BLUE WATER VENTURES INTERNATIONAL, INC.

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

December 31, 2015

TABLE OF CONTENTS

	Page No.
Consolidated Balance Sheets	1
Consolidated Statements of Income	2
Consolidated Statements of Cash Flows	3
Consolidated Statements of Stockholders' Equity (Deficit)	4
Notes to Consolidated Financial Statements	5-12

BLUE WATER VENTURES INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31,

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash	$ 135,208	$ 48,884
Accounts receivable	51,188	33,000
Inventories	53,627	-
TOTAL CURRENT ASSETS	240,023	81,884
PROPERTY AND EQUIPMENT, NET	128,003	95,274
OTHER ASSETS		
Inventories	44,843	905,086
Intangible assets, net	32,204	-
	77,047	905,086
TOTAL ASSETS	$ 445,073	$ 1,082,244
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Note payable, in default	$ -	$ 17,500
Note payable, other	-	200,000
Current portion of capital lease obligation	4,335	-
Senior convertible notes payable and accrued interest	17,219	-
Convertible note payable and accrued interest	169,404	-
Accounts payable and accrued expenses	81,333	46,113
TOTAL CURRENT LIABILITIES	272,291	263,613
Capital lease obligation, less current portion	16,239	-
Related party notes payable	759,363	804,944
Convertible notes payable	1,188,501	1,222,468
	1,964,103	2,027,412
REVENUE PARTICIPATION SUBSCRIPTIONS	573,350	213,350
TOTAL LIABILITIES	2,809,744	2,504,375
BLUE WATER VENTURES INTERNATIONAL STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, $.001 par value; 5,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, $.001 par value, 300,000,000 shares authorized: 26,759,626 and 25,250,826 shares issued and ouststanding	27,675	25,252
Additional paid-in capital	4,412,208	4,210,595
Accumulated deficit	(7,275,426)	(5,657,978)
TOTAL BLUE WATER VENTURES INTERNATIONAL STOCKHOLDERS' EQUITY (DEFICIT)	(2,835,543)	(1,422,131)
Non-controlling interest	470,872	-
TOTAL LIABILITIES & STOCKHOLDERS' DEFICIT	$ 445,073	$ 1,082,244

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

BLUE WATER VENTURES INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
REVENUES	$ 282,839	$ 77,360
COST OF REVENUES	95,888	-
GROSS PROFIT	186,951	77,360
OPERATING EXPENSES:		
Fleet operations	320,922	192,533
General and administrative	529,697	497,931
Loss on inventory write-down	875,342	-
Depreciation	58,003	43,797
Amortization of debt discount	8,310	-
Interest expense	50,577	18,493
TOTAL OPERATING EXPENSES	1,842,851	752,754
NET LOSS	(1,655,900)	(675,394)
LESS: NET LOSS ATTRIBUTABLE TO THE NONCONTROLLING INTEREST	(38,452)	-
NET LOSS ATTRIBUTABLE TO BLUE WATER VENTURES INTL	$ (1,617,448)	$ (675,394)
LOSS PER SHARE		
Basic	$ (0.06)	$ (0.03)
Weighted average number of common shares outstanding	26,526,561	21,588,555

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

BLUE WATER VENTURES INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (1,617,448)	$ (887,112)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	58,615	58,396
Amortization of debt discount	8,310	
Stock-based expenses	4,227	
Issuance of common stock as compensation	119,520	495,000
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(18,188)	(33,000)
Decrease in inventory	860,243	-
Increase in accounts payable & accrued expenses	35,220	1,834
NET CASH USED BY OPERATING ACTIVITIES	(549,501)	(364,882)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(32,733)	-
Expenditures on patents and trademarks	(4,120)	
NET CASH USED BY INVESTING ACTIVITIES	(36,853)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of revenue participation subscription agreements	360,000	-
Borrowings, net of repayments	313,668	409,094
Principal repayment of capital lease obligation	(990)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	672,678	409,094
NET INCREASE IN CASH	86,324	44,212
CASH, BEGINNING	48,884	4,672
CASH, ENDING	$ 135,208	$ 48,884
CASH PAID FOR INTEREST	$ 19,241	$ 10,000
NON-CASH TRANSACTIONS:		
Notes payable converted into common stock	$ 69,050	$ 15,000
Conversion of accrued liability into convertible note payable	$ 182,225	
Assets purchased (liabilities assumed) for stock:		
Inventories	$ 65,697	
Property & equipment	$ 58,000	
Patents & trademarks	$ 28,696	
Obligation payable under capital lease	$ (21,564)	

