Seaway Energy Services Inc.
Interim Financial Statements
March 31, 2011
(unaudited)

Contents

Notice for National Instrument 51-102

The accompanying unaudited interim consolidated financial statements of Seaway Energy Services Inc. for the three and six month periods ended March 31, 2011 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.
Balance Sheets
(unaudited)

As at	March 31, 2011	September 30, 2010
Assets		
Current		
Cash and cash equivalents	$ 396,358	$ 222,473
Accounts receivable	933,852	1,117,122
Prepaid expenses	39,088	29,142
	1,369,298	1,368,737
Property and equipment (Note 2)	20,150	20,601
Future income taxes	39,300	50,400
	$ 1,428,748	$ 1,439,738

Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	$ 323,565	$ 362,602
Current portion of the convertible debentures (Note 4)	275,000	275,000
	598,565	637,602
Share capital (Note 5(b))	2,911,429	2,926,431
Contributed surplus (Note 5(e))	369,978	359,906
Deficit	(2,451,224)	(2,484,201)
	830,183	802,136
	$ 1,428,748	$ 1,439,738

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

Seaway Energy Services Inc.
Statements of Operations, Comprehensive Income and Deficit
(unaudited)

	For the three months ended March 31, 2011	2010	For the six months ended March 31, 2011	2010
Revenues	**$ 711,924**	$ 910,655	**$ 1,588,691**	$ 1,758,300
Expenses				
Operating	**494,780**	661,063	**1,180,838**	1,288,050
General and administrative	**209,306**	180,640	**348,340**	311,186
Interest	**6,188**	13,501	**13,101**	27,001
Financing cost accretion	**-**	9,695	**-**	19,390
Stock-based compensation	**-**	-	**-**	-
Amortization of property and equipment	**1,366**	1,701	**2,860**	3,541
Amortization of intangible assets	**-**	26,582	**-**	53,164
	711,640	893,182	**1,545,139**	1,702,332
Income before other and income taxes	**284**	17,473	**43,552**	55,968
Other items				
Interest income	**349**	42	**525**	67
Income before income taxes	**633**	17,515	**44,077**	56,035
Income taxes				
Current	**-**	-	**-**	-
Future	**200**	8,000	**11,100**	18,500
	200	8,000	**11,100**	18,500
Net and comprehensive income for the period	**433**	9,515	**32,977**	37,535
Deficit, beginning of period	**(2,451,657)**	(2,526,261)	**(2,484,201)**	(2,546,281)
Deficit, end of period	**$ (2,451,224)**	$ (2,508,746)	**$ (2,451,224)**	$ (2,508,746)
Net earnings per share - basic and diluted	**$ 0.000**	$ 0.001	**$ 0.001**	$ 0.001
Weighted average shares outstanding - basic and diluted *(1)*	**30,984,026**	30,988,470	**30,986,272**	30,988,470

(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 interim financial statements.

Seaway Energy Services Inc.
Statements of Cash Flows
(unaudited)

	For the three months ended March 31, 2011	2010	For the six months ended March 31, 2011	2010
Cash flows from (used in) operating activities				
Net income for the period	**$ 433**	$ 9,515	**$ 32,977**	$ 37,535
Items not involving cash:				
Financing cost accretion	**-**	9,695	**-**	19,390
Amortization of property and equipment	**1,366**	1,701	**2,860**	3,541
Amortization of intangible assets	**-**	26,582	**-**	53,164
Future income taxes (recovery)	**200**	8,000	**11,100**	18,500
	1,999	55,493	**46,937**	132,130
Change in non-cash working capital balances:				
Accounts receivable	**398,775**	(204,926)	**183,271**	(212,698)
Prepaid expenses	**(16,985)**	6,788	**(9,946)**	13,577
Accounts payable and accrued liabilities	**(160,472)**	462,489	**(39,037)**	475,766
Cash flow from (used in) operating activities	**223,317**	319,844	**181,225**	408,775
Cash flows from (used in) financing activities				
Repurchase of common shares	**(4,930)**	-	**(4,930)**	-
Repayment of promissory notes	**-**	-	**-**	(50,000)
Cash flow used in financing activities	**(4,930)**	-	**(4,930)**	(50,000)
Cash flows from (used in) investing activities				
Proceeds on the sale of property and equipment	**-**	(1,748)	**-**	(1,748)
Expenditures on property and equipment	**-**	-	**(2,410)**	1,533
Cash flow used in investing activities	**-**	(1,748)	**(2,410)**	(215)
Increase (decrease) in cash and cash equivalents	**223,317**	318,096	**173,885**	358,560
Cash and cash equivalents, beginning of period	**173,041**	105,538	**222,473**	65,074
Cash and cash equivalents, end of period	**$ 396,358**	$ 423,634	**$ 396,358**	$ 423,634
Supplemental information				
Interest paid	**$ 6,188**	$ 13,501	**$ 13,101**	$ 27,001
Taxes paid	**$ -**	$ -	**$ -**	$ -

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

1. Nature of Operations

The interim unaudited financial statements of Seaway Energy Services Inc. ("Seaway" or "the Company") have been prepared by management, in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the interim consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The interim financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality. These interim financial statements do not include all the note disclosures required for annual financial statements and therefore they should be read in conjunction with the Company's audited financial statements for the year ended September 30, 2010. The interim financial statements have been prepared following the same significant accounting policies as the most recently reported audited financial statements of Seaway.

