

FUSION INTERACTIVE CORP.
(Formerly The Good Water Company, Inc.)
A Development Stage Company

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED

June 30, 2015

(Unaudited, expressed in US dollars)

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FUSION INTERACTIVE CORP.
(Formerly The Good Water Company, Inc.)
A Development Stage Company
CONSOLIDATED BALANCE SHEETS
(Unaudited, expressed in US dollars)

	June 30, 2015	December 31, 2014
	\$	\$
ASSETS		
<i>Current assets</i>		
Cash and cash equivalents	48,412	29,533
Receivables	296,588	409,958
Prepaid expenses	7,246	10,443
Advances receivable	22,659	18,686
Deposits	1,795	1,795
	376,700	470,415
<i>Non-current assets</i>		
Fixed assets, net	275,245	281,530
Goodwill	-	-
	651,945	751,945
LIABILITIES		
<i>Current liabilities</i>		
Accounts payable and accrued liabilities	1,472,390	1,410,360
Deferred revenues	97,840	144,481
	1,570,230	1,554,841
<i>Non-current liabilities</i>		
Notes payable	1,813,208	1,738,216
	3,383,438	3,293,057
SHAREHOLDERS' EQUITY		
Common stock, \$0.001 par value, 750,000,000 authorized, 12,005,305 outstanding as of June 30, 2015	12,005	12,005
Preferred stock, \$0.001 par value, Series A (6,750,000 authorized, 6,750,000 and none shares issued and outstanding as of June 30, 2015	6,750	6,750
Series B (30,000 authorized, 30,000 and none shares issued and outstanding as of June 30, 2015	30	30
Additional paid-in-capital	9,195,540	9,195,540
Accumulated deficit	(11,945,818)	(11,755,437)
	(2,731,493)	(2,541,112)
	651,945	751,945

The accompanying notes form an integral part of the consolidated financial statements

FUSION INTERACTIVE CORP.
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CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, expressed in US dollars)

For the three months ended June 30,	2015	2014
	\$	\$
Revenues	724,433	724,450
Cost of goods sold	216,942	223,431
Gross margin	507,491	501,019
Expenses		
Operating expenses	15,472	46,293
Computer and software	8,319	6,845
Professional and consulting fees	87,015	118,172
Rents	12,679	12,679
Revenue sharing	9,693	8,696
Office expenses	25,541	12,343
Salaries	288,480	273,481
Financial charges	5,112	6,086
Marketing	28,752	21,968
Bad debts expenses	78	1,928
Commissions	55,563	23,764
Insurance	25,565	24,307
Interest expenses	37,596	131,681
Depreciation	3,888	3,283
	603,753	691,526
Net loss before other income	(96,262)	(190,507)
Other income	3,667	5,399
Net loss for the year	(92,595)	(185,108)
Basic and fully diluted loss per share	(0.01)	(0.03)
Weighted average number of shares outstanding	12,005,305	6,327,805

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FUSION INTERACTIVE CORP.
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CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY
For the three months ended June 30, 2015
(Unaudited, expressed in US dollars)

	COMMON STOCK		PREFERRED STOCK Series A		PREFERRED STOCK Series B	
	#	\$	#	\$	#	\$
Balance - December 31, 2012	650,305	65	-	-	-	-
Income (loss) of the year						
Balance - December 31, 2013	650,305	65	-	-	-	-
Reverse takeover transaction		585	6,750,000	6,750	30,000	30
Issuance of shares for software license	10,000,000	10,000				
Issuance of shares for financing costs	1,355,000	1,355				
Income (loss) of the year						
Balance - December 31, 2014	12,005,305	12,005	6,750,000	6,750	30,000	30
Income (loss) for 1 st Qtr 2015						
Income (loss) for 2 nd Qtr 2015						
Balance – June 30, 2015	12,005,305	12,005	6,750,000	6,750	30,000	30

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CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY cont.
For the three months ended June 30, 2015
(Unaudited, expressed in US dollars)

	ADDITIONAL PAID IN CAPITAL \$	ACCUMULATED DEFICIT \$	TOTAL \$
Balance - December 31, 2012	6,320,017	(10,890,461)	(4,570,379)
Income (loss) of the year		(180,726)	(180,726)
Balance - December 31, 2013	6,320,017	(11,071,187)	(4,751,105)
Reverse takeover transaction	2,542,028	555	2,549,948
Issuance of shares for software license	240,000		250,000
Issuance of shares for financing costs	93,495		94,850
Income (loss) of the year		(684,805)	(684,805)
Balance - December 31, 2014	9,195,540	(11,755,437)	(2,541,112)
Income (loss) for 1 st Qtr 2015		(97,786)	(97,786)
Income (loss) for 2 nd Qtr 2015		(92,595)	(92,595)
Balance – June 30, 2015	9,195,540	(11,945,818)	(2,731,493)

