ASX Announcement
13 September 2017

GLOBAL ENERGY VENTURES LTD
ENTERS INTO BINDING AGREEMENTS TO ACQUIRE
SEA NG CORPORATION

HIGHLIGHTS:

- Global Energy Ventures Ltd (ASX: **GEV**, or the **Company**) has executed binding agreements to acquire 100% of Sea NG Corporation (**SeaNG**), a Calgary based compressed natural gas (CNG) marine transport technology company, and associated CNG intellectual property (**IP**) rights (together the **SeaNG Transaction**).
- The acquisition of SeaNG's marine transport technology marks a milestone that underpins GEV's vision to participate across the full gas delivery value chain (i.e., across gas reserves, gas treatment/compression, loading facilities, CNG ships, unloading facilities, and bankable long term Gas offtake contracts).
- The SeaNG Transaction delivers ownership of a global IP portfolio of marine CNG transport solutions, project opportunities and technical capability to fast track the Port Meridian CNG project (**Atlantic CNG Project**) as well as other GEV projects under consideration.
- SeaNG's proprietary CNG marine transport solution is a low capital cost means of delivering bulk volumes of natural gas to markets, that are otherwise uneconomic for traditional pipelines or liquefied natural gas (**LNG**) projects.
- SeaNG's **Coselle®** System is a proven and commercially competitive technology which was developed over 15 years, including receiving American Bureau of Shipping (**ABS**) classification society Full Class Design Approval sufficient for construction drawings to be prepared and issued (together **Full Approval**).
- GEV is set to promote **SeaNG Optimum**, the next generation of marine CNG transport ship design, which GEV considers is a **'game changer'** in the volume of gas that can be stored on a ship, drastically reducing comparative shipping costs relative to traditional marine CNG technologies.
- ABS has already issued "Approval in Principle" for SeaNG's Optimum 200 MMscf CNG ship, advising that they saw no aspects of the design that would prevent it from achieving Full Approval, planned for mid 2018.
- Consideration for the SeaNG Transaction will include (subject to ASX approval being obtained in relation to the structure of the consideration of the acquisition):
  - US$0.585 million paid in cash;
  - The issue of 11,440,000 ordinary shares in GEV; and
  - The issue of 56,350,000 Performance Shares, with conversion based on certain future milestone events.
- Initial discussions are already underway with owners of identified gas resources located in the Atlantic suitable for the transport of CNG to the Atlantic CNG Project (Port Meridian).
- Foster Stockbroking Pty Ltd has been appointed as lead manager for a maximum A$4.0 million capital raising to be undertaken in conjunction with the SeaNG Transaction. Firm commitments have been received for A$4.0 million at the proposed issue price of A$0.17, including the participation by Directors subject to shareholder approvals. Maurice Brand (Chairman and CEO)

has committed to take up A$340,000 in the capital raising. The capital raising is not underwritten. The minimum subscription amount has been set at A$4.0 million.

- The SeaNG Transaction is targeted for completion on or before 31 December 2017.
- GEV intends to sell its existing US oil and gas exploration assets by 31 December 2017. GEV has disposed of its 18.5% ownership of prospect EP455 for a nominal consideration to AWE Limited. The sale of the Company's 18.5% stake will be effective as of 1 January 2017, resulting in GEV being free from any Joint Venture liabilities post 31 December 2016.

Global Energy Ventures Ltd (www.gev.com) is pleased to advise that it has executed a legally binding agreement (the **Acquisition Agreement**) pursuant to which it expects to acquire 100% of SeaNG (including common shares, preferred shares, and debentures).

The SeaNG Transaction will underpin GEV's vision of being a leading developer of global CNG projects. SeaNG is a Calgary based company, formed in 2005, focused on the development and implementation of marine CNG transportation projects using its proprietary Coselle® System for ship design and transport of CNG. SeaNG is recognised as a world leader in marine CNG who has previously been supported by globally recognised shipping, energy and infrastructure companies as joint venture partners and shareholders, including Marubeni Corporation, Teekay Corporation and Enbridge Inc., each of which will become GEV shareholders via the issuance of GEV shares under the Acquisition Agreement.

In addition to the Acquisition Agreement, GEV has also executed an Intellectual Property Purchase Agreement (**IPP Agreement**) with the principal inventors (**Rights Holders**) of the SeaNG Coselle® CNG System (including David Stenning) and the principal inventor of the SeaNG Optimum technology (John Fitzpatrick). Both David Stenning and John Fitzpatrick will join the GEV group following the completion of the SeaNG Transaction and in the interim, with a funding commitment from GEV, John Fitzpatrick has lodged a Patent Application (on 3 August 2017) for SeaNG Optimum, commencing the process to obtain ABS Full Approval for construction. Such approval is scheduled to be obtained in mid 2018, which is in line with GEV's target of achieving financial close on its first CNG Project by 31 December 2018. ABS has already provided "Approval in Principle" for SeaNG's Optimum 200 MMscf CNG ship and ABS found no aspects of the design that would prevent it from achieving Full Approval. It is GEV's intention to also seek ABS Approval in Principle for larger CNG ships sizes, possibly 450 MMscf and 800 MMscf, by 31 December 2018

David Stenning and John Fitzpatrick will lead the development of a CNG Technology Centre of Excellence headquartered in Calgary. As a reflection of their confidence in GEV's ability to achieve financial close on a CNG project, GEV has agreed to use reasonable endeavours to award John Fitzpatrick and David Stenning the naming rights to the first three CNG Ships built using SeaNG Optimum technology.

GEV does not envisage a material increase in administration costs to maintain the Calgary office, as Corporate Strategy, Business Development and Project Finance activities of the Company will continue to be conducted through the Perth office and other locations in line with market development.

Importantly for GEV, the SeaNG Transaction will accelerate the development of the Company's recently announced Atlantic CNG Project, with plans to transport CNG to the Port Meridian import terminal located in the UK which is backed by a 20 year gas sale rights of up to 300 MMscf/d to Uniper Global Commodities SE (~2.3 mtpa of LNG equivalent). Initial discussions are already underway with owners of identified gas resources located in the Atlantic suitable for the transport of CNG to Port Meridian. Those discussions will now include SeaNG Optimum as an integrated supply solution for the Atlantic CNG Project.

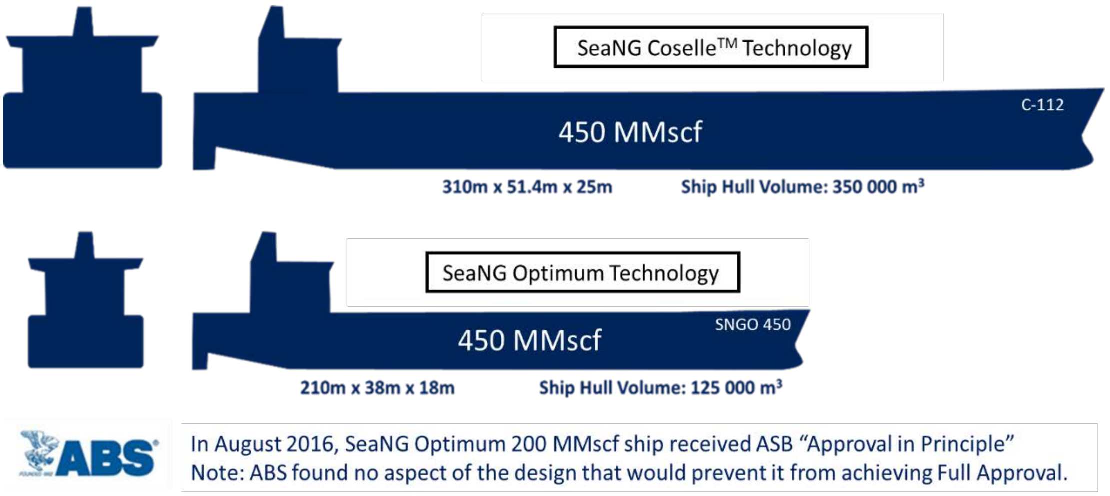
GEV Chairman & CEO Maurice Brand, said: *"In recent months the Company has completed its detailed due diligence of commercially viable marine CNG technologies, including the assessment of various patents, engineering, CNG transport economics, ABS shipping approvals and overall construction readiness. The acquisition of SeaNG is an outstanding opportunity for GEV to take ownership of one of the leading CNG technologies in the sector.*

We consider that the recent advancements of SeaNG Optimum, which already has ABS Approval in Principle for a 200 MMscf ship capacity with an ABS finding that "we (ABS) find no aspects of the design that would prevent it from achieving full approval", is the 'game changer' that the GEV Directors have been seeking. Whilst the SeaNG Coselle® technology has been both technically and commercially competitive with all other available CNG marine technologies, it is clearly evident from Figure 1 below that SeaNG Optimum will materially reduce both capital and operating costs and improve the probability of success for GEV.

Together with the Directors strong track record in mid-stream energy development projects, the combination of GEV and SeaNG's IP and technical teams will be transformational for the global CNG opportunities we have identified."

We are also pleased that David and John will join the GEV group, as both have been at the forefront of the CNG industry for over 20 years and have a wealth of experience to immediately bring to GEV. We expect to make additional technical team appointments as the engineering requirements ramp up over the next 12 months."

FIGURE 1: SeaNG's marine CNG Coselle® Low Density technology v High Density SeaNG Optimum technology – an obvious 'game changer' for CNG marine transportation



A. Change of Activities

- ASX has determined that as a result of the proposed SeaNG Transaction, the Company will be required, pursuant to Listing Rule 11.1.2, to obtain approval from GEV's shareholders at a general meeting. The Company will also be required, pursuant to Listing Rule 11.1.3, to re-comply with Chapters 1 and 2 of the Listing Rules due to the SeaNG Transaction triggering a Change of Nature.
- There will be no requirement for a consolidation of the Company's securities.

B. Capital Raising

- To assist the Company to re-comply with Chapters 1 & 2 of the ASX Listing Rules (**Listing Rules**) and support the SeaNG Transaction costs, the Company plans, subject to the approval of the Company's shareholders, to conduct a capital raising under a prospectus to raise A$4.0 million through the issue of fully paid ordinary shares in the capital of the Company (Shares) at a proposed price of A$0.17 cents/share.
- Foster Stockbroking Pty Ltd has been appointed as lead manager for a maximum A$4.0 million capital raising to be undertaken in conjunction with the SeaNG Transaction. Firm commitments have been received for A$4.0 million at the proposed issue price of A$0.17, including the participation by Directors subject to shareholder approvals. Maurice Brand (Chairman and CEO) has committed to take up A$340,000 in the capital raising. The capital raising is not underwritten. The minimum subscription amount has been set at A$4.0 million.

C. SeaNG Transaction - Terms and Conditions

- Pursuant to the Acquisition Agreement and the IPP Agreement, GEV has agreed to acquire the following interests as at the **Effective Date**, defined as the date on which the conditions precedent under the Acquisition Agreement are satisfied or waived:
  - 100% of SeaNG's common shares;
  - 100% of SeaNG's preferred shares;
  - 100% of the outstanding debentures of SeaNG; and
  - All Intellectual Property (IP) rights.
- Subject to ASX approval being obtained in relation to the structure of the consideration of the Acquisition, in consideration for GEV acquiring such interests, GEV shall make the following cash payments and issue the following GEV Shares and Performance Shares:
- <u>**Consideration as at Effective Date**</u>
  - **5,720,000 fully paid ordinary shares** in the capital of GEV to SeaNG's "Common Shareholders";
  - **5,720,000 fully paid ordinary shares** in the capital of GEV to SeaNG's "Debenture Holders" plus **US$0.585 million in cash** (the cash consideration is subject to a possible downward working capital adjustment as at Effective Date); and
  - **56,350,000 performance shares** issued to the Debenture Holders; Common Shareholders; Preferred Shareholders and Rights Holders as tabled below.

	SeaNG Performance Shares			**IPP Performance Shares**
Conditions	**Debenture Holders**	**Common Shareholders**	**Preferred Shareholders**	**Rights Holders**
Milestone A	2.72	2.72	0.56	1.85
Milestone B	3.17	3.17	0.66	2.20
Milestone C	3.40	3.40	0.70	2.35
Milestone D	9.06	9.06	1.88	6.25
Milestone E				3.20
Total 1)	**18.35**	**18.35**	**3.80**	**15.85**

Note 1. All figures are in millions of Performance Shares

- **Milestone A Conditions** means either the achievement of "Notice to Proceed Date" (as defined below); or when all the following conditions are met:
  - The GEV 30-Day VWAP share price exceeds A$0.35 at any time after the Effective Date; and
  - SeaNG obtains ABS Full Approval for any size of SeaNG Optimum CNG vessel; and
  - 24 months has elapsed since the Effective Date.
- **Milestone B Conditions** means either the achievement of "Notice to Proceed Date", or when all the following conditions are met:
  - The GEV 30-Day VWAP share price exceeds A$0.45 at any time after the Effective Date; and
  - Either (i) SeaNG obtains ABS Full Approval for a SeaNG Optimum CNG vessel of size greater than 250 MMscf; or (ii) achievement of the "Contract Date" (as defined below); and
  - 30 months has elapsed since the Effective Date.
- **Milestone C Conditions** means either the achievement of "Notice to Proceed Date"; or when all the following conditions are met:
  - The GEV 30-Day VWAP share price exceeds A$0.55 any time after the Effective Date; and
  - Achievement of the "Contract Date"; and
  - 36 months has elapsed since the Effective Date.
- **Milestone D Conditions** means the achievement of the "Notice to Proceed Date" reliant in a material respect on either the SeaNG's Coselle® technology or the SeaNG's Optimum technology;
- **Milestone E Conditions** means the achievement of the "Notice to Proceed Date" but only if reliant in a material respect on the SeaNG's Coselle® technology (excludes the SeaNG's Optimum technology);
- **Defined Terms**
  - <u>ABS Full Approval</u> means the American Bureau of Shipping classification society Full Class Design Approval sufficient for construction drawings to be prepared and issued. ABS Full Approval is obtained when ABS has reviewed the detailed ship design and confirmed that the design meets all relevant ABS Rules and Guides including the ABS "Rules for Building and Classing Steel Vessels" and the "ABS Guide for Vessels Intended to Carry Compressed Natural Gases in Bulk". The work needed to achieve this level of design includes testing the CNG containment system, completing the structural design of the ship including finite element modelling, specifying the main equipment, and carrying out safety/risk analysis studies. Typically it takes about 18 to 24 months to go from a design concept to ABS Full Approval. This time depends on many factors including whether or not ABS has provided an initial "ABS Approval in Principle" on the concept. In the case of SeaNG Optimum, ABS Approval in Principle has been achieved and this significantly reduces the time required to achieve ABS Full Approval. It is expected that ABS Full Approval will be achieved within about 9 months based on the work already completed and a fast-tracked schedule (~ mid 2018).

- CNG Ship(s) means one or more marine vessels or barges designed for transporting compressed natural gas.
- Contract Date is defined as the date on which the owner of the Project (or its representative) executes a contract or contracts for the construction of CNG Ship(s) for the Project with the principal contractor for the CNG Ship(s).
- Notice to Proceed Date is defined as the date on which the notice to proceed for a contract or contracts for the construction of CNG Ship(s) for the Project is given by the owner of the Project (or its representative) to the principal contractor for the CNG Ship(s).
- Pilot Project means a one-time non-commercial Project for one CNG Ship with an aggregate capital cost of no greater than US$100 million.
- Project means the first project for the marine transportation of compressed natural gas in which GEV or its successor, assignee or licensee, directly or indirectly, has an interest and which is determined by GEV or its successor, acting reasonably, to be reliant in a material respect on either SeaNG's Coselle® technology or SeaNG's Optimum technology, but does not include a Pilot Project, unless and until the date on which the CNG Ship built for the Pilot Project becomes deployed in the commercial carriage of natural gas under which GEV or its successor, assignee or licensee generates a net profit.

o **Notes**

- The shareholders of SeaNG are not associated with GEV's existing Directors and no SeaNG directors, shareholders or employees will be appointed to the Board of GEV.
- The Acquisition Agreement and IPP Agreement contain representation and warranties by and to GEV, among other terms.
- The SeaNG Common Shareholders have the option to select prior to Effective Date either (i) GEV shares plus SeaNG Performance Shares; or (ii) no GEV Shares and a larger number of SeaNG Performance Shares. In all circumstances, the number of GEV shares issued to the SeaNG Common Shareholder shall remain at 5.72 million and the number of GEV Performance Shares issued to the SeaNG Common Shareholder shall remain at 18.35 million.
- Class A SeaNG Performance Shares are subject to a latent liability provision for 23 months.
- All Performance Shares have a term of 5 years from the Effective Date, are non-transferrable unless otherwise approved by the ASX; and governed by the standard Change of Control and split/consideration ASX provisions.

D. SeaNG Transaction - Convertible Loan

- In connection with the Acquisition Agreement, GEV has agreed to lend SeaNG up to C$300,000 Canadian dollars to fund general working capital up until Effective Date, subject to the terms of a Convertible Loan Facility (***Facility***), including the right of GEV to convert any or all of the outstanding principal amount and accrued interest owing to GEV at or following maturity into common shares of SeaNG, at a rate of C$0.02 Canadian dollars per SeaNG common share.
- The agreed interest rate is 12.0% per annum.

- Unless otherwise agreed by GEV, the Facility can only be drawn upon by SeaNG to pay certain budgeted expenditures, during the period from execution of the Acquisition Agreement through to the Effective Date.

E. Indicative Timetable

Activity	Date
Execution of Transaction Agreements	8 September 2017
ASX Announcement of Transaction	13 September 2017
Obtain "ASX In-principle Approval"	9 October 2017
Dispatch " Notice of Meeting" seeking GEV Shareholder Approval	10 October 2017
Lodgement of Prospectus by GEV	6 November 2017
Opening Date of Prospectus Offer	14 November 2017
GEV Shareholder Meeting	20 November 2017
Closing Date of Prospectus Offer	23 November 2017
Completion of SeaNG Transaction	23 November 2017
GEV Reinstatement to Official ASX Quotation	7 December 2017

The above table is an indication only and is subject to change. Shareholders should also note that the Company's securities will be suspended from the date of the "GEV Shareholder Meeting" until such time as the Company has satisfied Chapters 1 and 2 of the ASX Listing Rules, being the date of "GEV Reinstatement to Official ASX Quotation".

F. SeaNG Transaction - Conditions Precedent

The Acquisition Agreement contains a number of conditions precedent, including, but not limited to:

A. **SeaNG Approval**: SeaNG obtaining all necessary securityholder and regulatory approvals required in relation to the SeaNG Transaction and other matters contemplated by the Acquisition Agreement. A 66.7% majority is required from each class (common shares; preferred shares and debentures) to obtain SeaNG's securityholder approval. SeaNG has already obtained binding voting support commitments from over 50% of the common shareholders; over 67% of the preferred shareholders; and over 67% of the debenture holders;

B. **GEV Approval**: GEV obtaining all necessary shareholder and regulatory approvals required in relation to the SeaNG Transaction and other matters contemplated by the Acquisition Agreement (which includes receipt of ASX's conditional approval to reinstate GEV to trading);

C. **Settlement**: Effective Date shall have occurred on or before the 31 December 2017; and

D. **Due Diligence**: The completion of technical due diligence by GEV in relation to SeaNG Optimum to its absolute satisfaction.

