S2C GLOBAL SYSTEMS, INC.
(A Development Stage Enterprise)
Consolidated Balance Sheets
(Presented in US dollars)

	December 31, 2011	December 31, 2010
ASSETS		
Current		
Cash	$ -	$ 357
Accounts receivable	8,191	8,191
Due from government agencies	2,143	2,143
Prepaid expenses	-	1,500
	10,334	12,191
Investment in and advances to joint venture	-	
Equipment, net	6,182	8,243
	$ 16,516	$ 20,434
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current		
Accounts payable and accrued liabilities	$ 240,994	$ 240,994
Accounts payable and accrued liabilities - Related party	242,404	242,404
Loans payable	15,000	15,000
Loans payable - Related party	38,304	31,124
Demand promissory notes - Related party	10,565	9,785
Convertible promissory notes	-	82,528
Sale of future earnings	199,000	199,000
Due to joint venture	42,283	42,283
	788,550	863,118
Stockholders' Equity (Deficit)		
Preferred stock, 25,000,000 shares authorized, $0.001 par value no shares issued	-	-
Common stock, 200,000,000 shares authorized, $0.001 par value 122,870,350 (2010 – 108,046,588) shares outstanding	122,870	108,046
Additional paid-in capital	4,773,886	4,706,182
Deficit accumulated during the development stage	(5,668,790)	(5,656,912)
	(772,034)	(842,684)
	$ 16,516	$ 20,434

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

S2C GLOBAL SYSTEMS, INC.
(A Development Stage Enterprise)
Consolidated Statements Of Operations
(Presented in US dollars)

	Cumulative from inception May 6, 2004 to December 31, 2011	Year ended December 31, 2011	Year ended December 31, 2010
Sales	$ 1,848	$ -	$ -
Cost of sales	692	-	-
Gross profit	1,156	-	
General and administrative expenses	5,441,015	3,918	256,160
Loss on impairment of property and equipment	282,520	-	-
Loss before other income	(5,723,535)	(3,918)	(256,160)
Other income			
Forgiveness of debt	275,564	-	-
Interest earned	1,342	-	-
Interest expense	(117,542)	(7,960)	(105,172)
Loss from conversion of debt	(13,492)	-	-
Loss from joint venture	(92,283)	-	(75,000)
	53,589	(7,960)	(180,172)
Net and comprehensive loss	$ (5,668,790)	$ (11,878)	$ (436,332)
Weighted average number of shares outstanding - basic and diluted		122,870,350	108,046,588
Loss per share - basic and diluted		$ (0.01)	$ (0.01)

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

S2C GLOBAL SYSTEMS, INC.
(A Development Stage Enterprise)
Consolidated Statement Of Stockholders' Equity (Deficit)
(Presented in US dollars)

	Number of shares	**Par value**	**Additional Paid-in Capital**	**Deficit Accumulated During the Development Stage**	**Total**
Issued for subscriptions receivable	12,750,000	$ 12,750	$ (6,375)	$ -	$ 6,375
Issued for cash and subscriptions receivable	2,250,000	2,250	222,750	-	225,000
Issued for cash	220,668	221	25,211	-	25,432
Net loss for the period	**-**	**-**	**-**	**(387,005)**	**(387,005)**
Balance, December 31, 2004	**15,220,668**	**15,221**	**241,586**	**(387,005)**	**(130,198)**
Issued on conversion of convertible promissory notes at $0.062 per share; granted February 2, 2005 (Note 7)	1,266,666	1,267	77,768	-	79,035
Issued on reverse takeover acquisition of United Athletes, Inc. on February 2, 2005	15,095,490	15,095	(15,095)	-	-
Issued for cash at $0.25 per share	85,422	85	21,270	-	21,355
Issued for cash at $0.10 per share	125,000	125	12,375	-	12,500
Issued in settlement of accounts payable at $0.10	175,000	175	17,325	-	17,500
Issued pursuant to management and consulting agreements at $0.25	2,175,000	2,175	541,575	-	543,750
Issued for cash at $0.25 per share	257,000	257	63,993	-	64,250
Net loss for the year	**-**	**-**	**-**	**(1,153,147)**	**(1,153,147)**
Balance, December 31, 2005	**34,400,246**	**34,400**	**960,797**	**(1,540,152)**	**(544,955)**
Issued in settlement of accounts payable at $0.25	6,000	6	1,494	-	1,500
Issued for cash at $0.125 per share	560,000	560	69,440	-	70,000
Issued pursuant to management and consulting agreements at $0.05	2,920,000	2,920	113,080	-	116,000
Issued for services at $0.05 per share	100,000	100	4,900	-	5,000
Issued in settlement of accounts payable at $0.125	25,000	25	3,100	-	3,125
Issued for cash at $0.125 per share	144,000	144	17,856	-	18,000

Issued for services at $0.14 per share	50,000	50	6,950	-	7,000
Issued for services at $0.07 per share	5,120,000	5,120	353,280	-	358,400
Issued upon conversion of convertible debt (Note 7)	171,526	172	16,981	-	17,153
Issued for services at $0.10 per share	100,000	100	9,900	-	10,000
Issued for cash at $0.10 per share	1,009,650	1,010	99,955	-	100,965
Issued in settlement of debt at $0.10 per share	547,950	547	54,248	-	54,795
Issued for services at $0.12 per share	585,000	585	69,615	-	70,200
Issued for services at $0.13 per share	15,000	15	1,935	-	1,950
Net loss for the year	**-**	**-**	**-**	**(712,729)**	**(712,729)**
Balance, December 31, 2006	**45,754,372**	**45,754**	**1,783,531**	**(2,252,881)**	**(423,596)**

S2C GLOBAL SYSTEMS, INC.
(A Development Stage Enterprise)
Consolidated Statement Of Stockholders' Equity (Deficit)
(Presented in US dollars)

