STRATEGIC INTERNET INVESTMENTS, INCORPORATED

FINANCIAL STATEMENTS

December 31, 2014 and 2013

(Expressed in U.S. Dollars)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of
Strategic Internet Investments, Incorporated
Kalispell, Montana

We have audited the accompanying balance sheets of Strategic Internet Investments, Incorporated (the "Company") as of December 31, 2014 and 2013, and the related statements of operations, shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Strategic Internet Investments, Incorporated as of December 31, 2014 and 2013, and the results its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has recurring net losses and has a working capital deficit. These conditions raise significant doubt about the Company's ability to continue as a going concern. Management's plans in this regard are described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ MaloneBailey, LLP
www.malonebailey.com
Houston, Texas

March 27, 2015

STRATEGIC INTERNET INVESTMENTS, INCORPORATED

BALANCE SHEETS
(Expressed in U.S. Dollars)

	December 31, 2014	December 31, 2013
ASSETS		
Current:		
Cash	$ 1,324	$ 3
TOTAL ASSETS	$ 1,324	$ 3
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current:		
Accounts payable	$ 79,442	$ 91,380
Accounts payable - related party	90,472	121,348
Accrued interest	4,399	-
Accrued interest - related party	425,880	345,406
Convertible loan payable	50,000	-
Loans and convertible notes payable - related party	780,025	814,626
TOTAL LIABILITIES	1,430,218	1,372,760
Stockholders' deficit:		
Capital Stock		
Class A Convertible Preferred stock, $0.001 par value		
10,000,000 authorized, 198,000 outstanding	198	198
Class B Preferred stock, $0.001 par value		
10,000,000 authorized, none outstanding	-	-
Common stock, $0.001 par value		
100,000,000 authorized		
36,859,391 issued (2013: 35,159,391 issued)	36,859	35,159
Additional paid-in capital	11,919,859	11,808,733
Accumulated deficit	(13,385,810)	(13,216,847)
TOTAL STOCKHOLDERS' DEFICIT	(1,428,894)	(1,372,757)
TOTAL STOCKHOLDERS' DEFICIT AND LIABILITIES	$ 1,324	$ 3

Nature of Operations and Ability to Continue as a Going Concern – Note 1
Subsequent Events – Note 8

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

STRATEGIC INTERNET INVESTMENTS, INCORPORATED

STATEMENTS OF OPERATIONS
(Expressed in U.S. Dollars)

	Years ended December 31, 2014	2013
General and Administrative Expenses		
Accounting and audit fees	$ 45,341	$ 47,879
Communications	871	1,924
Consulting fees	-	1,196,510
Legal fees	898	1,043
Management fees	14,302	123,750
Office and general	1,205	1,849
Regulatory fees	12,494	14,296
Transfer agent fees	1,500	1,775
Operating loss	(76,611)	(1,389,026)
Other income and expenses		
Interest	(107,699)	(72,863)
Gain on foreign exchange	15,347	14,509
Loss on settlement of payables	-	(1,364,757)
Net loss for the year	$ (168,963)	$ (2,812,137)
Basic and diluted loss per share	$(0.00)	$(0.08)
Weighted average number of common shares outstanding	35,778,843	34,046,368

STRATEGIC INTERNET INVESTMENTS, INCORPORATED

STATEMENTS OF CASH FLOWS
(Expressed in U.S. Dollars)

	Years ended December 31, 2014	Years ended December 31, 2013
Operating Activities		
Net loss for the period	$ (168,963)	$ (2,812,137)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss on settlement of payables	-	1,364,757
Unrealized foreign exchange gain	(4,130)	(4,298)
Amortization of debt discount	22,826	-
Stock-based compensation	-	1,302,110
Changes in non-cash item:		
Accounts payable	(11,938)	14,431
Accounts payable – related party	(30,876)	(5,720)
Accrued interest	4,399	-
Accrued interest – related party	80,474	72,863
Net cash used in operating activities	(108,208)	(67,994)
Financing Activities		
Proceeds from issuance of common stock	90,000	-
Proceeds from convertible note	50,000	-
Proceeds from related party loans	-	98,610
Payments on related party loans	(30,471)	(32,550)
Net cash provided by financing activities	109,529	66,060
Increase (decrease) in cash during the period	1,321	(1,934)
Cash, beginning of the period	3	1,937
Cash, end of the period	$ 1,324	$ 3
Non-cash financing and investing activities:		
Shares issued for conversion of debt	$ -	$ 367,434
Payment of accounts payable by related party	$ -	$ 6,462
Debt discount from beneficial conversion feature	$ 22,826	$ -
Supplementary disclosure of cash flows:		
Cash paid for Interest	$ -	$ -