The accompanying notes form an integral part of the consolidated financial statements

FUSION INTERACTIVE CORP.
(Formerly The Good Water Company, Inc.)
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CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, expressed in US dollars)

For the three months ended June 30,	2015	2014
	\$	\$
Cash used in operating activities		
Net loss	(92,595)	(185,108)
<i>Adjustments for items not involving cash:</i>		
Interest on notes payable	37,396	36,823
Stock issued for financing costs	-	94,850
Depreciation	3,888	3,283
	(51,111)	(50,152)
<i>Changes in non-cash working capital items:</i>		
Receivables and other	34,142	(63,591)
Prepaid expenses	381	61,990
Advances receivable	(4,697)	(5,461)
Deposits	-	-
Accounts payable and accrued liabilities	74,396	38,627
Deferred revenues	(26,620)	(19,384)
	26,491	(37,971)
Cash used in investing activities		
Acquisition of equipment	(1,379)	(3,129)
	(1,379)	(3,129)
Cash flows from financing activities		
	-	-
Increase (decrease) in cash and cash equivalents	25,112	(41,100)
Cash and cash equivalents, beginning of the quarter	23,300	111,521
Cash and cash equivalents, end of the quarter	48,412	70,421

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FUSION INTERACTIVE CORP.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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1. ORGANIZATION, OWNERSHIP AND BUSINESS

Fusion Interactive Corp. ("Fusion" or the "Company") was incorporated in the State of Washington on March 13, 2000, as Bentley Capital Corporation.com Inc. The Company went through several name and business changes between 2004 and 2014 (as of now The Good Water Company, Inc.). On July 7, 2014 the Company and PhoneFusion, Inc. approved the merger of Fusion Unified Communications, a wholly owned Subsidiary of the Company created for the purposes of the merger and PhoneFusion, both Delaware corporations. PhoneFusion was incorporated in the state of Delaware on July 10, 2007.

The Merger was accounted for as a reverse merger and a recapitalization in accordance with generally accepted accounting principles in the United States of America, or "GAAP". As a result, these condensed financial statements reflect the: (i) historical results of PhoneFusion, Inc. prior to the Merger, (ii) combined results of the Company following the Merger, and (iii) acquired assets and liabilities at their historical cost. The accompanying unaudited consolidated financial statements of Fusion Interactive have been prepared in accordance with accounting principles generally accepted ("GAAP") in the United States of America.

Fusion is a provider of unified communication services. Such services include mobile messaging, call management, VoIP, visual voicemail, audio and video conferencing, automated response and notification, Desktop-as-a-Service, storage, and more, all hosted in a distributed, fault-tolerant, highly performant, flexible cloud environment, managed through an intuitive interface with automated provisioning and easy user management. Fusion provides also critical services that free a business from needing to deploy or maintain its own infrastructure, and allow for easy access to corporate resources from anywhere, at any time, on any device, thus giving rise to our tag line "Virtually Everywhere".

The Company's common stock is quoted on the OTC Pink Market under the symbol "FUIG". As defined by ASC Topic 915, "Development Stage Entities", the company is devoting substantially all of its present efforts to developing its business. All losses accumulated since inception have been considered as part of the Company's development stage activities. Cost of start-up activities, including organizational costs, are expensed as incurred.

In the opinion of management, all adjustments, consisting of normal recurring adjustments (including the adjustments related to the recapitalization pursuant to the reverse merger), necessary for a fair presentation of financial position and the results of operations for the periods presented have been reflected herein.

2. GOING CONCERN DISCLOSURE

The Company's financial statements are prepared using United States generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. As of June 30, 2015 the Company has a working capital deficit of \$1,193,530 and an accumulated deficit of \$11,945,818. These factors raise substantial doubt about its ability to continue as a going concern. The Company will need to raise proceeds from the issuance of debt or equity and increase its operating revenues. There can be no assurance that Fusion can or will be able to complete any debt or equity financing with commercially reasonable terms. The Company's financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements of the Company are prepared in accordance with the United States generally accepted accounting principles ("GAAP"). The accounting policies have been similarly applied throughout all periods presented in the financial statements.