	Number of shares	**Par value**	**Additional Paid-in Capital**	**Deficit Accumulated During the Development Stage**	**Total**
Issued pursuant to management and consulting agreements at $0.08 per share	2,950,000	2,950	233,050	-	236,000
Issued for services at $0.10 per share	450,000	450	44,550	-	45,000
Issued for services at $0.12 per share	120,000	120	14,280	-	14,400
Issued for services at $0.13 per share	90,000	90	11,610	-	11,700
Issued for cash at $0.05 per share	7,800,000	7,800	382,200	-	390,000
Issued upon conversion of convertible debt at $0.10 per share (Note 6)	1,117,540	1,118	110,636	-	111,754
Issued in settlement of debt at $0.10 per share	1,018,415	1,018	100,824	-	101,842
Issued for services at $0.13 per share	100,000	100	12,900	-	13,000
Issued pursuant to management and consulting agreements at $0.08 per share	1,350,000	1,350	106,650	-	108,000
Issued for cash at $0.05 per share	500,000	500	24,500	-	25,000
Issued for services at $0.035 per share	100,000	100	3,400	-	3,500
Issued for services at $0.05 per share	200,000	200	9,800	-	10,000
Issued for services at $0.035 per share	100,000	100	3,400	-	3,500
Issued for services at $0.05 per share	200,000	200	9,800	-	10,000
Issued for services at $0.05 per share	200,000	200	9,800	-	10,000
Issued for cash at $0.035 per share	1,000,000	1,000	34,000	-	35,000
Issued for cash at $0.052 per share	1,357,125	1,357	69,143	-	70,500
Issued pursuant to management and consulting agreements at $0.08 per	1,100,000	1,100	86,900	-	88,000

share					
Issued pursuant to management and consulting agreements at $0.13 per share	90,000	90	11,610	-	11,700
Issued pursuant to management and consulting agreements at $0.034 per share	850,000	850	28,050	-	28,900
Issued pursuant to management and consulting agreements at $0.05 per share	25,000	25	1,225	-	1,250
Net loss for the year	**-**	**-**	**-**	**(879,217)**	**(879,217)**
Balance, December 31, 2007	**66,472,452**	**66,472**	**3,091,859**	**(3,132,098)**	**26,233**
Issued for services at $0.035 per share	200,000	200	6,800	-	7,000
Issued for services at $0.0499 per share	300,000	300	14,670	-	14,970
Issued for services at $0.047 per share	250,000	250	11,500	-	11,750
Issued for cash at $0.036 per share	555,000	555	19,445	-	20,000
Issued upon conversion of convertible debt at $0.10 per share (Note 7)	60,255	60	5,965	-	6,025
Issued for services at $0.05 per share	500,000	500	24,500	-	25,000
Issued for cash at $0.0256 per share	195,313	195	4,805	-	5,000
Issued for services at $0.026 per share	146,579	147	3,664	-	3,811
Issued for services at $0.03 per share	1,150,000	1,150	33,350	-	34,500
Issued for employee incentive at $0.02 per share	125,000	125	2,375	-	2,500

S2C GLOBAL SYSTEMS, INC.
(A Development Stage Enterprise)
Consolidated Statement Of Stockholders' Equity (Deficit)
(Presented in US dollars)

	Number of shares	**Par value**	**Additional Paid-in Capital**	**Deficit Accumulated During the Development Stage**	**Total**
Issued for services at $0.027 per share	100,000	100	2,600	-	2,700
Issued for services at $0.029 per share	80,000	80	2,240	-	2,320
Issued for cash at $0.012 per share	1,666,000	1,666	18,334	-	20,000
Issued upon conversion of convertible debt at $0.07 per share (Note 7)	245,000	245	19,948	-	20,193
Issued for services at $0.037 per share	1,400,000	1,400	50,400	-	51,800
Issued for services at $0.032 per share	300,000	300	9,300	-	9,600
Issued for services at $0.02 per	150,000	150	2,850	-	3,000

share					
Issued for services at $0.026 per share	65,000	65	1,625	-	1,690
Issued for services at $0.033 per share	400,000	400	12,800	-	13,200
Issued for services at $0.02 per share	349,000	349	6,631	-	6,980
Issued for services at $0.02 per share	100,000	100	1,900	-	2,000
Issued for cash at $0.04 per share	1,250,000	1,250	48,750	-	50,000
Issued for services at $0.01 per share	250,000	250	1,250	-	1,500
Issued for services at $0.02 per share	125,000	125	2,375	-	2,500
Issued for cash at $0.05 per share	500,000	500	24,500	-	25,000
Issued for services at $0.032 per share	300,000	300	9,300	-	9,600
Issued for services at $0.09 per share	100,000	100	8,900	-	9,000
Net loss for the year	**-**	**-**	**-**	**(940,376)**	**(940,376)**
Balance, December 31, 2008	**77,334,599**	**$ 77,334**	**$ 3,442,636**	**$(4,072,474)**	**$ (552,504)**
Issued for services at $0.04 per share	700,000	700	27,300	-	28,000
Issued for services at $0.04 per share	300,000	300	11,700	-	12,000
Issued for services at $0.04 per share	225,000	225	8,775	-	9,000
Issued for services at $0.04 per share	300,000	300	11,700	-	12,000
Issued for services at $0.04 per share	3,000,000	3,000	117,000	-	120,000
Issued upon conversion of convertible debt at $0.04 per share (Note 7)	184,956	185	7,213	-	7,398
Issued upon conversion of convertible debt at $0.04 per share (Note 7)	230,083	230	8,973	-	9,203
Issued upon conversion of convertible debt at $0.04 per share (Note 7)	115,725	116	4,513	-	4,629
Issued for cash at $0.024 per share	1,750,000	1,750	40,250	-	42,000
Issued for services at $0.08 per share	300,000	300	23,700	-	24,000
Issued for services at $0.08 per share	300,000	300	23,700	-	24,000
Issued for services at $0.08 per share	1,000,000	1,000	79,000	-	80,000
Issued upon conversion of convertible debt at $0.08 per share (Note 7)	125,000	125	9,875	-	10,000
Issued for services at $0.08 per share	7,197,624	7,198	568,612	-	575,810

