# SEAWAY ENERGY SERVICES INC.

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
JUNE 30, 2018

*(Unaudited - Expressed in Canadian Dollars)*

**NOTICE OF NO AUDITOR REVIEW OF**
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed consolidated interim financial statements they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

# SEAWAY ENERGY SERVICES INC.
## CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
*(Unaudited - Expressed in Canadian Dollars)*

| | Notes | June 30, 2018 $ | September 30, 2017 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash | | 2,085,814 | 63,618 |
| GST receivable | | 30,471 | 27,321 |
| Bridge loan | 4, 8 | 252,292 | - |
| Prepaid expenses | | 31,767 | 1,300 |
| **Total current assets** | | 2,400,344 | 92,239 |
| **Non-current asset** | | | |
| Deferred costs | 3, 8 | 59,995 | - |
| **Total non-current asset** | | 59,995 | - |
| **TOTAL ASSETS** | | 2,460,339 | 92,239 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | 6 | 94,747 | 62,710 |
| **TOTAL LIABILITIES** | | 94,747 | 62,710 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 5 | 6,633,556 | 3,418,306 |
| Share-based payments reserve | 5 | 947,579 | 665,579 |
| Deficit | | (5,215,543) | (4,054,356) |
| **TOTAL SHAREHOLDERS' EQUITY** | | 2,365,592 | 29,529 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | 2,460,339 | 92,239 |

**Nature of Operations** - see Note 1

**Events after the Reporting Period** - see Note 8

These condensed interim financial statements were approved for issue by the Board of Directors on August 28, 2018 and are signed on its behalf by:

*/s/ **David Sidoo***
David Sidoo
Director

*/s/ **Nick DeMare***
Nick DeMare
Director

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

## SEAWAY ENERGY SERVICES INC.
### CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
*(Unaudited - Expressed in Canadian Dollars)*

| | Note | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| | | $ | $ | $ | $ |
| **Expenses** | | | | | |
| Accounting and administrative | 6 | 12,055 | 9,200 | 35,300 | 16,900 |
| Audit | | 3,675 | (6,290) | 11,386 | (6,290) |
| Corporate development | | 41,733 | - | 60,411 | - |
| Executive management compensation | 6 | 67,500 | 21,000 | 260,250 | 68,000 |
| Legal | | - | - | 15,801 | 1,986 |
| Office | | 1,068 | 130 | 4,930 | 418 |
| Professional fees | | 54,919 | - | 74,568 | 7,780 |
| Public relations | | 14,290 | - | 100,000 | - |
| Regulatory fees | | 1,925 | 1,300 | 10,850 | 5,179 |
| Rent | | 3,000 | - | 7,756 | - |
| Share-based compensation | 5(d) | - | - | 282,000 | 140,533 |
| Shareholder costs | | 450 | - | 450 | 1,241 |
| Sponsorship | | 5,000 | - | 25,000 | - |
| Transfer agent | | 5,813 | 2,770 | 10,887 | 7,504 |
| Travel and related | | 62,361 | - | 288,075 | - |
| | | 273,789 | 28,110 | 1,187,664 | 243,251 |
| **Loss before other items** | | (273,789) | (28,110) | (1,187,664) | (243,251) |
| **Other items** | | | | | |
| Interest income | | 11,847 | - | 26,986 | - |
| Foreign exchange | | (170) | - | (509) | - |
| | | 11,677 | - | 26,477 | - |
| **Comprehensive loss for the period** | | (262,112) | (28,110) | (1,161,187) | (243,251) |
| **Loss per share - basic and diluted** | | $(0.01) | $(0.00) | $(0.04) | $(0.02) |
| **Weighted average number of common shares outstanding - basic and diluted** | | 27,588,416 | 10,482,416 | 29,069,977 | 9,792,157 |