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

BLUE WATER VENTURES INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
YEAR ENDED DECEMBER 31, 2015

	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)	Noncontrolling Interest
January 1, 2015	25,250,826	$ 25,252	$ 4,210,595	$ (5,657,978)	$ (1,422,131)	
Issuance of common shares	967,500	968	75,781		76,749	
Net loss for the period				(157,881)	(157,881)	
March 31, 2015	26,218,326	$ 26,220	$ 4,286,376	$ (5,815,859)	$ (1,503,263)	
Issuance of common shares	541,300	541	15,979		16,520	
Net loss for the period				(175,897)	(175,897)	
June 30, 2015	26,759,626	$ 26,761	$ 4,302,355	$ (5,991,756)	$ (1,662,640)	
Acquistion of subsidiary noncontrolling interest						2,760
Net loss for the period				(888,705)	(888,705)	(11,258)
September 30, 2015	26,759,626	$ 26,761	$ 4,302,355	$ (6,880,461)	$ (2,551,345)	$ (8,498)
Issuance of common shares	914,375	914	109,853		110,767	
Acquistion of subsidiary noncontrolling interest						506,564
Net loss for the period				(394,965)	(394,965)	(27,194)
December 31, 2015	27,674,001	$ 27,675	$ 4,412,208	$ (7,275,426)	$ (2,835,543)	$ 470,872

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

Note A – Organization and Summary of Significant Accounting Policies

Organization

Blue Water Ventures International, Inc. ("Blue Water") (formerly SmartPay Express, Inc., a Nevada corporation) acquired Blue Water Ventures of Key West, Inc. (BWVKW) a privately-held Florida corporation, via an asset purchase agreement dated May 10, 2012 that closed on June 15, 2012. As a result of the acquisition, the business of BWVKW became owned by Blue Water and the post-acquisition entity is hereby referred to as the "Company". For financial statement reporting purposes, the asset purchase was treated as a reverse acquisition with BWVKW deemed the accounting acquirer and the Company deemed the accounting acquiree under the purchase method of accounting in accordance with Accounting Standards Codification ("ASC") 805-10-40, Business Combinations-Reverse Acquisitions. The transaction was deemed a recapitalization and the financial statements present the continuation of the financial statements of BWVKW (the accounting acquirer) except for its capital structure, and the financial statements reflect the assets and liabilities of BWVKW recognized and measured at their carrying value before the combination and the assets and liabilities of the Company (the accounting acquiree). The equity structure reflects the equity structure of the Company, acquiree, and the equity structure of BWVKW, the accounting acquirer, as restated using the shares issued in connection with the asset purchase agreement.

In August 2015, the Company formed Blue Water Treasures, Inc. ("Treasures"), a Nevada corporation and as of December 31, 2015 owns 81.826% of the issued and outstanding common shares. Substantially all inventory and research owned by the Company has been transferred to Treasures, with the Company retaining its salvage vessels, equipment and technology. The Company will directly serve as an underwater search and salvage company for hire, while Treasures will be engaged in the underwater salvage and recovery of historic and modern-day treasure and artifacts, along with the monetization of such artifacts in the form of saleable articles of treasure and nautical-themed jewelry and re-creations that it designs, manufactures and distributes and the exploitation of media rights regarding its recovery efforts.

Nature of Business

The Company directly ad through its majority-owned subsidiary is engaged in the archaeologically sensitive exploration, discovery and recovery of historical cultural artifacts, intrinsically valuable cargo and treasure from ocean shipwrecks to be marketed through auction houses, web sites, retail and distribution outlets and directly to the public. It designs treasure and nautical-themed jewelry and re-creations, composed of in part with treasure and other artifacts that it has previously recovered. The Company also leases its crew and vessels to other entities involved in discovery and recovery from ocean shipwrecks and intends to exploit media opportunities related to its search and recovery efforts.

