GD Entertainment & Technology, Inc.

(formerly Donini, Inc.)

CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2015
(UNAUDITED)

GD Entertainment & Technology, Inc.

(formerly Donini, Inc.)

May 31, 2015
(Unaudited)

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Consolidated Balance Sheets
(Unaudited)

	May 31, 2015	May 31, 2014
ASSETS		
Current Assets		
Trade and other receivables	$ 150,000	$ -
Investment in acquired content rights	775,000	-
Total Current Assets	925,000	-
Goodwill and other intangible assets	255,200	-
Investment in content rights and productions in progress	1,585,000	-
Distribution rights	525,000	-
Investment in subsidiary	149,331	149,331
Trademarks	5,015	5,915
Deposits and prepaid	7,500	-
Total Assets	$ 3,452,046	$ 155,246
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable	$ 106,031	$ 96,548
Accrued liabilities	491,130	320,171
Convertible notes payable	205,940	160,000
Loans from related parties	602,367	138,866
Loans payable	248,000	140,000
Total Current Liabilities	1,653,468	855,585
Notes payable	500,000	500,000
Total Liabilities	2,153,468	1,355,585
Commitments and Contingency		
Stockholders' Deficit		
Preferred Stock: Series A – 10 shares authorized, $0.00001 par value, -0- issued and outstanding	$ -	$ -
Preferred Stock: Series B – 200,000,000 shares authorized, $0.00001 par value, 152,620 shares issued and outstanding	394,230	-
Preferred Stock: Series C – 299,999,990 shares authorized, $0.00001 par value, -0- issued and outstanding	-	-
Common Stock: 3,000,000,000 shares authorized, $0.00001 par value, 330,633 and 447,598,300 shares issued and outstanding as of May 31, 2015, and May 31, 2014, respectively	3,208,169	447,598
Additional Paid-in Capital	6,902,906	6,873,472
Common stock issued as collateral for note payable	(672,000)	(672,000)
Foreign currency translation adjustment	(552,252)	(552,252)
Deficit Accumulated During the Development Stage	(7,982,475)	(7,297,157)
Total Stockholders' Equity (Deficit)	1,298,578	(1,200,339)
Total Liabilities and Stockholders' Deficit	$ 3,452,046	$ 155,246

GD Entertainment & Technology, Inc.

(formerly Donini, Inc.)

Consolidated Statements of Expenses

(Unaudited)

	For the year ended May 31, 2015	For the year ended May 31, 2014
Expenses		
Advertising, marketing and promotion	$ 31,700	$ -
Consulting fees	60,000	-
Depreciation and amortization expenses	300	1,200
General and administrative	65,138	8,055
Legal and accounting	270,000	-
Management fees	250,000	-
Total Operating Expenses	677,138	9,255
Gain (Loss) from Operations	(677,138)	(9,255)
Other Income (Expense)		
Interest expense	(8,180)	(32,720)
Gain on forgiveness	-	-
Total Other Income (Expense)	(8,180)	(32,720)
Gain (Loss) Before Discontinued Operations	(685,318)	(41,975)
Loss from Discontinued Operations	-	-
Net Gain (Loss)	(685,318)	$ (41,975)
Net Loss Per Common Share – Basic and Diluted available to GD Entertainment and Technology, Inc.	$ 0.001	$ 0.00009
Weighted Average Common Shares Outstanding –Basic and Diluted	330,633	447,598,300

Consolidated Statements of Cash Flows
(Unaudited)

	For the year ended May 31, 2015	For the year ended May 31, 2014
Cash Flows From Operating Activities:		
Net gain (loss)	$ (685,318)	$ (41,975)
Adjustment to reconcile net gain (loss) to net cash		
Depreciation and amortization	300	1,200
Changes in operating assets and liabilities:		
Accounts receivable	150,000	-
Accounts payable and accrued liabilities	180,442	33,470
Net Cash Used in Operating Activities	(354,576)	(7,305)
Cash Flows To/From Financing Activities:		
Repayments/Issuance of convertible notes	(640,488)	-
Issuance of preferred stock	423,563	-
Repayments of loans payables	571,501	-
Cash Provided by Financing Activities	354,576	-
(Decrease) Increase in Cash and Cash	-	(7,305)
Cash and Cash Equivalents – Beginning of Year	-	7,305
Cash and Cash Equivalents – End of Year	$ -	$ -

GD Entertainment & Technology, Inc.