G. SeaNG Transaction - Termination Provisions

The Acquisition Agreement contains a number of termination provisions, including, but not limited to:

- Both Parties by mutual agreement;
- by either GEV or SeaNG, if:
  - the Effective Date shall not have occurred on or prior to 31 December 2017 (no break fees payable by either party); or
  - SeaNG fails to obtain security holder approval at its security holder meeting. US$0.18 million break fee payable by SeaNG to GEV if the Acquisition Agreement is terminated under this provision.
- by GEV if:
  - the SeaNG Board changes its recommendation to vote in favour of the SeaNG Transaction. US$0.18 million break fee payable by SeaNG to GEV if the Acquisition Agreement is terminated under this provision;
  - GEV determines, in its sole discretion, that a condition set forth in Conditions Precedent B. and D. above has become not reasonably possible to satisfy prior to 31 December 2017. US$0.18 million break fee payable by GEV to SeaNG if the Acquisition Agreement is terminated under this provision;
  - SeaNG is in breach of the Acquisition Agreement. US$0.18 million break fee payable by SeaNG to GEV if the Acquisition Agreement is terminated under this provision; or
  - the SeaNG Shareholder Approval becomes not reasonably possible to satisfy by 31 December 2017. US$0.18 million break fee payable by SeaNG to GEV if the Acquisition Agreement is terminated under this provision.
- by SeaNG if:
  - the SeaNG Board enters into an agreement in connection with a superior proposal. US$0.18 million break fee payable by SeaNG to GEV if the Acquisition Agreement is terminated under this provision;
  - GEV Shareholder Approval becomes not reasonably possible to satisfy by 31 December 2017. US$0.18 million break fee payable by GEV to SeaNG if the Acquisition Agreement is terminated under this provision; or
  - GEV is in breach of the Acquisition Agreement. US$0.18 million break fee payable by GEV to SeaNG if the Acquisition Agreement is terminated under this provision.
- Notes:
  - if the US$0.18 million break fee is payable by SeaNG to GEV in accordance with the above provisions, at GEV's election, such break fee can be either paid in cash or in SeaNG common shares, at a rate of C$0.02 Canadian dollars per SeaNG common share; and
  - if the US$0.18 million break fee is payable by GEV to SeaNG in accordance with the above provisions, then such break fee is deducted from the Convertible Loan amount, and then the remaining balance of the Convertible Loan is forgiven.

H. SeaNG Transaction – SeaNG Corporation Information

- **<u>Board of Directors</u>**: the current Board of SeaNG is as follows:
  - Randall Findlay (Chairman);
  - Don Archibald;
  - The Honorable William (Bill) Graham, Q.C.;
  - Dr. William Roach;
  - Leigh Cruess;
  - Keith Smith;
  - Dave Werklund; and
  - Barrie Wright (CEO).
- **<u>Substantial Shareholders</u>**
  - Enbridge Inc. is SeaNG's largest Common Shareholder at 19.2%; with all other parties holding less than 5.0%; and
  - Enbridge Inc. is also SeaNG's largest Debenture Holder at 30.1%.

I. SeaNG Transaction – Specific Risks facing SeaNG

- <u>Commercialisation Risk</u>
  - SeaNG has not commenced commercial operations and accordingly SeaNG has neither a history of revenue or earnings nor has it paid any dividends, and it is unlikely to generate earnings or pay dividends in the immediate or foreseeable future. In addition, there is no track record that would provide a basis for assessing its ability to conduct successful commercial activities.
  - SeaNG has been working with its partners and various potential customers to develop marine CNG projects utilising the Coselle® System and Optimum Technology (together the "***CNG Technologies***"). There are numerous business risks associated with SeaNG's commercialisation plans for its CNG Technologies including but not limited to the following:
    - general economic conditions;
    - political and social unrest in potential project jurisdictions;
    - competition from entrenched participants and technologies;
    - competition from other developers of marine CNG transportation systems;
    - competition from developers of alternative technologies for transportation of natural gas or other means of commercialising natural gas reserves;
    - general conditions in various industries including, but not limited to, oil and gas exploration, production and development, shipbuilding, offshore services, energy shipping and electric power generation;
    - resistance to the adoption of new technology;
    - fluctuations in oil and gas prices in potential project markets;

- delays and or changes in project plans and capital expenditures of potential customers;
- the ability of the Company to raise capital and the ability of our partners and customers to raise capital for projects;
- insufficient resources;
- availability of skilled labour;
- interest and exchange rate fluctuations; and
- costs of construction for ships and related loading and unloading facilitates including, but not limited to, the cost of steel and labour.

- Technology Risk
  - As the business plan of SeaNG is to commercialise its CNG Technologies, the technical viability, reliability, and competitiveness of the CNG Technologies are keys risks assumed by SeaNG. SeaNG has sought to minimise these risks in two main ways: 1) through its intensive technology development and testing processes, involving leading independent technical review agencies including the ABS; and 2) by collaborating with major international shipyards and steel fabricators with outstanding records of quality and timeliness in construction to build the ships that deploy the CNG Technologies. As the CNG Technologies have not yet been deployed in a full-scale commercial project, however, their viability, reliability and competitiveness are not assured; and
  - SeaNG uses its expertise to develop and commercialise processes and technologies. SeaNG has protected its technologies with patents where possible and deemed appropriate. However, SeaNG is exposed to competing technologies and processes that could have a negative effect on SeaNG's competitive positions and, in turn potential profitability.
- Additional Requirements for Capital
  - SeaNG's independent auditor has issued an audit opinion for the consolidated financial statements of SeaNG for the year ended 31 December 2016 which includes an Emphasis of Matter statement which draws attention to a note in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the corporation's ability to continue as a going concern. SeaNG will need to generate significant revenue in order to achieve profitability and SeaNG may never become profitable.
  - To be commercially viable, SeaNG requires a substantial, profitable contract for the use of one or more of its CNG Technologies. The downturn in the international price of oil commencing in 2015 had a significantly negative impact on SeaNG's existing portfolio of developing projects as prospective customers delayed large capital projects and the availability of financing for such projects was drastically diminished. SeaNG has financed its operations since 2005 through private placements of equity. If a substantial contract to use one or more of its CNG Technologies, a strategic partner or a buyer for the SeaNG is not secured in 2017, a further private placement will be required to maintain the solvency of SeaNG. Management of SeaNG cannot guarantee that such a private placement will be successful.

- Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. To date SeaNG has been unable to obtain additional financing as needed, and has been required to reduce the scope of its operations and its staff. There is no guarantee that SeaNG will be able to secure any additional funding or be able to secure funding on terms favourable to it.

- Competition
  - SeaNG competes with other companies, some of which may have greater financial and other resources than SeaNG and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that SeaNG can compete effectively with these companies.

- Reliance on Key Personnel
  - The responsibility of overseeing the day-to-day operations and the strategic management SeaNG depends substantially on its senior management and its key personnel and consultants. If one or more of these persons cease providing their services, there will be detrimental impact on SeaNG.

J. SeaNG Transaction – SeaNG's Current Activities and Business Model

- Overview
  - SeaNG is a Canadian company engaged in the development and commercialisation of its CNG Technologies for the marine transportation of compressed natural gas. SeaNG offers its customers a safe, economic and reliable method of transporting natural gas by ship. Since inception in May 2005, SeaNG has acquired, invented, designed, engineered, tested and obtained "marine classification society" full approval for its proprietary "Coselle® System". The heart of the Coselle® System is the Coselle® container, a large-volume, high-pressure gas storage vessel. Coselle® is an acronym for "coiled pipe in a carousel". A single Coselle® pressure vessel consists of about 21 kilometres (~13 miles) of 168 mm (6") diameter high-strength line pipe that has been coiled into a reel-like support structure called a carousel. Natural gas is contained in the Coselle® at a pressure of about 275 bar (~4,000 psi). Each Coselle® can contain approximately 4 MMscf (~116,000 Mscm) of natural gas at near ambient temperature. The Coselle® gas storage system has been fully designed and extensively tested, and has received full approval from the ABS. Coselle® pressure vessels are stacked and permanently installed within ships specifically designed for such purpose and are connected using a proprietary manifold and control system. In response to customer requirements, SeaNG's engineering staff has worked with consulting naval architects, ABS, Teekay Corporation and various world-class shipyards to design a range of CNG ships providing cargo capacities between 50 and 500 MMscf per ship.

- Market for Marine CNG Transportation
  - Marine transportation of natural gas utilising CNG Technologies can be an economic solution for: 1. monetising "stranded" natural gas reserves within regional markets; 2. connecting "underexploited" natural gas reserves with higher value regional markets; 3. replacing higher cost liquid hydrocarbon fuels in electric power plants and other industrial facilities with regional natural gas supplies; and 4. monetising natural gas being produced along with offshore oil production, which would otherwise be flared or re-injected. Management believes that marine transportation of natural gas

utilising the CNG Technologies is the simplest, safest, most reliable and economic solution for monetising natural gas in many regional markets.

- Revenue Model
    - SeaNG has intended to earn revenues through licensing of the CNG Technologies, manufacture and sale of Coselles®, provision of technical support services, and participation in special purpose entities established to build, own and charter CNG ships to customers. SeaNG has formed an alliance with Marubeni Corporation, Teekay Corporation and Enbridge Inc. to jointly develop projects utilising the Coselle® System in which the alliance partners can build, own and provide CNG ships to customers under a long-term charter agreement. Marubeni Corporation is one of Japan's largest trading and investment companies. Teekay Corporation is a leading provider of marine services to the oil and gas industry. Enbridge Inc. is a major Canadian company that transports and distributes energy throughout North America.

K. SeaNG Transaction – Key Regulatory Approvals

- SeaNG does not require any regulatory approvals or licences for its business operations as it is a marine transport technology company. The approvals for the transaction are as set out in this announcement.

L. Shareholder Approval and Issues of Securities

- A general meeting will be convened to approve the SeaNG Transaction and associated business (***General Meeting***).

M. Control Issues

- Assuming completion of the SeaNG Transaction, no person will have a voting power of 20% or more in the Company.

N. GEV's Board and Management

- There will be no changes to the GEV board of directors or senior management as a result of the SeaNG Transaction.
- The GEV Board are pleased to notify that David Stenning and John Fitzpatrick will join the GEV group post the Effective Date and lead the development of a CNG Technology Centre of Excellence headquartered in Calgary.
    - **David G. Stenning, P.Eng.**

      With over thirty years of experience in the international energy industry, David has had the opportunity to play leadership roles in engineering, managing and executing challenging projects. He began his career designing and constructing offshore platforms for the Arctic; including the first two Arctic offshore drilling structures. This early experience taught that with the right attitude, expertise and team even the most difficult problems can be solved. David subsequently consulted to several energy companies, working on projects for developing offshore oil and gas reserves, primarily in northern seas.

      More recently, David co-invented and led the development of specialised CNG ships which compete with LNG ships in regional markets. As Manager of Marine CNG at Enron International he was charged with leading the Marine CNG team. This required the development of new ship designs and resolving many technical and regulatory challenges. David continued this work at the Williams Company as Director of Marine

CNG. In 2005, he co-founded SeaNG Corporation which acquired the CNG technologies developed at Enron and Williams. As President and COO, David continued the technical and commercial development and SeaNG became one of the leading companies in Marine CNG. David left SeaNG in early 2016 and continues to advocate for marine CNG.

David has published and presented technical and economic papers at many international conferences in the fields of offshore engineering, project management and marine CNG. He has also prepared and presented project and finance reports to investors, regulators and stakeholders. David holds an engineering degree from the University of British Colombia and a Master's degree in Economics from the University of Calgary.

- **John P. Fitzpatrick, P.Eng.**

  John has over thirty years of experience as a structural engineer specialising in the analysis, design, construction and deployment of unusual structures, including several major structures in the oil & gas industry. In addition to his extensive analysis experience, notably in the field of Arctic structures and marine CNG, he has also consulted internationally, performed third party reviews on behalf of the US Minerals Management Services, and been called as an expert witness. As a member of the Canadian Standards Association (CSA) design standards committee on offshore structures, John participated in the development of Canada's design codes for offshore structures and also in the development of ABS rules and guidelines for CNG ships.

  John's recent focus has been on developing ships to carry compressed natural gas. He has participated in the technical development of these ships beginning with Enron International and the Williams companies. John continued this development at SeaNG where he was Director of Engineering. After leaving SeaNG in early 2016, John continued his efforts to find the optimum ship design for CNG. This work resulted in a new CNG ship design (patents pending) – the SeaNG Optimum ship.

  John has an engineering degree from the University of Galway. He has published and presented peer reviewed papers on the topics of offshore structures, ice mechanics and ships.

O. Pro Forma Capital Structure

- Set out below is the indicative capital structure of the Company following completion of the SeaNG Transaction and associated capital raising. The anticipated capital structure of the Company is only an estimate and is subject to variation.

	Shares	Options	Performance Rights	Performance Shares
Securities currently on issue	245,279,757[4]	43,897,072[2]	14,000,000[3]	Nil
Capital raising pursuant to the Prospectus	23,529,412	Nil	Nil	Nil
Shares to be issued in consideration for SeaNG pursuant to the SeaNG Transaction	11,440,000	Nil	Nil	56,350,000
TOTAL[1]	**280,249,169**	**43,897,072**	**14,000,000**	**56,350,000**

- Notes:

1. This assumes that no options in GEV are exercised and that none of the Performance Shares milestones are satisfied.
2. Comprising 7,266,687 options exercisable at A$0.10 each and expiring on 30 May 2020, 31,630,385 options exercisable at A$0.40 each and expiring on 31 May 2020, 2,000,000 options exercisable at A$0.14 each and expiring on 18 June 2020, and 3,000,000 options exercisable at A$0.21 each and expiring on 19 June 2020.
3. 4,000,000 Class A Performance Rights, 4,000,000 Class B Performance Rights and 6,000,000 Class C Performance Rights (together "Performance Rights") in aggregate to directors Fletcher Maurice Brand and Garry Triglavcanin. All Performance Rights are subject to the participant remaining employed or engaged with the Company for a continuous period of 12 months from the date of grant. Class A Performance Rights will expire on 31 July 2018 and will vest where the Company's Share price has equalled or has been greater than a 30 day Volume Weighted Average Price of A$0.10 per Share at any time subsequent to the date of grant. Class B Performance Rights will expire on 31 January 2019 and will vest where the Company's Share price has equalled or has been greater than a 30 day Volume Weighted Average Price of A$0.20 per Share at any time subsequent to the date of grant. Class C Performance Rights will expire on 31 January 2020 and will vest where the Company's Share price has equalled or has been greater than a 30 day Volume Weighted Average Price of A$0.30 per Share at any time subsequent to the date of grant. On vesting, each Performance Right converts into one ordinary share in the Company. Any Performance Rights not vested before their expiry date, will lapse.
4. In the last six months the Company has issued 32,714,286 Shares for A$0.14 per Share (as announced 9 May 2017) to clients of Foster Stockbroking Pty Ltd under a placement (**Placement**), 3,000,000 Shares at A$0.14 per Share to Directors (participation in the Placement) (as announced on 21 June 2017) and 6,000,000 Options for nil cash consideration for brokerage services provided to the Company (as announced on 21 June 2017). The funds raised under the Placement are being used for investment opportunities in upstream energy assets and the Company's portfolio of CNG sales opportunities, offer costs and ongoing working capital.

P. Indicative Use of Funds Table

- It is proposed that the funds raised plus the Company's existing cash will be applied in the next 12 months as follows:

Item	Amount	Percentage
Existing cash reserves of the Company	$3,864,678	49%
Funds raised under the Public Offer	$4,000,000	51%
TOTAL	**$7,864,678**	**100%**
Use of Funds:		
SeaNG Transaction	$760,530	10%
Estimated costs of the SeaNG Transaction[1]	$969,146	12%
Recompliance with Chapters 1 & 2 of the ASX Listing rules	$300,000	4%
Investment in Meridian Holdings Co of US$1 million	$1,300,052	16%
Capital raising fees (6%)	$240,000	3%
SeaNG operational costs	$784,391	10%
Working capital and corporate administration	$3,510,559	45%
TOTAL	**$7,864,678**	**100%**

- The above table is a statement of current intentions as at the date of this announcement. Intervening events may alter the way funds are ultimately applied by the Company.
- Notes:

  1. Estimated costs of the SeaNG Transaction includes a C$300,000 Canadian dollars loan to SeaNG to fund general working capital up until Effective Date.

Q. Effect of the SeaNG Transaction on the Company's Consolidated total assets and total equity interests

- The principal effects of the SeaNG Transaction on the Company's consolidated statement of financial position are reflected in the proforma balance sheets below.

R. Effect of the SeaNG Transaction on the Company's revenue, expenses and profit before tax

- There will be no significant effect on the Company's consolidated statement of financial performance for the financial year ended 30 June 2017 as the SeaNG Transaction will be completed after 30 June 2017.
- The Company's consolidated statement of financial performance for the financial year ended 30 June 2018 will be affected by the inclusion of operating costs for SeaNG estimated to be approximately C$800,000.

S. Pro Forma Balance Sheet

- The unaudited pro-forma statements of financial position as at 30 June 2017 shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.
- The pro-forma balance sheet has been prepared to reflect a capital raising and the initial consideration for the acquisition by the Company of SeaNG.
- The pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	Global Energy Ventures Ltd 30 June 2017 (Audited)[1] $	Unaudited post acquisition Pro-forma Global Energy Ventures Ltd 30 June 2017[2] $
CURRENT ASSETS		
Cash	3,864,678	4,671,348
Other current assets	77,921	144,992
TOTAL CURRENT ASSETS	**3,942,599**	**4,816,340**
NON-CURRENT ASSETS		
Plant & Equipment	615	16,630
Receivables	997	997
Capitalised oil & gas expenditure	650,026	650,026
Investments	1,323,802	2,623,854
Intangible Assets	-	3,782,465
TOTAL NON-CURRENT ASSETS	**1,975,440**	**7,073,972**
TOTAL ASSETS	**5,918,039**	**11,890,312**
CURRENT LIABILITIES		
Creditors and borrowings	190,437	757,910
TOTAL CURRENT LIABILITIES	**190,437**	**757,910**
TOTAL LIABILITIES	**190,437**	**757,910**
NET ASSETS	**5,727,602**	**11,132,402**
EQUITY		
Share capital	46,104,428	51,809,228
Reserves	(1,038,958)	(1,038,958)
Retained loss	(39,337,868)	(39,637,868)
TOTAL EQUITY	**5,727,602**	**11,132,402**

- Notes:
  1. The above Global Energy Ventures Ltd 30 June 2017 Statement of Financial Position is based on the GEV 2017 Annual Report.
  2. The above Unaudited post acquisition Pro-forma Global Energy Ventures Ltd 30 June 2017 is based on the Global Energy Ventures Ltd 30 June 2017 Statement of Financial

Position and the Unaudited 31 March 2017 SeaNG Statement of Financial Position, adjusted for:

(a) A USD$/AUD$ exchange rate of 0.7692 and a CAD$/AUD$ exchange rate of 1.0199.

(b) The issue of 23,529,412 ordinary shares at A$0.17 each to raise A$4,000,000 and broker's fees for the raising of 6% of the amount raised.

(c) GEV's costs for re-compliance with Chapters 1 and 2 of the ASX Listing Rules of A$300,000.

(d) Investment of US$1 million in Meridian Holdings Co. which is planned for December 2017.

(e) The SeaNG Transaction for:

  (i) US$585,000 in cash consideration;

  (ii) 11,440,000 GEV ordinary shares, based on GEV's assumed issue price of A$0.17;

  (iii) Payment of SeaNG Transaction costs of C$300,000; and

  (iv) Payment of GEV acquisition costs of A$675,000.

(f) The acquisition of SeaNG includes the issue of the issue of 56,350,000 Performance Shares with conversion based on certain future milestone events, as described above. As the successful achievement of the milestone events is not certain, a value for the Performance Shares has not been reflected in the above Unaudited post acquisition Pro-forma Global Energy Ventures Ltd, 30 June 2017.

T. Audited Financial Statements

- A copy of the audited financial statements for SeaNG for the years ended 31 December 2014, 31 December 2015 and 31 December 2016 are annexed to this announcement.
- The SeaNG Consolidated Financial Statements for December 31, 2016 and 2015 ("2016 Financial Statements") include reference in the Notes to the Consolidated Financial Statements ("Notes") of the proposed submission of a bid to the Comisión Federal de Electricidad ("CFE") for a project to transport natural gas from supply sources in the State of Sinaloa to a number of the CFE's existing and planned power generation facilities in the southern part of the State of Baja California Sur ("BCS"), Mexico (the "BCS Project"). In late 2013, SeaNG was selected by a group of three Mexican companies (the "Mexican Development Partners") as their exclusive marine CNG provider to promote the BCS Project to the CFE. In December 2015 and January 2016, the consortium members withdrew from the consortium. The Notes commented that should SeaNG succeed in reassembling the consortium, it will likely need to complete a financing of approximately US$5 million to complete preparations for construction of a Coselle manufacturing facility in Korea prior to submission of a bid by the consortium. In the event the consortium is awarded the BCS Project, SeaNG will likely need to complete an additional financing of approximately US$200 million for construction of the Coselle facility, working capital and general corporate purposes throughout facility construction and Coselle manufacturing for the BCS Project.

  The Independent Auditor's Report to the 2016 Financial Statements included an Emphasis of Matter which drew attention to note 2 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the corporation's ability to continue as a going concern.

