

**Seaway Energy Services Inc.**  
**Condensed Financial Statements**  
**March 31, 2016**  
**(In Canadian Dollars - Unaudited)**

**Contents**

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**Notice for National Instrument 51-102**

The accompanying unaudited condensed financial statements of Seaway Energy Services Inc. for the three and six month periods ended March 31, 2016 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	March 31, 2016	September 30, 2015
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 5,011	\$ 28
GST receivable	19,972	11,739
	24,983	\$ 11,767
 <b>Liabilities and Shareholders' Equity</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 249,354	\$ 154,086
Promissory note (Note 3)	15,000	-
	264,354	154,086
Share capital (Note 4(b))	2,885,306	2,885,306
Contributed surplus	525,046	525,046
Deficit	(3,649,723)	(3,552,671)
	(239,371)	(142,319)
	\$ 24,983	\$ 11,767

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 March 31,		For the six months ended March 31,	
	2016	2015	2016	2015
<b>Expenses</b>				
General and administrative	\$ 38,565	\$ 15,352	\$ 97,052	\$ 26,270
<b>Net and comprehensive loss for the period</b>	<b>\$ (38,565)</b>	<b>\$ (15,352)</b>	<b>\$ (97,052)</b>	<b>\$ (26,270)</b>
<b>Net loss per share</b>				
- basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.00)
<b>Weighted average shares outstanding</b>				
- basic and diluted (1)	4,102,746	4,102,746	4,102,746	4,102,746

*(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)

	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Total Equity</b>
Balance October 1, 2015	\$ 2,885,306	\$ 525,046	\$ (3,552,671)	\$ (142,319)
Net loss for the period	-	-	(97,052)	(97,052)
Balance March 31, 2016	\$ 2,885,306	\$ 525,046	\$ (3,649,723)	\$ (239,371)

	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Total Equity</b>
Balance October 1, 2014	\$ 2,885,306	\$ 525,046	\$ (3,373,647)	\$ 36,705
Net loss for the period	-	-	(26,270)	(26,270)
Balance March 31, 2015	\$ 2,885,306	\$ 525,046	\$ (3,399,917)	\$ 10,435

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)**

<b>For the six months ended March 31,</b>	<b>2016</b>	<b>2015</b>
<b>Cash flows from (used in) operating activities</b>		
Net loss for the period	\$ (97,052)	\$ (26,270)
Change in non-cash working capital balances:		
GST receivable	(8,234)	(888)
Prepaid expenses	-	3,003
Accounts payable and accrued liabilities	95,269	2,460
Cash flow from (used in) operating activities	<u>(10,017)</u>	<u>(21,695)</u>
<b>Cash flows from (used in) financing activities</b>		
	15,000	-
Repayment of debentures	<u>-</u>	<u>21,000</u>
Cash flow used in financing activities	<u>15,000</u>	<u>21,000</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(695)</b>	<b>(695)</b>
Cash and cash equivalents, beginning of period	<u>28</u>	<u>714</u>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 5,011</b>	<b>\$ 19</b>
<b>Supplemental information</b>		
Interest paid	\$ -	\$ -
Taxes paid	\$ -	\$ -

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

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

**March 31, 2016**

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**1. Corporate Information**

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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 Suite 2000, 1177 West Hastings Street, Vancouver, British Columbia, V6E 2K3 and the registered office is located at Suite 1810, 1111 West Georgia Street, Vancouver, British Columbia, V6E 4M3.

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**2. Basis of Presentation**

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**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 May 30, 2016. 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, 2015. The condensed financial statements have been prepared using the same accounting policies and methods as the financial statements for the year ended September 30, 2015.

**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 and additional capital will be required to facilitate other business opportunities. 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.

**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:

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

**March 31, 2016**

**2. Basis of Presentation - continued**

*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.

*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. Promissory Note**

On January 25, 2016, the Company closed a \$15,000 Promissory Note financing with an arm's length party. The Promissory Note bears interest at 20% per annum and is due on January 25, 2017. If the Promissory Note is paid by July 25, 2016, no interest will be payable.

**4. 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, 2016		September 30, 2015	
	Shares	Amounts	Shares	Amounts
<b>Common shares</b>				
Balance, beginning and end of period	4,102,746	\$ 2,799,806	4,102,746	\$ 2,799,806
<b>Warrants</b>				
Balance, beginning and end of period (i)	1,214,999	\$ 85,500	1,214,999	\$ 85,500
		<b>\$ 2,885,306</b>		<b>\$ 2,885,306</b>

(i) The warrants expired subsequent to the end of the period.

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

**March 31, 2016**

**4. 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 March 31, 2016 and September 30, 2015 and changes during the respective periods ended on those dates is presented below.

Stock Options	March 31, 2016		September 30, 2015	
	Number of options	Weighted average exercise price	Number of Options	Weighted average exercise price
Beginning of period	280,000	\$0.135	280,000	\$0.135
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
End of period	280,000	\$0.135	280,000	\$0.135
Exercisable, end of period	280,000	\$0.135	280,000	\$0.135

Date of Grant	Number Outstanding	Exercise Price	Weighted Average Remaining Contractual Life	Date of Expiry	Number Exercisable March 31, 2016
March 21, 2014	280,000	\$0.135	2.97 years	March 21, 2019	280,000

**5. 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

(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.



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

**March 31, 2016**

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**5. Financial Instruments - continued**

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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 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. There have been no changes to the aforementioned classifications during the year ended September 30, 2015 and three month period ended March 31, 2016.

(b) Liquidity risk

Liquidity risk includes the risk that, as a result of 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**

	<b>March 31, 2016</b>	<b>September 30, 2015</b>
Trade	\$ 241,354	\$ 147,586
Accrued	8,000	6,500
Total accounts payable	\$ 249,354	\$ 154,086

Seaway will be required to raise funds in order to fund its current working capital deficit in order to meet its current obligations while it endeavors to facilitate other business opportunities. As these variables change, liquidity risks may necessitate the need for the Company to conduct further equity issues.

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**Seaway Energy Services Inc.**  
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**(Unaudited)**

**March 31, 2016**

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**6. Capital Risk Management**

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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 March 31, 2016 or September 30, 2015.

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**7. Commitments and Contingencies**

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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.

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**8. Subsequent events**

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Except as disclosed elsewhere in these financial statements, the Company had the following subsequent events:

- (a) On April 11, 2016, the Company consolidated the issued common shares, warrants and options outstanding on a 1 for 3 basis.
  - (b) On April 19, 2016, a total of 7.61 million post consolidation units were issued at a price of five cents per unit for gross proceeds of \$380,500. Each unit consists of one common share of the company and one-half of one common share purchase warrant, with each whole warrant being exercisable to acquire one common share of the company at a price of 10 cents for a period of 24 months following the closing date of the offering. All securities issued in connection with the first tranche are subject to a four-month hold period that expires on August 19, 2016.
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