(Formerly Donini, Inc.)

Consolidated Statements of Stockholders' Equity (Deficit) (Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Common Stock Issued As Collateral for Note Payable	Accumulated Deficit	Foreign Currency Translation	Total Stockholders' Deficit
Balance – May 31, 27, 2007	61,898,176	$ 61,898	$6,714,271 $	$ (672,000)	$ (7,571,739)	$ (532,405)	$ (1,999,975)
Currency translation adjustment	-	-	-	-	-	(10,773)	(10,773)
Issuance of common shares for debt	36,750,000	36,750	60,750	-	-	-	97,500
Net loss for the year	-	-	-	-	(63,546)	-	(63,546)
Balance – May 31, 2008	98,648,176	$ 98,648	$ 6,775,021	$ (672,000)	$ (7,635,285)	$ (543,178)	$ (1,976,794)
Currency translation adjustment	-	-	-	-	-	3,836	3,836
Effect of 500:1 reverse stock split	(98,450,880)	(98,451)	98,451	-	-	-	-
Issuance of common shares for debt	97,400,000	97,400	-	-	-	-	97,400
Net loss for the year	-	-	-	-	(40,156)	-	(40,156)
Balance – May 31, 2009	97,597,296	$ 97,597	$ 6,873,472	(672,000)	$ (7,675,441)	$ (539,342)	$ (1,915,714)
Issuance of common shares for debt	350,000,000	350,000	-	-	-	-	350,000
Adjustment for fractional shares	1,004	1	-	-	-	-	1
Currency translation adjustment	-	-	-	-	-	(12,910)	(12,910)
Net gain (loss) for the year	-	-	-	-	523,487	-	523,487
Balance – May 31, 2010	447,598,300	$ 447,598	$ 6,873,472	(672,000)	$ (7,151,954)	$ (552,252)	$ (1,055,136)
Net gain (loss) for the year	-	-	-	-	(26,436)	-	(26,436)
Balance – May 31, 2011	447,598,300	$ 447,598	$ 6,873,472	(672,000)	$ (7,178,390)	$ (552,252)	$ (1,081,572)
Net gain (loss) for the year	-	-	-	-	(39,119)	-	(39,119)
Balance – May 31, 2012	447,598,300	$ 447,598	$ 6,873,472	(672,000)	$ (7,217,509)	$ (552,252)	$ (1,120,691)
Net gain (loss) for the year	-	-	-	-	(37,673)	-	(37,673)
Balance – May 31, 2013	447,598,300	$ 447,598	$ 6,873,472	(672,000)	$ (7,255,182)	$ (552,252)	$ (1,158,364)
Net gain (loss) for the year	-	-	-	-	(41,975)	-	(41,975)
Balance – May 31, 2014	447,598,300	$ 447,598	$ 6,873,472	(672,000)	$ (7,297,157)	$ (552,252)	$ (1,200,339)
Effect of 10,000:1 reverse stock split	(2,943,448,300)	(29,434)	29,434	-	-	-	-
Issuance of preferred stock for services	-	-	-	-	-	-	394,230
Issuance of common shares for debt	2,496,180,633	2,790,005	-	-	-	-	2,790,005
Net loss for the year	-	-	-	-	(685,318)	-	(685,318)
Balance – May 31, 2015	330,633	$ 3,208,169	$ 6,902,906	(672,000)	$ (7,982,475)	$ (552,252)	$ 1,298,578

