Board:

"signed Kyle Stevenson" Director
Kyle Stevenson

"signed Richard Stevenson" Director
Richard Stevenson

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

For the years ended September 30	2013	2012
Revenues	$ 556,448	$ 2,179,033
Expenses		
Operating	368,061	1,446,396
General and administrative	743,064	928,762
Interest	2,885	19,997
Amortization and impairment of property and equipment (Note 5)	16,132	4,883
	1,130,142	2,400,038
Loss before other and income taxes	(573,694)	(221,005)
Other income		
Gain on sale of capital assets (Note 5)	10,626	-
Other	50,000	70,000
Interest	314	368
	60,940	70,368
Income (loss) before income taxes	(512,754)	(150,637)
Income taxes (Note 8(a))		
Current	-	-
Deferred	-	25,400
	-	25,400
Net and comprehensive loss for the year	$ (512,754)	$ (176,037)
Net earnings (loss) per share - basic and diluted	$ (0.018)	$ (0.006)
Weighted average shares outstanding - basic and diluted *(1)*	28,877,470	28,943,891

(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
(In Canadian Dollars)

	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance October 1, 2012	$ 2,712,166	$ 487,246	$ (2,590,951)	$ 608,461
Net loss for the year	-	-	(512,754)	(512,754)
Balance September 30, 2013	$ 2,712,166	$ 487,246	$ (3,103,705)	$ 95,707

	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

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

Seaway Energy Services Inc.
Statements of Cash Flows
(In Canadian Dollars)

For the year ended September 30	2013	2012
Cash flows from (used in) operating activities		
Net loss for the year	$ (512,754)	$ (176,037)
Items not involving cash:		
Amortization and impairment of property and equipment	16,132	4,883
Gain on sale of property and equipment	(10,626)	-
Deferred income taxes	-	25,400
Change in non-cash working capital balances:		
Accounts receivable	885,681	314,344
Other receivables	(7,500)	-
GST receivable	(5,359)	-
Prepaid expenses	3,182	(2,483)
Accounts payable and accrued liabilities	(436,762)	53,791
Cash flow from (used in) operating activities	(68,006)	219,898
Cash flows from (used in) financing activities		
Repurchase of common shares	-	(21,130)
Repayment of debentures	(100,000)	(175,000)
Cash flow used in financing activities	(100,000)	(196,130)
Cash flows from (used in) investing activities		
Investment	(25,000)	-
Proceeds on the disposal of property and equipment	10,626	-
Expenditures on property and equipment	-	(1,673)
Cash flow used in investing activities	(14,374)	(1,673)
Increase (decrease) in cash and cash equivalents	(182,380)	22,095
Cash and cash equivalents, beginning of year	259,196	237,101
Cash and cash equivalents, end of year	$ 76,816	$ 259,196
Supplemental information		
Interest paid	$ 6,222	$ 16,231
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 were the provision of environmental consulting services to the petroleum and natural gas industry until March 31, 2012 when the Company ceased active operations as further discussed in Note 2. 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

Statement of compliance
The Company prepares its financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB).

The policies applied in these financial statements are based on IFRS issued and outstanding as of January 28, 2014, the date they were approved and authorized for issuance by the Board of Directors (“the Board”).

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 has no active ongoing operations and is prudently managing administrative costs. The current market environment for idle public companies 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.

Seaway's Board of Directors has determined, after extensive and careful consideration of potential alternatives, that it is in the best interests of the Company and its shareholders to liquidate its assets and dissolve the Company. In connection with the liquidation and dissolution, which shareholder approval was received on February 28, 2013, the Company may distribute to its shareholders all available cash, except such cash as is required for paying or making reasonable provision for known and potential liabilities and other obligations of the Company that have been estimated in the financial statements. Notwithstanding the foregoing, the Company continues to evaluate other opportunities that have the potential of providing a superior return to its shareholders and on August 12, 2013, the shareholders’ approved a one for ten consolidation of the Company’s shares. The Company has not consolidated the shares as of the date of these financial statements.

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.

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

2. Basis of Presentation - continued

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 amortization and impairment.

