

Seaway Energy Services Inc.
Condensed Financial Statements
December 31, 2013
(In Canadian Dollars - Unaudited)

Contents

Condensed Financial Statements	
Condensed Statements of Financial Position	2
Condensed Statements of Operations, Comprehensive Loss	3
Condensed Statements of Shareholders' Equity	4
Condensed Statements of Cash Flows	5
Notes to Condensed Financial Statements	6 – 11

Notice for National Instrument 51-102

The accompanying unaudited condensed financial statements of Seaway Energy Services Inc. for the three month period ended December 31, 2013 have been prepared by Management and approved by the Audit Committee and the Board of Directors of the Company. These statements have not been reviewed or audited by the Company's external auditors.

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

As at	December 31, 2013	September 30, 2013
Assets		
Current		
Cash and cash equivalents	\$ 73,365	\$ 76,816
Accounts receivable (Note 6(b))	-	28,000
Other receivable	-	7,500
GST receivable	4,189	5,359
Prepaid expenses and deposits	9,312	17,993
	<u>86,866</u>	<u>135,668</u>
Investment (Note 3)	<u>25,000</u>	<u>25,000</u>
	<u>\$ 111,866</u>	<u>\$ 160,668</u>

Liabilities and Shareholders' Equity

Current		
Accounts payable and accrued liabilities (Note 6(d))	\$ 62,321	\$ 64,961
Share capital (Note 5(b))	2,712,166	2,712,166
Contributed surplus	487,246	487,246
Deficit	<u>(3,149,867)</u>	<u>(3,103,705)</u>
	<u>49,545</u>	<u>95,707</u>
	<u>\$ 111,866</u>	<u>\$ 160,668</u>

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

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

For the three months ended December 31,	2013	2012
Revenues	\$ -	\$ 328,473
Expenses		
Operating	-	213,103
General and administrative	46,162	181,057
Finance costs	-	2,170
Amortization of property and equipment	-	1,031
	46,162	397,361
Loss before other	(46,162)	(68,888)
Other item		
Interest income	-	174
Net and comprehensive loss for the period	\$ (46,162)	\$ (68,714)
Net earnings per share		
- basic and diluted	\$ (0.002)	\$ (0.003)
Weighted average shares outstanding		
- basic and diluted ⁽¹⁾	28,877,470	28,877,470

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

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

Seaway Energy Services Inc.
Condensed Statements of Shareholders' Equity
(In Canadian Dollars - Unaudited)

	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 period	-		-		(68,714)		(68,714)
Balance September 30, 2012	\$ 2,712,166	\$	487,246	\$	(2,659,665)	\$	539,747

	Share Capital		Contributed Surplus		Deficit		Total Equity
Balance October 1, 2013	\$ 2,712,166	\$	487,246	\$	(3,103,705)	\$	95,707
Net loss for the period	-		-		(46,162)		(46,162)
Balance December 31, 2013	\$ 2,712,166	\$	487,246	\$	(3,149,867)	\$	49,545

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

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

For the three months ended December 31,	2013	2012
Cash flows from (used in) operating activities		
Net loss for the period	\$ (46,162)	\$ (68,714)
Items not involving cash:		
Amortization of property and equipment	-	1,031
	<u>(46,162)</u>	<u>(67,714)</u>
Change in non-cash working capital balances:		
Accounts receivable	28,000	438,375
Other receivables	7,500	-
GST receivable	1,170	-
Prepaid expenses	8,681	(8,262)
Accounts payable and accrued liabilities	(2,640)	(264,032)
Cash flow from (used in) operating activities	<u>(3,451)</u>	<u>98,398</u>
Cash flows from (used in) financing activities		
Repurchase of common shares	-	-
Cash flow used in financing activities	<u>-</u>	<u>-</u>
Cash flows from (used in) investing activities		
Expenditures on property and equipment	-	-
Cash flow from investing activities	<u>-</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	(3,451)	98,398
Cash and cash equivalents, beginning of period	<u>76,816</u>	<u>259,196</u>
Cash and cash equivalents, end of period	\$ 76,365	\$ 357,594
Supplemental information		
Interest paid	\$ -	\$ -
Taxes paid	\$ -	\$ -

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

Seaway Energy Services Inc.
Notes to the Condensed Financial Statements
(Unaudited)

December 31, 2013

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

These condensed interim financial statements ("financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. These financial statements were authorized for issue by the Board of Directors on February 28, 2013. They do not contain all disclosures required by IFRS for annual financial statements and, accordingly, should be read in conjunction with the audited financial statements for the year ended September 30, 2013.