On completion of the SeaNG Transaction, GEV will not seek to reassemble the consortium and SeaNG has no obligation to participate in the BCS Project.

U. Company Overview and Business Model including SeaNG

- Since its inception, the Company has been focused on developing a business as a niche player in the oil and gas market. The Company initially focused on coal seam gas prospects in Western Australia, however, due to political and environmental obstacles it then shifted its focus to the Perth Basin.
- As a globally focused company, the Company then entered the US market, and was involved in drilling several oil and gas wells in the Texas salt domes. Results were mixed with several wells producing both oil and gas, however, not in the anticipated quantities.
- The Company's oil production was easily trucked and sold, however, as this was the first time that the Company had gas production, it faced the obstacle of delivering such gas to market. Connection to the local gas grid proved too costly as gas volumes were inconsistent and therefore not predictable. As a consequence, all gas production from the Company's Texas wells have been and continue to be flared off rather than sold.
- It has therefore become apparent that to realise the Company's goal of becoming a niche player in the gas market, it would need to not only source sufficient quantities of gas (either from its own wells or via acquisition / farm-in) but also to find a way to deliver such gas to customers.
- The marketing of oil is a simple proposition – oil is usually loaded, then transported via road and/or ship to market. However, the transportation of gas is more complex. The most common method is via pipeline, the gas is compressed, then transported via an onshore and/or offshore pipeline to market. In some instances, a pipeline is not viable, either due to a natural barrier (ocean, distance) or a political barrier (country risk); or is economically not viable. The most common alternative is liquefaction (***LNG***). Liquefaction involves lowering the temperature of the gas to minus 160 degrees Celsius (no requirement for additional pressure). Due to the high costs involved in the liquefaction plant and LNG ship, such an alternative is usually viable for very large gas resources with long distances to markets.
- The other alternative is to compress the natural gas for storage (i.e., CNG). The CNG alternative is much more suited to smaller stranded gas resources with medium distances to markets. Securing gas feedstock for CNG projects is within the capability of the Company both financially and administratively. The CNG ships (often about 80% of the capital cost, excluding any upstream gas field costs) would likely be contracted to third parties.
- However, CNG is a relative newcomer to the process of marine gas transportation. A key factor is the level of compression achieved and density of storage; in which the Company believes SeaNG provides a competitive advantage over other CNG technologies.
- The Company strongly considers that any future "farm-in" gas resource acquisition strategy would be greatly assisted if the Company, in addition to providing funds, introduced the SeaNG technology as the commercialisation solution for the gas. The Company also considers that developing and influencing as much of the energy chain as possible is critical for success.
- Consequently, GEV is of the firm view that it is in our shareholders' interests for the Company to acquire SeaNG so that the Company becomes self-sufficient and builds a defensible

business model across the gas/energy supply value chain. In building this supply chain, the Company intends to participate in all aspects including production (specifically, seeking to acquire appropriate production assets), transport and its ultimate use and delivery to retail customers (including power generation).

- The Company, with SeaNG technology, believes it will be able to source gas from multiple sources and deliver it to multiple customers, if required - unconstrained by fixed pipelines and not limited by location. The Company believes it will be in a position to realise its goal of being a niche player in the global gas market.
- Importantly for GEV, the acquisition of SeaNG will continue to accelerate the development of the Company's recently announced Atlantic CNG Project, with plans to transport CNG to the Port Meridian import terminal located in the UK which is backed by gas sale rights of up to 300 MMscf/d to Uniper Global Commodities SE (~2.3 mtpa of LNG equivalent). Initial discussions are already underway with owners of identified gas resources located in the Atlantic suitable for the transport of CNG to Port Meridian. Those discussions will now include SeaNG Optimum as an integrated supply solution for this project.
- Although capital intensive facilities will be utilised, such as ports and ships, these will primarily be sourced from third parties and the Company will simply pay a fee for their use, or financed by GEV at the project level.
- The Company does not intend to license third parties to use the SeaNG's IP for gas delivery projects in which GEV does not have a significant resource involvement and/or an overall joint venture project participation. The Company will not be a pure technology Company.

V. GEV - Key Risks and Dependencies

The key risks to the activities of the Company are as follows:

- The Securities of GEV should be considered highly speculative because of the nature of the Company's business. The future profitability of the Company will be dependent on the successful commercial exploitation of its business and operations.
- An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below.
- There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors.
- The list of risk factors in this Section should not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The risk factors, and others not specifically referred to, may in the future materially affect the financial performance of the Company and the value of the Securities. Therefore, the Securities carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Securities.
- The business assets and operations of the Company are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the securities of the Company.
- The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which it can effectively manage them is limited.

- Completion Risk
  - The Company has agreed to acquire 100% of the issued share capital of SeaNG, completion of which is subject to the fulfilment of certain conditions. There is a risk that the conditions for completion of the SeaNG Transaction cannot be fulfilled and, in turn, that completion of the SeaNG Transaction does not occur.
  - If the SeaNG Transaction is not completed, the Company will incur costs relating to advisors and other costs without any material benefit being achieved.
- Re-quotation of GEV Shares on ASX
  - As part of the Company's change in nature and scale of activities, ASX will require the Company to re-comply with Chapters 1 and 2 of the Listing Rules. It is anticipated that the Company's securities will be suspended from the date of the general meeting convened to seek Shareholder approval for the SeaNG Transaction until completion of the SeaNG Transaction, the Public Offer, re-compliance by the Company with Chapters 1 and 2 of the Listing Rules and compliance with any further conditions ASX imposes on such reinstatement.
  - There is a risk that the Company will not be able to satisfy one or more of those requirements and that its securities will consequently remain suspended from official quotation.
- Liquidity Risk
  - On completion of the SeaNG Transaction, the Company proposes to issue securities to SeaNG Shareholders and Debenture holders. The Company understands that ASX may treat some of these securities as restricted securities in accordance with Chapter 9 of the Listing Rules.
  - This could be considered an increased liquidity risk as a large portion of issued capital may not be able to be traded freely for a period of time.
- Uncertainty of Future Profitability
  - The Company has incurred losses in the past and it is therefore not possible to evaluate the Company's future prospects based on past performance. The Company expects to make losses in the foreseeable future. Factors that will determine the Company's future profitability are its ability to manage its costs and its development and growth strategies, the success of its activities in a competitive market, and the actions of competitors and regulatory developments. As a result, the extent of future profits, if any, and the time required to achieve sustainable profitability, is uncertain. In addition, the level of any such future profitability (or loss) cannot be predicted and may vary significantly from period to period.
- Regulatory
  - The Company is based in Australia and is subject to Australian laws and regulations. For example, the Company is required to comply with the Corporations Act. However, the Company expects to have operations in international jurisdictions such as Canada and the United Kingdom. Customers, competitors, members of the general public or regulators could allege breaches of the legislation in the relevant jurisdictions. This could result in remedial action or litigation, which could potentially lead to the Company being required to pay compensation or a fine. The Company's operations may become subject to regulatory requirements, such as licensing and reporting

obligations, which would increase the costs and resources associated with its regulatory compliance. Any such increase in the costs and resources associated with regulatory compliance could impact upon the Company's profitability. In addition, if regulators took the view that the Company had failed to comply with regulatory requirements, this could lead to enforcement action resulting in public warnings, infringement notices or the imposition of a pecuniary penalty which could lead to significant reputational damage to the Company and consequent impact upon its revenue.

  - Changes in relevant taxes, legal and administration regimes, accounting practice and government policies in the countries in which the Company operates and may operate may adversely affect the financial performance of the Company.

- Government Licences and Approvals
  - Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, foreign currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and site safety.
  - Failure to comply strictly with applicable laws, regulations and local practices could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.
  - The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations or profitability of the Company.
- General Economic and Political Risks
  - Changes may occur in the general economic and political climate in the jurisdictions in which GEV operates and on a global basis that could have an impact on economic growth, the oil and gas prices, interest rates, the rate of inflation, taxation, tariff laws and domestic security which may affect the value and viability of any oil and gas activity that may be conducted by the Company.
- Additional Requirements for Capital
  - The Directors expect that the Company will have sufficient capital resources to enable the Company to achieve its initial business objectives upon settlement of the Proposed Transactions. However, the Directors can give no assurances that such objectives will in fact be met without future borrowings or capital raisings.
  - The Company's capital requirements depend on numerous factors. The Company may require further financing in the future. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations.
- Economic Risks
  - General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's activities, as well as on its ability to fund those activities.

- Market Conditions
    - Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:
        - general economic outlook;
        - interest rates and inflation rates;
        - currency fluctuations;
        - changes in investor sentiment toward particular market sectors;
        - the demand for, and supply of, capital; and
        - terrorism or other hostilities.
    - The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and energy stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.
- Share Market Risk
    - The market price of the Company's Shares could fluctuate significantly. The market price of the Company's Shares may fluctuate based on a number of factors including the Company's operating performance and the performance of competitors and other similar companies, the public's reaction to the Company's press releases, other public announcements and the Company's filings with securities regulatory authorities, changes in earnings estimates or recommendations by research analysts who track the Company's Shares or the shares of other companies in the energy sector, changes in general economic conditions, the number of the Company's Shares publicly traded and the arrival or departure of key personnel, acquisitions, strategic alliances or joint ventures involving the Company or its competitors.
    - In addition, the market price of the Company's Shares is affected by many variables not directly related to the Company's success and are therefore not within the Company's control, including other developments that affect the market for all resource sector shares, the breadth of the public market for the Company's Shares, and the attractiveness of alternative investments.
- Potential Acquisitions
    - As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies or prospects and additional gas assets, which may have associated oil. Any such acquisitions will be accompanied by risks commonly encountered and listed in this Section.
- Gas Price Volatility and Exchange Rate Risks
    - Commodity prices fluctuate and are affected by many factors beyond the control of the Company, including international supply and demand, the level of consumer product demand, technological advancements, forward selling activities, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments.

  - International gas prices have fluctuated in recent years and may continue to fluctuate significantly in the future. Fluctuations in oil and gas prices and, in particular, a material decline in the price of oil or gas may have a material adverse effect on the Company's business, financial condition and results of operations.

- Reliance on Key Personnel
  - The Company is substantially reliant on the expertise and abilities of its key personnel in overseeing the day-to-day operations of its projects. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees or contractors cease their relationship with the Company.

- Competition
  - The Company will compete with other companies, including major oil and gas companies. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that the Company can compete effectively with these companies.

- Claims, Liability and Litigation
  - The risk of litigation is a general risk of the Company's business. There is always the risk that litigation may occur as a result of differing interpretations of obligations or outcomes.

- Natural Disasters
  - Natural disasters or adverse conditions may occur in those geographical areas in which the Company operates including severe weather, tsunamis, cyclones, tropical storms, earthquakes, floods, volcanic eruptions, excessive rainfall and droughts as well as power outages or other events beyond the control of the Company.

- ASX Waivers and Confirmations
  - In addition to the in-principle approval seeking confirmation of the cash consideration payable under the Acquisition, the Company intends to seek a waiver from the requirements of Listing Rule 2.1 (Condition 2) to enable it to issue Shares at an issue price less than A$0.20 per Share. The Company also intends to seek a waiver in respect of Listing Rule 9.1.3 to substitute the application of items 3 and 4 with the restrictions in items 1 and 2 of Appendix 9B in relation to the securities to be issued to the SeaNG Shareholders as consideration for the acquisition of 100% of the issued capital of SeaNG (as applicable).

W. Regulatory Statements

- The Company notes that:
  - the SeaNG Transaction requires Shareholder approval under the Listing Rules and therefore may not proceed if that approval is not forthcoming;
  - the Company is required to re-comply with ASX's requirements for admission and quotation and therefore the SeaNG Transaction may not proceed if those requirements are not met;
  - ASX has absolute discretion in deciding whether or not to re-admit the Company to the Official List and to quote its securities and therefore the SeaNG Transaction may not proceed if ASX exercises that discretion; and

- investors should take account of these uncertainties in deciding whether or not to buy or sell the Company's securities.

- Furthermore, the Company:
  - notes that ASX takes no responsibility for the contents of this announcement; and
  - confirms that it is in compliance with its continuous disclosure obligations under Listing Rule 3.1.

For further information please contact:

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About Global Energy Ventures Ltd

The Company's mission is to create shareholder value through the delivery of integrated CNG solutions to global gas markets. CNG is a well proven technology with technical and commercial advantages along with being safe and environmentally friendly.

CNG vs LNG Ship Comparison Table

CNG Ship	**Gas Capacity** (MMscf)	**LNG Equivalent** (tonnes)	**LNG Ship Equivalent** (m^3)
SeaNG Optimum 200	200	~ 4,250	~ 9,500
SeaNG Optimum 450	450	~ 9,550	~ 22,000
SeaNG Optimum 800	800	~ 17,000	~ 38,000

Based on a ~600:1 LNG Compression Factor; 1 m^3 = 35.315 ft^3 ; and 1 tonne of LNG = 2.22 m^3 of LNG.

Sea NG Corporation

Consolidated Financial Statements

December 31, 2016 and 2015

July 24, 2017

Independent Auditor's Report

To the Shareholders of Sea NG Corporation

We have audited the accompanying consolidated financial statements of Sea NG Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015 and the consolidated statements of loss and comprehensive income (loss), changes in equity, and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sea NG Corporation and its subsidiaries as at December 31, 2016 and December 31, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP
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Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the corporation's ability to continue as a going concern.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Sea NG Corporation
Consolidated Statements of Financial Position

		December 31, 2016		December 31, 2015
ASSETS				
CURRENT ASSETS				
Cash	$	536,008	$	2,430,662
Restricted cash (Note 6)		-		21,036,800
Consortium cash (Note 7)		50,230		357,919
Interest receivable and other (Note 6)		4,502		32,840
Goods and services and value-added taxes receivable		44,727		162,256
Advances, deposits and prepaid expenses		24,190		89,757
		659,657		24,110,234
Property and equipment (Note 8)		17,663		49,087
Intangible assets (Note 9)		-		23,860,483
	$	677,320	$	48,019,804
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities (Note 10)	$	112,482	$	1,617,722
Consortium accounts payable (Note 7)		448,650		357,919
Common shares owed to employees (Note 12)		107,800		-
Loan payable (Note 6)		-		21,036,800
Debentures and interest payable (Note 11)		6,388,628		-
		7,057,560		23,012,441
Debentures and interest payable (Note 11)		-		5,727,924
SHAREHOLDER'S EQUITY				
Common shares (Note 12)		53,674,969		53,495,969
Preferred shares (Note 12)		929		942
Contributed surplus (Note 12)		6,744,024		6,700,940
Accumulated comprehensive income		7,374,205		8,852,476
Deficit		(74,174,367)		(49,770,888)
		(6,380,240)		19,279,439
	$	677,320	$	48,019,804

Going concern (Note 2)
Commitments and contingencies (Note 16)
Subsequent event (Note 21)

Approved by the Board:

Director

Director

Randall Findlay

Don Archibald

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

Sea NG Corporation
Consolidated Statements of Loss and Comprehensive Income

	Year ended December 31, 2016	Year ended December 31, 2015
EXPENSES		
Professional, consulting and salary (Note 14)	$ 1,021,162	$ 3,428,520
Travel	171,716	678,031
General and administrative	245,611	591,074
Financing charges (Note 6 and 11)	817,714	958,433
Stock-based compensation (Note 12)	329,884	192,367
Depreciation	7,247	16,655
Foreign currency exchange loss	(1,111,039)	1,961,037
Project cost recovery	-	(238,502)
Impairment on intangible asset (Note 9)	22,901,671	-
Loss on sale of property and equipment (Note 8)	23,923	-
	24,407,889	7,587,615
Interest income	4,410	136,477
NET LOSS BEFORE COMPREHENSIVE INCOME	(24,403,479)	(7,451,138)
COMPREHENSIVE INCOME		
Foreign currency translation	(1,478,271)	4,629,508
TOTAL LOSS AND COMPREHENSIVE INCOME	$ (25,881,750)	$ (2,821,630)
Loss per share, basic and diluted (Note 13)	$ (0.48)	$ (0.15)
Weighted average number of common shares outstanding basic and diluted	51,254,886	50,681,105

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

Sea NG Corporation
Consolidated Statements of Changes in Shareholder’s Equity

	Common Shares #	Common Shares $	Preferred Shares $	Contributed Surplus $	Accumulated Comprehensive Income $	Deficit $	Total $
Balance - January 1, 2016	**50,681,105**	**53,495,969**	**942**	**6,700,940**	**8,852,476**	**(49,770,888)**	**19,279,439**
Net loss	-	-	-	-	-	(24,403,479)	(24,403,479)
Translation adjustment	-	-	-	-	(1,478,271)	-	(1,478,271)
Valuation of preferred shares (Note 12)				43,084			43,084
Redemption of preferred shares (Note 12)			(13)				(13)
Issuance of common shares to employees (Note 12)	895,000	179,000	-	-	-	-	179,000
Balance – December 31, 2016	**51,576,105**	**53,674,969**	**929**	**6,744,024**	**7,374,205**	**(74,174,367)**	**(6,380,240)**

	Common Shares #	Common Shares $	Preferred Shares $	Contributed Surplus $	Accumulated Comprehensive Income $	Deficit $	Total $
Balance - January 1, 2015	**50,681,105**	**53,495,969**	**942**	**6,382,207**	**4,222,968**	**(42,319,750)**	**21,782,336**
Net loss	-	-	-	-	-	(7,451,138)	(7,451,138)
Translation adjustment	-	-	-	-	4,629,508	-	4,629,508
Valuation of warrants (Note 12)	-	-	-	89,627	-	-	89,627
Valuation of preferred shares (Note 12)	-	-	-	229,106	-	-	229,106
Balance - December 31, 2015	**50,681,105**	**53,495,969**	**942**	**6,700,940**	**8,852,476**	**(49,770,888)**	**19,279,439**

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

Sea NG Corporation
Consolidated Statements of Cash Flow

		Year ended December 31, 2016		Year ended December 31, 2015
CASH FLOWS PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Net loss before comprehensive income	$	(24,403,479)	$	(7,451,138)
Stock-based compensation (Note 12)		329,884		192,367
Depreciation		7,247		16,655
Foreign exchange (gain)/loss		(1,111,039)		1,978,417
Impairment on intangible assets (Note 9)		22,901,671		-
Loss on sale of property and equipment (Note 8)		23,923		-
		(2,251,793)		(5,263,699)
Change in working capital				
Accounts receivable		-		99,728
Interest receivable		28,338		67,395
Goods and services and value-added taxes receivable		117,529		(149,456)
Advances, deposits and prepaid expenses		65,567		6,923
Consortium accounts receivable, payable and cash		398,420		-
Accounts payable and accrued liabilities		(1,505,240)		1,397,645
		(3,147,179)		(3,841,464)
FINANCING ACTIVITIES				
Redemption of preferred shares		(13)		-
Non-cash financing charges		-		89,627
Proceeds from debentures		-		5,521,000
Debenture interest payable		660,704		206,924
		660,691		5,817,551
INVESTING ACTIVITIES				
Development costs incurred		632,583		(3,697,215)
Property and equipment		(527)		(17,285)
		632,056		(3,714,500)
Effect of foreign exchange rate changes		(40,222)		108,057
Net change in cash		(1,894,654)		(1,630,356)
Cash, beginning of year		2,430,662		4,061,018
Cash, end of year	$	536,008	$	2,430,662

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

1. INCORPORATION AND NATURE OF OPERATIONS

Sea NG Corporation (“Sea NG” or the “Corporation”) was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta) on May 12, 2005. Sea NG’s principal place of business is located at 200, 635 – 6th Ave S.W., Calgary, Alberta.

The Corporation has acquired, invented, designed, engineered, tested and received “class society” approval for certain technology to be used for marine transportation of compressed natural gas (“CNG”). Sea NG intends to commercialize its proprietary “Coselle® System” for marine transportation of CNG through developing projects with partners and potential customers and to earn revenues through the manufacture and sale of Coselles®, licensing of the Coselle® System, technical service support and participation in special purpose entities established to build, own and charter CNG ships to customers. The Coselle® System is comprised of patented, high-pressure storage vessels, referred to as Coselle® pressure vessels, permanently installed in ships or barges specifically designed for such purpose and the related natural gas handling facilities. Management of the Corporation believes that the Coselle® System is a simple, safe and cost effective means of transporting natural gas in many markets.