Notes to the Consolidated Financial Statements (Unaudited)

1. Nature of Operations and Basis of Presentation

The Company was incorporated in the State of New Jersey on October 22, 1991 under the name of "PRS SUB VI, INC." On February 6, 2001, the Company amended its Certificate of Incorporation changing its name from PRS Sub VI, Inc. to Donini, Inc. Up until April 1, 2010, and through its subsidiaries, the Company was in the business of franchising pizza delivery businesses. Donini, Inc. had two Canadian subsidiaries, Donini Group, Inc. and Pizzacorp Franchises DTC, Inc., whose purposes were, respectively, to hold and control the intellectual property of the Company and to license the trademarks and oversee the licensed franchisees. Donini Group, Inc. was a wholly-owned subsidiary of the Company and Pizzacorp Franchises DTC, Inc. was a majority-controlled subsidiary of Donini Group, Inc. Through its Canadian subsidiaries, the Company was the franchisor of eight (8) pizza delivery restaurants operating under the trade name "Pizza Donini", with seating of between 23 to 50 seats and one (1) 120-seat, fully-licensed Italian restaurant operating under the trade name "Donini Resto Bar". All units were operated by third parties and were located in the Greater Montreal area, in the province of Quebec, Canada. In 2008, the Company restructured its operations in two ways: first, it ceased all of its production activities and its call center, outsourcing those functions to third parties. The subsidiaries that formerly performed these activities were re-organized in a bankruptcy-type proceeding and liquidated. Secondly, the Company also converted all of its remaining operating units to franchised units, operated by third parties. This further reduced costs, but also substantially reduced gross revenues, which consisted of royalty payments and volume allowances of products to the franchise units. In 2010, the Company disposed of its 2 subsidiaries and all related restaurant assets and incurred a gain of $30,100 from their disposal. From 2010 until September, 2014, the Company continued with its limited franchise operations, recording residual revenues from its franchised units and with an emphasis on consulting in the field of restaurant and franchise operations.

On September 26, 2014, the Company entered into a Letter of Intent with various parties whereby it agreed, if certain conditions were satisfied, to acquire all of the issued and outstanding ownership interests in Golden Dog Productions, LLC ("Golden Dog"), a California-based production company formed on November 15, 2004, in exchange for a majority of the issued and outstanding shares of the Company (the "Merger Agreement"). Pursuant to the Merger Agreement, and on November 16, 2014, the Company incorporated a wholly-owned subsidiary, GD Entertainment and Technology, Inc. ("GDET"), in the State of Nevada for the purposes of merging with and acquiring all of the issued and outstanding ownership interests in Golden Dog and, for the purpose of being the surviving corporation in the Merger Agreement.

On November 21, 2014, the Company effected the Merger Agreement with GDET and assumed the subsidiary's name, GD ENTERTAINMENT & TECHNOLOGY, INC.

BUSINESS OVERVIEW

GD Entertainment and Technology, Inc. ("GDET") began operations in California in 2004, as Golden Dog Productions, LLC, and is an international entertainment and technology corporation which owns, develops, acquires and monetizes media technologies and media intellectual properties. GDET specializes in the development, production and exploitation of multi-platform media and entertainment properties worldwide. GDET has developed significant relationships with major corporations, investors, technologies and production facilities in the US, Canada, Korea, Thailand, China, and Japan.

GDET also owns a substantial amount of assets in children's content on DVDs, TV series' and graphic novels based on well-known and internally developed characters. Over the past 10 years, GDET has created, produced, financed and/or distributed a wide variety of family-friendly content.

GDET began in 2004 providing consulting work to Korean animation production and distribution firms on production strategies involving their U.S. and Canadian counterparts. The business quickly expanded by creating the first co-production partnership between a Korean animation studio and a major North American studio. For the next 10 years, entertainment content production and distribution became the company's primary focus as the company expanded into graphic novels, ebooks, digital video and distribution of home-entertainment services. With its comprehensive U.S.-Asia distribution network, GDET began acquiring rights for specialty content in an aim to expand into independent, family-focused media distribution and rights ownership.

