

**EARLY WARNING REPORT**  
**FILED PURSUANT TO**  
**NATIONAL INSTRUMENT 62-103**

**1. Name and Address of Offeror:**

Sydney Au, an individual with a business address of #168-11280 Twigg Place, Richmond, BC, V6V 0A6 (the "**Offeror**").

**2. Designation and number or principal amount of securities and the Offeror's security holding percentage in the class of securities of which the Offeror acquired ownership or control in the transaction or occurrence giving rise to the obligation to file the news release, and whether it was ownership or control that was acquired in those circumstances:**

Mr. Au, pursuant to providing a secured credit facility will have the ability to exercise the convertible debt of \$1,050,000 plus interest, at the same price of a currently announced "**Private Placement**" financing at a price of Cdn\$0.05 per "**Unit**", for gross proceeds to the Company of \$1,050,000 plus interest. Each Unit comprises of one (1) common share (each, a "**Unit Share**") and one (1) common share purchase warrant (each, a "**Warrant**") of the Company. Each Warrant will entitle the holder thereof to purchase one (1) common share (each, a "**Warrant Share**") of the Company at a price of Cdn.\$0.10 per Warrant Share at any time on or prior to the date that is five years following (the "**Closing Date**"), the date of closing the Private Placement. The amount would be convertible to approximately 21,000,000 units (the "**Units**") or 21,000,000 Unit Shares and 21,000,000 Warrant Shares of the Company.

As a result, Mr. Au is deemed the beneficial owner of 21,000,000 Units which are convertible into 21,000,000 Unit Shares and 21,000,000 Warrant Shares issuable on exercise of the Warrants acquired under the Convertible Debt (the "**Deemed Unit Ownership Shares**"), even though the Deemed Unit Ownership Shares are currently unissued, under applicable securities laws.

The 42,000,000 common shares (comprising the fully diluted Deemed Unit Ownership Shares) possibly to be acquired by Mr. Au under the Convertible Debenture for the Credit Facility represent approximately 20.16% of the 208,380,884 fully diluted issued and outstanding common shares of the Company assuming the closing of the maximum \$2 million of the announced Private Placement (and assuming conversion of all of the Deemed Unit Ownership Shares).

A news release in connection with the foregoing was issued by the Offeror on September 19<sup>th</sup>, 2014 and filed with Canadian securities regulatory authorities on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at [www.sedar.com](http://www.sedar.com).

**3. Designation and number or principal amount of securities and the Offeror's security holding percentage in the class of securities immediately after the transaction or occurrence giving rise to the obligation to file the news release:**

The Securityholder currently beneficially owns 25,880,000 common shares of the Company (excluding the Deemed Ownership Shares and including any shares that have optioned to third party

investors that remain unexercised), representing approximately 12.42% of the Company's then fully diluted issued and outstanding common shares representing 208,380,884.

If the Deemed Ownership Shares from the previous financing are included, following the closing of Private Placement, the Securityholder would beneficially own 28,560,000 common shares and if the Deemed Unit Ownership Shares are included Securityholder would own 70,560,000 common shares of the Company, representing approximately 33.86% of the Company's then fully diluted issued and outstanding common shares representing 208,380,884.

**4. Designation and number or principal amount of securities and the percentage of outstanding securities of the class of securities referred to in paragraph 3 over which:**

- (i) **the Offeror, either alone or together with any joint actors, has ownership and control;**

See Item 3 above.

- (ii) **the Offeror, either alone or together with any joint actors, has ownership but control is held by other persons or companies other than the Offeror or any joint actor; and**

Not applicable.

- (iii) **the Offeror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.**

Not applicable.

**5. Name of the market in which the transaction or occurrence that gave rise to the report took place:**

Not applicable.

**6. The value, in Canadian dollars, of any consideration offered per security if the Offeror acquired ownership of a security in the transaction or occurrence giving rise to the obligation to file a news release:**

Cdn \$0.05 per Unit pursuant to the Private Placement .

**7. Purpose of the Offeror and any joint actors in effecting the transaction or occurrence that gave rise to the news release, including any future intention to acquire ownership of, or control over, additional securities of the reporting issuer:**

The Securityholder acquired the right to the convertible debt as a result of arranging a credit facility of \$1,050,000 for the company to fund operations. This debt has a convertible feature to convert the principle and interest into Units of the Company at identical terms as the currently announced private placement price. The debt is held for investment purposes and depending on economic or market conditions or matters relating to the Company, Mr. Au may choose to either hold the debt, be paid back the cash loaned to the company, or convert a portion, all or none of the debt as

per the convertibility feature. He may also acquire additional common shares or dispose of common shares of the Company.

- 8. General nature and the material terms of any agreement, other than lending arrangements, with respect to securities of the reporting issuer entered into by the Offeror, or any joint actor, and the issuer of the securities or any other entity in connection with the transaction or occurrence giving rise to the news release, including agreements with respect to the acquisition, holding, disposition or voting of any of the securities:**

Not applicable.

- 9. Names of any joint actors in connection with the disclosure required by this report:**

Not applicable.

- 10. In the case of a transaction or occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, the nature and value of the consideration paid by the Offeror:**

The Securityholder provided a credit facility for \$1,050,000 with a convertibility feature to convert and principal and interest at the current private placement. If the Securityholder elects to convert the debt into securities the deemed price per Unit is Cdn\$0.05 per Unit (for one share and one share purchase warrant at \$0.10).

- 11. If applicable, a description of any change in any material fact set out in a previous report filed under the early warning requirements or Part 4 of National Instrument 62-103 in respect of the reporting issuer's securities:**

Not applicable.

- 12. If applicable, a description of the exemption from securities legislation being relied on by the Offeror and the facts supporting that reliance:**

The Units, Shares or Warrants, should the Creditor exercise the convertibility feature to acquire securities in the company will rely upon section 2.14 of National Instrument 45-106 – *Prospectus and Registration Exemptions*.

Dated this 29th day of February, 2016.

/s/ Sydney Au

Sydney Au