
SEAWAY ENERGY SERVICES INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
JUNE 30, 2019 AND 2018

(Unaudited - Expressed in Canadian Dollars)

SEAWAY ENERGY SERVICES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)
AS AT

	Notes	June 30, 2019	September 30, 2018
ASSETS			
Current assets			
Cash		\$ 1,736,961	\$ 2,247,370
GST receivable		-	25,475
Prepaid expenses	5	8,767	3,925
TOTAL ASSETS		\$ 1,745,728	\$ 2,276,770
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	5	\$ 50,563	\$ 124,203
TOTAL LIABILITIES		50,563	124,203
SHAREHOLDERS' EQUITY			
Share capital	4	6,633,556	6,633,556
Share-based payment reserve	4	947,579	947,579
Deficit		(5,885,970)	(5,428,568)
TOTAL SHAREHOLDERS' EQUITY		1,695,165	2,152,567
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 1,745,728	\$ 2,276,770

Nature of Operations - see Note 1

Subsequent Event- see Note 7

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on August 14, 2019 and are signed on its behalf by:

/s/ David Sidoo
David Sidoo
Director

/s/ Amrik Virk
Amrik Virk
Director

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

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

	Notes	Three Months Ended June 30,		Nine Months Ended June 30,	
		2019	2018	2019	2018
Expenses					
Accounting and administrative	5	\$ 32,632	\$ 12,055	\$ 85,619	\$ 35,300
Audit		5,500	3,675	16,542	11,386
Corporate development		-	41,733	-	60,411
Executive management compensation	5	34,312	67,500	128,850	260,250
Legal		24,932	-	24,932	15,801
Office	5	13,371	1,068	46,405	4,930
Professional fees	5	3,150	54,919	108,225	74,568
Public relations		-	14,290	-	100,000
Regulatory fees (recovery)		577	1,925	(3,316)	10,850
Rent	5	9,450	3,000	28,350	7,756
Share-based compensation	5	-	-	-	282,000
Shareholder costs		1,124	450	5,793	450
Sponsorship		-	5,000	-	25,000
Transfer agent		-	5,813	-	10,887
Travel and related		2,933	62,361	22,239	288,075
		<u>(127,981)</u>	<u>(273,789)</u>	<u>(463,639)</u>	<u>(1,187,664)</u>
Loss before other items					
Other items					
Interest income		9,935	11,847	33,077	26,986
Foreign exchange		(391)	(170)	(1,365)	(509)
Write-off of GST receivable		-	-	(25,475)	-
		<u>9,544</u>	<u>11,677</u>	<u>6,237</u>	<u>26,477</u>
Net and comprehensive loss for the period		\$ <u>(118,437)</u>	\$ <u>(262,112)</u>	\$ <u>(457,402)</u>	\$ <u>(1,161,187)</u>
Loss per share - basic and diluted		\$ (0.00)	\$ (0.01)	\$ (0.02)	\$ (0.04)
Weighted average number of common shares outstanding - basic and diluted		27,842,583	27,588,416	27,842,583	29,069,977

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

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

	Nine Months Ended June 30, 2019					
	Share Capital		Share-based payment reserve	Deficit	Total equity	
	Number of shares	Amount				
Balance at September 30, 2018	27,842,583	\$ 6,633,556	\$ 947,579	\$ (5,428,568)	\$ 2,152,567	
Net and comprehensive loss for the period	-	-	-	(457,402)	(457,402)	
Balance at June 30, 2019	27,842,583	\$ 6,633,556	\$ 947,579	\$ (5,885,970)	\$ 1,695,165	

	Nine Months Ended June 30, 2018					
	Share Capital		Share-based payment reserve	Deficit	Total equity	
	Number of shares	Amount				
Balance at September 30, 2017	10,532,583	\$ 3,418,306	\$ 665,579	\$ (4,054,356)	\$ 29,529	
Common shares issued for:						
Private placement	15,000,000	3,000,000	-	-	3,000,000	
Warrants exercised	2,310,000	231,000	-	-	231,000	
Share issue costs	-	(15,750)	-	-	(15,750)	
Share-based compensation	-	-	282,000	-	282,000	
Net and 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	