Issued for cash at $0.024 per share	2,500,000	2,500	57,500	-	60,000
Issued for cash at $0.024 per share	2,083,333	2,083	47,917	-	50,000
Net loss for the year	**-**	**-**	**-**	**(1,148,106)**	**(1,148,106)**
Balance, December 31, 2009	**97,646,320**	**$ 97,646**	**$ 4,490,364**	**$(5,220,580)**	**$(632,570)**
Issued for services at $.02 per share	2,500,000	$ 2,500	$47,500		$50,000
Issued for services at $.02 per share	1,600,000	$1,600	$30,400		$32,000
Rec ben conv feature of note $115K			$95,000		$95,000
Conv of conv debt @ $.0083 per sh	1,204,819	$1,205	$ 8,795		$10,000
Conv of conv debt @ $.009 per sh	833,333	$833	$ 6,667		$ 7,500
Conv of conv debt @ $.0098 per sh	612,245	$612	$ 5,388		$ 6,000
Conv of conv debt @ $.0108 per sh	925,926	$926	$ 9,074		$10,000
Conv of conv debt @ $.0086 per sh	872,093	$872	$ 6,628		$ 7,500
Conv of conv debt @ $.0044 per sh	1,851,852	$1,852	$ 6,366		$ 8,218
Net loss for the year				**$(436,332)**	**$(436,332)**
Balance, Dec 31, 2010	**108,046,588**	**$108,046**	**$4,706,182**	**$(5,656,912)**	**$(842,684)**
Conv of conv debt @ $.0044 per sh	5,181,818	$ 5,182	$23,667		$28,849
Conv of conv debt @ $.0044 per sh	4,347,826	$ 4,348	$19,857		$24,205
Conv of conv debt @ $.0044 per sh.	5,294,118	$5,294	$24,180		$29,474
Net loss for the year				**$(11,878)**	**$(11,878)**
Balance, December 31, 2011	**122,870,350**	**$122,870**	**$4,773,886**	**$(5,668,790)**	**$(772,034)**

S2C GLOBAL SYSTEMS, INC.
(A Development Stage Enterprise)
Consolidated Statements of Cash Flows
(Presented in US dollars)

	Cumulative from Inception May 6, 2004 to December 31, 2011	Year ended December 31, 2011	Year ended December 31, 2010
Cash provided (used) by:			
Operating Activities			
Net loss	(5,656,912)	(11,878)	(436,332)
Adjustments to reconcile net loss to cash used by operating activities:			
Amortization	95,620	2,061	2,215
Shares issued for management and consulting	2,889,481	-	82,000
Forgiveness of debt	(275,564)	-	-
Unrealized foreign exchange loss (gain)	73,738	-	284
Interest accrued	16,958	7,960	9,613
Loss on conversion of debt	13,492	-	-
Loss on impairment of property and equipment	282,520	-	-
Loss from joint venture	129,783	-	75,000
Non-cash interest expense	95,000	-	95,000
Changes in operating assets and liabilities:	-		-
Receivables	(10,334)	-	2,181
Prepaid expenses	(1,500)	1,500	-
Accounts payable and accrued liabilities	592,817		45,032
Net cash used by operating activities	(1,754,901)	(357)	(125,007)
Investing Activities			
Advances to joint venture	(50,000)	-	-
Purchase of equipment	(239,050)	-	-
Advances to related party	-	-	-
Net cash used by investing activities	(289,050)	-	-
Financing Activities			
Loans proceeds	102,823		5,947
Demand promissory notes issued (repaid)	2,529		-
Convertible notes issued	299,567	(82,258)	65,782
Sale of future earnings	199,000		
Shares issued for cash	1,440,389	82,258	49,218
Net cash provided by financing activities	2,044,308	-	120,947
Net increase (decrease) in cash during the development stage	-	(357)	(4,060)
Cash, beginning of period	357	357	4,417
Cash, end of period	357	-	357

December 31, 2011

1.

Nature of Operations and Going Concern

The Company was organized by filing articles of incorporation with the Secretary of State of the State of Nevada on March 19, 2001 as Sun Vacation Club, Inc. There were no operations as Sun Vacation Club, Inc. and on November 21, 2002 the company changed its name to United Athletes, Inc. Although numerous attempts were made to find funding for the Company substantial enough to support operations, in late 2003 management decided to suspend operations and discontinue attempts to raise equity capital. Effective February 8, 2005, the Company changed its name to S2C Global Systems, Inc.

S2C Global Systems Inc. ("S2C Canada") was incorporated in May 2004 in the Province of British Columbia under certificate BC0694405. The main business is the development, manufacture, and marketing of a water dispensing and recycling system for sales in Canada.

As of 2013 the Company has changed its operations to be focused on base and precious metal extraction from ore rich areas primarily in Michoacán, Mexico. The Company has signed a Non-Disclosure Agreement with a Company that has an Iron Ore resource.

S2C Global Systems USA, Inc. ("S2C USA") was incorporated on November 27, 2006 in the State of Nevada. The main business is the marketing of the Company's water dispensing and recycling system for sales in the USA.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. However, the Company was only recently formed and has incurred losses since its inception. These factors raise substantial doubt about the ability of the Company to continue as a going concern. In this regard, management is proposing to raise any necessary additional funds not provided by operations through loans and/or through additional sales of its common stock. There is no assurance that the Company will be successful in raising this additional capital or in achieving profitable operations. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

2.