Basis of presentation

The consolidated financial statement of the Company has been prepared using the accrual basis of accounting except for cash flow information, at historical costs and fair values for certain items. Items measured at fair value include cash held in foreign currencies, and share based transactions. Certain comparative figures have been reclassified to conform to the current year's presentation. The Company has elected a calendar accounting period beginning January 1 and ending on December 31 of each year.

Basis of consolidation

The subsidiary is fully consolidated from the date of acquisition and continue to be consolidated until the date control over the subsidiaries ceases. The consolidated financial statements of the Company include the accounts of its 100% wholly owned subsidiary, Fusion Unified Communications, located in the United States of America. All significant inter-company transactions and balances have been eliminated upon consolidation.

Functional and presentation currency

The functional and presentation currency of the Company is the United States (US) dollar. There is no foreign currency transactions and/or operations.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances and investments readily convertible to a known amount of cash with an insignificant risk of changes in value. Normally an investment qualifies as a cash equivalent when it has a short maturity of three-months or less from the date of acquisition.

Receivables

Accounts receivable consist primarily of trade receivables, net of allowance for doubtful accounts. The Company provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Company's estimate is based on historical collection experience and a review of the current status of trade accounts receivable. It is reasonably possible that the Company's estimate of the allowance for doubtful accounts will change.

Fixed assets

Assets acquired in the normal course of business are recorded at original cost and may be adjusted for any additional significant improvements after purchase. The Company depreciates or amortizes the cost evenly over the assets' estimated useful lives, ranging from three to seven years. Upon retirement or sale, the cost

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of the assets disposed of and the related accumulated depreciation are removed from the accounts, with any resultant gain or loss being recognized as a component of operating expense. Furniture and office equipment and software, hardware and computer equipment are recorded at cost less accumulated amortization. The annual amortization is recognized as expense and is calculated using the straight-line method, based on the estimated useful lives of the assets, represented by the following equivalent years of depreciation:

Furniture and office equipment	5 years
Licenses	5 years
Software, hardware and computer equipment	3 years

Revenue recognition

The Company is a provider of telecommunications services to corporate and wholesale clients. The Company will follow the guidance of ASC Topic 605, formerly, SAB 104 for revenue recognition. In general, the Company will record revenue when persuasive evidence of an arrangement exists, services have been rendered, the sales price to the customer is fixed or determinable, and collectability is reasonably assured. Revenues from services are recognized when the services are performed, evidence of an arrangement exists, the fee is fixed and determinable and collectability is probable. In circumstances when these criteria are not met, revenue recognition is deferred until resolution occurs.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period enacted. A valuation allowance is provided when it is more likely than not that a portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and the reversal of deferred tax liabilities during the period in which related temporary differences become deductible. The benefit of tax positions taken or expected to be taken in the Company's income tax returns are recognized in the consolidated financial statements if such positions are more likely than not of being sustained. In accordance with 740-10, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting this standard, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

Segment reporting

The Company operates in a single reportable operating segment – telecommunications. The Company's headquarters are located in Florida, USA.

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Share capital

Common shares issued for non-monetary consideration are recorded at their fair value on the measurement date and classified as equity. The measurement date is defined as the earliest of the date at which the commitment for performance by the counterparty to earn the common shares is reached or the date at which the counterparty's performance is complete. Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Transaction costs directly attributable to the issuance of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

Net income or (loss) per share of common stock

Basic and diluted loss per common share is based upon the weighted average number of common shares outstanding during the period computed under the provisions of Accounting Standards Codification subtopic 260-10, Earnings per Share ("ASC 260-10"). All primary dilutive common shares have been excluded since the inclusion would be anti-dilutive.

Recently issued accounting pronouncements

Management does not believe that any recently issued, but not yet effective accounting standards, if adopted, will have a material effect on Companies consolidated financial statements.

4. SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make judgments, estimates and assumptions based on currently available information that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on managements' experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from those estimated. By their very nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material. In the process of applying the Company's accounting policies, management has made the following judgments, estimates, and assumptions which have the most significant effect on the amounts recognized in the consolidated financial statements:

Depreciation and impairment of fixed assets

Management estimates the useful life of fixed assets for depreciation purposes.

Going concern

The assessment of the Company's ability to raise sufficient funds to finance its operations and administrative expenses involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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Accrued Liabilities

The Company has applied judgment in recognizing accrued liabilities, including judgment as to whether the Company has a present obligation (legal or constructive) as a result of a past event; whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and whether a reliable estimate can be made of the amount of the obligation.

