

STRATEGIC INTERNET INVESTMENTS, INCORPORATED

(A Development Stage Company)

INTERIM FINANCIAL STATEMENTS

September 30, 2013

(Unaudited)

STRATEGIC INTERNET INVESTMENTS, INCORPORATED

(A Development Stage Company)

INTERIM BALANCE SHEETS(Unaudited)

	September 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash	\$ 539	\$ 1,937
TOTAL ASSETS	\$ 539	\$ 1,937
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 82,220	\$ 100,631
Accounts payable- related party	123,420	477,282
Accrued interest - related party – Note 2	326,355	295,644
Convertible notes payable - related party – Note 2	418,975	402,675
Loans payable - related party – Note 2	397,871	320,626
TOTAL LIABILITIES	1,348,841	1,596,858
Stockholders' deficit:		
Capital Stock – Notes 2, 3, and 4		
Class A Convertible Preferred stock, \$0.001 par value 10,000,000 authorized, 198,000 outstanding	792,000	792,000
Class B Preferred stock, \$0.001 par value 10,000,000 authorized, none outstanding	-	-
Common stock, \$0.001 par value 100,000,000 authorized 35,159,391 issued (2012: 27,610,326 issued)	35,159	27,610
Stock to be issued – Note 3	-	63,250
Additional paid-in capital	10,835,044	8,159,402
Deficit accumulated during the development stage	(13,010,505)	(10,637,183)
TOTAL STOCKHOLDERS' DEFICIT	(1,348,302)	(1,594,921)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 539	\$ 1,937

The accompanying notes are an integral part of the unaudited financial statements.

STRATEGIC INTERNET INVESTMENTS, INCORPORATED

(A Development Stage Company)

INTERIM STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended		Nine months ended		Cumulative from
	September 30,		September 30,		February 28,
	2013	2012	2013	2012	1989 (Date of
					Inception) to
					September 30,
					2013
General and Administrative Expenses					
Accounting and audit fees	\$ 6,570	\$ 9,397	\$ 41,052	\$ 53,559	\$ 577,468
Amortization	-	-	-	-	3,616
Communications	131	215	1,733	643	109,812
Consulting fees – Note 3	546,950	-	782,150	-	4,437,416
Interest – Note 2	18,581	16,823	53,812	48,893	689,693
Investor relations	-	-	-	-	91,385
Legal fees	-	2,975	806	2,975	171,022
Management fees – Note 4	49,600	1,000	122,750	1,000	892,483
Office and general	182	108	930	223	146,532
Regulatory fees	2,085	4,609	11,368	11,973	77,741
Rent	-	-	-	-	135,615
Transfer agent fees	375	375	1,525	1,125	50,533
Travel	-	-	-	-	112,770
Loss on disposal of equipment	-	-	-	-	1,481
Write-down of advances to related party	-	-	-	-	606,337
Operating loss	(624,474)	(35,502)	(1,016,126)	(120,391)	(8,103,904)
Unauthorized distribution	-	-	-	-	(69,116)
Termination fee	-	-	-	-	(792,000)
Gain (loss) on foreign exchange	(4,980)	(9,256)	7,561	(10,046)	(32,333)
Loss on settlement of payables – Note 3	-	-	(1,364,757)	-	(1,339,524)
Write-down of deferred investment costs	-	-	-	-	(34,210)
Net loss for the period	\$ (629,454)	\$ (44,758)	\$ (2,373,322)	\$ (130,437)	\$ (10,371,087)
Basic and diluted loss per share	\$ (0.01)	\$ (0.00)	\$ (0.07)	\$ (0.00)	
Weighted average number of common shares outstanding	35,159,391	27,610,326	33,671,284	27,610,326	