The condensed financial statements have been prepared using the same accounting policies and methods as the financial statements for the year ended September 30, 2013.

Effective October 1, 2013 the Company has adopted the following standards, IFRS 7 – "Financial Instruments – Disclosures", IFRS 10 – "Consolidated Financial Statements", IFRS 11 – "Joint Arrangements", IFRS 12 – "Disclosure of Interests in Other Entities", IFRS 13 – "Fair Value Measurements" IAS 27 "Separate Financial Statements" IAS 32 "Offsetting Financial Assets and Financial Liabilities" and IAS 34 "Amendment to Interim Financial Reporting". The adoption of these standards has not had any material impact on the Company's interim condensed financial statements and related disclosures.

Going concern assumption

These condensed 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.

Seaway Energy Services Inc.
Notes to the Condensed Financial Statements
(Unaudited)

December 31, 2013

2. Basis of Presentation - continued

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.

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:

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.

3. 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 carried at the lower of cost or fair value, \$25,000 is the carrying value at December 31, 2013 and September 30, 2013.

Seaway Energy Services Inc.
Notes to the Condensed Financial Statements
(Unaudited)

December 31, 2013

4. Related Party Transactions

Except as disclosed elsewhere in these financial statements the Company had the following related party transactions:

- (a) During the period, the Company incurred approximately \$22,500 in management fees, which is included in general and administrative expenses, to company controlled by an Officer of which \$Nil is included in accounts payable and accrued liabilities at December 31, 2013.
- (b) Included in interest expense is \$Nil (2012 - \$2,169) related to interest on the debentures and is included in accounts payable and accrued liabilities at December 31, 2012.

All related party transactions 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 and which is similar to those negotiated with third parties.

5. Share Capital

(a) Authorized

Unlimited number of common voting shares without nominal or par value

(b) Issued and outstanding

	December 31, 2013		September 30, 2013	
	Shares	Amounts	Shares	Amounts
Common shares				
Balance, beginning and end of period	28,877,470	\$ 2,712,166	28,877,470	\$ 2,712,166

(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. The Company has no options outstanding at either December 31, 2013 or September 30, 2013.

6. 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

Seaway Energy Services Inc.
Notes to the Condensed Financial Statements
(Unaudited)

December 31, 2013

6. Financial Instruments - continued

(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), 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 period ended December 31, 2013.

(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. As the operations were shut down in the previous year the Company is endeavoring to collect the outstanding receivables.

	December 31, 2013	September 30, 2013
1-30 days	\$ -	\$ -
31-60 days	-	1,346
61 + days	<u>20,507</u>	<u>47,161</u>
Total trade receivables	20,507	48,507
Allowance for doubtful accounts	<u>(20,507)</u>	<u>(20,507)</u>
Total accounts receivable	<u>\$ -</u>	<u>\$ 28,000</u>

(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 December 31, 2013 and September 30, 2013 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 December 31, 2013 and 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.

Seaway Energy Services Inc.
Notes to the Condensed Financial Statements
(Unaudited)

December 31, 2013

6. Financial Instruments - continued

(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

	December 31, 2013	September 30, 2013
Trade	\$ 7,984	\$ 4,612
Accrued	23,000	20,000
Constructive obligation (1)	31,337	40,349
Total accounts payable	\$ 62,321	\$ 64,961

(1) Due to the decision to cease active business operations the company recorded a \$31,337 (September 30, 2012 - \$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.

7. 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 periods ended December 31, 2013 or September 30, 2013.

8. Commitments and Contingencies

The Company's office lease rental arrangements expire on October 30, 2014. The future minimum lease payments are 2014 - \$28,048 and 2015 - \$2,524 exclusive of common costs.

Seaway Energy Services Inc.
Notes to the Condensed Financial Statements
(Unaudited)

December 31, 2013

8. Commitments and Contingencies

- (a) 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.