In 2004, GDET secured its first co-production agreement with **Seoul Movie Co. Ltd..,** receiving a $1million advance on the

1. Nature of Operations and Basis of Presentation (continued)

animated DVD, "Conan the Barbarian, Red Nails," a deal which included the distribution rights for Korea and all ancillary rights to the project, which they still control. GDET was responsible for all pre-production, animation production and provided additional production financing for the project. In 2006, GDET provided the animation development work for **Marvel'**s "Fantastic Four" animated series for broadcast TV, on a work-for-hire basis, but provided GDET the opportunity to establish relationships with one of the world's leading animation studios. Also in 2006, GDET provided post-production services on the theatrical animated feature, "Toy Warrior" which was produced by **Seoul Movie** of Korea. GDET also negotiated the distribution deal for this picture with **Hillcrest Distribution** of Los Angeles. GDET still holds worldwide distribution rights for Korea.

During the next several years, GDET expanded its distribution and co-production relationships in Asia, providing distribution and financing for several successful animated TV series from Seoul Movie, including "Tangoo & Ullashong" and "Legend of Blue". These two series production budgets exceeded $5 million, and GDET orchestrated international distribution to China, Japan, Taiwan as well as the U.S. In 2008, GDET arranged the first animated TV series co-production between Korea and China, with the $5.2 million budgeted "My Little Fox" which was co-produced by China Central Television (CCTV) and Seoul Movie. "My Little Fox" was also the first Korean animation studio TV series production broadcast on CCTV.

In 2010, GDET partners with Steve Waterman, the Executive Producer of Casper the Friendly Ghost movie, Stuart Little series and Chipmunk series to produce the animated DVD, The Voyages of Young Dr. Doolittle." This video had a production budget of over $3 million and was distributed by Phase 4 of Canada to all outlets including broadcasting in Canada and HBO. GDET maintains 100% of all Korean distribution rights, and 25% of worldwide and ancillary rights to this property. Also during 2010, and through 2011, GDET developed and produced "The Almighty Bible" graphic novel series, a 10 title graphic novel series based on the stories of the Old and New Testaments. The total budget was $1.8 million with worldwide gross income being over $3,000,000. GDET maintains Western Hemisphere distribution rights to this series. The series was valued at over $5,000,000 by 21st Century Press, a Christian publisher in the U.S. 21st Century has been a Christian book and video distributor for almost 20 years.

During the past several years, GDET has been developing additional intellectual properties and relationships in the family entertainment, media and technology industries. GDET has been in discussions with major Thailand conglomerates and corporations, to partner with them in developing location-based entertainment projects.

On November 27, 2014, GDET signed a co-production agreement with Amaris Media, LLC, for the development, production and distribution of juvenile book titles into digital media and home video products. Amaris is headed by internationally-acclaimed author Bill Myers, whose books and videos have sold over 8 million units in the past decade. Beginning with Mr. Myers "Secret Agent" juvenile book series, GDET and Amaris will produce a multitude of cross-media properties, including a graphic novel, eBooks, and mobile apps. An animated home video will also be produced, with production taking place in Canada, Korea and the U.S. This is the first of several projects in development by GDET and its partners.

On December 9, 2014, GDET entered into an agreement to acquire Toronto-based media company, Eight E Media Inc., a Canadian private marketing and design firm specializing in media and location-based entertainment marketing. Eight E Media Inc. has an agreement in principal to acquire Norflicks Productions Ltd., also of Toronto, Canada. Norflicks boasts a 30 year history of quality film entertainment and a library of classic documentaries and family comedies, including the highly-acclaimed "The Little Vampires" TV series. In addition, GDET and Norflicks have agreed to cooperate on developing additional properties for both theatrical and digital markets. The Norflicks' library includes war documentaries and faith-based assets that have won popular and critical acclaim worldwide. As a result of a death by one of the principals in Norflicks, the negotiations to acquire Eight E. Media, Inc. were suspended to allow for the estate of Norflicks Productions, Ltd. to be settled. GDET plans to restart negotiations to acquire Eight E Media, Inc. in its first quarter 2016.