Significant Accounting Policies

Development Stage Company

The Company is considered to be in the development stage as defined in Accounting Standards Codification ("ASC") Topic 915.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, S2C Global Systems Inc., a British Columbia, Canada Corporation, and S2C Global Systems USA, Inc., a Nevada corporation. All significant inter-company transactions have been eliminated.

2.
Significant Accounting Policies (continued)
c)
Research and development
The Company expenses all research and development costs as incurred.
d)
Equipment
Equipment is recorded at historical cost and depreciated over its estimated useful lives in accordance with generally accepted accounting principles.
The company accounts for impairment of long-lived assets in accordance with ASC Topic 410, which requires that an impairment loss be recorded when the carrying amount of a long-lived asset is not recoverable from its undiscounted cash flows. During the year 2008, the Company has recorded an impairment loss of $282,520 on vending equipment with a historical cost of $361,844.
Depreciation expense for the years 2009 and 2008 was $2,702 and $26,247, respectively.
e)
Foreign currency translation
The Company's functional and reporting currency is the United States Dollar. Monetary assets and liabilities are translated at period end exchange rates; other assets and liabilities have been translated at the rates prevailing at the date of transaction. Revenue and expense items, except for depreciation and amortization, are translated at the average rate of exchange for the year. Depreciation and amortization are converted using rates prevailing at dates of acquisition. Gains and losses from foreign currency translation are included in the statement of operations.
f)
Basic and diluted loss per share
The computation of loss per share is based on the weighted average number of shares outstanding during the period presented in accordance with ASC Topic No. 260, "Earnings per Share"
g)
Financial instruments and fair value measurements
All significant financial assets, financial liabilities, and equity instruments of the Company are either recognized or disclosed in the consolidated financial statements together with information relevant for making a reasonable assessment of future cash flows, interest rate risk, and credit risk. Where practicable the fair values of financial assets and financial liabilities have been determined and disclosed; otherwise, only available information pertinent to fair value has been disclosed.

2.
Significant Accounting Policies (continued)
h)
Income taxes

The Company accounts for income taxes in accordance with ASC Topic No. 740, "Income Taxes." Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss (NOL) and tax credit carry-forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the periods ended December 31, 2009 and 2008, the Company recognized no interest and penalties. The Company had no accruals for interest and penalties at December 31, 2009 and December 31, 2008.

The Company recognizes in the financial statements the impact of an uncertain tax position, if that position is more likely than not of being sustained on examination by taxation authorities, based on the technical merits of the position.

i)
Cash and cash equivalents

For purposes of the statement of cash flows, cash includes demand deposits, saving accounts and money market accounts. The Company considers all highly liquid debt instruments with maturities of three months or less when purchased to be cash equivalents.

j)
Stock-Based Compensation

The Company accounts for stock-based awards using the fair-value method as determined by the Black-Scholes option pricing model. Awards that the Company has the ability to settle with stock are recorded as equity, whereas awards that the Company is required to settle or has the practice of settling in cash are recorded as liabilities. Compensation expense is recognized in the statement of operations over the vesting period.

Awards of common shares are recorded at the fair value of the common stock on the date of issue.

2.
Significant Accounting Policies (continued)
l)
Revenue recognition
The Company recognizes revenue when persuasive evidence of an arrangement exists, when title and risk of ownership have passed, the sales price is fixed or determinable, and collection is probable. Generally for sales of bottled water this will be at the point of sale as all sales are final, there is no right of return, and sales are for cash.
m)
Accounts receivable
The Company records accounts receivable at the lower of cost or fair market value. Management of the Company determines the allowance for doubtful accounts by using historical experience and future expectations applied to aging accounts. Management determined that no allowance for doubtful accounts was required at December 31, 2011, 2010, 2009 and 2008.
3.
Investment in joint venture
During 2008, the Company formed a 50% owned joint venture, Alaska Resources & Management LLC, ("ARM") a limited liability company pursuant to the Alaska Limited Liability Company Law. True Alaska Bottling Corporation ("TAB") holds 42.5% of ARM, and has contributed a Bulk Water Agreement with the City of Sitka, Alaska. The Company has agreed to use its best efforts to sell the Bulk Water available under this agreement.
As of December 31, 2009 and 2008, the Company has advanced $50,000 and $26,000 to ARM, respectively. The Company accounts for the joint venture using the equity method. The Company recognized its 50% share of the loss during 2009 and 2008, which was $50,000 and $4,783, respectively. ARM had no sales, no gross profit and a loss of $100,000 and $9,565 for the years ended December 31, 2009 and 2008.

(Presented in US dollars)

4. Equipment

	December 31, 2011		
	Cost	Accumulated Depreciation	Net Book Value
Computer equipment	$ 2,610	$ 2,610	$ -0-
Bottles	21,929	15,747	6,182
	$ 24,539	$ 18,357	$ 6,182

	December 31, 2010		
	Cost	Accumulated Depreciation	Net Book Value
Computer equipment	$ 2,610	$ 2,610	$ -0-
Bottles	21,929	13,686	8,243
	$ 24,539	$ 16,296	$ 8,243

5. Loans Payable

The Company is indebted to various parties for short term loans amounting to $53,304 (2010 – $46,124), which are due on demand, unsecured, and with interest accrued annually. Of the loans payable, two loans totaling $25,992 are due to current and former officers with and additional that has a principal amount of $15,000. The amount reported includes accrued interest of $12,312.