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

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

	Nine Months Ended June 30,	
	2019	2018
Cash flows from operating activities		
Net and comprehensive loss for the period	\$ (457,402)	\$ (1,161,187)
Adjustment for:		
Share-based compensation	-	282,000
Interest on bridge loan	-	(2,292)
Write-off of GST receivable	25,475	-
Change in non-cash operating working capital:		
GST receivable	-	(3,150)
Prepaid expenses	(4,842)	(30,467)
Accounts payable and accrued liabilities	(73,640)	32,037
Net cash used in operating activities	(510,409)	(883,059)
Cash flows from financing activities		
Private placement	-	3,000,000
Share issuance costs	-	(15,750)
Warrants exercised	-	231,000
Deferred costs	-	(59,995)
Net cash provided by financing activities	-	3,155,255
Cash flows from investing activity		
Bridge loan	-	(250,000)
Net cash used in investing activity	-	(250,000)
Change in cash during the period	(510,409)	2,022,196
Cash, beginning of period	2,247,370	63,618
Cash, end of period	\$ 1,736,961	\$ 2,085,814
Supplemental cash flow information		
Interest paid	\$ -	\$ -
Interest received	\$ -	\$ -
Income taxes paid	\$ -	\$ -
Income taxes recovered	\$ -	\$ -

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

SEAWAY ENERGY SERVICES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JUNE 30, 2019
(Unaudited - Expressed in Canadian Dollars)

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 #789 - 999 West Hasting Street, Vancouver, British Columbia V6C 2W2 Canada.

On March 5, 2019, the Company incorporated a wholly owned subsidiary, 1199900 B.C. Ltd., a corporation incorporated under the laws of British Columbia. As at, and for the period ended June 30, 2019, this subsidiary is inactive.

During the period ended June 30, 2019, the Company incurred a net and comprehensive loss of \$457,402 (2018 - \$1,161,187) and as at June 30, 2019, had working capital of \$1,695,165 (September 30, 2018 - \$2,152,567) and an accumulated deficit of \$5,885,970 (September 30, 2018 - \$5,428,568). The Company has been actively seeking new business opportunities. On January 22, 2018 the Company entered into an agreement to acquire a business, which was terminated during the year ended September 30, 2018. Although management considers that the Company has adequate resources to maintain its ongoing levels of operations for the next twelve months, the Company does not have an ongoing revenue stream. 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.

These condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim financial statements, then adjustments would be necessary in the carrying value of assets, liabilities, the reported expenses, and the classifications used in the statement of financial position. Such adjustments could be material.

2. Basis of Preparation

Statement of Compliance

These condensed consolidated 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 consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended September 30, 2018, 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 consolidated interim financial statements are consistent with those applied in the Company’s financial statements for the year ended September 30, 2018.

Basis of Measurement

The Company’s condensed consolidated 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 consolidated interim financial statements are prepared on an accrual basis except for the statement of cash flows. The condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise stated, which is the functional currency of the Company and its subsidiary.

Basis of Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned, inactive subsidiary, 1199900 B.C. Ltd. All intercompany accounts and transactions have been eliminated on consolidation.

SEAWAY ENERGY SERVICES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JUNE 30, 2019
(Unaudited - Expressed in Canadian Dollars)

2. Basis of Preparation (continued)

Comparative Figures

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

Critical Judgments and Sources of Estimation Uncertainty

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- (i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
- (ii) The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimate of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized to the extent of the amount expected to be utilized. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.
- (iii) Management has assessed that the Company has is a going concern. The Company currently does not have any active operations and management has been actively seeking new business opportunities. Although management considers that the Company has adequate resources to maintain its ongoing levels of operations and conduct due diligence identifying and evaluating potential business opportunities for the next twelve months, the Company realized that any business acquisitions may require additional financing. While the Company has been successful in securing financing in the past there can be no assurance that it will be able to do so in the future.
- (iv) Management has assessed that the functional currency of the Company, and its wholly owned subsidiary is the Canadian dollar, which is the currency of the principal economic environmental in which they operate.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

- (i) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

SEAWAY ENERGY SERVICES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JUNE 30, 2019
(Unaudited - Expressed in Canadian Dollars)

3. Significant Accounting Policies

Cash

Cash includes cash on hand, funds held in trust, and funds held with a major financial institution.

Receivables

GST receivables are recognized initially at fair value and are subsequently measured at the carrying value. GST receivables are adjusted at the time when objective evidence is available to establish that the Company will not be able to collect all amounts due.