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.

Available for sale investments – the recoverability of the Company's investment is dependent on the liquidity of the private Company shares, which is based in part on the ability to complete acquisitions. The Company will assess at each reporting period whether there is any objective evidence that a financial asset has been impaired. When the fair value of the investment cannot be derived from active markets, they are determined using recent transactions or a variety of valuation techniques that may include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3. Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of these financial statements are described below. The accounting policies have been applied consistently by the Company's entities.

Cash and cash equivalents:
Cash and cash equivalents comprise cash on hand, term deposits held with banks, other short-term highly liquid investments with original maturities of three months or less. The Company does not currently have any cash equivalents.

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".

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 and trade and other accounts payable 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 was re-measured at amortized cost using the effective interest rate method. The equity component is not re-measured subsequent to initial recognition.

3. Summary of Significant Accounting Policies

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, unless it is determined that fair value cannot be reliably measure, in which case they will be measure at initial cost. 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:

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.

3. Summary of Significant Accounting Policies

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.

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.

New standards and interpretations not yet adopted:
The standards and interpretations that are issued but not yet effective up to the date of issuances of the Company's financial statements are listed below.

IFRS 10: Consolidated Financial Statements – In 2011, the IASB issued IFRS 10 which 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 October 1, 2013. IFRS 10 will have minimal impact on the Company's financial statements on adoption as the current consolidation method adheres to this standard as the Company does not have any subsidiaries

IFRS 11: Joint Arrangements – In 2011, the IASB issued IFRS 11 which presents a new model for determining whether an entity should account for joint arrangements using proportionate consolidation or the equity method. An entity will have to follow the substance rather than legal form of a joint arrangement and will no longer have a choice of accounting method. The standard is required to be adopted for periods beginning October 1, 2013. IFRS 11 will have minimal impact on the Company's financial statements on adoption as all the joint arrangements the Company has were determined to be joint operations and; therefore, use the proportionate consolidation method, which is already currently in use.

IFRS 12: Disclosure of Interests in Other Entities – In 2011, the IASB issued IFRS 12 which aggregates and amends disclosure requirements included within other standards. The standard requires a company to provide disclosures about subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is required to be adopted for periods beginning October 1, 2013. IFRS 12 will require minimal disclosure changes in the Company's financial statements.

3. Summary of Significant Accounting Policies

IFRS 13: Fair Value Measurement – In 2011, the IASB issued IFRS 13 to provide 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 periods beginning October 1, 2013. IFRS 13 will require minimal disclosure changes in the Company's financial statements.

IAS 27: Separate Financial Statements – In 2011, the IASB issued amendments to IFRS 27 to conform to the changes made in IFRS 10 *Consolidated Financial Statements*, but the standard retains the current guidance for separate financial statements. These amendments are required to be adopted for periods beginning October 1, 2013. These amendments will require minimal disclosure changes in the Company's financial statements.

IFRS 9: Financial Instruments: Classification and Measurement – In 2011, the IASB issued an amended version of IFRS 9 which provides additional guidance to classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of financial liabilities. Due to the amendment in 2011, this standard is now required to be adopted for periods beginning January 1, 2015. The Company is currently analyzing the impact, if any, that the adoption of this standard will have on its financial statements.

IFRS 7: Financial Instruments: Disclosures – In 2011, the IASB issued amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosure requirements for the offsetting of financial assets and liabilities when offsetting is permitted under IFRS. The disclosure amendments are required to be adopted retrospectively for periods beginning October 1, 2013. These amendments will require minimal disclosure changes in the Company's financial statements.

IAS 1: Presentation of Financial Statements - The Company intends to adopt the amendments in its financial statements for the annual period beginning on October 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.

IAS 19: Employee Benefits – the IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. These amendments are required to be adopted for periods beginning October 1, 2013. These amendments will require minimal disclosure changes in the Company's financial statements.

IAS 32: Offsetting Financial Assets and Financial Liabilities – In 2011, the IASB issued amendments to IAS 32 clarifying the meaning of "currently has a legal enforceable right to set-off" and the application of the IAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. These amendments are required to be adopted for periods beginning October 1, 2014. The Company is currently analyzing the impact, if any, that the adoption of this standard will have on its financial statements.