Today, GDET, driven by its media technology focus, has a growing slate of family-friendly projects in development and ready for production, including a live-stage production directed by award-winning creators of Cirque-style shows, and currently geared towards multiple markets in Asia; an animated feature film under management with a committed multi-million dollar budget; and the co-production of a number of animated programs for children based on a highly successful series of children's books.

1. Nature of Operations and Basis of Presentation (continued)

In April, 2015, GDET announced two separate distribution agreements for its graphic novel properties: "StoneAge Santa" will be distributed by 21st Century Press of Springfield, MO, and "The Son" will be distributed by Dickinson Press, Inc./DPZ of Grand Rapids, MI.

Basis of Presentation

These accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission ("SEC"), and should be read in conjunction with the unaudited financial statements and notes thereto contained in the Company's May 31, 2015 Disclosure Report filed with the OTC Markets. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations have been reflected herein.

Going Concern

These consolidated financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. However, the accompanying financial statements reflect that the Company has incurred significant operating losses and has a working capital deficit of **$728,468** at May 31, 2015. These factors raise substantial doubt regarding the Company's ability to continue as a going concern. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity financing to continue operations. As at May 31, 2015, the Company has accumulated losses of **$7,982,475** since inception. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Significant Accounting Policies

Basic Presentation and Consolidation

These consolidated financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States, and are expressed in US dollars.

Use of Estimates

The preparation of financial statements in conformity with US generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company regularly evaluates estimates and assumptions related to useful life and recoverability of long-lived assets, stock-based compensation, and deferred income tax valuations. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents.

Earnings (Loss) Per Share

The Company computes net earnings (loss) per share in accordance with ASC 260 *"Earnings per Share*". ASC 260 requires presentation of both basic and diluted earnings per share ("EPS") on the face of the income statement. Basic
EPS is computed by dividing net earnings (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method.

Financial Instruments and Fair Value Measurements

2. Significant Accounting Policies (continued)

ASC 820 "*Fair Value Measurements*" requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC 820 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Company's financial instruments consist principally of cash, amounts due from related parties, accounts payable, convertible notes payable, loans payable, loans from related parties, and amounts due to related parties. Pursuant to ASC 820, the fair value of cash equivalents is determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. The Company believes that the recorded values of all of other financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

Income Taxes

The Company accounts for income taxes using the asset and liability method in accordance with ASC 740, "*Income Taxes*". The asset and liability method provides that deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized. The Company has adopted guidance issued by the FASB that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Any interest and penalties related to uncertain tax positions would be recorded as part of income tax expense. No such interest or penalties were incurred in 2014 or 2013.

3. Related Party Transactions

On September 1, 2005, the Company entered into a Convertible Promissory Note with the Company's former CEO for $50,000 ("CEO Loan"), which is included in loans from related parties. The loan bears interest at 8% per annum, compounded annually and was due on September 1, 2006. On January 15, 2008, $2,000, $8,000, $8,000 and $5,500 were assigned to third parties in exchange for debt and, subsequently converted into 2,000,000, 8,000,000, 8,000,000 and 5,500,000 shares of common stock, respectively. At February 28, 2015, a principal balance of $26,500 of the former CEO's Loan remains unpaid, including $25,954 in accrued interest. At February 28, 2015, the Company is indebted to the former CEO of the Company for $91,540 (Canadian Dollars) of a former subsidiary's accounts payables guaranteed by the CEO of the Company.