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

STRATEGIC INTERNET INVESTMENTS, INCORPORATED

STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT
For the Years Ended December 31, 2014 and 2013
(Expressed in U.S. Dollars)

	Class A Convertible Preferred Stock		Common Stock		Additional Paid-In	Accumulated	
	Stock	Par Value	Stock	Par Value	Capital	Deficit	Total
Balances, December 31, 2012	198,000	$ 198	27,610,326	$ 27,610	$ 8,781,981	$ (10,404,710)	$ (1,594,921)
Issuance of stock for payables	-	-	5,249,065	5,249	362,185	-	367,434
Loss on settlement of payables			-	-	1,364,757		1,364,757
Non-cash compensation charge	-	-	-	-	351,110	-	351,110
Issuance of stock for consulting and management services	-	-	2,300,000	2,300	948,700	-	951,000
Net loss	-	-	-	-	-	(2,812,137)	(2,812,137)
Balances, December 31, 2013	198,000	$ 198	35,159,391	$ 35,159	$ 11,808,733	$ (13,216,847)	$ (1,372,757)
Issuance of stock for cash	-	-	1,700,000	1,700	88,300	-	90,000
Beneficial conversion feature on convertible loan	-	-	-	-	22,826	-	22,826
Net loss	-	-	-	-	-	(168,963)	(168,963)
Balances, December 31, 2014	198,000	$ 198	36,859,391	$ 36,859	$ 11,919,859	$ (13,385,810)	$ (1,428,894)

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

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.

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 December 31, 2014, the Company had not yet achieved profitable operations, has an accumulated deficit of $13,385,810 since its inception, has a working capital deficiency of $1,428,894 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 $84,000 over the twelve months ended December 31, 2015 to continue operations and estimates it will accrue interest expenses of $88,000 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 totaling $1,430,218. 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, which may be dilutive to existing shareholders. The Company currently has no agreement in place to raise funds for current liabilities and no guarantee can be given that we will be able to raise funds for this purpose on terms acceptable to the company. Failure to raise funds for general, administrative and corporate expenses and current liabilities could result in a severe curtailment of the company operations.

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 and/or related party advances. Management plans to continue to provide for its capital needs during the year ended December 31, 2015, by issuing equity securities and/or related party advances.

Summary of Significant Accounting Policies

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates, which have been made using careful judgment. Actual results may differ from those estimates.

The financial statements have, in management's opinion, been properly prepared within the framework of the significant accounting policies summarized below:

Development Stage Company

In the year ending December 31, 2013, the Company has elected to early adopt Accounting Standards Update No. 2014-10, Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements. The adoption of this ASU allows the Company to remove the inception to date information and all references to exploration stage.

Cash and Cash Equivalents

The Company classifies all highly liquid instruments with an original maturity of three months or less at the time of purchase as cash equivalents.

Income Taxes

The Company accounts for income taxes in accordance with Accounting Standards Codification ("ASC") 740, *Income Taxes*. There are two major components of income tax expense, current and deferred. Current income tax expense approximates cash to be paid or refunded for taxes for the applicable period. Deferred tax assets and liabilities are determined based upon the difference between the financial statement and tax basis of assets and liabilities as measured by the enacted tax rates, which will be in effect when these differences reverse. Deferred tax expense or benefit is the result of changes between deferred tax assets and liabilities.

A valuation allowance is established when, based on an evaluation of objective verifiable evidence, it is more likely than not that some portion or all of deferred tax assets will not be realized.