Note A – Organization and Summary of Significant Accounting Policies (continued)

Basis of Presentation and Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist in understanding the financial statements. These financial statements and notes are representation of the Company's management who are responsible for their integrity and objectivity and have been prepared in accordance with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements include the accounts of Blue Water Ventures International, Inc. and its majority-owned subsidiary. All intercompany accounts and transactions have been eliminated in consolidation.

Estimates

Management uses estimates and assumptions in the preparation of these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affected reported amounts of assets, liabilities, revenues and expenses, along with disclosures included in these financial statements. Actual results could vary from these estimates.

Advertising Costs

Advertising costs are expensed as incurred.

Revenue Recognition

Revenue from sales of treasure and product sales is recognized at the point of sale when legal title transfers. Legal title transfers when products are shipped or are available for shipment to customers. A return allowance is established for sales which have a right of return. Revenue from leasing activities is recorded when earned.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks. The Company considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company had no cash equivalents at December 31, 2015.

Property and Equipment

Property and equipment are stated at historical cost. Depreciation is provided using the straight-line method based on the assets' estimated useful lives which are normally between three to ten years. Major overhaul items, such as engines, that enhance or extend the useful lives are capitalized and depreciated over the shorter of the useful life or remaining life of the particular asset. All other repairs and maintenance are expensed as incurred.

Note A – Organization and Summary of Significant Accounting Policies (continued)

Inventories

Inventories consists of artifacts recovered from the *Santa Margarita 1622* and the *1715 Fleet* shipwrecks and general branded merchandise, including nautical-themed jewelry and re-creations. The value of artifacts reflected in inventory is based on the commodity value of the metails in each artifact. All other artifacts and treasure are recorded at net realizable value, which we have determined to be zero as of December 31, 2015. The Company has presented these assets with no value as it has sold no inventory since its inception other than three unique items co-owned with another party which were sold at auction during the third quarter of 2015. As such, the Company has recorded a write down of $875,342 during the 3rd quarter of 2015 to reflect revised net realizable value. As we sell inventory, independently appraise our inventory, or other like-kind assets are sold by others and a market therefor develops, the Company will reassess the market value of its inventory on its balance sheet to reflect greater values, to the extent said valuation does not exceed its cost of recovery.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts payable and accrued expenses, notes payable and deferred revenues approximate fair value. Considerable judgment is necessary to interpret market data to develop fair value estimates and, accordingly, such estimates are not necessarily indicative of the amounts that could be realized in a current market exchange.

Long-Lived Assets

The Company recognizes impairment losses related to long-lived assets in accordance with Financial Accounting Standards Board No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" based on several factors, including, but not limited to management's plans for future operations, recent operating results and projected cash flows.

Income Taxes

Income taxes are accounted for using the asset and liability method. The asset and liability method provides that deferred tax assets and liabilities are measured using the currently enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company records a valuation allowance to reduce deferred tax assets to the amount that is believed to more likely than not be realized. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in years in which those temporary differences are expected to be recovered or settled. Any effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Stock-based Compensation

Stock-based compensation is recorded in accordance with the guidance in the ASC topic for Stock-Based Compensation.

Note A – Organization and Summary of Significant Accounting Policies (continued)

Earnings per Share

Basic earnings per share (EPS) is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period.

Diluted EPS reflects the potential dilution that would occur if dilutive securities and other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that shared in earnings. We use the treasury stock method to compute potential common shares from stock options or warrants and the if-converted method to compute potential common shares from convertible notes or other securities. When the Company incurs a net loss, potential common shares have an anti-dilutive effect on EPS and such shares are not included in the calculation of diluted EPS.