As at the year ended May 31, 2015, the Company is in default of related party loans amounting to an aggregate principal of $602,367.

Subsequent to the year ended May 31, 2015, the Company entered into a verbal agreement with the Company's former CEO, whereby it was agreed that all related party loans held by the form CEO would be forgiven.

4. Loans payable

a) On November 25, 2005, the Company received $25,000 from a former affiliate of the Company and entered into an unsecured loan agreement, bearing interest at 8% per annum. As of May 31, 2015, the principal balance of $25,000 plus accrued interest of $18,038 remain outstanding and is included in accrued liabilities.

b) On December 27, 2006, the Company received $15,000 and entered into a promissory note agreement with a former affiliate of the Company. Under the terms of the note, the principal of the loan is unsecured and bears 12% interest. As of May 31, 2015, the principal balance of $15,000 plus accrued interest of $14,274 remain outstanding and is included in accrued liabilities.

c) On May 7, 2007, the Company entered into a promissory note in the principal amount of $100,000. Under the terms of the note, the principal of the loan is unsecured and bears 14% interest per annum.

On December 1, 2014, the Company entered into a Purchase and Assumption Agreement ("Assumption Agreement"), whereby the $100,000 note was assigned to a third party and, concurrently, the Company entered into a modified Convertible Promissory Note ("Modified Note"). The modified note bears interest at 5% per annum and is due on December 1, 2015. The modified note is convertible, at any time, in whole or in part, at the note holder's option, into common stock of the Company at an initial conversion price per share equal to 50% of the lowest trading price of the Company's common stock during the previous twenty (20) trading days.

Pursuant to ASC 470-50, "*Debt – Modification and Extinguishment*," it was determined that the original and modified notes are substantially different and the Company treated the original convertible note extinguished and exchanged for a new convertible note. The modified note was initially recorded at fair value and that amount was compared to the carrying value of the original note prior to modification to determine the gain or loss on extinguishment of debt.

The modified note also provides that the principal amount due to original noteholder shall be prorated based on the consideration actually paid by Maker to original noteholder, such that the Maker is only required to repay the amount of consideration and the Maker is not required to repay any unfunded portion of this modified note.

Concurrent with the Assumption Agreement, the original noteholder, the Maker and, the Escrow Agent entered into an Escrow Agreement which provides that $65,000 (less legal and administrative fees of $500) be held in escrow.

On December 5, 2014, December 13, 2014, and January 7, 2015, the Company issued 44,000,000, 40,000,000, and 26,000,000 shares of common stock, respectively, upon the conversion of the principal amount of $11,000 at a conversion price of $0.0001 per share and, $11,000 was released from escrow to the original noteholder.

On February 13, 2015, the Company issued 65,000,000 shares of common stock upon the conversion of the principal amount of $6,500 at a conversion price of $0.0001 per share and, $6,500 was released from escrow to the original noteholder.

On March 26, 2015, the Company issued 212,000,000 shares of common stock upon the conversion of the principal amount of $10,600 at a conversion price of $0.00005 per share and, $10,600 was released from escrow to the original noteholder.

As of May 31, 2015, a principal balance of $36,900 and accrued interest of $105,933 remain outstanding and is included in accrued liabilities.

As May 31, 2015, the Company is in default of loans amounting to an aggregate principal of $248,000.

5. Convertible Notes Payable

a) On July 23, 2004, the Company borrowed $250,000 and entered into an 8%, 5-year Promissory Note. The Note is guaranteed by the Company. The Promissory Note is payable in monthly installments of $5,054, including interest commencing in October 2004 through September 2009.

On September 2, 2009, a portion of the Promissory Note was assigned to a third party and the Company issued 6,000,000 shares of common stock upon the conversion of the principal amount of $6,000.