Basic and Diluted Loss Per Share

The basic loss per share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding. Diluted loss per common share is computed similar to basic loss per share except that the denominator is increased to include the number of additional shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. In addition, in computing the dilutive effect of convertible securities, the numerator is adjusted to add back any convertible preferred dividend and the after-tax amount of interest in the period associated with any convertible debt. The numerator is also adjusted for any other changes in income or loss that would result from the assumed conversion of these potential common shares. The if-converted method is used in calculating diluted loss per share for the convertible debentures. The treasury stock method is used in calculating diluted loss per share, which assumes that any proceeds received from the exercise of in-the-money stock options and share purchase warrants would be used to purchase common shares at the average market price for the period.

Common share equivalents represent the dilutive effect of the assumed exercise of the outstanding stock options and warrants, using the treasury stock method, and the dilutive effect of the assumed conversion of convertible debt and convertible preferred shares, using the if-converted method, only if the common stock equivalents are considered dilutive based upon the Company's net loss position at the calculation date.

At December 31, 2014, the Company had 18,862,588 (2013 – 18,362,588) common share equivalents in respect to convertible preferred shares, stock options, and convertible debt. Because the Company incurred a loss, diluted loss per share is the same as basic loss per share.

Foreign Currency Translation

Foreign currency transactions are translated into U.S. dollars, the functional and reporting currency, by the use of the exchange rate in effect at the date of the transaction, in accordance with ASC 830, *Foreign Currency Matters*. At each balance sheet date, recorded balances that are denominated in a currency other than U.S. dollars are adjusted to reflect the current exchange rate. Any exchange gains or losses are included in the Statements of Operations.

Financial Instruments

The carrying value of cash, accounts payable, and loans payable approximates fair value because of the demand or short term to maturity of such instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

As a basis for considering market participant assumptions in fair value measurements, ASC 820-10 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The fair value hierarchy, as defined by ASC 820-10, contains three levels of inputs that may be used to measure fair value as follows:

- Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals; and
- Level 3 inputs are unobservable inputs for the asset or liability which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment). There were no assets or liabilities measured at fair value on a nonrecurring basis during the periods ended December 31, 2014 and 2013.

Stock-based Compensation

The Company accounts for stock-based compensation using ASC 718 which requires public companies to recognize the cost of services received in exchange for equity instruments, based on the grant-date fair value of those instruments. The Company uses the Black-Scholes option valuation model to calculate stock-based compensation at the date of the grant. Option valuation models require the input of highly subjective assumptions, including the expected price volatility. Changes in assumptions can materially affect the fair value estimate. Compensation expense for unvested options to non-employees is revalued at each period end and is being amortized over the vesting period of the options.

Convertible Instruments and Beneficial Conversion Feature

When the Company issues convertible instruments with detachable instruments, the proceeds of the issuance are allocated between the convertible instrument and other detachable instruments based on their relative fair values. The resulting discount of the convertible instrument is amortized into income as interest expense over the term of the convertible instrument. As at December 31, 2014 and 2013, there were no convertible instruments with detachable instruments outstanding.

When the Company issues convertible debt securities with a non-detachable conversion feature that provides for an effective rate of conversion that is below market value on the commitment date, it is known as a beneficial conversion feature. For the convertible debt securities outstanding as at December 31, 2014 and 2013, the embedded conversion features met the exemption criteria to be classified as equity instruments. The conversion feature of the security that has characteristics of an equity instrument is measured at its intrinsic value at the commitment date and is recorded as additional paid in capital. A portion of the proceeds of the security issued is allocated to the conversion feature equal to its intrinsic value to a maximum of the amount allocated to the convertible instrument. The resulting discount of the debt instrument is amortized into income as interest expense using the effective interest rate over the term of the loan. However, due to demand nature of the convertible debt securities, the discount of the debt instrument was immediately expensed.

New Accounting Standards

The Company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on our results of operations, financial position or cash flow.

(Expressed in U.S. Dollars)

2. Convertible loan payable

On January 5, 2014 Company entered into a Convertible Loan Agreement and issued a convertible note for $50,000. This loan is unsecured, bearing interest at 10% per annum, and is repayable at maturity on January 7, 2015, or on demand after that date. At any time, the lender may convert the principle amount of the loan into units of the Company, each unit consisting of one common share and one non-transferable share purchase warrant, at a conversion rate of $0.20 per unit. Each share purchase warrant entitles the holder to purchase one additional common share for a period of two years from the warrant issue date, at an exercise price of $0.20 during the first year, and $0.35 during the second year. As of December 31, 2014, $4,399 was accrued in interest on the note.