Note B – Going Concern

As reflected in the accompanying financial statements, the Company has suffered recurring losses from operations, has a significant amount due to its principal stockholder and has a working capital deficit. All of these items raise substantial doubt about the Company's ability to continue as a going concern. While the Company believes in its ability to raise additional funds and sell its treasure and artifacts, there can be no assurances that the Company will be successful in these endeavors. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Note C – Property and Equipment

Property and equipment consists of the following:

	December 31 2015	December 31, 2014
Boats	$ 546,944	$ 521,944
Exploration equipment	114,845	109,913
Transportation equipment	6,700	6,700
Furniture and equipment	66,482	5,646
	734,971	644,203
Less: accumulated depreciation	(606,938)	(548,929)
	$ 128,033	$ 95,274
Depreciation expense	$ 58,615	$ 58,396

Note D – Inventories

Inventories consists of artifacts recovered from the *Santa Margarita 1622* and *1715 Fleet* shipwrecks and general branded merchandise, along with nautical-themed jewelry and re-creations. As discussed in Note F, certain items of inventory have been pledged as collateral for borrowings.

Note E – Note payable, in default

Note payable, in default consists of unsecured borrowings of $17,500 from an unrelated entity, which originally aggregated $175,000, with interest at 4.5%, with a maturity date of December 31, 2008. During October 2014, the Company entered into a settlement agreement with this entity and agreed to repay a total of $30,000, including accrued interest, with final payment made during April 2015.

Note F – Note payable, other

Note payable, other, consists of borrowings of $200,000 from an unrelated entity, with interest currently at 8%, with an original due date of November 15, 2015. The note was secured by certain items of inventory (see Note D). Effective November 16, 2015, this note was transferred to Treasures (see Note H).

Note G – Capital lease obligation

Effective October, 1, 2015 in connection with the acquisition of Guy Beard Jewelry by Treasures (see Note), Treasures assumed a capital lease obligation originally entered into during December 2014, with monthly payments of $633 and interest at 14.34%, secured by equipment. As of October 1, 2015, there were 49 monthly payments remaining.

Future net minimum lease payments are as follows:
December 31:

2016	$6,925
2017	6,925
2018	6,925
2019	5,194
Less: Amount representing interest	($5,395)
Net principal	$20,574
Current portion	$4,335
Long-term portion	$16,239

Note H – Convertible Notes Payable

The Company has outstanding $1,188,501 of convertible notes payable as of December 31, 2015 to various individuals and organizations. These notes payable bear interest at 2-3% and are convertible into shares of the Company's common stock (see Note I).

Effective September 30, 2015, Blue Water Treasures, Inc. ("Treasures") issued an aggregate of $350,000, one year convertible notes bearing interest at 10%. Treasures received net proceeds of $309,500, net of fees and commissions. Fees and commissions totaling $40,500, together with deferred financing costs of $1,139 relating to the issuance of 569,742 shares of our common stock in connection with this debt issuance, have been recognized as a debt discount contra account to these convertible notes and is being amortized over the one year term of the loan. The holders of the notes have the right to convert unpaid principal and interest into shares of Treasures' common stock based on a corporate valuation of $7.5 million. As it is not possible to estimate the number of shares or the price per share at which such shares would be issued on the conversion of these convertible notes, no value can be attributed to this convertible feature. In the event that Treasures completes a public offering that results in its receipt of gross proceeds of more than $3 million during the term of the convertible notes, Treasures shall have the right to convert any unpaid balance of principal and interest into shares of its common stock at the lower of a corporate valuation of $7.5 million or a 20% discount to the public offering price. The holders of these notes also received warrants to purchase Treasures common stock valued at $350,000 for a term of 5 years that commences if, and when, Treasures completes a public offering that results in the receipt of gross proceeds of more than $3,000,000, at an exercise price equal to the price per share in the public offering. As it is not possible to estimate the likelihood that Treasures will be able to complete a public offering during the course of which it raises more than $3,000,000, the timing of any such successful offering or the price at which such an offering would be completed, no value can be attributed to these warrants. The notes are secured by a first lien and security interest in certain of Treasures' assets.

Effective November 16, 2015, Treasures entered in to an agreement with Ventures whereby Treasures issued a $200,000 note, interest at 9%, due November 16, 2016, and Series B warrants to purchase 20,000 shares of Treasures' common stock in settlement of an outstanding note payable with Ventures (see Note F). As part of this transaction, Ventures transferred to Treasures certain pearls recovered by Ventures from the *Santa Margarita 1622* shipwreck on which the original loan was secured. As no value has been realized from these pearls since their recovery, the pearls are recognized in the final statements at no value.