4. Investment

In July 2013, the Company subscribed for 500,000 common shares of Sierra Coastal Partners Incorporated ("Sierra") for $0.05 per common share. The transaction with Sierra is at arm's length, private company with Seaway owning approximately 4.79% of the common shares outstanding. The investment is reported in the financial statements is classified as an available for sale investment and carried at its initial cost as management has determined that the fair value of the investment cannot be reliably determined.

5. Property and Equipment

Cost		Corporate
Balance, October 1, 2011	$	181,764
Additions		-
Balance, September 30, 2012		181,764
Additions		-
Balance, September 30, 2013	$	181,764

Accumulated Amortization		
Balance, October 1, 2011	$	(160,749)
Amortization		(4,883)
Balance, September 30, 2012		(165,6932)
Amortization		(2,061)
Impairment		(14,071)
Balance, September 30, 2013	$	(181,764)
Net book value September 30, 2012	$	16,132
Net book value September 30, 2013	$	-

On March 31, 2013, the Company recorded an impairment provision on the office furniture and equipment owned by Seaway as a result of the decision to cease operations. In September 2013, the Company sold an asset for proceeds of $10,626.

6. Bank Loan

The Company does not have a credit facility as a result of the Company ceasing active operations at September 30, 2013 (September 30, 2012 - $600,000 revolving demand loan facility with a chartered bank). As at September 30, 2012, the facility was not drawn on. The loan bore interest at bank prime plus 1½ percent, with an effective rate of 3.75% at September 30, 2012. A general assignment of book debts and a first floating charge debenture over all the assets of the Company had been pledged as collateral.

7. Convertible Debentures

The convertible debentures were repaid in February 2013 to a former Director and Officer of the Company. The convertible debentures were unsecured bore interest at 9% (2012 – 9%) per annum, convertible into common shares of the Company at $0.15 per share and were to mature on April 4, 2013 as a result of an extension granted by the debenture holder in April 2012. The equity component of the extended debentures was determined not material. The convertible debenture was subordinated to the bank loan (Note 6). The Company repaid $175,000 of the debentures in 2012. Interest of $2,885 (2012 - $19,997) was incurred to the Director and Officer in the year of which $Nil (2012 - $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:

		2013		2012
Income (loss) before taxes	**$**	**(512,754)**	**$**	**(150,637)**
Corporate income tax rate		**25.0%**		**25.5%**
Computed expected tax provision (recovery)	**$**	**(128,189)**	**$**	**(38,412)**
Increase in income taxes resulting from:				
Rate and other adjustments		**-**		**747**
Other permanent differences		**(376)**		**2,039**
Valuation allowance		**128,565**		**61,026**
Income tax expense	**$**	**-**	**$**	**25,400**

(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		**2013**		2012
Property, equipment and intangibles	**$**	**-**	$	(231)
Non-capital losses		**180,104**		50,507
Share issue costs and finance fees		**-**		368
Other		**10,087**		10,382
Valuation allowance		**(190,191)**		(61,026)
Deferred income tax asset	**$**	**-**	$	-

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.

(c) The Company has non-capital losses of approximately $721,000, which are available to reduce taxable income in future years. If unutilized, these losses will expire as follows: 2028 - $66,000, 2032 - $145,000 and 2033 - $510,000.

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, 2013			September 30, 2012		
Common shares	**Shares**		**Amounts**	Shares		Amounts
Balance, beginning of period	**28,877,470**	**$**	**2,712,166**	29,477,470	$	2,768,518
Normal course issuer bid*(1)*	**-**		**-**	(600,000)		(56,352)
Balance, end of period	**28,877,470**	**$**	**2,712,166**	28,877,470	$	2,712,166

(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 2012 fiscal year, the Company repurchased 600,000 Common Shares with an average price of $0.035. The NCIB was not renewed in February 2012.

9. Share Capital - continued

(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, 2013 and September 30, 2012 and changes during the periods ending on those dates are presented below.