Marine Construction Corporation (“MCC”), a wholly owned subsidiary of Sea NG, was established in Korea on December 26, 2007. MCC’s principle business activities will include the construction of a Coselle® manufacturing facility and production of Coselle® pressure vessels.

Coselle Technologies Inc. (“CTI”), a wholly owned subsidiary of Sea NG, was established in Barbados on January 18, 2011. CTI’s principle business activity was to license the Coselle® System for use outside of Canada and the United States of America. CTI was dissolved on November 16, 2016.

Inspira Energia, S.A. de C.V. (“Inspira”) was incorporated in Mexico on November 6, 2015. It is owned 90% by Sea NG Corporation and was established for the purpose of submitting a bid to the Comisión Federal de Electricidad (“CFE”) for a project to transport natural gas from supply sources in the State of Sinaloa to a number of the CFE’s existing and planned power generation facilities in the southern part of the State of Baja California Sur ("BCS"), Mexico (the “BCS Project”).

In late 2013, Sea NG was selected by a group of three Mexican companies (the “Mexican Development Partners”) as their exclusive marine CNG provider to promote the BCS Project to the CFE. In March, 2014, the Mexican Development Partners submitted a “Manifestation of Interest” regarding the project to the CFE and received a response confirming the CFE’s interest and requesting an “Unsolicited Proposal” before July 31, 2014. Sea NG and the Mexican Development Partners entered into a formal development agreement relating to the project in June 2014 and Sea NG submitted the Unsolicited Proposal to the CFE on July 31, 2014. In October, 2014, the CFE provided an official response indicating that it had found Sea NG’s proposal for the BCS Project to be viable and that it would issue a public tender for the BCS Project, on an “open technology” basis. The public tender was issued by the CFE in August, 2015. Sea NG and three international energy transportation and finance companies entered into a binding term sheet for a consortium and bidding agreement in September, 2015 for the purpose of preparing and submitting a bid for the BCS Project.

In December 2015, one of the consortium members withdrew from the consortium indicating that such withdrawal was due to general economic conditions in the energy transportation business in North America rather than with any concern regarding the consortium’s bid preparation or the BCS Project. This withdrawal resulted in the withdrawal of the two other parties in January 2016. Sea NG and its Mexican Development Partners are currently in discussions with several parties to rebuild the consortium. See *Note 2 Going Concern and Basis of Preparation* for further discussion.

To date, the Corporation has not earned revenue, and therefore the Corporation is considered to be in the development stage.

These consolidated financial statements have been approved and authorized for issuance by the Board of Directors on July 24, 2017.

2. GOING CONCERN AND BASIS OF PREPARATION

The Corporation prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as defined in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). The financial statements are presented in Canadian dollars.

These consolidated financial statements have been prepared in compliance with IFRS applicable to a going concern basis, under the historical cost convention, except for certain financial assets and liabilities measured at fair value through the Consolidated Statements of Loss and Comprehensive Loss.

For the period ended December 31, 2016, the Corporation reported a net loss before comprehensive income of $24,403,479 (2015 - $7,451,138), deficit of $74,174,367 (2015 - $49,770,888) and working capital of ($6,397,903) (2015 - $1,097,793).

In response to withdrawals from the consortium for the BCS Project, management took various measures in early 2016 to conserve cash including:

i. termination of the employment of all support staff effective April 30, 2016;
ii. amendment of the employment agreements of all other staff to replace cash salary with compensation in the form of common shares of Sea NG effective as of January 31, 2016 and continuing until termination of employment on April 30, 2016;
iii. allowing the office lease of the Corporation to expire on March 31, 2016 and obtaining temporary, smaller office arrangements on a monthly basis at a cost of $2,500 per month;
iv. repayment of the loan payable on March 28, 2016;
v. dissolution of CTI; and
vi. termination of MCC's industrial land lease with the GFTZ in South Korea on June 30, 2016.

These actions have greatly reduced the scope of Sea NG's activities which, at this time, are almost exclusively focussed on reconstituting the consortium for the BCS Project and pursuing alternate organization structures. Management estimates that limited operations can be funded from its current financial resources over the next 12 months. Should Sea NG succeed in reassembling the consortium, it will likely need to complete a financing of approximately $5 million to complete preparations for construction of a Coselle manufacturing facility in Korea prior to submission of a bid by the consortium. In the event the consortium is awarded the BCS Project, Sea NG will likely need to complete an additional financing of approximately US$200 million for construction of the Coselle facility, working capital and general corporate purposes throughout facility construction and Coselle manufacturing for the BCS Project.

There is no assurance that Sea NG will be successful in forming a new consortium for the BCS Project, that the new consortium will submit a bid and be awarded the BCS Project, or that Sea NG will complete the necessary financings required for bid submission or construction of the Coselle facility and manufacture of Coselles for the BCS Project. There is also no assurance that a corporate restructuring and financing will be successful. In the event Sea NG is unable to proceed with the BCS project it will pursue a corporate and financial restructuring or dissolution.

These circumstances lend significant doubt as to the ability of the Corporation to continue as a viable entity and whether the use of accounting principles as a going concern are justified.

These financial statements reflect the impairment in intangible assets and the downsizing of the staff and office assets. Further adjustments may be necessary to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications if the company is unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

3. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of Sea NG Corporation and its 100% owned subsidiaries MCC and CTI. All intercompany transactions with the subsidiaries have been eliminated upon consolidation. Inspira accounts have been included in these statements on a consolidated basis. The minority shareholder of Inspira has not been reflected due to its immateriality. *See Note 7 - Consortium cash, accounts receivable and accounts payable*.

Intangible Assets

Intangible assets are costs incurred developing the Coselle® System. Development costs are expensed as incurred, unless they meet the criteria for deferral and amortization under IFRS. Those costs that are deferred will be amortized once commercial operations commence. Scientific research and development credits, refundable by the Canadian government and Alberta government are applied for with the filing of the Corporation’s income tax returns and reduce research and development expenditures in the year of receipt.

The ability to recover the carrying value of deferred development costs is based on estimates, which by their nature, are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant. The intangible assets were classified as impaired in 2016 and written down to nil.

Borrowing Costs

Borrowing costs associated with specific debt that is directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset otherwise it is expensed in the Consolidated Statements of Loss and Comprehensive Loss.

Income Taxes

The Corporation uses the liability method of accounting for deferred income taxes. Under this method, income tax assets and liabilities are recorded based on temporary differences between the carrying amount of an asset or liability on the balance sheet and its tax basis. The income tax assets and liabilities are based on income tax rates and laws that are expected to apply when the liability is settled or asset is realized, which are normally those enacted or considered substantively enacted as at the consolidated balance sheet dates. Deferred income tax assets are recognized on the balance sheet for all deductible temporary differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Share-Based Payments

Share-based payments such as warrants and convertible preferred shares are treated as equity settled share-based payment transactions. This requires a fair value based method of accounting to be applied to all share-based compensation arrangements. The fair value of each preferred share is accounted for in operations over their vesting period. The fair value of each warrant is accounted for in operations when issued. The related credit for both warrants and preferred shares are included in contributed surplus. The Corporation uses the Black-Scholes pricing model to estimate the fair value of the equity settled awards.

For preferred shares, the fair value is determined periodically giving consideration to estimates of the probability of the preferred shares converting to common shares, the value of the common shares at the time the preferred shares were issued, the likelihood of employee retention and the resulting retention of the preferred shares. At the end of each reporting period, the Corporation revises its estimates and recognizes the impact of any revisions to its original estimates, if any, in net income (loss).

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Amortization of property and equipment is calculated using the straight-line method at rates calculated to amortize the cost of the assets over their estimated useful lives.

Data processing equipment	- Straight-line over 5 years
Leasehold improvements	- Straight-line over lease term
Furniture	- Straight-line over 5 years

Impairment of Long-Lived Assets

The Corporation reviews its long-lived assets for impairment annually. An impairment loss is recognized when the carrying amount of a long-lived asset is greater than its estimated recoverable amount. In the event of an improvement in the estimated recoverable amount, the related impairment may be reversed.

Per Share Amounts

Per share amounts are calculated using the total weighted average number of common shares outstanding during the period. Diluted per share information reflects the potential dilution that could occur if securities or other contracts to issue shares were exercised or converted to shares. The Corporation computes diluted earnings per share using the treasury stock method to determine the dilutive effect of stock options, warrants and convertible preferred shares.

Shares and the per share calculations reflect the exercise or conversion of potentially dilutive securities at the later of the date of grant of such securities or the beginning of the year.

Research and Development Tax Credits

The Corporation is entitled to scientific research and experimental development tax credits ("SR&ED") granted by the Canadian federal government and the Alberta provincial government. SR&ED tax credits are accounted for using the cost reduction method. Accordingly, tax credits are recorded as a reduction of the related expenses or capital expenditures when collectability is reasonably assured.

Foreign Currency Transactions

Transactions in foreign currencies are translated into the functional currency of the applicable entity at the exchange rate in effect at the time of the transaction. Monetary items are then re-translated into the entity’s functional currency at each reporting period at the exchange rates in effect at the date of the statements of financial position. Non-monetary items are not re-translated. Revenues and expenses denominated in foreign currency are translated at rates in effect at the time of the transactions. Gains and losses on foreign currency transactions are included as a separate line item in the consolidated statements of loss and comprehensive loss. The functional currency Inspira is the Mexican peso.

Foreign Currency Translation

Items included in the financial statements of each consolidated entity of the Corporation are measured using the currency of the primary economic environment in which the entity has operations (the “functional currency”). The consolidated financial statements are presented in Canadian dollars. The functional currency of MCC is the South Korean Won. The functional currency of CTI is the U.S. dollar. The functional currency of Inspira is the Mexican Peso.

The financial statements of entities which have a functional currency that is different from the parent company are translated into Canadian dollars as follows: assets and liabilities are translated at the closing rate at the date of the statement of financial position and income and expenses are translated at the average rates for the year. All resulting changes are recognized in other comprehensive income as foreign currency translation adjustments. When the settlement of an intercompany receivable or payable to a foreign subsidiary is neither planned nor likely foreseeable in the future, foreign exchange gains or losses arising on the translation of those intercompany balances is considered a part of the net investment in the foreign subsidiary and are recognized in other comprehensive income.

Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Corporation’s designation of such instruments. Settlement date accounting is used.

Financial instrument	Classification
Cash	Loans and receivables
Restricted cash	Loans and receivables
Accounts receivable	Loans and receivables
Interest receivable	Loans and receivables

Short-term investments	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Loan payable	Other liabilities

Held for trading
Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other income.

Financial liabilities designated as held for trading are those non-derivative financial liabilities that the Corporation elects to designate on initial recognition as instruments that will be measured at fair value and any subsequent changes will be reflected in other interest expense. These are accounted for in the same manner as held for trading assets. The Corporation has not designated any non-derivative financial liabilities as held for trading.

Loans and receivables
Loans and receivables are accounted for at amortized cost using the effective interest method.

Available-for-sale
Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held-to-maturity or held-for-trading investments. Except as mentioned below, available-for-sale financial assets are carried at fair value with unrealized gains and losses included in accumulated other comprehensive income until realized at which time the cumulative gain or loss is transferred to other income. Available-for-sale financial assets that do not have quoted market prices in an active market are recorded at cost.

Interest on interest-bearing available-for-sale financial assets is calculated using the effective interest method.

Other liabilities
Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

Transaction costs
Transaction costs related to held for trading financial assets are expensed as incurred. Transaction costs related to available-for-sale financial assets, held-to-maturity financial assets, other liabilities and loans and receivables are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the effective interest method.

4. ACCOUNTING PRONOUNCEMENTS

Accounting Pronouncements Not Yet Adopted:

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2017 and have not been applied in preparing the financial statements for the current quarter/year.

The standards and interpretations applicable to the Corporation are as follows and will be adopted on their respective effective dates:

IFRS 15, *Revenue from Contracts with Customers*, provides clarification for recognizing revenue from contracts with customers and establishes a single revenue recognition and measurement framework that applies to contracts with customers. The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation is currently assessing the impact of the adoption of IFRS 15 on the Corporation's financial statements.

IFRS 9, *Financial Instruments*, introduces extensive changes to IAS 39*, Financial Instruments: Recognition and Measurement* and uses a new expected credit loss model for impairment in financial assets. The new standard also provides guidance on the application of hedge accounting.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Corporation is currently assessing the impact of the adoption of IFRS 9 on the Company's financial statements.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and revenues and expenses during the reporting period. Management reviews these estimates on an ongoing basis. Changes in facts and circumstances may result in revised estimates and actual results may differ from these estimates. Areas of significant accounting estimates and judgements include, but are not limited to, deferred development costs valuation, life of property and equipment, measurement and valuation of options, convertible preferred shares and warrants, determination of fair value of financial instruments, impairment of financial instruments, determination of functional currency and any contingencies.

Impairment

The Corporation reviews intangible assets annually and other non-financial assets when there is any indication that the asset might be impaired. The Corporation uses estimates of future cash flows and other available information to determine if impairment exists.

Capitalization of Intangible Costs

In applying its accounting policy for costs incurred in the development of the Coselle® technology, the Corporation determines whether the criteria for capitalization has been met. The most difficult and subjective estimate is whether the intangible costs will generate probable future economic benefits. Management considers all estimated facts and circumstances in making this assessment including historical experience, expected market demand, costs and future economic conditions.

Functional Currency

The determination of the functional currency of each entity involved the determination of the primary economic environment in which an entity operates. *IAS 21 – The Effects of Changes in Foreign Exchange Rates* sets out a number of factors to utilize in determining the functional currency. These factors require use of judgement in the final determination of the functional currency of a subsidiary. Judgement was applied in the determination of the functional currency of MCC, whose functional currency was determined to be the South Korean WON. The functional currency of CTI was determined to be the US dollar and the Mexican peso for Inspira.

6. LOAN PAYABLE

On April 18, 2011, the Corporation drew down on the loan agreement with a Canadian chartered bank and borrowed US $15,200,000 (CDN $19,252,320). The funds were used by Sea NG to provide additional equity investment in MCC as was required to maintain the validity of MCC's industrial land lease with the Gunsan Free Trade Zone in South Korea. These funds were pledged by MCC to a bank in Korea as security for a letter of credit that was issued by the bank in Korea in favour of the Canadian chartered bank as a guarantee of repayment of the loan by the Corporation. The cash was shown as restricted cash. Upon repayment of the loan by Sea NG, it was intended that these funds would be used by MCC to pay for a portion of the cost of building a Coselle® manufacturing facility in Korea. In conjunction with the loan, the Corporation issued 160,000 warrants to the Canadian chartered bank. Each warrant could be exercised at $1.00 for one common share at the option of the holder.

The Corporation extended the loan on March 28, 2015 for one year, at a six month interest rate of 2.6479%. Any of the existing warrants expiring in 2015 were extended one year and an additional 30,400 warrants were issued. See Note 12(b).

The Corporation earned interest income on the restricted cash balance during the year at an interest rate of 0.79%. The loan was repaid on March 28, 2016 using the restricted cash held by MCC.

7. CONSORTIUM CASH, ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

The Corporation entered into a Term Sheet for Consortium and Bidding Agreement with members of the consortium to bid on the project in Mexico. As part of the agreement, Sea NG was to manage the cash and expenses of the consortium until a project company was established.

8. PROPERTY AND EQUIPMENT

	December 31, 2016			
	Cost	Additions/ (Disposals)	Accumulated Depreciation	Net Book Value
Furniture	$ 4,360	$ (2,347)	$ 2,013	$ -
Data processing & equipment	123,375	(93,403)	12,122	17,850
Phone system	9,504	(9,504)	-	-
Leasehold improvements and office equipment	64,943	(64,943)	-	-
Foreign currency translation	6,092	(6,092)	187	(187)
	$ 208,274	$ (176,289)	$ 14,322	$ 17,663

	December 31, 2015			
	Cost	Additions/ (Disposals)	Accumulated Depreciation	Net Book Value
Furniture	$ 4,360	$ -	$ 4,360	$ -
Data processing & equipment	123,375	17,285	102,760	37,900
Phone system	9,504	-	9,454	50
Leasehold improvements and office equipment	64,943	-	60,890	4,053
Foreign currency translation	6,092	(897)	(1,889)	7,084
	$ 208,274	$ 16,388	$ 175,575	$ 49,087

9. INTANGIBLE ASSETS

	January 1, 2016	Additions	Impairments	December 31, 2016
Design, engineering, development and testing costs	$ 23,825,663	$ -	$ (23,825,663)	-
SR&ED tax credits	(4,721,191)	(589,110)	5,310,301	-
Foreign currency translation	4,756,011	(369,702)	(4,386,309)	-
	$ 23,860,483	$ (958,812)	$ (22,901,671)	-

	January 1, 2015	Additions	December 31, 2015
Design, engineering, development and testing costs	$ 19,632,225	$ 4,193,438	$ 23,825,663
SR&ED tax credits	(4,224,968)	(496,223)	(4,721,191)
Foreign currency translation	2,176,657	2,579,354	4,756,011
	$ 17,583,914	$ 6,276,569	$ 23,860,483

The Corporation performed an impairment assessment of its intangible assets and determined that an impairment existed. Due to the uncertainty facing the Corporation as a going concern (See Note 2) and its ability to commercialize the intangible assets, management felt it prudent to record an impairment on the full value of the intangible asset.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2016		December 31, 2015
Accounts payable	$	50,235	$	263,244
Accrued liabilities		62,247		1,354,478
	$	112,482	$	1,617,722

11. DEBENTURES PAYABLE

The Corporation completed the sale of unsecured subordinated debentures in the amounts of $1,664,000 on August 18, 2015 and $3,857,000 on September 18, 2015 for total proceeds of $5,521,000. The debentures have a two-year term with an interest rate of 12% annually, payable on maturity. The debentures have a face value of $1,000 per debenture and are convertible to common shares at a price of $1.00 per common share upon maturity or a change in control.

The sale of debentures on August 18, 2015 for $1,664,000 was to a related party whose ownership interest in the Corporation is 19.4%. This related party was also a member of the Consortium. As at December 31, 2016, the Corporation owed this related party $199,084.

12. SHARE CAPITAL

(a) Authorized:

Unlimited number of voting common shares without nominal or par value.
Unlimited number of convertible preferred shares without nominal or par value.

(b) Issued:

Common Shares

The Corporation has expensed $286,800 or 1,434,000 common shares at $0.20 per share in lieu of salary in 2016. Of the total, 895,000 common shares were issued on May 12, 2016 and the remainder were issued in 2017.

Convertible Preferred Shares

	Number of Shares		Proceeds (Redemptions)
Balance, December 31, 2015	9,420,000		942
Redeemed	(133,333)		(13)
Balance, December 31, 2016	9,286,667	$	929

Each preferred share will convert into one common share of the Corporation subject to the attainment of set performance targets. One third will convert upon execution of a contract with a shipyard for and commencement of the construction of a ship using the Coselle® System. The remaining two thirds of the preferred shares will convert to common shares when the Corporation receives payment of a royalty or other revenue derived from the operation of a ship utilising the Coselle® System for marine transportation of compressed natural gas. The convertible preferred shares expire 10 years after they are issued.

The average remaining life of the preferred shares outstanding at December 31, 2016, was 4.24 years.

The Corporation values the preferred shares quarterly giving consideration to estimates of the probability of the preferred shares converting to common shares, the value of the common shares at the time the preferred shares were issued, the likelihood of employee retention and the resulting retention of the preferred shares. The Corporation has expensed $43,084 ($192,367 – 2015) as stock-based compensation and credited contributed surplus in 2016. The preferred shares are now fully expensed and no further expenses will be incurred.

Warrants

	Number of Warrants
Balance, December 31, 2014	251,200
Issued – March 27, 2015	30,400
Balance, December 31, 2015	281,600
Expired	(251,200)
Balance, December 31, 2016	30,400

On March 28, 2015, the Corporation issued an additional 30,400 warrants expiring in two years. Any of the existing warrants expiring in 2015 were extended one year. The Corporation valued the warrants when issued and extended using the Black-Scholes model. The Corporation used a volatility of 89.00% for the two-year term warrants and 87.70% for the one-year term warrants, risk-free rate of 0.53% and a dividend rate of nil in the Black-Scholes model.

13. PER SHARE AMOUNTS

Basic per share calculations are based on the weighted average number of shares outstanding. The basic and diluted per share numbers are the same as a result of the anti-dilutive effect of the warrants, options and convertible preferred shares on the net loss before comprehensive gain for the years.