Effective December 8, 2015, Treasures issued a $50,000 one-year senior secured convertible note payable, with interest at 10%. Treasures received net proceeds of $46,000, with $4,000 of costs recognized as debt discount which is being amortized over the term of the loan.

Note I – Revenue Participation Subscriptions

During 2006 and 2007, the Company sold revenue participation subscriptions aggregating $330,000 which entitled the holders to share in a percentage of future treasure findings related to the salvage operations for the *Santa Margarita 1622* and *Treasure Coast 1715* projects. The subscriptions did not have a termination date. During 2007, treasure and artifacts were recovered on the *Santa Margarita 1622* project, and each holder received their respective share of the treasure and artifacts during 2008. During 2008 and 2009, additional treasure and artifacts were discovered on the *Santa Margarita 1622* site but no further distributions were made to the holders during 2009 or 2010. As of December 31, 2010, no treasure or artifacts had been recovered on the *Treasure Coast 1715* project.

During 2011, the Company cancelled all of the aforementioned subscriptions and requested that the holders execute an agreement to convert their respective subscription into shares of the Company's common stock. A total of 386,851 shares of common stock was reserved for this conversion feature, with 110,321 shares issued in 2011 in exchange for $90,000 of subscriptions and 90,726 shares issued in 2012 in exchange for $60,000 of subscriptions. As of December 31, 2015, there were 185,803 shares of common stock ($180,000 of subscriptions) yet to be issued related to the 2006 and 2007 subscriptions.

During 2013 and 2012, the Company sold revenue participation subscriptions in the amount of $163,350 and $50,000, respectively, which entitles the holders to a share of net proceeds, as defined, from future treasure recoveries on all projects. Additionally, the 2012 agreement includes a provision to convert the share of net proceeds into shares of the Company's common stock.

During 2015, the Company sold marine salvage royalty interest subscriptions of $185,000 and entered into joint venture agreements aggregating $175,000, which entitles the holders to a share of net proceeds, as defined, from future recoveries on specified projects. Additionally, the parties to $150,000 of joint venture interests are entitled to receive 75,000 warrants to purchase shares of the Company's common stock at $.35 per share, expiring on September 30, 2016.

Note J – Income Taxes

From inception until the reverse merger which occurred on June 15, 2012, the Company, with the consent of its shareholders, elected to be taxed as an S corporation and no provision or liability for federal income taxes had been included in previous financial statements. Upon the occurrence of the reverse merger, the Company's S corporation status was terminated. For the period from January 1, 2102 to June 15, 2012, the Company incurred a net loss of $189,055 and the accumulated deficit applicable to the former S corporation status aggregated $2,833,540. For the period from June 16, 2012 to December 31, 2015, the Company has incurred net operating losses of $4,543,767. The Company has recorded a net deferred tax asset of $0 as of December 31, 2015 as the Company has concluded that it is more likely than not that this asset would not be realized with the recovery and rights of ownership or salvage rights of high-value shipwrecks.

Note K – Related Party Transactions

The Company's CEO and principal stockholder has loaned the Company an aggregate of $759,363 as of December 31, 2015 to fund operations since inception. The Company repays a portion of these loans from time to time. These loans currently bear no interest, are uncollateralized, carry no specified repayment terms and have been recorded as a non-current liability in the accompanying balance sheet.

The Company's CFO and principal accounting officer was due $182,225 as of December 31, 2015 which is recorded as a convertible note payable in the accompanying balance sheet.

As discussed in Note A, the Company formed Blue Water Treasures, Inc. ("Treasures") during August 2015, with the Company acquiring 83.12% of the issued and outstanding shares. The Company transferred substantially all of its inventory and much of its research and media rights to Treasures as of September 30, 2015 and has entered into an exclusive salvage agreement with Treasures. The Company transferred the balance of its inventory, research and media rights during the 4th quarter 2015.

On October 1, 2015, Treasures issued 138,112 shares of its common stock to acquire the business and certain assets and liabilities with a fair market value of approximately $120,000 of Guy Beard Jewelry. Treasures also assumed an equipment lease obligation (see Note G) and the operating lease for the facility. The facility lease is currently on a month-to-month basis with monthly rent of approximately $1,700. Mr. Beard is an existing director and stockholder of Treasures.