Fair value of financial instruments

Accounting Standards Codification subtopic 825-10, Financial Instruments ("ASC 825-10") requires disclosure of the fair value of certain financial instruments. The carrying value of cash and cash equivalents, accounts payable and accrued liabilities, and short-term borrowings, as reflected in the balance sheets, approximate fair value because of the short-term maturity of these instruments. All other significant financial assets, financial liabilities and equity instruments of the Company are either recognized or disclosed in the financial statements together with other 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.

The company follows Accounting Standards Codification subtopic 820-10, Fair Value Measurements and Disclosures ("ASC 820-10") and Accounting Standards Codification subtopic 825-10, Financial Instruments ("ASC 825-10"), which permits entities to choose to measure many financial instruments and certain other items at fair value

5. SHARE EXCHANGE, REVERSE ACQUISITION AND RECAPITALIZATION

On April 7, 2014, the Company entered into a Share Exchange Agreement with PhoneFusion, a Delaware company ("PF") and all of the holders of the outstanding equity of Fusion Interactive Corp (the "FUIC Shareholders"). Upon closing of the transactions contemplated under the Exchange Agreement the PF Shareholders transferred all of the issued and outstanding equity of PF to the FUIC in exchange for (i) an aggregate of 6,750,000 shares of Series A Convertible Preferred Stock of the OTC and 30,000 shares of Series B Convertible Preferred Stock. Such exchange caused PF to become a wholly owned subsidiary of the Company.

On April 7, 2014 the Company and PhoneFusion, Inc. approved the merger of Fusion Unified Communications, a wholly owned Subsidiary of the Company created for the purposes of the merger and PhoneFusion, both Delaware corporations. The Merger was accounted for as a reverse acquisition and a recapitalization in accordance with generally accepted accounting principles in the United States of America, or "GAAP". As a result, 6,750,000 shares of nonvoting Series "A" convertible preferred stock with \$0.001 par value and 30,000 shares of Series "B" convertible preferred stock with \$0.001 par value with super voting rights were issued.

For accounting purposes, this transaction is being accounted for as a reverse acquisition and has been treated as a recapitalization of Fusion Interactive Corp. with PhoneFusion, Inc. considered the accounting acquirer, and the financial statements of the accounting acquirer became the financial statements of the registrant. The completion of the Share Exchange resulted in a change of control. The Share Exchange was accounted for as a reverse acquisition and re-capitalization. The PhoneFusion Shareholders obtained approximately 51% of voting control on the date of Share Exchange. The consolidated financial statements after the acquisition include the balance sheets of both companies at historical cost, the historical results of PhoneFusion and the

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results of the Company from the acquisition date. All share and per share information in the accompanying consolidated financial statements and footnotes has been retroactively restated to reflect the recapitalization.

6. CASH

Cash and cash equivalents were as follows:

	June 30, 2015	December 31, 2014
	\$	\$
Cash	30,089	28,974
Short term deposits	18,323	558
	48,412	29,533

7. RECEIVABLES

Receivables and other were comprised of the following balances:

	June 30, 2015	December 31, 2014
	\$	\$
Trade receivables	296,666	491,472
Allowance for doubtful accounts	(78)	(81,514)
	296,588	409,958

8. FIXED ASSETS

The fixed assets are comprised of the follow:

	June 30, 2015			December 31, 2014
	Cost	Accumulated depreciation	Net value	
	\$	\$	\$	\$
Furniture and office equipment	11,099	11,026	73	1,263
Licenses	250,000	-	250,000	250,000
Software, hardware and computer equipment	53,149	27,977	25,172	30,267
	314,248	39,003	275,245	281,530

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9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities were comprised of the following balances:

	June 30, 2015	December 31, 2014
	\$	\$
Trade payables	841,960	806,755
Accrued compensation	579,185	560,436
Accrued liabilities	51,245	43,169
	1,472,390	1,410,360

10. NOTES PAYABLE

A note payable of \$200,000 resulted from proceeds received on May 20, 2010 from a third party. These proceeds were used for working capital purposes. Interest on the unpaid balance shall accrue and be paid with the principal upon demand for payment, which shall occur the earlier of: (1) the date the Company closes on a financing of \$500,000 on or before May 20, 2012. The maturity date of the note has been extended by mutual agreement between the Company and the note holder to May 20, 2016. The note bears interest at 10%, is not convertible and is unsecured. During the period from May 20, 2010 (inception) through June 30, 2015, interest expense on the note payable was \$131,804, all of which has been accrued and included in the notes payable. The total amount due of the note payable as June 30, 2015 is \$331,804.