6. Demand Promissory Notes

	2011	2010
Demand promissory note, due to a company controlled by the president of S2C Canada, bearing interest at 12% per annum	$ 6,500	$ 6,500
Demand promissory note, due to a company controlled by the president of S2C Canada, bearing interest at 12% per annum	-	-
Accrued interest	4,065	3,285
	$ 10,565	$ 9,785

7.
Convertible Promissory Notes

a)
During the year ended December 31, 2008, the Company issued an unsecured convertible promissory note for $5,000, bearing interest at a rate of 15% per annum and due on August 31, 2009. As the market price of the shares was less than the conversion price on the date of issuance, no value was allocated to the conversion feature. On July 21, 2009 the note holder converted the principal amount of the note into 125,000 shares of common stock of the Company. As of December 31, 2009 accrued interest is $727 (2008 – $251).

b)
During the year ended December 31, 2008, the Company issued an unsecured convertible promissory note for $9,852, bearing interest at a rate of 10% per annum and due on August 1, 2009. The note is convertible at a rate of one common share for each $0.04 of principal and accrued interest. As the market price of the shares was less than the conversion price on the date of issuance, no value was allocated to the conversion feature. As of December 31, 2009 accrued interest is $1,437 (2008 – $410). The Company has not paid the principal and interest as it has come due and the note is in default.

c)
During the year ended December 31, 2008, the Company issued an unsecured convertible promissory note for $2,500. The note bears interest at a rate of 10% per annum and was due on June 11, 2009. As the market price of the shares was less than the conversion price on the date of issuance, no value was allocated to the conversion feature. On July 21, 2009 the note holder converted the note, including accrued interest of $277 into 115,725 shares of common stock of the Company.

d)
During the year ended December 31, 2008, the Company issued an unsecured convertible promissory note for $5,000, bearing interest at a rate of 10% per annum and due on August 6, 2009. As the market price of the shares was less than the conversion price on the date of issuance, no value was allocated to the conversion feature. On July 21, 2009 the note holder converted the note, including accrued interest of $292 into 230,083 shares of common stock of the Company.

e)
During the year ended December 31, 2008, the Company issued an unsecured convertible promissory note for $4,000, bearing interest at a rate of 10% per annum and due on July 21, 2009. As the market price of the shares was less than the conversion price on the date of issuance, no value was allocated to the conversion feature. On July 21, 2009 the note holder converted the note, including accrued interest of $439 into 184,956 shares of common stock of the Company.

(Presented in US dollars)

8.
Sale of Future Earnings
The Company has entered into five agreements whereby the Company has agreed to sell an aggregate 19.9% interest in the future net earnings from the sale of bulk water, which is subject to the agreement with Alaska Resource and Management, LLC (Note 3), in exchange for aggregate cash proceeds of $199,000. The amount payable by the Company under these agreements is limited to $3,980,000. Details of each agreement are as follows:

Proceeds	Interest	Minimum Payment	Maximum Payment
$ 50,000	5%	$ 50,000	$ 1,000,000
50,000	5%	50,000	1,000,000
50,000	5%	50,000	1,000,000
25,000	2.5%	25,000	500,000
24,000	2.4%	24,000	480,000
$ 199,000	19.9%	$ 199,000	$ 3,980,000

The term of each agreement ends upon one of the following events:
i.
The buyer receiving the maximum payment;
ii.
The Water License being terminated and the buyer having received at least the minimum payment; or
iii.
The Water License being terminated; the buyer having received less than the minimum payment, and the Company issuing common stock, equal to the minimum payment less any payments made to date, valued using the closing price of the Company's stock on the date of termination of the Water License.

9.
Common Shares
On February 2, 2005, the Company issued 1,266,666 common shares upon the conversion of nine convertible notes payable at $0.062 per shares.
Pursuant to the terms of the reverse takeover acquisition of United Athletes, Inc. on February 2, 2005, the Company issued 15,095,490 common shares with no value attributed.
On June 13, 2005, the Company issued 1,400,000 common shares in exchange for consulting and management services at $0.25 per share.
On June 13, 2005, the Company issued 175,000 common shares in exchange for settlement of accounts payable at $0.10 per share.
On June 13, 2005, the Company issued 85,422 common shares for cash proceeds of $0.25 per share.
On August 10, 2005, the Company issued 225,000 common shares in exchange for consulting services at $0.25 per share.
On September 15, 2005, the Company issued 300,000 common shares in exchange for consulting services at $0.25 per share.

9.
Common Shares (continued)

On September 15, 2005, the Company issued 141,000 common shares for cash proceeds of $0.25 per share.

On October 5, 2005, the Company issued 250,000 common shares in exchange for consulting services at $0.25 per share.

On October 18, 2005, the Company issued 16,000 common shares for cash proceeds of $0.25 per share.

On October 28, 2005, the Company issued 100,000 common shares for cash proceeds of $0.25 per share.

On November 11, 2005, the Company issued 125,000 common shares for a subscription received in February of 2005 of $12,500 or at $0.10 per share.

On January 6, 2006, the Company issued 6,000 common shares in exchange for settlement of accounts payable at $0.25 per share.

On February 9, 2006, the Company received the proceeds to issue 560,000 units at $0.125 per unit, each unit comprised of one common share and one warrant to purchase an additional common share for a period of one year at an exercise price of $0.25. The shares were issued on March 29, 2006.

On February 17, 2006, the Company issued 3,070,000 common shares at a value of $0.05 per share in regards to the commitments noted in Note 12 for management and consulting services accrued in the year ended December 31, 2005.

On February 17, 2006, the Company issued 100,000 common shares in exchange for consulting services at a value of $0.05 per share.

On March 22, 2006, the Company cancelled 150,000 common shares previously issued in July of 2005 at a value of $0.25 per share upon the termination of a consulting agreement.

On May 2, 2006, the Company issued 25,000 common shares in exchange for settlement of accounts payable at $0.125 per share.

On May 31, 2006, the Company issued 144,000 units at $0.125 per unit for gross proceeds of $18,000. Each unit comprised one common share and one warrant to purchase one additional common share for a period of one year until May 31, 2007, at an exercise price of $0.25.

On June 2, 2006, the Company issued 50,000 common shares in exchange for consulting services at a value of $0.14 per share.

On June 9, 2006, the Company issued 100,000 common shares in exchange for consulting services at a value of $0.07 per share.