2. Property and Equipment

March 31, 2011	**Cost**	**Accumulated amortization**	**Net book value**
Equipment	**$ 23,500**	**$ 19,052**	**$ 4,448**
Computer equipment	**65,317**	**56,508**	**8,809**
Computer software	**70,411**	**69,307**	**1,104**
Furniture and fixtures	**18,770**	**12,981**	**5,789**
	$ 177,998	**$ 157,848**	**$ 20,150**

September 30, 2010	Cost	Accumulated amortization	Net book value
Field equipment	$ 23,500	$ 18,572	$ 4,928
Computer equipment	63,598	55,037	8,561
Computer software	70,411	68,969	1,442
Furniture and fixtures	18,080	12,410	5,670
	$ 175,589	$ 154,988	$ 20,601

3. Bank Loan

The Company has a $600,000 (2010 - $600,000) revolving demand loan facility with a chartered bank. As at March 31, 2011 and September 30, 2010, 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 March 31, 2011 (2010 – 3.75%). A general assignment of book debts, and a first floating charge debenture over all the assets of the Company has been pledged as collateral. The availability under the facility is subject to periodic review with the next review due by the end of March 2012.

4. Convertible Debentures

The convertible debentures are due to a Director and Officer of the Company, bear interest at 9% per annum, convertible into common shares of the Company at $0.15 per share and mature on April 4, 2011 pursuant to a one year repayment extension granted by the convertible debenture holder. The convertible debentures are no longer subordinated to the bank loan (Note 3) as a result of the annual review conducted by the bank in April 2011.

5. 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

	March 31, 2011			September 30, 2010		
Common shares	**Shares**		**Amounts**	Shares		Amounts
Balance, beginning of period	**30,988,470**	**$**	**2,910,431**	30,988,470	$	2,910,431
Shares repurchased (Note 5(c))	**(95,000)**		**(8,922)**	-		-
Balance, end of period	**30,893,470**	**$**	**2,901,509**	30,988,470	$	2,910,431
Warrants						
Balance, beginning of period	**5,000,000**	**$**	**16,000**	5,000,000	$	16,000
Expired *(1)*	**(1,900,000)**		**(6,080)**	-		-
Balance, end of period	**3,100,000**	**$**	**9,920**	5,000,000	$	16,000
		$	**2,911,429**		$	2,926,431

(1) During the period 1,900,000 warrants expired unexercised. Subsequent to the period, the remaining 3,100,000 warrants expired unexercised.

(c) Normal course issuer bid
Pursuant to a Normal Course Issuer Bid ("NCIB") approved on February 17, 2011 through the facilities of the TSX Venture Exchange, the Company may acquire over a 12 month period up to 10% of its shares making up the public float or 3,098,847 common shares. During the period, the Company repurchased 95,000 Common Shares at an average price of $0.05 for a total cost of $4,930.

Subsequent to March 31, 2011, the Company acquired a further 626,000 Common shares at an average price of $0.05.

(d) 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 March 31, 2011 and September 30, 2010 and changes during the periods ending on those dates are presented below.

5. Share Capital

Stock Options	March 31, 2011 Number of options	Weighted average Exercise price	September 30, 2010 Number of options	Weighted average exercise price
Beginning of period	**945,000**	**$0.18**	945,000	$0.18
Granted	**-**	**-**	-	-
Exercised	**-**	**-**	-	-
Expired	**(405,000)**	**$0.10**	-	-
End of period	**540,000**	**$0.24**	945,000	$0.18
Exercisable, end of period	**540,000**	**$0.24**	945,000	$0.18

The following table summarizes the stock options outstanding and exercisable at March 31, 2011:

Options outstanding	Option price	Weighted average exercise price	Weighted average remaining contractual life	Number of options currently exercisable	Weighted average exercise price of options currently exercisable
540,000	$0.24	$0.24	0.55	540,000	$0.24

(e) Contributed surplus

	September 30, 2010	September 30, 2010
Balance, beginning of period	**$ 359,906**	$ 290,881
Transfer on the expiry of warrants	**6,080**	-
Transfer on the expiry of the debentures	**-**	69,025
Discount on the redemption of shares	**3,992**	-
Balance, end of period	**$ 369,978**	$ 359,906

6. 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 $20,068 in management fees, which is included in general and administrative expenses, to company controlled by a Officer of which $2,633 is included in accounts payable and accrued liabilities at March 31, 2011.

(b) Included in interest expense is $13,101 related to interest on the debentures paid to a Director and Officer.

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.

7. 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) 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. As at March 31, 2011 the total trade accounts receivable with three customers accounted for 60% (2010 – four customers accounted for 57%) of the Company's current accounts receivable.

	March 31, 2011	September 30, 2010
1-30 days	**$ 379,382**	$ 989,785
31-60 days	**324,657**	72,950
61 + days	**248,569**	75,448
Total trade receivables	**952,608**	1,138,183
Allowance for doubtful accounts	**(18,756)**	(21,061)
Total accounts receivable	**$ 933,852**	$ 1,117,122

(b) 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 exposed to interest rate fluctuations as the promissory notes bear interest at a floating rate. As at March 31, 2011, a difference in the interest rate of one percent would change net earnings by approximately $Nil assuming all other variables are constant.

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 March 31, 2011, 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.

(c) 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.

7. Financial Instruments - continued

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.

(d) 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 balance sheet 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 balance sheet that have been designated as available-for-sale. There have been no changes to the aforementioned classifications during the period ended March 31, 2011.

8. 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.