The Company calculated a beneficial conversion feature on the convertible note of $22,826, and this amount was fully amortized to interest expense during the year ended December 31, 2014. Upon conversion of this loan, the $42,000 fair value of the warrants will be recognized as an interest expense and credited to additional paid-in capital.

The fair value of the warrants was estimated at the date the convertible note was issued using the Black-Scholes valuation model. The Black-Scholes 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 warrants.

The fair value of the warrants was estimated with the following assumptions:

	2014	2013
Expected dividend yield	-	-
Expected volatility	254%	-
Risk-free Interest Rate	0.27%	-
Expected term in years	1.5	-

The expected volatility is calculated based on the Company's historical share price.

		December 31, 2014		December 31, 2013
Convertible note payable – face value	$	50,000	$	-
Less: beneficial conversion feature		(22,826)		-
				-
		27,174		
Amortization of beneficial conversion feature		22,826		
Balance, end of year	$	50,000	$	-

The amortization of the beneficial conversion feature is included in interest expense.

(Expressed in U.S. Dollars)

3. Loans and convertible notes payable – related party

		December 31, 2014	December 31, 2013
a)	Loan payable to a company controlled by a director of the Company plus accrued interest of $14,734 (2013 - $12,332). The loan is unsecured, bearing interest at 12% per annum and is repayable on demand.	$ 6,802	$ 6,802
b)	Loans payable to companies controlled by directors of the Company. The loans are unsecured, non-interest bearing, and repayable upon demand.	354,248	388,849
c)	Loan payable to a company controlled by a director of the Company, plus accrued interest payable of $164,732 (2013 - $133,837), 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. Upon conversion of this loan, the $73,685 fair value of the warrants will be recognized as an interest expense and credited to additional paid-in capital.	163,766	163,766
d)	Loan payable to a company controlled by a director of the Company, plus accrued interest of $246,414 (2012 - $199,237), 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. Upon conversion of this loan, the $113,338 fair value of the warrants will be recognized as an interest expense and credited to additional paid-in capital.	255,209	255,209
		$ 780,025	$ 814,626

4. Capital Stock

Class A Convertible Preferred Shares

The Class A convertible preferred shares issued in 2003 have a par value of $0.001 and are convertible to common shares at $4.00 per share during the first 180 days following issuance, and thereafter at the average of twenty consecutive days closing prices, but shall not be less than $1.50 per share or greater than $6.00 per share. The Company has the right to redeem its Class A convertible preferred stock at any time by paying to the holders thereof the sum of $4 per share.

The aggregate liquidation value of the Class A convertible preferred shares is $792,000. A merger or consolidation of the Company that results in the Company's stockholders immediately prior to the transaction not holding at least 50% of the voting power of the surviving entity shall be deemed a liquidation event.

During 2014 and 2013, the Company issued common shares as follows:

a) On August 21, 2012 the Company entered into a Management Services Agreement with a director and an arm's length 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 common shares to the Director, and 480,000 common shares to the Consultant. The Company recognized share based compensation of $264,000 in 2013. These shares were issued on February 19, 2013.

b) On August 21, 2012 the Company entered into a Consulting Services Agreement with an arm's length 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 common shares to the Consultant. The Company recognized share based compensation of $99,000 in 2013. These shares were issued on February 19, 2013.

c) On February 19, 2013 the Company issued a total of 5,249,065 common shares at $0.33 per share as settlement of accounts payable due to a director and a company controlled by a director 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: $165,020 due to a director for a previous year's management fees; $185,194 due to a company controlled by a director 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 Agreements with two arm's length consultants, for terms of 12 months commencing on March 15, 2013. As remuneration for the consulting services the Company agreed to issue 600,000 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. These shares were issued on May 9, 2013.

e) On July 17, 2014, the Company issued 1,200,000 common shares for cash proceeds of $50,000.

f) On November 13, 2014, the Company issued 500,000 common shares for cash proceeds of $40,000.

(Expressed in U.S. Dollars)

Stock-based Compensation

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.

During 2013, the Company granted 2,940,000 vested share purchase options to one arms-length consultant and two directors entitling them to acquire 2,940,000 common shares at $0.12, which was $0.04 lower than the Company's common stock price on the grant date.