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

## SEAWAY ENERGY SERVICES INC.
### CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
*(Unaudited - Expressed in Canadian Dollars)*

| | Nine Months Ended June 30, 2018 | | | | |
|---|---|---|---|---|---|
| | Share Capital | | | | |
| | Number of Shares | Amount $ | Share-Based Payments Reserve $ | Deficit $ | Total Equity $ |
| **Balance at September 30, 2017** | 10,532,583 | 3,418,306 | 665,579 | (4,054,356) | 29,529 |
| Common shares issued for cash: | | | | | |
| - private placement | 15,000,000 | 3,000,000 | - | - | 3,000,000 |
| - exercise of warrants | 2,310,000 | 231,000 | - | - | 231,000 |
| Share issue costs | - | (15,750) | - | - | (15,750) |
| Share-based compensation | - | - | 282,000 | - | 282,000 |
| Comprehensive loss for the period | - | - | - | (1,161,187) | (1,161,187) |
| **Balance at June 30, 2018** | 27,842,583 | 6,633,556 | 947,579 | (5,215,543) | 2,365,592 |

| | Nine Months Ended June 30, 2017 | | | | |
|---|---|---|---|---|---|
| | Share Capital | | | | |
| | Number of Shares | Amount $ | Share-Based Payments Reserve $ | Deficit $ | Total (Deficit) Equity $ |
| **Balance at September 30, 2016** | 8,977,583 | 3,262,806 | 525,046 | (3,762,118) | 25,734 |
| Common shares issued for cash: | | | | | |
| - exercise of warrants | 1,555,000 | 155,500 | - | - | 155,500 |
| Share-based compensation | - | - | 140,533 | - | 140,533 |
| Comprehensive loss for the period | - | - | - | (243,251) | (243,251) |
| **Balance at June 30, 2017** | 10,532,583 | 3,418,306 | 665,579 | (4,005,369) | 78,516 |

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

## SEAWAY ENERGY SERVICES INC.
### CONDENSED INTERIM STATEMENTS OF CASH FLOWS
*(Unaudited - Expressed in Canadian Dollars)*

| | Nine Months Ended June 30, | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| **Operating activities** | | |
| Comprehensive loss for the period | (1,161,187) | (243,251) |
| Adjustment for: | | |
| Share-based compensation | 282,000 | 140,533 |
| Interest on bridge loan | (2,292) | - |
| Changes in non-cash working capital items: | | |
| GST receivable | (3,150) | (5,202) |
| Prepaid expense | (30,467) | (3,300) |
| Accounts payable and accrued liabilities | 32,037 | 37,706 |
| **Net cash used in operating activities** | (883,059) | (73,514) |
| **Financing activities** | | |
| Issuance of common shares | 3,231,000 | 155,500 |
| Share issue costs | (15,750) | - |
| Deferred costs | (59,995) | - |
| **Net cash provided by financing activities** | 3,155,255 | 155,500 |
| **Investing activity** | | |
| Bridge loan | (250,000) | - |
| **Net cash used in investing activity** | (250,000) | - |
| **Net change in cash during the period** | 2,022,196 | 81,986 |
| **Cash at beginning of period** | 63,618 | 16,645 |
| **Cash at end of period** | 2,085,814 | 98,631 |

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

## 1. Nature of Operations

Seaway Energy Services Inc. (the "Company") is a corporation continued under the laws of British Columbia. The Company is listed and traded on the TSX Venture Exchange ("TSXV") under the symbol "SEW". The Company's head office is located at #117 - 595 Burrard Street, Vancouver, British Columbia V7X 1L4 Canada.

During the nine months ended June 30, 2018 the Company incurred a comprehensive loss of $1,161,187 and, as at June 30, 2018, had working capital of $2,305,597 and an accumulated deficit of $5,215,543. The Company has actively been seeking new business opportunities. On January 22, 2018 the Company entered into an agreement to acquire a business. See also Note 3. Although management considers that the Company has adequate resources to maintain its ongoing levels of operations for the next twelve months, the Company is required to raise up to $16,000,000 concurrent with closing of the proposed business acquisition. While the Company has been successful in securing financings in the past there can be no assurance that it will be able to do so in the future.

See also Note 8.

## 2. Basis of Preparation

***Statement of Compliance***

These condensed interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"), and its interpretations, using accounting policies consistent with International Financial Reporting Standards ("IFRS"). The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended September 30, 2017, which have been prepared in accordance with IFRS as issued by the IASB and interpretations of the IFRS Interpretations Committee ("IFRIC"). The accounting policies followed in these condensed interim financial statements are consistent with those applied in the Company's financial statements for the year ended September 30, 2017.

***Financial Instruments***

Effective January 1, 2018, the Company adopted IFRS 9 - *Financial Instruments* ("IFRS 9") using the modified retrospective approach. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities. The standard did not have an impact on the carrying amounts of the Company's financial instruments at the transition date. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9.

***Basis of Measurement***

The Company's condensed interim 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. The condensed interim financial statements are presented in Canadian dollars unless otherwise stated.