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STRATEGIC INTERNET INVESTMENTS, INCORPORATED

(A Development Stage Company)
INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine months ended September 30,		Cumulative from February 28, 1989 (Date of Inception) to September 30,
	2013	2012	2013
Operating Activities			
Net loss for the period	\$ (2,373,322)	\$ (130,436)	\$ (10,371,087)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization	-	-	3,616
Beneficial conversion feature on convertible debt	-	-	239,662
Communications	-	-	28,000
Consulting fees	-	-	2,523,404
Loss on settlement of payables	1,364,757	-	1,339,524
Interest accrued on loans	-	48,893	272,541
Legal fees	-	-	25,000
Loss on disposal of equipment	-	-	1,481
Management fees	-	-	25,400
Stock-based compensation	887,750	-	2,017,621
Termination fees	-	-	792,000
Write-down of deferred costs	-	-	34,210
Write-down of advances to related party	-	-	606,337
Changes in non-cash item:			
Accrued interest	53,812	-	53,812
Accounts payable - related party	13,572	-	13,572
Accounts payable	(18,411)	15,188	697,449
Net cash used in operating activities	(71,842)	(66,355)	(1,697,458)
Investing Activities			
Organization costs	-	-	(750)
Acquisition of equipment	-	-	(4,347)
Deferred costs	-	-	(34,210)
Advances to related party	-	-	(606,337)
Net cash used in investing activities	-	-	(645,644)
Financing Activities			
Loans payable	102,644	67,064	1,202,512
Payment on loan payable	(32,200)	-	(32,200)
Due to related parties	-	-	15,526
Proceeds from issuance of common stock	-	-	1,162,631
Payment of offering costs	-	-	(30,270)
Additional paid-in capital	-	-	25,442
Net cash provided by financing activities	70,444	67,064	2,343,641
Increase (decrease) in cash during the period	(1,398)	709	539
Cash, beginning of the period	1,937	161	-
Cash, end of the period	\$ 539	\$ 870	\$ 539
Supplementary disclosure of cash flows:			
Cash paid for Interest	\$ -	\$ -	\$ 93,859
Non-cash financing and investing activities:			
Common shares issued for conversion of liabilities	\$ 367,434	\$ -	\$ 367,434

The accompanying notes are an integral part of the unaudited financial statements.

STRATEGIC INTERNET INVESTMENTS, INCORPORATED

(A Development Stage Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

September 30, 2013

(Unaudited)

1. Nature of Operations and Ability to Continue as a Going Concern

The Company is in the development stage and is devoting its efforts to exploring new investment opportunities, including real estate development projects.

Certain prior year amounts have been reclassified to conform to the current year presentation.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At September 30, 2013, the Company had not yet achieved profitable operations, has an accumulated deficit of \$13,010,505 since its inception, has a working capital deficiency of \$1,348,302 and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. Management anticipates that it requires approximately \$85,000 over the twelve months ended September 30, 2014 to continue operations as well as the Company estimates it will accrue interest expenses of \$73,000 over the next 12 months on loans due to related parties. In addition to funding the Company's general, administrative and corporate expenses the Company is obligated to address its current obligations totalling \$1,348,841. To the extent that cash needs are not achieved from operating cash flow and existing cash on hand, the Company will be required to raise necessary cash through shareholder loans, equity issuances and/or other debt financing. Amounts raised will be used to continue the development of the Company's investment activities, and for other working capital purposes.

The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management has no formal plan in place to address this concern but considers that the Company will be able to obtain additional funds by equity financing and/or related party advances; however there is no assurance of additional funding being available. The Company has historically satisfied its capital needs primarily by issuing equity securities. Management plans to continue to provide for its capital needs during the twelve months ended September 30, 2014, by issuing equity securities and/or related party advances.

The accompanying unaudited interim financial statements have been prepared by the Company pursuant to the rules and regulations of the United States Securities and Exchange Commission. Certain information and disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments and disclosures necessary for a fair presentation of these financial statements have been included. Such adjustments consist of normal recurring adjustments. These interim financial statements should be read in conjunction with the annual audited financial statements of the Company for the fiscal year ended December 31, 2012, included in the Company's 10-K Annual Report as filed with the United States Securities and Exchange Commission.

The results of operations for the period ended September 30, 2013 are not indicative of the results that may be expected for the full year.