The 2,940,000 options have been granted with a term of 5 years expiring on January 16, 2018. The Company has charged a total of $351,110 as compensation expense, for share purchase options awarded to directors and consultants during 2013.

No options were granted and no compensation expense was recorded during 2014.

The fair value of each option grant was 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.

The fair value of each option grant was estimated on the date of the grant using the Black-Scholes option valuation model with the following weighted average assumptions:

	2014	2013
Expected dividend yield	-	0.0%
Expected volatility	-	251%
Risk-free Interest Rate	-	1.66%
Expected term in years	-	5

The expected volatility is calculated based on the Company's historical share price. The weighted average fair value of options granted during 2013 was $0.12.

During 2013, the changes in share purchase options outstanding are as follows:

	Options	Weighted Average Exercise Price	Aggregate Intrinsic Value
Options outstanding at December 31, 2012	1,200,000	$0.10	$ -
Granted during 2013	2,940,000	$0.12	$ -
Options outstanding at December 31, 2013 and 2014	4,140,000	$0.11	$ 562,000

(Expressed in U.S. Dollars)

As at December 31, 2014, the Company had share purchase options outstanding as follows:

Expiry Date	Exercise Price	Remaining Contractual Life	Number of Options
October 15, 2017	$0.10	2.79 years	1,200,000
January 16, 2018	$0.12	3.05 years	2,940,000
Total options outstanding		2.97 years	4,140,000

At December 31, 2014 and 2013 all of the outstanding share purchase options were exercisable.

5. Settlement of Debt

During 2013, the Company issued shares to two related parties and one outside party to settle outstanding debt and accrued liabilities. The company issued 5,249,065 shares which were valued at $0.33 per share, the fair value of the stock on the grant date, for a total deemed value of $1,732,191. The value of liabilities settled was $367,434 ($350,215 resulting from related parties and $17,215 was outside parties) resulting in a loss on settlement of debt of $1,364,757.

There were no similar debt settlements in 2014.

6. Related Party Transactions

The Company was charged the following by stockholders, directors, by companies controlled by directors and/or stockholders of the Company, and by companies with directors in common:

	Year ended December 31, 2014	Year ended December 31, 2013
Interest	$ 80,474	$ 72,863
Management fees	14,302	123,750
Total related party transactions	$ 94,776	$ 196,613

At December 31, 2014, accounts payable includes $74,945 (2013 - $105,821) due to two directors and a company controlled by a director of the Company in respect of unpaid management fees and expenses incurred on behalf of the Company.

At December 31, 2014, accounts payable also includes $15,527 (2013 - $15,527) of expenses for operating costs paid on behalf of the Company by a company with directors in common.

The Company entered into two Management Services Agreements dated January 1, 2007 with a director and a company controlled by a director of the Company. Under the terms of these agreements they were each paid $7,500 per month, plus taxes where applicable, for management services. These agreements expired in 2008. At December 31, 2013 the Company owed $321,057 pursuant to the two Management Services Agreements. On February 19, 2013, the accounts payable arising from these agreements was settled by the issuance of common shares (Note 4(c)). There were no similar debt settlements in 2014.

(Expressed in U.S. Dollars)

7. Income Taxes

The tax effects of temporary differences that give rise to deferred tax assets at December 31, 2014 and 2013 are presented below:

		December 31, 2014		2013
Net tax operating loss carryforwards	$	2,223,000	$	2,172,000
Valuation allowance for deferred tax asset		(2,223,000)		(2,172,000)
	$	-	$	-

The Company evaluates its valuation allowance requirements based on projected future operations. When circumstances change and this causes a change in management's judgment about the recoverability of deferred tax assets, the impact of the change on the valuation allowance is reflected in current income.

At December 31, 2014, the Company has estimated accumulated net operating losses of approximately $6,351,000 (2013 - $6,205,000) which may be carried forward to reduce taxation income in future years. The non-operating losses expire from 2018 to 2034.

8. Subsequent Event

Subsequent to December 31, 2014, the Company:

In February 2014, the Company completed a non-brokered private placement of 1,500,000 shares priced at $0.0533 per share for total gross proceeds of $80,000 cash, which has been received by the Company.