On April 28, 2009 DK Ventures II LLC loaned PhoneFusion \$550,000 pursuant to a convertible term note with an interest rate of 10% per year. The note was convertible at \$1.00 per share subject to certain adjustments. On June 1, 2009, PhoneFusion and DK Ventures entered into a second loan agreement in the amount of \$235,000 on the same terms and conditions as the April 28, 2009 note. Additionally, as part of the transactions, DK acquired Warrants exercisable for common shares of PhoneFusion.

PhoneFusion was required to pay DK accrued interest on July 1, 2010 and September 1, 2010, respectively and in forbearance and modification of such obligations the Company and DK entered into that certain FORBEARANCE AND MODIFICATION AGREEMENT on July 27, 2010. Pursuant to the terms of the First Forbearance Agreement, (i) PhoneFusion paid DK a partial interest payment on the First Note in the amount of \$32,309 and a partial interest payment on the Second Note in the amount of \$25,458; (ii) the interest rate on the First and Second Notes (collectively, the "Notes") were increased effective as of July 1, 2010 to 15% per annum; (iii) the Exercise Price for both the First and the Second Class B Warrants was reduced from \$3.00 per share to \$1.50 per share; and (iv) the payment of the remaining unpaid portion of the accrued interest, together with interest on the principal balance of the Notes (accruing at the revised rate of 15% per annum effective as of July 1, 2010) was extended together with the unpaid principal balance of the Notes to December 1, 2010 (the "Revised Maturity Date").

In February 2013, DK assigned the Note to the PhoneFusion Series of Velocity Partners International LLC. At that time the parties entered into an additional forbearance agreement that extended the Maturity Date to December 1, 2015 and allowed for all principal and accrued and unpaid interest to be payable upon maturity.

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On April 1, 2014, Velocity assigned the DK note to Yvonne Cormier. During the period from inception through June 30, 2015, interest expense on the notes payable was \$585,771, all of which has been accrued and included in the notes payable. The total amount due of the note payable as of June 30, 2015 is \$1,370,771.

11. SHARE CAPITAL

A Authorized Common Stock issued

As of June 30, 2015, 750,000,000 total shares of common stock, par value \$0.001 per share, were authorized and 12,005,305 were issued and outstanding. There is no special voting or economic rights or privileges.

On April 15, 2014, the Company has issued 10,000,000 common shares at \$.07 for the acquisition of a software license worth \$250,000.

On April 16, 2014, the Company has issued 1,355,000 common shares at \$0.07, or \$94,850 for financings costs related to the forbearance of notes payable.

B Authorized Preferred Stock Issued

Series "A" Preferred Stock:

The Company has authorized 6,750,000 shares of Series "A" convertible preferred stock with \$0.001 par value of which 6,750,000 are issued. Each share of Series A Preferred Stock is convertible, at the option of the holder thereof into that number of fully paid and nonassessable shares of Common Stock that have a Fair Market Value, in the aggregate, equal to the Series A Conversion Price. The "Series A Conversion Price" shall initially be equal to \$1.00.

Upon the liquidation, dissolution or winding up on the Company, holders of Series A preferred stock are entitled to receive, out of legally available assets, a liquidation preference of \$1 per share, before any payment or distribution is made to the holders of common stock.

On April 7, 2014 the Company and PhoneFusion, Inc. approved the merger of Fusion Unified Communications, a wholly owned Subsidiary of the Company created for the purposes of the merger and PhoneFusion, both Delaware corporations. The Merger was accounted for as a reverse merger and a recapitalization in accordance with generally accepted accounting principles in the United States of America, or "GAAP". As a result, 6,750,000 shares of Series "A" convertible preferred stock with \$0.001 par value were issued.

Series "B" Preferred Stock:

The Company has authorized 30,000 shares of Series B convertible preferred stock of which 30,000 were issued. The holders or the Company may convert any or all of their shares into common stock at any time. Each share of Series B Preferred Stock is convertible, at the option of the holder, at any time and without the payment of additional consideration by the holder, into that number of fully paid and nonassessable shares of Common Stock equal to 0.1% of the total number of shares of Common Stock outstanding at the Conversion Time.