On June 30, 2006, pursuant to the compensation agreements dated April 1, 2006, the Company issued 2,535,000 common shares in exchange for consulting services at a value of $0.07 per share (see Note 12).

December 31, 2011

9.

Common Shares (continued)

On August 1, 2006, the Company issued 250,000 common shares in exchange for consulting services at a value of $0.07 per share.

On September 29, 2006, the Company issued 171,526 common shares in exchange for a convertible promissory note in the principal amount of $15,000 that was due on September 1, 2006 as full settlement including interest. The shares were valued at $0.10 per share.

On September 29, 2006, the Company issued 100,000 common shares in exchange for consulting services at a value of $0.10 per share.

On September 29, 2006, the Company issued 1,557,600 units at $0.10 per unit for gross proceeds of $155,760 with $100,965 paid in cash and $54,795 as a settlement of a promissory note. Each unit comprised one common share and one warrant to purchase one additional common share for a period of one year until September 30, 2007 at an exercise price of $0.25.

On September 30, 2006, pursuant to the compensation agreements dated April 1, 2006, the Company issued 1,267,500 common shares in exchange for consulting services at a value of $0.07 per share (see Note 12).

On December 11, 2006, pursuant to the compensation agreements dated April 1, 2006, the Company issued 1,267,500 common shares in exchange for consulting services at a value of $0.07 per share (see Note 12).

On December 11, 2006, the Company issued 135,000 common shares in exchange for consulting services at a value of $0.12 per share.

On December 11, 2006, the Company issued 15,000 common shares in exchange for consulting services at a value of $0.13 per share.

On December 27, 2006, the Company issued 100,000 common shares in exchange for consulting services at a value of $0.12 per share.

On December 30, 2006, the Company issued 350,000 common shares in exchange for consulting and management services at a value of $0.12 per share.

On December 31, 2006, the Company cancelled 300,000 common shares previously issued in exchange for consulting services valued at $0.07 per share.

On February 6, 2007, the Company issued 850,000 common shares in exchange for consulting services at a value of $0.10 per share.

On February 28, 2007, pursuant to a compensation agreement, the Company issued 250,000 common shares in exchange for consulting services at a value of $0.08 per share.

On March 6, 2007, the Company issued 120,000 common shares in exchange for consulting services at a value of $0.12 per share.

On March 29, 2007, the Company issued 30,000 common shares in exchange for consulting services at a value of $0.13 per share.

9.

Common Shares (continued)

On March 29, 2007, pursuant to compensation agreements, the Company issued 1,100,000 common shares in exchange for consulting and management services at a value of $0.08 per share.

On May 2, 2007, pursuant to compensation agreements, the Company issued 250,000 common shares in exchange for consulting services at a value of $0.08 per share.

On May 10, 2007 the Company cancelled 400,000 common shares previously issued in February 2007 at a value of $0.10 per share upon the termination of a consulting agreement.

On June 26, 2007, pursuant to compensation agreements, the Company issued 1,350,000 common shares in exchange for consulting services at a value of $0.08 per share.

On June 26, 2007 the Company issued 60,000 common shares in exchange for consulting services at a value of $0.13 per share.

On June 29, 2007, the Company issued 639,296 units at $0.10 per unit in exchange for settlement of loans. Each unit is comprised of one common share and one warrant to purchase an additional common share for a period of six months at an exercise price of $0.25.

On June 29, 2007, the Company issued 7,800,000 units at $0.05 per unit. Each unit is comprised of one common share and one warrant to purchase an additional common share for a period of one year at an exercise price of $0.10 plus a second warrant to purchase an additional common share for a period of two years at an exercise price of $0.15.

On June 29, 2007 the Company issued 179,119 common shares in exchange for settlement of accounts payable at $0.10 per share.

On June 29, 2007 the Company issued 200,000 common shares in exchange for settlement of accounts payable at $0.10 per share.

On June 29, 2007, the Company issued 1,117,540 common shares in exchange for two convertible promissory notes in the principal amounts of $45,000 and $46,930 that were due on September 30, 2007 including interest. The shares were valued at $0.10 per share.

On September 24, 2007, the Company issued 100,000 common shares in exchange for consulting services at a value of $0.13 per share.

On September 24, 2007, pursuant to compensation agreements, the Company issued 1,350,000 common shares in exchange for consulting services at a value of $0.08 per share.

On September 28, 2007, the Company issued 500,000 units at $0.05 per unit. Each unit is comprised of one common share and one warrant to purchase an additional common share for a period of one year at an exercise price of $0.10 plus a second warrant to purchase an additional common share for a period of two years at an exercise price of $0.15.

On October 26, 2007 the Company issued 100,000 common shares in exchange for consulting services at a value of $0.035 per share.

9.

Common Shares (continued)

On October 26, 2007 the Company issued 200,000 common shares in exchange for consulting services at a value of $0.05 per share.

On November 30, 2007 the Company issued 100,000 common shares in exchange for consulting services at a value of $0.035 per share.

On December 4, 2007 the Company issued 200,000 common shares in exchange for repairs and maintenance services at $0.05 per share.

On December 4, 2007 the Company issued 200,000 common shares in exchange for consulting services at a value of $0.05 per share.

On December 21, 2007 the Company issued 1,000,000 common shares for cash proceeds of $0.035 per share.

On December 21, 2007 the Company issued 192,500 common shares for cash proceeds of $0.052 per share.

On December 21, 2007, the Company issued 1,164,625 common shares pursuant to a private placement agreement for cash proceeds at $0.052 per share.

On December 21, 2007, pursuant to compensation agreements, the Company issued 1,100,000 common shares in exchange for consulting services at a value of $0.08 per share.

On December 21, 2007 the Company issued 90,000 common shares in exchange for consulting services at a value of $0.13 per share.

On December 21, 2007, pursuant to compensation agreements, the Company issued 850,000 common shares in exchange for consulting services at a value of $0.034 per share.

