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).