14. PROFESSIONAL, CONSULTING AND SALARY EXPENSE

	Year ended December 31, 2016	Year ended December 31, 2015
Salaries and wages	$ 453,103	$ 2,235,583
Legal	125,177	352,925
Marketing, IT and other	72,870	203,409
Business development	1,818	118,638
Accounting and auditing	2,016	88,214
Project development costs	366,178	429,751
	$ 1,021,162	$ 3,428,520

15. COMPENSATION OF KEY MANAGEMENT

	Year ended December 31, 2016	Year ended December 31, 2015
Salaries	$ 123,750	$ 960,000
Common shares expensed in lieu of salary	140,000	80,180
	$ 263,750	$ 1,040,180

16. COMMITMENTS AND CONTINGENCIES

As of April 1, 2016, the Corporation is renting office space for $2,500 per month on a month to month basis.

The Corporation's subsidiary, MCC was committed to an industrial land lease expiring February 20, 2058. This land is located in South Korea's Gunsan Free Trade Zone and lease payments are minimal. The Corporation had intended to use this site to construct the Coselle® manufacturing facility. In order to preserve the lease, Sea NG had committed to investing a total of 20 billion Korean Won (approximately $18 million) into MCC to commence construction of the facility by March 31, 2014. In April 2011, the Corporation invested $15,200,000 U.S. into MCC which completed its total commitment to invest 20 billion Korean Won in MCC. The Corporation had not commenced construction as of March 31, 2014 and terminated the lease effective March 31, 2014.

Effective February 2015, the Corporation entered into a new lease for this same land with monthly lease payments of KRW 2,630,345 (CDN $2,793). The terms of the lease require commencement of construction by March 31, 2016. This lease terminated on June 30, 2016.

The Corporation is a party to an Assignment, Framework and Pipeship Technology Agreement ("Pipeship Technology Agreement") dated August 10, 2005. The Pipeship Technology Agreement, among other things, assigns all subsequent patent rights from the Coselle® technology inventors to the Corporation, waives the inventors "moral rights" to the Coselle® technology and details future payments to be made to Cran & Stenning Technology Inc. as follows:

(a) US $525,000 upon the execution by all parties of all commercial contracts objectively necessary to execute the first Coselle® project;
(b) US $3,150,000 after six months of continuous active transport of CNG; and
(c) a royalty of: (i) US $1.8375 per cubic foot of water volume for each Coselle® constructed (excluding prototypes) by or for the benefit of the Corporation; (ii) US $0.02625 per each million British thermal units ("MMBtu") to a maximum of 1200 Btu/scf of gas delivered in a Coselle® but not for storage; and (iii) US $0.2625 per MMBtu of gas throughput for gas stored by or for the benefit of Sea NG in storage Coselles®.

The Corporation's former President, Mr. David Stenning beneficially owns approximately 47.5% of Cran & Stenning Technology Inc. Mr. Stenning's employment with Sea NG was terminated on April 30, 2016.

17. FINANCIAL INSTRUMENTS AND FAIR VALUES

As explained in Note 3, financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the statement of income/loss or comprehensive income/loss. The following table shows the carrying and fair values of assets and liabilities. The carrying value approximates fair value in each case.

	December 31, 2016	December 31, 2015
Assets		
Cash	$ 536,008	$ 2,430,662
Restricted cash	-	21,036,800
Consortium cash	50,230	357,919
Interest receivable	4,502	32,840
Goods and services and value-added taxes receivable	44,727	162,256
	$ 635,467	$ 24,020,477
Liabilities		
Accounts payable and accrued liabilities	$ 112,482	$ 1,617,722
Consortium accounts payable	448,650	357,919
Loan payable	-	21,036,800
Debentures and interest payable	6,388,628	5,727,924
	$ 6,949,760	$ 28,740,365

Fair Value

(a) Establishing fair value

The fair values of cash, accounts receivable, interest receivable, short-term investments, accounts payable, accrued liabilities, loan payable and debenture and interest payable approximate their carrying values due to their short-term maturity.

(b) Fair value hierarchy

Financial instruments recorded at fair value on the consolidated balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); or
Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The Corporation, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk, market risk, and liquidity risk. The following analysis in Note 18 provides a measurement of risk.

18. FINANCIAL RISK FACTORS

Credit Risk

The Corporation's principal financial assets are cash, accounts receivable and short-term investments which are subject to credit risk. The carrying amounts of financial assets on the consolidated balance sheet represent the Corporation's maximum credit exposure at the balance sheet date.

The credit risk on cash and short-term investments is limited because the counterparties are Canadian chartered banks with high credit-ratings assigned by national credit-rating agencies. For accounts receivable, most of the Corporation's customers are independently rated. If not, then the customer is evaluated by taking into account its financial position, past experience and other factors.

Currency Risk

In the normal course of operations, the Corporation is exposed to foreign currency fluctuations as certain expenditures are denominated in U.S. dollars and South Korean Won. The Corporation does not actively manage this risk. The balance sheet includes the following amounts expressed in Canadian dollars with respect to financial assets and liabilities for which cash flows are denominated in the following currencies:

Cash:	December 31, 2016	December 31, 2015
U.S. dollars	$ 7,300	$ 129,814
U.S. dollars – restricted	-	21,036,800
U.S. dollars - Consortium	50,230	357,919
Mexican pesos - Consortium	216	-
Pounds Sterling	12,978	281,121
South Korean Won	34,610	132,639
Interest receivable	4,502	32,840
Loan payable	-	21,036,800
Debenture and interest payable	6,388,628	5,727,924

Interest Rate Risk

The Corporation's financial assets and liabilities are not exposed to interest rate risk as they are in fixed rate instruments.

Liquidity Risk

The Corporation's objective is to have sufficient liquidity to meet its liabilities when due. The Corporation monitors its cash balances and cash flows from operations to meet its requirements. The Corporation currently finances its operations through private placements of equity. The Corporation's future operations are dependent on obtaining a contract to use its Coselle® System, financing as required and obtaining profitable operations. The Corporation currently forecasts that it has sufficient funds for 2017 on a reduced expenditure basis. During this time period, if a contract to use its Coselle® System is not obtained, a private placement or corporate restructuring will be required. Management of the Corporation cannot guarantee that a private placement or corporate restructuring will be successful. See Note 2 for further discussion.

19. INCOME TAXES

(a) The provision for income taxes recorded in the consolidated financial statements differs from the amount which would have been obtained by applying the combined federal and Alberta tax rate of 27.0% (2015 – 25.0%) to the Corporation's earnings before income taxes. The difference results from the following items:

		2016		2015
Loss before comprehensive income and taxes	$	(24,403,479)	$	(7,451,138)
Expected income tax recovery		(6,588,939)		(1,862,785)
Non-deductible meals and entertainment		2,144		4,819
Stock-based compensation		89,069		48,092
Deferred tax asset not recognized		6,497,726		1,809,874
Provision for income taxes	$	-	$	-

Realization of deferred income tax assets is dependent on generating sufficient taxable income during the period in which the temporary differences are deductible. Deferred income tax assets have not been recognized on the Corporation's balance sheet due to uncertainty of realization.

(b) Significant components of the Corporation's future tax liabilities and assets are as follows:

		2016		2015
Non-capital losses	$	7,003,214	$	6,092,981
SR&ED pools		3,186,441		2,950,409
Capital loss		2,203,387		-
Property, equipment and leasehold improvements		(1,128)		(5,372)
		12,391,914		9,038,018
Deferred tax asset not recognized		(12,391,914)		(9,038,018)
	$	-	$	-

(c) At December 31, subject to confirmation by income tax authorities, the following tax pools are available for deductions against future income:

		2016		2015
Non-capital losses	$	25,937,831	$	24,371,923
SR&ED pools		11,801,634		11,801,634
Capital Loss		16,321,383		-
Undepreciated capital costs		3,418		27,138
	$	54,064,266	$	36,200,695

The Corporation has non-capital losses carried forward of approximately $25,937,831 (2015 – $24,371,923). The potential income tax benefits of these losses have not been recorded in the consolidated financial statements. These losses expire as follows:

Year of Expiry		Loss carry forwards
2026	$	343,170
2027		4,388,264
2028		2,986,838
2029		3,913,020
2030 and thereafter		14,306,539
	$	25,937,831

The Corporation has capital losses available of approximately $16,321,383 from the dissolution of its subsidiary CTI.

20. CAPITAL MANAGEMENT

The Corporation's objective when managing capital is to ensure it has adequate cash to maintain operations and to sustain the future development of the business. In the management of capital, the Corporation defines available capital as working capital. At December 31, 2016, the Corporation has ($6,397,903) in working capital (December 31, 2015 - $1,097,793) in available capital.

The Corporation manages its working capital and makes adjustments to spending as required. The Corporation does not have externally imposed capital requirements. See Note 2 for further discussion.

21. SUBSEQUENT EVENT

The Corporation has commenced the required steps necessary to dissolve its Korean subsidiary, MCC in 2017.

Sea NG Corporation

Consolidated Financial Statements

December 31, 2015 and 2014

July 24, 2017

Independent Auditor's Report

To the Shareholders of Sea NG Corporation

We have audited the accompanying consolidated financial statements of Sea NG Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014 and the consolidated statements of loss and comprehensive income (loss), changes in equity, and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sea NG Corporation and its subsidiaries as at December 31, 2015 and December 31, 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP
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Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the corporation's ability to continue as a going concern.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Sea NG Corporation
Consolidated Statements of Financial Position

		December 31, 2015		December 31, 2014
ASSETS				
CURRENT ASSETS				
Cash	$	2,430,662	$	4,061,018
Restricted cash (Note 6)		21,036,800		17,633,520
Consortium cash (Note 7)		357,919		-
Accounts receivable		-		99,728
Interest receivable (Note 6)		32,840		100,235
Goods and services and value-added taxes receivable		162,256		12,800
Advances, deposits and prepaid expenses		89,757		96,680
		24,110,234		22,003,981
Property and equipment (Note 8)		49,087		48,037
Intangible assets (Note 9)		23,860,483		17,583,914
	$	48,019,804	$	39,635,932
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities (Note 10)	$	1,617,722	$	220,076
Consortium accounts payable (Note 7)		357,919		-
Loan payable (Note 6)		21,036,800		17,633,520
		23,012,441		17,853,596
Debentures payable (Note 11)		5,727,924		-
SHAREHOLDER'S EQUITY				
Common shares (Note 12)		53,495,969		53,495,969
Preferred shares (Note 12)		942		942
Contributed surplus (Note 12)		6,700,940		6,382,207
Accumulated comprehensive income		8,852,476		4,222,968
Deficit		(49,770,888)		(42,319,750)
		19,279,439		21,782,336
	$	48,019,804	$	39,635,932

Going concern (Note 2)
Commitments and contingencies (Note 16)
Subsequent events (Note 21)

Approved by the Board:

Director | Director

Randall Findlay | Don Archibald

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

Sea NG Corporation
Consolidated Statements of Loss and Comprehensive Income

		Year ended December 31, 2015		Year ended December 31, 2014
EXPENSES				
Professional, consulting and salary (Note 14)	$	3,428,520	$	3,487,814
Travel		678,031		496,250
General and administrative		591,074		549,921
Financing charges (Note 6 and 11)		958,433		688,204
Stock-based compensation (Note 12)		192,367		628,619
Depreciation		16,655		18,110
Foreign currency exchange loss		1,961,037		1,002,650
Project cost recovery		(238,502)		(127,445)
		7,587,615		6,744,123
Interest income		136,477		147,748
NET LOSS BEFORE COMPREHENSIVE INCOME		(7,451,138)		(6,596,375)
COMPREHENSIVE INCOME				
Foreign currency translation		4,629,508		1,833,454
TOTAL COMPREHENSIVE LOSS	$	(2,821,630)	$	(4,762,921)
Loss per share, basic and diluted (Note 13)	$	(0.15)	$	(0.13)
Weighted average number of common shares outstanding basic and diluted		50,681,105		50,681,105

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

Sea NG Corporation
Consolidated Statements of Changes in Shareholder’s Equity

	Common Shares #	Common Shares $	Preferred Shares $	Contributed Surplus $	Accumulated Comprehensive Income $	Deficit $	Total $
Balance - January 1, 2015	**50,681,105**	**53,495,969**	**942**	**6,382,207**	**4,222,968**	**(42,319,750)**	**21,782,336**
Net loss	-	-	-	-	-	(7,451,138)	(7,451,138)
Translation adjustment	-	-	-	-	4,629,508	-	4,629,508
Valuation of warrants (Note 12)	-	-	-	89,627	-	-	89,627
Valuation of preferred shares (Note 12)	-	-	-	229,106	-	-	229,106
Balance - December 31, 2015	**50,681,105**	**53,495,969**	**942**	**6,700,940**	**8,852,476**	**(49,770,888)**	**19,279,439**

	Common Shares #	Common Shares $	Preferred Shares $	Contributed Surplus $	Accumulated Comprehensive Income $	Deficit $	Total $
Balance - January 1, 2014	**50,681,105**	**53,495,969**	**942**	**5,553,832**	**2,389,514**	**(35,723,375)**	**25,716,882**
Net loss	-	-	-	-	-	(6,596,375)	(6,596,375)
Translation adjustment	-	-	-	-	1,833,454	-	1,833,454
Valuation of warrants (Note 12)	-	-	-	86,701	-	-	86,701
Valuation of preferred shares (Note 12)	-	-	-	741,674	-	-	741,674
Balance - December 31, 2014	**50,681,105**	**53,495,969**	**942**	**6,382,207**	**4,222,968**	**(42,319,750)**	**21,782,336**

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

Sea NG Corporation
Consolidated Statements of Cash Flow

	Year ended December 31, 2015	Year ended December 31, 2014
CASH FLOWS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net loss before comprehensive income/(loss)	$ (7,451,138)	$ (6,596,375)
Stock-based compensation (Note 12)	192,367	628,619
Depreciation	16,655	18,110
Foreign exchange	1,978,417	1,020,028
	(5,263,699)	(4,929,618)
Change in working capital		
Accounts receivable	99,728	(63,335)
Interest receivable	67,395	(78,329)
Goods and services and value-added taxes receivable	(149,456)	9,232
Advances, deposits and prepaid expenses	6,923	37,539
Accounts payable and accrued liabilities	1,397,645	(256,080)
	(3,841,464)	(5,280,591)
FINANCING ACTIVITIES		
Proceeds from debentures	5,521,000	-
Debenture interest payable	206,924	-
Non-cash financing charges	89,627	86,701
	5,817,551	86,701
INVESTING ACTIVITIES		
Term deposits	-	2,500,000
Development costs incurred	(3,697,215)	1,026,112
Property and equipment	(17,285)	(17,381)
	(3,714,500)	3,508,731
Effect of foreign exchange rate changes	108,057	5,066
Net change in cash	(1,630,356)	(1,680,093)
Cash, beginning of year	4,061,018	5,741,111
Cash, end of year	$ 2,430,662	$ 4,061,018

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

1. INCORPORATION AND NATURE OF OPERATIONS

Sea NG Corporation ("Sea NG" or the "Corporation") was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta) on May 12, 2005. Sea NG's principal place of business is located at 750, 101 – 6th Ave S.W., Calgary, Alberta.

The Corporation has acquired, invented, designed, engineered, tested and received "class society" approval for certain technology to be used for marine transportation of compressed natural gas ("CNG"). Sea NG intends to commercialize its proprietary "Coselle® System" for marine transportation of CNG through developing projects with partners and potential customers and to earn revenues through the manufacture and sale of Coselles®, licensing of the Coselle® System, technical service support and participation in special purpose entities established to build, own and charter CNG ships to customers. The Coselle® System is comprised of patented, high-pressure storage vessels, referred to as Coselle® pressure vessels, permanently installed in ships or barges specifically designed for such purpose and the related natural gas handling facilities. Management of the Corporation believes that the Coselle® System is a simple, safe and cost effective means of transporting natural gas in many markets.

Marine Construction Corporation ("MCC"), a wholly owned subsidiary of Sea NG, was established in Korea on December 26, 2007. MCC's principle business activities will include the construction of a Coselle® manufacturing facility and production of Coselle® pressure vessels.

Coselle Technologies Inc. ("CTI"), a wholly owned subsidiary of Sea NG, was established in Barbados on January 18, 2011. CTI's principle business activity will be to license the Coselle® System for use outside of Canada and the United States of America.

Inspira Energia, S.A. de C.V. was incorporated in Mexico on November 6, 2015. It is owned 90% by Sea NG Corporation and was established for the purpose of submitting a bid to the Comisión Federal de Electricidad ("CFE") for a project to transport natural gas from supply sources in the State of Sinaloa to a number of the CFE's existing and planned power generation facilities in the southern part of the State of Baja California Sur ("BCS"), Mexico (the "BCS Project").

In late 2013, Sea NG was selected by a group of three Mexican companies (the "Mexican Development Partners") as their exclusive marine CNG provider to promote the BCS Project to the CFE. In March, 2014, the Mexican Development Partners submitted a "Manifestation of Interest" regarding the project to the CFE and received a response confirming the CFE's interest and requesting an "Unsolicited Proposal" before July 31, 2014. Sea NG and the Mexican Development Partners entered into a formal development agreement relating to the project in June 2014 and Sea NG submitted the Unsolicited Proposal to the CFE on July 31, 2014. In October, 2014, the CFE provided an official response indicating that it had found Sea NG's proposal for the BCS Project to be viable and that it would issue a public tender for the BCS Project, on an "open technology" basis. The public tender was issued by the CFE in August, 2015. Sea NG and three international energy transportation and finance companies entered into a binding term sheet for a consortium and bidding agreement in September, 2015 for the purpose of preparing and submitting a bid for the BCS Project.

In December 2015, one of the consortium members withdrew from the consortium indicating that such withdrawal was due to general economic conditions in the energy transportation business in North America rather than with any concern regarding the consortium's bid preparation or the BCS Project. This withdrawal resulted in the withdrawal of the two other parties in January 2016. Sea NG and its Mexican Development Partners are currently in discussions with several parties to rebuild the consortium (*see Note 21 – Subsequent Events*).

To date, the Corporation has not earned revenue, and therefore the Corporation is considered to be in the development stage.

These consolidated financial statements have been approved and authorized for issuance by the Board of Directors on July 24, 2017.

2. GOING CONCERN AND BASIS OF PREPARATION

The Corporation prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as defined in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). The financial statements are presented in Canadian dollars.

These consolidated financial statements have been prepared in compliance with IFRS applicable to a going concern basis, under the historical cost convention, except for certain financial assets and liabilities measured at fair value through the Consolidated Statements of Loss and Comprehensive Loss.

For the period ended December 31, 2015, the Corporation reported a net loss before comprehensive loss of $7,451,138 (2014 - $6,596,375), deficit of $49,770,888 (2014 - $42,319,750) and working capital of $1,097,793 (2014 - $4,150,385).

In response to withdrawals from the consortium for the BCS Project, management took various measures in early 2016 to conserve cash (see *Note 21 – Subsequent Events*). These actions have greatly reduced the scope of Sea NG's activities which, at this time, are almost exclusively focussed on reconstituting the consortium for the BCS Project. Management estimates that limited operations can be funded from its current financial resources over the next 18 months. Should Sea NG succeed in reassembling the consortium, it will likely need to complete a small financing of approximately $5 million to complete preparations for construction of a Coselle manufacturing facility in Korea prior to submission of a bid by the consortium. In the event that the consortium is awarded the BCS Project, Sea NG will likely need to complete an additional financing of approximately US$ 200 million for construction of the Coselle facility, working capital and general corporate purposes throughout facility construction and Coselle manufacturing for the BCS Project.

There is no assurance that Sea NG will be successful in forming a new consortium for the BCS Project, that the new consortium will submit a bid and be awarded the BCS Project, or that Sea NG will complete the necessary financings required for bid submission or construction of the Coselle facility and manufacture of Coselles for the BCS Project.

These circumstances lend significant doubt as to the ability of the Corporation to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

3. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of Sea NG Corporation and its 100% owned subsidiaries MCC and CTI. All intercompany transactions with the subsidiaries have been eliminated upon consolidation. Inspira accounts have been shown on the balance sheet. *See Note 7 - Consortium cash and accounts payable*.

Intangible Assets

Intangible assets are costs incurred developing the Coselle® System. Development costs are expensed as incurred, unless they meet the criteria for deferral and amortization under IFRS. Those costs that are deferred will be amortized once commercial operations commence. Scientific research and development credits, refundable by the Canadian government and Alberta government are applied for with the filing of the Corporation's income tax returns and reduce research and development expenditures in the year of receipt.