Accounts Payable and Accrued Liabilities

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Financial Instruments

Financial assets and financial liabilities are recognized on the consolidated statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

The Company adopted all of the requirements of IFRS 9 Financial Instruments (“IFRS 9”) as of October 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company’s accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for any assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company’s new accounting policy for financial instruments under IFRS 9:

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JUNE 30, 2019
(Unaudited - Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

Financial Instruments (continued)

Measurement (continued)

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the period in which they arise.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

The Company's financial assets and liabilities are recorded and measured as follows:

Asset or liability	Category	Measurement
Cash	FVTPL	Fair value
Accounts payable	Other liabilities	Amortized cost

The Company determines the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

SEAWAY ENERGY SERVICES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JUNE 30, 2019
(Unaudited - Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

Financial Instruments (continued)

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.

Cash has been measured at fair value using Level 1 inputs.

Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

Equity Financing

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate business opportunities. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company has adopted the residual value method with respect to the measurement of common shares and share purchase warrants issued as private placement units. The fair value of the common shares issued in private placements is determined by the closing quoted bid price on the closing date. The balance, if any, is allocated to the attached share purchase warrants.

Share-Based Payment Transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the equity settled share-based payments reserve in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees the fair value is measured at grant date and each tranche is recognized on a straight line basis over the period during which the share options vest. The fair value of the share options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share options were granted.

At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

SEAWAY ENERGY SERVICES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JUNE 30, 2019
(Unaudited - Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

Taxation

Income tax expense comprises current and deferred income tax. Income tax is recognized in the statement of comprehensive profit and loss, except to the extent that it relates to items recognized in other comprehensive income (loss) or directly in equity. In those cases the corresponding income tax is also recognized in other comprehensive income (loss) or directly in equity, respectively.

Current Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Income Tax

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Earning (Loss) per Share

Basic earnings (loss) per share is calculated on the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share is computed similar to basic earnings (loss) per share, except that the weighted average number of shares outstanding is increased to include additional shares from the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and the proceeds from such exercises were used to acquire shares of common stock at the average market price during the reporting period. Diluted loss per share presented is the same as basic loss per share, as the effect of outstanding options and warrants in the diluted loss per common share calculation would be anti-dilutive.

Currency

The functional currency of the Company and its subsidiary is Canadian dollars and these financial statements are presented in Canadian dollars. Transactions of the Company that are denominated in foreign currencies are recorded in Canadian dollars at exchange rates in effect at the related transaction date. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at the statement of financial position date. Exchange gains or losses, if any, arising from the translation of foreign currency denominated monetary assets and liabilities are included in operations.

SEAWAY ENERGY SERVICES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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3. Significant Accounting Policies (continued)

New Standards and Interpretations Not Yet Adopted

IFRS 16 Leases

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost and is then depreciated similarly to property and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income (loss).
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The new standard is effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of the standard and expects little impact to the financial statements.

4. 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.

(b) *Equity Financing*

During the period ended June 30, 2019, there were no equity financings conducted by the Company.

During the year ended September 30, 2018 the Company:

- i) 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 paid \$15,750 filing costs associated with the private placement.
- ii) issued 2,310,000 common shares upon exercise of warrants for gross proceeds of \$231,000.

SEAWAY ENERGY SERVICES INC.
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4. Share Capital (continued)

(c) *Warrants*

A summary of change in warrants is as follows:

	Nine Months Ended June 30, 2019		Year Ended September 30, 2018	
	Number of Warrants Outstanding	Weighted Average Exercise Price	Number of Warrants Outstanding	Weighted Average Exercise Price
Balance, beginning of period	15,000,000	\$0.40	2,310,000	\$0.10
Issued	-	-	15,000,000	0.40
Exercised	-	-	(2,310,000)	0.10
Balance, end of period	<u>15,000,000</u>	\$0.40	<u>15,000,000</u>	\$0.40

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at June 30, 2019:

Number	Exercise Price	Expiry Date	Weighted average remaining life (years)
7,813,000	\$0.40	December 5, 2019	0.43
7,187,000	\$0.40	December 12, 2019	0.45
<u>15,000,000</u>	<u>\$0.40</u>		<u>0.44</u>

(d) *Stock Option Plan*

The Company has established a rolling stock 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 ten years.

During the period ended June 30, 2019, the Company granted stock options to purchase Nil (2018 – 360,000) common shares and recorded compensation expense of \$Nil (2018 - \$282,000).

	Period Ended June 30, 2019	Period Ended June 30, 2018
Risk-free interest rate	-	1.55% - 1.65%
Estimated annual volatility	-	249% - 256%
Expected life	-	4 years
Expected dividend yield	-	0%
Expected forfeiture rate	-	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, 2019 was \$Nil (2018 - \$0.71) per option.

Option-pricing models require the use of estimates and assumptions including the expected annual 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 stock options.