STRATEGIC INTERNET INVESTMENTS, INCORPORATED

(A Development Stage Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

September 30, 2013

(Unaudited)

2. Loans Payable- Related Party

	September 30, 2013	December 31, 2012
a) Loan payable to a company controlled by a director of the Company including accrued interest of \$11,771 (December 31, 2012 - \$10,198). The loan is unsecured, bearing interest at 12% per annum and is repayable on demand.	\$ 18,572	\$ 17,000
b) Loans payable to companies controlled by directors of the Company. The loans are unsecured, non-interest bearing, and repayable upon demand.	391,070	320,625
c) Loan payable to a company controlled by a director of the Company, including accrued interest payable of \$126,520 (December 31, 2012 - \$105,848), pursuant to a Convertible Loan Agreement. The loan is unsecured, bearing interest at 10% per annum and is repayable on demand. The lender may at anytime convert the principal sum into units of the Company. Each unit will consist of one common share plus one common share purchase warrant. Each warrant is exercisable for a period of 2 years from the date of conversion at a price ranging from \$0.05 to \$0.23. The principal sum of \$163,766 may be converted into 2,320,858 units. Conversion of these loans and resulting associated warrants to equity will be based on the conversion price set at the time the principal amount was drawn ranging from \$0.05 to \$0.23.	290,286	269,614
d) Loan payable to a company controlled by a director of the Company, including accrued interest of \$188,064 (December 31, 2012 - \$156,497), pursuant to a Convertible Loan Agreement. The loan is unsecured, bearing interest at 10% per annum and is repayable on demand. The lender may at anytime convert the principal sum into units of the Company. Each unit will consist of one common share plus one common share purchase warrant. Each warrant is exercisable for a period of 2 years from the date of conversion at a price ranging from \$0.05 to \$0.12. The principal sum of \$255,209 may be converted into 4,526,436 units. Conversion of this loan and resulting associated warrants to equity will be based on the conversion price set at the time the principal amount was drawn ranging from \$0.05 to \$0.12.	443,273	411,706
TOTAL LOANS PAYABLE	\$ 1,143,201	\$ 1,018,945

STRATEGIC INTERNET INVESTMENTS, INCORPORATED

(A Development Stage Company)

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September 30, 2013

(Unaudited)

3. Capital Stock

During the period ended September 30, 2013, the Company issued common shares as follows:

- a) On August 21, 2012 the Company entered into a Management Services Agreement with a director (the "Director") and an arm's length consultant (the "Consultant"), for a term of 12 months commencing on October 1, 2012. As partial remuneration for the management and consulting services the Company agreed to issue 320,000 restricted common shares to the Director, and 480,000 restricted common shares to the Consultant. The Company recognized share based compensation of \$264,000 as of September 30, 2013.
- b) On August 21, 2012 the Company entered into a Consulting Services Agreement with an arm's length consultant (the "Consultant"), for a term of 12 months commencing on October 1, 2012. As partial remuneration for the consulting services the Company agreed to issue 300,000 restricted common shares to the Consultant. The Company recognized share based compensation of \$99,000 as of September 30, 2013.
- c) On February 19, 2013 the Company issued a total of 5,249,065 restricted common shares at \$0.33 per share as settlement of accounts payable due to a director of the Company, a company controlled by a director of the Company, in respect of unpaid management and consulting fee debts totaling \$350,214, plus a \$17,220 debt owed to an arm's length creditor. Of the accounts payable settled, \$321,057 was pursuant to two Management Services Agreements with related parties. The settlement of accounts payable totaling \$367,434 resulted in a loss on settlement of payables in the amount of \$1,364,757. The accounts payable settlement included: \$165,019 due to a director of the Company for previous year's management fees; \$185,194 due to a company controlled by a director of the Company for previous year's management fees, consulting fees, and office expenses, plus a \$17,220 debt owed to an arm's length creditor.
- d) On March 15, 2013 the Company entered into two Consulting Services Agreement with two arm's length consultants (the "Consultants"), for a term of 12 months commencing on March 15, 2013. As remuneration for the consulting services the Company agreed to issue 600,000 restricted common shares to each Consultant. These shares were valued on March 15, 2013 at \$0.49 per share based on the quoted market price on that date. The Company recognized the full expense of \$588,000 on the shares.