The ability to recover the carrying value of deferred development costs is based on estimates, which by their nature, are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant.

Borrowing Costs

Borrowing costs associated with specific debt that is directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset otherwise it is expensed in the Consolidated Statements of Loss and Comprehensive Loss.

Income Taxes

The Corporation uses the liability method of accounting for deferred income taxes. Under this method, income tax assets and liabilities are recorded based on temporary differences between the carrying amount of an asset or liability on the balance sheet and its tax basis. The income tax assets and liabilities are based on income tax rates and laws that are expected to apply when the liability is settled or asset is realized, which are normally those enacted or considered substantively enacted as at the consolidated balance sheet dates. Deferred income tax assets are recognized on the balance sheet for all deductible temporary differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Share-Based Payments

Share-based payments such as warrants and convertible preferred shares are treated as equity settled share-based payment transactions. This requires a fair value based method of accounting to be applied to all share-based compensation arrangements. The fair value of each preferred share is accounted for in operations over their vesting period. The fair value of each warrant is accounted for in operations when issued. The related credit for both warrants and preferred shares are included in contributed surplus. The Corporation uses the Black-Scholes pricing model to estimate the fair value of the equity settled awards.

For preferred shares, the fair value is determined periodically giving consideration to estimates of the probability of the preferred shares converting to common shares, the value of the common shares at the time the preferred shares were issued, the likelihood of employee retention and the resulting retention of the preferred shares. At the end of each reporting period, the Corporation revises its estimates and recognizes the impact of any revisions to its original estimates, if any, in net income (loss).

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Amortization of property and equipment is calculated using the straight-line method at rates calculated to amortize the cost of the assets over their estimated useful lives.

Data processing equipment	- Straight-line over 5 years
Communications equipment	- Straight-line over 5 years
Computer software	- Straight-line over 2 years
Leasehold improvements	- Straight-line over lease term
Furniture	- Straight-line over 5 years

Impairment of Long-Lived Assets

The Corporation reviews its long-lived assets for impairment annually. An impairment loss is recognized when the carrying amount of a long-lived asset is greater than its estimated recoverable amount. In the event of an improvement in the estimated recoverable amount, the related impairment may be reversed.

Per Share Amounts

Per share amounts are calculated using the total weighted average number of common shares outstanding during the period. Diluted per share information reflects the potential dilution that could occur if securities or other contracts to issue shares were exercised or converted to shares. The Corporation computes diluted earnings per share using the treasury stock method to determine the dilutive effect of stock options, warrants and convertible preferred shares.

Shares and the per share calculations reflect the exercise or conversion of potentially dilutive securities at the later of the date of grant of such securities or the beginning of the year.

Research and Development Tax Credits

The Corporation is entitled to scientific research and experimental development tax credits ("SR&ED") granted by the Canadian federal government and the Alberta provincial government. SR&ED tax credits are accounted for using the cost reduction method. Accordingly, tax credits are recorded as a reduction of the related expenses or capital expenditures when collectability is reasonably assured.

Foreign Currency Transactions

Transactions in foreign currencies are translated into the functional currency of the applicable entity at the exchange rate in effect at the time of the transaction. Monetary items are then re-translated into the entity's functional currency at each reporting period at the exchange rates in effect at the date of the statements of financial position. Non-monetary items are not re-translated. Revenues and expenses denominated in foreign currency are translated at rates in effect at the time of the transactions. Gains and losses on foreign currency transactions are included as a separate line item in the consolidated statements of loss and comprehensive loss.

Foreign Currency Translation

Items included in the financial statements of each consolidated entity of the Corporation are measured using the currency of the primary economic environment in which the entity has operations (the "functional currency"). The consolidated financial statements are presented in Canadian dollars. The functional currency of MCC is the South Korean Won. The functional currency of CTI is the U.S. dollar.

The financial statements of entities which have a functional currency that is different from the parent company are translated into Canadian dollars as follows: assets and liabilities are translated at the closing rate at the date of the statement of financial position and income and expenses are translated at the average rates for the year. All resulting changes are recognized in other comprehensive income as foreign currency translation adjustments. When the settlement of an intercompany receivable or payable to a foreign subsidiary is neither planned nor likely foreseeable in the future, foreign exchange gains or losses arising on the translation of those intercompany balances is considered a part of the net investment in the foreign subsidiary and are recognized in other comprehensive income.

Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Corporation's designation of such instruments. Settlement date accounting is used.

Financial instrument	Classification
Cash	Loans and receivables
Restricted cash	Loans and receivables
Accounts receivable	Loans and receivables
Interest receivable	Loans and receivables
Short-term investments	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Loan payable	Other liabilities

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other income.

Financial liabilities designated as held for trading are those non-derivative financial liabilities that the Corporation elects to designate on initial recognition as instruments that will be measured at fair value and any subsequent changes will be reflected in other interest expense. These are accounted for in the same manner as held for trading assets. The Corporation has not designated any non-derivative financial liabilities as held for trading.

Loans and receivables
Loans and receivables are accounted for at amortized cost using the effective interest method.

Available-for-sale
Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held-to-maturity or held-for-trading investments. Except as mentioned below, available-for-sale financial assets are carried at fair value with unrealized gains and losses included in accumulated other comprehensive income until realized at which time the cumulative gain or loss is transferred to other income. Available-for-sale financial assets that do not have quoted market prices in an active market are recorded at cost.

Interest on interest-bearing available-for-sale financial assets is calculated using the effective interest method.

Other liabilities
Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

Transaction costs
Transaction costs related to held for trading financial assets are expensed as incurred. Transaction costs related to available-for-sale financial assets, held-to-maturity financial assets, other liabilities and loans and receivables are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the effective interest method.

4. ACCOUNTING PRONOUNCEMENTS

Accounting Pronouncements Not Yet Adopted:

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2016 and have not been applied in preparing the financial statements for the current quarter/year.

The standards and interpretations applicable to the Corporation are as follows and will be adopted on their respective effective dates:

IFRS 15, *Revenue from Contracts with Customers*, provides clarification for recognizing revenue from contracts with customers and establishes a single revenue recognition and measurement framework that applies to contracts with customers. The new standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Corporation is currently assessing the impact of the adoption of IFRS 15 on the Corporation’s financial statements.

IFRS 9, *Financial Instruments*, replaces IAS 39*, Financial Instruments: Recognition and Measurement* and uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39, and incorporates new hedge accounting requirements.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Corporation is currently assessing the impact of the adoption of IFRS 9 on the Company’s financial statements.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and revenues and expenses during the reporting period. Management reviews these estimates on an ongoing basis. Changes in facts and circumstances may result in revised estimates and actual results may differ from these estimates. Areas of significant accounting estimates and judgements include, but are not limited to, deferred development costs valuation, life of property and equipment, measurement and valuation of options, convertible preferred shares and warrants, determination of fair value of financial instruments, impairment of financial instruments, determination of functional currency and any contingencies.

Impairment

The Corporation reviews intangible assets annually and other non-financial assets when there is any indication that the asset might be impaired. The Corporation uses estimates of future cash flows and other available information to determine if impairment exists.

Capitalization of Intangible Costs

In applying its accounting policy for costs incurred in the development of the Coselle® technology, the Corporation determines whether the criteria for capitalization has been met. The most difficult and subjective estimate is whether the intangible costs will generate probable future economic benefits. Management considers all estimated facts and circumstances in making this assessment including historical experience, expected market demand, costs and future economic conditions.

Functional Currency

The determination of the functional currency of each entity involved the determination of the primary economic environment in which an entity operates. *IAS 21 – The Effects of Changes in Foreign Exchange Rates* sets out a number of factors to utilize in determining the functional currency. These factors require use of judgement in the final determination of the functional currency of a subsidiary. Judgement was applied in the determination of the functional currency of MCC, whose functional currency was determined to be the South Korean WON. The functional currency of CTI was determined to be the US dollar.

6. LOAN PAYABLE

On April 18, 2011, the Corporation drew down on the loan agreement with a Canadian chartered bank and borrowed US $15,200,000 (CDN $19,252,320). The funds were used by Sea NG to provide additional equity investment in MCC as was required in order to maintain the validity of MCC's industrial land lease with the Gunsan Free Trade Zone in South Korea. These funds were pledged by MCC to a bank in Korea as security for a letter of credit that was issued by the bank in Korea in favour of the Canadian chartered bank as a guarantee of repayment of the loan by the Corporation. The cash is shown as restricted cash. Upon repayment of the loan by Sea NG, it is intended that these funds will be used by MCC to pay for a portion of the cost of building a Coselle® manufacturing facility in Korea. In conjunction with the loan, the Corporation issued 160,000 warrants to the Canadian chartered bank. Each warrant could be exercised at $1.00 for one common share at the option of the holder. The Corporation has extended the loan on its anniversary date each year to date and has issued additional warrants each time.

The Corporation extended the loan on March 28, 2015 for one year, at a six month interest rate of 2.6479%. Any of the existing warrants expiring in 2015 were extended one year and an additional 30,400 warrants were issued. See Note 12(b).

The Corporation earned interest income on the restricted cash balance during the year at an interest rate of 0.79%.

The loan was repaid on March 28, 2016 using the restricted cash held by MCC.

7. CONSORTIUM CASH AND ACCOUNTS PAYABLE

The Corporation entered into a Term Sheet for Consortium and Bidding Agreement with members of the consortium to bid on the project in Mexico. As part of the agreement, Sea NG will manage the cash and expenses of the consortium until such time as a project company has been established. The cash is classified as consortium cash and offset fully by the actual and accrued expenses of the consortium.

8. PROPERTY AND EQUIPMENT

	December 31, 2015			
	Cost	Additions/ (Disposals)	Accumulated Depreciation	Net Book Value
Furniture	$ 4,360	$ -	$ 4,360	$ -
Data processing & equipment	123,375	17,285	102,760	37,900
Phone system	9,504	-	9,454	50
Leasehold improvements and office equipment	64,943	-	60,890	4,053
Foreign currency translation	6,092	(897)	(1,889)	7,084
	$ 208,274	$ 16,388	$ 175,575	$ 49,087

	December 31, 2014			
	Cost	Additions/ (Disposals)	Accumulated Depreciation	Net Book Value
Furniture	$ 4,360	$ -	$ 3,805	$ 555
Data processing & equipment	105,994	17,381	88,909	34,466
Phone system	9,504	-	9,354	150
Leasehold improvements and office equipment	64,943	-	58,447	6,496
Software	4,851	-	4,851	-
Foreign currency translation	6,380	(288)	(278)	6,370
	$ 196,032	$ 17,093	$ 165,088	$ 48,037

9. INTANGIBLE ASSETS

	January 1, 2015	Additions	December 31, 2015
Design, engineering, development and testing costs	$ 19,632,225	$ 4,193,438	$ 23,825,663
SR&ED tax credits	(4,224,968)	(496,223)	(4,721,191)
Foreign currency translation	2,176,657	2,579,354	4,756,011
	$ 17,583,914	$ 6,276,569	$ 23,860,483

	January 1, 2014	Additions	December 31, 2014
Design, engineering, development and testing costs	$ 19,185,404	$ 446,821	$ 19,632,225
SR&ED tax credits	(2,752,035)	(1,472,933)	(4,224,968)
Foreign currency translation	1,261,334	915,323	2,176,657
	$ 17,694,703	$ (110,789)	$ 17,583,914

The Corporation performed an impairment assessment of its intangible assets based on information, including a yearly cash flow projection model and determined that no impairment existed.

By their nature, impairment assessments involve a significant degree of judgment as expectations concerning the selection of appropriate market inputs and timing of future cash inflows are subject to considerable risks and uncertainties and are dependent on factors such as obtaining financing to further develop technology, which are, to some extent, outside of management's control. Should the Corporation be unable to obtain sufficient financing in a timely fashion, impairment of the deferred development costs could result in future periods and these amounts may be material.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2015	December 31, 2014
Accounts payable	$ 263,244	$ 197,276
Accrued liabilities	1,354,478	22,800
	$ 1,617,722	$ 220,076

11. DEBENTURES PAYABLE

The Corporation completed the sale of unsecured subordinated debentures in the amounts of $1,664,000 on August 18, 2015 and $3,857,000 on September 18, 2015 for total proceeds of $5,521,000. The debentures have a two-year term with an interest rate of 12% annually, payable on maturity. The debentures have a face value of $1,000 per debenture and are convertible to common shares at a price of $1.00 per common share upon maturity or a change in control.

The sale of debentures on August 18, 2015 for $1,664,000 was to a related party whose ownership interest in the Corporation is 19.7%. This related party is also a member of the Consortium. As at December 31, 2015, the Corporation owed this related party $199,084.

12. SHARE CAPITAL

(a) Authorized:

Unlimited number of voting common shares without nominal or par value.
Unlimited number of convertible preferred shares without nominal or par value.

(b) Issued:

Convertible Preferred Shares

	Number of Shares	Proceeds (Redemptions)
Balance, December 31, 2014 and December 31, 2015	9,420,000	$ 942

Each preferred share will convert into one common share of the Corporation subject to the attainment of set performance targets. One third will convert upon execution of a contract with a shipyard for and commencement of the construction of a ship using the Coselle® System. The remaining two thirds of the preferred shares will convert to common shares when the Corporation receives payment of a royalty or other revenue derived from the operation of a ship utilising the Coselle® System for marine transportation of compressed natural gas. The convertible preferred shares expire 10 years after they are issued.

The average remaining life of the preferred shares outstanding at December 31, 2015, was 5.24 years.

The Corporation values the preferred shares quarterly giving consideration to estimates of the probability of the preferred shares converting to common shares, the value of the common shares at the time the preferred shares were issued, the likelihood of employee retention and the resulting retention of the preferred shares. The Corporation has expensed $192,367 ($628,619 – 2014) as stock-based compensation and credited contributed surplus in 2015.

Warrants

	Number of Warrants
Balance, December 31, 2013	220,800
Issued - March 28, 2014	30,400
Balance, December 31, 2014	251,200
Issued – March 27, 2015	30,400
Balance, December 31, 2015	281,600

On March 28, 2014, the Corporation issued an additional 30,400 warrants. The original 160,000 warrants issued in 2011 and the 30,400 warrants issued on March 29, 2012 were extended to April 15, 2015. The Corporation valued the warrants when issued and extended using the Black-Scholes model. The Corporation used a volatility of 101.87% for the two-year term warrants and 96.48% for the one-year term warrants, risk-free rate of 1.070% and a dividend rate of nil in the Black-Scholes model.

On March 28, 2015, the Corporation issued an additional 30,400 warrants expiring in two years. Any of the existing warrants expiring in 2015 were extended one year. The Corporation valued the warrants when issued and extended using the Black-Scholes model. The Corporation used a volatility of 89.00% for the two-year term warrants and 87.70% for the one-year term warrants, risk-free rate of 0.53% and a dividend rate of nil in the Black-Scholes model.

13. PER SHARE AMOUNTS

Basic per share calculations are based on the weighted average number of shares outstanding. The basic and diluted per share numbers are the same as a result of the anti-dilutive effect of the warrants, options and convertible preferred shares on the net loss before comprehensive gain for the years.

14. PROFESSIONAL, CONSULTING AND SALARY EXPENSE

	Year ended December 31, 2015	Year ended December 31, 2014
Salaries and wages	$ 2,235,583	$ 2,403,253
Legal	352,925	358,956
Marketing, IT and other	203,409	312,332
Business development	118,638	200,741
Accounting and auditing	88,214	89,730
Project development costs	429,751	122,802
	$ 3,428,520	$ 3,487,814

15. COMPENSATION OF KEY MANAGEMENT

	Year ended December 31, 2015	Year ended December 31, 2014
Salaries	$ 960,000	$ 960,000
Preferred shares (performance shares)	80,180	247,107
	$ 1,040,180	$ 1,207,107

16. COMMITMENTS AND CONTINGENCIES

The Corporation is committed to an office premises lease expiring on March 31, 2016. The minimum lease payment is $11,643 per month plus operating costs.

The Corporation's subsidiary, MCC was committed to an industrial land lease expiring February 20, 2058. This land is located in South Korea's Gunsan Free Trade Zone and lease payments are minimal. The Corporation had intended to use this site to construct the Coselle® manufacturing facility. In order to preserve the lease, Sea NG had committed to investing a total of 20 billion Korean Won (approximately $18 million) into MCC to commence construction of the facility by March 31, 2014. In April 2011, the Corporation invested $15,200,000 U.S. into MCC which completed its total commitment to invest 20 billion Korean Won in MCC. The Corporation had not commenced construction as of March 31, 2014 and terminated the lease effective March 31, 2014. Effective February 2015, the Corporation entered into a new lease for this same land with monthly lease payments of KRW 2,630,345 (CDN $2,793). The terms of the lease require commencement of construction by March 31, 2016.

The Corporation is a party to an Assignment, Framework and Pipeship Technology Agreement ("Pipeship Technology Agreement") dated August 10, 2005. The Pipeship Technology Agreement, among other things, assigns all subsequent patent rights from the Coselle® technology inventors to the Corporation, waives the inventors "moral rights" to the Coselle® technology and details future payments to be made to Cran & Stenning Technology Inc. as follows:

(a) US $525,000 upon the execution by all parties of all commercial contracts objectively necessary to execute the first Coselle® project;

(b) US $3,150,000 after six months of continuous active transport of CNG; and

(c) a royalty of: (i) US $1.8375 per cubic foot of water volume for each Coselle® constructed (excluding prototypes) by or for the benefit of the Corporation; (ii) US $0.02625 per each million British thermal units ("MMBtu") to a maximum of 1200 Btu/scf of gas delivered in a Coselle® but not for storage; and (iii) US $0.2625 per MMBtu of gas throughput for gas stored by or for the benefit of Sea NG in storage Coselles®.

The Corporation's President beneficially owns approximately 47.5% of Cran & Stenning Technology Inc.

17. INCOME TAXES

(a) The provision for income taxes recorded in the consolidated financial statements differs from the amount which would have been obtained by applying the combined federal and Alberta tax rate of 25.0% (2014 – 25.0%) to the Corporation's earnings before income taxes. The difference results from the following items:

	2015	2014
Loss before comprehensive income and taxes	$ (7,451,138)	$ (6,596,375)
Expected income tax recovery	(1,862,785)	(1,649,094)
Non-deductible meals and entertainment	4,819	4,938
Stock-based compensation	48,092	101,107
Deferred tax asset not recognized	1,809,874	1,543,049
Provision for income taxes	$ -	$ -

Realization of deferred income tax assets is dependent on generating sufficient taxable income during the period in which the temporary differences are deductible. Deferred income tax assets have not been recognized on the Corporation's balance sheet due to uncertainty of realization.

(b) Significant components of the Corporation's future tax liabilities and assets are as follows:

	2015	2014
Non-capital losses	$ 6,092,981	$ 6,017,675
SR&ED pools	2,950,409	2,744,923
Property, equipment and leasehold improvements	(5,372)	(4,815)
	9,038,018	8,757,783
Deferred tax asset not recognized	(9,038,018)	(8,757,783)
	$ -	$ -

(c) At December 31, subject to confirmation by income tax authorities, the following tax pools are available for deductions against future income:

		2015		2014
Non-capital losses	$	24,371,923	$	24,070,698
SR&ED pools		11,801,634		10,979,693
Undepreciated capital costs		27,138		33,295
	$	36,200,695	$	35,083,686

The Corporation has non-capital losses carried forward of approximately $24,371,923 (2014 – $24,070,698). The potential income tax benefits of these losses have not been recorded in the consolidated financial statements. These losses expire as follows:

Year of Expiry		Loss carry forwards
2026	$	343,170
2027		4,388,264
2028		2,986,838
2029		3,913,020
2030 and thereafter		12,740,631
	$	24,371,923

Effective April 30, 2012, Sea NG Corporation transferred the IP rights, excluding the North American rights, of the Coselle® Technology to CTI. The resulting gain on sale of approximately $4.6 million decreased the non-capital losses available for carry forward.

18. FINANCIAL INSTRUMENTS AND FAIR VALUES

As explained in Note 3, financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the statement of income/loss or comprehensive income/loss. The following table shows the carrying and fair values of assets and liabilities. The carrying value approximates fair value in each case.

