BLUE WATER VENTURES INTERNATIONAL, INC.

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

September 30, 2016

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BLUE WATER VENTURES INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS

ASSETS	September 30, 2016	December 31, 2015
CURRENT ASSETS		
Cash	$ 4,722	$ 135,208
Accounts receivable	-	51,188
Inventories	-	53,627
TOTAL CURRENT ASSETS	4,722	240,023
PROPERTY AND EQUIPMENT, NET	45,850	128,003
OTHER ASSETS		
Artifact inventories	44,843	44,843
Intangible assets, net	-	32,204
	44,843	77,047
TOTAL ASSETS	$ 95,415	$ 445,073
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Current portion of capital lease obligation	$ -	$ 4,335
Senior convertible notes payable and accrued interest	267,275	17,219
Convertible note payable and accrued interest	200,964	169,404
Accounts payable and accrued expenses	66,720	81,333
TOTAL CURRENT LIABILITIES	534,959	272,291
Capital lease obligation, less current portion	-	16,239
Related party notes payable	538,428	759,363
Convertible notes payable	750,900	1,188,501
	1,289,328	1,964,103
REVENUE PARTICIPATION SUBSCRIPTIONS	592,100	573,350
TOTAL LIABILITIES	2,416,387	2,809,744
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; 41,421,014 and 27,674,001 shares issued and ouststanding	41,423	27,675
Additional paid-in capital	5,268,011	4,412,208
Accumulated deficit	(7,919,709)	(7,275,426)
TOTAL BLUE WATER VENTURES INTERNATIONAL STOCKHOLDERS' EQUITY (DEFICIT)	(2,610,275)	(2,835,543)
Non-controlling interest	289,303	470,872
TOTAL LIABILITIES & STOCKHOLDERS' DEFICIT	$ 95,415	$ 445,073

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

BLUE WATER VENTURES INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF INCOME

	3 months ended September 30, 2016	9 months ended September 30, 2016	3 months ended September 30, 2015	9 months ended September 30, 2015
REVENUES	$ 6,468	$ 97,828	$ 446,340	$ 446,340
COST OF REVENUES	-	34,572	272,307	272,307
GROSS PROFIT	6,468	63,256	174,033	174,033
OPERATING EXPENSES:				
Fleet operations	19,810	102,543	91,829	185,365
General and administrative	45,648	323,645	88,104	286,801
Loss on inventory write-down	-	-	875,342	875,342
Depreciation and amortization	16,500	51,824	13,021	40,641
Amortization of debt discount	79,372	238,936	-	-
Interest expense	14,500	47,384	5,700	19,625
TOTAL OPERATING EXPENSES	175,830	764,332	1,073,996	1,407,774
NET LOSS	(169,362)	(701,076)	(899,963)	(1,233,741)
NON-OPERATING REVENUE			-	-
LESS: NET LOSS ATTRIBUTABLE TO THE NON-CONTROLLING INTEREST	(13,094)	(56,793)	(11,258)	(11,258)
NET LOSS ATTRIBUTABLE TO BLUE WATER VENTURES INTL	$ (156,268)	$ (644,283)	$ (888,705)	$ (1,222,483)
LOSS PER SHARE				
Basic	$ (0.01)	$ (0.02)	$ (0.03)	$ (0.05)
Weighted average number of common shares outstanding	29,989,903	34,493,379	25,795,492	25,974,875

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

BLUE WATER VENTURES INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016

	3 months	9 months
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (169,362)	$ (644,283)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	16,500	51,824
Amortization of debt discount	79,372	238,936
Bad debt expense	-	33,000
Net loss attributable to the non-controlling interest	(13,064)	(56,793)
Accrued interest on convertible notes payable	14,500	46,500
Issuance of common stock as compensation	-	89,000
Adjustment for assets and liabilities surrendered in exchange for stock	-	(30,213)
Changes in operating assets and liabilities:		
Decrease in accounts receivable	-	18,188
Decrease in inventory	-	24,214
Increase (decrease) in accounts payable & accrued expenses	2,618	(12,841)
NET CASH USED BY OPERATING ACTIVITIES	(69,436)	(242,468)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(9,816)	(24,415)
NET CASH USED BY INVESTING ACTIVITIES	(9,816)	(24,415)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of revenue participation subscription agreements	3,750	18,750
Borrowings, net of repayments	63,805	118,661
Principal repayment of capital lease obligation	-	(1,014)
NET CASH PROVIDED BY FINANCING ACTIVITIES	67,555	136,397
NET INCREASE (DECREASE) IN CASH	(11,697)	(130,486)
CASH, BEGINNING	16,419	135,208
CASH, ENDING	$ 4,722	$ 4,722
CASH PAID FOR INTEREST	-	$ 884
NON-CASH TRANSACTIONS:		
Related party notes payable converted into common stock	$ -	$ 200,000
Assets and liabilities surrendered for stock:		
Inventories	$ -	$ (29,413)
Property & equipment	$ -	$ (55,564)
Patents & trademarks	$ -	$ (30,564)
Obligation payable under capital lease	$ -	$ (19,560)
Notes payable and accrued interest converted into common stock	$ 105,000	$ 579,211