On December 21, 2007 the Company issued 25,000 common shares in exchange for consulting services at a value of $0.05 per share.

On January 7, 2008 the Company issued 100,000 common shares in exchange for consulting services at a value of $0.035 per share.

On January 7, 2008 the Company issued 300,000 common shares in exchange for consulting services at a value of $0.0499 per share.

On January 10, 2008, the Company issued 250,000 common shares in exchange for consulting services at a value of $0.047 per share.

On January 16, 2008 the Company issued 555,000 common shares for cash proceeds of $0.036 per share.

On January 22, 2008, the Company issued 60,255 shares for convertible promissory notes in the principal amount of $6,025 valued at $0.10 per share.

December 31, 2011

9.

Common Shares (continued)

On January 22, 2008 the Company issued 500,000 common shares in exchange for directors' fees at a value of $0.05 per share.

On February 5, 2008 the Company issued 100,000 common shares in exchange for consulting services at a value of $0.035 per share.

On April 30, 2008, pursuant to compensation agreements dated January 24, 2007, the Company issued 80,000 common shares in exchange for consulting services at a value of $0.029 per share.

On May 9, 2008 the Company issued 195,313 common shares for cash proceeds of $0.0256 per share.

On June 1, 2008 the Company issued 146,579 common shares in exchange for consulting services at a value of $0.026 per share.

On June 2, 2008, pursuant to compensation agreements dated April 1, 2008, the Company issued 150,000 common shares in exchange for consulting services at a value of $0.03 per share.

On June 2, 2008, the Company received the proceeds to issue 1,666,000 common shares pursuant to a private placement agreement at $0.012 per share.

On June 2, 2008 the Company issued 100,000 common shares in exchange for consulting services at a value of $0.027 per share.

On June 2, 2008, pursuant to compensation agreements dated April 1, 2008, the Company issued 1,000,000 common shares at a value of $0.03 per share.

On June 2, 2008 the Company issued 125,000 common shares as an employee incentive at a value of $0.02 per share.

On August 9, 2008, the Company issued 95,000 common shares for convertible promissory notes in the amount of $6,650 valued at $0.07 per share.

On August 11, 2008, pursuant to compensation agreements dated July 2, 2008 and August 11, 2008, the Company issued 1,400,000 common shares at a value of $0.037 per share.

On August 11, 2008, pursuant to a compensation agreement dated July 11, 2008, the Company issued 300,000 common shares at a value of $0.032 per share to an individual who is an officer and director of the Company.

On August 11, 2008, pursuant to a compensation agreement dated April 1, 2008, the Company issued 150,000 common shares at a value of $0.02 per share.

On August 20, 2008, the Company issued 150,000 common shares for convertible promissory notes in the amount of $10,500 valued at $0.07 per share.

On September 2, 2008, pursuant to a compensation agreement dated September 2, 2008, the Company issued 65,000 common shares at a value of $0.026 per share.

9.

Common Shares (continued)

On September 2, 2008, pursuant to a compensation agreement dated September 2, 2008, the Company issued 400,000 common shares at a value of $0.033 per share.

On September 2, 2008, pursuant to a compensation agreement dated April 1, 2008, the Company issued 349,000 common shares at a value of $0.02 per share.

On September 2, 2008, pursuant to a compensation agreement dated July 7, 2008, the Company issued 100,000 common shares at a value of $0.02 per share.

On September 30, 2008, pursuant to compensation agreements dated July 7, 2008, the Company issued 250,000 common shares at a value of $0.01 per share.

On September 30, 2008, the Company issued 1,250,000 common shares for cash proceeds pursuant to a private placement agreement at $0.04 per share.

On September 30, 2008, pursuant to a compensation agreement dated April 1, 2008, the Company issued 125,000 common shares at a value of $0.02 per share.

On October 13, 2008, pursuant to a private placement agreement, the Company issued 500,000 common shares for cash proceeds of $0.05 per share.

On October 15, 2008, pursuant to a compensation agreement dated July 11, 2008, the Company issued 300,000 common shares at a value of $0.032 per share to the Company's chief financial officer.

On October 15, 2008, pursuant to a compensation agreement dated October 1, 2008, the Company issued 100,000 common shares at a value of $0.09 per share.

On March 20, 2009, the Company issued 925,000 common shares to directors of the Company at a value of $0.04 per share as compensation for the year ended December 31, 2008.

On March 20, 2009, the Company issued 600,000 common shares at a value of $0.04 per share to officers of the Company as executive compensation for the year ended December 31, 2009.

On July 1, 2009, the Company issued 3,000,000 common shares in exchange for consulting services at a value of $0.04 per share.

On July 21, 2009, the Company issued 530,764 shares for convertible promissory notes in the principal amount of $21,230 valued at $0.04 per share.

On August 19, 2009, pursuant to a private placement agreement, the Company issued 1,750,000 common shares for cash proceeds of $0.024 per share.

On August 20, 2009, pursuant to a compensation agreement dated September 11, 2008, the Company issued 300,000 common shares at a value of $0.08 per share.

On August 20, 2009, pursuant to a compensation agreement dated July 11, 2008, the Company issued 300,000 common shares at a value of $0.08 per share.

9.
Common Shares (continued)

On August 20, 2009, pursuant to a compensation agreement dated April 1, 2008, the Company issued 1,000,000 common shares at a value of $0.08 per share.

On August 20, 2009, the Company issued 125,000 shares for convertible promissory notes in the principal amount of $10,000 valued at $0.080 per share.

On August 20, 2009, the Company issued 7,197,624 common shares at a value of $0.08 per share to the president of S2C Canada as settlement of management fees payable relating to the year ended December 31, 2008.

On August 31, 2009, pursuant to a private placement agreement, the Company issued 2,500,000 common shares for cash proceeds of $0.024 per share.

On September 14, 2009, pursuant to a private placement agreement, the Company issued 2,083,333 common shares for cash proceeds of $0.024 per share.