No shares were issued during the period ended September 30, 2012.

Stock Option Plan

The Company's board of directors approved a stock option plan. Under the plan directors, employees and consultants may be granted options to purchase common stock of the Company at a price of not less than 100% of the fair market value of the stock. The total number of options granted must not exceed 15% of the outstanding common stock of the Company. The plan expires on July 1, 2017.

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September 30, 2013

(Unaudited)

3. Capital Stock – (cont'd)

Stock-based Compensation

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option valuation model. The Black-Scholes option valuation model requires the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate and therefore the Black-Scholes model does not necessarily provide a reliable single measure of the fair value of the Company's share purchase options.

On October 15, 2012, the Company granted 4,140,000 share purchase options to directors, employees, and consultants of the Company at \$0.10 per share, which was \$0.13 lower than the Company's common stock price on the date of grant. All options have been granted with a term of 5 years, expiring on October 15, 2017.

Of these 4,140,000 share purchase options granted in fiscal 2012, 2,940,000 share purchase options were subsequently cancelled in November 2012. The cancelled options were originally issued to one arm's length consultant and two directors. The Company re-issued the 2,940,000 options to the same parties at \$0.12 per share on January 16, 2013, being the closing price of the Company's common stock on that date, with a term of 5 years expiring on January 16, 2018. In accordance with GAAP, these re-issued options were treated as a change in the expiry date and exercise price of the original options granted on October 15, 2012. The modification of these options did not result in any additional charges to compensation expenses.

During the period ended September 30, 2013, except as noted above, the Company did not grant any stock options to directors, employees, or consultants. No options were granted in the period ended September 30, 2012.

During the period ended September 30, 2013, the change in share purchase options outstanding are as follows:

	Options	Weighted Average Exercise Price	Aggregate Intrinsic Value
Options outstanding at December 31, 2011	3,125,000	\$0.15	\$ -
Granted during the year	4,140,000	\$0.10	\$ -
Cancelled during the year	(6,065,000)	\$0.15	\$ -
Options outstanding at December 31, 2012	1,200,000	\$0.10	\$ -
Granted during the period	2,940,000	\$0.12	\$ -
Options outstanding at September 30, 2013	4,140,000	\$0.11	\$ 707,100

As at September 30, 2013, the Company had share purchase options outstanding as follows:

Expiry Date	Exercise Price	Number of Options
October 15, 2017	\$0.10	1,200,000
January 16, 2018	\$0.12	2,940,000
<u>Total options outstanding</u>		<u>4,140,000</u>

As at September 30, 2013 and December 31, 2012 all of the outstanding share purchase options were exercisable.

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4. Related Party Transactions

At September 30, 2013, accounts payable includes \$107,893 (December 31, 2012 - \$461,755) due to a director of the Company and a company with a director in common in respect of unpaid management fees and expenses incurred on behalf of the Company.

At September 30, 2013, accounts payable also includes \$15,527 (December 31, 2012 - \$15,527) of expenses for operating costs paid on behalf of the Company by companies with directors in common.

On August 21, 2012 the Company entered into a Management Services Agreement with a director (the "Director") and an arm's length consultant (the "Consultant"), for a term of 12 months commencing on October 1, 2012. As partial remuneration for the management services the Company agreed to issue 320,000 restricted common shares to the Director. The Company also agreed to pay the Director \$20 per hour for time spent on the affairs of the Company, pursuant to which during the period ended September 30, 2013, the Company has paid or accrued management fees of \$1,100 (2012 - \$Nil). The shares were valued at \$0.33 for a total value of \$105,600.

During the period ended September 30, 2013, the Company paid or accrued management fees of \$17,150 (September 30, 2012 - \$Nil) to a director, and to a director and officer of the Company.