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

BLUE WATER VENTURES INTERNATIONAL, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016

	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)	Non-controlling Interest
January 1, 2016	27,674,001	$ 27,675	$ 4,412,208	$ (7,275,426)	$ (2,835,543)	$ 470,872
Issuance of common shares	7,143,472	7,144	427,107		434,251	
Net loss for the period				(300,377)	(300,377)	(29,340)
March 31, 2016	34,817,473	$ 34,819	$ 4,839,315	$ (7,575,803)	$ (2,701,669)	$ 441,532
Issuance of common shares	3,978,541	3,979	326,321		330,300	
Adjustment to non-controlling interest						(111,122)
Net loss for the period				(187,638)	(187,638)	(28,013)
June 30, 2016	38,796,014	$ 38,798	$ 5,165,636	$ (7,763,441)	$ (2,559,007)	$ 302,397
Issuance of common shares	2,625,000	2,625	102,375		105,000	
Adjustment to non-controlling interest						(13,094)
Net loss for the period					(169,362)	
30-Sep-16	41,421,014	$ 41,423	$ 5,268,011	$ (8,652,146)	$ (3,512,074)	$ 289,303

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 September 30, 2016 owns 86.09% 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 September 30, 2016.

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, recorded as a current asset and general branded merchandise, including nautical-themed jewelry and re-creations, recorded as a non-current asset. 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 June 30, 2016. 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 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:

	September 30, 2016
Boats	$ 566,916
Exploration equipment	116,422
Transportation equipment	6,700
Furniture and equipment	5,646
	695,684
Less: accumulated depreciation	(649,834)
	$ 45,850
Depreciation expense	$ 14,068

Note D – Capital lease obligation

Effective October, 1, 2015 in connection with the acquisition of Guy Beard Jewelry by Treasures (see Notes A and H), 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 discussed further in Note H, the Company has transferred this liability along with the equipment being leased to a former officer and director of Treasures.

Note E – Convertible Notes Payable

The Company has outstanding $750,900 of convertible notes payable as of September 30, 2016 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 F).

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.

As of the end of September 2016, $440,000 of principal and interest fell due and has not been repaid. The Company is in the process of negotiating extensions for this debt. The convertible notes are secured by certain items of treasure that we have recovered and up to 4 million shares of our common stock. Repayment of the convertible notes is subject to a 60 day grace period that expires at the end of November. We are in the process of renegotiating the terms of the convertible notes and extending their due date for an additional 12 month period.

Note E – Convertible Notes Payable (continued)

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. 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 F – 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 F – Revenue Participation Subscriptions (continued)

During 2016, the Company sold marine salvage royalty interest subscriptions of $15,000, which entitle the holder to a share of net proceeds, as defined, from future recoveries on specified projects.

Note G – 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 September 30, 2016, the Company has incurred net operating losses of $5,201,145. The Company has recorded a net deferred tax asset of $0 as of September 30, 2016 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 H – Related Party Transactions

The Company's CEO and principal stockholder has loaned the Company an aggregate of $538,428 as of September 30, 2016 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.

During the second quarter of 2016, the Company's principal accounting officer was issued 236,667 shares of the Company's common stock under the conversion terms of the $182,225 convertible note payable.

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.

Note H – Related Party Transactions (continued)

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 D) and the operating lease for the facility. During the second quarter of 2016, Mr. Beard surrendered the 138,112 shares of common stock in exchange for the assets and liabiliites which had been originally transferred to Treasures (inventory, equipment, patents and an obligation payable under capital lease), along with 300,000 shares of Treasures' common stock which had been issued in 2015 for services. Mr. Beard also resigned his position as an officer and director of Treasures. The Company recorded non-operating revenue in the amount of $30,123 as a result of this transaction, along with an adjustment of $111,122 reducing the non-controlling interest in Treasures. The Company's share of the issued and outstanding shares of treasures increased to 86.09% from the original 83.12% held.