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12. RELATED PARTY TRANSACTIONS

In addition to share issuances, at present the Company occupies approximately 3,200 rentable square feet and pays monthly rent in the amount of \$3,851.32. This amount is the equivalent of approximately \$15 per square foot per year which is on par with the real estate market place in the surrounding area for comparable premises. The property is owned by a officer and the term of the lease is for 36 months ending July 31, 2016.

The above transaction is in the normal course of operations is the amount of consideration established and agreed to by the related parties.

13. EARNINGS PER SHARE ("EPS")

Basic EPS: basic EPS is computed by dividing net loss for the year by the weighted average number of common shares outstanding during that year.

Diluted EPS: diluted EPS is computed by dividing net loss for a year by the diluted number of common shares. Diluted common shares include the effects of instruments, such as share options, which could cause the number of common shares outstanding to increase.

The Company reported net income (losses) for the quarters ended June 30, 2015 and 2014; the Company has accordingly presented basic and diluted EPS, which are the same, on a single line in the statements of comprehensive loss. Diluted loss per share did not include the effect of share purchase options and warrants as they were anti-dilutive.

14. CAPITAL MANAGEMENT

The Company considers its capital structure to include net residual equity of all assets, less liabilities. The Company currently manages its capital structure and makes adjustments to it, based on cash resources expected to be available to the Company, in order to support the planned operations and development of the business. Management has not established a quantitative capital structure. Capital needs are reviewed on a regular basis by management relative to the stage of development of the business entity.

The Company currently is dependent on externally provided equity financing to fund its future operations and development activities. In order to carry out planned operations and development and fund administrative costs, the Company will allocate its existing capital and plans to raise additional amounts as needed through equity and related party advances if available management reviews the capital management approach on an ongoing basis and believes that this approach is reasonable for the current state of the markets and the business industry. The Company is not subject to externally imposed capital requirements.

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15. FINANCIAL INSTRUMENTS

At June 30, 2015, the Company's financial instruments include cash, receivables, advances and accounts payable for which there are no differences in the carrying values and fair values, due to their short-term nature. The types of risk exposures are detailed below. The Company is required to classify fair value measurements using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – inputs for the asset or liability that are not based on observable market data.

Cash and cash equivalents are measured using Level 1 inputs.

16. FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow and fair value interest rate risk); credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge these risks.

Credit risk: credit risk arises from cash with banks and financial institutions. The Company reduces this risk by dealing with creditworthy financial institutions. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is subject to concentrations of credit risk through cash, and receivables.

Foreign exchange risk: the Company is not exposed to financial risks that arise from fluctuations in foreign exchange rates and the degree of volatility of these rates. All transactions are done in US currency.

Cash flow and fair value interest rate risk: the Company is exposed to fluctuation in its future cash flows arising from changes in interest rates through its variable rate financial assets and liabilities. Liabilities negotiated at a fixed rate expose the Company to fair value interest rate risk.

Market risk: the Company face intense competition across all business segments and key product lines that could adversely affect its market share, service volumes and pricing strategies and, consequently, its financial results. Technology substitution and IP networks, in particular, continue to reduce barriers to entry in the industry. This has allowed competitors to launch new products and services and gain market share with far less investment in financial, marketing, personnel and technological resources than has historically been required. The Company expect these trends to continue in the future, which could adversely affect its growth and financial performance. Adverse movements in the completion and prices may also negatively impact the Company's ability to raise capital and meet its financial commitments.

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Liquidity risk: liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuance. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. The Company has access to sufficient funds to meet its current and foreseeable financial requirements which are due less than thirty (30) days.

17. COMMITMENTS AND CONTINGENCIES

Commencing August 1, 2013 (inception July 10, 2007), The Company leased its office facilities from an officer of the Company under a three-years operating lease agreement expiring July 31, 2016. The following is a schedule by years of future minimum rental payments required under the operating lease that has an initial or remaining noncancellable lease term in excess of one year as of June 30, 2015:

<u>Year ending December 31,</u>	<u>\$</u>
2015	23,108
2016	<u>26,959</u>
Total minimum payments required	<u>50,067</u>

Rent expenses for the operating lease for the period from January 1, 2014 through December 31, 2014 was \$50,113 and from January 1, 2015 through June 30, 2015 was \$25,358.

18. SUBSEQUENT EVENTS

The Board of Directors held a meeting on December 31, 2015 and renominated certain of its board members for re-election. Scott Smith was not nominated for re-election. At the same meeting, the Board of Directors, appointed Philip Ellett as Chief Executive Officer.