***Comparative Figures***

Certain of the prior period's comparative figures have been reclassified to conform with the current period's presentation.

*(Unaudited - Expressed in Canadian Dollars)*

## 3. Proposed Business Acquisition and Financing

On January 22, 2018 the Company entered into a letter of intent, superseded by the share exchange agreement dated April 13, 2018 (the "Acquisition Agreement"), with X2 Blockchain Games Corp. ("X2"), Nolan Bushnell and the shareholders of X2, pursuant to which the Company will acquire all of the outstanding shares of X2 in exchange for 81,915,074 common shares of the Company on a 1:1 basis (the "Acquisition").

The Acquisition Agreement sets out certain terms and conditions pursuant to which the Acquisition will be completed. The Acquisition Agreement also contemplates other material conditions precedent to the closing of the Acquisition (the "Acquisition Closing"), including customary due diligence, receipt of all necessary regulatory, corporate and third party approvals, compliance with all applicable regulatory requirements, and all requisite board and shareholder approvals being obtained. The Company is also required to complete a private placement to raise up to $16,000,000 concurrent with the closing of the Acquisition.

The Company has also agreed to pay a finder's fee comprising $500,000 cash and issuance of 4,095,753 common shares of the Company.

X2 is a British Columbia corporation which owns 100% of X Blockchain Games Corp. ("X Blockchain"), a California, USA based corporation. X Blockchain is an independent games publisher focusing on digital games integrating blockchain technology to create enhanced game experiences. X2 Blockchain has acquired the exclusive legal and beneficial ownership of a back catalogue of games and all data and materials, including all intellectual property rights.

As at June 30, 2018 the Company has incurred $59,995 for legal and other costs associated with the proposed Acquisition.

See also Note 8.

## 4. Bridge Loan

| | June 30, 2018 $ |
|---|---|
| Principal | 250,000 |
| Accrued interest | 2,292 |
| | 252,292 |

On March 7, 2018 the Company and X2 entered into a loan agreement whereby the Company agreed to provide X2 with a bridge loan (the "Bridge Loan") of up to $500,000. The Company made an initial advance of $250,000. Advances under the Bridge Loan bear interest at bank prime rate, payable monthly, and matures on March 7, 2019. The Bridge Loan is secured by a general security agreement over the assets of X2. The interest rate for the period ended June 30, 2018 was 3.45%.

See also Note 8.

## 5. Share Capital

(a) *Authorized Share Capital*

The Company's authorized share capital consists of an unlimited number of common shares without par value and unlimited preferred shares without par value. All issued common shares are fully paid.

*(Unaudited - Expressed in Canadian Dollars)*

**5. Share Capital** (continued)

(b) *Equity Financing*

During the nine months ended June 30, 2018 the Company completed a non-brokered private placement financing of 15,000,000 units at a price of $0.20 per unit for gross proceeds of $3,000,000. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase an additional common share at a price of $0.40 for a period of two years after closing. Directors of the Company purchased 1,725,000 units of this private placement.

The Company incurred $15,750 filing costs associated with the private placement.

There were no equity financings conducted by the Company during fiscal 2017.

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at June 30, 2018 and 2017 and the changes for the nine months ended on those dates, is as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Number | Weighted Average Exercise Price $ | Number | Weighted Average Exercise Price $ |
| Balance, beginning of period | 2,310,000 | 0.10 | 3,865,000 | 0.10 |
| Issued | 15,000,000 | 0.40 | - | - |
| Exercised | (2,310,000) | 0.10 | (1,555,000) | 0.10 |
| Balance, end of period | 15,000,000 | 0.40 | 2,310,000 | 0.10 |

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at June 30, 2018:

| Number | Exercise Price $ | Expiry Date |
|---|---|---|
| 7,813,000 | 0.40 | December 5, 2019 |
| 7,187,000 | 0.40 | December 12, 2019 |
| 15,000,000 | | |

(d) *Share Option Plan*

The Company has established a rolling share option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. Pursuant to the 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 TSXV. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of five years.

During the nine months ended June 30, 2018 the Company granted share options to purchase 360,000 (2017 - 890,000) common shares and recorded compensation expense of $282,000 (2017 - $140,533).