5. Convertible Notes Payable (continued)

On January 15, 2010, portions of the Promissory Note were assigned to third parties and the Company issued 32,000,000, 22,000,000, 2,500,000 and 5,500,000 shares of common stock upon the conversion of the principal amounts of $32,000, $22,000, $2,500 and $5,500, respectively.

On November 18, 2014, $42,500 of the Note was assigned to a third party and the assignee subsequently converted the assigned amount into 42,500,000 shares of the common stock of the Company.

On December 9, 2014, $40,000 of the Note was assigned to a third party pursuant to a Debt Securities Assignment and Purchase Agreement and Securities Exchange and Settlement Agreement ("Debt Assignment"). Pursuant to the Debt Assignment, the Assignee is permitted to convert any portion of the assigned debt at any time until the assigned Note is no longer outstanding. Further, the Assignee is permitted to receive eligible conversions at the lesser of $0.0004 or a 50% discount from the lowest intra-day trading price for the 20 days prior to a conversion notice submitted to the Company's Transfer Agent. On December 18, 2014, the Company issued 53,350,000 shares of common stock upon the conversion of the principal amount of $5,350 at a conversion price of $0.0001 per share. A principal balance of $34,650 remains outstanding after said conversion.

On January 29, 2015 $5,000 of the Note was assigned to a third party and the assignee subsequently converted a portion of the assigned amount into 164,500,000 shares of the common stock of the Company.

As at year ended May 31, 2015, a principal balance of $67,500on the original Promissory Note and accrued interest of $168,166 remain unpaid.

b) On June 7, 2004, the Company entered into a Securities Purchase Agreement with Global Capital Funding Group, L.P. ("Global"), whereby Global purchased a $1,500,000 convertible note (the "Note") for $1,200,000. The Note was secured by the Company's accounts receivable, inventory, property and equipment, and general tangibles and matured on June 7, 2007.

Pursuant to the agreement, the Company issued a warrant to Global to purchase 500,000 shares of common stock as additional finance costs. In addition, the Company issued a warrant to an unrelated corporation to purchase 50,000 shares of common stock as a finder's fee. Both warrants were exercisable at $0.495 per share and expired on June 7, 2009.

On October 1, 2004, the Company and Global entered into an Exchange Agreement whereby the Note was exchanged for a new note (the "new Note") in the amount of $1,540,000. The New Note matured on June 7, 2006 and was secured by a first lien on the Company's non-real estate assets and the issuance and pledge of 8,400,000 shares of common stock. The effective interest rate on the New Note is 13%.

Other terms under the New Note are as follows:

i) As long as there is no event of default (as defined), the Company may, at its option, prepay the New Note at a price equal to the outstanding principal amount of the New Note, $40,000 of liquidating damages and all accrued and unpaid interest.

ii) Global has the right to convert the New Note into shares of common stock upon an event of default (as defined) or at any time following June 7, 2005 at the following conversion price – (a) Principal amount being converted together with the accrued and unpaid interest through the date of conversion divided by (b) 100% of the three lowest bid prices during the twenty (20) trading days immediately preceding the date of conversion. Global can only convert (other than due to an event of default) if the price of the Company's common stock is equal to or greater than $0.60 per share at the time of conversion.

During the quarter ended August 31, 2009, Global instituted a lawsuit in the United States District Court of New Jersey to collect on its defaulted loan. The Company subsequently filed an Answer to the Complaint. During the following quarter ended November 30, 2009, the Company and Global settled, in principal, their lawsuit and all disputes on the following terms:

i) The Company shall pay Global a total principal amount of $500,000 in two (2) years, evidenced by an interest-free note ("Interest-Free Note");

i) Global shall retain its 16,800 (post 1:500 split) common shares, held as security, which shall be returned upon payment of the Interest-Free Note;

ii) Global shall return the 16,800 shares upon the payment of the first $25,000 due on the Note;

iii) The matter has been settled and an Order was entered reflecting the same.

As at May 31, 2015, the principal balance of $500,000 on the Interest-Free Note remains unpaid.