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4. Share Capital (continued)

A summary of changes in stock options is as follows:

	Nine Months Ended June 30, 2019		Year Ended September 30, 2018	
	Number of Options Outstanding	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Exercise Price
Balance, beginning of period	1,250,000	\$0.37	890,000	\$0.20
Granted	-	-	360,000	0.79
Balance, end of period	<u>1,250,000</u>	\$0.37	<u>1,250,000</u>	\$0.37

The following table summarizes information about the share options outstanding and exercisable at June 30, 2019:

Number	Exercise Price	Expiry Date	Weighted average remaining life (years)
160,000	\$0.35	October 18, 2021	2.30
890,000	0.20	October 20, 2021	2.31
100,000	1.14	December 21, 2021	2.48
100,000	1.14	December 27, 2021	2.50
<u>1,250,000</u>	<u>\$0.37</u>		<u>2.40</u>

5. Related Party Transactions

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 periods ended June 30, 2019 and 2018 the following amounts were incurred with respect to current and former key management personnel:

	2019	2018
Accounting and administrative ⁽ⁱ⁾	\$ 61,425	\$ -
Executive management compensation	128,850	260,250
Professional fees ⁽ⁱ⁾	37,275	-
Office ⁽ⁱ⁾	34,386	-
Rent ⁽ⁱ⁾	28,350	-
Share-based compensation	-	282,000
	<u>\$ 290,286</u>	<u>\$ 542,250</u>

⁽ⁱ⁾ These fees have been paid or accrued to a company owned by a Director of the Company

As at June 30, 2019, \$Nil (September 30, 2018 - \$75,500) remained unpaid and has been included in accounts payable and accrued liabilities.

As at June 30, 2019, \$72 (September 30, 2018 - \$3,925) was advanced to companies controlled by a director of the Company, and included in prepaid expenses.

- (ii) During the period ended June 30, 2019, the Company incurred a total of \$Nil (2018 - \$35,300) with Chase Management Ltd. ("Chase"), a private corporation owned by the former CFO of the Company, for accounting and administrative services provided by Chase personnel, excluding the CFO. As at June 30, 2019, \$Nil (September 30, 2018 - \$320) remained unpaid and has included in accounts payable and accrued liabilities.

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6. 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 accounts payable and accrued liabilities approximate their fair value due to their short-term nature. Cash is classified as FVTPL and is held at its market value based on Level 1 of the fair value hierarchy.

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 fulfil 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 as it is primarily held at a reputable financial institution.

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, 2019

	Less than 3 Months	3 - 12 Months	1 - 5 Years	Over 5 Years	Total
Cash	\$ 1,736,961	\$ -	\$ -	\$ -	\$ 1,736,961
Accounts payable and accrued liabilities	\$ (50,563)	\$ -	\$ -	\$ -	\$ (50,563)

Market Risk

Market risk is the risk of loss that may arise from changes in market factors, such as interest rates commodity and equity prices and foreign exchange rate.

a) *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.

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6. Financial Instruments and Risk Management (continued)

Market Risk (continued)

b) *Commodity and Equity Price Risk*

The Company is not exposed to price risk, as it has no investments in publicly traded securities.

c) *Foreign Exchange Risk*

The Company is exposed to foreign currency risk on fluctuations related to cash, accounts payable and accrued liabilities that are denominated in a foreign currency. As at June 30, 2019 the Company had approximately \$20,000 of cash denominated in U.S. dollars. A 10% change in the exchange rate between the U.S. dollar and the Canadian dollars would affect net loss by approximately \$2,000.

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 net equity. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not subject to externally imposed capital requirements. There were no charges in the Company's approach to capital management during the period.

7. Subsequent Event

Subsequent to June 30, 2019, the Company entered into an amalgamation agreement (the "Agreement") with Sweet Earth Holdings Corporation ("Sweet Earth"). Under the terms of the Agreement, 1199900 B.C Ltd., a wholly owned subsidiary of the Company, and Sweet Earth will amalgamate and continue as one corporation ("Amalco"). In conjunction with the amalgamation, Sweet Earth shareholders will receive shares of the Company on a 1:1 proportion of the number of shares of the Company outstanding at the date of closing. Additionally, in conjunction with the amalgamation, the Company will apply to delist from the TSXV and apply to list on the Canadian Stock Exchange ("CSE"). Upon closing, the Company will consolidate its shares on the basis of 1 post-consolidation share for every 2.5 pre-consolidation shares. The completion of this Agreement is subject to regulatory approval.