		December 31, 2015		December 31, 2014
Assets				
Cash	$	2,430,662	$	4,061,018
Restricted cash		21,036,800		17,633,520
Consortium cash		357,919		
Accounts receivable		-		99,728
Interest receivable		32,840		100,235
Goods and services and value-added taxes receivable		162,256		12,800
	$	24,020,477	$	21,907,301
Liabilities				
Accounts payable and accrued liabilities	$	1,617,722	$	220,076
BCS accounts payable		357,919		-
Loan payable		21,036,800		17,633,520
Debentures and interest payable		5,727,924		-
	$	28,740,365	$	17,853,596

Fair Value

(a) Establishing fair value

The fair values of cash, accounts receivable, interest receivable, short-term investments, accounts payable, accrued liabilities, and loan payable approximate their carrying values due to their short-term maturity.

(b) Fair value hierarchy

Financial instruments recorded at fair value on the consolidated balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); or

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The Corporation, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk, market risk, and liquidity risk. The following analysis in Note 18 provides a measurement of risk.

19. FINANCIAL RISK FACTORS

Credit Risk

The Corporation's principal financial assets are cash, accounts receivable and short-term investments which are subject to credit risk. The carrying amounts of financial assets on the consolidated balance sheet represent the Corporation's maximum credit exposure at the balance sheet date.

The credit risk on cash and short-term investments is limited because the counterparties are Canadian chartered banks with high credit-ratings assigned by national credit-rating agencies. For accounts receivable, most of the Corporation's customers are independently rated. If not, then the customer is evaluated by taking into account its financial position, past experience and other factors.

As at December 31, 2015, accounts receivable was nil (December 31, 2014 - $99,728).

Currency Risk

In the normal course of operations, the Corporation is exposed to foreign currency fluctuations as certain expenditures are denominated in U.S. dollars and South Korean Won. The Corporation does not actively manage this risk. The balance sheet includes the following amounts expressed in Canadian dollars with respect to financial assets and liabilities for which cash flows are denominated in the following currencies:

	December 31, 2015	December 31, 2014
Cash:		
U.S. dollars	$ 129,814	$ 69,151
U.S. dollars – restricted	21,036,800	17,633,520
U.S. dollars - Consortium	357,919	-
Pounds Sterling	281,121	-
South Korean Won	132,639	113,878
Interest receivable	32,840	100,235
Loan payable	21,036,800	17,633,520
Interest and debenture payable	5,727,924	-

Interest Rate Risk

The Corporation's financial assets and liabilities are not exposed to interest rate risk as they are in fixed rate instruments.

Liquidity Risk

The Corporation's objective is to have sufficient liquidity to meet its liabilities when due. The Corporation monitors its cash balances and cash flows from operations to meet its requirements. The Corporation currently finances its operations through private placements of equity. The Corporation's future operations are dependent on obtaining a contract to use its Coselle® System, financing as required and obtaining profitable operations. The Corporation currently forecasts that it has sufficient funds for 2016. During this time period, if a contract to use its Coselle® System is not obtained, a private placement will be required. Management of the Corporation cannot guarantee that a private placement will be successful. See Note 2 for further discussion.

20. CAPITAL MANAGEMENT

The Corporation's objective when managing capital is to ensure it has adequate cash to maintain operations and to sustain the future development of the business. In the management of capital, the Corporation defines available capital as working capital. At December 31, 2015, the Corporation has $1,097,793 (December 31, 2014 - $4,150,385) in available capital.

The Corporation manages its working capital and makes adjustments to spending as required. The Corporation does not have externally imposed capital requirements. See Note 2 for further discussion.

21. SUBSEQUENT EVENTS

In December, 2015, one member of the consortium for the BCS Project advised Sea NG they were withdrawing from the consortium. In January 2016, the two remaining partners other than Sea NG withdrew. The Corporation is currently looking for replacement partners for the consortium. In the interest of conserving cash while working to reform the consortium, the Corporation has taken a number of measures subsequent to the end of 2015, including:

i. termination of the employment of all support staff effective April 30, 2016;
ii. amendment of the employment agreements of all other staff to replace cash salary with compensation in the form of common shares of Sea NG effective as of January 31, 2016 and continuing until termination of employment on April 30, 2016;
iii. allowing the office lease of the Corporation to expire on March 31, 2016 and obtaining temporary, smaller office arrangements on a monthly basis at a cost of $2,500 per month;
iv. repayment of the loan payable on March 28, 2016; and
v. terminated completion of audit.

Sea NG Corporation

Consolidated Financial Statements

December 31, 2014 and 2013

April 22, 2015

Independent Auditor's Report

To the Shareholders of Sea NG Corporation

We have audited the accompanying consolidated financial statements of Sea NG Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sea NG Corporation and its subsidiaries as at December 31, 2014 and December 31, 2013 and its financial performance and its cash flows for the years then ended in accordance with International

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Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2 in the consolidated financial statements which describe matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the corporation's ability to continue as a going concern.

PricewaterhouseCoopers LLP

Chartered Accountants

Sea NG Corporation
Consolidated Statements of Financial Position

		December 31, 2014		December 31, 2013
ASSETS				
CURRENT ASSETS				
Cash	$	4,061,018	$	5,741,111
Restricted cash (Note 6)		17,633,520		16,166,720
Accounts receivable		99,728		36,393
Interest receivable (Note 6)		100,235		21,906
Goods and services and value-added taxes receivable		12,800		22,032
Advances, deposits and prepaid expenses		96,680		134,219
Short-term investments (Note 7)		-		2,500,000
		22,003,981		24,622,381
Property and equipment (Note 8)		48,037		42,674
Intangible assets (Note 9)		17,583,914		17,694,703
	$	39,635,932	$	42,359,758
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities (Note 10)	$	220,076	$	476,156
Loan payable (Note 6)		17,633,520		16,166,720
		17,853,596		16,642,876
SHAREHOLDER'S EQUITY				
Common shares (Note 11)		53,495,969		53,495,969
Preferred shares (Note 11)		942		942
Contributed surplus (Note 11)		6,382,207		5,553,832
Accumulated comprehensive income		4,222,968		2,389,514
Deficit		(42,319,750)		(35,723,375)
		21,782,336		25,716,882
	$	39,635,932	$	42,359,758

Going concern (Note 2)
Commitments and contingencies (Note 15)
Subsequent events (Note 20)

Approved by the Board:

Director

Randall Findlay

Director

Mark Brennan

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

Sea NG Corporation
Consolidated Statements of Loss and Comprehensive Loss

	Year ended December 31, 2014	Year ended December 31, 2013
EXPENSES		
Professional, consulting and salary (Note13)	$ 3,487,814	$ 3,289,820
Travel	496,250	514,521
General and administrative	549,921	521,979
Financing charges (Note 6)	688,204	-
Stock-based compensation (Note 11)	628,619	726,135
Depreciation	18,110	13,682
Foreign currency exchange loss	1,002,650	1,169,579
Engineering study cost recovery	(127,445)	(124,450)
Intangible asset impairment (Note 9)	-	1,729,979
	6,744,123	7,841,245
Interest income	147,748	18,789
NET LOSS BEFORE COMPREHENSIVE INCOME	(6,596,375)	(7,822,456)
COMPREHENSIVE INCOME		
Foreign currency translation	1,833,454	2,134,319
TOTAL COMPREHENSIVE LOSS	$ (4,762,921)	$ (5,688,137)
Loss per share, basic and diluted (Note 12)	$ (0.13)	$ (0.16)
Weighted average number of common shares outstanding basic and diluted	50,681,105	48,475,626

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

Sea NG Corporation
Consolidated Statements of Changes in Shareholder's Equity

	Common Shares #	Common Shares $	Preferred Shares $	Contributed Surplus $	Accumulated Comprehensive Income $	Deficit $	Total $
Balance - January 1, 2014	**50,681,105**	**53,495,969**	**942**	**5,553,832**	**2,389,514**	**(35,723,375)**	**25,716,882**
Net loss	-	-	-	-	-	(6,596,375)	(6,596,375)
Translation adjustment	-	-	-	-	1,833,454	-	1,833,454
Valuation of warrants (Note 11)	-	-	-	86,701	-	-	86,701
Valuation of preferred shares (Note 11)	-	-	-	741,674	-	-	741,674
Balance - December 31, 2014	**50,681,105**	**53,495,969**	**942**	**6,382,207**	**4,222,968**	**(42,319,750)**	**21,782,336**

	Common Shares #	Common Shares $	Preferred Shares $	Contributed Surplus $	Accumulated Comprehensive Income $	Deficit $	Total $
Balance - January 1, 2013	**48,181,105**	**50,995,969**	**684**	**4,606,401**	**255,195**	**(27,900,919)**	**27,957,330**
Net loss	-	-	-	-	-	(7,822,456)	(7,822,456)
Translation adjustment	-	-	-	-	2,134,319	-	2,134,319
Issuance of common shares (Note 11)	2,500,000	2,500,000	-	-	-	-	2,500,000
Issuance of preferred shares (Note 11)	-	-	258	-	-	-	258
Valuation of warrants (Note 11)	-	-	-	92,509	-	-	92,509
Valuation of preferred shares (Note 11)	-	-	-	854,922	-	-	854,922
Balance - December 31, 2013	**50,681,105**	**53,495,969**	**942**	**5,553,832**	**2,389,514**	**(35,723,375)**	**25,716,882**

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

Sea NG Corporation
Consolidated Statements of Cash Flow

		Year ended December 31, 2014		Year ended December 31, 2013
CASH FLOWS PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Net loss before comprehensive income	$	(6,596,375)	$	(7,822,456)
Stock-based compensation (Note 11)		628,619		726,135
Depreciation		18,110		13,682
Intangible asset impairment		-		1,729,979
Unrealized foreign exchange loss		1,020,028		1,169,579
		(4,929,618)		(4,183,081)
Change in working capital				
Accounts receivable		(63,335)		50,617
Interest receivable		(78,329)		(21,906)
Goods and services and value-added taxes receivable		9,232		18,235
Advances, deposits and prepaid expenses		37,539		(76,535)
Accounts payable and accrued liabilities		(256,080)		(49,142)
		(5,280,591)		(4,261,812)
FINANCING ACTIVITIES				
Proceeds from share subscription		-		2,500,000
Sale of preferred shares		-		258
Non-cash financing charges		86,701		92,509
		86,701		2,592,767
INVESTING ACTIVITIES				
Short-term investments		2,500,000		(2,500,000)
Development costs incurred		1,026,112		(899,202)
Property and equipment		(17,381)		(16,090)
		3,508,731		(3,415,292)
Effect of foreign exchange rate changes		5,066		(5,462)
Net change in cash		(1,680,093)		(5,089,799)
Cash, beginning of year		5,741,111		10,830,910
Cash, end of year	$	4,061,018	$	5,741,111

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

1. INCORPORATION AND NATURE OF OPERATIONS

Sea NG Corporation ("Sea NG" or the "Corporation") was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta) on May 12, 2005. Sea NG's principal place of business is located at 750, 101 – 6th Ave S.W., Calgary, Alberta.

The Corporation has acquired, invented, designed, engineered, tested and received "class society" approval for certain technology to be used for marine transportation of compressed natural gas ("CNG"). Sea NG intends to commercialize its proprietary "Coselle® System" for marine transportation of CNG through developing projects with partners and potential customers and to earn revenues through the manufacture and sale of Coselles®, licensing of the Coselle® System, technical service support and participation in special purpose entities established to build, own and charter CNG ships to customers. The Coselle® System is comprised of patented, high-pressure storage vessels, referred to as Coselle® pressure vessels, permanently installed in ships or barges specifically designed for such purpose and the related natural gas handling facilities. Management of the Corporation believes that the Coselle® System is a simple, safe and cost effective means of transporting natural gas in many markets.

Marine Construction Corporation ("MCC"), a wholly owned subsidiary of Sea NG, was established in Korea on December 26, 2007. MCC's principle business activities will include the construction of a Coselle® manufacturing facility and production of Coselle® pressure vessels.

Coselle Technologies Inc. ("CTI"), a wholly owned subsidiary of Sea NG, was established in Barbados on January 18, 2011. CTI's principle business activity will be to license the Coselle® System for use outside of North America.

To date, the Corporation has not earned revenue, and therefore the Corporation is considered to be in the development stage.

These consolidated financial statements have been approved and authorized for issuance by the Board of Directors on April 29, 2015.

2. GOING CONCERN AND BASIS OF PREPARATION

The Corporation prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as defined in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). The financial statements are presented in Canadian dollars.

These consolidated financial statements have been prepared in compliance with IFRS applicable to a going concern basis, under the historical cost convention, except for certain financial assets and liabilities measured at fair value through the Consolidated Statements of Loss and Comprehensive Loss.

For the year ended December 31, 2014, the Corporation reported a net loss before comprehensive income of $6,596,375 (2013 - $7,822,456), deficit of $42,319,750 (2013 - $35,723,375) and working capital of $4,150,385 (2013 - $7,979,505). The Corporation must secure additional financing in order to fund its current rate of expenditures beyond the summer of 2015 and meet future commitments as disclosed in Note 15. These circumstances lend significant doubt as to the ability of the Corporation to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

The Corporation expects a public tender for a potential project, on which it has undertaken extensive work and discussions with authorities, to be issued in the next 60 days. Sea NG intends to pursue a "bridge" financing, principally with its current common shareholders, to fund costs relating to preparation for construction of the Coselle® manufacturing facility in South Korea and general and administrative costs until the tender is awarded. It is anticipated that closing of the bridge financing will be subject to issue of the tender and reasonable confidence that the Corporation has secured commitments from consortium members for participation in the tender and funding of the project.

The Corporation also intends to pursue commitments for a larger financing to fund construction of the Coselle® facility, working capital and general and administrative expense throughout construction of the facility and Coselles® for the project. Sea NG will endeavor to secure these commitments as soon as possible after the tender is issued. The closing of this large financing will be subject to the award of the tender to the Sea NG consortium. There is no assurance that the tender will be issued or that Sea NG will be able to complete either the bridge financing or the larger financing.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

3. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of Sea NG Corporation and its 100% owned subsidiaries MCC and CTI. All intercompany transactions with the subsidiaries have been eliminated upon consolidation.

Short-Term Investments

Investments held for a period not exceeding one year are classified as short-term investments. Short-term investments are carried at face value with interest earned while holding them reported as interest income.

Intangible Assets

Intangible assets are costs incurred developing the Coselle® System. Development costs are expensed as incurred, unless they meet the criteria for deferral and amortization under IFRS. Those costs that are deferred will be amortized once commercial operations commence. Scientific research and development credits, refundable by the Canadian government and Alberta government are applied for with the filing of the Corporation's income tax returns and reduce research and development expenditures in the year of receipt.

The ability to recover the carrying value of deferred development costs is based on estimates, which by their nature, are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant.

Borrowing Costs

Borrowing costs associated with specific debt that is directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset otherwise it is expensed in the Consolidated Statements of Loss and Comprehensive Loss.

Income Taxes

The Corporation uses the liability method of accounting for deferred income taxes. Under this method, income tax assets and liabilities are recorded based on temporary differences between the carrying amount of an asset or liability on the balance sheet and its tax basis. The income tax assets and liabilities are based on income tax rates and laws that are expected to apply when the liability is settled or asset is realized, which are normally those enacted or considered substantively enacted as at the consolidated balance sheet dates. Deferred income tax assets are recognized on the balance sheet for all deductible temporary differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Share-Based Payments

Share-based payments such as warrants and convertible preferred shares are treated as equity settled share-based payment transactions. This requires a fair value based method of accounting to be applied to all share-based compensation arrangements. The fair value of each preferred share is accounted for in operations over their vesting period. The fair value of each warrant is accounted for in operations when issued. The related credit for both warrants and preferred shares are included in contributed surplus. The Corporation uses the Black-Scholes pricing model to estimate the fair value of the equity settled awards.

For preferred shares, the fair value is determined periodically giving consideration to estimates of the probability of the preferred shares converting to common shares, the value of the common shares at the time the preferred shares were issued, the likelihood of employee retention and the resulting retention of the preferred shares. At the end of each reporting period, the Corporation revises its estimates and recognizes the impact of any revisions to its original estimates, if any, in net income (loss).

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Amortization of property and equipment is calculated using the straight-line method at rates calculated to amortize the cost of the assets over their estimated useful lives.

Data processing equipment	- Straight-line over 5 years
Communications equipment	- Straight-line over 5 years
Computer software	- Straight-line over 2 years
Leasehold improvements	- Straight-line over lease term
Furniture	- Straight-line over 5 years

Impairment of Long-Lived Assets

The Corporation reviews its long-lived assets for impairment annually. An impairment loss is recognized when the carrying amount of a long-lived asset is greater than its estimated recoverable amount. In the event of an improvement in the estimated recoverable amount, the related impairment may be reversed.

Per Share Amounts

Per share amounts are calculated using the total weighted average number of common shares outstanding during the period. Diluted per share information reflects the potential dilution that could occur if securities or other contracts to issue shares were exercised or converted to shares. The Corporation computes diluted earnings per share using the treasury stock method to determine the dilutive effect of stock options, warrants and convertible preferred shares. Shares and the per share calculations reflect the exercise or conversion of potentially dilutive securities at the later of the date of grant of such securities or the beginning of the year.

Research and Development Tax Credits

The Corporation is entitled to scientific research and experimental development tax credits ("SR&ED") granted by the Canadian federal government and the Alberta provincial government. SR&ED tax credits are accounted for using the cost reduction method. Accordingly, tax credits are recorded as a reduction of the related expenses or capital expenditures when collectability is reasonably assured.

Foreign Currency Transactions

Transactions in foreign currencies are translated into the functional currency of the applicable entity at the exchange rate in effect at the time of the transaction. Monetary items are then re-translated into the entity's functional currency at each reporting period at the exchange rates in effect at the date of the statements of financial position. Non-monetary items are not re-translated. Revenues and expenses denominated in foreign currency are translated at rates in effect at the time of the transactions. Gains and losses on foreign currency transactions are included as a separate line item in the consolidated statements of loss and comprehensive loss.

Foreign Currency Translation

Items included in the financial statements of each consolidated entity of the Corporation are measured using the currency of the primary economic environment in which the entity has operations (the “functional currency”). The consolidated financial statements are presented in Canadian dollars. The functional currency of MCC is the South Korean Won. The functional currency of CTI is the U.S. dollar.

The financial statements of entities which have a functional currency that is different from the parent company are translated into Canadian dollars as follows: assets and liabilities are translated at the closing rate at the date of the statement of financial position and income and expenses are translated at the average rates for the year. All resulting changes are recognized in other comprehensive income as foreign currency translation adjustments. When the settlement of an intercompany receivable or payable to a foreign subsidiary is neither planned nor likely foreseeable in the future, foreign exchange gains or losses arising on the translation of those intercompany balances is considered a part of the net investment in the foreign subsidiary and are recognized in other comprehensive income.

Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Corporation's designation of such instruments. Settlement date accounting is used.

Financial instrument	Classification
Cash	Loans and receivables
Restricted cash	Loans and receivables
Accounts receivable	Loans and receivables
Interest receivable	Loans and receivables
Short-term investments	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Loan payable	Other liabilities

Held for trading
Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other income.

Financial liabilities designated as held for trading are those non-derivative financial liabilities that the Corporation elects to designate on initial recognition as instruments that will be measured at fair value and any subsequent changes will be reflected in other interest expense. These are accounted for in the same manner as held for trading assets. The Corporation has not designated any non-derivative financial liabilities as held for trading.

Loans and receivables
Loans and receivables are accounted for at amortized cost using the effective interest method.

Available-for-sale
Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held-to-maturity or held-for-trading investments. Except as mentioned below, available-for-sale financial assets are carried at fair value with unrealized gains and losses included in accumulated other comprehensive income until realized at which time the cumulative gain or loss is transferred to other income. Available-for-sale financial assets that do not have quoted market prices in an active market are recorded at cost.

Interest on interest-bearing available-for-sale financial assets is calculated using the effective interest method.

Other liabilities
Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

Transaction costs
Transaction costs related to held for trading financial assets are expensed as incurred. Transaction costs related to available-for-sale financial assets, held-to-maturity financial assets, other liabilities and loans and receivables are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the effective interest method.

4. ACCOUNTING PRONOUNCEMENTS

Changes in Accounting Policies

Effective January 1, 2014, the Corporation adopted, as required, amendments *to* IAS 32, *"Financial Instruments: Presentation*" ("IAS 32"). The amendments clarify that the right to offset financial assets and liabilities must be available on the current date and cannot be contingent on a future event. IAS 32 did not impact the financial statements.