The fair value of share options granted and vested during the nine months ended June 30, 2018 and 2017 has been estimated using the Black-Scholes option pricing model using the following assumptions:

*(Unaudited - Expressed in Canadian Dollars)*

## 5. Share Capital (continued)

| | 2018 | 2017 |
|---|---|---|
| Risk-free interest rate | 1.55% - 1.65% | 0.66% |
| Estimated volatility | 249% - 256% | 111% |
| Expected life | 4 years | 5 years |
| Expected dividend yield | 0% | 0% |
| Expected forfeiture rate | 0% | 0% |

The weighted average fair value of all share options granted and vested, using the Black-Scholes option pricing model, during the nine months ended June 30, 2018 was $0.71 (2017 - $0.16) per option.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide a reliable measure of the fair value of the Company's share options.

A summary of the Company's share options at June 30, 2018 and 2017 and the changes for the nine months ended on those dates, is as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Number of Options Outstanding | Weighted Average Exercise Price $ | Number of Options Outstanding | Weighted Average Exercise Price $ |
| Balance, beginning of period | 890,000 | 0.20 | 93,333 | 0.405 |
| Granted | 360,000 | 0.79 | 890,000 | 0.20 |
| Expired | - | - | (93,333) | 0.405 |
| Balance, end of period | 1,250,000 | 0.37 | 890,000 | 0.20 |

The following table summarizes information about the share options outstanding and exercisable at June 30, 2018:

| Number | Exercise Price $ | Expiry Date |
|---|---|---|
| 160,000 | 0.35 | October 18, 2021 |
| 890,000 | 0.20 | October 20, 2021 |
| 100,000 | 1.14 | December 21, 2021 |
| 100,000 | 1.14 | December 27, 2021 |
| 1,250,000 | | |

## 6. Related Party Disclosures

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors and executive officers.

(i) During the nine months ended June 30, 2018 and 2017 the following amounts were incurred with respect to current and former key management personnel:

| | 2018 $ | 2017 $ |
|---|---|---|
| Executive management compensation | 260,250 | 68,000 |
| Share-based compensation | 282,000 | 105,004 |
| | 542,250 | 173,004 |

**6. Related Party Disclosures** (continued)

As at June 30, 2018, $22,250 (September 30, 2017 - $56,000) remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During the nine months ended June 30, 2018 the Company incurred a total of $35,300 (2017 - $11,400) with Chase Management Ltd. ("Chase"), a private corporation owned by the CFO of the Company, for accounting and administrative services provided by Chase personnel, excluding the CFO. As at June 30, 2018, $5,300 (September 30, 2017 - $1,800) remained unpaid and has been included in accounts payable and accrued liabilities.

(iii) During the nine months ended June 30, 2017 the Company paid $5,500 for accounting and administration services provided by a private company owned by the former CFO of the Company.

(iv) During the nine months ended June 30, 2017 the Company paid $1,986 for legal services provided by the former CEO of the Company.

(v) See also Note 5(b).

**7. Financial Instruments and Risk Management**

***Categories of Financial Assets and Financial Liabilities***

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

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 value 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 market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for cash, the bridge loan and accounts payable and accrued liabilities approximate their fair value due to their short-term nature.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Credit Risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash. Management believes that the credit risk concentration with respect to financial instruments included in cash is remote.

*(Unaudited - Expressed in Canadian Dollars)*

## 7. Financial Instruments and Risk Management (continued)

*Liquidity Risk*

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

| | Contractual Maturity Analysis at June 30, 2018 | | | | |
|---|---|---|---|---|---|
| | Less than 3 Months $ | 3 - 12 Months $ | 1 - 5 Years $ | Over 5 Years $ | Total $ |
| Cash | 2,385,814 | - | - | - | 2,385,814 |
| Bridge loan | 252,292 | - | - | - | 252,292 |
| Accounts payable and accrued liabilities | (46,672) | - | - | - | (46,672) |

*Interest Rate Risk*

The Company is exposed to interest rate risk to the extent that the cash and bridge loan bear floating rates of interest. The interest rate risk on cash, the bridge loan and on the Company's obligations are not considered significant.

*Capital Management*

The Company's objective when managing capital is to safeguard its ability to continue as a going concern. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to identify and evaluate potential business acquisitions and to negotiate acquisitions or participation agreements. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital and cash. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

## 8. Events after the Reporting Period

Subsequent to June 30, 2018 the Company and X2 formally terminated the Acquisition Agreement. As a result, X2 repaid the Company $252,339 as payment on the Bridge Loan and accrued interest and an additional $47,661 as general recovery for expenditures incurred by the Company on account of the Acquisition.