During 2010:

Issued for services at $.02 per share for a total of 2,500,000 shares to compensate for $50,000 in fees.
Issued for services at $.02 per share for a total of 1,600,000 shares to compensate for $32,000 in fees.
Recognized beneficial conv feature of note $115K $95,000
Issued upon conv of conv debt @ $.0083 per sh. For a total of 1,204,819 shares to convert $10,000 in debt
Issued upon conv of conv debt @ $.009 per sh. For a total of 833,333 shares to convert $7,500 in debt
Issued upon conv of conv debt @ $.0098 per sh. For a total of 612,245 shares to convert $6,000 in debt
Issued upon conv of conv debt @ $.0108 per sh. For a total of 925,926 shares to convert $10,000 in debt
Issued upon conv of conv debt @ $.0086 per sh. For a total of 872,093 shares to convert $7,500 in debt
Issued upon conv of conv debt @ $.0044 per sh. For a total of 1,851,852 shares to convert $8,218 in debt

During 2011:

Issued upon conv of conv debt @ $.0044 per sh. For a total of 5,181,818 shares to convert $28,849 in debt
Issued upon conv of conv debt @ $.0044 per sh. For a total of 4,347,826 shares to convert $24,205 in debt
Issued upon conv of conv debt @ $.0044 per sh. For a total of 5,294,118 shares to convert $29,474 in debt

10.
Warrants

As at December 31, 2011, the Company had no (2008 – 745,000) warrants outstanding. During 2009, a total of 745,000 warrants expired.

(Presented in US dollars)

11.
Financial Instruments

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

12.
Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		December 31, 2011		December 31, 2010
Loss before income taxes	$	(11,878)	$	(436,332)

At December 31, 2011 the Company has available net operating losses of approximately $2,262,210 (2010 – $2,250,332) which may be carried forward to apply against future income. These losses will expire commencing in 2014 through 2029.

Future tax benefits, which may arise as a result of applying these deductions to taxable income, have not been recognized in these accounts due to uncertainty as to their realization.

13.
Commitments

The Company is committed to the following:

a)
The Company is committed to pay rent for premises at $3,890 per month through to February 2010. As of March 2010 the Company is on a month to month rental arrangement for its premises.

b)
Effective January 1, 2009 and renewed on January 1, 2010 through December 31, 2010, the Company entered into an executive compensation agreement with the President and Managing Partner of the Company's subsidiaries and joint venture for cash consideration of $150,000 per year.

c)
Effective April 1, 2009 through March 31, 2010, the Company entered into an agreement with a consultant to assist the Company with business development, for consideration of 1,000,000 common shares of the Company.

d)
Effective July 1, 2009 through June 30, 2010, the Company entered into an executive compensation agreement with the Chief Financial Officer of the Company for consideration of 1,200,000 common shares of the Company.

e)
Effective September 1, 2009 through August 31, 2010, the Company entered into an executive compensation agreement with the Chief Executive Officer of the Company for consideration of 1,200,000 common shares of the Company.

f)
Effective October 1, 2009 through September 30, 2011, the Company entered into an executive compensation agreement with the Senior Vice President Business Development Asia of the Company for consideration of 800,000 common shares of the Company.

14.
Related Party Transactions

The related party transactions are as described in Notes 5, 6 and 13. As of December 31, 2011 there was a total of $242,404 included in accounts payable for amounts owing to officers and companies controlled by current and former directors of the Company.

At December 31, 2011 and 2010 there was a total of $8,191 for an account receivable for rent from companies controlled by current and former directors of the Company.

(Presented in US dollars)

December 31, 2011

15.

Segmented Information

Details on a geographic basis as at December 31 are as follows:

	2011	2010
Total Equipment		
USA (33%)	$ 2,040	$ 2,720
Canada (67%)	4,142	5,523
Total	$ 6,182	$ 8,243

16.

Recent Accounting Pronouncements

In June 2009 the FASB established the Accounting Standards Codification ("Codification" or "ASC") as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in accordance with generally accepted accounting principles in the United States ("GAAP"). Rules and interpretive releases of the Securities and Exchange Commission ("SEC") issued under authority of federal securities laws are also sources of GAAP for SEC registrants. Existing GAAP was not intended to be changed as a result of the Codification, and accordingly the change did not impact our financial statements. The ASC does change the way the guidance is organized and presented.

Accounting Standards Update ("ASU") ASU No. 2009-05 (ASC Topic 820), which amends Fair Value Measurements and Disclosures – Overall, ASU No. 2009-13 (ASC Topic 605), Multiple-Deliverable Revenue Arrangements, ASU No. 2009-14 (ASC Topic 985), Certain Revenue Arrangements that include Software Elements, and various other ASU's No. 2009-2 through ASU No. 2010-11 which contain technical corrections to existing guidance or affect guidance to specialized industries or entities were recently issued. These updates have no current applicability to the Company or their effect on the financial statements would not have been significant.

The following accounting standards were issued as of December 26, 2011:

ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820) – Improving Disclosures about Fair Value Measurements.

This ASU affects all entities that are required to make disclosures about recurring and nonrecurring fair value measurements under FASB ASC Topic 820, originally issued as FASB Statement No. 157, *Fair Value Measurements*. The ASU requires certain new disclosures and clarifies two existing disclosure requirements. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years.

ASU 2011-04, ***Fair Value Measurement (Topic 820) – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs***

This ASU supersedes most of the guidance in Topic 820, although many of the changes are clarifications of existing guidance or wording changes to align with IFRS 13. In addition, certain amendments in ASU 2011-04 change a particular principle or requirement for measuring fair value or disclosing information about fair value measurements. The amendments in ASU 2011-04 are effective for public entities for interim and annual periods beginning after December 15, 2011.

17.
Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through the date the financial statements were issued and has determined that there are no additional events to disclose.