IAS 36 *Impairment of Assets*: IAS 36 has been adopted effective January 1, 2014 and requires additional disclosures in the event of recognizing an impairment of assets. IAS 36 did not impact the financial statements.

Accounting Pronouncements Not Yet Adopted:

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2015 and have not been applied in preparing the financial statements for the year ended December 31, 2014. The standards and interpretations applicable to the Corporation are as follows and will be adopted on their respective effective dates:

IFRS 15, *Revenue from Contracts with Customers*, provides clarification for recognizing revenue from contracts with customers and establishes a single revenue recognition and measurement framework that applies to contracts with customers. The new standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Corporation is currently assessing the impact of the adoption of IFRS 15 on the Corporation's financial statements.

IFRS 9, *Financial Instruments*, is intended to replace IAS 39*, Financial Instruments: Recognition and Measurement* and uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39, and incorporates new hedge accounting requirements.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Corporation is currently assessing the impact of the adoption of IFRS 9 on the Company's financial statements.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and revenues and expenses during the reporting period. Management reviews these estimates on an ongoing basis. Changes in facts and circumstances may result in revised estimates and actual results may differ from these estimates. Areas of significant accounting estimates and judgements include, but are not limited to, deferred development costs valuation, life of property and equipment, measurement and valuation of options, convertible preferred shares and warrants, determination of fair value of financial instruments, impairment of financial instruments, determination of functional currency and any contingencies.

Impairment

The Corporation reviews intangible assets annually and other non-financial assets when there is any indication that the asset might be impaired. The Corporation uses estimates of future cash flows and other available information to determine if impairment exists.

Capitalization of Intangible Costs

In applying its accounting policy for costs incurred in the development of the Coselle® technology, the Corporation determines whether the criteria for capitalization has been met. The most difficult and subjective estimate is whether the intangible costs will generate probable future economic benefits. Management considers all estimated facts and circumstances in making this assessment including historical experience, expected market demand, costs and future economic conditions.

Functional Currency

The determination of the functional currency of each entity involved the determination of the primary economic environment in which an entity operates. *IAS 21 – The Effects of Changes in Foreign Exchange Rates* sets out a number of factors to utilize in determining the functional currency. These factors require use of judgement in the final determination of the functional currency of a subsidiary. Judgement was applied in the determination of the functional currency of MCC, whose functional currency was determined to be the South Korean WON. The functional currency of CTI was determined to be the US dollar.

6. LOAN PAYABLE

On April 18, 2011, the Corporation drew down on the loan agreement with a Canadian chartered bank and borrowed US $15,200,000 (CDN $17,633,520). The funds were used by Sea NG to provide additional equity investment in MCC as was required in order to maintain the validity of MCC's industrial land lease with the Gunsan Free Trade Zone in South Korea. These funds were pledged by MCC to a bank in Korea as security for a letter of credit that was issued by the bank in Korea in favour of the Canadian chartered bank as a guarantee of repayment of the loan by the Corporation. The cash is shown as restricted cash. Upon repayment of the loan by Sea NG, it is intended that these funds will be used by MCC to pay for a portion of the cost of building a Coselle® manufacturing facility in Korea. In conjunction with the loan, the Corporation issued 160,000 warrants to the Canadian chartered bank. Each warrant could be exercised at $1.00 for one common share at the option of the holder.

The Corporation has extended the loan on its anniversary date each year to date and has issued additional warrants each time.

On March 29, 2012 and March 15, 2013 the Corporation issued an additional 30,400 warrants in each year. On March 15, 2013, the term of the 160,000 warrants issued was extended an additional year to April 15, 2014. See Note 11(b).

On March 28, 2014, the Corporation extended the loan to March 28, 2015, at an annual interest rate of 2.812%. Of the existing 220,800 warrants, 190,400 warrants were extended one year and an additional 30,400 warrants were issued with the same features discussed above. See Note 11(b).

The Corporation extended the loan on March 28, 2015 for one year, at a six month interest rate of 2.6479%. Any of the existing warrants expiring in 2015 were extended one year and an additional 30,400 warrants were issued. See Note 11(b).

The Corporation earned interest income on the restricted cash balance during the year at an interest rate of 0.79%.

7. SHORT-TERM INVESTMENTS

The Corporation held a short-term investment with a principal value of $2,500,000 with a Canadian chartered bank as at December 31, 2013. The investment was non-redeemable, earned an interest rate of 1.33% and matured on June 4, 2014.

8. PROPERTY AND EQUIPMENT

	December 31, 2014			
	Cost	Additions	Accumulated Depreciation	Net Book Value
Furniture	$ 4,360	$ -	$ 3,805	$ 555
Data processing equipment	105,994	17,381	88,909	34,466
Phone system	9,504	-	9,354	150
Leasehold improvements and office equipment	64,943	-	58,447	6,496
Software	4,851	-	4,851	-
Foreign currency translation	6,380	(288)	(278)	6,370
	$ 196,032	$ 17,093	$ 165,088	$ 48,037

	December 31, 2013			
	Cost	Additions	Accumulated Depreciation	Net Book Value
Furniture	$ 4,360	$ -	$ 2,760	$ 1,600
Data processing equipment	94,213	11,781	74,816	31,178
Phone system	9,504	-	9,254	250
Leasehold improvements and office equipment	60,634	4,309	55,297	9,646
Software	4,851	-	4,851	-
	$ 173,562	$ 16,090	$ 146,978	$ 42,674

9. INTANGIBLE ASSETS

	January 1, 2014	Additions	Impairments	December 31, 2014
Fabrication, testing and design costs	$ 18,407,722	$ 446,821	$ -	$ 18,854,543
Engineering and development costs	777,682	-	-	777,682
SR&ED tax credits	(2,752,035)	(1,472,933)	-	(4,224,968)
Foreign currency translation	1,261,334	915,323	-	2,176,657
	$ 17,694,703	$ (110,789)	$ -	$ 17,583,914

	January 1, 2013	Additions	Impairments	December 31, 2013
Fabrication, testing and design costs	$ 18,282,148	$ 648,206	$ (522,632)	$ 18,407,722
Financing costs	868,643	379,783	(1,248,426)	-
Engineering and development costs	777,682	-	-	777,682
SR&ED tax credits	(2,752,035)	-	-	(2,752,035)
Foreign currency translation	250,053	970,202	41,079	1,261,334
	$ 17,426,491	$ 1,998,191	$ (1,729,979)	$ 17,694,703

At December 31, 2013, the Corporation recorded an impairment charge of $1,729,979 related to an industrial land lease held by MCC located in South Korea's Gunsan Free Trade Zone. The Corporation was to commence construction of the Coselle® manufacturing facility on the leased land by March 31, 2014 in order to maintain the terms of the lease. The Corporation has determined that it is not feasible to commence construction of the facility until a front-end engineering and design ("FEED") study with a customer has been signed. Therefore the lease has been terminated effective March 31, 2014. The impaired assets include financing costs of $1,248,426, property specific costs of $522,632 and foreign currency translation gain of $41,079. The impairment is shown on the Consolidated Statements of Loss and Comprehensive Loss.

The Corporation performed an impairment assessment of its remaining intangible assets based on information, including a yearly cash flow projection model and determined that no impairment existed.

By their nature, impairment assessments involve a significant degree of judgment as expectations concerning the selection of appropriate market inputs and timing of future cash inflows are subject to considerable risks and uncertainties and are dependent on factors such as obtaining financing to further develop technology, which are, to some extent, outside of management's control. Should the Corporation be unable to obtain sufficient financing in a timely fashion, impairment of the deferred development costs could result in future periods and these amounts may be material.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2014	December 31, 2013
Accounts payable	$ 197,276	$ 204,438
Accrued liabilities	22,800	271,718
	$ 220,076	$ 476,156

11. SHARE CAPITAL

(a) Authorized:

Unlimited number of voting common shares without nominal or par value.
Unlimited number of convertible preferred shares without nominal or par value.

(b) Issued:

Common Shares

On November 9, 2012 and December 21, 2012, the Corporation completed a private placement of 9,982,500 common shares priced at $1.00 per share for gross proceeds of $9,982,500. Enbridge Inc. purchased 2,500,000 of the common shares issued in the private placement and entered into a Put and Call Obligation which required it, subject to certain conditions, to purchase an additional 2,500,000 common shares at a price of $1.00 per share on November 9, 2013, which was completed on November 19, 2013.

Convertible Preferred Shares

	Number of Shares	Proceeds (Redemptions)
Balance, December 31, 2012	6,845,000	$ 684
Issued	2,575,000	258
Balance, December 31, 2013 and December 31, 2014	9,420,000	942

Each preferred share will convert into one common share of the Corporation subject to the attainment of set performance targets. One third will convert upon execution of a contract with a shipyard for and commencement of the construction of a ship using the Coselle® System. The remaining two thirds of the preferred shares will convert to common shares when the Corporation receives payment of a royalty or other revenue derived from the operation of a ship utilising the Coselle® System for marine transportation of compressed natural gas. The convertible preferred shares expire 10 years after they are issued.

During 2013, the Corporation issued 2,575,000 convertible preferred shares to employees, consultants and directors.

The average remaining life of the preferred shares outstanding at December 31, 2014, was 6.3 years.

The Corporation values the preferred shares quarterly giving consideration to estimates of the probability of the preferred shares converting to common shares, the value of the common shares at the time the preferred shares were issued, the likelihood of employee retention and the resulting retention of the preferred shares. The Corporation has expensed $628,619 ($726,135 – 2013) as stock-based compensation and credited contributed surplus in 2014.

Warrants

	Number of Warrants
Balance, December 31, 2012	190,400
Issued - March 15, 2013	30,400
Balance, December 31, 2013	220,800
Issued - March 28, 2014	30,400
Balance, December 31, 2014	251,200

On March 29, 2012 and April 18, 2011, 30,400 and 160,000 warrants were issued respectively as part of the financing detailed in Note 6.

On March 15, 2013 an additional 30,400 warrants were issued and the initial 160,000 warrants were extended one year, as part of the extension of the financing as detailed in Note 6. The Corporation valued the 30,400 warrants when issued using the Black-Scholes model. The Corporation used a volatility of 98%, term of two years, risk-free rate of 1.859% and a dividend rate of nil in the Black-Scholes model. The extension of the 160,000 warrants were valued using a volatility of 127%, term of one year, risk-free rate of 1.859% and a dividend rate of nil in the Black-Scholes model.

On March 28, 2014, the Corporation issued an additional 30,400 warrants. The original 160,000 warrants issued in 2011 and the 30,400 warrants issued on March 29, 2012 were extended to April 15, 2015. The Corporation valued the warrants when issued and extended using the Black-Scholes model. The Corporation used a volatility of 101.87% for the two year term warrants and 96.48% for the one year term warrants, risk-free rate of 1.070% and a dividend rate of nil in the Black-Scholes model.

On March 28, 2015, the Corporation issued an additional 30,400 warrants expiring in two years. Any of the existing warrants expiring in 2015 were extended one year.

12. PER SHARE AMOUNTS

Basic per share calculations are based on the weighted average number of shares outstanding. The basic and diluted per share numbers are the same as a result of the anti-dilutive effect of the warrants, options and convertible preferred shares on the net loss before comprehensive gain for the years.

13. PROFESSIONAL, CONSULTING AND SALARY EXPENSE

		Year ended December 31, 2014		Year ended December 31, 2013
Salaries and wages	$	2,403,253	$	2,336,625
Legal		358,956		318,789
Marketing, IT and other		312,332		315,966
Business development		200,741		189,251
Accounting and auditing		89,730		76,914
Project development costs		122,802		52,275
	$	3,487,814	$	3,289,820

14. COMPENSATION OF KEY MANAGEMENT

		Year ended December 31, 2014		Year ended December 31, 2013
Salaries	$	960,000	$	960,000
Preferred shares (performance shares)		247,107		283,432
	$	1,207,107	$	1,243,432

15. COMMITMENTS AND CONTINGENCIES

The Corporation is committed to an office premises lease expiring on November 30, 2015. The minimum lease payment is $11,643 per month plus operating costs.

The Corporation's subsidiary, MCC was committed to an industrial land lease expiring February 20, 2058. This land is located in South Korea's Gunsan Free Trade Zone and lease payments are minimal. The Corporation had intended to use this site to construct the Coselle® manufacturing facility. In order to preserve the lease, Sea NG had committed to investing a total of 20 billion Korean Won (approximately $18 million) into MCC to commence construction of the facility by March 31, 2014. In April 2011, the Corporation invested $15,200,000 U.S. into MCC which completed its total commitment to invest 20 billion Korean Won in MCC. The Corporation had not commenced construction as of March 31, 2014 and terminated the lease effective March 31, 2014. An impairment charge has been recognized on these assets (Note 9).

Effective February 2015, the Corporation entered into a new lease for this same land with monthly lease payments of KRW 2,630,345 (CDN $2,793). The terms of the lease require commencement of construction by July 8, 2015.

The Corporation is a party to an Assignment, Framework and Pipeship Technology Agreement ("Pipeship Technology Agreement") dated August 10, 2005. The Pipeship Technology Agreement, among other things, assigns all subsequent patent rights from the Coselle® technology inventors to the Corporation, waives the inventors "moral rights" to the Coselle® technology and details future payments to be made to Cran & Stenning Technology Inc. as follows:

(a) US $525,000 upon the execution by all parties of all commercial contracts objectively necessary to execute the first Coselle® project;
(b) US $3,150,000 after six months of continuous active transport of CNG; and
(c) a royalty of: (i) US $1.8375 per cubic foot of water volume for each Coselle® constructed (excluding prototypes) by or for the benefit of the Corporation; (ii) US $0.02625 per each million British thermal units ("MMBtu") to a maximum of 1200 Btu/scf of gas delivered in a Coselle® but not for storage; and (iii) US $0.2625 per MMBtu of gas throughput for gas stored by or for the benefit of Sea NG in storage Coselles®.

The Corporation's President beneficially owns approximately 47.5% of Cran & Stenning Technology Inc.

16. INCOME TAXES

(a) The provision for income taxes recorded in the consolidated financial statements differs from the amount which would have been obtained by applying the combined federal and Alberta tax rate of 25.0% (2013 – 25.0%) to the Corporation's earnings before income taxes. The difference results from the following items:

		2014		2013
Loss before comprehensive income and taxes	$	(6,596,375)	$	(7,822,456)
Expected income tax recovery		(1,649,094)		(1,955,614)
Non-deductible meals and entertainment		4,938		4,995
Stock-based compensation		101,107		152,476
Deferred tax asset not recognized		1,543,049		1,798,143
Provision for income taxes	$	-	$	-

Realization of deferred income tax assets is dependent on generating sufficient taxable income during the period in which the temporary differences are deductible. Deferred income tax assets have not been recognized on the Corporation's balance sheet due to uncertainty of realization.

(b) Significant components of the Corporation's future tax liabilities and assets are as follows:

		2014		2013
Non-capital losses	$	6,017,675	$	5,935,511
SR&ED pools		2,744,923		2,758,248
Share issue costs		-		41,369
Property, equipment and leasehold improvements		(4,815)		(1,614)
		8,757,783		8,733,514
Deferred tax asset not recognized		(8,757,783)		(8,733,514)
	$	-	$	-

(c) At December 31, subject to confirmation by income tax authorities, the following tax pools are available for deductions against future income:

		2014		2013
Non-capital losses	$	24,070,698	$	23,742,046
SR&ED pools		10,979,693		11,032,990
Share issue costs		-		165,477
Undepreciated capital costs		33,295		33,295
	$	35,083,686	$	34,973,808

The Corporation has non-capital losses carried forward of approximately $24,070,698 (2013 – $23,742,046). The potential income tax benefits of these losses have not been recorded in the consolidated financial statements. These losses expire as follows:

Year of Expiry		Loss carry forwards
2026	$	343,170
2027		4,388,264
2028		2,986,838
2029		3,913,020
2030 and thereafter		12,439,406
	$	24,070,698

Effective April 30, 2012, Sea NG Corporation transferred the IP rights, excluding the North American rights, of the Coselle® Technology to CTI. The resulting gain on sale of approximately $4.6 million decreased the non-capital losses available for carry forward.

17. FINANCIAL INSTRUMENTS AND FAIR VALUES

As explained in Note 3, financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the statement of income/loss or comprehensive income/loss. The following table shows the carrying and fair values of assets and liabilities. The carrying value approximates fair value in each case.

		December 31, 2014		December 31, 2013
Assets				
Cash	$	4,061,018	$	5,741,111
Restricted cash		17,633,520		16,166,720
Accounts receivable		99,728		36,393
Interest receivable		100,235		21,906
Goods and services and value-added taxes receivable		12,800		22,032
Short-term investments		-		2,500,000
	$	21,907,301	$	24,488,162
Liabilities				
Accounts payable and accrued liabilities		220,076		476,156
Loan payable		17,633,520		16,166,720
	$	17,853,596	$	16,642,876

Fair Value

(a) Establishing fair value

The fair values of cash, accounts receivable, interest receivable, short-term investments, accounts payable, accrued liabilities, and loan payable approximate their carrying values due to their short-term maturity.

(b) Fair value hierarchy

Financial instruments recorded at fair value on the consolidated balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); or

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The Corporation, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk, market risk, and liquidity risk. The following analysis in Note 18 provides a measurement of risk.

18. FINANCIAL RISK FACTORS

Credit Risk

The Corporation's principal financial assets are cash, accounts receivable and short-term investments which are subject to credit risk. The carrying amounts of financial assets on the consolidated balance sheet represent the Corporation's maximum credit exposure at the balance sheet date.

The credit risk on cash and short-term investments is limited because the counterparties are Canadian chartered banks with high credit-ratings assigned by national credit-rating agencies. For accounts receivable, most of the Corporation's customers are independently rated. If not, then the customer is evaluated by taking into account its financial position, past experience and other factors.

As at December 31, 2014, accounts receivable totalled $99,728 (December 31, 2013 - $36,393).

	December 31, 2014	
	$	# Days Outstanding
Customer A	99,728	< 30

The customer has no history of default.

Currency Risk

In the normal course of operations, the Corporation is exposed to foreign currency fluctuations as certain expenditures are denominated in U.S. dollars and South Korean Won. The Corporation does not actively manage this risk. The balance sheet includes the following amounts expressed in Canadian dollars with respect to financial assets and liabilities for which cash flows are denominated in the following currencies:

	December 31, 2014	December 31, 2013
Cash:	$	$
U.S. dollars	69,151	111,599
U.S. dollars – restricted	17,633,520	16,166,720
South Korean Won	113,878	123,576
Interest receivable	100,235	21,906
Loan payable	17,633,520	16,166,720
Interest payable	-	232,819

Interest Rate Risk

The Corporation's financial assets and liabilities are not exposed to interest rate risk as they are in fixed rate instruments.

Liquidity Risk

The Corporation's objective is to have sufficient liquidity to meet its liabilities when due. The Corporation monitors its cash balances and cash flows from operations to meet its requirements. The Corporation currently finances its operations through private placements of equity. The Corporation's future operations are dependent on obtaining a contract to use its Coselle® System, financing as required and obtaining profitable operations. The Corporation currently forecasts that it has sufficient funds till the summer of 2015. During this time period, if a contract to use its Coselle® System is not obtained, a private placement will be required. Management of the Corporation cannot guarantee that a private placement will be successful. See Note 2 for further discussion.

19. CAPITAL MANAGEMENT

The Corporation's objective when managing capital is to ensure it has adequate cash to maintain operations and to sustain the future development of the business. In the management of capital, the Corporation defines available capital as working capital. At December 31, 2014, the Corporation has $4,150,385 (December 31, 2013 - $7,979,505) in employed capital.

The Corporation manages its working capital and makes adjustments to spending as required. The Corporation does not have externally imposed capital requirements. See Note 2 for further discussion.

20. SUBSEQUENT EVENTS

On March 28, 2015, the Corporation extended the loan payable of $15,200,000 U.S. for one year at a six month interest rate of 2.6479%. An additional 30,400 warrants were issued with the same features described in Note 6. All of the previously issued warrants expiring in 2015 were extended to 2016.

The Corporation renewed the industrial land lease located in the Gunsan Free Trade Zone in South Korea in February 2015. The monthly lease payments are 2,630,345 KRW (CDN $2,793).