	September 30, 2013		September 30, 2012	
Stock Options	**Number of options**	**Weighted average Exercise price**	Number of options	Weighted average exercise price
Beginning of year	**-**	**$-**	540,000	$0.24
Expired	**-**	**$-**	(540,000)	$0.24
End of year	**-**	**-**	-	-
Exercisable, end of year	**-**	**-**	-	-

10. Personnel Expenses

Included in general and administrative expenses is 2013 - $402,721 (2012 - $396,257) related to payroll, severance, 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:

	2013	2012
Management salary/fees and benefits	**$ 120,597**	$ 184,189
Management bonus	**-**	3,487
Directors fees	**-**	11,000
Share based compensation	**-**	-
Severance	**160,375**	-
Vacation pay accrual	**1,442**	8,500
Total employee remuneration	**$ 282,414**	$ 241,945

The Company has accrued approximately $Nil (2012 - $41,500) of vacation pay to an executive officer and director of the Company and $Nil (2012 - $6,000) in directors fees. Seaway paid a company controlled by an Officer $25,781 (2012 - $32,031) in management fees in fiscal 2013. 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
Investment	Available for sale
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.
- 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 and the investment in Sierra which is classified as available for sale), are classified as either loans or receivables and are accounted for on an amortized cost basis. All financial liabilities are classified as other liabilities. The fair value of the available for sale investment in Sierra, a privately held enterprise, is not reliably measureable and has been classified as level 3. Seaway considers this investment in Sierra to be “available for sale”, as it currently owns less than 10% of Sierra. As there is no market for the Sierra shares, the investment has been accounted for at fair value which has been determined by management based on the price of recent share issues in Sierra. There have been no changes to the aforementioned classifications during the years ended September 30, 2013 and 2012.

(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 2013, three customers accounted for 10.0%, 11.0% and 17.7% (2012 – three customers accounted for 18.5%, 11.8% and 15.4%) of the Company’s total revenue, respectively these three customers account receivable balances at September 30, 2012 are

11. Financial Instruments - continued

0.00%, 5.0% and 48.2% of the total receivables before the allowance for doubtful account provision (2012 – 18.5%, 11.8% and 15.4% of the total receivables). As at September 30, 2013, the total trade accounts receivable with two customers accounted for 82% of the Company's current accounts receivable.

		September 30, 2012		September 30, 2012
1-30 days	$	**-**	$	503,740
31-60 days		**1,346**		65,586
61 + days		**47,161**		352,391
Total trade receivables		**48,507**		921,717
Allowance for doubtful accounts		**(20,507)**		(8,036)
Total accounts receivable	$	**28,000**	$	913,681

In addition, the Company advanced an Officer and Director $7,500 as at September 30, 2013. The balance has subsequently been settled in lieu of the payment management fees.

(c) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Company is not exposed to interest rate fluctuations at September 30, 2013 and 2012 as the Company currently does not have any interest bearing deposits or a credit facility in place.

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, 2013, the Company is not subject to interest rate risk. As at September 30, 2012, the 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.

Trade and other payables

		September 30, 2012		September 30, 2012
Trade	$	**4,612**	$	403,448
Accrued		**20,000**		84,205
Constructive obligation *(1)*		**40,349**		-
Other		**-**		14,070
Total accounts payable	$	**64,961**	$	501,723

(1) Due to the decision to cease active business operations the company recorded a $40,349 liability with respect to future lease costs at September 30, 2013 as a constructive obligation. The lease expires on October 14, 2014 and Company is actively trying to sublet the premises. Once the decision to cease active operations was made in March 2013, the Company accrued $58,971 as a constructive obligation with respect to the lease on April 1, 2013.

Seaway expects that its current working capital will be sufficient to meet its current obligations while its searches for a new business venture. As these variables change, liquidity risks may necessitate the need for the Company to conduct equity issues.

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. There have been no changes to the Company's capital risk management approach during the years ended September 30, 2013 or 2012.

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 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 for its rental costs plus common costs. All payments have been received under this lease.

(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.